NEW ISSUES — BOOK-ENTRY-ONLY

RATINGS: Moody's: A2
S&P: A

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 23, 2019

In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming compliance with certain tax covenants, interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions and, further, interest on the Series 2019A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that assuming interest on the Series 2019A Bonds is so excludable for federal income tax purposes, the interest on the Series 2019A Bonds is exempt from income taxation under the laws of the State of Arizona. See "TAX EXEMPTION" herein. Bond Counsel expresses no opinion as to the exclusion from gross income of interest on the Taxable Bonds from gross income for federal and State of Arizona income tax purposes. See "CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS WITH RESPECT TO THE TAXABLE BONDS" herein.

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

$234,490,000*
Rental Car Facility Charge
Revenue Bonds,
Series 2019A (Non-AMT)

$78,715,000*
Rental Car Facility Charge
Revenue Refunding Bonds,
Taxable Series 2019B

Dated: Date of Delivery **Due: July 1, as shown on inside front cover**

The principal of and premium, if any, on the Rental Car Facility Charge Revenue Bonds, Series 2019A (the *"Series 2019A Bonds*") and Rental Car Facility Charge Revenue Refunding Bonds, Taxable Series 2019B (the *"Taxable Bonds"* and together with the Series 2019A Bonds, the *"2019 Bonds"*) will be paid by U.S. Bank National Association, as trustee (the "*Trustee*," also referred to herein as the *"Bond Trustee,"* "*Registrar*," and the "*Paying Agent*"). The 2019 Bonds will be issued as fully registered bonds in amounts of $5,000 each or any integral multiple thereof of principal due on specified maturity dates. The 2019 Bonds, when issued, will be registered in the name of The Depository Trust Company ("*DTC*") or its nominee and will be available to purchasers initially only through the book-entry-only system maintained by DTC. So long as the book-entry-only system is maintained, no physical delivery of the 2019 Bonds will be made to the ultimate purchasers thereof and all payments of principal of and premium, if any, and interest on the 2019 Bonds will be made to such purchasers through DTC. Interest on the 2019 Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 2020, by the Trustee. The 2019 Bonds are being issued pursuant to a Bond Indenture, dated as of December 1, 2019, between the City of Phoenix Civic Improvement Corporation (the "*Corporation*") and the Trustee.

The 2019 Bonds are subject to redemption prior to maturity as described herein.

The 2019 Bonds are special revenue obligations of the Corporation and are payable solely from certain payments required to be paid by the City of Phoenix, Arizona (the *"City"*) to the Corporation pursuant to a City Purchase Agreement dated as of December 1, 2019 (the *"City Purchase Agreement"*). The obligation of the City to make certain payments under the City Purchase Agreement is secured by a first priority pledge of Pledged Revenues (as defined herein) to be derived primarily from daily usage fees (the *"Customer Facility Charges"*) to be paid by rental car customers arriving at Phoenix Sky Harbor International Airport (the *"Airport"* or *"Sky Harbor"*) and to be charged, collected and remitted by rental car companies (the *"Companies"*) obtaining customers at the Airport and the funds and accounts established under the Bond Indenture dated as of December 1, 2019 between the Corporation and the Trustee, including a Parity Reserve Fund, a Debt Service Coverage Fund and an Improvement Reserve/Surplus Fund. **The obligation of the City to make payments under the City Purchase Agreement is absolute and unconditional but does not constitute a pledge of the full faith and credit, or the ad valorem taxing power of the City or of other revenues generated by the Airport System (as defined herein).** Payment of principal of and interest on the 2019 Bonds is not guaranteed by any of the Companies and no revenues, profits or property of the Companies are pledged as security for the 2019 Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.

This cover page contains only a brief description of the 2019 Bonds and the security therefor, and is designed for quick reference only. This cover page is not a summary of all material information with respect to the 2019 Bonds or of investment risks involved with the purchase of the 2019 Bonds, and investors are advised to read this entire Official Statement, giving particular attention to the matters discussed under "CERTAIN BONDHOLDERS' RISKS," in order to obtain information essential to making an informed investment decision.

The 2019 Bonds are offered when, as and if issued and received by the Underwriters, and subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel, as to validity, and tax exemption with respect to the Series 2019A Bonds. Certain legal matters will be passed upon for the Underwriters by Squire Patton Boggs (US) LLP, counsel to the Underwriters. It is expected that the 2019 Bonds will be available for delivery in book-entry-only form through the facilities of DTC on or about December , 2019.

Jefferies

Barclays **Loop Capital Markets**

Stern Brothers & Co.

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* Subject to change.

MATURITY SCHEDULE

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

$234,490,000*
Rental Car Facility Charge Revenue Bonds,
Series 2019A (Non-AMT)

Maturity July 1	Principal Amount	Interest Rate	Price or Yield	Maturity July 1	Principal Amount	Interest Rate	Price or Yield
2029	$ 655,000			2038	$14,605,000		
2030	9,885,000			2039	15,335,000		
2031	10,380,000			2040	16,100,000		
2032	10,895,000			2041	16,905,000		
2033	11,440,000			2042	17,750,000		
2034	12,015,000			2043	18,640,000		
2035	12,615,000			2044	19,570,000		
2036	13,245,000			2045	20,550,000		
2037	13,905,000						

$ % Term Bonds due July 1, , Price %

$78,715,000*
Rental Car Facility Charge Revenue Refunding Bonds,
Taxable Series 2019B

Maturity July 1	Principal Amount	Interest Rate	Price or Yield	Maturity July 1	Principal Amount	Interest Rate	Price or Yield
2020	$2,895,000			2025	$8,450,000		
2021	7,565,000			2026	8,705,000		
2022	7,770,000			2027	8,970,000		
2023	7,985,000			2028	9,260,000		
2024	8,210,000			2029	8,905,000		

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* Subject to change.

CITY OF PHOENIX, ARIZONA

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

Michael R. Davis
President and Director

Bruce Covill
Vice President and Director

James H. Lundy
Secretary-Treasurer and Director

Barbara Barone
Director

Rosellen Papp
Director

Marian Yim
Director

CITY OF PHOENIX, ARIZONA
MAYOR AND CITY COUNCIL

Kate Gallego, *Mayor*

Jim Waring, *Vice Mayor*
District 2

Thelda Williams, *Member*
District 1

Debra Stark, *Member*
District 3

Laura Pastor, *Member*
District 4

Betty Guardado, *Member*
District 5

Sal DiCiccio, *Member*
District 6

Michael Nowakowski, *Member*
District 7

Carlos Garcia, *Member*
District 8

ADMINISTRATIVE OFFICIALS

Ed Zuercher
City Manager

Milton Dohoney, Jr.
Assistant City Manager

Deanna Jonovich
Assistant City Manager

James E. Bennett
Director of Aviation Services

Denise M. Olson
Chief Financial Officer

Cris Meyer
City Attorney

Denise Archibald
City Clerk

SPECIAL SERVICES

GREENBERG TRAURIG, LLP
Phoenix, Arizona
Bond Counsel

LEIGHFISHER INC.
Cincinnati, Ohio
Airport Consultant

FRASCA & ASSOCIATES, LLC
New York, New York
Financial Advisor

SAMUEL KLEIN AND COMPANY
Newark, New Jersey
Verification Agent

U.S. BANK NATIONAL ASSOCIATION
Phoenix, Arizona
*Trustee, Bond Registrar
and Paying Agent*

This Official Statement does not constitute an offering of any security other than the original offering of the 2019 Bonds of the Corporation identified on the cover page hereof. No person has been authorized by the Corporation, the City, the Financial Advisor or the Underwriters to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the Corporation, the City, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the 2019 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Corporation or the City since the date hereof. There is no obligation on the part of the City or the Corporation to provide any continuing secondary market disclosure other than as described herein under the heading "CONTINUING DISCLOSURE" and in "APPENDIX H — Form of Continuing Disclosure Undertaking."

Upon issuance, the 2019 Bonds will not be registered by the Corporation, the City or the Underwriters under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the 2019 Bonds for sale.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The City currently maintains an investor relations website, which includes information specific to the City's Aviation Department. However, unless specifically incorporated by reference herein, the information presented on the website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2019 Bonds.

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OFFICIAL STATEMENT
Relating To

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

$234,490,000*	**$78,715,000***
Rental Car Facility Charge Revenue Bonds, Series 2019A (Non-AMT)	**Rental Car Facility Charge Revenue Refunding Bonds, Taxable Series 2019B**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices attached hereto, is to set forth certain information concerning the City of Phoenix Civic Improvement Corporation (the "*Corporation*"), the City of Phoenix, Arizona (the "*City*") and the captioned bonds (the "*2019 Bonds*"). The offering of the 2019 Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the 2019 Bonds. Accordingly, prospective 2019 Bond purchasers should read this entire Official Statement before making their investment decision.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The Corporation and the City warrant that this Official Statement contains no untrue statements of a material fact and does not omit any material fact necessary to make such statements, in light of the circumstances under which this Official Statement is made, not misleading. The presentation of financial and other information is intended to show recent historical information and, except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

References to provisions of Arizona law, whether codified in the Arizona Revised Statutes (A.R.S.) or uncodified, or to the Arizona Constitution, are references to current provisions. Those provisions may be amended, repealed or supplemented.

References in this Official Statement to *"Parity Obligations"* shall include any other obligations secured on a parity of lien basis by Pledged Revenues, including the obligation of the City to make payments under the City Purchase Agreement.

References to "*Bonds*" shall include the 2019 Bonds and Parity Obligations. For the definitions of certain capitalized terms used in this Official Statement and for certain provisions of the City Purchase Agreement dated as of December 1, 2019 (the *"City Purchase Agreement"*), Ordinance No. G-4375 adopted by the Mayor and Council of the City on July 5, 2001, as amended to date and as further supplemented and amended from time to time (the *"CFC Ordinance"*), the Bond Indenture, dated as of December 1, 2019 (the *"Indenture"*) between the Corporation and U.S. Bank National Association as trustee (the *"Trustee"*), pursuant to which the 2019 Bonds are being issued, and the lease and concession agreements with the rental car companies, see "APPENDIX F — Summary of Certain Provisions of Legal Documents".

THE AIRPORT

General

The City owns and operates, through its Aviation Department, Phoenix-Sky Harbor International Airport (the "*Airport*" or *"Sky Harbor")* and two general aviation airports, Phoenix-Goodyear Airport and Phoenix-Deer Valley Airport (collectively with Sky Harbor, the *"Airport System").* The City has operated the Airport as a self-supporting enterprise since 1967.

* Subject to change.

Sky Harbor, located approximately four miles east of the downtown Phoenix area, was established in 1935. Sky Harbor is the only Arizona airport designated as a large hub by the Federal Aviation Administration (the *"FAA")* and is the principal commercial service airport serving metropolitan Phoenix and most of the State's population. There is no other U.S. large-hub commercial service airport within a five-hour driving distance of Phoenix, with the closest being Las Vegas' McCarran International Airport (290 miles to the northwest). In fiscal year 2018-19, Sky Harbor served 22.8 million enplaned passengers. During fiscal year 2018-19 airline service at Sky Harbor was provided by Air Canada, Alaska, American, Boutique Air, British Airways, Condor, Compass (Delta Connection), Delta, Frontier, Great Lakes, Hawaiian, Jazz Aviation, JetBlue, Mesa Airlines (American Eagle and United Express), SkyWest (American Eagle, Delta Connection, and United Express), Southwest, Spirit, Sun Country, United, Volaris and WestJet. Sky Harbor served 434,942 commercial, general aviation and military aircraft operations in fiscal year 2018-19.

Sky Harbor currently has three passenger terminal buildings, Terminals 2, 3, and 4. Collectively, the three terminals provide a total of 100 passenger hold rooms and 100 associated aircraft parking positions (gates). Terminal 2 contains approximately 330,000 square feet and 9 gates. Terminal 3 contains approximately 639,000 square feet and 10 gates. Upon completion of the Terminal 3 Modernization project, it will contain approximately 710,000 square feet and 25 gates. Terminal 4 contains approximately 2.3 million square feet and 81 gates. American Airlines and Southwest Airlines, the two largest carriers at Sky Harbor, and all international carriers, operate exclusively from Terminal 4. As of August 2019, Sky Harbor had approximately 26,000 public and employee parking spaces. A consolidated rental car facility is located on a 141-acre site, with approximately 5,600 ready/return garage spaces and a 113,000 square foot customer service building (the *"Rental Car Center").* Sky Harbor has three parallel air carrier runways supported by a network of taxiways, aprons, and hold areas.

The City also serves the area's general aviation traffic activity through the two reliever airports that it owns and operates. Phoenix-Deer Valley Airport is located in the northern part of the City and Phoenix-Goodyear Airport is located west of the City. These two general aviation facilities handled, in aggregate, 539,340 operations in fiscal year 2018-19. Phoenix-Deer Valley Airport and Phoenix-Goodyear Airport are part of the Airport System for the purpose of issuing obligations payable from revenues of the Airport System, less expenses of operation and maintenance ("*Net Airport Revenues*"). Such obligations payable from Net Airport Revenues *("Senior Lien Obligations"),* as well as obligations payable from Net Airport Revenues, after payment of debt service on Senior Lien Obligations ("*Designated Revenues*") *("Junior Lien Obligations"),* and Junior Subordinate Lien Obligations (as defined herein) payable from Junior Subordinate Lien Revenues (as defined herein) can be issued for improvements at Sky Harbor, as well as Phoenix-Deer Valley Airport and Phoenix-Goodyear Airport. The revenues of these two reliever airports, along with the revenues of Sky Harbor, are Airport Revenues (as defined herein) which form the basis of determining Net Airport Revenues, which are pledged to the payment of principal of and interest on Senior Lien Obligations, Designated Revenues, which are pledged to the payment of principal of and interest on Junior Lien Obligations, and Junior Subordinate Lien Revenues, which are pledged to the payment of Junior Subordinate Lien Obligations. None of the Net Airport Revenues are pledged for the payment of principal of and interest on the 2019 Bonds.

In fiscal year 2006-07, the City entered into an intergovernmental agreement with the City of Mesa, the Town of Queen Creek, the Town of Gilbert and the Gila River Indian Community to become a voting member of the Phoenix-Mesa Gateway Airport Authority, which owns and operates Phoenix-Mesa Gateway Airport. Phoenix-Mesa Gateway Airport is located approximately 30 miles east of Sky Harbor and serves as a commercial reliever airport offering an average of 16 daily flights to 38 cities on Allegiant Air, California Pacific Airlines, Flair Air, Swoop and WestJet, as of June 2019. The revenues of Phoenix-Mesa Gateway Airport are not included in the definition of Airport Revenues and cannot be pledged for the payment of principal and interest on the Senior Lien Obligations, Junior Lien Obligations or Junior Subordinate Lien Obligations. Further, the revenues of Phoenix-Mesa-Gateway Airport are not included in the definition of Pledged Revenues and are not pledged to the payment of principal or interest of the 2019 Bonds.

Airport System Management

Direct supervision of the Airport is exercised by the Aviation Department. Management of the Airport is led by the Director of Aviation Services with 891 full-time equivalent employees as of July 1, 2019. The Director of Aviation Services currently reports to an Assistant City Manager.

Deanna Janovich, Assistant City Manager, has worked for the City since 2000. Ms. Janovich previously served as Deputy City Manager. Prior to joining the City Manager's Office she was the Human Services Director and has worked in a variety of management positions in the Human Services Department. Prior to joining the City, she was the Community Services Director for four years in Gila County where she assisted with the creation of the first Arizona Fuel Fund to assist low-income individuals and families with utility assistance. Ms. Janovich has a master's degree in administration and an undergraduate Bachelor of Science in Business Administration, both from Northern Arizona University. Ms. Janovich remains very active in the community and currently serves on the Arizona Coalition to End Homelessness, Valley of the Sun United Way Hunger Council, Build Arizona Steering Committee, Local Initiative Support Corporation, Maricopa Association of Governments Technical Committee, and Neighborhood Housing Services.

James E. Bennett, Director of Aviation Services, began his current role for the City in October 2015. In a career spanning nearly 35 years, Mr. Bennett has served as President and Chief Executive Officer of the Metropolitan Washington Airports Authority, operating Ronald Reagan Washington National and Washington Dulles International Airports. He also worked in private industry as chief executive officer for the Abu Dhabi Airports Company overseeing five airports within the Emirate of Abu Dhabi and as president of his own consulting firm providing consultation for both foreign and domestic transportation companies. From 1988 to 1996, Mr. Bennett was Phoenix's Assistant Aviation Director assisting with successful community discussions leading to a third runway at Sky Harbor, overseeing the construction and development of Sky Harbor's Terminal 4 and supervising the Airport's finance, engineering, planning and maintenance operations, among other duties. Mr. Bennett has a Bachelor's of Aviation Management degree from Auburn University and a Master of Public Administration degree from the University of Michigan. His numerous professional affiliations include being the former chairman of the American Association of Airport Executives and past president of the Arizona Airports Association. Airports Council International – North America (ACI-NA) awarded Mr. Bennett with the 2019 Excellence in Visionary Leadership Award. This award recognizes the leadership of an airport CEO who best exemplifies nine core competencies, including people practice expertise, relationship management, consultation, leadership and navigation, communication, global and cultural effectiveness, ethical practice, critical evaluation, and business acumen.

Deborah Ostreicher, Assistant Aviation Director, was appointed to this position in 2015 and has been with the Aviation Department since 1996. In her role as Assistant Aviation Director, she oversees Air Service Development, Human Resources, Contracts and Services, Technology, Planning, Environmental and Public Relations. Prior to joining the airport, Ms. Ostreicher spent a decade working in Europe and the Middle East, holding positions that included Marketing Director for MicroAge Computers Central Europe and Marketing Manager for Prince Charles in London. Ms. Ostreicher serves on a variety of community and industry boards and is currently the incoming Chair of the Arizona Lodging and Tourism Association, Chair of the Tempe Tourism Office and Emeritus board member of New Pathways for Youth. She earned her Bachelor of Science degree at the University of Maryland and her MBA in International Business from the American University in Washington, D.C.

Charlene Reynolds, Assistant Aviation Director, was appointed to this position in September 2017. In her current role she oversees the Business & Properties, Contracts & Services and Design & Construction divisions. Previously she was the Deputy Aviation Director for Contracts & Services. Prior to the Aviation Department, Ms. Reynolds served in various other positions with several City Departments including the Street Transportation Department, the Phoenix Convention Center, the Phoenix City Manager's Office and the Community and Economic Development Department. Before she began her employment with the City, Ms. Reynolds held positions at Entranco Engineers and Valley Metro. During her employment with the City, Ms. Reynolds has been awarded two Employee Excellence Awards for her work on the Take Back Your Neighborhood, Prevent Gun

Violence and the Community and Engagement Task Force projects. In 2015, she was awarded the Jerome E. Miller Award which recognizes a single employee each year for their overall contributions to the City and their role as a mentor to others. Ms. Reynolds holds a bachelor's degree from the University of Phoenix and a Master of Business Administration degree from the Keller Graduate School of Management at DeVry University.

Sarah Demory, Assistant Aviation Director, was appointed to this position in November 2017. In this role, she oversees Operations, Public Safety Services, General Aviation, and Facilities and Services. Prior to joining the City, Ms. Demory served as Airport Deputy Director for Operations and Security at Boise Idaho Airport, and held positions in operations and emergency management at Seattle-Tacoma International Airport. Ms. Demory has a commercial pilot license and is an Accredited Airport Executive with the AAAE. She is also an AAAE Certified Member, Certified Airport Security Coordinator and Airport Certified Employee — Operations. Ms. Demory holds a Bachelor of Business Administration degree and a Master of Science in Aviation degree from the University of North Dakota.

Brad Holm, Assistant Aviation Director and General Counsel, began his current role in January 2019. Prior to joining the Aviation Department, Mr. Holm served as the Phoenix City Attorney from August 2015 through 2018. Before joining the City, Mr. Holm worked in private practice where he emphasized construction, architect and engineer liability, and environmental matters. Mr. Holm has served as a judge pro tempore for Maricopa County Arizona Superior Court and is also an adjunct professor of law at Arizona State University Sandra Day O'Connor College of Law, where he teaches eDiscovery and digital evidence. Mr. Holm holds a Political Science degree and a Juris Doctor degree from Brigham Young University.

Finance Department Management

The City's Finance Department oversees the issuance of debt and performs certain accounting, financing, treasury and related functions for the Airport. The Finance Department is led by the Chief Financial Officer.

Denise Olson, Chief Financial Officer, was appointed Chief Financial Officer in November 2015. Ms. Olson began her career with the City in 1994 in the Finance Department, working as an economist in the Utilities Accounting Division and the Financial Accounting and Reporting Division. She became Deputy Finance Director in 2006, and was promoted to Assistant Finance Director in 2012. Throughout her career she has managed financial planning, financial systems applications and support, procurement, city controller functions, financial accounting and reporting and has been involved in the planning and issuances of debt to fund capital expenditures. Ms. Olson has a bachelor's degree in Business Administration with majors in Human Resources and Economics from New Mexico State University, and a Master of Public Administration degree from Arizona State University. Ms. Olson was named CFO of the Year by the Phoenix Business Journal in November 2018. This award recognizes top executives for their contribution and commitment to the community.

Enplaned Passenger Activity

The ten largest U.S. passenger airlines provide regular service at Sky Harbor. As of June 2019, airlines at Sky Harbor provided nonstop passenger service to 115 airports, including 98 U.S. airports and 17 international airports located primarily in Mexico and Canada. According to Airports Council International *("ACI')* statistics for calendar year 2018, Sky Harbor was the fourteenth largest airport in North America as measured by total passengers. Sky Harbor is a major connecting hub airport in the route network of American Airlines and one of the largest "focus city" airports in the route network of Southwest Airlines. The inland location of Sky Harbor allows connections that minimize circuity between the southwestern U.S. and points eastward. The following table sets forth the passenger and air cargo airlines that provided service at Sky Harbor during fiscal year 2018-19.

Airlines Reporting Enplaned Passengers and Air Cargo
Phoenix Sky Harbor International Airport

Major/National
Alaska
American
Delta
Frontier
Hawaiian
JetBlue
Southwest
Spirit
Sun Country
United

Regional/Commuter
Advanced Air
Boutique Air
Compass (American Eagle, Delta Connection)
Contour
Mesa Airlines (American Eagle, United Express)
SkyWest (American Eagle, Delta Connection, United Express)

Foreign-Flag
Air Canada
British Airways
Condor
Jazz Aviation (Air Canada Express)
Volaris
WestJet

All-Cargo
ABX Air
Air Cargo Carriers (DHL)
Air Transport International
Ameriflight
Atlas Air (Amazon Air, DHL)
DHL
Empire
FedEx
Kalitta Air (DHL)
UPS

Source: City of Phoenix Aviation Department.

The following table presents total historical enplaned passengers by airline at Sky Harbor. Approximately 80% of all passengers enplaned at Sky Harbor in fiscal year 2018-19 boarded flights operated by either American Airlines (and its commuter affiliates) or Southwest Airlines. Delta and United ranked as the next largest airlines by enplaned passengers in fiscal year 2018-19, respectively.

Total Enplaned Passengers by Airline
Phoenix Sky Harbor International Airport

	Fiscal Years				
Published Airline	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Enplaned Passengers					
American(1)	10,978,341	10,962,440	10,129,895	10,360,041	10,486,029
Southwest(2)	6,750,373	7,149,550	7,382,859	7,546,946	7,768,715
Delta	1,325,051	1,401,639	1,388,510	1,438,843	1,529,781
United	981,702	1,080,742	1,131,315	1,164,730	1,228,311
Alaska	370,801	376,264	420,940	432,478	474,431
Frontier	279,517	235,602	459,477	388,761	361,348
WestJet	214,812	219,614	229,727	234,570	232,839
Air Canada	101,417	104,995	117,966	140,171	162,610
British Airways	103,408	105,173	108,487	111,514	112,075
Spirit	148,673	165,376	146,760	96,545	121,595
JetBlue	90,195	91,947	92,321	92,201	114,125
Hawaiian	85,368	87,094	88,388	86,558	85,053
Sun Country	35,032	48,984	77,946	80,518	100,119
All Other	23,879	26,487	45,795	45,039	54,914
Total	21,488,569	22,055,907	21,820,386	22,218,915	22,831,945
Share of Total					
American(1)	51.1%	49.7%	46.4%	46.7%	46.0%
Southwest(2)	31.4	32.4	33.8	34.0	34.0
Delta	6.2	6.4	6.4	6.5	6.7
United	4.6	4.9	5.2	5.2	5.4
Alaska	1.7	1.7	1.9	1.9	2.1
Frontier	1.3	1.1	2.1	1.7	1.6
WestJet	1.0	1.0	1.1	1.1	1.0
Air Canada	0.5	0.5	0.5	0.6	0.7
British Airways	0.5	0.5	0.5	0.5	0.5
Spirit	0.7	0.7	0.7	0.4	0.5
JetBlue	0.4	0.4	0.4	0.4	0.5
Hawaiian	0.4	0.4	0.4	0.4	0.4
Sun Country	0.2	0.2	0.4	0.4	0.4
All Other	0.1	0.1	0.2	0.2	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: Passengers reported by regional affiliates have been grouped with their respective code-sharing partners.

(1) Includes US Airways. American Airlines and US Airways merged on December 9, 2013. The two airlines operated separately until a single operating certificate was obtained on April 8, 2015.

(2) Includes AirTran Airways, which merged with Southwest in December 2014, for all years shown.

Source: City of Phoenix Aviation Department.

The total number of enplaned passengers at Sky Harbor increased an average of 2.0% per year from fiscal year 2009-10 through fiscal year 2018-19. Origin-destination passengers accounted for the majority of the passenger growth in fiscal year 2018-19 compared to fiscal year 2017-18, increasing an average of 4.5% per year compared to a 0.9% decrease for connecting passengers. Total passenger enplanements at Sky Harbor increased 2.8% in fiscal year 2018-19 compared to fiscal year 2017-18.

Historical Passenger Enplanements(1)
Phoenix Sky Harbor International Airport
(passengers in thousands)

	By Destination		By Type of Origin-Designation (O&D) Passenger				
Fiscal Year	**Domestic**	**International**	**Resident**	**Visitor**	**Total O&D**	**Connecting**	**Total**
2009-10	18,095	1,001	5,045	6,162	11,207	7,889	19,096
2010-11	18,593	1,088	5,127	6,161	11,288	8,393	19,681
2011-12	19,134	1,144	5,442	6,501	11,943	8,335	20,278
2012-13	19,094	1,142	5,513	6,462	11,975	8,261	20,236
2013-14	19,404	1,115	5,518	6,637	12,155	8,364	20,519
2014-15	20,349	1,140	5,751	6,987	12,738	8,751	21,489
2015-16	20,984	1,072	6,147	7,391	13,538	8,518	22,056
2016-17	20,812	1,008	6,558	7,827	14,385	7,435	21,820
2017-18	21,178	1,041	6,846	8,201	15,047	7,172	22,219
2018-19(2)	21,769	1,063	7,129	8,598	15,727	7,105	22,832
Compound annual growth rate:							
2009-10 to 2018-19	2.1%	0.7%	3.9%	3.8%	3.8%	(1.2)%	2.0%
2017-18 to 2018-19	2.8%	2.1%	4.1%	4.8%	4.5%	(0.9)%	2.8%

(1) Historical resident, visitor and connecting numbers were restated to reflect methodological improvements in the compilation of DOT O&D Survey sample data by Data Base Products (a third-party vendor) and are believed to be more accurate.
(2) Domestic and international subtotals for 2018-19 reflect actual results; originating and connecting subtotals are estimated based on three quarters of actual data.

Sources: City of Phoenix Aviation Department; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1.

Sky Harbor's Role as a Connecting Hub

As discussed above under "Enplaned Passenger Activity," Sky Harbor serves as a major connecting hub in the route system of American Airlines and is also one of the major "focus cities" in Southwest Airlines' system. For the 12 months ended March 31, 2019 (the most recent data available), American Airlines and Southwest Airlines (including AirTran) combined to account for 80% of total enplaned passengers at Sky Harbor and 98.4% of the connecting passengers at Sky Harbor. American Airlines (including its regional affiliates) accounted for 46.0% of the total enplaned passengers at Sky Harbor and 69.9% of the connecting traffic, and Southwest Airlines accounted for 34.0% of total enplanements and 29.0% of the connecting traffic. US Airways, prior to its merger with American Airlines had a long history at Sky Harbor, as America West Airlines (America West merged with US Airways in September 2005), located its headquarters in Tempe and began commercial service in 1983. Southwest Airlines also has a long history at Sky Harbor, as it began service at Sky Harbor in 1982. As of June 2019, Southwest Airlines offers more seats at Sky Harbor than at all but five airports in its system - Chicago Midway International Airport, Baltimore Washington International Thurgood Marshall Airport, Las Vegas McCarran International Airport, Denver International Airport and Dallas-Love Field Airport.

RENTAL CAR CENTER AND SKY TRAIN EXTENSION

The Rental Car Center

The proceeds of the Corporation's Rental Car Facility Charge Revenue Bonds, Taxable Series 2004 (the *"2004 Bonds"*) paid for the majority of the cost of designing, acquiring, constructing, and equipping certain facilities, infrastructure, site development, and equipment necessary for the operation of a consolidated rental car center (the *"RCC"* or the *"Rental Car Center"*) at the Airport.

The RCC consists of the following elements: (a) a customer service building containing 113,000 square feet of counter positions and administrative space for each rental car company, administrative space for the Airport and support services, retail space, and circulation space; (b) a parking structure consisting of 5,651 parking stalls for individual rental car companies' ready/return spaces; (c) individual rental car company maintenance/storage facilities; (d) a bus fleet consisting of 62 vehicles; (e) a bus maintenance facility; and (f) certain infrastructure and site development improvements. The RCC opened on January 19, 2006 and cost approximately $285 million.

Sky Train Overview

The Airport's automated people mover system (the *"Sky Train"*), which began service in 2013, will, when completed, connect all the Airport's terminals and parking facilities to VALLEY METRO Light Rail (regional public transit system) and the Rental Car Center. The Sky Train Stage 1 is complete and connects the light rail system and the Airport's largest parking facility to Terminals 3 and 4, with a walkway to Terminal 2. The Sky Train's electric train cars run twenty-four hours a day arriving at a station approximately every three minutes during peak periods, delivering passengers to their destinations within five minutes of boarding the train. When complete in mid-2022 (estimated), Stage 2 will link the Sky Train with the future West Ground Transportation Center and the Rental Car Center. See "PLAN OF FINANCE — Series 2019A Bonds" and "Sky Train Extension — Stage 2" below." The other components of Stage 2 are being funded with bonds payable from Airport System revenues to be issued shortly after issuance of the 2019 Bonds and other Airport funds.

Sky Train Extension — Stage 2

The fixed facilities component of Stage 2 is the expansion of the existing Sky Train system that presently connects 44th Street Station, East Economy Lot Station, Terminal 4 Station and Terminal 3 Station, by providing additional stops at a new 24th Street Station and the terminus at the Rental Car Center Station. It consists of a 2.1-mile guideway structure that includes five separate segments of elevated guideway and two separate sections of on-grade (or depressed) guideway. In addition, there is a partial building superstructure for the future West Ground Transportation Center. Additional work required to support this expansion will involve extensive utility modifications, new roadways and freeway access ramps to Interstate 10. As of September 1, 2019, 94% of the fixed facilities construction has been contracted, and the project is on schedule and 50% completed.

The system component of Stage 2 consists of vehicles, guideway and station equipment, train control, signaling and communication systems necessary to operate the Sky Train. Stage 2 also includes a 30,000 square-foot expansion of the existing maintenance and storage facility to accommodate the additional fleet. As of September 1, 2019, the system component is on schedule and approximately 30% completed.

RENTAL CAR OPERATIONS AND CUSTOMER FACILITY CHARGES

Rental Car Operations at the Airport

There are currently fourteen on-Airport rental car brands operated by six companies (collectively, the "*RCC Companies*") available at the Airport. Twelve of the brands are contracted with the Airport through four entities: Avis Budget Car Rental LLC (Avis, Budget, Zipcar, Payless), The Hertz Corporation (Dollar, Hertz, Thrifty), Enterprise Leasing Company of Phoenix, LLC (Alamo, Enterprise, National) and Advantage OPCO, LLC (Advantage, E-Z). The other two brands (Fox and Sixt) are under individual contracts with the Airport. For the calendar year ending December 2018, these companies reported over 99% of the share of the rental car market at the Airport, with the remaining less than 1% belonging to off-Airport providers.

The following table sets forth the rental car market share of the RCC Companies for the 12 months ended December 2018.

Phoenix Sky Harbor International Airport
Market Share of Rental Car Brands Based on Gross Sales
Calendar Year 2018

Corporate Entity	Rental Car Brands	Market Share
Enterprise Leasing Company of Phoenix, LLC(1)	Alamo, Enterprise, National	37%
The Hertz Corporation(1)	Dollar, Hertz, Thrifty	26
Avis Budget Car Rental LLC(1)	Avis, Budget, Payless, Zipcar	25
Advantage OPCO, LLC(2)	Advantage, E-Z	3
Individual Contract Holders(2)	Sixt, Fox	8
Off-Airport Companies		1
Total		100%

Source: City of Phoenix Aviation Department
(1) Each, a "*Tier One RCC Company*".
(2) Each, a "*Tier Two RCC Company*".

For a further description of current rental car operations at the Airport, as well as a discussion of the rental car industry and market, both nationally and at the Airport, see "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT — LeighFisher Inc."

RCC Leases

The City has entered into RCC Leases with the RCC Companies that are conterminous with the term of the corresponding Concession Agreement described below. The RCC Companies' payments under the RCC Leases other than the Customer Facility Charges and Contingent Payments are specifically excluded from the Pledged Revenues. See "APPENDIX F — Summary of Certain Provisions of Legal Documents — The RCC Leases and — The Concession Agreement."

Concession Agreements

Under each Concession Agreement, each RCC Company has been granted the right to operate a concession for the rental of motor vehicles to the public at the Airport and is required to pay to the City concession privilege fees. The term of the Concession Agreement for the three Tier One RCC Companies continues until June 30, 2029 (December 31, 2022, with an option to extend until December 31, 2027 for the other three Tier Two RCC Companies), unless sooner terminated. The RCC Companies' payments under the Concession Agreements, other than the Customer Facility Charges and Contingent Payments, are specifically excluded from the Pledged Revenues. See "APPENDIX F — Summary of Certain Provisions of Legal Documents — The Concession Agreements." The Off-Airport Companies do not have Concession Agreements but are obligated to collect and pay CFC's pursuant to the CFC Ordinance.

Limited Liability

While the RCC Companies are obligated to provide Contingent Payments in limited circumstances upon the occurrence of a shortfall in CFC collections, the RCC Companies have not guaranteed payment of debt service on the 2019 Bonds and no revenues or property of the RCC Companies are pledged as security for the 2019 Bonds. See "APPENDIX A — Report of the Airport Consultant" and "APPENDIX F — Summary of Certain Provisions of Legal Documents — The Concession Agreements — 3.11 Customer Facility Charge — CFC Deficiency." In addition, while the RCC Companies are obligated to remit all Customer Facility Charges from persons to which they were charged, the surety bonds provided by the RCC Companies under the RCC Leases may not be sufficient to cover any deficiency in Customer Facility Charges collections. See "APPENDIX F — Summary of Certain Provisions of Legal Documents — The Concession Agreements — 6.1 — Payment Guaranty."

Historical Rental Car Demand and Net CFC Collections at the Airport

The Airport began collecting CFCs in June 2002. From June 2002 until December 2008, the Airport collected a CFC at a rate of $4.50 per Transaction Day. The CFC rate increased to $6.00 per Transaction Day effective January 1, 2009. The following table sets forth the number of visiting O&D enplaned passengers, the total rental car Transaction Days subject to the CFC and the total amount of CFC revenues received by the Airport for fiscal years 2008-09 through 2018-19.

Rental Car Facility Charge Revenue Bonds
Schedule of Transaction Days and Net Annual CFC Collections(1)

Fiscal Year	Visiting O&D Enplaned Passengers(2)	Total Rental Car Transaction Days(3)	Annual Receipts Received by the Airport(2)	Administrative Costs	Net Annual Receipts
2009-10	6,282	5,854	$35,121	$ 3	$35,118
2010-11	6,205	6,565	39,388	146	39,242
2011-12	6,502	6,923	41,539	22	41,517
2012-13	6,463	6,763	40,579	19	40,560
2013-14	6,637	6,976	41,858	28	41,830
2014-15	6,987	7,650	45,899	25	45,874
2015-16	7,391	7,828	46,969	24	46,945
2016-17	7,827	7,814	46,882	22	46,860
2017-18	8,201	8,128	48,765	14	48,751
2018-19(4)	8,598	8,521	51,124	20	51,104
Compound annual growth rate:					
2009-10 to 2018-19	3.8%	4.3%	4.3%		4.3%
2017-18 to 2018-19	4.8%	4.8%	4.8%		4.8%

(1) All numbers are in thousands.
(2) Source: City of Phoenix Aviation Department.
(3) Imputed from Trustee records using Annual Receipts; reflects Transaction Days on deposits for July 1 through June 30.
(4) Estimated O&D totals are estimated based on three quarters of actual data. All other numbers are preliminary and unaudited.

PLAN OF FINANCE*

Series 2019A Bonds

The net proceeds of the Series 2019A Bonds remaining after deduction of issuance costs related to the Series 2019A Bonds will be deposited to the Project Fund established under the City Purchase Agreement and used to pay costs, or to reimburse the City for costs, of various improvements at the Airport, consisting primarily of improvements to the Sky Train which will extend services from Terminal 3 to a future West Ground Transportation Center and the Rental Car Center (the "*2019 Project*"). See "RENTAL CAR CENTER AND SKY TRAIN EXTENSION — Sky Train Extension — Stage 2."

Taxable Bonds

The net proceeds of the Taxable Bonds remaining after deduction of issuance costs and a deposit to the Parity Reserve Fund and the Debt Service Coverage Fund, together with certain other legally available funds of the City, will be placed irrevocably in the 2004 Redemption Account of the 2004 Bond Fund with U.S. Bank National Association, Phoenix, Arizona, as bond trustee for the 2004 Bonds (the *"2004 Trustee"*), to be applied to the payment or redemption of the bonds listed in the Schedule of Maturities and Call Dates of Bonds Being Refunded (collectively, the *"Bonds Being Refunded"*).

Schedule of Maturities and Call Dates of Bonds Being Refunded*

Issue Series	Maturity Date July 1	Principal Amount Outstanding	Principal Amount Being Refunded	Coupon	Expected Call Date	Estimated Call Premium as a Percentage of Principal(1)	Refunded CUSIPs(2)
Series 2004	2024	$ 65,880,000	$ 65,880,000	6.17%	12/05/19		718846AM0
	2029	89,015,000	89,015,000	6.25	12/05/19		718846AN8
		$154,895,000	$154,895,000				

(1) Redemption of the Bonds Being Refunded will require payment of a make-whole premium similar to that described under the caption "THE 2019 BONDS — Redemption Provisions — Optional Redemption of Taxable Bonds", and the amount of such make-whole premium will be determined three business days prior to expected redemption date. The make-whole premium is expected to be paid with reserves held under the 2004 Indenture to be transferred to the 2004 Redemption Account.

(2) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriters, the Financial Advisor or their respective counsel or agents takes responsibility for the accuracy of such matters.

The funds held by the 2004 Trustee in the 2004 Redemption Account will be sufficient without reinvestment to pay the principal, premium and interest to become due on the Bonds Being Refunded on the expected redemption date. Upon issuance of the Taxable Bonds and funding of the 2004 Redemption Account, the Bonds Being Refunded will no longer be outstanding under the bond indenture pursuant to which they were issued and will no longer be secured by Customer Facility Charges. The amount of principal, premium and interest due on the Bonds Being Refunded will be verified as described under "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

* Subject to change.

SOURCES AND APPLICATIONS OF FUNDS

	Series 2019A Bonds	Taxable Bonds	Total
Sources:			
Par Amount of the Bonds	$	$	$
Net Original Issue Premium (Discount)			
Released Reserve Funds for Bonds Being Refunded*			
Total	$	$	$
Applications:			
Project Fund	$	$	$
Capitalized Interest			
2004 Redemption Account for Bonds Being Refunded			
Deposit to Parity Reserve Fund			
Deposit to Debt Service Coverage Fund			
Costs of Issuance			
Underwriters' Discount			
Total	$	$	$

* Includes the release of funds from the following accounts established under the 2004 Indenture: 2004 Bond Fund, 2004 Debt Service Reserve Fund, Debt Service Coverage Fund, Transportation O&M Reserve Fund, City Transportation O&M Fund and the 2004 Improvement Reserve/Surplus Fund.

2019 BONDS

Authorization and Purpose

The Series 2019A Bonds are being issued by the Corporation under the terms of the Indenture for the purpose of (a) financing improvements to the Sky Train as described under "PLAN OF FINANCE – Series 2019A Bonds and (b) paying the costs of issuance of the Series 2019A Bonds. The Taxable Bonds are being issued by the Corporation under the terms of the Indenture for the purpose of (a) refunding the Bonds Being Refunded, (b) making a deposit to the Parity Reserve Fund and to the Debt Service Coverage Fund and (c) paying the costs of issuance of the Taxable Bonds. The City has pledged the Pledged Revenues on a first priority basis to secure amounts due under the City Purchase Agreement representing the Principal Requirement and the Interest Requirement on the 2019 Bonds and to maintain certain reserve funds. The City's obligations under the City Purchase Agreement representing the Principal Requirement and the Interest Requirement on the 2019 Bonds will initially be the only obligations which are payable from the Pledged Revenues. The Indenture and the City Purchase Agreement permit the issuance of Parity Obligations. See "SECURITY AND SOURCE OF PAYMENT."

General Description

The 2019 Bonds will be issued as fully registered bonds, without coupons, in book-entry-only form and will be registered to Cede & Co. as described below under "Book-Entry-Only System." AS LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2019 BONDS, AS NOMINEE OF THE DEPOSITORY TRUST COMPANY ("*DTC*"), REFERENCES HEREIN TO THE OWNERS OF THE 2019 BONDS (OTHER THAN UNDER THE CAPTION "TAX EXEMPTION") WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2019 BONDS. PRINCIPAL, PREMIUM, IF ANY, AND INTEREST PAYMENTS ON THE 2019 BONDS ARE TO BE MADE TO DTC AND ALL SUCH PAYMENTS WILL BE

VALID AND EFFECTIVE TO SATISFY FULLY AND TO DISCHARGE THE OBLIGATIONS OF THE CORPORATION AND THE CITY WITH RESPECT TO, AND TO THE EXTENT OF, THE AMOUNTS SO PAID.

The 2019 Bonds will be dated the date of initial authentication and delivery thereof, will bear interest payable semiannually on January 1 and July 1 of each year (each an "*Interest Payment Date*"), commencing July 1, 2020. The 2019 Bonds will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. The 2019 Bonds will be delivered in fully registered form in amounts of $5,000 each or any whole multiple thereof (but no 2019 Bond may represent installments of principal maturing on more than one date).

Subject to the provisions contained under the heading "Book-Entry-Only System" below, the principal of and premium, if any, and interest at maturity or redemption on each 2019 Bond will be payable upon presentation and surrender of such 2019 Bond at the designated corporate trust office of the Paying Agent. Interest on each 2019 Bond, other than that due at maturity or redemption, will be paid on each Interest Payment Date by check of said Paying Agent, mailed to the person shown on the bond register of the Corporation maintained by the Registrar as being the registered owner of such 2019 Bond (the "*Owner*") as of the fifteenth day of the month immediately preceding such Interest Payment Date (the "*Regular Record Date*") at the address appearing on said bond register or at such other address as is furnished to the Trustee in writing by such Owner before the fifteenth day of the month prior to such Interest Payment Date.

The Indenture provides that, with the approval of the Corporation, the Registrar and Paying Agent may enter into an agreement with any Owner of $1,000,000 or more in aggregate principal amount of 2019 Bonds or a Securities Depository, as applicable, providing for making all payments to that Owner of principal of and interest and any premium on those 2019 Bonds or any portion thereof (other than any payment of the entire unpaid principal amount thereof) at a place and in a manner other than as described above, without presentation or surrender of those 2019 Bonds, upon any conditions which shall be satisfactory to the Trustee and the Corporation; provided that without a special agreement or consent of the Corporation, payment of interest on the 2019 Bonds may be made by wire transfer to any Owner of $1,000,000 aggregate principal of 2019 Bonds, upon two days prior written notice to the Trustee specifying a wire transfer address of a bank or trust company in the United States.

If the Corporation fails to pay the interest due on any Interest Payment Date, that interest shall cease to be payable to the person who was the Owner as of the Regular Record Date. When monies become available for payment of the interest, the Registrar will establish a special record date (the "*Special Record Date*") for such payment which will be not more than 15 nor fewer than 10 days prior to the date of the proposed payment and the interest will be payable to the persons who are Owners on the Special Record Date. The Registrar will mail notice of the proposed payment and of the Special Record Date to each Owner.

Book-Entry-Only System

The following information about the book-entry-only system applicable to the 2019 Bonds has been supplied by DTC. None of the Corporation, the City, the Trustee, the Underwriters or the Financial Advisor makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*" and together with Direct Participants, "*Participants*"). DTC has rating from Standard & Poor's of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2019 Bond ("*Beneficial Owner*") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2019 Bonds, except in the event that use of the book-entry system for the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2019 Bond documents. For example, Beneficial Owners of 2019 Bonds may wish to ascertain that the nominee holding the 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2019 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Corporation or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2019 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE SOLE REGISTERED OWNER, THE CORPORATION AND THE TRUSTEE WILL TREAT CEDE & CO. AS THE ONLY OWNER OF THE 2019 BONDS FOR ALL PURPOSES UNDER THE INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE 2019 BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE CORPORATION AND THE TRUSTEE TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER SUCH INDENTURE. THE CORPORATION AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER WITH RESPECT TO THE PRINCIPAL OF AND INTEREST ON THE 2019 BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO 2019 BONDHOLDERS; (D) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2019 BONDS; (E) CONSENTS OR OTHER ACTION TAKEN BY DTC OR CEDE & CO., AS REGISTERED OWNER OR (F) ANY OTHER MATTER.

Redemption Provisions

Optional Redemption — Series 2019A Bonds. The Series 2019A Bonds maturing on or prior to July 1, are not subject to optional redemption prior to maturity. The Series 2019A Bonds maturing on and after July 1, are subject to redemption at the option of the Corporation, as directed by the City, on July 1, and thereafter, in whole or in part at any time, in increments of $5,000, in any order of maturity, as directed by the City, subject to the provisions contained under the heading "Book-Entry-Only System" above, by lot within a maturity, by payment of redemption price for each Series 2019A Bond called for redemption equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption — Taxable Bonds. The Taxable Bonds are subject to redemption, in whole or in part, at the option of the Corporation, as directed by the City, in increments of $5,000, in any order of maturity, as directed by the City, at any time or from time to time upon notice as provided in the Indenture, on any date prior to their maturity at a redemption price equal to 100% of the principal amount of such Taxable Bonds plus the Make-Whole Premium, if any, as described below, plus the accrued interest, if any, thereon to the redemption date.

The amount of the Make-Whole Premium with respect to any Taxable Bond to be redeemed will be equal to the excess, if any, of:

(i) the sum of the present values, calculated as of the redemption date, of:

(A) each interest payment that, but for such redemption, would have been payable on the Taxable Bond or portion thereof being redeemed on each interest payment date occurring after the redemption date (excluding any accrued interest for the period prior to the redemption date); and

(B) the principal amounts that, but for such redemption, would have been payable upon mandatory sinking fund redemption and the final maturity of the Taxable Bond being redeemed; over

(ii) the principal amount of the Taxable Bond being redeemed.

The present values of interest and principal payments referred to in clause (i) above shall be determined in accordance with generally accepted principles of financial analysis. These present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the redemption date at a discount rate equal to the "comparable treasury yield" (as defined below) plus [ ] basis points. The Make-Whole Premium will be calculated by an independent investment banking institution of national standing appointed by the City (which may be Jefferies LLC). If the City fails to appoint an independent investment banker at least 35 days prior to the redemption date, or if the independent investment banker appointed by the City is unwilling or unable to make the calculation, the calculation will be made by an independent investment banking institution of national standing appointed by the Trustee.

For purposes of determining the Make-Whole Premium, "comparable treasury yield" means a rate of interest per annum equal to the weekly average yield to maturity of United States Treasury Securities that have a constant maturity that corresponds to the remaining term to maturity or sinking fund payment date of the Taxable Bonds, calculated to the nearest 1/12th of a year. The comparable treasury yield will be determined no sooner than twenty Business Days before, and no later than the third Business Day immediately preceding, the applicable redemption date.

The weekly average yields of United States Treasury Securities will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release. If the H.15 statistical release sets forth a weekly average yield for United States Treasury Securities having a constant maturity that is the same as the remaining term calculated as set forth above, then the comparable treasury yield will be equal to such weekly average yield. In all other cases, the comparable treasury yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury Securities that have a constant maturity closest to and greater than the remaining term and the United States Treasury Securities that have a constant maturity closest to and less than the remaining term (in each case as set forth in the H.15 statistical release or any successor release). Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If weekly average yields for United States Treasury Securities are not available in the H.15 statistical release or otherwise, then the comparable treasury yield will be calculated by interpolation of comparable rates selected by an independent investment banker selected in the manner described above.

Mandatory Sinking Fund Redemption. The Bonds maturing on July 1, (the "*Term Bonds*") are subject to mandatory redemption and will be redeemed on July 1 of the respective years set forth below (the "*Sinking Fund Retirement Dates*") and in the amounts set forth below (the "*Sinking Fund Requirements*"), by payment of a redemption price of the principal amount of such Term Bonds called for redemption plus the interest accrued to the date fixed for redemption, but without premium, as follows:

Term Bonds Maturing July 1,

Sinking Fund Retirement Date	Sinking Fund Requirements
*	*

* Maturity

At the option of the Corporation, as directed by the City, whenever Term Bonds are purchased, redeemed (other than pursuant to the foregoing scheduled Sinking Fund Requirement) or delivered by the City or the Corporation to the Paying Agent for cancellation, the principal amount of such Term Bonds so retired will satisfy and be credited against the Sinking Fund Requirement (and the corresponding redemption requirements) relating to such Term Bonds of the same maturity as the Term Bond so purchased, redeemed or delivered in such manner as the City determines; *provided, however*, that following such reduction each Sinking Fund Requirement is an integral multiple of $5,000. Such option must be exercised on or before the 60th day preceding the applicable mandatory Sinking Fund Retirement Date, by furnishing the Paying Agent a certificate setting forth the extent of the credit to be applied with respect to the then current Sinking Fund Requirement. If the certificate is not timely furnished, the Sinking Fund Requirement (and the corresponding redemption requirement) will not be reduced.

Notice of Redemption. When redemption is authorized or required, the Trustee will give the Owners of the 2019 Bonds to be redeemed notice of the redemption of such 2019 Bonds. Such notice will specify (a) that the whole or part of the 2019 Bonds are to be redeemed and, if in part, the part to be redeemed; (b) the date of redemption; (c) the place or places where the redemption will be made; and (d) the redemption price or description of the formula for determining such redemption price. to be paid. Any redemption of 2019 Bonds in part will be from such series and maturities as directed by the City and by lot within a maturity in any manner the Trustee deems fair. Notwithstanding the foregoing, no notice of redemption shall be sent unless (i) the Trustee has on deposit sufficient funds to effect such redemption or (ii) the redemption notice states that redemption is contingent upon receipt of such funds on or prior to the redemption date.

Notice of such redemption will be given by mailing a copy of the redemption notice not more than 60 days nor less than 30 days prior to such redemption date, to the Owner of each 2019 Bond subject to redemption in whole or in part at the Owner's address shown on the Register on the fifteenth day preceding that mailing. Such notice may state the proposed redemption is conditional as described above. Neither failure to receive any such notice nor any defect therein will affect the sufficiency of the proceedings for the redemption of the 2019 Bonds with respect to which there is no such defect.

Notice having been given in the manner provided above, the 2019 Bonds or portions thereof called for redemption will become due and payable on the redemption date and if an amount of money sufficient to redeem all the 2019 Bonds and portions thereof called for redemption is held by the Trustee or any paying agent on the redemption date, then the 2019 Bonds or portions thereof to be redeemed will not be considered outstanding under the Indenture and will cease to bear interest from and after such redemption date.

SECURITY AND SOURCES OF PAYMENT

Pledged Revenues

Purchase Payments. The 2019 Bonds are special revenue obligations of the Corporation payable solely from certain payments received under the City Purchase Agreement ("*Purchase Payments*"). The aggregate amount of such payments (the *"Purchase Price"*) is payable from a first priority pledge of the Pledged Revenues. Under the terms of the City Purchase Agreement, the City is to pay the Purchase Price to the Trustee in amounts sufficient to pay when due the principal of and interest on the 2019 Bonds, Administrative Costs, Transportation O&M Expenses and amounts necessary to maintain the balances in the Parity Reserve Fund and the Debt Service Coverage Fund at the Parity Reserve Requirement and the Debt Service Coverage Requirement, respectively. For complete definitions of Pledged Revenues, Administrative Costs, Parity Reserve Requirement and Debt Service Coverage Requirement, see "APPENDIX F — Summary of Certain Provisions of Legal Documents — Certain Definitions."

Pledged Revenues. The Pledged Revenues consist primarily of Customer Facility Charges at the Pledged Rate remitted by the Companies (as defined below) to the Depository and transferred to the Trustee, amounts on deposit in the 2019 Bond Fund, the Parity Reserve Fund, the Debt Service Coverage Fund, the Project Fund and the Improvement Reserve/Surplus Fund and investment income from investments therein. The Pledged Rate for the Customer Facility Charges is currently equal to the Initial Rate of $6.00 per Transaction Day. See "Rate Covenant; Customer Facility Charges" below for circumstances under which the City may be required to use its best efforts to increase the Initial Rate and the Pledged Rate. The Pledged Revenues do not include (a) amounts paid by the RCC Companies as ground rentals or concession fees, (b) amounts on deposit in or required to be deposited to, the Administrative Costs Fund, (c) amounts on deposit in the Transportation O&M Fund, (d) amounts on deposit in the Rebate Fund, if any and (e) Customer Facility Charges which exceed the Pledged Rate. The City may, but is not required to, pay the Purchase Price from other funds lawfully available to the Airport System which are not included in the definition of Pledged Revenues (*"Other Available Funds"*). For complete definitions of certain terms see "APPENDIX F — Summary of Certain Provisions of Legal Documents — Certain Definitions."

Customer Facility Charges. Under the CFC Ordinance, the RCC Companies and other rental car companies who obtain customers at the Airport (*"Off-Site Companies"* and together with the RCC Companies, the *"Companies"*) are currently required to charge and collect the Customer Facility Charge at the Initial Rate and remit such funds to a financial institution designated by the City (the *"Depository"*). The Depository will enter into a blocked account control agreement with the Trustee acknowledging the security interest of the Trustee in such funds. The Customer Facility Charge has been imposed since June 1, 2002 and was increased from $4.50 per Transaction Day to the current rate of $6.00 per Transaction Day effective January 1, 2009.

For a discussion of certain covenants which the City has entered into with respect to the Rental Car Center, see "Rate Covenants; Customer Facility Charges," "Additional Parity Obligations," and "APPENDIX F — Summary of Certain Provisions of Legal Documents — CFC Ordinance (As Codified) and "— City Purchase Agreement."

During the term of the City Purchase Agreement, payments of the Purchase Price are to be made regardless of damage to the Project or commercial frustration of purpose, without right of set-off or counterclaim, regardless of any contingencies and whether or not the City possesses or uses the improvements financed or refinanced by the 2019 Bonds (the *"Property"*). The City's obligation to pay the Purchase Price will continue until all payments due under the City Purchase Agreement have been paid.

The obligation of the City to pay the Purchase Price under the City Purchase Agreement does not constitute a debt or a pledge of the full faith and credit of the City, the State of Arizona or any other political subdivision thereof. The City has not pledged any form of ad valorem taxes or revenues of the Airport System to the payment of the 2019 Bonds. The 2019 Bonds are special revenue obligations of the Corporation secured only by the Purchase Price to be paid from a first priority pledge of the Pledged Revenues. The Purchase Price is not guaranteed by any of the Companies and no revenues, profits or property of any Company are pledged as security for the 2019 Bonds.

Annual Budget and Projections. A City Representative or Rate Consultant must prepare and deliver to the Trustee, no later than 90 days prior to the beginning of each Bond Year, a schedule or schedules setting forth budgeted Administrative Costs, budgeted Transportation O&M Expenses, projected Customer Facility Charges deposited in the Revenue Fund for a twelve-month period *("Annual Receipts")* and the ratio of projected Annual Receipts to debt service on the Bonds for the Bond Year.

Rate Covenants; Customer Facility Charges

The City covenants that it will in each Bond Year, establish, maintain and enforce the Customer Facility Charges applicable to both RCC Companies and Off-Site Companies at not less than the Pledged Rate, which is currently the Initial Rate of $6.00 per Transaction Day. In the event that the Annual Receipts described in the schedules prepared as described above, plus amounts on deposit in the Debt Service Coverage Fund, are not projected to equal at least (a) 125% of the Principal Requirement and the Interest Requirement for all Bonds and (b) budgeted Administrative Costs for the next Bond Year and required deposits to the Debt Service Coverage Fund, and the Parity Reserve Fund (and comparable separate funds established for Parity Obligations) it will, to the extent permitted by law, use its best efforts to increase the rate at which Customer Facility Charges are imposed to remedy such projected deficiencies. In such event, the City must also use its best efforts to notify the Trustee of a corresponding increase in the Pledged Rate. If the City increases the rate imposed and elects to notify the Trustee of an increase in the Pledged Rate, such notice will, without further action, increase the Pledged Rate for purposes of the City Purchase Agreement and the Indenture. The Corporation acknowledges that increasing the rate at which the Customer Facility Charges are imposed and increasing the Pledged Rate are separate legislative acts which are solely within the control of the City Council. See "APPENDIX F - Summary of Certain Provisions of Legal Documents — The City Purchase Agreement" and "— The CFC Ordinance (as Codified)."

Flow of Funds

General. All moneys in the Revenue Fund are required to be transferred to the following funds in the order listed:

(a) To the Administrative Costs Fund on or before the first Business Day of each month, an amount equal to the Administrative Costs budgeted for the Bonds for such Bond Year until all budgeted Administrative Costs have been deposited. Thereafter, no additional transfers to the Administrative Costs Fund may be made during such Bond Year unless the City amends the Administrative Costs budgeted for the Bonds for such Bond Year and such amendment increases the Administrative Costs budgeted for the Bonds for such Bond Year. In such event, the Trustee is required to transfer to the Administrative Costs Fund all moneys subsequently deposited in the Revenue Fund until there shall have been deposited thereto an amount equal to the increased Administrative Costs budgeted for the Bonds for such Bond Year. In the event amounts on deposit at the end of a Bond Year exceed the amount budgeted for the following Bond Year, such excess will be transferred to the Improvement Reserve/ Surplus Fund.

(b) To the 2019 Interest Account and any subsequent account for Parity Obligations on or before the first Business Day of each month an amount equal to one-fifth of the respective amounts of interest to be paid on Outstanding Bonds on the next Bond Payment Date unless and until funds are on deposit in an amount sufficient to make such payment. If Pledged Revenues are not available to make a deposit when required, such deficiency must be remedied on the next succeeding deposit date. Moneys in the 2019 Interest Account must be used to pay interest on the 2019 Bonds as it becomes due.

(c) To the 2019 Principal Account and any subsequent account for Parity Obligations on or before the first Business Day of each month (in each Bond Year ending on a date on which Bonds mature), an amount equal to one-tenth (one-fifth for the first Bond Year) of the respective principal amounts at maturity plus one-tenth (one-fifth for the first Bond Year) of the amount equal to any mandatory sinking fund redemption requirement for the 2019 Bonds Outstanding (or similar obligation with respect to Parity Obligations) which will mature or be subject to mandatory redemption on the last day of such Bond Year unless and until funds are on deposit in an amount sufficient to make such payment. If Pledged Revenues are not available to make a deposit when required, such deficiency must be remedied on the next succeeding deposit date. Moneys in the 2019 Principal Account must be used to retire 2019 Bonds by payment at their scheduled maturity or their mandatory sinking fund retirement date.

(d) From time to time to the credit of the Parity Reserve Fund and any separate debt service reserve fund established for Parity Obligations not secured by the Parity Reserve Fund, amounts then required to be deposited therein on a pro rata basis, provided that such deposits may be transferred to the applicable Credit Facility in order to reimburse such Credit Facility for amounts paid out under any insurance policy or Qualified Surety Bond securing any of the Bonds.

(e) From time to time to the credit of the Debt Service Coverage Fund amounts then required to be deposited therein.

(f) On or before the first Business Day of each month to the credit of the Transportation O&M Fund an amount equal to the Transportation O&M Expenses budgeted for such Bond Year until all budgeted Transportation O&M Expenses have been deposited.

(g) To the credit of the Improvement Reserve/Surplus Fund any amounts remaining in the Revenue Fund.

For a more complete discussion of the general flow of funds see "APPENDIX F — Summary of Certain Provisions of Legal Documents — The Bond Indenture" and "— The City Purchase Agreement."

2019 Bond Fund

Pursuant to the Indenture, the Trustee will create the 2019 Bond Fund which will contain the 2019 Principal Account, the 2019 Interest Account and the 2019 Redemption Account. So long as any 2019 Bonds are outstanding, the Trustee will deposit the Purchase Payments transferred to it by the City under the City Purchase Agreement from the Revenue Fund into the 2019 Interest Account and the 2019 Principal Account, respectively. The portion of the Purchase Payments deposited into the 2019 Principal Account will be used by the Trustee to pay the next succeeding principal payment (whether at maturity or pursuant to a sinking fund redemption requirement) on the 2019 Bonds and the portion of the Purchase Payments deposited in the 2019 Interest Account will be used by the Trustee to pay the next succeeding interest payment on the 2019 Bonds.

If the City makes an optional prepayment of Purchase Price to be used to purchase or redeem 2019 Bonds, such prepayment must be deposited in the 2019 Redemption Account and promptly applied by the Trustee, first, to cause the amounts credited to the 2019 Interest Account or the 2019 Principal Account, in that order, to be not less than the amounts required to be credited thereto, and second to retire 2019 Bonds by purchase, redemption or both in accordance with the City's direction. Any balance remaining in the 2019 Redemption Account after the purchase or redemption of the 2019 Bonds in accordance with the City's direction must be transferred to the 2019 Interest Account.

For a more complete description of the 2019 Bond Fund and the use thereof see "APPENDIX F — Summary of Certain Provisions of Legal Documents — The Indenture."

Parity Reserve Fund

Pursuant to the Indenture, there is established with the Trustee a separate Parity Reserve Fund which will be available to make payments on the 2019 Bonds. The Parity Reserve Fund is required to be maintained in an amount equal to Maximum Annual Debt Service for the 2019 Bonds, which is $21,578,000* initially (the *"Parity Reserve Requirement"*). Amounts in the Parity Reserve Fund will be applied to pay the Interest Requirement and the Principal Requirement for the 2019 Bonds on any Bond Payment Date to the extent sufficient funds are not available in the 2019 Bond Fund, the Debt Service Coverage Fund and the Improvement Reserve/Surplus Fund. The Parity Reserve Fund may be funded with cash, certain Permitted Investments, a surety bond or financial

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* Subject to change.

instrument issued by an insurance company or financial institution with unsecured long-term indebtedness rated "AAA" or "Aaa" by S&P or Moody's, respectively, at the time of issuance of such instrument or an unconditional letter of credit issued by a bank rated at least "AA" by S&P at the time of issuance of such instrument (a "*Qualified Surety Provider*"). Upon issuance, the 2019 Bonds will be the only Bonds secured by the Parity Reserve Fund. The Indenture permits the City to direct that, without notice to or consent of the owners of the 2019 Bonds, the Parity Reserve Fund will secure additional Parity Obligations and the Parity Reserve Requirement will be modified to the extent necessary to reflect Maximum Annual Debt Service on an aggregate basis of the Bonds to be secured by the Parity Reserve Fund. See "APPENDIX F — Summary of Certain Provisions of Legal Documents — The Indenture."

Debt Service Coverage Fund

Pursuant to the Indenture, there is established with the Trustee a Debt Service Coverage Fund for the benefit of the 2019 Bonds and subsequent Parity Obligations. The Debt Service Coverage Fund must be maintained at an amount equal to 25% of Maximum Annual Debt Service for all Bonds (the *"Debt Service Coverage Requirement"*) which is $5,395,000* initially. Amounts in the Debt Service Coverage Fund must be used by the Trustee to pay the Interest Requirement or the Principal Requirement of the Bonds on any Bond Payment Date to the extent sufficient funds are not available in the Bond Fund or separate similar funds established for Parity Obligations or the Improvement Reserve/Surplus Fund.

Transportation O&M Expenses

Under the Indenture, the Trustee is required to make monthly transfers to the City from the Transportation O&M Fund equal to one-twelfth of the annual budgeted Transportation O&M Expenses and any additional amounts necessary to enable the City to pay actual Transportation O&M Expenses. Based upon its current Sky Train operating experience, the City expects operating expenses for the Sky Train extension to be similar to its current Bus operating expenses. If there are insufficient funds available in the Transportation O&M Fund to pay actual Transportation O&M Expenses or to reimburse the City for such expenses, the City or the Trustee will pay such expenses from amounts transferred by the Trustee to the City at the direction of the City from the Improvement Reserve/Surplus Fund. See "APPENDIX F — Summary of Certain Provisions of Legal Documents — The Concession Agreements — 5.2.2. — Transportation O&M Expenses."

Improvement Reserve/Surplus Fund

Pursuant to the Indenture, there is established with the Trustee an Improvement Reserve/Surplus Fund. Amounts in the Improvement Reserve/Surplus Fund will be used by the Trustee in the following order of priority: (a) to pay Administrative Costs to the extent funds are not available in the Administrative Costs Fund, (b) to pay the Principal Requirement and Interest Requirement on any Bond Payment Date to the extent funds are not available in the 2019 Bond Fund or separate bond funds established for Parity Obligations, or the Debt Service Coverage Fund, (c) to restore any deficiency in the Parity Reserve Fund or any separate reserve fund established for Parity Obligations or to reimburse the provider of a Qualified Surety Bond, (d) to restore any deficiency in the Debt Service Coverage Fund, and (e) at the direction of the City, to the Transportation O&M Fund or the Project Fund or to pay expenditures for major maintenance or other capital improvements related to the Rental Car Center and related transportation facilities and equipment or to reimburse the City for Transportation O&M Expenses not paid from Pledged Revenues or to reimburse RCC Companies for Contingent Payments.

Additional Parity Obligations

The City Purchase Agreement provides that additional Parity Obligations may be issued if an officer of the City shall certify that either (a) the Annual Receipts for the most recently completed fiscal year for which audited financial statements are available or (b) the Annual Receipts for 12 consecutive months out of the most recent 18

* Subject to change.

calendar months were equal to at least (i) Administrative Costs for the last complete Bond Year plus (ii) 125% of Maximum Annual Debt Service for all Bonds to be outstanding during such period including the Parity Obligations proposed to be issued. In addition, prior to issuance of Parity Obligations, a Corporation Representative must certify that neither the City nor the Corporation will be in default under the Indenture or the City Purchase Agreement and the Trustee must certify that the Parity Reserve Fund and similar reserve funds for Parity Obligations are funded at the applicable Debt Service Reserve Requirements and the Debt Service Coverage Fund is funded at the Debt Service Coverage Requirement.

Additionally, Parity Obligations may be issued for refunding purposes without compliance with any of the foregoing financial tests if certain other conditions are met. See "APPENDIX F — Summary of Certain Provisions of Legal Documents — The City Purchase Agreement."

Derivative Products

The City reserves the right to enter into arrangements involving derivative products including swap agreements, forward agreements, interest rate agreements, and other similar agreements, to the extent permitted by law, and make payments on such agreements from Pledged Revenues, and reserves the right to establish funds, accounts and subaccounts to make payment on such agreements and reserves the right to revise the flow of funds described above, provided that such revisions do not result in payments under such agreements being made on a basis which is senior to the payment of any Bonds. To the extent the City enters into such agreements and pledges Pledged Revenues to the payment of such agreements on a parity with the Bonds, such agreements may only be incurred if the City satisfies the relevant Parity Obligations test set forth in the City Purchase Agreement. In determining whether the Parity Obligations test is satisfied in connection with any such agreements, the City is permitted to treat the amount or rate of interest on those agreements or on the Parity Obligations to which the applicable agreement applies as the amount or rate of interest payable after giving effect to the agreements, provided that any agreement is with a Qualified Counterparty. Thus, the City is permitted to include the net payment due under such agreements in calculating the Parity Obligations test set forth in the City Purchase Agreement.

Outstanding Parity Obligations; Subordinate Obligations

After issuance, the 2019 Bonds will be the only Bonds that are to be secured by a first priority pledge of the Pledged Revenues, including the Purchase Price to be paid by the City pursuant to the City Purchase Agreement. The City reserves the right to issue additional obligations payable from the Pledged Revenues on a basis subordinate to the Bonds.

SCHEDULE OF ESTIMATED ANNUALIZED PAYMENTS UNDER THE CITY PURCHASE AGREEMENT WITH RESPECT TO THE 2019 BONDS(1)*

The City Purchase Agreement requires annual Purchase Payments by the City to the Corporation in an amount equal to the principal of and interest on the 2019 Bonds, which payments have been assigned to the Trustee in addition to certain other amounts payable thereunder. The Purchase Payments are due in immediately available funds on the last Business Day of each month in an amount equal to one-fifth of the Interest Requirement and one-tenth (one-fifth for the first Bond Year) of the Principal Requirement to be paid on the next Bond Payment Date commencing December 31, 2019 and ending June 30, 2045. The Indenture requires that the Trustee deposit the payments of the Purchase Price in the Bond Fund and use such amounts to pay the principal of and interest on the 2019 Bonds due on the following Bond Payment Date. Set forth below is a schedule of the annual payments of the Purchase Price with respect to the 2019 Bonds required under the City Purchase Agreement:

	Series 2019A Bonds			Taxable Bonds			Total 2019 Bonds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019-20	$ —	$ 6,709,019	$ 6,709,019	$ 2,895,000	$ 1,352,652	$ 4,247,652	$ 2,895,000	$ 8,061,671	$ 10,956,671
2020-21	—	11,724,500	11,724,500	7,565,000	2,285,982	9,850,982	7,565,000	14,010,482	21,575,482
2021-22	—	11,724,500	11,724,500	7,770,000	2,078,701	9,848,701	7,770,000	13,803,201	21,573,201
2022-23	—	11,724,500	11,724,500	7,985,000	1,866,580	9,851,580	7,985,000	13,591,080	21,576,080
2023-24	—	11,724,500	11,724,500	8,210,000	1,642,202	9,852,202	8,210,000	13,366,702	21,576,702
2024-25	—	11,724,500	11,724,500	8,450,000	1,403,290	9,853,290	8,450,000	13,127,790	21,577,790
2025-26	—	11,724,500	11,724,500	8,705,000	1,147,256	9,852,256	8,705,000	12,871,756	21,576,756
2026-27	—	11,724,500	11,724,500	8,970,000	879,141	9,849,141	8,970,000	12,603,641	21,573,641
2027-28	—	11,724,500	11,724,500	9,260,000	592,998	9,852,998	9,260,000	12,317,498	21,577,498
2028-29	655,000	11,724,500	12,379,500	8,905,000	292,975	9,197,975	9,560,000	12,017,475	21,577,475
2029-30	9,885,000	11,691,750	21,576,750	—	—	—	9,885,000	11,691,750	21,576,750
2030-31	10,380,000	11,197,500	21,577,500	—	—	—	10,380,000	11,197,500	21,577,500
2031-32	10,895,000	10,678,500	21,573,500	—	—	—	10,895,000	10,678,500	21,573,500
2032-33	11,440,000	10,133,750	21,573,750	—	—	—	11,440,000	10,133,750	21,573,750
2033-34	12,015,000	9,561,750	21,576,750	—	—	—	12,015,000	9,561,750	21,576,750
2034-35	12,615,000	8,961,000	21,576,000	—	—	—	12,615,000	8,961,000	21,576,000
2035-36	13,245,000	8,330,250	21,575,250	—	—	—	13,245,000	8,330,250	21,575,250
2036-37	13,905,000	7,668,000	21,573,000	—	—	—	13,905,000	7,668,000	21,573,000
2037-38	14,605,000	6,972,750	21,577,750	—	—	—	14,605,000	6,972,750	21,577,750
2038-39	15,335,000	6,242,500	21,577,500	—	—	—	15,335,000	6,242,500	21,577,500
2039-40	16,100,000	5,475,750	21,575,750	—	—	—	16,100,000	5,475,750	21,575,750
2040-41	16,905,000	4,670,750	21,575,750	—	—	—	16,905,000	4,670,750	21,575,750
2041-42	17,750,000	3,825,500	21,575,500	—	—	—	17,750,000	3,825,500	21,575,500
2042-43	18,640,000	2,938,000	21,578,000	—	—	—	18,640,000	2,938,000	21,578,000
2043-44	19,570,000	2,006,000	21,576,000	—	—	—	19,570,000	2,006,000	21,576,000
2044-45	20,550,000	1,027,500	21,577,500	—	—	—	20,550,000	1,027,500	21,577,500
	$234,490,000	$223,610,769	$458,100,769	$78,715,000	$13,541,777	$92,256,777	$313,205,000	$237,152,546	$550,357,546

(1) Represents estimated debt service requirements on the 2019 Bonds offered herein. Interest is estimated at an average rate of 3.7% for the 2019A Bonds and 3.3% for the Taxable Bonds.

* Subject to change.

SCHEDULE OF FORECASTED NET ANNUAL CFC RECEIPTS, ESTIMATED DEBT SERVICE REQUIREMENTS AND FORECASTED COVERAGE OF RENTAL CAR FACILITY CHARGE REVENUE BONDS OUTSTANDING(1)*

	Forecasted Net Annual CFC Receipts					Forecasted Debt Service Coverage	
Fiscal Year	**Forecasted Annual CFC Receipts**	**Estimated Administrative Costs**	**Forecasted Net Annual CFC Receipts**	**Estimated Amount Available in Debt Service Coverage Fund**	**Estimated Debt Service on the 2019 Bonds and Existing Debt Service**	**By Net Annual CFC Receipts**	**By Net Annual CFC Receipts Plus Debt Service Coverage Fund**
2019-20	$51,380,000	$30,000	$51,350,000	$5,394,500	$ 21,597,355	2.38	2.63
2020-21	51,537,000	30,000	51,507,000	5,394,500	21,575,482	2.39	2.64
2021-22	51,678,000	30,000	51,648,000	5,394,500	21,573,201	2.39	2.64
2022-23	51,804,000	31,000	51,773,000	5,394,500	21,576,080	2.40	2.65
2023-24	52,496,000	32,000	52,464,000	5,394,500	21,576,702	2.43	2.68
2024-25	53,187,000	33,000	53,154,000	5,394,500	21,577,790	2.46	2.71
2025-26	53,878,000	34,000	53,844,000	5,394,500	21,576,756	2.50	2.75
2026-27					21,573,641		
2027-28					21,577,498		
2028-29					21,577,475		
2029-30					21,576,750		
2030-31					21,577,500		
2031-32					21,573,500		
2032-33					21,573,750		
2033-34					21,576,750		
2034-35					21,576,000		
2035-36					21,575,250		
2036-37					21,573,000		
2037-38					21,577,750		
2038-39					21,577,500		
2039-40					21,575,750		
2040-41					21,575,750		
2041-42					21,575,500		
2042-43					21,578,000		
2043-44					21,576,000		
2044-45					21,577,500		
					$560,998,230		

(1) Forecasted Net Annual CFC Receipts available for debt service in fiscal years 2020 through 2026 were made by the Airport Consultant. See APPENDIX A — Report of the Airport Consultant — LeighFisher Inc. for a breakdown of forecasted Net Annual CFC Receipts and Administrative Costs.

* Subject to change.

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant (the "Report") prepared by LeighFisher Inc. dated November , 2019, is included herein as APPENDIX A. The Report describes the Rental Car Center and related transportation improvements, discusses the rental car market, describes the economic base supporting the rental car market at the Airport, uses an econometric model to set forth trends and forecasts in the rental car demand at the Airport, describes various factors which could have an impact on the rental car demand at the Airport and discusses the financial framework for the 2019 Bonds, including preliminary projections of annual debt service requirements with respect to the 2019 Bonds, Customer Facility Charges calculations, Administrative Costs calculations, projections of revenues pursuant to the Indenture, cash flow projections and rate covenant calculations. The Report should be read in its entirety for an understanding of the econometric model, Transaction Day forecast assumptions and the basis for the financial analysis.

The Report has been included herein in reliance upon the knowledge and experience of the Airport Consultant.

As noted in the Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material See "CERTAIN BONDHOLDERS' RISKS."

FORWARD-LOOKING STATEMENTS

This Official Statement, and particularly the information contained under this caption, the caption "BONDHOLDERS' RISKS," and in APPENDIX A (specifically, the information contained in the cover letter from the Airport Consultant, and the information contained in the Report), contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see "CERTAIN BONDHOLDERS' RISKS" herein (specifically, the information contained under the subheadings "Achievement of Projections," "Airline Industry and Airport Factors," "Competition and Alternate Modes of Transportation,".

CERTAIN BONDHOLDERS' RISKS

General

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider certain investment considerations associated with the 2019 Bonds. The City's ability to derive Pledged Revenues from Customer Facility Charges sufficient to pay debt service on the 2019 Bonds depends upon many factors, many of which are not subject to the control of the City. These factors include the financial strength of the air transportation industry and rental car industry in general and the financial strength of the firms in those industries that operate at the Airport. There follows a discussion of some, but not necessarily all, of the possible investment considerations which should be carefully evaluated by prospective purchasers of the 2019 Bonds prior to purchasing any 2019 Bonds. The 2019 Bonds may not be suitable investments for all persons, and prospective purchasers should be able to evaluate the investment considerations and merits of an investment in the 2019 Bonds and confer with their own legal and financial advisors before considering a purchase of the 2019 Bonds.

Ability to Meet Rate Covenant; Customer Facility Charges

As described under the caption "SECURITY AND SOURCE OF PAYMENT — Rate Covenant; Customer Facility Charges," the City covenants that it will, in each Bond Year, establish, maintain and enforce the Customer Facility Charges applicable to both RCC Companies and Off-Site Companies at not less than the Pledged Rate, which is currently the Initial Rate of $6.00 per Transaction Day. In the event that the Pledged Revenues described in the schedules prepared by a City Representative or a Rate Consultant are not projected to equal at least: (a) 125% of the Principal Requirement and the Interest Requirement for all Bonds and (b) budgeted Administrative Costs for the next Bond Year and required deposits to the Parity Reserve Fund (and similar accounts established for Parity Obligations) and the Debt Service Coverage Fund, it will, to the extent permitted by law, use its best efforts to increase the rate at which Customer Facility Charges are imposed to remedy such projected deficiencies. In such event, the City must use its best efforts to notify the Trustee of a corresponding increase in the Pledged Rate. **However, increasing the rate at which the Customer Facility Charges are imposed and increasing the Pledged Rate are legislative acts solely within the control of the City Council.**

Achievement of Projections

The collection and remittance of Customer Facility Charges in amounts sufficient to pay debt service on the 2019 Bonds when due are affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. No absolute representation or assurance is given or can be made that Customer Facility Charges will be realized in amounts sufficient to pay debt service when due on the 2019 Bonds.

The receipt of Customer Facility Charges in the future is subject to, among other factors, the origin and destination passenger activity levels at the Airport, the level of rental car activity at the Airport, economic conditions, and other conditions which are impossible to predict. The future collection and remittance of Customer Facility Charges will have a direct impact upon the payment of debt service on the 2019 Bonds.

As noted in the Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecasted period will vary, and the variations may be material. See "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A — Report of the Airport Consultant — LeighFisher Inc."

Certain Factors Affecting the Air Transportation Industry and the Airport

General. No assurance can be given with respect to the levels of aviation activity that will be achieved at the Airport in future fiscal years. Traffic at the Airport is sensitive to a variety of factors including (1) the growth in the population and economy of the Air Service Area served by the Airport, (2) national and international economic conditions, (3) air carrier economics and air fares, (4) the availability and price of aviation fuel, (5) air carrier service and route networks, (6) the capacity of the air traffic control system, (7) the capacity of the Airport/airways system, and (8) safety concerns arising from international conflicts and the possibility of additional terrorist attacks. Since early 2000, several factors including slow or negative traffic growth in certain areas, increased fuel, labor, equipment and other costs, health concerns such as Severe Acute Respiratory Syndrome (SARS) and Ebola, costs of compliance with new security regulations and requirements, threat of possible future terrorist attacks and an increase in the cost of debt, have in the past reduced profits and caused significant losses for all but a few air carriers.

Aviation Security Requirements and Related Costs. The FAA, as a result of the events of September 11, 2001, instituted numerous safety and security measures for all U.S. airports including Sky Harbor. The provision of and cost of airport security was transferred to and now is administered by the federal government through the Transportation Security Administration (the "*TSA*") instead of private companies. Like many other airport operators, Sky Harbor experienced increased operating costs due to compliance with the new federally mandated security and operating requirements. Sky Harbor is currently in compliance with all federally mandated security requirements.

The City cannot predict the effect of any future government-required security measures on passenger activity at Sky Harbor and resulting demand for rental cars. Nor can the City predict how the government will staff security screening functions or the effect on passenger activity of government decisions regarding its staffing levels and resulting demand for rental cars.

Aviation Safety Concerns, International Conflict and the Threat of Terrorism. Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001 and again in 2014 following the high profile disappearance of Malaysia Airlines Flight 370, the crash of Malaysia Airlines Flight 17 and recent fatal crashes of Boeing 737 MAX aircraft. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Although the U.S. government, airlines and airport operators have upgraded security measures to guard against terrorist incidents and maintain confidence in the safety of airline travel since the attacks of September 11, 2001, no assurance can be given that these precautions will be successful. The possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

Further, future enhanced securities procedures may significantly increase inconvenience and delays at airports, including Sky Harbor, again impacting passenger demand for air travel.

Cyber Security. Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Air travel industry participants, including airlines, the FAA, the TSA, the City, the Companies, other concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of the air travel industry, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and cause a loss of confidence in the air travel industry, which could ultimately adversely affect passenger activity and resulting demand for rental cars.

Capacity of National Air Traffic Control and Airport Systems. Demands on the nation's air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. In addition, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

Cost and Availability of Aviation Fuel

Airline earnings are significantly affected by the price of aviation fuel. According to Airlines for America, fuel is the largest single cost component for most airline operations, and therefore an important and uncertain determinant of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but there have been significant increases and fluctuations in the price of fuel.

Any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries' policy, increased demand for fuel caused by rapid growth of economics such as China and India, the levels of fuel inventory maintained by certain industries the amounts of reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. In recent years, the cost of aviation fuel has fluctuated in response to changes in demand for and supply of oil worldwide. Significant fluctuations and prolonged increases in the cost of aviation fuel may result in an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other extra surcharges, all of which may decrease demand for air travel.

Economic Conditions

Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. Following significant and dramatic changes which occurred in the financial markets in September 2008, the U.S. economy experienced a recession followed by weak growth. As a result of concerns about the U.S. government's ability to resolve long-term deficits, S&P downgraded the credit rating of the U.S. sovereign debt in August 2011 from AAA to AA+. While the rate of national and global economic growth has since strengthened, it is not known at this time whether such growth will persist beyond 2019. There can be no assurances that future weaker economic conditions, the U.S. federal government's credit rating, or other national and international fiscal concerns will not have an adverse effect on the air transportation industry.

Activity Level of American and Southwest at the Airport

For the fiscal year ended June 30, 2019, American Airlines and Southwest Airlines represented approximately 46.0% and 34.0%, respectively, of the total enplaned passengers at Sky Harbor. No other airline represented over 7% of Sky Harbor's enplaned passengers. American Airlines continues to maintain 51 of the Airport's 100 current gates and enplanements for Sky Harbor's largest carrier increased by 1.2% in fiscal year 2019. Similarly Southwest Airlines enplanements increased by 2.9%. While Frontier recorded enplanement declines of 7.1%, Delta and United reported enplanement gains of 6.3% and 5.5%, respectively. The Airport recorded an overall net gain for the fiscal year of 613,030 enplanements, an increase of 3.8%. Southwest Airlines President, Tom Nealon, announced on March 8, 2017 that his airline would require 8 additional gates at Sky Harbor to accommodate their plans for continued growth in Phoenix. No assurance can be given that American Airlines will continue its hubbing operations at Sky Harbor or that Southwest Airlines will continue to allocate a significant portion of its system capacity to Sky Harbor. In the event American Airlines discontinues or reduces its hubbing operations at Sky Harbor or Southwest Airlines discontinues or reduces the current allocation of its system capacity, other carriers may not step in to maintain the current level of activity at Sky Harbor. It is reasonable to assume that any significant financial or operational difficulties incurred by American Airlines or Southwest Airlines could have a material adverse effect on passenger activity and rental car activity as a result. For an examination of the airlines' present operation at the Airport, see "APPENDIX A — Report of the Airport Consultant — LeighFisher Inc."

Construction of Project

The ability of the contractors to complete the construction of the 2019 Project within budget and on schedule may be adversely affected by various factors including: (a) design and engineering errors, (b) unforeseen site conditions, (c) labor cost increases or other difficulties, (d) adverse weather conditions, (e) unavailability or increased costs of building materials, (f) contractor defaults, and (g) litigation. Even though pursuant to the CFC Ordinance, each RCC Company is currently required to collect and remit Customer Facility Charges and the Rental Car Center will continue to operate at current levels throughout construction, an incomplete 2019 Project could adversely affect the ability of the RCC Companies to supply a sufficient number of rental cars to accommodate the corresponding increased projected demand and, thus, could reduce the projected amount of Customer Facility Charges revenues. Cost overruns could also necessitate the issuance of additional Bonds, thereby reducing debt service coverage. For a description of the status of the fixed facilities and system components of the 2019 Project, see "RENTAL CAR CENTER AND SKY TRAIN EXTENSION — Sky Train Extension-Stage 2."

Damage and Destruction

The City will maintain insurance or self-insurance of the common use areas of the RCC in the amount and against such risks as are customarily insured against on Airport property. However, there can be no assurance that the RCC will not suffer extraordinary and unanticipated losses, for which insurance cannot be or has not been obtained, or that the amount of any such loss for the period during which the RCC is not available for use will not exceed the coverage of such insurance policies. Notwithstanding the foregoing, pursuant to the RCC Leases, the RCC Companies are required to provide property insurance for their respective exclusive use areas. See "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — The RCC Leases." In the event of the complete destruction of the RCC for which the City elects not to repair, replace or reconstruct, the City will not be required to provide alternative operating areas to the RCC's and the RCC Companies will have the ability to terminate their respective agreements.

Competition and Alternate Modes of Transportation

There are alternative forms of ground transportation available at the Airport which could reduce the demand for renting motor vehicles at the Rental Car Center. These alternate forms which compete with rental cars include transportation network companies (TNC's) such as Uber Technologies, Inc. and Lyft Inc., taxis, buses, shuttle services, and limousines. The popularity of TNC's has increased because of the convenience of requesting a ride through a mobile application, the ability to pay for this service without providing cash or other payment to the hired driver and competitive pricing. For a further description of these alternate modes and their impact on rental car demand, see the Report, attached hereto as APPENDIX A.

The digital revolution has also spawned peer-to-peer car-sharing services such as Turo and Getaround Inc, presenting another competition to traditional rental cars. Turo and Getaround Inc. allow individual car owners to rent their cars via apps. Customers use an app to rent another person's car and set a spot to pick up the car. They can rent cars for an hourly or a daily fee — Turo customers pay an average of $45 per day. There are now nearly 3 million users of peer-to-peer car-sharing services in North America, according to the Transportation Sustainability Research Center at the University of California, Berkeley. For a further description of these alternate modes of transportation and their impact on rental car demand, see the Report attached hereto as APPENDIX A.

New technologies (such as autonomous vehicles and connected vehicles) and innovative business strategies in established markets such as commercial ground transportation may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode. In such event, Revenues may be lower than expected. The City cannot predict with certainty what impact these innovations in ground transportation will have over time on the rental of RCC Companies' rental cars.

Considerations under the Bankruptcy Code

In the event a bankruptcy case is filed with respect to an RCC Company, a bankruptcy court could reject the RCC Lease. In such event, such RCC Company would also be in default under its Concession Agreement, permitting the City to cancel such agreement and remove such RCC Company from possession and occupancy of the Project. In such circumstances, while rental car demand would not be affected, Customer Facility Charge collections could be affected until other RCC Companies are able to increase their capacity to accommodate additional customers.

Limitation of Remedies

Under the terms of the Indenture, the occurrence of an Event of Default does not grant a right to accelerate payment of the 2019 Bonds. Under the terms of the Indenture, the City Purchase Agreement and the RCC Leases, remedies for events of default are limited to such actions which may be taken at law or in equity. See "APPENDIX F — Summary of Certain Provisions of Legal Documents — The Bond Indenture," "— The City Purchase Agreement" and "— The RCC Lease." No mortgage or security interest, however, has been granted or lien created in the Rental Car Center or any properties, revenues or properties of the Companies or the City to secure the remittance of Customer Facility Charges or payment of the 2019 Bonds.

Various State laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the 2019 Bonds, including the tax-exempt status of interest on the Series 2019A Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the City or the Companies.

In the event of a default in the payment of principal of or interest on the 2019 Bonds, the remedies available to the owners of the 2019 Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. Bond Counsel's opinion to be delivered concurrently with delivery of the 2019 Bonds will be qualified as to enforceability of the various legal instruments by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles. See "APPENDIX G — Proposed Form of Legal Opinion of Bond Counsel" attached hereto.

Future Legislation and Regulation

The operation of the Airport and the ability of the City to generate Pledged Revenues sufficient to pay the 2019 Bonds may be adversely affected by future federal, state or local legislation that affects the Airport directly, or activities at the Airport. Federal legislation that could adversely affect the Pledged Revenues includes, but is not limited to, legislation limiting the use of Airport properties, legislation imposing additional liabilities or restrictions on the operation of the Airport or the airlines and other persons using the Airport, changes in environmental laws, reductions in federal funding for the Airport and legislation or executive orders imposing travel restrictions on foreign passengers. In addition, the United States Congress could enact legislation making interest earned on the Series 2019A Bonds includable in a bondholder's gross income for federal income tax purposes or limit the tax benefits associated with ownership of the Series 2019A Bonds. See "TAX EXEMPTION — General" herein.

Secondary Market

No assurance can be given concerning the existence of any secondary market in the 2019 Bonds or its creation or maintenance by the Underwriters. Thus, purchasers of 2019 Bonds should be prepared, if necessary, to hold their 2019 Bonds until their respective maturity dates.

AIRLINE INFORMATION

The major and national airlines serving Sky Harbor or their respective parent corporations are subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file reports and other information with the Securities and Exchange Commission (the "*Commission*"). Certain information, including financial information, as of particular dates concerning such airlines or their respective parent corporations is disclosed in certain reports and statements filed with the Commission. Such reports and statements can be inspected and copied at the public reference facilities maintained by the Commission, which can be located by calling the Commission at 1-800-SEC-0330 or from the Commission's EDGAR database on the internet. In addition, each airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports of financial operating statistics can be obtained from the Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 7th Street, S.W., Washington D.C. 20590 and copies of such reports can be obtained at prescribed rates. The foreign airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines. None of the Corporation, the City, the Financial Advisor or the Underwriters make any representation with respect to, and assume no responsibility for, the accuracy or completeness of, any information filed or provided by the airlines.

The City undertakes no responsibility for and makes no representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or U.S. Department of Transportation as described in this section or (ii) any material contained on the SEC's website as described in this section, including, but not limited to, updated information on the SEC website or links to other Internet sites accessed through the SEC's website. Any such information is not part of this Official Statement nor has such information been incorporated by reference herein, and such information should not be relied upon in deciding whether to invest in the 2019 Bonds.

THE CITY

The City is a municipal corporation duly organized and validly existing under the laws of the State of Arizona. Pursuant to the City Purchase Agreement, the City will agree to make payments sufficient to pay amounts due on the 2019 Bonds. Detailed information on the City is set forth in Appendices B through E.

THE CORPORATION

The Corporation is a nonprofit corporation organized under the laws of the State of Arizona for the purpose of assisting the City in the acquisition and financing of municipal property and equipment.

The Corporation will enter into the City Purchase Agreement and the Indenture to facilitate the funding of the Financial Property and refunding of the Bonds Being Refunded. The Corporation is not financially liable for the payment of the principal of or interest on the 2019 Bonds and the Owners will have no right to look to the Corporation for payment of the 2019 Bonds except to the extent of the payments received from the City under the City Purchase Agreement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, a firm of independent public accountants, will deliver to the City and the Trustee, on or before the settlement date of the Taxable Bonds, its verification report indicating that is has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash to be deposited to the 2004 Redemption Account to pay the principal of, interest on and related make-whole call premium, of the Bonds Being Refunded on the redemption date.

The verification performed by Samuel Klein and Company will be solely based upon data, information and documents provided to Samuel Klein and Company by the City and its representatives and it has not evaluated or examined the assumptions or information used in the computations.

LITIGATION

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. The City Attorney has advised City management of the nature and extent of pending and threatened claims against the City. In the opinion of City management, such matters will not have a materially adverse effect on the City's ability to comply with the requirements of the City Purchase Agreement.

To the knowledge of the City Attorney, no pending or threatened litigation or administrative action or proceeding has (i) restrained or enjoined the City from entering into the City Purchase Agreement or approving the issuance and delivery of the 2019 Bonds or (ii) contested or questioned the validity of the 2019 Bonds or the proceedings and authority under which the 2019 Bonds have been authorized and are to be issued, secured, sold, executed or delivered. Certificates of the City to that effect will be delivered at the time of delivery of the 2019 Bonds.

To the knowledge of counsel to the Corporation, no pending or threatened litigation or administrative action or proceeding has (i) restrained or enjoined the Corporation from entering into the Indenture or the City Purchase Agreement or approving the issuance and delivery of the 2019 Bonds or (ii) contested or questioned the validity of the 2019 Bonds or the proceedings and authority under which the 2019 Bonds have been authorized and are to be issued, secured, sold, executed or delivered. Certificates of the Corporation to that effect will be delivered at the time of delivery of the 2019 Bonds.

TAX EXEMPTION

General

The Code includes requirements which the Corporation and the City must continue to meet after the issuance of the Series 2019A Bonds in order that interest thereon be and remain excludable from gross income of the holders thereof for federal income tax purposes. The Corporation's or the City's failure to meet these requirements may cause the interest on the Series 2019A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2019A Bonds. The Corporation and the City have covenanted in the City Purchase Agreement to take the actions required by the Code in order to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2019A Bonds and not to take any actions that would adversely affect that excludability.

In the opinion of Bond Counsel, assuming continuing compliance by the Corporation and the City with the tax covenants referred to above and the accuracy of certain representations of the Corporation and the City, under existing statutes, regulations, rulings and court decisions, interest on the Series 2019A Bonds will be excludable from gross income for federal income tax purposes and, further, interest on the Series 2019A Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that assuming interest on the Series 2019A Bonds is excludable from gross income for federal income tax purposes, interest on the Series 2019A Bonds will be exempt from income taxation under the laws of the State of Arizona.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of interest on the Series 2019A Bonds or the ownership or disposition of the Series 2019A Bonds. Prospective purchasers of Series 2019A Bonds should be aware that the ownership of Series 2019A Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2019A Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocable to interest on the Series 2019A Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including interest on the Series 2019A Bonds, (iii) the inclusion of interest on the Series 2019A Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on the Series 2019A Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) recipients of certain Social Security and Railroad Retirement benefits being required to take into account receipts and accrual of interest on the Series 2019A Bonds in determining whether a portion of such benefits are included in gross income for federal income tax purposes.

From time to time, there are legislative proposals in Congress or in the State legislature which, if enacted, could alter or amend one or more of the federal income tax matters or state tax matters, respectively, described above or adversely affect the market value of the Series 2019A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Series 2019A Bonds), executed and delivered prior to enactment.

The discussion of tax matters in this Official Statement applies only in the case of purchasers of the Series 2019A Bonds at their original issuance and at the respective prices indicated on the inside front cover page of this Official Statement. It does not address any other tax consequences, such as, among others, the consequence of the existence of any market discount to subsequent purchasers of the Series 2019A Bonds. Purchasers of the Series 2019A Bonds should consult their own tax advisers regarding their particular tax status or other tax considerations resulting from ownership of the Series 2019A Bonds.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the Series 2019A Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2019A Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2019A Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Series 2019A Bonds and proceeds from the sale of Series 2019A Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2019A Bonds. This withholding generally applies if the owner of Series 2019A Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("*TIN*"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2019A Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Original Issue Discount and Original Issue Premium

Certain of the Series 2019A Bonds, as indicated on the inside front cover page of this Official Statement ("*Discount Bonds*"), may be offered and sold to the public at an original issue discount ("*Original Issue Discount*"). Original Issue Discount is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public at which a substantial amount of the Discount Bonds of the same maturity will be sold pursuant to that offering. For federal income tax purposes, Original Issue Discount accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of Original Issue Discount that accrues during the period of ownership of a Discount Bond (i) will be interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as interest on the Series 2019A Bonds, and (ii) will be added to the owner's tax basis for purposes of determining gain or loss on the maturity, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside front cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2019A Bonds, as indicated on the inside front cover page of this Official Statement (the "*Premium Bonds*"), may be offered and sold to the public at a price in excess of their stated redemption price at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to the maturity of a Premium Bond, based on the yield to the maturity date of that Premium Bond, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside front cover of this Official Statement who holds that Premium Bond to maturity will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount Bonds and Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of Original Issue Discount or bond premium properly accruable in any period with respect to the Discount Bond or Premium Bond and as to other federal tax consequences, and the treatment of Original Issue Discount and bond premium for purposes of state and local taxes on, or based on, income.

CERTAIN UNITED STATES FEDERAL CONSIDERATIONS WITH RESPECT TO THE TAXABLE BONDS

General

Bond Counsel expresses no opinion regarding the excludability of interest on the Taxable Bonds from gross income for federal or State of Arizona income tax purposes.

The discussion below is generally limited to U.S. Owners (as defined herein). The discussion below is based upon current provisions of the Code, current final, temporary and proposed Treasury regulations, judicial authority and current administrative rulings and pronouncements of the IRS. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been, or is expected to be, sought on the issues discussed herein. Legislative, judicial, or administrative changes or interpretations may occur that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences discussed below.

The summary is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of Taxable Bonds and does not address U.S. federal gift or (for U.S. Owners) estate tax consequences or alternative minimum, foreign, state, local or other tax consequences. This summary does not purport to address special classes of taxpayers (such as S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the United States, broker-dealers, traders in securities and tax-exempt organizations) that are subject to special treatment under the federal income tax laws, or persons that hold Taxable Bonds that are a hedge against, or that are hedged against, currency risk or that are part of a hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the U.S. dollar. This summary also does not address the tax consequences to an owner of Taxable Bonds held through a partnership or other pass-through entity treated as a partnership for U.S. federal income tax purposes. In addition, this discussion is limited to persons purchasing the Taxable Bonds for cash in this offering at their "issue price" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of Taxable Bonds are sold to the public for cash), and it does not address the tax consequences to holders that purchase the Taxable Bonds after their original execution and delivery. This discussion does not address the federal tax treatment of original issue discount or premium. This discussion assumes that the Taxable Bonds will be held as capital assets within the meaning of Section 1221 of the Code.

As used herein, the term "U.S. Owner" means a beneficial owner of Taxable Bonds that is (i) an individual citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation (or other entity classified as a corporation for U.S. federal tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if (a) a U.S. court can exercise primary supervision over the administration of such trust and one or more United States persons (within the meaning of the Code) has the authority to control all of the substantial decisions of such trust or (b) the trust has made a valid election under applicable Treasury regulations to be treated as a United States person (within the meaning of the Code).

BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, PROSPECTIVE HOLDERS OF THE TAXABLE BONDS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THEIR PARTICULAR TAX SITUATIONS AND AS TO ANY FEDERAL, FOREIGN, STATE, LOCAL OR OTHER TAX CONSIDERATIONS (INCLUDING ANY POSSIBLE CHANGES IN TAX LAW) AFFECTING THE PURCHASE, HOLDING AND DISPOSITION OF THE TAXABLE BONDS.

Certain U.S. Federal Income Tax Consequences to U.S. Owners

Interest. In general, interest paid or accrued on the Taxable Bonds, generally will be taxable to a U.S. Owner as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Owner's method of accounting for federal income tax purposes. Under recently-enacted legislation known as the Tax Cuts and Jobs Act, U.S. Owners that use an accrual method of accounting for U.S. federal income tax purposes generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. This rule generally is effective for tax years beginning after December 31, 2017, (or, for debt securities issued with original issue discount, for tax years beginning after December 31, 2018). Accrual method U.S. Owners should consult their tax advisors regarding the potential applicability of this rule to their particular situation.

Disposition of the Taxable Bonds. Upon the sale, exchange, retirement, or other taxable disposition of a Bond, a U.S. Owner, in general, will recognize gain or loss equal to the difference between the amount realized from the sale, exchange, retirement, or other disposition and the U.S. Owner's adjusted basis, or applicable portion of the adjusted basis, in the Taxable Bond. The U.S. Owner's adjusted basis generally will equal the U.S. Owner's cost of the Taxable Bond, reduced by any principal payments (and any other payments on the Taxable Bonds not treated as qualified stated interest). Any such gain or loss generally will be long-term capital gain or loss, provided that the Taxable Bonds have been held for more than one year at the time of disposition. Net long-term capital gain recognized by an individual U.S. Owner generally will be subject to tax at a lower rate than that for net short-term capital gain or ordinary income. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. The Bond Trustee must report annually to the IRS and to each U.S. Owner any interest payable to the U.S. Owner, subject to certain exceptions. A non-corporate U.S. Owner of the Taxable Bonds may be subject to backup withholding (currently at a rate of 24%) with respect to "reportable payments," which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, or retirement of the Taxable Bonds, unless the U.S. Owner provides an accurate taxpayer identification number and certifies on an IRS Form W-9, under penalties of perjury, that the U.S. Owner is not subject to backup withholding and otherwise complies with applicable requirements of the backup rules or otherwise establishes an exemption.

LEGAL MATTERS

Legal matters incident to the issuance of the 2019 Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX EXEMPTION — General") are subject to the legal opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, who has been retained by, and is acting as Bond Counsel to the Corporation and the City. Signed copies of the opinion, dated and speaking only as of the date of delivery of the 2019 Bonds, will be delivered to the Underwriters.

The text of the proposed legal opinion is set forth as Appendix G. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

Certain legal matters will be passed upon for the Underwriters by Squire Patton Boggs (US) LLP, Phoenix, Arizona, as Counsel to the Underwriters.

RATINGS

Moody's Investors Service, Inc. ("*Moody's*") has assigned a rating of "A2" to the 2019 Bonds. S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("*S&P*") has assigned a rating of "A" to the 2019 Bonds. No application has been made to any other rating service for the purpose of obtaining ratings on the 2019 Bonds. The City furnished these rating agencies with certain information and materials with respect to the 2019 Bonds. The ratings will reflect only the views of the rating services. An explanation of the significance of the ratings may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's or S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings by Moody's or S&P may have an adverse effect on the market price of the 2019 Bonds.

UNDERWRITING

The 2019 Bonds are being purchased for reoffering by Jefferies LLC and the other underwriters shown on the cover (the "*Underwriters*"). The Underwriters have agreed to purchase the 2019 Bonds, subject to certain conditions, at an aggregate underwriting discount of $. If the 2019 Bonds are sold to produce the yields shown on the inside front cover hereof, the underwriters' compensation will be $.

The Underwriters are committed to purchase all of the 2019 Bonds if any are purchased. The 2019 Bonds are offered for sale initially at the approximate yields set forth on the inside front cover of this Official Statement, which yields may be changed, from time to time, by the Underwriters. The 2019 Bonds may be sold to certain dealers (including underwriters and dealers depositing the 2019 Bonds into investment trusts) at prices lower than the public offering price.

Jefferies LLC has entered into an agreement (the "Distribution Agreement") with E*Trade Securities LLC ("E*TRADE") for the retail distribution of the 2019 Bonds. Pursuant to the Distribution Agreement, Jefferies LLC will sell the 2019 Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") with respect to the 2019 Bonds for the benefit of the beneficial owners of such 2019 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) system pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "*Rule*") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The specific nature of the information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Undertaking, are set forth in "APPENDIX H — Form of Continuing Disclosure Undertaking."

The City has represented that during the last five years it is in compliance in all material respects with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the City to comply with the Undertaking will not constitute a default under the City Purchase Agreement or the Indenture and beneficial owners of the 2019 Bonds are limited to the remedies described in the Undertaking. See "APPENDIX H — Form of Continuing Disclosure Undertaking." A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2019 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2019 Bonds and their market price.

INDEPENDENT AUDITORS AND INCORPORATION BY REFERENCE OF CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT

The financial statements of the City as of June 30, 2018 for its fiscal year then ended have been audited by BKD, LLP, independent auditors, as stated in their report. The financial statements and auditor's report are part of the City's comprehensive annual financial report (the "*CAFR*"), which may be obtained from EMMA, free of charge at http://emma.msrb.org or from the City, free of charge, at the following location: 251 West Washington Street, 9th Floor, Phoenix, Arizona 85003, Attention: Finance Department, Telephone: (602) 262-7166. The CAFR may also be downloaded from the City's website at www.phoenix.gov under Departments-Finance-Comprehensive Annual Financial Report. The CAFR so filed with EMMA as part of the City's continuing disclosure undertakings pursuant to the Rule is hereby incorporated by reference.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation, the City or the Underwriters and the purchasers or holders of any of the 2019 Bonds.

This Official Statement has been approved, executed and delivered by the Corporation and the City.

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

By ____
President

CITY OF PHOENIX, ARIZONA

By ____
Chief Financial Officer

Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

RENTAL CAR FACILITY CHARGE REVENUE BONDS, SERIES 2019

Prepared for

City of Phoenix Aviation Department
Phoenix, Arizona

Prepared by
LeighFisher
Cincinnati, Ohio

October 22, 2019

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October 22, 2019

Mr. James E. Bennett, A.A.E.
Director of Aviation Services
City of Phoenix
Aviation Department
Phoenix Sky Harbor International Airport
3400 Sky Harbor Boulevard
Phoenix, Arizona 85034

Re: Report of the Airport Consultant on behalf of the City of Phoenix, Arizona, concerning the issuance of Rental Car Facility Charge Revenue Bonds, Series 2019

Dear Mr. Bennett:

We are pleased to submit this Report of the Airport Consultant (Report) on certain aspects of the proposed issuance of Rental Car Facility Charge Revenue Bonds, Series 2019A (Non-AMT) (2019A Rental Car Bonds), and Rental Car Facility Charge Revenue Refunding Bonds, Series 2019B (Taxable) (2019B Rental Car Refunding Bonds, and collectively with the 2019A Rental Car Bonds, the 2019 Rental Car Bonds). The 2019 Rental Car Bonds are to be issued by the City of Phoenix Civic Improvement Corporation (CIC) of the City of Phoenix, Arizona (the City), for and on behalf of its Aviation Department (the Aviation Department).* This letter and the accompanying attachment and exhibits constitute our Report. The City owns and, through the Aviation Department, operates Phoenix Sky Harbor International Airport (Sky Harbor or Airport), which is the primary air carrier airport serving the Phoenix region and the State of Arizona.

The 2019 Rental Car Bonds are special revenue obligations of the CIC and are payable solely from certain payments required to be paid by the City to the CIC pursuant to a City Purchase Agreement dated as of December 1, 2019 (City Purchase Agreement). The obligation of the City to make certain payments under the City Purchase Agreement is secured by a first priority pledge of Pledged Revenues (as defined herein) to be derived primarily from daily usage fees (Customer Facility Charges, or CFCs) to be paid by rental car customers at the Airport and to be charged, collected and remitted by rental car companies obtaining customers at the Airport and the funds and accounts established under the Bond Indenture dated December 1, 2019 (Bond Indenture).

The purpose of the Report is to evaluate the ability of the City to satisfy the requirements of the Rate Covenant during the Forecast Period taking into account the proposed 2019 Rental Car Bonds. The

*Capitalized terms not otherwise defined in this Report have the meanings given in the CFC Ordinance, City Purchase Agreement, Bond Indenture, or the Official Statement to which this Report is attached.

forecast covers the fiscal year (FY) ending June 30, 2020 (FY 2020) through FY 2026, inclusive (the Forecast Period).*

2019 RENTAL CAR BONDS – PLAN OF FINANCE

The City intends to issue the 2019 Rental Car Bonds, in the par amount of $313,205,000 ($234,490,000 for the 2019A Rental Car Bonds, and $78,715,000 for the 2019B Rental Car Refunding Bonds).** Proceeds are expected to be used for the following purposes:

- PHX Sky Train Stage 2: Fund $273 million of ongoing expenditures with the 2019A Rental Car Bonds.
- Series 2004 Rental Car Facility Charge Revenue Bonds: The Series 2004 Bonds will be refunded with the 2019B Rental Car Refunding Bonds plus amounts released from the Series 2004 Debt Service Fund, Debt Service Reserve Fund, Debt Service Coverage Fund, Transportation O&M Reserve Fund, City Transportation O&M Reserve Fund, and the Improvement Reserve Surplus Fund.
- Reserve Funds: Fund the Parity Reserve Fund and the Debt Service Coverage Fund for the 2019 Rental Car Bonds.
- Issuance costs: Pay the costs of issuing the 2019 Rental Car Bonds, including underwriters' discount and financing, legal, and other costs.

For the purposes of this Report, no future Rental Car Facility Charge Revenue Bonds are planned or assumed to be issued during the Forecast Period.

PHX SKY TRAIN

The PHX Sky Train is an automated people mover system that will, when completed, connect all terminals and parking facilities to VALLEY METRO Light Rail (regional public transit system) and the Consolidated Rental Car Center (the RCC or the Rental Car Center). The train is an integral part of the airport's transportation infrastructure plan and an important link to the regional transportation system. It is designed to be a long-term solution to growing traffic congestion in and around Sky Harbor. The project will be completed in three stages (Stage 1, Stage 1a, and Stage 2). The first two stages are complete and in service, connecting the light rail system and Sky Harbor's largest parking facility to Terminals 3 and 4, with a walkway to Terminal 2. These two project stages were finished on schedule and nearly $45 million under the combined budget of $884 million. By mid-2022, Stage 2 will link Stage 1 and Stage 1a with the future West Ground Transportation Center Station (West GTC Station) and the RCC.

The PHX Sky Train's electric train cars run twenty-four hours a day arriving at a station approximately every three minutes during peak periods, delivering passengers to their destinations within five

*The City's fiscal year (FY) ends June 30. The City Purchase Agreement and Bonds Indenture define a "Bond Year" (BY) ending July 1. For the purposes of this report we assume use of the FY and BY are equal or interchangeable unless specifically noted.

**Preliminary and subject to change.

minutes after boarding. Since its opening in April 2013, the PHX Sky Train has carried over 20 million passengers and replaced busing as the mode of transportation between terminals and parking facilities.

RENTAL CAR CENTER

The proceeds of the Rental Car Facility Charge Revenue Bonds, Taxable Series 2004 (the 2004 Bonds) funded the majority of the cost of designing, acquiring, constructing, and equipping certain facilities, infrastructure, site development, and equipment necessary for the operation of a consolidated rental car center at the Airport.

The RCC consists of the following elements: (a) a Customer Service Building containing 113,000 square feet of counter positions and administrative space for each rental car company, administrative space for the Airport and support services, retail space, and circulation space; (b) a parking structure consisting of 5,651 parking stalls for individual rental car companies' ready/return spaces; (c) individual rental car company maintenance/storage facilities; (d) a bus fleet consisting of 62 vehicles; (e) a bus maintenance facility; and (f) certain infrastructure and site development improvements. The Rental Car Center opened on January 19, 2006 and cost approximately $285 million.

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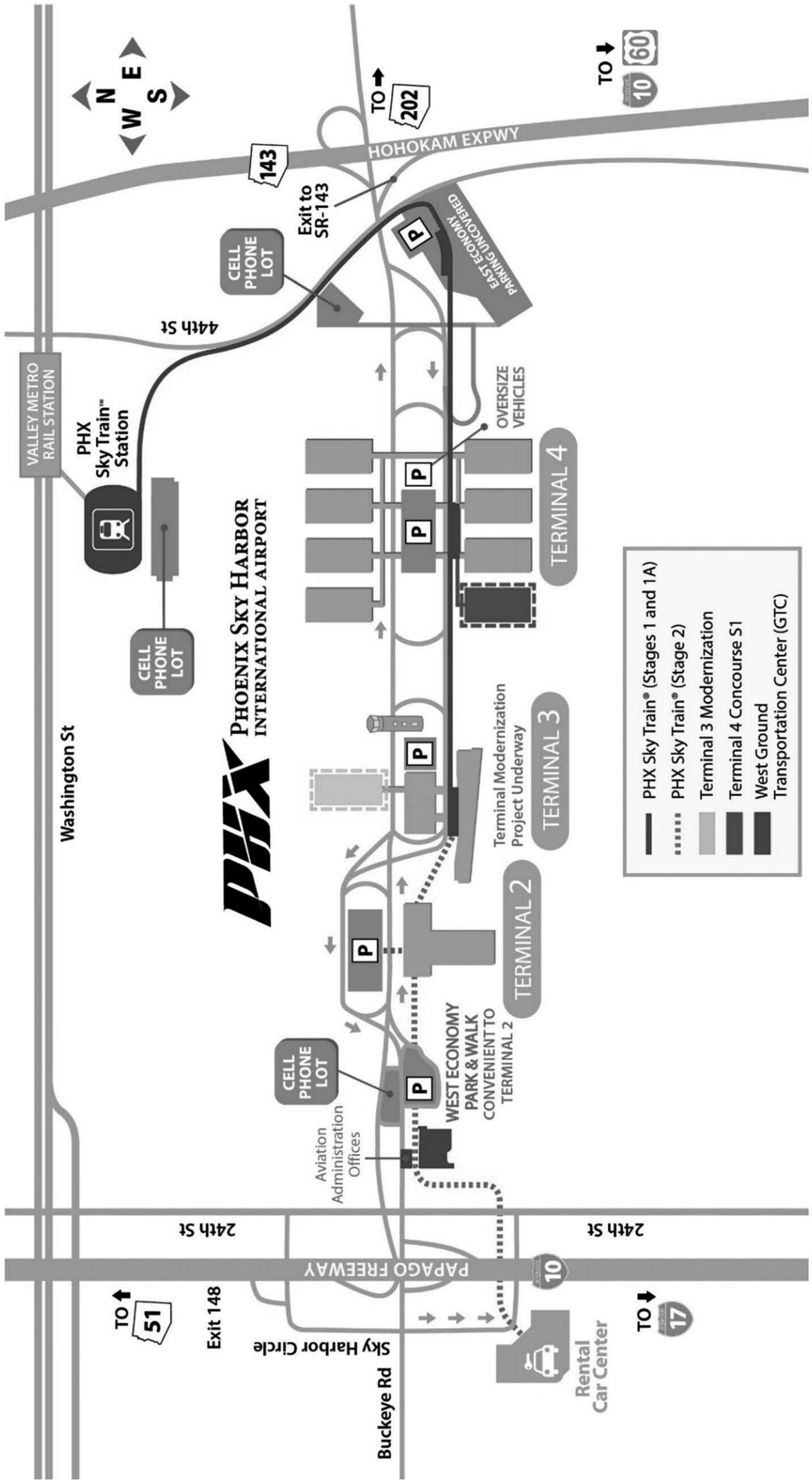
PHX
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International Airport
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EAST ECONOMY
PARKING UNCOVERED
OVERSIZE
VEHICLES
TERMINAL 4
TERMINAL 3
Terminal Modernization
Project Underway
TERMINAL 2
WEST ECONOMY
PARK & WALK
CONVENIENT TO
TERMINAL 2
Aviation
Administration
Offices
24th St
PAPAGO FREEWAY
TO
51
Exit 148
Sky Harbor Circle
Buckeye Rd
Rental
Car Center
TO
17
PHX Sky Train® (Stages 1 and 1A)
PHX Sky Train® (Stage 2)
Terminal 3 Modernization
Terminal 4 Concourse S1
West Ground
Transportation Center (GTC)

LEGAL FRAMEWORK

CFC Ordinance

Pursuant to Ordinance No. G4375 adopted by the Mayor and Council of the City on July 5, 2001, as amended to date and as further supplemented and amended from time to time (the CFC Ordinance), RCC Companies and other rental car companies who obtain customers at the Airport (Off-Site Companies and together with the RCC Companies, the Companies) are currently required to charge and collect the Customer Facility Charge at the Initial Rate and remit such funds to a financial institution designated by the City (the Depository). The Depository will enter into a Bailment Agreement with the Trustee acknowledging the security interest of the Trustee in such funds. The Customer Facility Charge has been imposed since June 1, 2002 and was increased from $4.50 per Transaction Day to the current rate of $6.00 per Transaction Day effective January 1, 2009.

Ordinance G-5272 also expanded the permitted use of available CFCs. After meeting the obligations pertaining to the Rental Car Bonds, CFCs may be used for capital improvements to the RCC and related transportation facilities and equipment.

PHX Rental Car Redevelopment Program and New Concession and Lease Agreements

There are currently six on-airport rental car operators (Hertz, Avis, Enterprise, Advantage, Fox and Sixt) operating 14 rental car brands (Hertz, Dollar, Thrifty, Avis, Budget, Payless, Zipcar, Alamo, National, Enterprise, Advantage, EZ Rental Car, Fox, and Sixt) at the Rental Car Center (RCC) at the Airport. Currently, Silvercar is the only off-airport rental car operator at the Airport.

As a result of the recent consolidation of rental car companies in the rental car industry and in consideration of the best utilization of the RCC for the benefit of the City and the rental car customers at the Airport, the City undertook a redevelopment of the RCC to accommodate the consolidation, and to provide an expanded area for certain rental car operators, (RCC Redevelopment Program). The RCC Redevelopment Program was completed in the fall of 2018 and was funded with CFC revenues, with certain tenant improvements funded by the rental car operators. The original construction of the RCC was funded with proceeds from City of Phoenix Civic Improvement Corporation Rental Car Facility Charge Revenue Bonds, Taxable Series 2004 (Prior Bonds). Debt service for the Prior Bonds is funded by CFC Revenues.

As a result of the RCC Redevelopment Program and the expiration of the then current concession agreements for the rental car operators, the City and the rental car operators negotiated new concession agreements, new lease agreements, and for certain rental car operators amended and restated lease agreements, (New Agreements).

On May 31, 2017 the Phoenix City Council adopted Ordinance S-43549 authorizing the City to enter into new concession agreements and amended and restated rental car center leases with the following rental car operators (1) The Hertz Corporation, operating rental car brands Hertz, Dollar and Thrifty; (2) Avis Budget Car Rental LLC, operating rental car brands Avis, Budget, Payless and Zipcar; and (3) Enterprise Leasing Company of Phoenix, LLC, operating rental car brands Enterprise, Alamo and National, (collectively, Tier One Operators). The New Agreements for the Tier One Operators were effective September 1, 2017.

The City issued a Revenue Contract Solicitation in May 2017 for three operating areas at the independent operator premises (IOP) of the RCC, and on September 20, 2017 the Phoenix City Council adopted Ordinance S-43921 authorizing the City to enter into new rental car concession agreements and new rental car center leases with the following rental car Operators (1) Advantage OPCO, LLC, operating rental car brands Advantage and E-Z Rent a Car; (2) Fox Rent A Car Inc. operating the rental car brand Fox; and (3) Sixt Rent A Car, LLC operating rental car brand Sixt, (collectively, Tier Two Operators). The New Agreements for the Tier Two Operators were effective January 1, 2018.

Copies of the rental car operator Agreements have been executed by the rental car companies and are being held by the City. These agreements were executed to be effective on the respective effective dates and will terminate at midnight on June 30, 2029 for the Tier One operators. For Tier Two operators the agreements terminate December 31, 2022, with an option to extend to terminate December 31, 2027.

The rental car operator Agreements set forth provisions in connection with the construction of, leasing of space in, use of and operation of the RCC as modified by the RCC Redevelopment Program. Pursuant to the rental car operator Agreements, the City has agreed to construct the PHX SkyTrain Stage 2 resulting in the extension of the PHX SkyTrain that will provide connection to and service for the RCC. The rental car operators have agreed to fund the RCC pro rata share of the PHX SkyTrain Stage 2 with CFC Revenues. The rental car operator agreements also provide for the rental car operators to pay an Annual Obligation Requirement Deficiency, if required, to fund the debt service on the 2019 Rental Car Bonds, the RCC pro rata share of the PHX SkyTrain Stage 2 operating costs, and other requirements for CFC Revenue funding.

Rental Car Concession Agreements

The new concession agreements and the new/or amended and restated lease agreements are co-terminous and contain cross default language. Under the new concession agreements, new minimum annual guarantees (MAGs) were established, the requirements to pay a concession fee of the greater of MAG or 10% of gross revenues were restated, parameters related to pass through the concession fee was established, the obligation to pay the RCC pro rata share of the cost of the PHX SkyTrain Stage 2 was described, and the processes for initiating and managing a CFC deficiency to meet the Annual Obligation Requirement are reflected.

In the event that the CFC collections (including interest earnings) are determined or estimated by the City in any year, to be insufficient to satisfy the Debt Service of the Bonds and funding of reserves to meet the rate covenants thereunder, together with all required deposits required thereof (Annual Obligation Requirement), the City has reserved the ability to charge a certain payments (Contingent Payments) of no more than $5 million in the aggregate annually to each rental car operator in order to meet the Annual Obligation Requirements. There are several prerequisites to imposition of Contingent Payments, including application of monies in the Improvement Reserve / Surplus Fund and good faith efforts to reduce expenses and/or increase the CFC rate. The concession agreements also provide a means of applying CFCs to reimburse the rental car operators for Contingent Payments. Rental car operators are prohibited from recovering a Contingent Payment through any fee or any other means from its customers.

Amended and Restated Lease Agreements and New Lease Agreements

Tier One rental car operators executed Amended and Restated Lease Agreements, and the Tier Two rental car operators executed New Lease Agreements. Both versions are substantially similar in terms and conditions, except that the Tier Two New Lease Agreements provide for joint use of certain premises, more frequent reallocation of space, and shared costs for specific IOP areas (collectively, Leases).

Under the Leases, each of the rental car operators leases Exclusive Premises in the Ready Return Area, their adjacent service sites/QTA, and the Customer Service Building (CSB). In addition to the Exclusive Premises, each rental car operator is granted a non-exclusive right to use Common Areas, and Public Space within the RCC.

The Leases sets forth provisions for the construction of the RCC Redevelopment Program, the relocation of the various rental car operators as a result of the RCC Redevelopment Program, and the use and operation of the RCC as more fully set forth in the Leases. The Leases include a specific matrix for the RCC and tenant improvement maintenance obligations of the rental car operators and the City, specific environmental requirements related to the operation of the Service Sites, and the operating protocols related to the ground transportation operation for the buses (and the future SkyTrain) between the Airport terminals and the RCC.

Each rental car operator is responsible for the payment of Ground Rent associated with the square footage of their respective Service Site/QTA. The rental car operators are responsible for the monthly payment to the City of Ground Rent for the total RCC area (less the Service Sites square footage) which is calculated based on a rental car operator's proportionate share of the Exclusive Premises (Share Calculation Formula). Rental car operators also pay to the City a monthly O&M Fee for the CSB based on the Share Calculation Formula.

Annually the City and the rental car operators meet and discuss the forecasted O&M costs (including transportation costs) and required capital costs (repairs and replacements) for services to be provided by the City for the operation and management of the RCC. The rental car operators are obligated to pay, based on the Share Calculation Formula, such annual O&M costs and repair/replacement costs. Each year's forecasted O&M costs and repair/replacement costs are subject to reconciliation at the end of each year and the credit or deficit for such year is borne by the rental car operators.

2019 Rental Car Bonds Indenture

The 2019 Rental Car Bonds are being issued pursuant to a Bond Indenture, dated as of December 1, 2019 (Indenture) between the CIC and U.S. Bank National Association, as trustee (Trustee). The 2019 Bonds are payable solely, as to both principal and interest, from payments made by the City under the City Purchase Agreement, dated as of December 1, 2019 (City Purchase Agreement) between the CIC and the City. Key terms of the Indenture and City Purchase Agreement are defined in this section.

Customer Facility Charges

Under the CFC Ordinance, the RCC Companies and other rental car companies who obtain customers at the Airport (Off-Site Companies and together with the RCC Companies, the Companies) are currently required to charge and collect the Customer Facility Charge (CFC) at the Initial Rate and remit such funds to a financial institution designated by the City (the Depository). The Depository will enter into a Bailment Agreement with the Trustee acknowledging the security interest of the Trustee in such funds. The Customer Facility Charge has been imposed since June 1, 2002 and was increased from $4.50 per Transaction Day to the current rate of $6.00 per Transaction Day effective January 1, 2009.

Pledged Funds and Revenues

The Pledged Revenues consist primarily of Customer Facility Charges at the Pledged Rate remitted by the Companies (as defined below) to the Depository and transferred to the Trustee, amounts on deposit in the 2019 Bond Fund, the Parity Reserve Fund, the Debt Service Coverage Fund, the Project Fund and the Improvement Reserve/Surplus Fund and investment income from investments therein. The Pledged Rate for the Customer Facility Charges is currently equal to the Initial Rate of $6.00 per Transaction Day. The Pledged Revenues do not include (a) amounts paid by the RCC Companies as ground rentals or concession fees, (b) amounts on deposit in or required to be deposited to, the Administrative Costs Fund, (c) amounts on deposit in the Transportation O&M Fund and (d) amounts on deposit in the Rebate Fund, if an and (e) Customer Facility Charges which exceed the Pledged Rate. The City may, but is not required to, pay the Purchase Price from other funds lawfully available to the Airport System which are not included in the definition of Pledged Revenues (Other Available Funds).

Source of Payment for Bonds

As defined in the Indenture, payment of all or any part of the 2019 Rental Car Bonds in authorized denominations may be provided for by the deposit with the Trustee or any financial institution meeting the requirements as a successor Trustee under the Bond Indenture which may be designated by the City and acceptable to the Trustee to serve as its agent (the Depository Trustee) of moneys or Defeasance Obligations which are not redeemable in advance of their maturity dates. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants or nationally recognized public finance consulting firm acceptable to the Trustee and the Depository Trustee, to pay when due the principal of and interest on such Bonds. The moneys and Defeasance Obligations shall be held by the Trustee or the Depository Trustee irrevocably in trust for the Holders of such 2019 Rental Car Bonds solely for the purpose of paying the principal and interest on such 2019 Rental Car Bonds as the same shall mature or come due.

Application of Revenues

All moneys in the Revenue Fund are required to be transferred to the following funds in the order listed and shown in the figure on page A-12:

1. Administrative Costs Fund. To the Administrative Costs Fund on or before the first Business Day of each month, an amount equal to the Administrative Costs budgeted for the Bonds for such Bond Year until all budgeted Administrative Costs have been deposited. Thereafter, no additional transfers to the Administrative Costs Fund may be made during such Bond Year unless the City amends the Administrative Costs budgeted for the Bonds for such Bond Year and such amendment increases the Administrative Costs budgeted for the Bonds for such Bond Year. In such event, the Trustee is required to transfer to the Administrative Costs Fund all moneys subsequently deposited in the Revenue Fund until there shall have been deposited thereto an amount equal to the increased Administrative Costs budgeted for the Bonds for such Bond Year. In the event amounts on deposit at the end of a Bond Year exceed the amount budgeted for the following Bond Year, such excess will be transferred to the Improvement Reserve / Surplus Fund.

2. 2019 Bond Fund.

    a. To the 2019 Interest Account and any subsequent account for Parity Obligations on or before the first Business Day of each month an amount equal to one-fifth of the respective amounts of interest to be paid on Outstanding Bonds on the next Bond Payment Date unless and until funds are on deposit in an amount sufficient to make such payment. If Pledged Revenues are not available to make a deposit when required, such deficiency must be remedied on the next succeeding deposit date. Moneys in the 2019 Interest Account must be used to pay interest on the 2019 Rental Car Bonds as it becomes due.

    b. To the 2019 Principal Account and any subsequent account for Parity Obligations on or before the first Business Day of each month (in each Bond Year ending on a date on which Bonds mature), an amount equal to one-tenth (one-fifth for the first Bond Year) of the respective principal amounts at maturity plus one-tenth (one-fifth for the first Bond Year) of the amount equal to any mandatory sinking fund redemption requirement for the 2019 Rental Car Bonds Outstanding (or similar obligation with respect to Parity Obligations) which will mature or be subject to mandatory redemption on the last day of such Bond Year unless and until funds are on deposit in an amount sufficient to make such payment. If Pledged Revenues are not available to make a deposit when required, such deficiency must be remedied on the next succeeding deposit date. Moneys in the 2019 Principal Account must be used to retire 2019 Rental Car Bonds by payment at their scheduled maturity or their mandatory sinking fund retirement date.

3. Parity Reserve Fund. From time to time to the credit of the Parity Reserve Fund and an separate debt service reserve fund established for Parity Obligations not secured by the Parity Reserve Fund, amounts then required to be deposited therein on a pro rata basis, provided that such deposits may be transferred to the applicable Credit Facility in order to reimburse

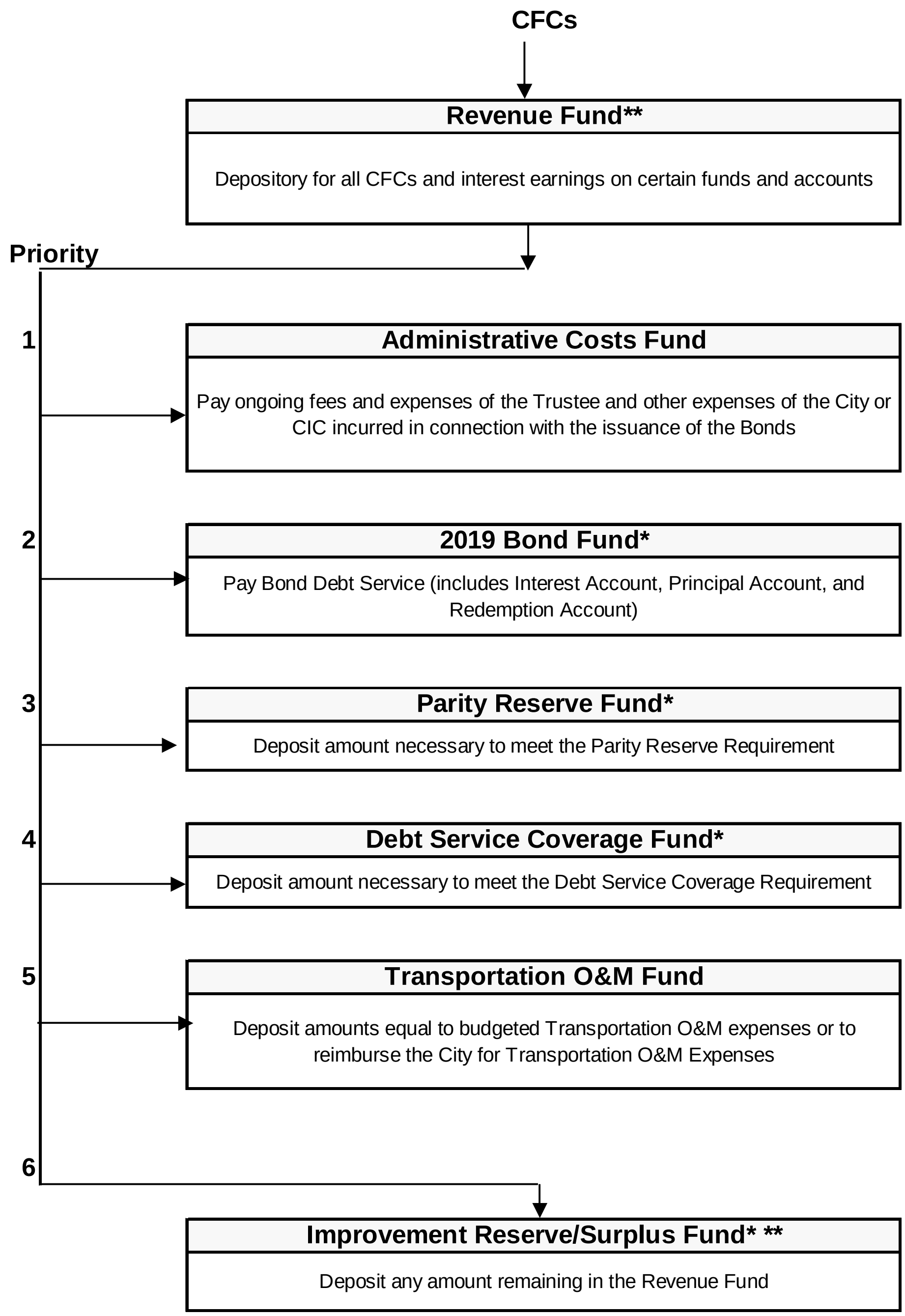
such Credit Facility for amounts paid out under any insurance policy Qualified Surety Bond securing any of the Bonds

4. Debt Service Coverage Fund. From time to time to the credit of the Debt Service Coverage Fund amounts then required to be deposited therein.

5. Transportation O&M Fund. On for before the first Business Day of each month to the credit of the Transportation O&M an amount equal to the Transportation O&M Expenses budgeted for such Bond Year until all budgeted Transportation O&M Expenses have been deposited.

6. Improvement Reserve / Surplus Fund (IRSF). To the credit of the Improvement Reserve / Surplus Fund any amounts remaining in the Revenue Fund.

Structure of Funds and Accounts and Application of Revenues
Rental Car Facility Charge Revenue Bonds
City of Phoenix Aviation Department



Note: *Indicates a fund that is pledged to the repayment of the bonds.
The City has the ability, under certain circumstances, to charge Contingent Payments, which would be applied to the Revenue Fund. For a description of the RCC Companies' obligations to make Contingent Payments to the City in the event of a deficiency in CFC collections and the City's obligation to reimburse for such payments, see "APPENDIX F—Summary of Certain Provisions of Legal Documents—3.11. Customer Facility Charge-CFC Deficiency

2019 Bond Fund

Pursuant to the Indenture, the Trustee will create the 2019 Bond Fund which will contain the 2019 Principal Account, the 2019 Interest Account and the 2019 Redemption Account. So long as any 2019 Rental Car Bonds are outstanding, the Trustee will deposit the Purchase Payments transferred to it by the City under the City Purchase Agreement from the Revenue Fund into the 2019 Interest Account and the 2019 Principal Account, respectively. The portion of the Purchase Payments deposited into the 2019 Principal Account will be used by the Trustee to pay the next succeeding principal payment (whether at maturity or pursuant to a sinking fund redemption requirement) on the 2019 Rental Car Bonds and the portion of the Purchase Payments deposited in the 2019 Interest Account will be used by the Trustee to pay the next succeeding interest payment on the 2019 Rental Car Bonds.

If the City makes an optional prepayment of Purchase Price to be used to purchase or redeem 2019 Rental Car Bonds, such prepayment must be deposited in the 2019 Redemption Account and promptly applied by the Trustee, first, to cause the amounts credited to the 2019 Interest Account or the 2019 Principal Account, in that order, to be not less than the amounts required to be credited thereto, and second to retire 2019 Rental Car Bonds by purchase, redemption or both in accordance with the City's direction. Any balance remaining in the 2019 Redemption Account after the purchase or redemption of the 2019 Rental Car Bonds in accordance with the City's direction must be transferred to the 2019 Interest Account.

Parity Reserve Fund

Pursuant to the Indenture, there is established with the Trustee a separate Parity Reserve Fund which will be available to make payments on the 2019 Rental Car Bonds. The Parity Reserve Fund is required to be maintained in an amount equal to Maximum Annual Debt Service for the 2019 Rental Car Bonds, which is $21,578,000* initially (the Parity Reserve Requirement). Amounts in the Parity Reserve Fund will be applied to pay the Interest Requirement and the Principal Requirement for the 2019 Rental Car Bonds on any Bond Payment Date to the extent sufficient funds are not available in the 2019 Bond Fund, the Debt Service Coverage Fund and the Improvement Reserve/Surplus Fund. The Parity Reserve Fund may be funded with cash, certain Permitted Investments, a surety bond or financial instrument issued by an insurance company or financial institution with unsecured long-term indebtedness rated in one of the two highest Rating Categories at the time of issuance of such instrument (a Qualified Surety Provider). Upon issuance, the 2019 Rental Car Bonds will be the only Bonds secured by the Parity Reserve Fund. The Indenture permits the City to direct that, without notice to or consent of the owners of the 2019 Rental Car Bonds, the Parity Reserve Fund will secure additional Parity Obligations and the Parity Reserve Requirement will be modified to the extent necessary to reflect Maximum Annual Debt Service on an aggregate basis of the Bonds to be secured by the Parity Reserve Fund.

Rate Covenant – Customer Facility Charges

The City covenants that it will in each Bond Year, establish, maintain and enforce the Customer Facility Charges applicable to both RCC Companies and Off-Site Companies at not less than the Pledged Rate, which is currently the Initial Rate of $6.00 per Transaction Day. In the event that the Annual Receipts described in the schedules prepared as described above, plus amounts on deposit in

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*Subject to change.

the Debt Service Coverage Fund, are not projected to equal at least (a) 125% of the Principal Requirement and the Interest Requirement for all Bonds and (b) budgeted Administrative Costs for the next Bond Year and required deposits to the Debt Service Coverage Fund, and the Parity Reserve Fund (and comparable separate funds established for Parity Obligations) it will, to the extent permitted by law, use its best efforts to increase the rate at which Customer Facility Charges are imposed to remedy such projected deficiencies. In such event, the City must also use its best efforts to notify the Trustee of a corresponding increase in the Pledged Rate. If the City increases the rate imposed and elects to notify the Trustee of an increase in the Pledged Rate, such notice will, without further action, increase the Pledged Rate for purposes of the City Purchase Agreement and the Indenture. The CIC acknowledges that increasing the rate at which the Customer Facility Charges are imposed and increasing the Pledged Rate are separate legislative acts which are solely within the control of the Mayor and the Council of the City.

KEY ASSUMPTIONS

The section of the Report entitled "Airline Passenger Demand" describes the Sky Harbor facilities, airport service region, the demographic and economic profile of the region, and the economic outlook. The section of the Report entitled “Airline Traffic Analysis” describes the role of the Airport, including airline service, passenger traffic, and top markets; the key factors affecting future airline traffic; and the air traffic forecasts. The section of the Report entitled "Rental Car Analysis" describes general factors affecting rental car demand nationally and at the Airport, provides analysis of recent trends in rental car and competing transportation modes, a forecast of rental car demand. The section of the Report entitled “Rental Car Financial Analysis” contains forecast debt service, debt service coverage including rate covenant compliance, and stress test financial projections.

Certain key assumptions relating to the forecasts are summarized here, and described more fully in the accompanying text:

- Air Traffic. Total enplaned passengers are projected to increase 2.2% in FY 2020, and forecasts average annual growth of 1.3% per year between FY 2021 and FY 2023, and 1.2% per year between FY 2024 and FY 2026. Visiting passengers are forecast to increase by 2.9% in FY 2020 and then increase at approximately 1.3% per year through FY 2026.

- 2019 Rental Car Bonds. The 2019 Rental Car Bonds do not reflect final pricing and were prepared by the City and its financial advisor (Frasca & Associates, LLC).

- Operating Expenses Reimbursed with CFCs. The first funding obligation in a Bond Year is for a deposit to the Administrative Costs Fund so that the balance in the fund will be sufficient to pay projected Administrative Costs for such Bond Year. The City has budgeted $30,000 for Administrative Costs in BY 2020. Additionally, on the first day of each month the Trustee transfers one twelfth of the budgeted Transportation O&M Expenses to the City. Transportation O&M Expenses were $15.1 million in 2019 and is budgeted to be $15.5 and $16.3 million in FY 2020 and FY 2021, respectively. Transportation O&M Expenses are forecast to grow by 3% annually from FY 2022 through FY 2024 and 5% annually from FY 2025 through FY 2026.

- Rental Car Revenue. Total Rental Car revenues generated under the Agreements are forecast at $45.0 million in FY 2020, then are forecast to increase 0.7% per year through FY 2023, then are forecast to increase approximately 1.8% per year through the remainder of the forecast. This revenue is not pledged to the 2019 Rental Car Bonds.

- Rental Car Activity. Total rental car transactions were 1.95 million in FY 2019 and are forecast to increase by 1.82% to 1.99 million in FY 2020. From FY 2021-2023, rental car transactions are forecast to grow by approximately 0.25% on average per year, or less than the rate of visiting passengers, in part due to growth in Transportation Network Companies (TNCs). Rental car transactions resume growth with visitor passengers beginning in FY 2024 throughout the remainder of the Forecast Period. The average duration of a car rentals was 4.3 days in FY 2019 and is forecast to remain at 4.3 days throughout the Forecast Period.

- Customer Facility Charge (CFC) Rates and Ordinance. As noted earlier, the Mayor and Council of the City adopted the CFC Ordinance on July 5, 2001 (as amended and further supplemented). The current CFC rate is $6.00 per transaction day and this rate is assumed throughout the Forecast Period.

SCOPE OF REPORT

This Report was prepared to evaluate the ability of the City to satisfy the requirements of the Rate Covenant during the Forecast Period. In preparing this Report, we analyzed:

- The status and estimated costs of the PHX Sky Train Stage 2 project.

- Forecast airline traffic demand at Sky Harbor, giving consideration to the demographic and economic characteristics of Sky Harbor's service region, historical trends in airline traffic, recent airline service developments and airfares, and other key factors that may affect future airline traffic.

- Estimated sources and uses of funds for the 2019 Rental Car Bonds, including for the PHX Sky Train Stage 2 project, as provided by the City's Financial Advisor (Frasca & Associates, LLC).

- Historical trends in (1) visiting passengers (i.e., originating passengers who may consider renting a car), (2) rental car transactions (i.e., those actually renting a car), (3) rental car transaction-days, and (4) the CFC rate per transaction-day.

We also identified key factors upon which the future Customer Facility Charges of the Airport may depend and formulated assumptions about those factors with the City. On the basis of those assumptions, we assembled the forecasts presented in the accompanying exhibits provided at the end of this Report and summarized in this letter.*

*The scope of this report solely encompasses the 2019 Rental Car Bonds, and does not include Junior Lien Obligations being utilized to fund portions of PHX Sky Train Stage 2. A separate Report of the Airport Consultant in conjunction with the issuance of the Junior Lien Obligations will be provided.

FORECAST DEBT SERVICE COVERAGE

Exhibit 1 and the table below summarize Customer Facility Charges and Pledged Revenues, debt service, and debt service coverage, taking into consideration debt service on the proposed Series 2019 Rental Car Bonds.

The calculation of debt service coverage through the Forecast Period indicates compliance with the Rate Covenant in each year of the Forecast Period.

FORECAST DEBT SERVICE COVERAGE
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30; in thousands except coverage ratios)

The forecasts presented in this table were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

		2020	2021	2022	2023	2024	2025	2026
Total Annual CFC Receipts	A	$ 51,380	$ 51,537	$ 51,678	$ 51,804	$ 52,496	$ 53,187	$ 53,878
Less:								
Administrative Costs	B	$ 30	$ 30	$ 30	$ 31	$ 32	$ 33	$ 34
Existing Debt Service	C_1	10,641	-	-	-	-	-	-
Series 2019A (Non-AMT)	C_2	6,709	11,725	11,725	11,725	11,725	11,725	11,725
Series 2019B (Taxable)	C_3	4,248	9,851	9,849	9,852	9,852	9,853	9,852
Transportation O&M Expenses	D	15,489	16,264	16,735	17,237	17,754	18,642	19,574
Total Annual CFC Receipts net of expenses and debt service		$ 14,264	$ 13,668	$ 13,339	$ 12,960	$ 13,132	$ 12,934	$ 12,693
IRSF Fund beginning balance		$ 76,270	$ 90,534	$ 104,201	$ 117,541	$ 130,500	$ 143,633	$ 156,567
Total Annual CFC Receipts net of expenses and debt service		14,264	13,668	13,339	12,960	13,132	12,934	12,693
IRSF Release		-	-	-	-	-	-	-
IRSF Fund ending balance		$ 90,534	$ 104,201	$ 117,541	$ 130,500	$ 143,633	$ 156,567	$ 169,260
Pledged Revenues								
2019 Bond Fund		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Parity Reserve Fund		21,578	21,578	21,578	21,578	21,578	21,578	21,578
Debt Service Coverage Fund	E	5,395	5,395	5,395	5,395	5,395	5,395	5,395
Improvement Reserve/Surplus Fund		90,534	104,201	117,541	130,500	143,633	156,567	169,260
Total Pledged Revenues		$ 117,506	$ 131,174	$ 144,513	$ 157,473	$ 170,605	$ 183,539	$ 196,232
Total Annual CFC Receipts	A	$ 51,380	$ 51,537	$ 51,678	$ 51,804	$ 52,496	$ 53,187	$ 53,878
Less: Administration Costs and Transportation O&M Expenses	$B = B_1 + B_2$	(15,519)	(16,294)	(16,766)	(17,269)	(17,787)	(18,675)	(19,608)
Total Annual CFC Receipts net of expenses	F = A + B	$ 35,861	$ 35,243	$ 34,913	$ 34,536	$ 34,709	$ 34,512	$ 34,270
Total Debt Service	$C = C_1 + C_2 + C_3$	$ 21,597	$ 21,575	$ 21,573	$ 21,576	$ 21,577	$ 21,578	$ 21,577
Debt Service Coverage Ratios								
Total Annual CFC Receipts incl. Debt Service Coverage Fund	(A + E - B) / C	2.63	2.64	2.64	2.65	2.68	2.71	2.75
Total Annual CFC Receipts	(A - B) / C	2.38	2.39	2.39	2.40	2.43	2.46	2.50
Total Annual CFC Receipts net of O&M	F / C	1.66	1.63	1.62	1.60	1.61	1.60	1.59

Source: City of Phoenix Aviation Department and LeighFisher.

ASSUMPTIONS UNDERLYING THE FINANCIAL FORECASTS

The forecasts in this Report are based on information and assumptions that were provided by or reviewed with and agreed to by the City. The forecasts reflect the City's expected course of action during the Forecast Period and, in the City's judgment, present fairly the expected financial results of the Aviation Department with respect to the Pledged Revenues. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, expressed or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the Report. We have no responsibility to update this Report to reflect events and circumstances occurring after the date of the Report.

* * * * *

We appreciate the opportunity to serve as the Airport Consultant in connection with this proposed financing.

Respectfully submitted,

LeighFisher

LeighFisher

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Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

City of Phoenix, Arizona

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CONTENTS

CONTENTS *(continued)*

TABLES

FIGURES

EXHIBITS

AIRLINE PASSENGER DEMAND

This section presents a review of: (1) Sky Harbor facilities; (2) the Sky Harbor service region; (3) the demographic and economic profile of the region, including demographic trends, economic trends, tourism, attractions, and conventions, all of which contribute to air travel demand; (4) the economic outlook for the nation and the Phoenix-Mesa-Chandler Metropolitan Statistical Area (MSA); (5) Sky Harbor rankings and roles; (6) historical passenger and airline activity at Sky Harbor; (7) air cargo trends at Sky Harbor; (8) key factors affecting the future of airline traffic at Sky Harbor; and (9) forecasts of airline traffic at Sky Harbor through FY 2026, including enplaned passengers, aircraft operations, and landed weight.

SKY HARBOR FACILITIES

The City of Phoenix (the City or Phoenix) owns and operates, through its Aviation Department, Sky Harbor and two general aviation airports, Phoenix-Deer Valley Airport and Phoenix-Goodyear Airport (collectively, with Sky Harbor, the Airport). Sky Harbor is the only Arizona airport classified as a large hub by the FAA and is the principal commercial service airport serving metropolitan Phoenix and surrounding areas. Sky Harbor occupies approximately 3,000 acres of land located entirely within the City and is accessible within 10-15 minutes from the central business district.

Sky Harbor has three parallel air carrier runways (8/26 is 11,490 feet in length, 7L/25R is 10,300 feet in length, and 7R/25L is 7,800 feet in length) supported by a network of taxiways, aprons, and hold areas. Sky Harbor airfield facilities can accommodate the operations of all commercial jet aircraft currently in use, while Sky Harbor jetbridges can accommodate all but FAA Airplane Design Group VI (e.g., A380) aircraft.

Sky Harbor has three passenger terminal buildings, Terminals 2, 3, and 4*. The terminals are located on Sky Harbor Boulevard, which forms an east-west spine through the middle of Sky Harbor connecting with 24th Street and Interstate 10 (I-10) on the west and the Hohokam Expressway (SR 143) and the Red Mountain Freeway (SR 202) on the east.

Collectively, Terminals 2, 3, and 4 provide a total of 100 passenger holdrooms and associated aircraft parking positions (gates). Terminal 2, opened in 1962, is situated south of Sky Harbor Boulevard, and contains approximately 330,000 square feet and 9 gates. Terminal 3, opened in 1979, is situated in the center of Sky Harbor Boulevard with a concourse on either side of the roadway, and currently contains approximately 639,000 square feet and 10 gates. Upon completion of the Terminal 3 Modernization project, Terminal 3 will contain approximately 710,000 square feet and 25 gates, and Terminal 2 will be closed. Terminal 4, opened in 1990, is situated in the center of Sky Harbor Boulevard with four concourses extending north of the roadway and three concourses extending south of the roadway, and contains approximately 2.3 million square feet and 81 gates.** Southwest Airlines, American Airlines, and all international airlines operate exclusively from Terminal 4. The Terminal 4 Concourse S1 project will add approximately 8 new gates when it is completed in early 2022. Table 1 shows the current distribution and use of gates by airline.

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*After the opening of Terminal 4 in November 1990, Terminal 1 was vacated and later razed.

**Terminal 4 was opened with four concourses and three additional concourses were added in 1994, 1998, and 2004. An additional concourse is expected to be completed in early 2022.

Table 1
Gate Distribution and Use by Airline
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(July 2019)

		Average daily departures		Average daily departing seats	
	Gates *(a)*	Number	Per gate	Number	Per departure
Terminal 2					
Advanced		1.5		13	9
Alaska	2	9.0	4.5	1,334	148
Boutique		3.5		28	8
Contour		1.0		30	30
Spirit	1	1.0	1.0	182	182
United	6	22.6	3.8	3,141	139
Terminal 2	9	37.1	4.1	4,714	127
Terminal 3					
Delta		29.7		4,610	155
Frontier		4.6		909	196
Hawaiian		1.0		278	278
JetBlue		3.0		462	154
Sun Country		0.5		100	183
Common Use	10	-		-	-
Terminal 3	10	38.9	3.9	6,359	164
Terminal 4					
American	51	251.5	4.9	33,250	132
Southwest	24	163.9	6.8	24,941	152
Common Use/Foreign-flag	6	6.3	1.1	1,127	178
Terminal 4	81	421.6	5.2	59,318	141
SKY HARBOR TOTAL	100	497.6	5.0	70,392	141

Notes: Departures and departing seats include those by regional affiliate airlines. Numbers may not add to totals shown because of rounding. Certain airlines operating from Terminal 2 make use of remote parking positions.

(a) Gate assignments as of December 2018.

Sources: City of Phoenix Aviation Department; OAG Aviation Worldwide Ltd, OAG Analyser database, accessed July 2019.

Sky Harbor provides approximately 26,000 public and employee parking spaces in garages adjacent to or above the terminal buildings, in an economy lot west of the terminal buildings, and in economy lots and garages east of the terminal buildings. A consolidated Rental Car Center (RCC) is on a 141-acre site, west of the terminals, with approximately 5,600 ready/return garage spaces and a 113,000-square-foot customer service building.

The PHX Sky Train, which began service in 2013, is an automated people mover system that will, when completed, connect all the Airport's terminals and parking facilities to VALLEY METRO Light Rail (regional public transit system) and the RCC. The Sky Train Stage 1 is complete and connects the light rail system and the Airport's largest parking facility to Terminals 3 and 4, with a walkway to Terminal 2. When complete in mid-2022 (estimated), Stage 2 will link the Sky Train with the future West Ground Transportation Center (GTC) and the RCC. The Sky Train's electric train cars run twenty-four hours a day arriving at a station approximately every three minutes during peak periods, delivering passengers to their destinations within five minutes of boarding the train.

AIRPORT SERVICE REGION

The primary region served by Sky Harbor is the Phoenix-Mesa-Chandler MSA, a large population center in south-central Arizona. Arizona is in the southwestern region of the continental United States, bordering Mexico. As shown in Figure 1, there are no other U.S. large-hub commercial service airports within a 5-hour driving distance of Phoenix, with the closest being Las Vegas McCarran International Airport (approximately 290 miles to the northwest). The only other commercial service airport located within the Airport service region is Phoenix-Mesa Gateway Airport, a small-hub airport discussed in the later section "Sky Harbor and Phoenix-Mesa Gateway Airport."

The MSA comprises Maricopa and Pinal counties and contains Phoenix and the cities of Chandler, Glendale, Mesa, Scottsdale, and Tempe, among others. The MSA also includes Sun City, a major retirement community in unincorporated Maricopa County, and the Gila River and Salt River Pima-Maricopa Indian communities.

The MSA ranks as the 11th most populous metropolitan area in the United States with an estimated 2018 population of 4,857,000, accounting for two-thirds of Arizona's population. The Bureau of the Census reports an estimated 2018 Phoenix population of 1,660,000, making it the fifth largest city in the United States, as well as the largest U.S. state capital in terms of population.

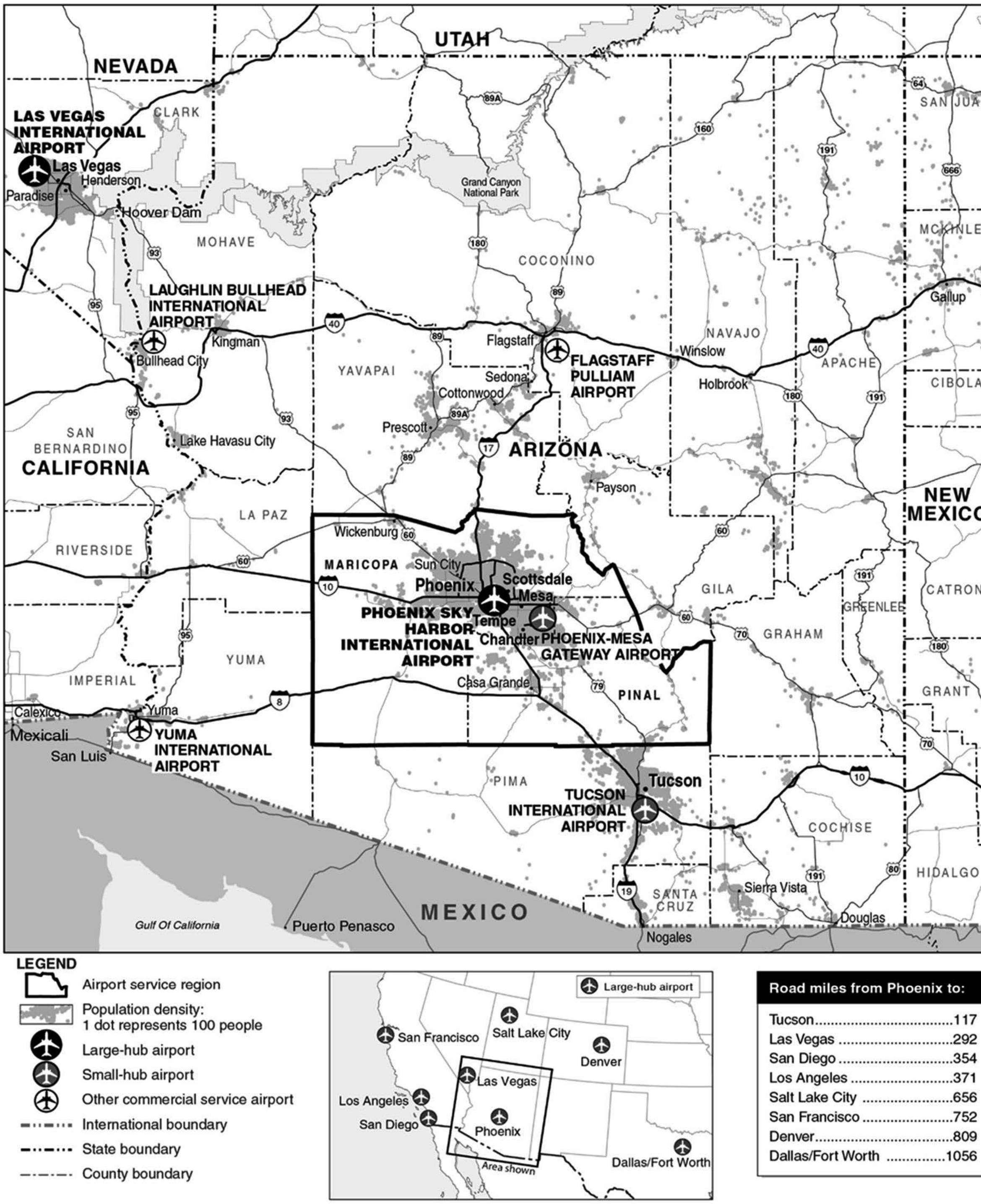
Historically, growth in air travel demand to and from the Airport service region has been fostered by strong population growth, the economic health and expansion of the MSA, and the attractiveness of the area as a business and leisure destination.

DEMOGRAPHIC AND ECONOMIC PROFILE

The level of air travel demand is highly correlated with the economic profile of an airport's service region, particularly with socioeconomic trends and tourism appeal. The demographic variables with the strongest influence on airline travel demand are the MSA population, employment, and per capita income. In addition to these factors, tourism has a significant role in generating visitor airline travel demand to the MSA.

Growth in employment and income, along with an expanding population base, generate demand for airline travel to and from the MSA. Similarly, unique natural resources and cultural attractions make the MSA and the rest of Arizona popular travel destinations.

Figure 1
Airport Service Region
Phoenix Sky Harbor International Airport



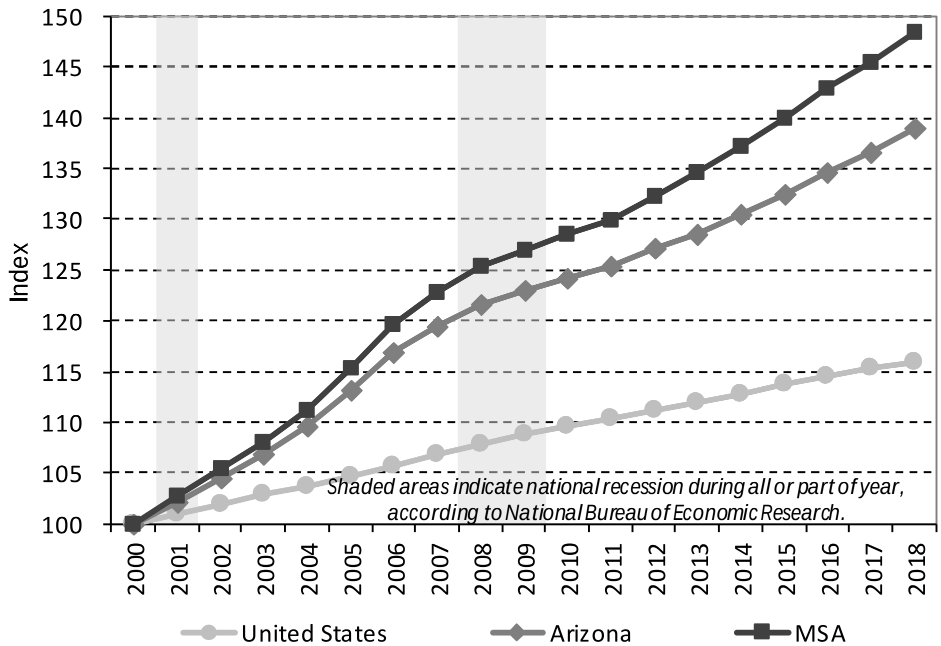
Road miles from Phoenix to:	
Tucson	117
Las Vegas	292
San Diego	354
Los Angeles	371
Salt Lake City	656
San Francisco	752
Denver	809
Dallas/Fort Worth	1056

Source: 2010 U.S. Census data.

Population

Figure 2 shows that the population of the MSA increased an average of 2.2% annually between 2000 and 2018, compared with a 1.8% average annual increase for Arizona and a 0.8% increase for the nation. Since 1980, the population of the MSA has tripled, driven primarily by domestic in-migration. This rate of growth was three times the national rate of growth over the same period. The MSA was the third fastest growing among the nation's 20 most populous MSAs between 2010 and 2018, and the fastest from 2017 to 2018.

Figure 2
Comparative Index of Population Trends
(2000 = 100)



Population	2000	2010	2015	2018
United States	282,162,411	309,326,085	320,742,673	327,167,434
Arizona	5,160,586	6,407,774	6,833,596	7,171,646
MSA	3,273,477	4,204,738	4,581,122	4,857,962
Average annual percent increase (decrease)	**2000-2010**	**2010-2015**	**2015-2018**	**2000-2018**
United States	0.9%	0.7%	0.7%	0.8%
Arizona	2.2	1.3	1.6	1.8
MSA	2.5	1.7	2.0	2.2

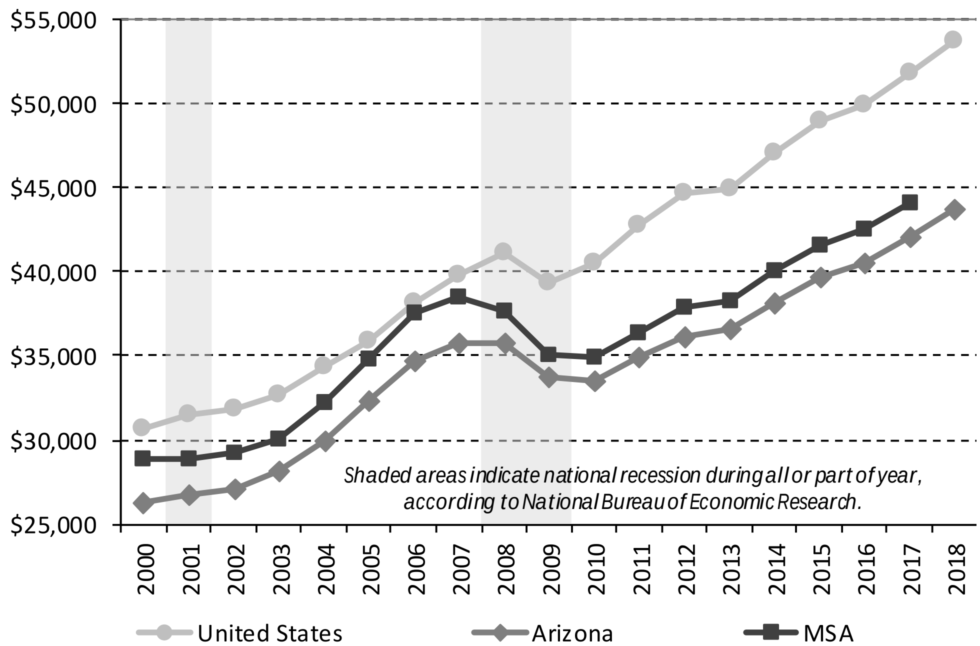
Note: Values represent July 1 population estimates.

Source: U.S. Department of Commerce, Bureau of the Census website, www.census.gov, accessed May 2019.

Per Capita Income

Figure 3 shows that per capita income trends in the MSA have generally mirrored nationwide trends since 2000, albeit at a somewhat lower rate of growth. The 2008-2009 recession had a more substantial impact on per capita income in Arizona and the MSA than in the nation overall, due in part to the effects of a substantial downturn in the local housing market. In 2017 (the most recent year for which MSA income data was available), per capita income in the MSA was 4.8% higher than in Arizona, but 14.8% lower than the national average. It is worth noting, however, that the MSA's cost of living is approximately 5% lower than the national average according to the Council for Community and Economic Research Cost of Living Index.

Figure 3
Per Capita Personal Income



Per Capita Personal Income	2000	2010	2015	2018 *(a)*
United States	$30,602	$40,546	$48,985	$53,712
Arizona	26,232	33,555	39,629	43,650
MSA	28,847	34,874	41,624	44,096
Average annual percent increase (decrease)	**2000-2010**	**2010-2015**	**2015-2018 *(b)***	**2000-2018 *(c)***
United States	2.9%	3.9%	3.1%	3.2%
Arizona	2.5	3.4	3.3	2.9
MSA	1.9	3.6	2.9	2.5

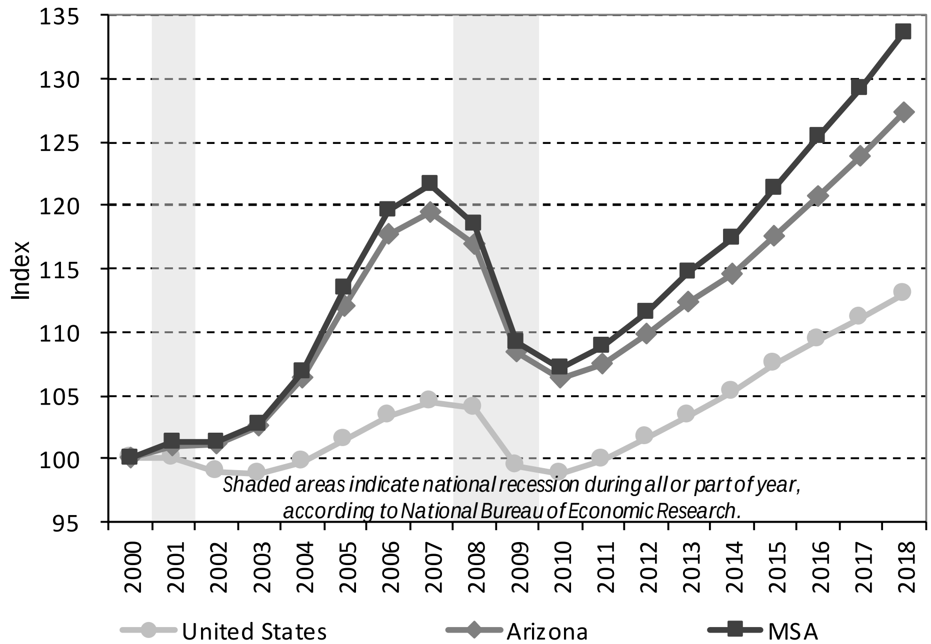
(a) Per capita personal income for the MSA is for 2017, the most recent data available.
(b) The percentage shown for the MSA is for 2015-2017.
(c) The percentage shown for the MSA is for 2000-2017.

Source: U.S. Department of Commerce, Bureau of Economic Analysis website, www.bea.gov, accessed May 2019.

Employment

Figure 4 shows that employment in the MSA increased at a rate more than double that of the nation between 2000 and 2018. In 2008 and 2009, it declined to a much greater extent than the nation, reflecting a more substantial impact from the housing and real estate decline and related construction slowdown. By 2016, however, employment in the MSA had rebounded to exceed its 2007 peak. In terms of employment growth, the MSA was the fifth fastest growing among the nation's 20 most populous MSAs between 2010 and 2018, and the second fastest from 2017 to 2018.

Figure 4
Comparative Index of Total Non-Agricultural Employment
(2000 = 100)



Employment	2000	2010	2015	2018
United States	132,024	130,362	141,843	149,074
Arizona	2,243	2,386	2,636	2,856
MSA	1,578	1,692	1,914	2,107
Average annual percent increase (decrease)	**2000-2010**	**2010-2015**	**2015-2018**	**2000-2018**
United States	(0.1%)	1.7%	1.7%	0.7%
Arizona	0.6	2.0	2.7	1.4
MSA	0.7	2.5	3.3	1.6

Source: U.S. Department of Labor, Bureau of Labor Statistics website, Current Employment Statistics survey, www.bls.gov, accessed May 2019.

Table 2 shows shares of employment by industry sector in the MSA, Arizona, and the United States. The MSA has a higher percentage of jobs in Trade, Transportation, and Utilities; Professional and Business Services; Financial Activities; and Construction than the United States overall, and a lower percentage in Government; Manufacturing; Education and Health Services; Other Services; and Mining and Logging. Sector shares for Leisure and Hospitality and Information for the MSA are similar to those for the nation. Employment growth of the MSA outpaced U.S. employment growth from 2000 through 2018 in every sector except Construction.

Table 2
Average Annual Nonagricultural Employment Growth, 2000-2018, and Employment Share by Industry, 2018

	Average annual percent increase (decrease) 2000-2018			2018 percent share *(a)*		
Industry	MSA	Arizona	United States	MSA	Arizona	United States
Trade, Transportation, and Utilities	1.3%	1.1%	0.3%	19.2%	18.7%	18.6%
Professional and Business Services	1.7	1.6	1.3	16.8	15.1	14.1
Education and Health Services	4.9	4.2	2.5	15.4	15.6	15.9
Government	1.1	0.7	0.4	11.3	14.5	15.1
Leisure and Hospitality	2.4	2.0	1.8	10.9	11.4	11.0
Financial Activities	2.4	2.1	0.5	9.1	7.7	5.7
Manufacturing	(1.3)	(1.2)	(1.7)	6.1	6.0	8.5
Construction	0.1	(0.3)	0.4	5.9	5.6	4.9
Other Services	1.3	1.0	0.7	3.3	3.2	3.9
Information	(0.5)	(0.7)	(1.4)	1.8	1.7	1.9
Mining and Logging	2.3	1.6	1.1	0.2	0.5	0.5
TOTAL	1.6%	1.4%	0.7%	100.0%	100.0%	100.0%

(a) Columns may not add to totals shown because of rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics website, Current Employment Statistics survey, www.bls.gov, accessed May 2019.

Arizona State University is one of the largest public research universities in the nation, with two primary campuses in the MSA—its main campus in Tempe (approximately 52,000 students) and its downtown Phoenix campus (approximately 12,000 students) which focuses on the fields of health care, journalism, public service, and law. The MSA is also home to one of the two campuses of Creighton University School of Medicine, and to the Arizona Biomedical Corridor—a 600-acre collaborative development involving the City of Phoenix, Arizona State University, and the Mayo Clinic.

Table 3 shows the top 25 private-sector employers in Arizona. Fifteen of the companies listed are on the *Fortune* 500 list of largest U.S. companies, including American Airlines—the largest provider of passenger air service at Sky Harbor.

Table 3
Major Private-Sector Employers in Arizona
(ranked by number of employees)

Company	Employment	Type of business
Banner Health	36,210	Health care
Walmart Inc. *(a)*	33,810	Retail
Wells Fargo & Co. *(a)*	15,060	Financial services
Raytheon Missile Systems *(a)*	12,000	Aerospace and defense
Honor Health	11,310	Health care
Dignity Health	11,210	Health care
JPMorgan Chase & Co. *(a)*	10,200	Financial services
Bank of America *(a)*	10,000	Financial services
Intel Corp. *(a)*	10,000	Technology
Freeport-McMoRan Inc. *(a)*	8,500	Mining
American Airlines Group Inc. *(a)*	7,500	Aviation
American Express Co. *(a)*	7,170	Financial services
Honeywell *(a)*	6,810	Aerospace
Mayo Clinic	6,650	Health care
United Healthcare of Arizona *(a)*	6,470	Health care
Fry's Food Stores	6,260	Retail
Amazon.com Inc. *(a)*	6,000	Online retail
Arizona Public Service Co.	6,000	Utilities
Salt River Project	5,140	Utilities
Basha's Family of Stores	4,420	Retail
Phoenix Children's Hospital	4,280	Health care
Charles Schwab & Co. *(a)*	4,000	Financial services
Grand Canyon University	4,000	Higher education
The Boeing Co. *(a)*	4,000	Aerospace
Cigna *(a)*	3,100	Health care

(a) Ranked in 2019 Fortune 500 list of largest U.S. companies (based on 2018 revenue).

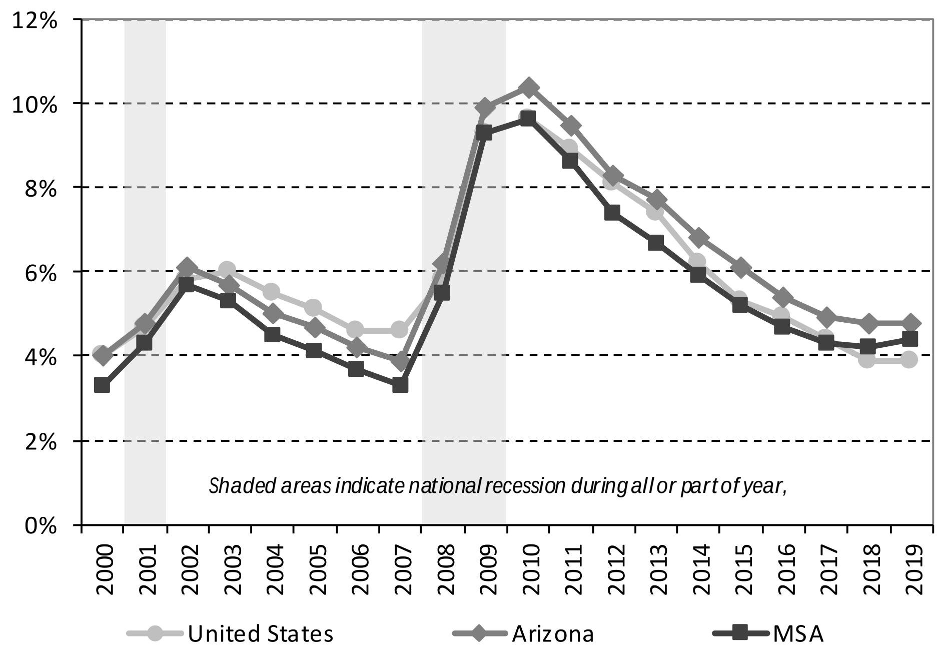
Source: Phoenix Business Journal, *2018-19 Book of Lists*.

The MSA is the headquarters location for six Fortune 500 companies (Avnet, Freeport-McMoRan, Republic Services, Insight Enterprises, Magellan Health, and ON Semiconductor). In addition, Mesa Airlines is headquartered in the MSA. As measured by enplaned passengers, Mesa is the largest regional affiliate of American Airlines, which serves Sky Harbor.

Unemployment Rate

Figure 5 shows that unemployment in the MSA was equal to or lower than in the United States in every year between 2000 and 2017. In the first four months of 2019, unemployment in the MSA was 4.4%, compared to 3.9% in the nation and 4.8% in Arizona as a whole.

Figure 5
Civilian Unemployment Rate



Unemployment Rate	2000	2010	2015	2019 *(a)*
United States	4.0%	9.6%	5.3%	3.9%
Arizona	4.0	10.4	6.1	4.8
MSA	3.3	9.6	5.2	4.4

Note: Values represent seasonally unadjusted unemployment rates.

(a) 2019 data represents the average for January-April 2019.

Source: U.S. Department of Labor, Bureau of Labor Statistics website, Current Population Survey and Local Area Unemployment Statistics, www.bls.gov, accessed May 2019.

Tourism, Attractions, and Conventions

Demand for air service at Sky Harbor is driven not only by the demographic and economic characteristics of the local population, but also by the appeal of the Airport service region and the rest of Arizona as a business and tourism destination. Phoenix and its surrounding cities constitute an area known as the Valley of the Sun, an area with attractions including resorts, spas, professional sports, shopping, and golf, located in the Sonoran Desert. The Airport service region also offers museums, galleries, sporting events, Old West and Native American history, and outdoor recreation with more than 300 days of sunshine per year. According to Visit Phoenix, the region's convention and visitors bureau, the Airport service region has more than 475 hotels which collectively offer more than 65,000 guest rooms.

In addition to the attractions within the Airport service region, the northern part of Arizona is home to Grand Canyon National Park, Red Rock Country of Sedona, the Painted Desert, the Petrified Forest, Meteor Crater, ancient Native American ruins, and the Navajo and Hopi reservations. Many visitors to these world-renowned destinations utilize Sky Harbor as the most convenient large hub airport servicing the region.

Total direct travel spending in Arizona was approximately $24.4 billion in 2018, 34% above a pre-recessionary peak of $18.2 billion in 2007 and 7% above the 2016 level, according to the Arizona Office of Tourism. Nearly two-thirds of all travel spending in Arizona occurs in the Airport service region. The Arizona Office of Tourism estimates that the State hosted 45.4 million visitors in 2018 (39.6 million domestic and 5.8 million international), arriving via all modes of travel.

Major sporting events also draw tourists to the Airport service region. The MSA has been a three-time host (1996, 2008, and 2015) of the Super Bowl, the National Football League's championship game, and hosted the 2016 College Football Playoff (CFP) National Championship game and 2017 National Collegiate Athletic Association (NCAA) Division I Men's Basketball Final Four and Championship games. In the future, the MSA is scheduled to host the Super Bowl again in 2023 and the NCAA Final Four in 2024. The Airport service region is also the location of the annual PlayStation Fiesta Bowl and Cactus Bowl college football bowl games and the annual Waste Management Phoenix Open PGA golf tournament.

The Airport service region is home to five major league professional sports teams: (1) Arizona Diamondbacks Major League Baseball team, (2) Arizona Cardinals National Football League team, (3) Phoenix Suns National Basketball Association team, (4) Phoenix Mercury Women's National Basketball Association team, and (5) Arizona Coyotes National Hockey League team. At the college level, the Arizona State University Sun Devils compete within the Pac-12 Conference in several sports, including baseball, basketball, and football.

The favorable Arizona climate brings 15 Major League Baseball teams, collectively known as the Cactus League, to the Airport service region each February and March for spring training and preseason play. In 2018, spring training events generated an estimated $644 million in economic impact for the state of Arizona, according to the league's website. The teams include the Arizona Diamondbacks, Chicago Cubs, Chicago White Sox, Cincinnati Reds, Cleveland Indians, Colorado Rockies, Kansas City Royals, Los Angeles Angels, Los Angeles Dodgers, Milwaukee Brewers, Oakland Athletics, San Diego Padres, San Francisco Giants, Seattle Mariners, and Texas Rangers.

ISM Raceway, formerly the Phoenix International Raceway, is a National Association for Stock Car Auto Racing (NASCAR) venue hosting several auto racing events annually, two of which involve distances of 500 kilometers: the TicketGuardian 500, held in March, and Bluegreen Vacations 500, held in November.

Convention visitors are another important component of tourism in the Airport service region. The Phoenix Convention Center offers 900,000 square feet of meeting and event space. According to the most recent data available, the Phoenix Convention Center hosted 67 events in 2017 with a combined attendance of approximately 240,000.

ECONOMIC OUTLOOK

Outlook for the U.S. Economy

Following real (inflation-adjusted) gross domestic product (GDP) growth averaging 2.5%, per year, between 2013 and 2018, the Congressional Budget Office forecasts real GDP growth of 2.6% in 2019, and an average of 1.7% per year thereafter.

Continued U.S. economic growth will depend on, among other factors, stable financial and credit markets, a stable value of the U.S. dollar versus other currencies, stable energy and other commodity prices, the ability of the federal government to reduce historically high fiscal deficits, inflation remaining within the range targeted by the Federal Reserve, and growth in the economies of foreign trading partners.

Outlook for the Arizona and MSA Economies

The economic outlook for Arizona and the MSA generally depends on the same factors as those for the nation, although population inflows will have a relatively greater effect on economic growth and employment. Population growth in the MSA is a key variable influencing local demand for residential and commercial construction, and demand for goods and services in general which, in turn, drives employment.

In its May 2019 publication, *Arizona's Economy: Still Strong After All These Years*, the University of Arizona noted that the State continued its recovery, adding residents and jobs at rates faster than the nation in 2017 and 2018, and so far in 2019. George Hammond, author of the study, summarized: "The Arizona economy continues its long winning streak. Employment is expanding, population growth is solid, and wages are rising. Further, Arizona continues to far outpace national growth rates.… The current national expansion is very much on track to be the longest on record. However, gains are expected to slow from above trend rates last year to below trend rates by 2020. This implies that recession risks are elevated beginning in 2020. Nonetheless, the most likely scenario remains continued gains in the near term, with more jobs, residents, and income in Arizona."

Table 4 shows socioeconomic forecasts for Arizona and the MSA as developed by the University of Arizona's Eller College of Management. Projections of the same variables for the United States are presented for comparative purposes. Growth in population, employment, and personal income in both Arizona and the MSA is forecast to exceed national rates.

Table 4
Socioeconomic Projections
(Phoenix-Mesa-Chandler MSA, Arizona, and the United States)

	Average annual percent increase (decrease)	
	Historical 2000-2018	Projected 2018-2022
Population		
MSA	2.2%	1.7%
Arizona	1.8	1.5
United States	0.8	0.7
Non-agricultural employment		
MSA	1.6%	2.4%
Arizona	1.4	2.0
United States	0.7	0.7
Per capita personal income		
MSA	2.5% (a)	4.4%
Arizona	2.9	4.3
United States	3.2	3.7

(a) The percentage shown is for 2000-2017, the most recent data available.

Sources: Historical—U.S. Department of Commerce, Bureau of the Census website, www.census.gov; U.S. Department of Labor, Bureau of Labor Statistics website, Current Employment Statistics survey, www.bls.gov; U.S. Department of Commerce Bureau of Economic Analysis website, www.bea.gov.

Projection—MSA, Arizona: University of Arizona, Eller College of Management, Economic & Business Research Center, May 2019.

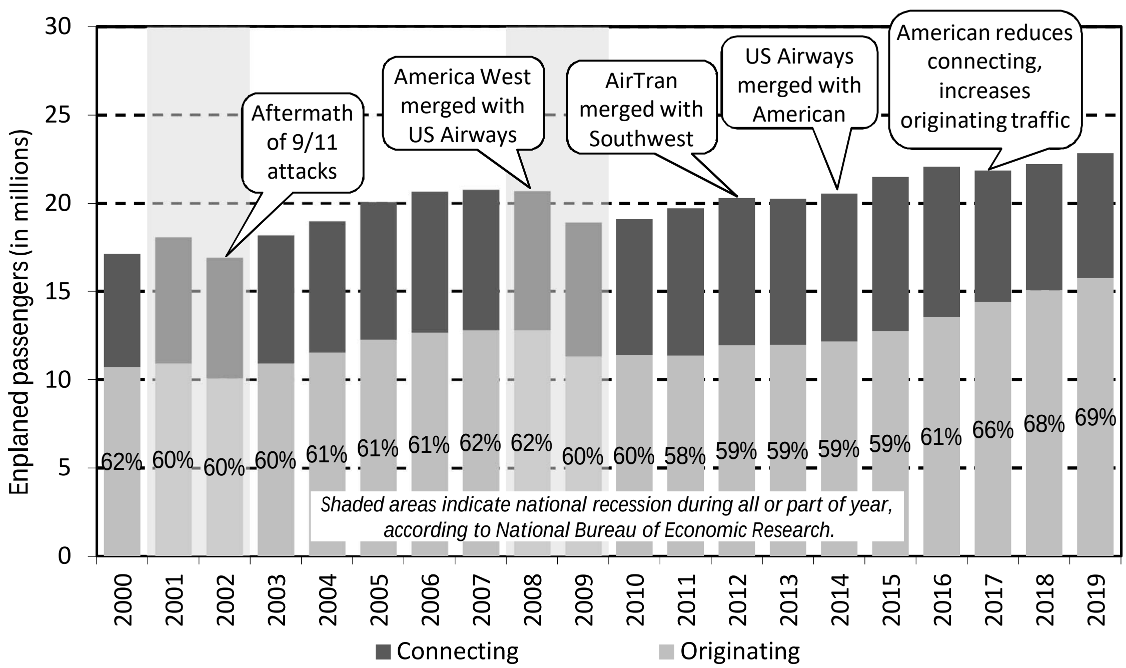
United States: U.S. Department of Commerce, Bureau of the Census website, *2017 National Population Projections*, September 2018; U.S. Department of Labor, Bureau of Labor Statistics website, *Employment Projections: 2016-2026*, October 2017.

Arizona State University's W.P. Carey School of Business prepares the Greater Phoenix Blue Chip Forecast, an aggregation of 2-year demographic and economic projections developed by ten different organizations. The latest Blue Chip Forecast, based upon second quarter 2019 data, reflects projections for the MSA generally in line with those shown in Table 4.

AIRLINE TRAFFIC ANALYSIS

Sky Harbor serves one of the nation's largest metropolitan areas, with a substantial base of originating passenger traffic. The Airport is also a connecting hub airport in the route network of American Airlines and is one of the largest "focus city" airports in the route network of Southwest Airlines.* The geographic location of Sky Harbor allows connecting trip routings that minimize circuity between the southwestern United States and points eastward.

Figure 6
Historical Enplaned Passengers
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30)



Notes: FY 2019 total reflects actual results, originating and connecting values are estimated on the basis of 3 quarters of U.S. DOT O&D Survey data.
Percentages reflect originating passengers as a percent of total enplaned passengers.

Sources: City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

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*In all discussions of historical airline service and passenger traffic by airline in this Report, unless otherwise noted, data for merged airlines are accounted for with the surviving airline (i.e., America West Airlines, Trans World Airlines, and US Airways with American Airlines; Northwest Airlines with Delta Air Lines; Continental Airlines with United Airlines; Midwest Airlines with Frontier Airlines; AirTran Airways with Southwest Airlines; and Virgin America with Alaska Airlines).

Figure 6 shows that 22.8 million passengers enplaned at Sky Harbor in FY 2019. Between FY 2000 and FY 2019, the number of enplaned passengers increased at a 1.5% average annual growth rate. Following shifts in American's network strategy initiated in FY 2017, which reflected an increased focus on stimulating originating passenger demand as opposed to filling available seat capacity with less profitable connecting passengers, Sky Harbor's share of originating passengers increased to a record high of approximately 69% in FY 2019.

Airline Roles at Sky Harbor

Table 5 shows the composition of enplaned passengers at Sky Harbor for the 12 months ended March 31, 2019 (the most recent data available), summarizing the types of traffic accommodated by the primary airline groups.

Table 5
Composition of Enplaned Passengers, by Airline Group
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(for the 12 months ended March 31, 2019; passengers in thousands)

	Enplaned passengers				Distribution by airline			
	American	Southwest	All other airlines	Total— all airlines	American	Southwest	All other airlines	Total— all airlines
Total	10,472	7,771	4,470	22,713	100.0%	100.0%	100.0%	100.0%
By sector:								
Domestic	9,963	7,771	3,920	21,653	95.1%	100.0%	87.7%	95.3%
International	509	-	550	1,060	4.9	--	12.3	4.7
By type of passenger:								
Originating	5,513	5,711	4,398	15,622	52.6%	73.5%	98.4%	68.8%
Resident (a)	*2,723*	*2,704*	*1,659*	*7,086*	*26.0*	*34.8*	*37.1*	*31.2*
Visitor (b)	*2,790*	*3,007*	*2,739*	*8,536*	*26.6*	*38.7*	*61.3*	*37.6*
Connecting	4,960	2,059	72	7,091	47.4	26.5	1.6	31.2
Airline share of Sky Harbor total:								
Total	46.1%	34.2%	19.7%	100.0%				
Originating	35.3	36.6	28.2	100.0				
Connecting	69.9	29.0	1.0	100.0				

Notes: Figures may not add to totals shown because of rounding.

(a) Resident passengers are defined as those passengers whose flight itineraries began at Phoenix.
(b) Visitor passengers are defined as those passengers whose flight itineraries began at airports other than Phoenix.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100; City of Phoenix Aviation Department.

Although American accounted for 46.1% of total enplaned passengers at Sky Harbor, the airline accommodated most (69.9%) of the connecting traffic (47.4% of American's enplaned passengers were connecting whereas 52.6% were originating). Southwest, by comparison, accounted for 34.2% of total enplaned passengers and 29.0% of total connecting passengers (26.5% of Southwest's enplaned passengers were connecting whereas 73.5% were originating). The other airlines together accommodated the remaining 19.7% of total enplaned passengers but boarded only 1.0% of Sky Harbor's connecting passengers. In addition to the enplaned passenger numbers shown in Table 5, for the 12 months ended March 31, 2019, Southwest carried approximately 190,000 transit passengers (i.e., passengers on through flights who did not deplane or enplane at Sky Harbor during the stopover).

Ranking Among Other U.S. Airports

Table 6 shows the 30 largest U.S. airports ranked by enplaned passengers. By this measure, in 2018, Sky Harbor ranked 13th. The number of enplaned passengers increased 14.6% (2.8 million) at Sky Harbor between 2010 and 2018.

Table 7 shows the 30 largest U.S. airports ranked by enplaned originating passengers. By this measure, in 2018, Sky Harbor ranked 14th. The number of originating passengers increased 34.3% (3.7 million) at Sky Harbor between 2010 and 2018.

Table 8 shows the 30 largest U.S. airports ranked by connecting passengers. By this measure, in 2018, Sky Harbor ranked 8th. The number of connecting passengers decreased 12.1% (1.0 million) at Sky Harbor between 2010 and 2018.

Table 9 shows the 30 largest U.S. gateway airports ranked by international enplaned passengers. By this measure, in 2018, Sky Harbor ranked 23rd. The number of international enplaned passengers at Sky Harbor showed little change between 2010 and 2018.

Table 6
Enplaned Passengers at Top-Ranking U.S. Airports
(calendar years)

2018 Rank	City (airport)	Enplaned passengers (millions) 2010	2015	2018	Percent increase (decrease) 2010-2018	Increase (decrease) 2010-2018 (millions)
1	Atlanta	43.0	49.3	51.9	20.6%	8.9
2	Los Angeles (International)	28.9	36.5	42.8	48.3	13.9
3	Chicago (O'Hare)	32.2	36.4	39.9	24.1	7.8
4	Dallas/Fort Worth	27.0	31.6	32.8	21.4	5.8
5	Denver	25.2	26.3	31.4	24.3	6.1
6	New York (Kennedy)	22.9	28.0	30.7	33.7	7.7
7	San Francisco	19.3	24.2	27.9	44.2	8.5
8	Seattle	15.4	20.1	24.0	56.3	8.7
9	Las Vegas	18.9	21.7	23.7	25.4	4.8
10	Orlando (International)	17.0	18.8	23.2	36.4	6.2
11	Newark	16.6	18.7	22.9	38.1	6.3
12	Charlotte	18.6	21.9	22.3	19.6	3.7
13	Phoenix (Sky Harbor)	18.9	21.4	21.7	14.6	2.8
14	Houston (Bush)	19.5	20.6	21.2	8.5	1.7
15	Miami	17.0	21.0	21.1	23.9	4.1
16	Boston	13.6	16.3	20.1	47.9	6.5
17	Minneapolis-St. Paul	15.5	17.6	18.4	18.9	2.9
18	Fort Lauderdale	10.8	13.1	17.6	62.7	6.8
19	Detroit	15.6	16.3	17.4	11.5	1.8
20	Philadelphia	14.9	15.1	15.3	2.3	0.3
21	New York (LaGuardia)	12.0	14.3	15.1	25.6	3.1
22	Baltimore	10.8	11.7	13.3	23.6	2.6
23	Salt Lake City	9.9	10.6	12.2	23.4	2.3
24	San Diego	8.4	10.0	12.2	44.6	3.8
25	Washington DC (Dulles)	11.3	10.4	11.7	3.3	0.4
26	Washington DC (Reagan)	8.7	11.2	11.4	30.1	2.6
27	Chicago (Midway)	8.5	10.8	10.7	25.3	2.2
28	Tampa	8.1	9.2	10.4	27.5	2.2
29	Honolulu	8.7	9.6	9.9	13.8	1.2
30	Portland, Oregon	6.6	8.3	9.8	49.0	3.2
	Total—top 30 airports	504.1	581.1	642.9	27.5%	138.8

Notes: Airports shown are the top 30 U.S. airports ranked by number of passengers for 2018. Percentages were calculated using unrounded numbers.

Source: U.S. DOT, Schedule T100.

Table 7
Originating Passengers at Top-Ranking U.S. Airports
(calendar years)

2018 Rank	City (airport)	Originating passengers (millions) 2010	2015	2018	Percent increase (decrease) 2010-2018	Increase (decrease) 2010-2018 (millions)
1	Los Angeles (International)	22.2	28.4	35.1	58.3%	12.9
2	New York (Kennedy)	18.1	22.4	26.0	43.3	7.8
3	Chicago (O'Hare)	15.6	19.5	23.3	49.6	7.7
4	San Francisco	15.0	19.2	22.1	47.3	7.1
5	Orlando (International)	16.0	17.8	22.1	38.0	6.1
6	Las Vegas	16.0	18.2	20.6	28.7	4.6
7	Denver	12.9	16.0	20.3	56.8	7.3
8	Atlanta	13.9	16.2	20.2	45.8	6.4
9	Boston	13.0	15.4	18.9	45.6	5.9
10	Newark	11.8	13.5	18.2	54.8	6.5
11	Seattle	11.3	13.7	17.1	51.7	5.8
12	Dallas/Fort Worth	11.0	13.0	15.5	41.4	4.5
13	Fort Lauderdale	10.0	11.8	14.8	47.9	4.8
14	Phoenix (Sky Harbor)	10.9	12.4	14.6	34.3	3.7
15	Miami	9.6	12.4	14.1	46.5	4.5
16	New York (LaGuardia)	11.1	12.6	13.7	24.0	2.7
17	San Diego	8.0	9.4	11.5	43.6	3.5
18	Minneapolis-St. Paul	8.1	9.4	11.4	41.8	3.4
19	Houston (Bush)	7.7	9.6	10.9	40.9	3.2
20	Philadelphia	8.8	9.3	10.6	20.1	1.8
21	Detroit	7.5	8.4	10.4	39.0	2.9
22	Washington DC (Reagan)	7.2	9.4	10.1	40.0	2.9
23	Tampa	7.5	8.7	10.0	32.8	2.5
24	Baltimore	8.3	8.1	9.7	16.7	1.4
25	Portland, Oregon	5.6	7.1	8.7	54.0	3.0
26	Honolulu	7.0	7.8	8.4	20.2	1.4
27	Washington DC (Dulles)	6.5	6.8	7.8	20.0	1.3
28	Salt Lake City	5.0	5.9	7.6	50.3	2.5
29	Austin	4.0	5.5	7.4	84.8	3.4
30	Charlotte	4.9	5.8	7.0	41.1	2.0
	Total—top 30 airports	314.5	373.7	448.1	42.5%	133.6

Notes: Airports shown are the top 30 U.S. airports ranked by number of originating passengers for 2018.
Percentages were calculated using unrounded numbers.
Includes a small number of passengers on foreign-flag airlines making connections between international flights.

Sources: U.S. DOT, Schedule T100; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Table 8
Connecting Passengers at Top-Ranking U.S. Airports
(calendar years)

2018 Rank	City (airport)	Connecting passengers (millions) 2010	2015	2018	Percent increase (decrease) 2010-2018	Increase (decrease) 2010-2018 (millions)
1	Atlanta	29.1	33.2	31.6	8.6%	2.5
2	Dallas/Fort Worth	16.1	18.6	17.3	7.7	1.2
3	Chicago (O'Hare)	16.6	16.8	16.6	0.1	0.0
4	Charlotte	13.7	16.1	15.3	11.9	1.6
5	Denver	12.3	10.3	11.1	(9.8)	(1.2)
6	Houston (Bush)	11.8	11.0	10.3	(12.8)	(1.5)
7	Los Angeles (International)	6.7	8.1	7.7	15.3	1.0
8	Phoenix (Sky Harbor)	8.0	9.0	7.1	(12.1)	(1.0)
9	Detroit	8.1	7.8	7.0	(13.9)	(1.1)
10	Minneapolis-St. Paul	7.4	8.2	7.0	(5.9)	(0.4)
11	Miami	7.4	8.6	7.0	(5.5)	(0.4)
12	Seattle	4.1	6.4	6.9	68.9	2.8
13	San Francisco	4.3	5.1	5.8	33.4	1.4
14	Philadelphia	6.2	5.8	4.7	(23.2)	(1.4)
15	New York (Kennedy)	4.8	5.6	4.7	(2.3)	(0.1)
16	Newark	4.8	5.2	4.7	(2.8)	(0.1)
17	Salt Lake City	4.9	4.7	4.7	(4.4)	(0.2)
18	Washington DC (Dulles)	4.8	3.6	3.8	(19.4)	(0.9)
19	Chicago (Midway)	3.0	4.2	3.8	25.1	0.8
20	Baltimore	2.5	3.6	3.7	46.5	1.2
21	Las Vegas	2.9	3.5	3.1	7.0	0.2
22	Fort Lauderdale	0.8	1.3	2.8	238.6	2.0
23	Dallas (Love)	1.1	2.2	2.6	132.1	1.5
24	Houston (Hobby)	1.2	1.9	2.5	103.9	1.3
25	St. Louis	0.9	1.0	1.8	96.2	0.9
26	Honolulu	1.7	1.8	1.5	(12.8)	(0.2)
27	New York (LaGuardia)	0.9	1.8	1.3	44.7	0.4
28	Washington DC (Reagan)	1.5	1.8	1.3	(15.9)	(0.2)
29	Boston	0.6	0.9	1.2	97.9	0.6
30	Portland, Oregon	0.9	1.2	1.1	19.4	0.2
	Total—top 30 airports	189.3	209.4	199.9	5.6%	10.7

Notes: Airports shown are the top 30 U.S. airports ranked by number of connecting passengers for 2018.
Percentages were calculated using unrounded numbers.
Excludes a small number of passengers on foreign-flag airlines making connections between international flights.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Table 9
International Passengers at Top-Ranking U.S. Airports
(calendar years)

2018 Rank	City (airport)	Enplaned international passengers (millions) 2010	2015	2018	Percent increase (decrease) 2010-2018	Increase (decrease) 2010-2018 (millions)
1	New York (Kennedy)	11.39	14.81	16.64	46.1%	5.25
2	Los Angeles (International)	7.67	9.89	12.77	66.4	5.10
3	Miami	8.37	10.54	10.56	26.2	2.19
4	Newark	5.68	5.82	6.96	22.6	1.29
5	San Francisco	4.19	5.44	6.88	64.3	2.69
6	Chicago (O'Hare)	5.16	5.81	6.78	31.3	1.61
7	Atlanta	4.51	5.42	6.15	36.3	1.64
8	Houston (Bush)	4.18	5.17	5.27	26.0	1.09
9	Fort Lauderdale	1.62	2.60	4.18	158.2	2.56
10	Dallas/Fort Worth	2.52	3.77	4.17	65.1	1.64
11	Washington DC (Dulles)	2.99	3.49	3.91	30.6	0.92
12	Boston	1.85	2.55	3.64	96.9	1.79
13	Orlando (International)	1.56	2.48	3.19	104.1	1.63
14	Honolulu	1.80	2.51	2.67	47.7	0.86
15	Seattle	1.36	2.17	2.64	93.8	1.28
16	Philadelphia	1.88	2.00	1.93	2.6	0.05
17	Detroit	1.43	1.60	1.87	30.2	0.43
18	Las Vegas	1.07	1.70	1.84	71.3	0.77
19	Charlotte	1.32	1.49	1.55	17.2	0.23
20	Minneapolis-St. Paul	1.13	1.29	1.48	30.6	0.35
21	Denver	0.96	1.09	1.47	53.6	0.51
22	New York (LaGuardia)	0.54	0.94	1.13	110.7	0.60
23	Phoenix (Sky Harbor)	1.05	1.14	1.05	0.3	0.00
24	Baltimore	0.20	0.51	0.62	205.4	0.42
25	Houston (Hobby)	0.00	0.08	0.52	n.a.	0.52
26	San Diego	0.13	0.35	0.52	304.3	0.39
27	Tampa	0.20	0.32	0.49	148.1	0.29
28	Salt Lake City	0.23	0.28	0.49	107.5	0.25
29	San Jose	0.07	0.20	0.48	622.4	0.41
30	Oakland	0.11	0.16	0.47	335.0	0.36
	Total—top 30 airports	75.19	95.64	112.31	49.4%	37.11

Notes: Airports shown are the top 30 U.S. airports (excluding airports in Puerto Rico, the islands of the Pacific Trust, and the U.S. Virgin Islands) ranked by number of international passengers for 2018.
Percentages were calculated using unrounded numbers. n.a. = not applicable.

Source: U.S. DOT, Schedule T100.

Sky Harbor and Phoenix-Mesa Gateway Airport

The only other airport with commercial service located within the Airport service region is Phoenix-Mesa Gateway Airport (Gateway), located approximately 30 miles southeast of Sky Harbor. Gateway enplanes just 4% of the passenger volume of Sky Harbor, through a single 106,000 square foot terminal (roughly one-third the size of Sky Harbor's smallest terminal) and 10 aircraft parking positions (compared with Sky Harbor's 100).

Allegiant Air began scheduled service at Gateway in 2007. In July 2019, Gateway was the 4th-ranked airport in the Allegiant system as measured by departing seats (after Orlando-Sanford, St. Pete-Clearwater, and Las Vegas). Allegiant's business model focuses on providing leisure travelers with less-than-daily, point-to-point service from communities in the northern and Midwest U.S. to popular Sunbelt vacation destinations. This business model results in a relatively high number of destinations served nonstop, but lower average numbers of daily flights and seats. Due to the leisure-oriented focus of most passengers using Gateway, it has somewhat greater seasonal variation in activity relative to Sky Harbor.

WestJet began scheduled service at Gateway in January 2017 and operates seasonal service to Calgary. By comparison, WestJet offers year-round service from Sky Harbor to Calgary and seasonal service to seven other Canadian destinations. Canadian airline Swoop (a low-cost subsidiary of WestJet) operates seasonal service from Gateway to Edmonton and is scheduled to start service from Gateway to Winnipeg in December 2019.

Table 10 compares the number of cities served nonstop, average daily aircraft departures, and average daily departing seats at Sky Harbor and Gateway in July 2019. Of the total domestic capacity in the combined Phoenix market at that time, Sky Harbor accounted for 96% and Gateway for the remaining 4%.

Table 10
Domestic Airline Service
Phoenix Sky Harbor International and Phoenix-Mesa Gateway Airports
(as scheduled for July 2019)

	Number of cities served nonstop *(a)*	Average daily aircraft departures	Average daily departing seats
By airport			
Sky Harbor	85	481	67,597
Mesa-Gateway	38	16	2,806
By airline type			
Low-cost carriers			
Sky Harbor	48	173	26,594
Mesa-Gateway	38	16	2,806
All other airlines			
Sky Harbor	74	308	41,003
Mesa-Gateway	--	--	--
By aircraft type			
Large jet			
Sky Harbor	60	382	60,718
Mesa-Gateway	38	16	2,806
Regional jet			
Sky Harbor	36	94	6,838
Mesa-Gateway	--	--	--
Turboprop and piston			
Sky Harbor	4	5	41
Mesa-Gateway	--	--	--

(a) Some cities are served by more than one airport and some airports are served by more than one airline type or aircraft type. Not every city is served daily.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2019.

Role in American's System

America West Airlines, which was headquartered just east of Sky Harbor in Tempe, began commercial service in 1983 and established its primary hub at Sky Harbor. In September 2005, America West merged with US Airways and, although the merged airline adopted the US Airways name, the company kept its corporate headquarters in the Airport service region. In December 2013, US Airways merged with American and the airline began operating as American under a single operating certificate in April 2015.

Table 11 shows that in July 2019, Sky Harbor was the sixth-largest of American's ten hub airports in terms of departing seats (4.8% of its total systemwide capacity). American and its regional code-sharing affiliates accounted for 45.9% of enplaned passengers at Sky Harbor in FY 2019—the largest share of any airline. American's Oneworld alliance and joint venture partner, British Airways, also serves Sky Harbor and accounted for 10.5% of its international enplaned passengers in FY 2019. Between FY 2010 and FY 2019, the number of passengers enplaned on American at Sky Harbor increased an average of 0.7% per year, while American's average load factor has increased from 78% to 87%.

Table 11
Scheduled Departing Seats on American
Top U.S. Airports in the American Airlines System
(as scheduled for the month of July)

		2010		2015		2019	
Rank	Airport	Seats	% of total	Seats	% of total	Seats	% of total
1	Dallas/Fort Worth	2,682,225	13.8%	2,944,389	14.4%	3,373,262	15.7%
2	Charlotte	1,893,284	9.8	2,114,448	10.3	2,264,044	10.5
3	Chicago-O'Hare	1,395,491	7.2	1,442,372	7.0	1,643,831	7.6
4	Miami	1,361,521	7.0	1,554,682	7.6	1,458,875	6.8
5	Philadelphia	1,316,157	6.8	1,309,244	6.4	1,266,115	5.9
6	Phoenix	1,037,360	5.4	1,209,931	5.9	1,030,764	4.8
7	Los Angeles	590,608	3.0	769,479	3.8	893,837	4.2
8	Washington-Reagan	642,340	3.3	638,845	3.1	623,422	2.9
9	New York-LaGuardia	566,427	2.9	459,150	2.2	455,769	2.1
10	Boston	444,335	2.3	401,407	2.0	323,815	1.5
	All other	7,459,749	38.5	7,638,457	37.3	8,194,363	38.1
	Total—U.S. system	19,389,497	100.0%	20,482,404	100.0%	21,528,097	100.0%

Note: Represents seats on scheduled domestic and international flights and includes regional code-sharing affiliates.

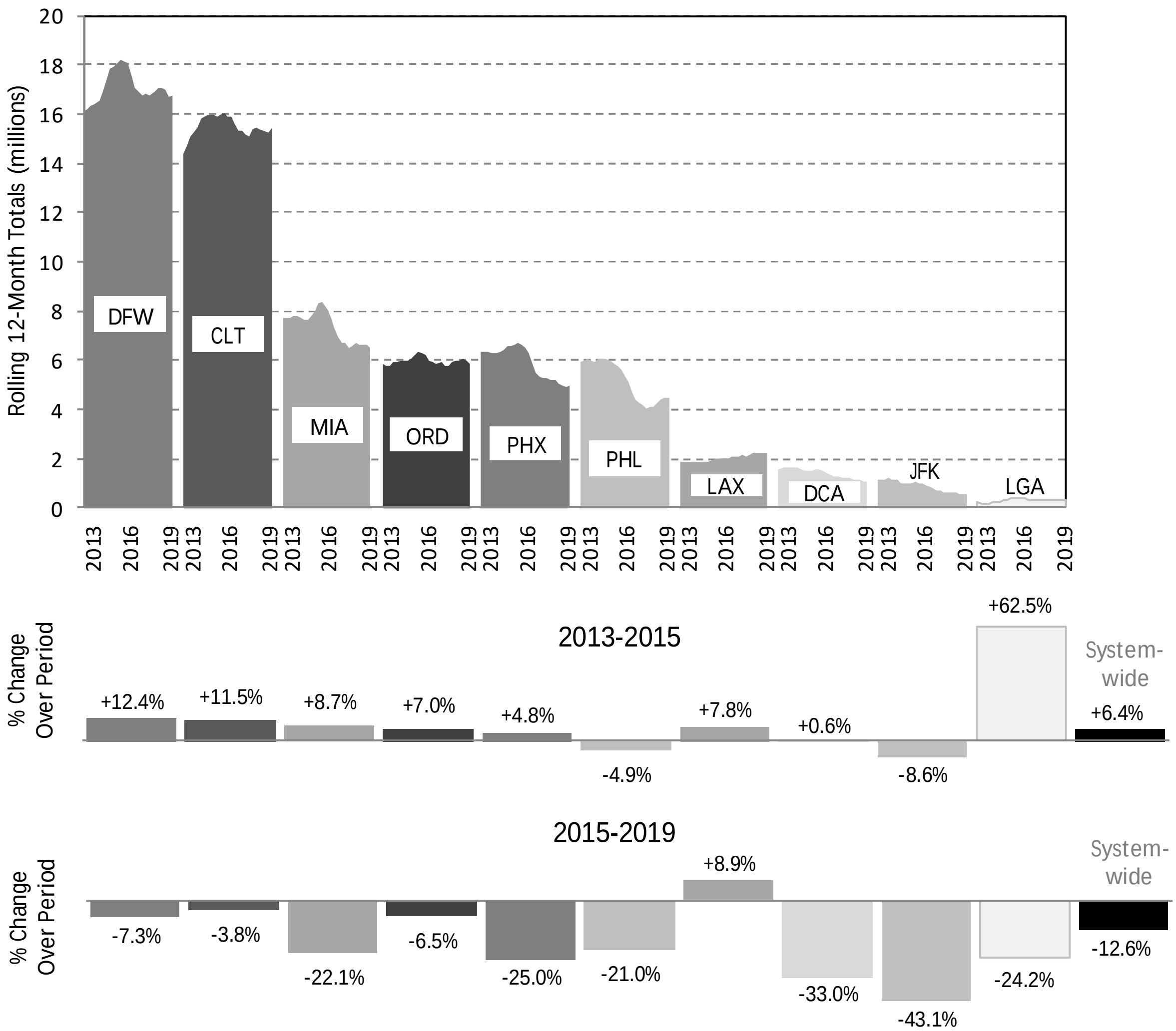
Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2019.

American's connecting passenger flows at Sky Harbor are governed by its geographic location. Of passengers connecting between domestic flights on American at Sky Harbor, 78% are traveling between the Northeastern, Southern, and Midwestern U.S. on the one hand, and the Southwestern U.S. and Hawaii on the other. An additional 14% are connecting between the Southwestern U.S. and Hawaii, or on itineraries within the Southwestern U.S. Among American's hub airports, Sky Harbor competes most directly with Dallas/Fort Worth International Airport (DFW) for connecting flow. Sky Harbor is the more optimal connecting location for routes between Southern California and the Northeast United States, and Sky Harbor and DFW accommodate connections between Southern

California and the Southeast United States equally well. However, DFW's more easterly location makes it the more optimal connecting point for routes between the central United States and the East Coast.

Since 2015, American has focused on allotting more seat capacity to more profitable originating passengers than to less profitable connecting traffic across its route network, which has resulted in lower seat capacity at Sky Harbor. At Sky Harbor, this strategic shift resulted in American's connecting passengers decreasing 25.0% between 2015 and March 2019, while its originating passengers increased 19.7%. Figure 7 shows that, over the same period, five other American hub airports recorded decreases in connecting passengers approximately equal to or greater than that recorded at Sky Harbor, in percentage terms. In absolute terms, Miami recorded greater decreases than Sky Harbor.

Figure 7
Connecting Passengers on American Airlines
at American's U.S. Hub Airports



Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Role in Southwest's System

Table 12 shows that in July 2019, Sky Harbor was the sixth-largest airport in Southwest's system in terms of departing seats (4.2% of its total systemwide capacity). Southwest accounted for 34.0% of enplaned passengers at Sky Harbor in FY 2019, ranking second to American. Between FY 2010 and FY 2019, the number of passengers enplaned on Southwest at Sky Harbor increased an average of 3.6% per year, while Southwest's average enplaned passenger load factor has increased from 64% to 83%. The inclusion of transit passengers (who do not deplane or enplane at Sky Harbor) would add an estimated additional 2.0 percentage points of seat occupancy to Southwest's FY 2019 load factor at Sky Harbor.

Table 12
Scheduled Departing Seats on Southwest Airlines
Top U.S. Airports in the Southwest System
(as scheduled for the month of July)

		2010		2015		2019	
Rank	Airport	Seats	% of total	Seats	% of total	Seats	% of total
1	Chicago-Midway	946,879	5.8%	1,211,218	7.3%	1,075,006	5.9%
2	Denver	561,386	3.4	838,131	5.0	1,011,937	5.6
3	Baltimore	959,995	5.9	997,664	6.0	987,067	5.4
4	Las Vegas	936,059	5.7	977,096	5.9	907,931	5.0
5	Dallas-Love Field	498,717	3.1	691,748	4.1	875,103	4.8
6	Phoenix	714,942	4.4	753,677	4.5	773,160	4.2
7	Houston-Hobby	550,388	3.4	672,347	4.0	769,223	4.2
8	Orlando	687,546	4.2	562,778	3.4	559,243	3.1
9	Oakland	444,851	2.7	463,140	2.8	555,231	3.1
10	San Diego	404,312	2.5	440,920	2.6	548,262	3.0
	All other	9,611,367	58.9	9,082,976	54.4	10,136,548	55.7
	Total—U.S. system	16,316,442	100.0%	16,691,695	100.0%	18,198,711	100.0%

Note: Represents seats on scheduled domestic and international flights.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2019.

Sky Harbor serves much the same role in Southwest's route network as it does in the route network of American. Of passengers connecting on Southwest at Sky Harbor, 81% are traveling between the Northeastern, Southern, and Midwestern U.S. on the one hand, and the Southwestern U.S. and Hawaii on the other. An additional 9% are connecting on itineraries within the Southwestern U.S. Among Southwest's top airports, Sky Harbor competes most directly with Denver International Airport (DEN) for connecting flow. Sky Harbor and DEN accommodate connections between Southern California and the Northeast United States equally well, and Sky Harbor is the more optimal connecting location for routes between Southern California and the Southeast United States. However, DEN is the more optimal connecting location for routes between the Northwest United States and the East Coast, as well as for routes between the central United States and the East Coast.

HISTORICAL AIRLINE SERVICE AND TRAFFIC

Table 13 lists the passenger and cargo airlines that provided service at Sky Harbor in FY 2019.

Table 13
Airlines Serving the Airport
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Year 2019)

Major/national

- Alaska
- American
- Delta
- Frontier
- Hawaiian
- JetBlue
- Southwest
- Spirit
- Sun Country
- United

Regional/commuter

- Advanced Air
- Boutique Air
- Compass (American Eagle, Delta Connection)
- Contour
- Mesa (American Eagle, United Express)
- SkyWest (American Eagle, Delta Connection, United Express)

Foreign-flag

- Air Canada
- British Airways
- Condor
- Jazz Aviation (Air Canada Express)
- Volaris
- WestJet

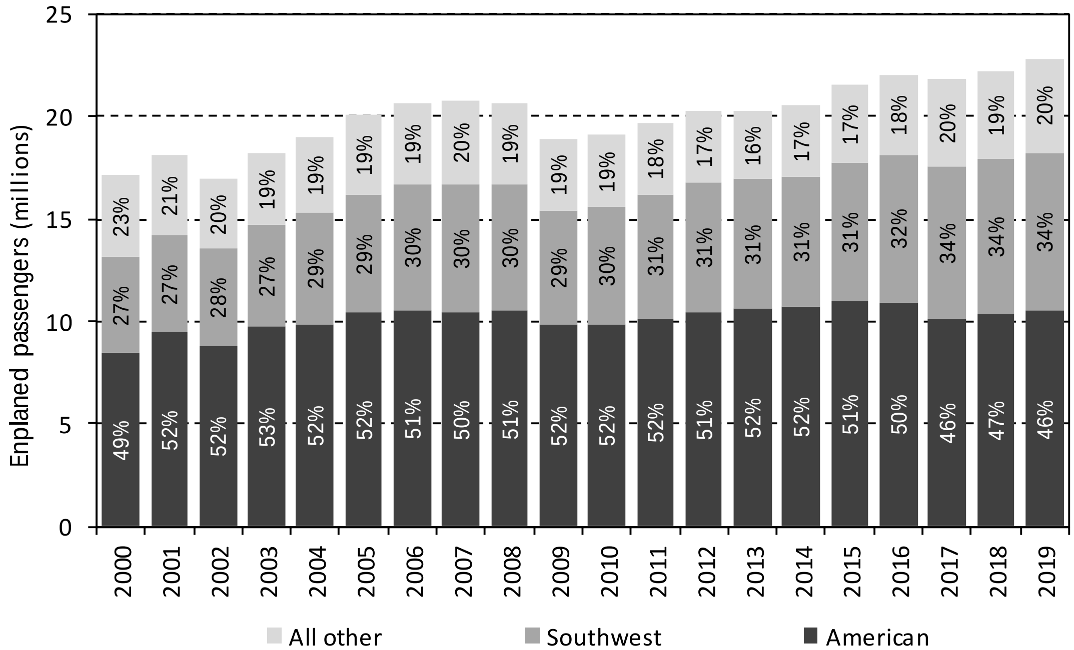
All-cargo airlines

- ABX Air
- Air Cargo Carriers (DHL)
- Air Transport International
- Ameriflight
- Atlas Air (Amazon Air, DHL)
- DHL
- Empire
- FedEx
- Kalitta Air (DHL)
- UPS

Source: City of Phoenix Aviation Department.

Figure 8 shows the airline passenger shares at Sky Harbor since FY 2000. Over the past 19 years, Southwest gained 7 percentage points of market share, while both American and all other airlines, considered together, lost market share.

Figure 8
Total Enplaned Passengers by Airline Grouping
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30)

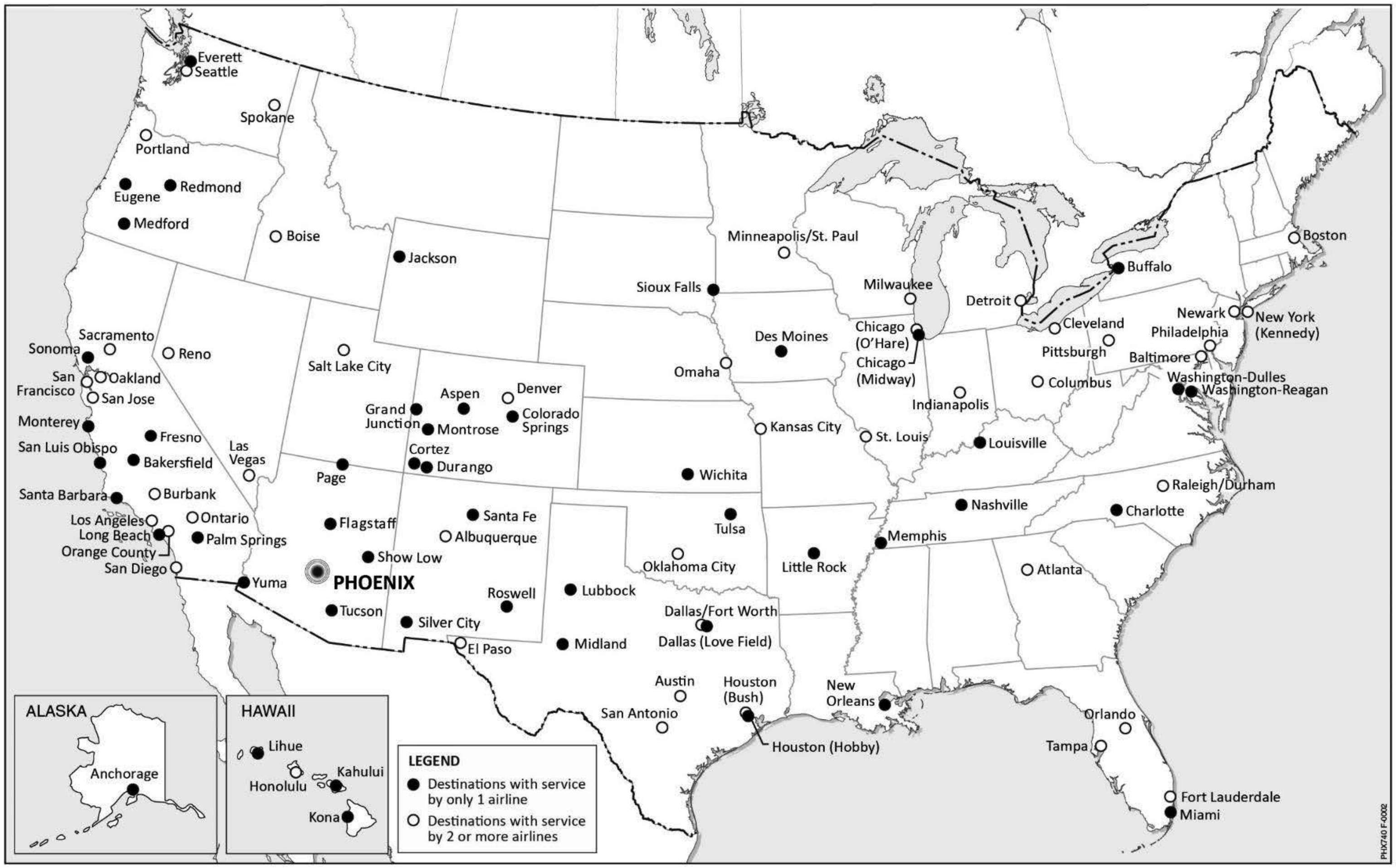


Source: City of Phoenix Aviation Department.

Domestic Service

Figure 9 shows the U.S. airports served by scheduled daily nonstop roundtrip flights from Sky Harbor in July 2019.

Figure 9
U.S. Airports Served by Daily Scheduled Nonstop Roundtrip Passenger Flights
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(as scheduled for July 2019)



Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2019.

Table 14 shows the number of cities served nonstop at Sky Harbor increased from 71 to 85 between 2010 and 2019. The increase in the number of cities served nonstop was largely attributable to the launch of service by American to several smaller communities in the West (e.g., Jackson, Wyoming; St. George, Utah; Montrose, Colorado; Everett, Washington; Redmond, Oregon; and Sonoma County, California). Lower volume markets such as these typically rely on connecting feed through a hub such as Sky Harbor to maximize aircraft load factors. Between 2010 and 2019, the number of average daily departing seats increased, while the number of flights decreased, indicating a trend toward larger aircraft serving Sky Harbor.

Numbers of seats on regional jet and mainline jet aircraft increased between 2010 and 2019, offsetting decreases in turboprop activity. The types of routes offered at Sky Harbor shifted over the 9-year period as well, with the total number of daily scheduled seats decreasing on short-haul routes but increasing on medium- and long-haul routes.

Table 15 shows how airline service has changed over the past 10 years in the top 15 domestic originating city-pair markets for Sky Harbor. The top 15 routes accounted for 55% of all scheduled flight departures at Sky Harbor in July 2019. Competing nonstop service was offered in all of the top 15 markets in July 2019, with 6 markets served by 4 or more airlines and another 7 markets served by 3 airlines. Nonstop service was provided in all of Sky Harbor's top 15 originating passenger markets by both American and Southwest.

Table 14
Daily Scheduled Domestic Passenger Service
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(as scheduled for the month of July)

	2010	2015	2019
NUMBER OF CITIES SERVED NONSTOP *(a)*	71	66	85
Change from previous year shown		(5)	19
By aircraft type:			
Total jet	66	64	82
Mainline jet	*59*	*52*	*60*
Regional jet	*23*	*26*	*36*
Turboprop and piston	7	2	4
By stage length:			
Short-haul (<600 mi.)	19	19	28
Medium-short haul (600-1200 mi.)	18	18	26
Medium-long haul (1200-1800 mi.)	17	14	16
Long-haul (>1800 mi.)	17	15	15
AVERAGE DAILY DEPARTING FLIGHTS	502	513	481
Change from previous year shown		10	(31)
By aircraft type:			
Total jet	481	510	476
Mainline jet	*405*	*397*	*382*
Regional jet	*76*	*113*	*94*
Turboprop and piston	21	3	5
By stage length:			
Short-haul (<600 mi.)	200	188	175
Medium-short haul (600-1200 mi.)	162	177	169
Medium-long haul (1200-1800 mi.)	88	90	80
Long-haul (>1800 mi.)	53	58	57
AVERAGE DAILY SCHEDULED SEATS	63,597	69,660	67,597
Change from previous year shown		6,064	(2,063)
By aircraft type:			
Total jet	62,875	69,609	67,556
Mainline jet	*58,045*	*62,048*	*60,718*
Regional jet	*4,830*	*7,561*	*6,838*
Turboprop and piston	722	51	41
By stage length:			
Short-haul (<600 mi.)	21,384	20,833	19,818
Medium-short haul (600-1200 mi.)	20,820	24,880	24,675
Medium-long haul (1200-1800 mi.)	13,063	14,198	13,371
Long-haul (>1800 mi.)	8,328	9,749	9,732

Note: Columns may not add to totals shown because of rounding.

(a) Some cities are served by more than one airport and some airports are served by more than one airline type or aircraft type.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2019.

Table 15
Comparison of Nonstop Service in the
Top 15 Domestic Originating Passenger Markets
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(as scheduled for the month of July)

Rank *(a)*	City market / *Airport*	Nonstop mileage	Airlines offering nonstop service *(b)*	Number of carriers serving *(c)* 2010	2015	2019	Daily scheduled flight departures 2010	2015	2019
1	Los Angeles	350	AA,AN,DL,UA,WN	3	4	5	65	64	57
	Los Angeles		*AA,DL,UA,WN*	*3*	*4*	*4*	*22*	*26*	*22*
	Orange County		*AA,WN*	*2*	*2*	*2*	*14*	*11*	*11*
	Burbank		*AA,WN*	*2*	*2*	*2*	*12*	*10*	*10*
	Ontario		*AA,WN*	*2*	*2*	*2*	*12*	*11*	*11*
	Long Beach		*AA,UA*	*1*	*1*	*2*	*4*	*5*	*3*
	Hawthorne (d)		*AN*	--	--	*1*	--	--	*0*
2	San Francisco *(e)*	638	AA,UA,WN	3	4	3	34	36	32
3	Chicago *(f)*	1,438	AA,F9,UA,WN	3	4	4	20	19	20
4	Denver	600	AA,F9,UA,WN	4	5	4	23	20	19
5	New York *(g)*	2,137	AA,B6,DL,UA,WN	4	5	5	12	13	15
6	Seattle	1,105	AA,AS,DL,WN	3	4	4	13	18	17
7	Minneapolis-St Paul	1,273	AA,DL,SY,WN	2	3	4	10	12	10
8	Dallas/Ft. Worth *(h)*	871	AA,NK,WN	1	3	3	14	19	19
9	Washington DC/Baltimore *(i)*	1,972	AA,UA,WN	3	3	3	9	10	7
10	Portland	1,008	AA,AS,WN	3	3	3	10	11	9
11	Las Vegas	254	AA,WN	2	2	2	23	17	14
12	San Diego	303	AA,WN	2	2	2	18	15	16
13	Salt Lake City	507	AA,DL,WN	3	3	3	18	16	13
14	Detroit	1,666	AA,DL,WN	3	3	3	8	10	6
15	Atlanta	1,583	AA,DL,WN	3	3	3	11	12	10
	Total—top 15 markets			7	8	9	289	291	264
	All other markets			7	7	10	214	221	217
	Total—all markets			9	10	13	502	513	481

(a) Top 15 city markets ranked by domestic outbound originating passengers for the 12 months ended March 31, 2019.
(b) For July 2019. Carrier legend: AA = American, AN=Advanced Air, AS = Alaska, B6 = JetBlue, DL = Delta, F9 = Frontier, NK = Spirit, UA = United, WN = Southwest.
(c) Each mainline carrier and its regional code-sharing affiliates were counted as one airline.
(d) Less than daily service (three times weekly).
(e) Market includes San Francisco, Oakland, and San Jose airports.
(f) Market includes O'Hare and Midway airports.
(g) Market includes LaGuardia, Newark, and Kennedy airports.
(h) Market includes Dallas/Fort Worth Airport and Love Field.
(i) Market includes Dulles, Reagan, and Baltimore airports.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2019.

International Service

Figure 10 shows the international destinations with nonstop service from Sky Harbor in July 2019. American, Air Canada, British Airways, Condor, Volaris, and WestJet operate such service to 15 destinations in Canada, Mexico, Costa Rica, the United Kingdom, and Germany. Competing service is offered to four of the destinations (Guadalajara, London, Puerto Vallarta, and Vancouver) year-round and an additional two (Calgary and Toronto) seasonally. Additionally, American has announced service to Chihuahua, Mexico, scheduled to begin in December 2019.

Figure 10
International Destinations Served by Scheduled Roundtrip Passenger Flights
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(as scheduled for July 2019)

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2019.

Passenger Traffic by Segment

Table 16 shows historical enplaned passenger numbers at Sky Harbor by originating and connecting components. Between FY 2010 and FY 2015, the number of originating passengers nearly recovered to its pre-recessionary level while the number of connecting passengers reached a record high level. Between FY 2015 and FY 2019 (since the American-US Airways merger), an estimated 3.0 million increase in the number of originating passengers more than offset an estimated 1.6 million decrease in the number of connecting passengers. The recent decrease in the number of connecting passengers at Sky Harbor is primarily attributable to American Airlines, as described earlier.

Originating passengers represent an estimated 68.9% of total enplaned passengers at Sky Harbor in FY 2019, up from 59.7% in FY 2010. Table 16 shows that domestic passengers account for most of the originating passengers. The other passenger segment at Sky Harbor—connecting passengers—represent an estimated 31.1% of total enplaned passengers in FY 2019. Connecting passengers are categorized into two groups: (1) connections from one domestic flight to another and (2) connections between a domestic flight and an international flight. In FY 2019, domestic-domestic connections accounted for an estimated 90% of all connecting passengers at Sky Harbor, while domestic-international connections accounted for the remaining 10%.

Table 16
Historical Enplaned Passengers by Component
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30; passengers in thousands)

	Originating passengers			Connecting passengers			Total
Year	Domestic	International	Total	Domestic-domestic	Domestic-international *(a)*	Total	enplaned passengers
2010	10,436	958	11,394	6,728	975	7,703	19,097
2011	10,356	1,005	11,361	7,223	1,098	8,321	19,681
2012	10,854	1,089	11,943	7,300	1,035	8,335	20,278
2013	10,860	1,115	11,975	7,263	998	8,261	20,236
2014	11,012	1,143	12,155	7,465	898	8,363	20,519
2015	11,572	1,166	12,738	7,877	873	8,751	21,489
2016	12,401	1,138	13,538	7,678	839	8,517	22,056
2017	13,232	1,154	14,385	6,702	733	7,435	21,820
2018	13,835	1,212	15,047	6,475	697	7,172	22,219
2019	14,484	1,243	15,727	6,430	675	7,105	22,832
	Average annual percent increase (decrease)						
2010-2015	2.1%	4.0%	2.3%	3.2%	(2.2%)	2.6%	2.4%
2015-2019	5.8	1.6	5.4	(4.9)	(6.2)	(5.1)	1.5
2010-2019	3.7	2.9	3.6	(0.5)	(4.0)	(0.9)	2.0
	Annual percent increase (decrease)						
2015-2016	7.2%	(2.4%)	6.3%	(2.5%)	(4.0%)	(2.7%)	2.6%
2016-2017	6.7	1.4	6.3	(12.7)	(12.6)	(12.7)	(1.1)
2017-2018	4.6	5.1	4.6	(3.4)	(4.9)	(3.5)	1.8
2018-2019	4.7	2.5	4.5	(0.7)	(3.1)	(0.9)	2.8
	Share of Airport total						
2010	54.6%	5.0%	59.7%	35.2%	5.1%	40.3%	100.0%
2015	53.9	5.4	59.3	36.7	4.1	40.7	100.0
2019	63.4	5.4	68.9	28.2	3.0	31.1	100.0

Notes: Domestic and international subtotals for FY 2019 reflect actual results; originating and connecting subtotals are estimated on the basis of 3 quarters of U.S. DOT O&D Survey data.
Rows may not add to totals shown because of rounding.
Percentages were calculated using unrounded numbers.

(a) Passengers connecting from domestic flights to international flights, and vice versa.

Sources: City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination* Survey, reconciled to Schedule T100.

Table 17 shows that the number of passengers departing Sky Harbor on international flights has increased since FY 2010. The gain was entirely attributable to increases in passengers bound for Canada and the United Kingdom. Passengers to Mexico and elsewhere decreased, primarily due to reductions in service by American.

Table 17
Departing Passengers by Major International Passenger Market
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30; passengers in thousands)

				Average annual percent increase (decrease)		
International market area	2010	2015	2018	2010-2015	2015-2018	2010-2018
Canada	357	528	470	8.1%	(3.8%)	3.5%
Mexico	547	492	435	(2.1%)	(4.0%)	(2.8%)
United Kingdom	73	100	108	6.5%	2.4%	4.9%
Other *(a)*	24	12	17	(12.8%)	12.2%	(4.1%)
Total	1,001	1,132	1,029	2.5%	(3.1%)	0.3%

Notes: Columns may not add to totals shown because of rounding.
Includes both originating and connecting passengers departing from Sky Harbor on scheduled and non-scheduled international flights.

(a) Mostly passengers to Costa Rica.

Source: U.S. DOT, Schedule T100.

Passenger Traffic by Airline

Table 18 shows that 80.0% of all passengers enplaned at Sky Harbor in FY 2019 boarded flights operated by either American (including its regional affiliates) or Southwest, a smaller share than in FY 2015 (82.5%) and in FY 2010 (81.4%). Delta and United were the third and fourth ranking airlines in FY 2019, enplaning 6.7% and 5.4% of Sky Harbor's passengers, respectively. In FY 2019, the number of enplaned passengers at Sky Harbor increased 2.8%, year-over-year (613,000 passengers). Southwest, American, Delta, and United accounted for most of the increase, increasing 2.9%, 1.2%, 6.3%, and 5.5% year-over-year, respectively. Frontier, by contrast, experienced a decrease of 7.1% (27,000 passengers) as the airline reduced service to Sky Harbor.

Table 18
Airline Shares of Total Enplaned Passengers
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30; listed in descending order for FY 2019)

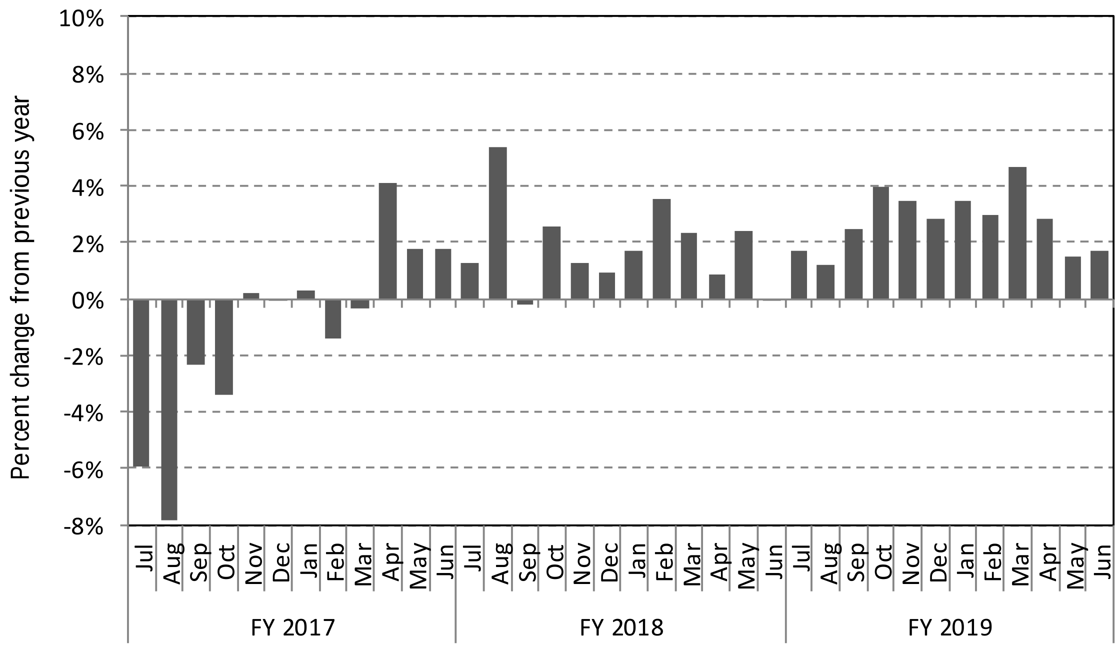
	Fiscal Years			
Airline	2010	2015	2018	2019
American	9,886,705	10,978,341	10,360,041	10,486,029
Southwest	5,665,452	6,750,373	7,546,946	7,768,715
Delta	1,250,333	1,325,051	1,438,843	1,529,781
United	1,236,187	981,702	1,164,730	1,228,311
Alaska	326,624	370,801	432,478	474,431
Frontier	276,521	279,517	388,761	361,348
WestJet	89,400	214,812	234,570	232,839
Air Canada	57,468	101,417	140,171	162,610
Spirit		148,673	96,545	121,595
JetBlue	80,861	90,195	92,201	114,125
British Airways	75,619	103,408	111,514	112,075
Sun Country	31,842	35,032	80,518	100,119
Hawaiian	84,912	85,368	86,558	85,053
All Other	34,605	23,879	45,039	54,914
Total	19,096,529	21,488,569	22,218,915	22,831,945
	Share of total			
American	51.8%	51.1%	46.6%	45.9%
Southwest	29.7	31.4	34.0	34.0
Delta	6.5	6.2	6.5	6.7
United	6.5	4.6	5.2	5.4
Alaska	1.7	1.7	1.9	2.1
Frontier	1.4	1.3	1.7	1.6
WestJet	0.5	1.0	1.1	1.0
Air Canada	0.3	0.5	0.6	0.7
Spirit	--	0.7	0.4	0.5
JetBlue	0.4	0.4	0.4	0.5
British Airways	0.4	0.5	0.5	0.5
Sun Country	0.2	0.2	0.4	0.4
Hawaiian	0.4	0.4	0.4	0.4
All Other	0.2	0.1	0.2	0.2
Total	100.0%	100.0%	100.0%	100.0%

Notes: Passengers reported by regional affiliates are grouped with their respective code-sharing partners.
Columns may not add to totals shown because of rounding.

Source: City of Phoenix Aviation Department.

Figure 11 shows that, following decreases in passengers in early FY 2017, increases in passengers resumed in late FY 2017 and generally continued throughout FY 2018 and FY 2019.

Figure 11
Percent Change in Monthly Enplaned Passengers
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport



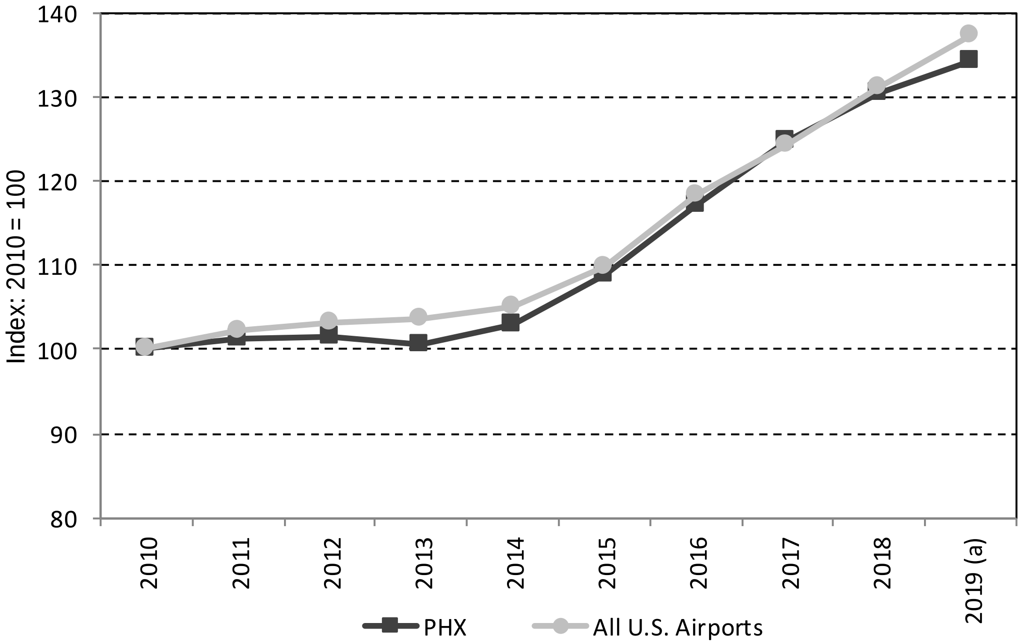
Note: In December 2017 and June 2018, there was no net change, year-over-year.

Source: City of Phoenix Aviation Department.

Domestic Originating Passengers

Figure 12 shows that the trend in domestic originating passengers at Sky Harbor closely mirrors the nationwide pattern of growth. Since 2015, growth in domestic originating passengers at Sky Harbor has averaged 5.3% per year, compared to nationwide growth of 5.7%.

Figure 12
Index of Outbound Domestic Originating Passengers
Phoenix Sky Harbor International Airport and All U.S. Airports
(for the 12 months ended June 30, unless otherwise noted)



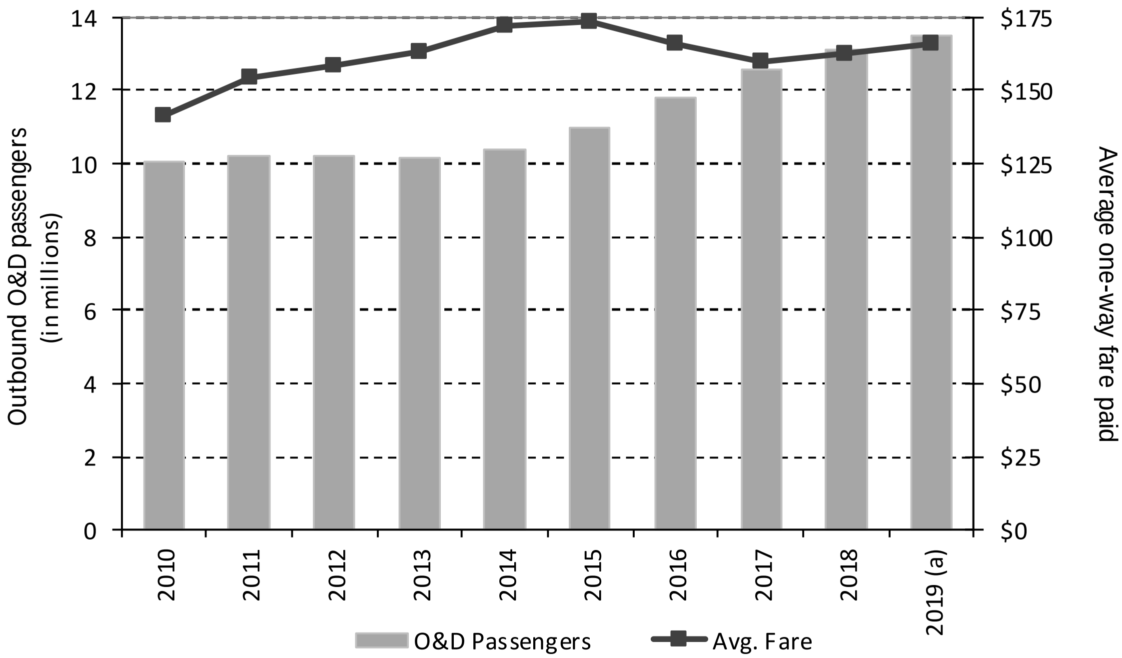
(a) Data for the 12 months ended March 31, 2019, the most recent data available.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Figure 13 shows domestic originating passengers and average domestic airfares at Sky Harbor from FY 2010 to FY 2019. In general, fare increases dampen passenger traffic while fare decreases tend to stimulate traffic. From FY 2010 through FY 2014, average airfares at Sky Harbor increased steadily while the number of originating passengers experienced little net change. Between FY 2015 and FY 2019, however, average airfares declined, coinciding with strong growth in the number of domestic originating passengers.

The average airfares shown in Figure 13, as reported by the airlines to the U.S. DOT, exclude charges for optional services, such as checked baggage, preferred seating, in-flight meals, entertainment, and ticket changes. Such charges have become widespread in the airline industry since 2006. As a result, the average airfares shown understate the amount actually paid by airline passengers for their travel. Optional service charges that were previously included in the ticket price are not all separately reported to the U.S. DOT. They have been estimated by industry analysts to amount to an effective average surcharge on domestic airfares of approximately 5% of ticket fare revenues, although the percentage varies widely by airline.

Figure 13
Domestic Originating Passengers and Average Fare Paid
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30, unless otherwise noted)



Note: Average one-way fares shown are net of all taxes, fees, and passenger facility charges and exclude ancillary fees charged by the airlines.

(a) Data for the 12 months ended March 31, 2019, the most recent data available.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Table 19 presents data on domestic originating passengers and average airfares for the top 15 domestic originating passenger markets from Sky Harbor. For the top 15 domestic markets taken together, average airfares decreased 4.7% while passenger numbers increased 23.5% between FY 2015 and FY 2019, though trends varied by market. Four of the markets with the largest decreases in average airfares (San Francisco, Seattle, Portland, and Detroit) experienced strong growth in originating passengers. Markets with moderate increases in airfares (Denver and Salt Lake City) experienced somewhat less pronounced growth in passengers, though strong demand to and from Sky Harbor, in general, forestalled passenger decreases in any of the top markets.

Table 19

Comparison of Passengers and Fares Paid in Sky Harbor's Top 20 Domestic Originating Markets

City of Phoenix Aviation Department

Phoenix Sky Harbor International Airport

(Fiscal Years ended June 30, unless otherwise noted; ranked by 2019 passengers)

			Domestic outbound O&D passengers						Average one-way fare paid *(b)*			
							2015-2019				2015-2019	
	City market				% of total		Increase (decrease)				Increase (decrease)	
Rank	*Airport*	Airports included	2015	2019 *(a)*	2015	2019 *(a)*	Number	Percent	2010	2015 *(a)*	Number	Percent
1	Los Angeles		885,502	1,093,854	8.1%	8.1%	208,352	23.5%	$124.09	$114.92	($9.17)	(7.4)%
	Los Angeles	*LAX*	*325,239*	*477,799*	*3.0*	*3.5*	*152,560*	*46.9*	*123.00*	*102.93*	*(20.07)*	*(16.3)*
	Orange County	*SNA*	*253,848*	*267,526*	*2.3*	*2.0*	*13,678*	*5.4*	*127.94*	*137.10*	*9.16*	*7.2*
	Burbank	*BUR*	*164,403*	*183,457*	*1.5*	*1.4*	*19,054*	*11.6*	*119.25*	*110.23*	*(9.02)*	*(7.6)*
	Ontario	*ONT*	*109,678*	*131,124*	*1.0*	*1.0*	*21,446*	*19.6*	*126.20*	*114.58*	*(11.62)*	*(9.2)*
	Long Beach	*LGB*	*32,334*	*33,948*	*0.3*	*0.3*	*1,614*	*5.0*	*122.26*	*135.53*	*13.27*	*10.9*
	Hawthorne	*HHR*	*--*	*63*	*--*	*0.0*	*63*	*n.a.*	*n.a.*	*127.15*	*n.a.*	*n.a.*
2	San Francisco	OAK,SFO,SJC	679,535	814,847	6.2	6.0	135,312	19.9	148.80	126.87	(21.93)	(14.7)
3	Chicago	MDW,ORD	627,429	800,407	5.7	5.9	172,978	27.6	167.42	160.11	(7.31)	(4.4)
4	Denver	DEN	644,779	752,251	5.9	5.6	107,472	16.7	94.82	102.10	7.29	7.7
5	New York	EWR,JFK,LGA	516,527	607,352	4.7	4.5	90,825	17.6	223.44	224.19	0.75	0.3
6	Seattle	SEA	440,672	592,606	4.0	4.4	151,934	34.5	155.21	136.42	(18.79)	(12.1)
7	Minneapolis-St Paul	MSP	400,478	492,494	3.6	3.6	92,016	23.0	147.44	137.82	(9.62)	(6.5)
8	Dallas/Ft. Worth	DAL,DFW	365,080	482,693	3.3	3.6	117,613	32.2	150.25	154.53	4.28	2.8
9	Washington DC/Baltimore	BWI,DCA,IAD	304,737	357,334	2.8	2.6	52,597	17.3	245.35	235.35	(10.00)	(4.1)
10	Portland	PDX	266,027	350,659	2.4	2.6	84,632	31.8	146.33	130.25	(16.08)	(11.0)
11	Las Vegas	LAS	299,470	346,094	2.7	2.6	46,624	15.6	107.79	101.76	(6.03)	(5.6)
12	San Diego	SAN	268,665	326,469	2.4	2.4	57,804	21.5	122.41	113.66	(8.75)	(7.1)
13	Salt Lake City	SLC	247,982	291,630	2.3	2.2	43,648	17.6	129.26	136.86	7.60	5.9
14	Detroit	DTW	196,555	264,742	1.8	2.0	68,187	34.7	221.94	197.10	(24.85)	(11.2)
15	Atlanta	ATL	195,840	253,570	1.8	1.9	57,730	29.5	202.42	205.05	2.63	1.3
	Total—top 15 markets		6,339,278	7,827,002	57.7%	57.9%	1,487,724	23.5%	$152.87	$145.61	($7.26)	(4.7)%
	All other markets		4,648,362	5,701,333	42.3	42.1	1,052,971	22.7	202.47	194.00	(8.47)	(4.2)
	Total—all markets		10,987,640	13,528,335	100.0%	100.0%	2,540,695	23.1%	$173.85	$166.00	($7.85)	(4.5)%

Note: Figures may not add to totals shown because of rounding.

Airport legend: LAX=Los Angeles, SNA=Orange County, BUR=Burbank, ONT=Ontario, LGB=Long Beach, HHR=Hawthorne, OAK=Oakland, SFO=San Francisco, SJC=San Jose, MDW=Chicago-Midway, ORD=Chicago-O'Hare, DEN=Denver, EWR=Newark, JFK=New York-Kennedy, LGA=New York-LaGuardia, SEA=Seattle, MSP=Minneapolis/St. Paul, DAL=Dallas-Love Field, DFW=Dallas/Fort Worth, BWI=Baltimore, DCA=Washington-Reagan, IAD=Washington-Dulles, PDX=Portland, LAS=Las Vegas, SAN=San Diego, SLC=Salt Lake City, DTW=Detroit, ATL=Atlanta.

(a) Data shown is for the 12 months ended March 31, 2019, the most recent data available.

(b) Average one-way fares shown are net of all taxes, fees, and passenger facility charges and exclude ancillary fees charged by the airlines.

Source: U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedule T100.

PASSENGER FACILITY CHARGE-ELIGIBLE PASSENGERS

Airport sponsors are allowed to impose a passenger facility charge (PFC) on eligible enplaned passengers to generate revenues for airport projects that preserve or enhance safety, security, or capacity; mitigate noise impacts; or provide opportunities for enhanced competition among air carriers.

According to federal regulation, certain enplaned passengers are exempt from paying a PFC. The exemption with widest application at most airports, including Sky Harbor, is for passengers who are traveling on frequent flyer award tickets and flight crews. During the 12 months ended March 31, 2019 (the most recent data available), an estimated 11.2% of originating passengers were exempted due to flying on frequent-flyer program award tickets. Additional federal exclusions include: certain passengers on multi-segment connecting flights (based on a maximum charge of $18.00 per round trip ticket – or four flight segments)*; certain passengers using tickets purchased outside the United States; and passengers flying "Essential Air Service" routes. Additionally, the City currently excludes certain other small classes of users providing nonscheduled service at Sky Harbor. Transit, or through, passengers also do not pay a PFC, but this class of passengers is not included in the definition of enplaned passengers.

PFC-eligible enplaned passengers by fiscal year are imputed based upon annual PFC collections, enplaned passengers, and the net PFC rate charged. Table 20 shows that the estimated PFC-eligible percentage was 85.5% in FY 2019.

Table 20
PFC-Eligible Enplaned Passengers
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30; passengers and PFC collections in thousands)

Fiscal Year	Enplaned passengers	PFC collections	Net PFC rate *(a)*	Estimated PFC-eligible enplaned passengers	Estim. PFC-eligible percentage
2017	21,820	$83,600	$4.39	19,043	87.3%
2018	22,219	83,917	4.39	19,116	86.0
2019	22,832	85,724	4.39	19,527	85.5

(a) The City imposes a $4.50 charge; however, per federal regulation 11 cents of each PFC is held by the airlines as compensation for collecting, handling, and remitting the PFC revenue. Airlines withhold this collection fee even on PFCs refunded as a result of ticket cancellations or changes.

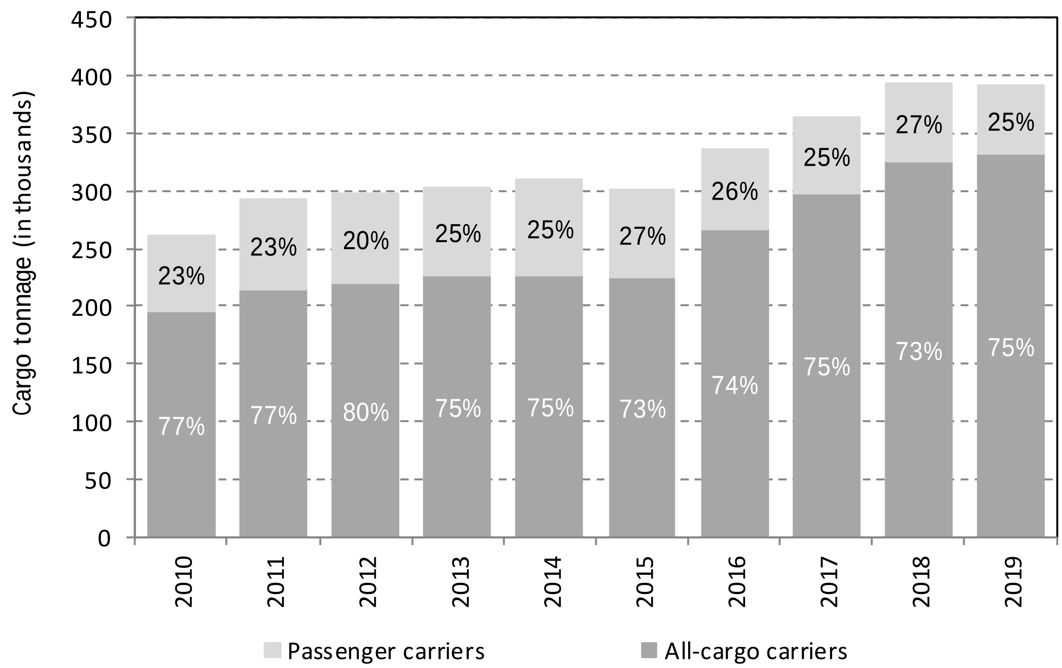
Source: City of Phoenix Aviation Department.

*Passengers are required to pay PFCs to the first two airports at which they enplane on an outbound trip, and the last two airports at which they enplane on a return trip. For example, a passenger traveling between Los Angeles and Miami on the round trip LAX-PHX-DFW-MIA-DFW-PHX-LAX would pay PFCs to LAX and PHX for the outbound leg and DFW and PHX on the return leg.

AIR CARGO ACTIVITY

Figure 14 shows that air cargo activity at Sky Harbor has increased over the past 10 years, from approximately 261,000 tons in FY 2010 to 391,000 tons in FY 2019. The top two all-cargo carriers at Sky Harbor in FY 2019 were FedEx (34% market share) and UPS (28%), while American (8%) and Southwest (4%) represented the largest passenger airlines by cargo tonnage.

Figure 14
Total Air Cargo Tonnage by Type of Carrier
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30)



Notes: Enplaned and deplaned freight and mail shown in tons.
Figures may not add to totals shown because of rounding.

Source: City of Phoenix Aviation Department.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

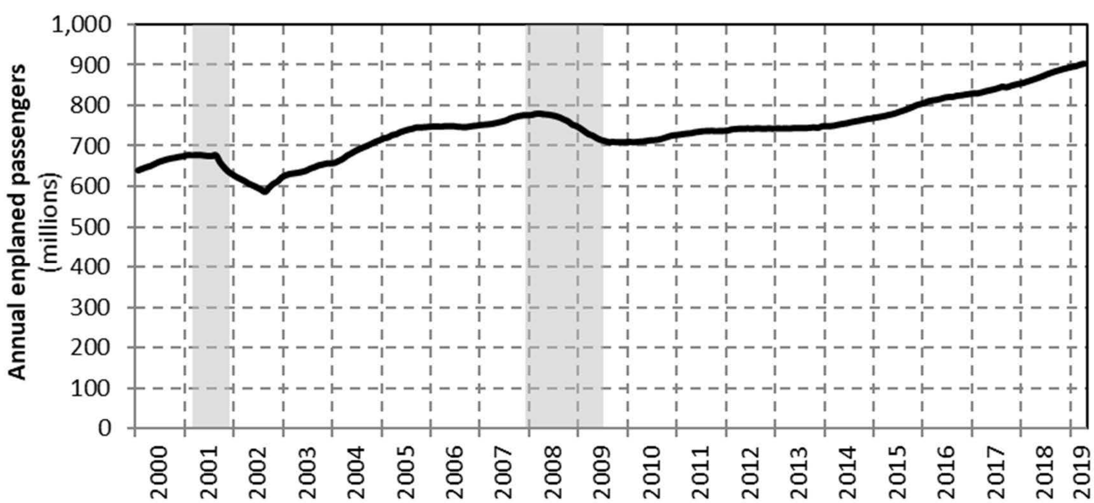
In addition to the demographics and economy of the Airport service region, as discussed earlier, key factors that will affect future airline traffic at Sky Harbor include:

- Economic, political, and security conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of Sky Harbor
- Air service at Phoenix-Mesa Gateway Airport

Economic, Political, and Security Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated on Figure 15, recessions in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and resulted in reduced airline travel. Future increases in domestic passenger traffic at Sky Harbor will depend, in part, on national economic growth.

Figure 15
Historical Enplaned Passengers on U.S. Airlines



Notes: Data shown are 12-month moving averages of enplaned passengers on scheduled and non-scheduled flights to domestic and international destinations.
Shaded areas indicate months of economic recession.

Sources: Bureau of Transportation Statistics, T100 Market and Segment, www.transtats.bts.gov, accessed August 2019; National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, www.nber.com.

With the globalization of business and the increased importance of international trade and tourism, international economics, trade balances, currency exchange rates, government policies, and geopolitical relationships all influence passenger traffic at major U.S. airports.

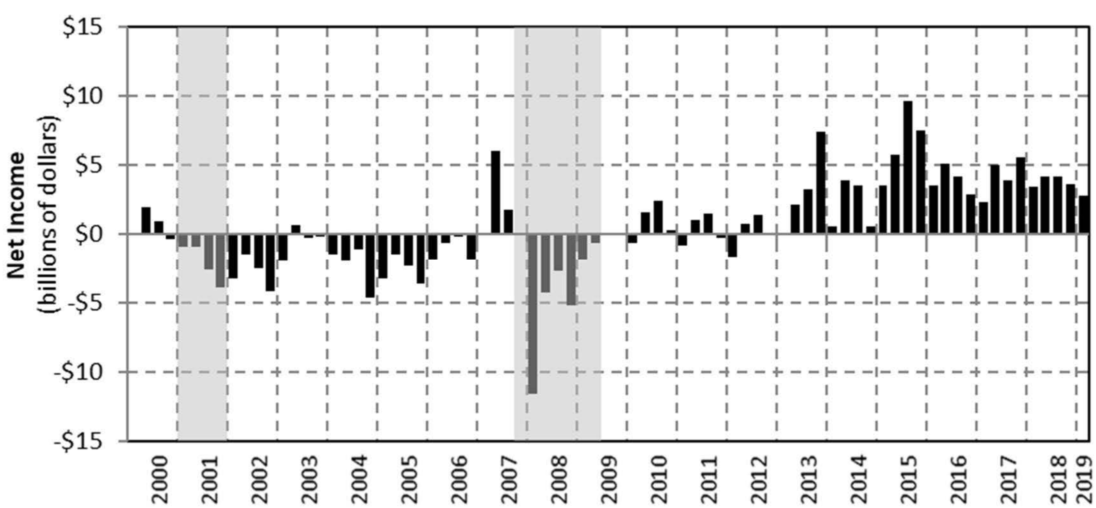
Concerns about hostilities, terrorist attacks, other perceived security and public health risks, and associated travel restrictions also affect travel demand to and from particular international destinations. Beginning in March 2017, the Trump administration issued various orders seeking to restrict travel to the United States from certain countries, mainly in the Middle East and Africa. Following court challenges, in June 2018, the U.S. Supreme Court upheld the administration's most recent travel restrictions. As the restrictions are implemented, increased scrutiny by U.S. Customs and Border Protection may prevent or discourage some airline travel.

Future increases in international passenger traffic at Sky Harbor will partly depend on global economic growth, a stable and secure travel environment, and government policies that do not unreasonably restrict or deter travel.

Financial Health of the Airline Industry

The number of passengers at Sky Harbor will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly American and Southwest, to make the necessary investments to provide service. Figure 16 shows historical net income for U.S. airlines.

Figure 16
Quarterly Net Income (Loss) for U.S. Airlines



Notes: Includes scheduled service on U.S. carriers only.
Shaded areas indicate quarters of economic recession.
Data for the fourth quarter of 2005 and the first quarter of 2006 were adjusted to account for United bankruptcy claims which were settled for less than had been originally reported.

Source: Bureau of Transportation Statistics, Net Income, F41 Schedule P12, www.transtats.bts.gov, accessed August 2019.

As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced financial losses from 2001 through 2006. To mitigate those losses, all of the major airlines reduced their route networks and flight schedules and reached agreements with their employees, lessors, vendors, and creditors to cut costs. Between 2002 and 2005, Delta, Northwest, United, and US Airways filed for bankruptcy protection and restructured their operations.

In 2007, the U.S. passenger airline industry was profitable, but in 2008, as oil and aviation fuel prices increased to unprecedented levels and the U.S. economy contracted, the industry experienced a profitability crisis. In 2008 and 2009, the U.S. passenger airline industry recorded net losses of approximately $26 billion. The industry responded by, among other actions, grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, U.S. passenger airlines collectively reduced domestic available seat-mile capacity by approximately 10%.

From 2010 to 2013, the U.S. passenger airlines recorded net income of approximately $18 billion, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, achieving high load factors, and increasing ancillary revenues. Between 2009 and 2013, the airlines collectively increased domestic seat-mile capacity by an average of 1.0% per year. American filed for bankruptcy protection in 2011.

In 2014, the U.S. passenger airline industry reported net income of $9 billion, assisted by reduced fuel prices. In 2015, the industry achieved record net income of $26 billion as fuel prices decreased further, demand remained strong, and capacity control allowed average fares and ancillary charges to remain high. Strong industry profitability continued from 2016 through 2018.

Recent agreements between the major airlines and their unionized employees have resulted in increased labor costs. According to Airlines for America, a trade organization representing the industry, U.S. airlines increased wages and benefits per full-time employee by 28% between 2013 and 2018. Contributing to the increased costs is a shortage of qualified airline pilots resulting from retirements and changed FAA qualification standards and duty and rest rules. The pilot shortage has required the airlines to increase salaries and improve benefits to attract and retain qualified pilots.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to enable increased airfares, and stable fuel prices and labor costs.

Consolidation of the U.S. airline industry has resulted from the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), the merger of American and US Airways (2013), and the acquisition of Virgin America by Alaska (2016).

Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 86% of domestic seat-mile capacity. Consolidation has also contributed to recent airline industry profitability. However, any resumption of financial losses could cause one or more U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines could drastically affect airline service at certain connecting hub airports and change airline travel patterns nationwide.

Airline Service and Routes

Sky Harbor accommodates travel demand to and from the Airport service region and serves as a connecting hub. The number of origin and destination passengers at Sky Harbor depends primarily on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airfares and service provided at Sky Harbor and at other competing airports. The number of connecting passengers, on the other hand, depends entirely on the airline fares and service provided at Sky Harbor.

The large network airlines have developed hub-and-spoke systems that allow them to offer high-frequency service to many destinations. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends primarily on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry has consolidated, airline service has been reduced at many former connecting hub airports, including those serving St. Louis (American, 2003-2005), Dallas-Fort Worth (Delta, 2005), Pittsburgh (US Airways, 2006-2008), Las Vegas (US Airways, 2007-2010), Cincinnati (Delta, 2009-2012), Memphis (Delta, 2011-2013), and Cleveland (United, 2014).

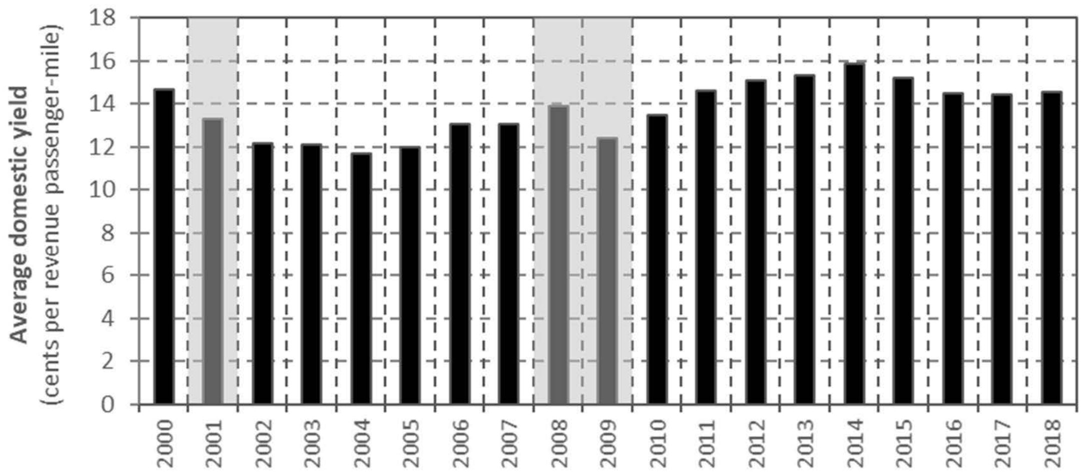
As discussed in earlier sections, Sky Harbor serves as a connecting hub for American and one of the largest focus cities in Southwest's route network. As a result, much of the connecting passenger traffic at Sky Harbor results from the route networks and flight schedules of American and, to a lesser extent, Southwest, rather than the economy of the Airport service region. If either or both of these airlines were to reduce connecting service at Sky Harbor, such service would not necessarily be replaced by other airlines, although reductions in service by any airline would create business opportunities for others. A hypothetical reduction in passenger traffic as a result of reduced connecting airline service at Sky Harbor is discussed in the later section "Stress Test Forecast."

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for short trips for which automobile and other surface travel modes are potential alternatives, and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at Sky Harbor, will depend partly on the level of airfares.

Figure 17 shows the historical average domestic yield (airfare per passenger-mile) for U.S. airlines. Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and the 2001 recession combined to reduce the average yield between 2000 and 2004. The average yield then increased between 2004 and 2008 before again decreasing during the 2008-2009 recession. It then increased between 2009 and 2014 as airline travel demand strengthened, the airlines collectively reduced available seat capacity, and the airlines were able to sustain airfare increases. Between 2014 and 2016, the average yield decreased and since 2016 has been fairly stable.

Figure 17
Historical Domestic Yield for U.S. Airlines



Notes: Average yields shown are net of all taxes, fees, and passenger facility charges and exclude fees charged by the airlines for optional services.
Shaded areas indicate economic recession during all or part of year.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100, accessed August 2019.

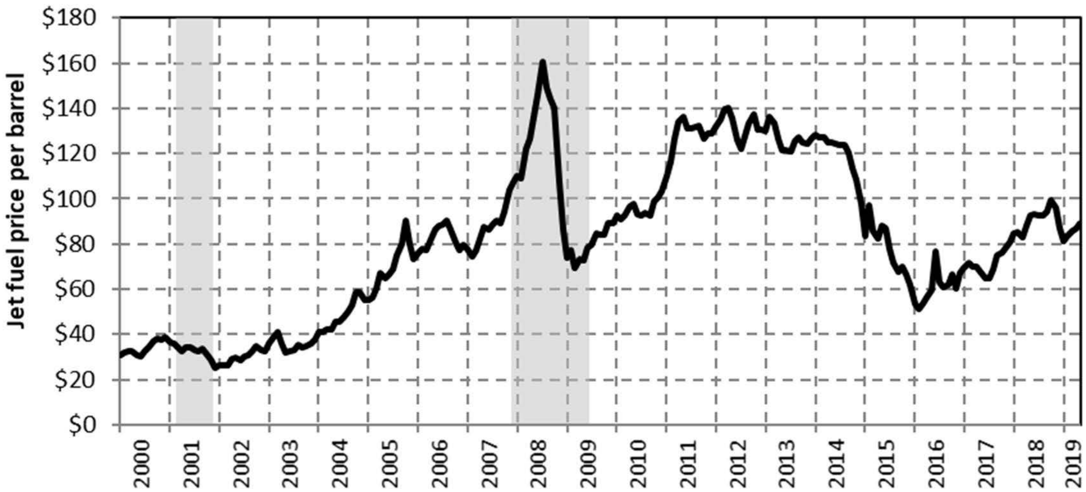
Beginning in 2006, charges were introduced by most airlines for optional services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than yield figures indicate.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Figure 18 shows the historical fluctuation in aviation fuel prices caused by the many factors influencing global demand for and supply of oil.

Between 2011 and 2014, aviation fuel prices were relatively stable, partly because of increased oil supply from U.S. domestic production made possible by the hydraulic fracturing of oil-bearing shale deposits and other advances in extraction technologies. As of mid-2014, average fuel prices were approximately three times higher than they were at the end of 2003 and accounted for between 30% and 40% of expenses for most airlines.

Figure 18
Historical Aviation Fuel Prices



Notes: Data shown are monthly averages and were converted from gallons to barrels.
Shaded areas indicate months of economic recession.

Source: Bureau of Transportation Statistics, Airline Fuel Costs and Consumption, F41 Schedule P12A, www.transtats.bts.gov, accessed August 2019.

Beginning in mid-2014, an imbalance between worldwide demand and supply resulted in a precipitous decline in the price of oil and aviation fuel through the end of 2015. Fuel prices have since increased, but the average price of aviation fuel at the end of 2018 was still approximately 30% below the price at mid-2014. Lower fuel prices have a positive effect on airline profitability as well as far-reaching implications for the global economy.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, although, absent unforeseen disruptions, prices are expected to remain stable. There is widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite oil supplies that are becoming more expensive to extract. Some economists predict that the development of renewable sources of energy, pressures to combat global climate change, the widespread use of electric cars, and other trends will eventually result in a decline in the demand for oil and associated downward pressure on fuel prices.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to climate change.

Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the September 2001 attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed federal air marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies. The TSA has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks.

Following the fatal crashes of B-737 MAX aircraft suspected to have been caused by the malfunction of the aircraft’s automated flight control system, all B-737 MAX aircraft were grounded in March 2019. Among North American airlines, Air Canada, American, Southwest, United, and WestJet are affected. Delta does not operate B-737 MAX aircraft. At the time of the grounding, B-737 MAX aircraft accounted for approximately 1.5% of U.S. airline seat capacity and 1.9% of seat capacity at Sky Harbor. The grounding has not caused significant numbers of flight cancellations at Sky Harbor. The grounding may last several more months while the flight control system software is updated and approved by the FAA and international regulators and pilot training is completed. Deliveries of new MAX aircraft have been halted until the aircraft is cleared to fly. The delay in aircraft deliveries is negatively affecting airline fleet renewal and expansion plans, particularly those of Southwest.

Historically, airline travel demand has recovered from temporary decreases resulting from terrorist attacks or threats, hijackings, aircraft crashes, and other aviation safety concerns. If precautions taken by government agencies, airlines, and airport operators are able to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, future demand for airline travel will depend primarily on economic, rather than safety or security, factors.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased because of reduced numbers of aircraft operations (down approximately 15% between 2007 and 2018). However, as airline travel increases in the future, flight delays and restrictions can be expected.

Capacity of Sky Harbor

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and national airport systems, future growth in airline traffic at Sky Harbor will depend on the capacity of Sky Harbor itself. The Aviation Department believes Sky Harbor’s airfield and terminal capacity – including the improvements contained in the Aviation CIP – are sufficient to accommodate forecast growth through the forecast period as described in this report.

Air Service at Phoenix-Mesa Gateway Airport

The City is a member government in the Phoenix-Mesa Gateway Airport Authority, which owns and operates Phoenix-Mesa Gateway Airport, located approximately 30 miles southeast of Sky Harbor. In FY 2019, approximately 850,000 passengers enplaned at Gateway, far fewer than the 22.8 million passengers enplaned at Sky Harbor. However, Gateway presents an alternative for existing or future airline service to the Airport service region.

AIRLINE TRAFFIC FORECASTS

Forecasts of airline traffic at Sky Harbor through FY 2026 were developed on the basis of the economic outlook for the Airport service region, trends in historical airline traffic, and key factors likely to affect future traffic, all as discussed earlier in this Report. Forecasts for Sky Harbor included in the FAA's *Terminal Area Forecast* (TAF), issued in February 2019, were also reviewed.

In developing the forecasts in this Report, it was assumed that, over the long term, airline traffic at Sky Harbor will increase as a function of growth in the economy of the Airport service region and continued airline service. It was assumed that airline service at Sky Harbor will not be constrained by the availability of aviation fuel, the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth.

The traffic forecasts for Sky Harbor were developed on the basis of the assumptions that:

1. The U.S. economy will experience sustained growth in GDP averaging between 2.0% and 2.5% per year, a range generally consistent with that projected by the Congressional Budget Office, as described in the earlier section "Economic Outlook."

2. The economy of the Airport service region will grow at a faster rate than the U.S. economy as a whole.

3. Demand for passenger travel to and from the Airport service region will remain strong based on the strength of the local economy, population growth, and the region's relative attractiveness as a tourist and convention destination.

4. Sky Harbor will continue to serve primarily domestic originating passengers and, secondarily, as a connecting hub for the operations of American and as one of the key airports in the route system of Southwest.

5. Airlines will add service to meet travel demand at Sky Harbor and competition among airlines will ensure competitive airfares for flights from the airport.

6. A generally stable international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.

7. There will be no major disruption of airline service or airline travel behavior as a result of international hostilities, terrorist acts or threats, or government policies restricting or deterring travel.

8. Airlines at Phoenix-Mesa Gateway Airport will continue to serve primarily leisure visitors to the Airport service region, and will not capture a materially increased share of the passenger market currently served by the airlines at Sky Harbor.

Enplaned Passenger Forecast

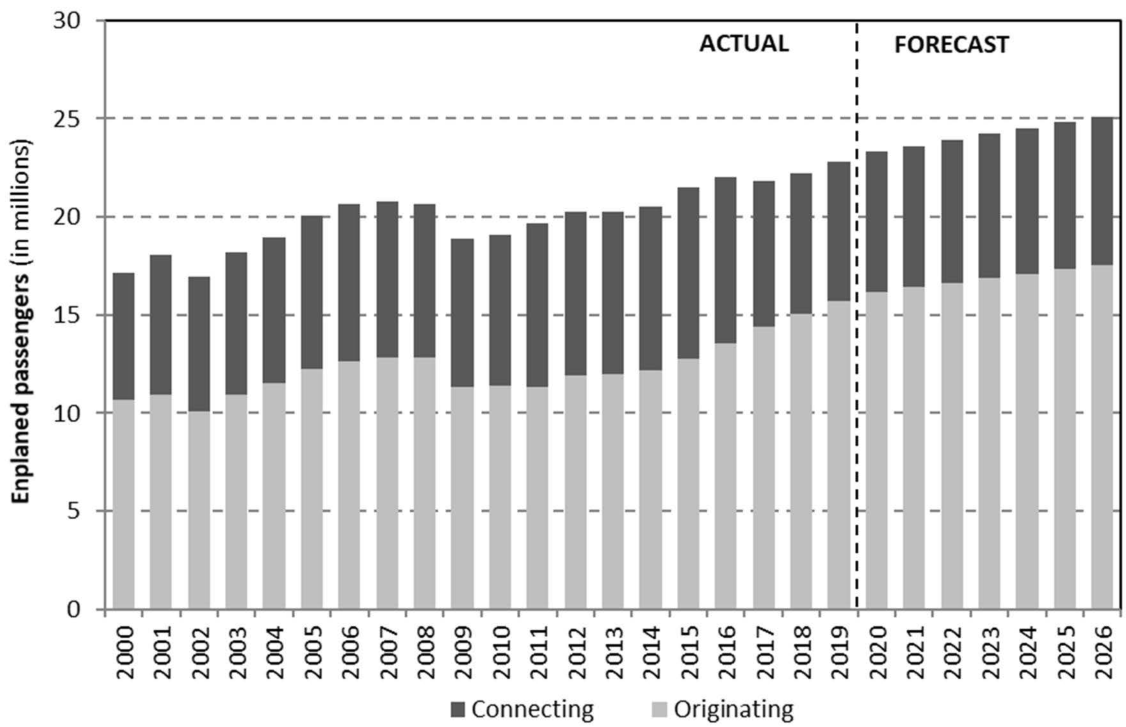
The number of enplaned passengers increased 2.8% at Sky Harbor in FY 2019. Advance schedule filings by the airlines (which are subject to change) indicate a 2.4% increase in the number of departing seats at Sky Harbor between the first half of FY 2019 and the first half of FY 2020 (compared with an estimated nationwide increase of 4.0%). On the basis of advance airline schedules and projected trends in airline capacity, passenger load factors, and flight completion factors, the number of enplaned passengers at Sky Harbor is forecast to be 23.3 million in FY 2020, up 2.2% from the number enplaned in FY 2019.

Between FY 2020 and FY 2026, the number of enplaned passengers is forecast to increase 300,000 enplaned passengers per year, in line with historical trends, which equates to an average growth rate of 1.2%. This is lower than the average rate forecast by the FAA for Sky Harbor in the TAF (1.8% per year). A higher rate of growth is not unusual in passenger forecasts prepared for purposes of facility and operational planning, such as the TAF, compared with forecasts such as the one presented herein, prepared for purposes of financial planning.

The number of enplaned passengers at Sky Harbor is forecast to be 25.1 million in FY 2026, a cumulative increase of 10.0% from FY 2019. Connecting passengers are forecast to account for a slightly smaller share of enplaned passengers in FY 2026 (30.2%) than is estimated for FY 2019 (31.1%). Figure 19 presents the forecast of enplaned passengers graphically. Table 21 presents historical and forecast enplaned passengers at Sky Harbor by originating and connecting components, and provides domestic and international subtotals.

Figure 19
Enplaned Passenger Forecast
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.



Note: FY 2019 total reflects actual results; originating and connecting values are estimated on the basis of 3 quarters of U.S. DOT O&D Survey data.

Sources: Actual—City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.
Forecast—LeighFisher, October 2019.

Table 21
Historical and Forecast Enplaned Passengers by
Sector and by Type of Passenger
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30; passengers in thousands)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

Fiscal	By flight destination		By type of passenger					Annual percent
			Originating					increase
Year	Domestic	International	Resident	Visitor	Total	Connecting	Total	(decrease)
2015	20,349	1,140	5,751	6,987	12,738	8,751	21,489	
2016	20,984	1,071	6,147	7,391	13,538	8,517	22,056	2.6%
2017	20,813	1,008	6,558	7,827	14,385	7,435	21,820	(1.1)
2018	21,178	1,041	6,846	8,201	15,047	7,172	22,219	1.8
2019A	21,769	1,063	7,129	8,598	15,727	7,105	22,832	2.8
2020F	22,270	1,055	7,334	8,851	16,185	7,140	23,325	2.2
2021	22,545	1,080	7,436	8,974	16,410	7,215	23,625	1.3
2022	22,820	1,105	7,538	9,097	16,635	7,290	23,925	1.3
2023	23,095	1,130	7,640	9,220	16,860	7,365	24,225	1.3
2024	23,370	1,155	7,742	9,343	17,085	7,440	24,525	1.2
2025	23,645	1,180	7,844	9,466	17,310	7,515	24,825	1.2
2026	23,920	1,205	7,946	9,589	17,535	7,590	25,125	1.2
	Average annual percent increase (decrease)							
2015-2018	1.3%	(3.0%)	6.0%	5.5%	5.7%	(6.4%)	1.1%	
2018-2019	2.8	2.0	4.1	4.8	4.5	(0.9)	2.8	
2019-2026	1.4	1.8	1.6	1.6	1.6	0.9	1.4	

Notes: A = Actual; F = Forecast.
Domestic and international subtotals for FY 2019 reflect actual results; originating and connecting subtotals are estimated on the basis of 3 quarters of U.S. DOT O&D Survey data.
Figures may not add to totals shown because of rounding.

Sources: Actual—City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.
Forecast—LeighFisher, October 2019.

It was assumed that the ratio of PFC–eligible passengers to total enplaned passengers would be 85.5% throughout the Forecast Period. Table 22 presents the PFC-eligible passenger forecast derived from the enplaned passenger forecast.

Table 22
Actual and Forecast PFC-Eligible Enplaned Passengers
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30; passengers in thousands)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

Year	Enplaned passengers	Estimated PFC-eligible percentage	Estimated PFC-eligible enplaned passengers
2017	21,820	87.3%	19,043
2018	22,219	86.0	19,116
2019A	22,832	85.5	19,527
2020F	23,325	85.5	19,949
2021	23,625	85.5	20,205
2022	23,925	85.5	20,462
2023	24,225	85.5	20,718
2024	24,525	85.5	20,975
2025	24,825	85.5	21,232
2026	25,125	85.5	21,488

Notes: A = Actual; F = Forecast.

Sources: Actual—City of Phoenix Aviation Department.
Forecast—LeighFisher, October 2019.

Forecast Aircraft Departures and Landed Weight

Table 23 shows forecasts of aircraft departures and landed weight at Sky Harbor, which were derived from the passenger forecasts using assumed trends in average seat occupancy, aircraft seat capacity, and aircraft size.

Between FY 2019 and FY 2026, average aircraft seating capacity and passenger load factors at Sky Harbor were assumed to increase. As a result, the number of aircraft departures is forecast to increase an average of 0.9% per year and landed weight is forecast to increase an average of 1.3% per year—both slower rates of growth than forecast for enplaned passengers.

Table 23
Historical and Forecast Flight Operations and Landed Weight
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30; enplaned passengers and departing seats in thousands)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

Fiscal Year	Enplaned passengers	Departing seats *(a)*	Flight operations *(b)*	Landed weight (millions)
2015	21,489	25,773	395,482	25,601
2016	22,056	26,282	401,390	26,002
2017	21,820	26,226	398,130	25,853
2018	22,219	26,173	393,968	26,108
2019A	22,832	26,618	395,900	26,516
2020F	23,325	27,471	406,000	27,418
2021	23,625	27,794	409,450	27,728
2022	23,925	28,061	411,700	27,979
2023	24,225	28,325	414,150	28,228
2024	24,525	28,589	416,600	28,490
2025	24,825	28,850	418,850	28,744
2026	25,125	29,110	421,100	28,980
	Average annual percent increase (decrease)			
2015-2018	1.1%	0.5%	(0.1%)	0.7%
2018-2019	2.8	1.7	0.5	1.6
2019-2026	1.4	1.3	0.9	1.3

Notes: A = Actual; F = Forecast.
Includes passenger and all-cargo airline operations and landed weight.
Excludes general aviation and military operations.

(a) FY 2019 value is estimated.
(b) Sum of flight arrivals and departures.

Sources: Historical—City of Phoenix Aviation Department; U.S. DOT, Schedule T100.
Forecast—LeighFisher, October 2019.

Stress Test Forecast

A stress test forecast of enplaned passengers was developed to provide the basis for conducting a sensitivity analysis of Sky Harbor's financial results to hypothetical reductions in passenger numbers. Such reductions could occur under conditions of weak economic growth or recession, restricted seat capacity, high airfares, and reduced connecting airline service (which could result from changes in airline network strategies). For the purpose of this stress test forecast, it was assumed that reduced airline flight activity would more adversely affect traffic connecting through Sky Harbor than traffic originating in or destined for the Airport service region.

The reduction in passengers forecast in FY 2020 and FY 2021 in this stress test depicts the potential effect of a more substantial hub "downsizing" by the primary airline accommodating connecting traffic at Sky Harbor, American, than occurred between FY 2016 and FY 2018. In the stress test scenario, additional air service reductions by American result in fewer connecting opportunities and a consequent further reduction in connecting traffic. For the 12 months ended March 31, 2019, American's enplaned passengers were split approximately 47% connecting and 53% originating (see Table 5 in "Airline Traffic Analysis"). If such a stress scenario were to occur, American's originating passengers would likely increase to nearly 60% of its total enplaned passengers. Even in that situation, Sky Harbor would continue to retain some level of connecting activity by virtue of: (1) its large population of local travelers which supports frequent air service and, thereby, incidental connections; (2) its favorable geographic location for connecting passenger flow to and from the southwest United States with minimal circuity; and (3) other airline responses, most notably by Southwest Airlines, which accommodated 2.1 million connecting passengers during the 12 months ended March 31, 2019—more than one quarter of Sky Harbor's total.

The number of enplaned passengers for the stress test in FY 2026 is forecast to be 21.1 million, compared with 25.1 million for the base forecast. Relative to the base forecast for FY 2026, originating passenger numbers are forecast to be 10% lower and connecting passenger numbers are forecast to be 30% lower. Originating passengers account for approximately 75% of the FY 2026 total for the stress test forecast, compared with 70% for the base forecast.

Table 24 presents the stress test forecast relative to the base forecast. Figure 20 depicts the stress test forecast graphically. As shown in Figure 20, stress test passenger numbers forecast for FY 2026 are close to the numbers in FY 2015, simulating 11 years of no net growth in passenger volumes. The decline in originating passengers between FY 2019 and FY 2021 is of approximately the same magnitude as the decline in originating passengers experienced at Sky Harbor in FY 2002, following the events of 9/11. The more substantial reduction in connecting activity is nearly twice that which occurred in FY 2017 and returns connecting passenger levels to those last recorded in FY 1999, prior to America West's merger with US Airways (now American).

The summary of projected financial results using the stress test forecast of enplaned passengers is included in Exhibit I-2.

Table 24
Base Case and Stress Test Forecasts
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30)

The base case forecast was prepared on the basis of the information and assumptions given in the text. The stress test forecast was based upon hypothetical assumptions. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

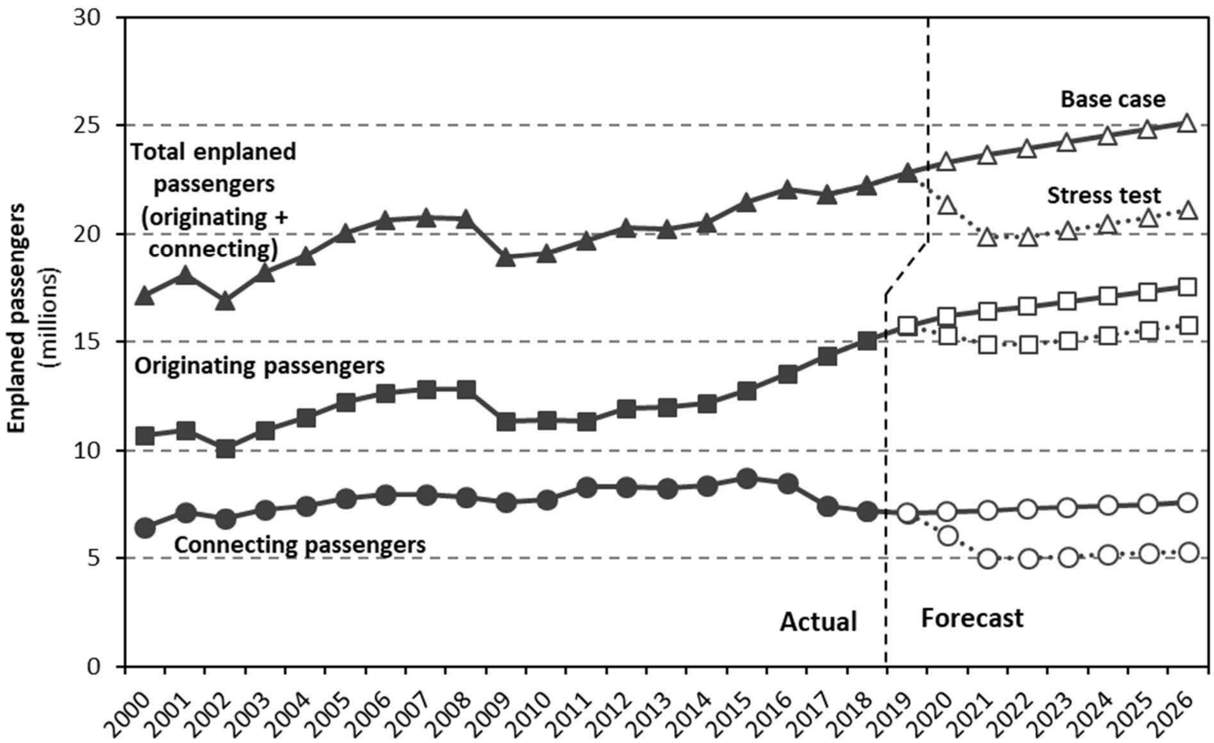
	Actual					Forecast						
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Base case												
Enplaned passengers	21,489	22,056	21,820	22,219	22,832	23,325	23,625	23,925	24,225	24,525	24,825	25,125
Originating passengers	12,738	13,538	14,385	15,047	15,727	16,185	16,410	16,635	16,860	17,085	17,310	17,535
Connecting passengers	8,751	8,517	7,435	7,172	7,105	7,140	7,215	7,290	7,365	7,440	7,515	7,590
Stress test												
Enplaned passengers	21,489	22,056	21,820	22,219	22,832	21,355	19,880	19,880	20,180	20,480	20,780	21,080
Originating passengers	12,738	13,538	14,385	15,047	15,727	15,295	14,865	14,865	15,090	15,315	15,540	15,765
Connecting passengers	8,751	8,517	7,435	7,172	7,105	6,060	5,015	5,015	5,090	5,165	5,240	5,315
Percent reduction from Base												
Enplaned passengers					-	(8%)	(16%)	(17%)	(17%)	(16%)	(16%)	(16%)
Originating passengers					-	(5)	(9)	(11)	(10)	(10)	(10)	(10)
Connecting passengers					-	(15)	(30)	(31)	(31)	(31)	(30)	(30)

Note: FY 2019 total reflects actual results; originating and connecting values are estimated on the basis of 3 quarters of U.S. DOT O&D Survey data.

Sources: Historical—City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100. Forecast—LeighFisher, October 2019.

Figure 20
Base Case and Stress Test Forecasts of Enplaned Passengers
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30)

The base case forecast was prepared on the basis of the information and assumptions given in the text. The stress test forecast was based upon hypothetical assumptions. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.



Note: FY 2019 total reflects actual results; originating and connecting values are estimated on the basis of 3 quarters of U.S. DOT O&D Survey data.

Sources: Historical—City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.
Forecast—LeighFisher, October 2019.

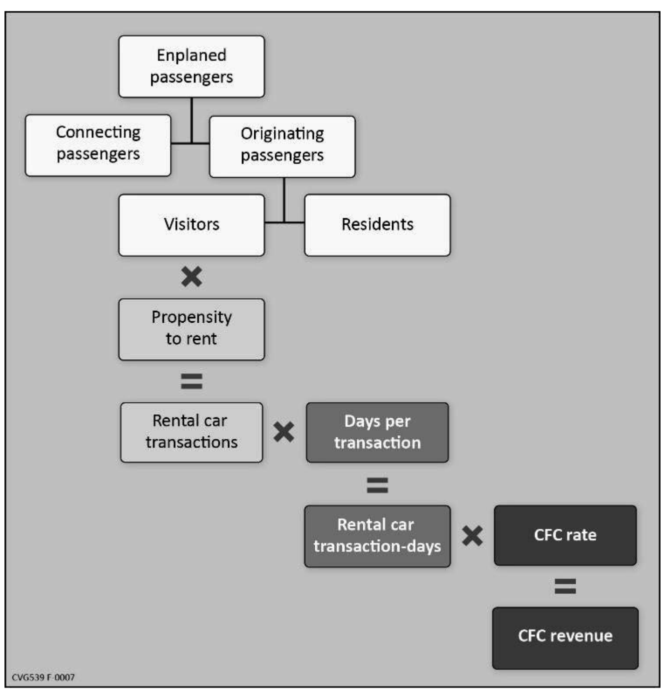
RENTAL CAR ANALYSIS

Originating passengers described in the prior section consist of both residents (those beginning flight itineraries at an airport) and visitors (those whose flight itineraries begin elsewhere). There is a correlation between:

- Parking transactions and parking revenues at an airport to trends in resident passengers since a subset of resident passengers are likely to park at the airport.
- Rental car transactions and rental car revenues to visitor passengers, since a subset of visitor passengers are likely to rent cars at the airport.
- Other forms of ground transportation transactions and revenues to total originating passengers (including residents and visitors), since a subset of originating passengers are likely to utilize other forms of ground transportation.

For the purposes of the rental car financial analysis in this Report, the primary variables of consequence to forecasting CFC revenues are: (1) visiting passengers (i.e., originating passengers who may consider renting a car), (2) rental car transactions (i.e., those actually renting a car), (3) rental car transaction-days, and (4) the CFC rate per transaction-day. This section includes a discussion of general factors affecting rental car demand; factors affecting rental car demand at the Airport, analysis of rental car demand, forecast of rental car demand, and a rental car financial analysis. Figure 21 shows our conceptual approach to forecasting CFC transaction days.

Figure 21
CFC Revenue Forecast Approach



GENERAL FACTORS AFFECTING RENTAL CAR DEMAND

This section presents a discussion of general factors that have historically or are expected in the future to affect rental car demand.

For visitor passengers the choice to rent a car versus using other ground transportation options is generally influenced by the following considerations:

- Rental car industry profitability, pricing, trends and consolidation
- Travel purpose (business/leisure)
- Rental car costs in total and as a component of total travel costs
- Convenience of airport rental car facilities
- Alternative ground transportation options

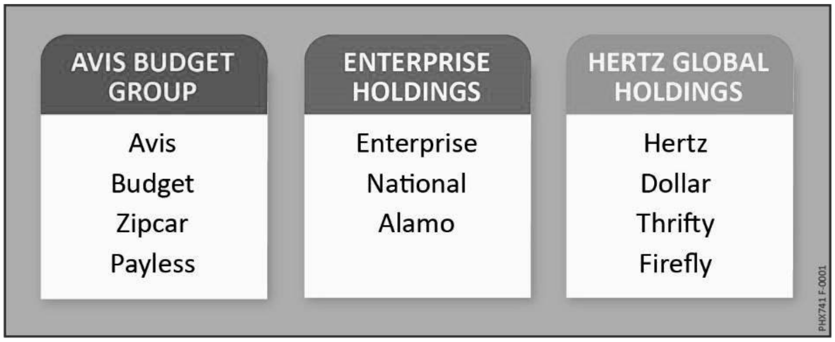
Rental Car Industry Profitability, Pricing, Trends, and Consolidation

From the 1980s to the present, the changes in ownership of the rental car companies have transformed them from essentially car manufacturer-owned entities with a focus on the secondary market to publicly traded or privately held corporations with intense pressure for profitability. As the movement away from car manufacturer ownership to public or private ownership took place, the focus began to shift from pure market share competition to yield management and profitability.

In the past, predominantly business travel providers such as Avis saw their fleet being used heavily from Monday through Thursday, but had lower utilization rates on the weekend, the traditional leisure customer rental days. This is in contrast to predominantly leisure travel providers such as Budget that experienced higher utilization rates on the weekend, for example. When Avis acquired Budget, the companies were able to combine fleets, scaling the fleet more effectively to meet the combined demand of both business and leisure renters, thus maximizing their utilization rates.

Over the past two decades, the movement toward consolidation has significantly changed the rental car industry. Twenty years ago, there were eight major car rental companies, each operating a single brand. Those companies were Hertz, Avis, National, Budget, Alamo, Dollar, Thrifty and, as a major player in the insurance replacement industry, Enterprise. Today there are three major rental car companies, namely Hertz Corporation, Avis Budget Group, and Enterprise Holdings, each operating several brands as shown in Figure 22. Consolidation within the industry, resulting in fewer companies making pricing decisions, as well as the development of more sophisticated yield management practices, has – all other things equal – improved the industry's profitability.

Figure 22
Nationwide Rental Car Brands and Families
(as of October 2019)



In addition to the benefits described above, consolidation allows rental car operators to use the same facilities and personnel to maintain the combined fleet for all brands, and to move cars easily between the brands' ready/return lines to meet changing demand patterns.

Travel Purpose (Business/Leisure)

A passenger's reason for travel to an Airport Service Region, as well as their travel plans while in the wider area, directly impact their propensity to rent a vehicle rather than choose an alternate form of transportation. Generally speaking, leisure travelers have a higher propensity to rent a car than business travelers.

Traditionally, the rental car industry has striven for a balance between business and leisure renters. In most rental car markets, it is generally anticipated that business customers rent early in the week – Monday or Tuesday morning, and return after midweek – Thursday or Friday. Rental car companies depend on leisure customers to utilize vehicles over the weekend.

Leisure travelers are generally considered to be more price conscious than business travelers, but the length of rental for leisure travelers is often longer and helps to offset lower prices. Business travelers typically generate higher yields for rental car companies and are less likely than leisure travelers to scale back travel needs during economic downturns.

Rental Car Costs in Total and as a Component of Total Travel Costs

A visitor's air travel budget consists principally of four components: airfare, lodging, meals, and local transportation. Travelers can allocate budget among these components to satisfy their preferences and manage their total costs. Therefore, cost must be considered in conjunction with convenience and other factors. The cost of local transportation varies by travel itinerary and destination. In the absence of convenient public transportation, renting a car may be less costly than using a taxi or similar service. Public buses may be available at a lower cost, but only with some sacrifice in mobility and convenience.

Customer Facility Charges are fees levied on rental car operators by an airport to fund the capital and/or operating expenses of rental car facilities and related infrastructure at an airport. CFCs are usually charged at a stated rate per day, or at a rate per rental. Add-on fees and taxes, including the CFC, local and state taxes, and unbundled rental car operating costs such as tire recycling fees, facility maintenance costs, etc. have become a significant component of the cost of renting a car at most major U.S. airports. Depending on the base rental cost, the CFC level, any caps or restrictions, and the level of other fees and taxes, the CFC may constitute a considerable portion of the total rental cost. This practice of add-on fees and taxes has drawn scrutiny and criticism from travel writers, consumer advocacy groups and other travelers.

Convenience of Airport Rental Car Facilities

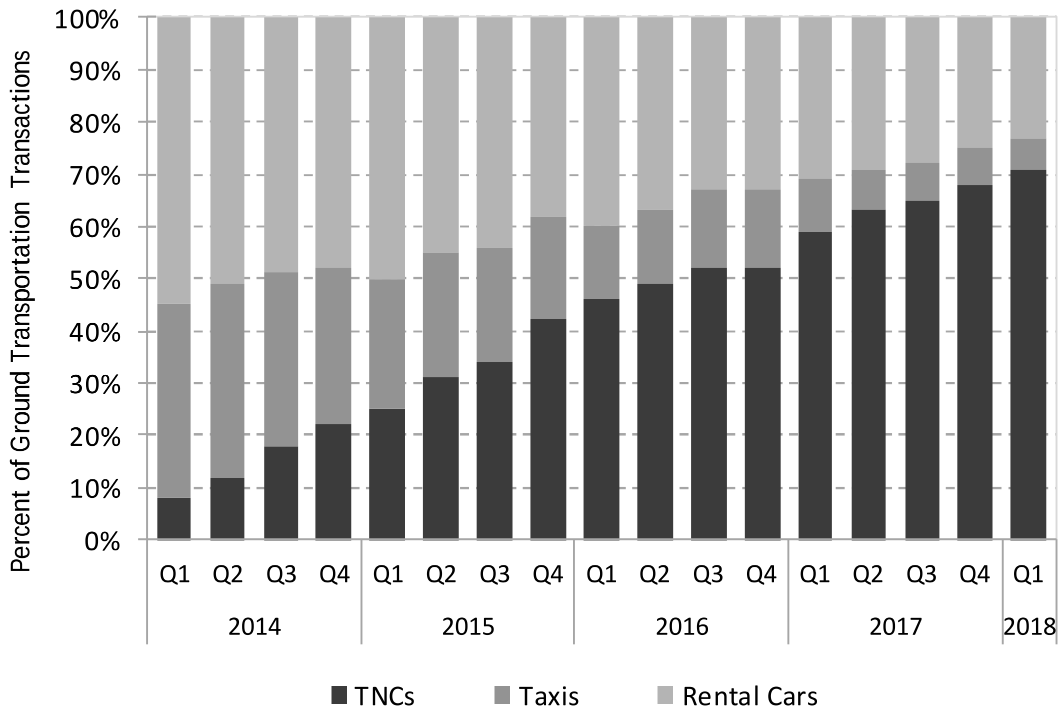
The rental car industry generally supports consolidated facilities since they often enhance the efficiency and cost effectiveness of their operations. Consolidated facilities are now common at large and medium U.S. airports. The convenience of airport rental car facilities impacts rental car demand. For example, close and conveniently located rental car facilities are preferred by the rental car industry and passengers since they may increase a passengers' propensity to rent a car. In contrast, remote or inconveniently located rental car facilities that do not have dedicated transportation such as an automated people mover may decrease a passengers' propensity to rent a car.

Alternative Ground Transportation Options

Recent quantitative and qualitative evidence from across the country indicates that the entrance of Transportation Network Companies (TNCs) has adversely affected four airport industry segments: taxis, shared-ride van operators, rental car companies, and parking operators. National trends also show that TNCs accounted for an increasing share of business traveler ground transportation transactions, increasing from less than 10% in the first quarter of 2014 to more than 70% in the first quarter of 2018, according to nationwide sample data provided by Certify Inc. (see Figure 23).* While the Certify Inc. data only illustrates transactions rather than total dollars spent, and is not airport-specific, it does indicate a national trend towards TNCs and away from traditional modes of ground transportation for business travelers. Some markets have started to mature in terms of TNC use, while others continue to see an increase in market share for TNCs, with reductions to other forms of ground transportation. Certify stopped tracking TNCs impact on rental cars starting in the second quarter of 2018.

*Certify Inc. is a cloud-based travel and expense software company. Certify Inc. data is based on actual expense data from the submitted expense reports of business travelers and excludes leisure travelers. Additionally, Certify Inc. does not publish data on airport parking expense data.

Figure 23
National Trends in Business Ground Transportation Transactions
(calendar years)



Note: Certify Inc. is a cloud-based travel and expense software company. The Certify Inc. analysis is based on actual expense data from the submitted expense reports of business travelers.

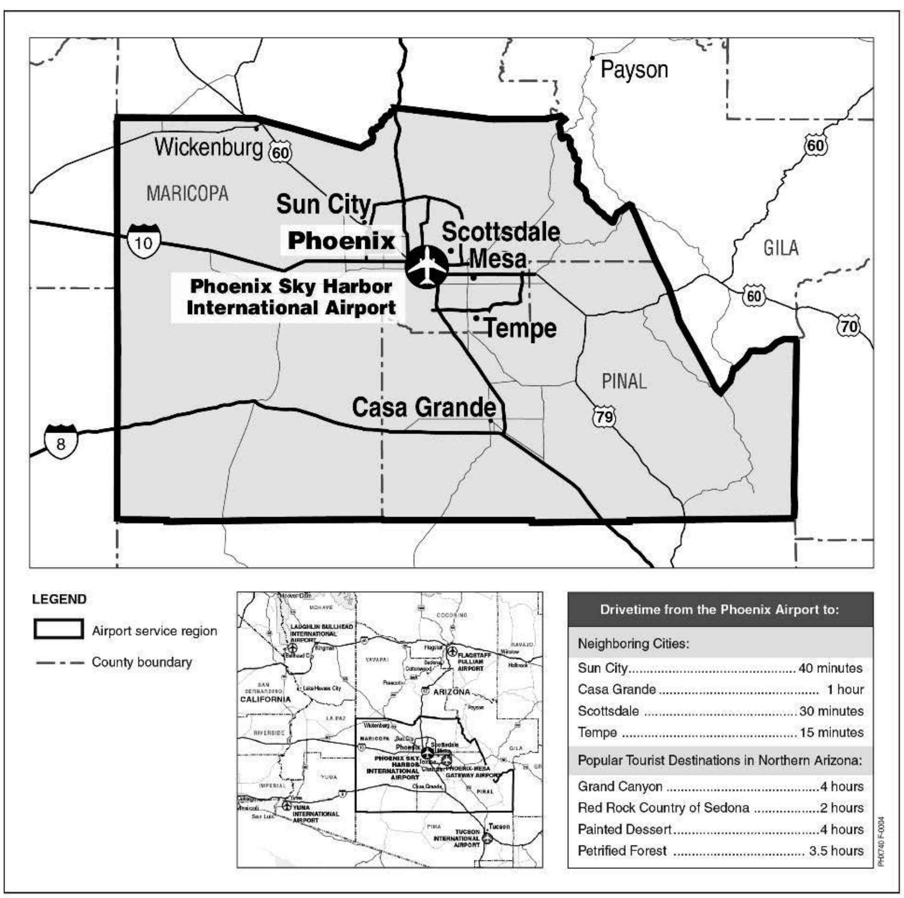
Sources: Certify Inc., Ride-Hailing Continues to Rise, 2016, and press releases, www.certify.com.

FACTORS AFFECTING RENTAL CAR DEMAND AT THE AIRPORT

Distance of the Airport to Key Destinations in MSA and Size of MSA

The Airport is located approximately 4 road miles southeast of downtown Phoenix (see Figure 24), however the MSA area is expansive and characterized by not just the local population but also by business and tourism. As mentioned earlier in the Report, Phoenix and its surrounding cities constitute an area known as the Valley of the Sun, an area with attractions including resorts, spas, professional sports, shopping, and golf, located in the Sonoran Desert. Neighboring cities include Sun City, Tempe, Scottsdale, and Casa Grande which are all within 15 minutes to 1 hour of PHX. In addition to the attractions within the Airport Service Region, the northern part of Arizona is home to Grand Canyon National Park, Red Rock Country of Sedona, the Painted Desert, the Petrified Forest, Meteor Crater, ancient Native American ruins, and the Navajo and Hopi reservations. Many visitors to these world-renowned destinations utilize Sky Harbor as the most convenient large hub airport servicing the region. Additionally, the MSA has a record of hosting major sporting events that also draw tourists to the Airport Service Region. Due to the relative size of the MSA as well as the surrounding attractions, it is more convenient and economical for many visitors (both business and leisure) to rent cars.

Figure 24
MSA Region and Drivetime from Airport
Airport Service Region



Impact of PHX Sky Train Stage 2 on RCC

As mentioned earlier, the PHX Sky Train is an automated people mover system that will, when completed, connect all terminals and parking facilities to VALLEY METRO Light Rail (regional public transit system) and the Consolidated Rental Car Center (the RCC or the Rental Car Center). The train is an integral part of the airport's transportation infrastructure plan and an important link to the regional transportation system. It is designed to be a long-term solution to growing traffic congestion in and around Sky Harbor. The project will be completed in three stages (Stage 1, Stage 1a, and Stage 2). The first two stages are complete and in service, connecting the light rail system and Sky Harbor's largest parking facility to Terminals 3 and 4, with a walkway to Terminal 2. By mid-2022, Stage 2 will link Stage 1 and Stage 1a with the future West Ground Transportation Center Station (West GTC Station) and the RCC.

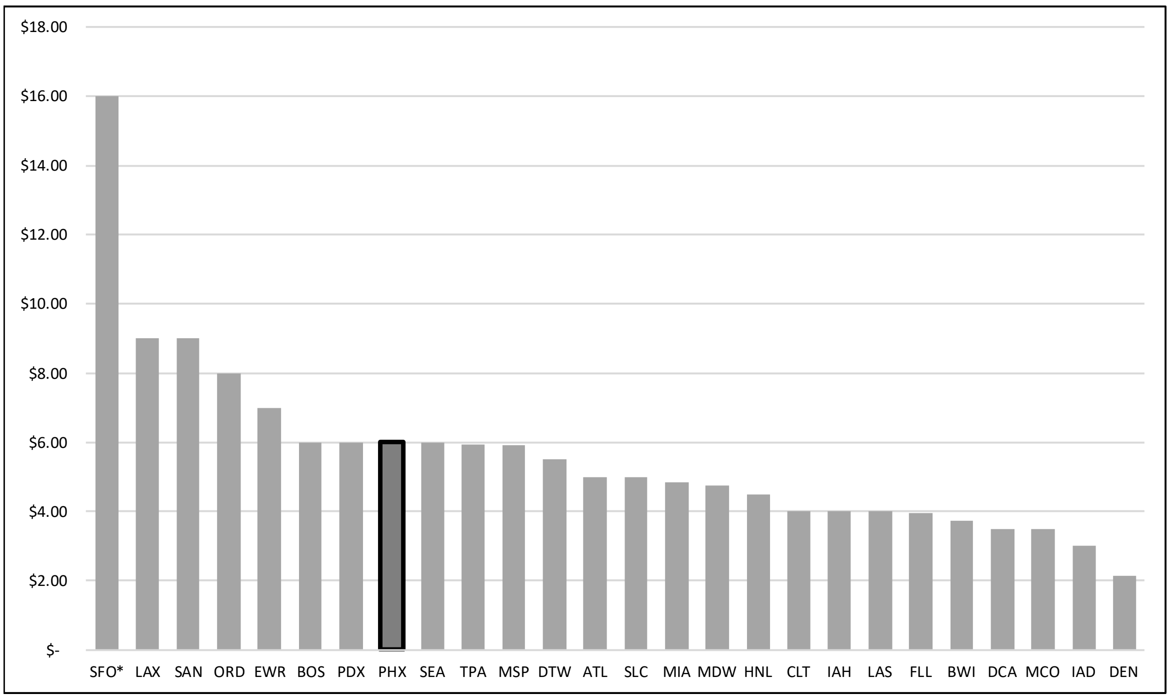
The PHX Sky Train's electric train cars run twenty-four hours a day arriving at a station approximately every three minutes during peak periods, delivering passengers to their destinations within five minutes after boarding. Since its opening in April 2013, the PHX Sky Train has carried over 20 million passengers and replaced busing as the mode of transportation between terminals and parking facilities.

Once the PHX Sky Train Stage 2 is complete busing will be replaced as the mode of transportation between terminals and the RCC. The PHX Sky Train will provide a more efficient and convenient service which will (all things being equal) enhance a customer's propensity to rent a car as compared to other mode choices.

Current and Planned CFC Levels

As noted earlier, CFC levels are a component of overall fees and pricing per rental and are often compared to other U.S. airports. For example, to the extent that an airport has a low CFC rate, it may have capacity for moderate increases without scrutiny from rental car agencies, rental car customers, travel advocacy groups, or local stakeholders. The ability to adjust the CFC rate higher may provide flexibility for airport operators in circumstances where CFC related facility costs increase or if demand decreases. In contrast, an airport that has a high CFC rate may not have as much flexibility in similar circumstances.

Figure 25
CFC Rate for Selected Large Hub Airports
One Day Rental

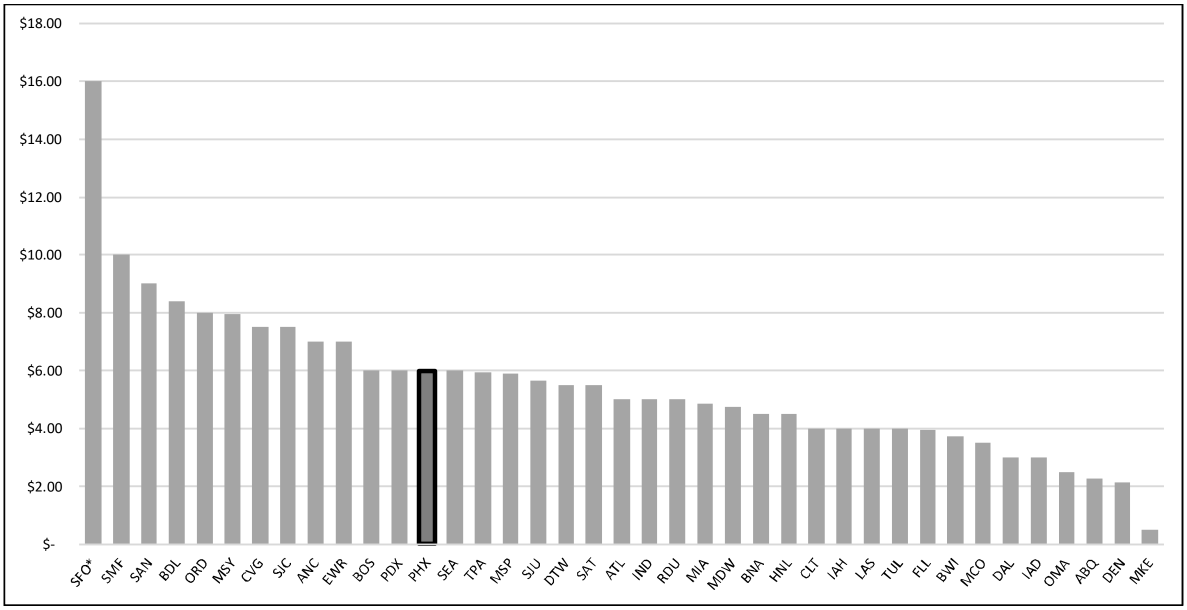


Note: (*) Denotes CFC rate is charged on a per transaction basis, not per transaction day.
Source: Avis.com, for a rental on October 23, 2019 as accessed September 2019, analyzed by LeighFisher.

Figure 25 shows the CFC rate or comparable per transaction or transaction day charges assessed for U.S. large hub airports. PHX's rate of $6.00 per transaction day is comparable to similar sized airports. It is important to note that the CFC rate is one component of the total costs of rental, as described below.

The CFC rate per transaction day at PHX increased from $4.50 to $6.00 in January 2009. Figure 26 shows the CFC rate for airports that currently have, or are planning to develop, a multi-level Consolidated Rental Car Facility (CONRAC) facility similar to the PHX RCC.

Figure 26
CFC Rate for Selected U.S. Airports with or Planning CONRAC Facilities
One Day Rental



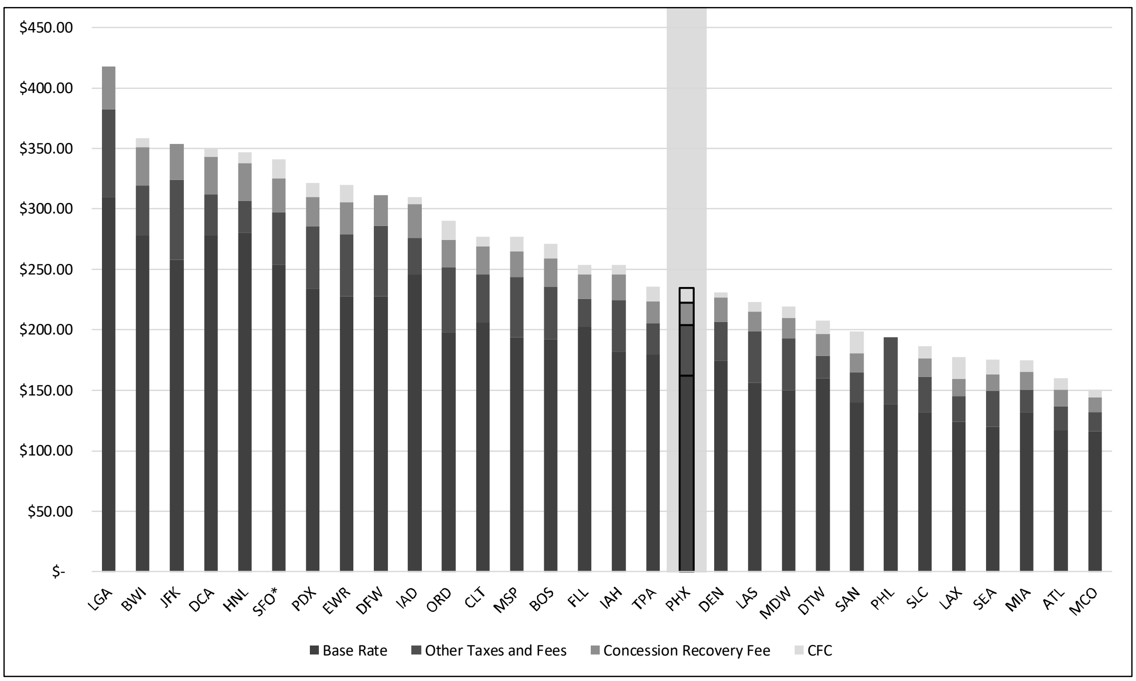
Note: (*) Denotes CFC rate is charged on a per transaction basis, not per transaction day.

Source: Avis.com, for a rental on October 23, 2019 as accessed September 2019, analyzed by LeighFisher.

The CFC rate is one component of the total costs of rental. Figure 27 presents the average total cost for a rental car customer on a two-day rental at Large Hub Airports. The average total cost is split into components including base rental rates, concession recovery fees, CFCs, and all other fees and taxes. PHX charges a CFC rate of $6.00 per transaction-day, which could translate to $12.00 on a 2-day rental for example, but that is a relatively small component when compared to the average total costs a rental car customer at PHX pays ($235).

Among the airports shown in Figure 27, CFCs, other fees, and taxes make up between 12.5% and 30.4% of total rental costs. Based on the $6.00 CFC rate per transaction-day currently in effect, PHX's ratio of CFCs, other fees, and taxes are 29.4% of total rental costs.

Figure 27
Rental Costs and Total Taxes and Fees at Large Hub Airports
Two Day Rental



Note: (*) CFC charged on a per transaction basis, not per transaction day.

Source: Avis.com, for a rental from October 23, 2019 - October 25,2019 as accessed September 2019, analyzed by LeighFisher.

Ground Transportation Alternatives

There are a number of ground transportation alternatives for passengers at the Airport. Ground transportation includes public parking, car rentals, and other ground transportation such as per trip fees generated from taxis, Transportation Network Companies (TNCs), and other ground transportation providers.

Table 25 summarizes historical ground transportation transactions recorded at the Airport. Note this data does not include pick-ups and drop-offs from personal vehicles.

Public parking is the largest single generator of ground transportation transactions for the Airport, accounting for 36% of total transactions and 60% of revenues in 2019. Rental car transactions accounted for 24% of ground transportation transactions and 33% of revenues in 2019. TNCs, taxis, and other ground transportation accounted for 27%, 5%, and 8% of transactions and 5%, 1%, and 2% of revenues, respectively. Since parking transactions are generated primarily from resident passengers or meet and greet traffic and not related to visitors with a propensity to rent vehicles, Table 25 also summarizes ground transportation transactions exclusive of parking transactions. Rental car transactions accounted for 38% of other ground transportation transactions, and TNCs, taxis, and other accounted for 42%, 8%, and 13%, respectively.

Recent quantitative and qualitative evidence from across the country indicates that the entrance of TNCs have adversely affected four airport industry segments: taxis, shared-ride van operators, rental car companies, and parking operators. National trends also show that TNCs accounted for an increasing share of business traveler ground transportation transactions. On the subsequent pages we describe the trends and forecast assumptions related overall to the Ground Transportation market including Other Ground Transportation (such as TNCs, taxis, and other), Parking and Rental Car.

Table 25
Ground Transportation Transactions and Market Share
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30; in thousands except % change)

	2017	2018	2019	% Change '17-'18	% Change '18-'19
Originating Passengers	14,385	15,047	15,727	4.6%	4.5%
Resident Passengers	6,558	6,846	7,129	4.4%	4.1%
Visitor Passengers	7,827	8,201	8,598	4.8%	4.8%
Transactions					
Airport Parking					
T-2 Garages	189	184	180	-2.7%	-1.9%
T-3 Garages	258	229	224	-11.2%	-2.3%
T-4 Garages	1,667	1,658	1,624	-0.5%	-2.1%
T-2 Other	102	91	89	-10.4%	-2.3%
East Economy Garages	413	411	406	-0.5%	-1.3%
West Economy	64	64	63	-0.7%	-1.5%
East Economy	320	314	310	-1.9%	-1.3%
Subtotal	3,013	2,951	2,895	-2.1%	-1.9%
Rental Car	1,917	1,877	1,954	-2.1%	4.1%
Other GT					
Taxi	596	489	423	-18.0%	-13.6%
TNC	1,022	1,611	2,168	57.6%	34.6%
Other	850	699	652	-17.7%	-6.8%
Subtotal	2,468	2,799	3,243	13.4%	15.8%
Total GT Transactions	7,398	7,627	8,092	3.1%	6.1%
Share of Total Transactions					
Airport Parking	40.7%	38.7%	35.8%		
Rental Car	25.9%	24.6%	24.2%		
Taxi	8.1%	6.4%	5.2%		
TNC	13.8%	21.1%	26.8%		
Other	11.5%	9.2%	8.1%		
Total GT Transactions	100.0%	100.0%	100.0%		
Share of Other GT Transactions					
Taxi	24.2%	17.5%	13.0%		
TNC	41.4%	57.5%	66.9%		
Other	34.4%	25.0%	20.1%		
Total Other GT Transactions	100.0%	100.0%	100.0%		

Columns may not add to totals shown because of rounding. Percentages were calculated using unrounded numbers.

Sources: City of Phoenix Aviation Department; LeighFisher.

Other Ground Transportation

Other ground transportation services include commercial vehicles, most notably taxicabs, limos, and hotel/motel shuttles, as well as the recent (June 2016) introduction of transportation network companies (TNCs) such as Uber and Lyft into the Airport market (collectively defined as the Other Ground Transportation Market).

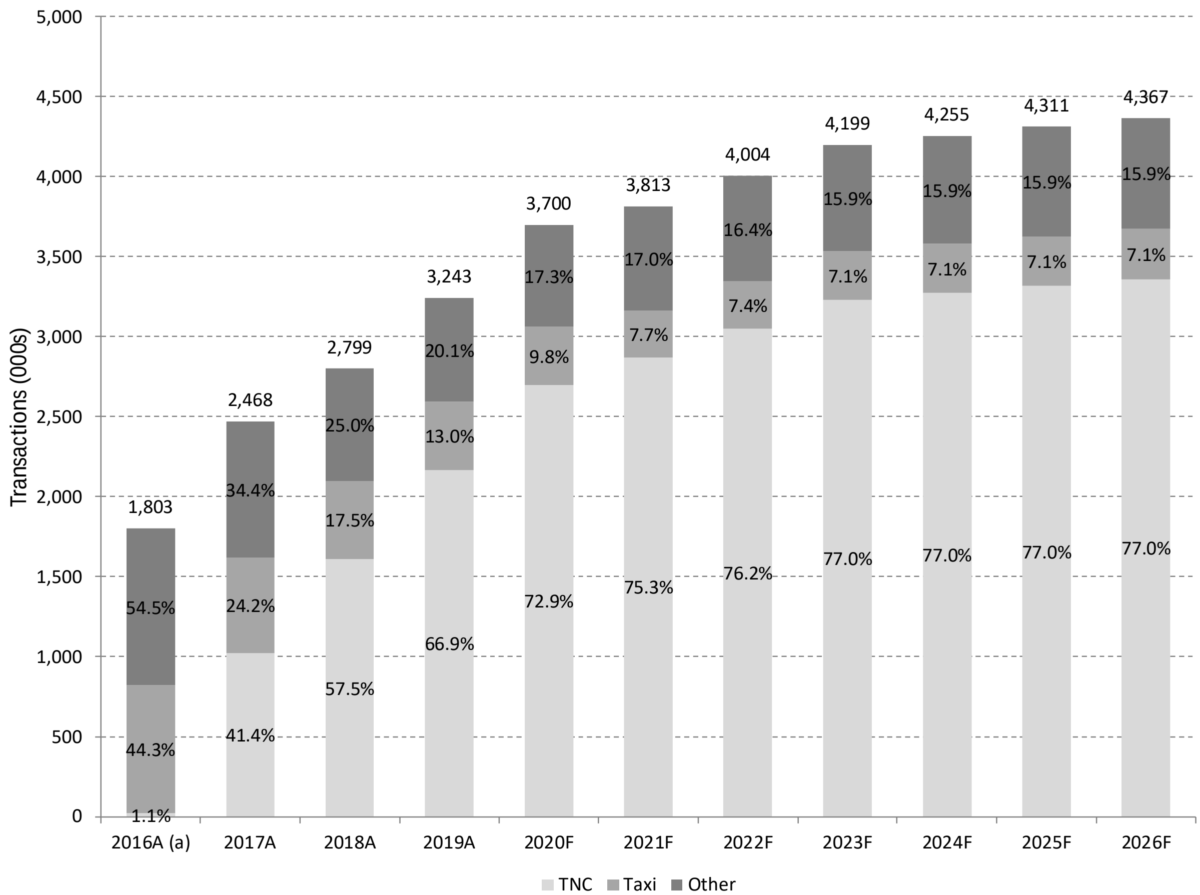
Effective June 2016, the City eliminated collection of permit fees at the Airport and implemented a per trip fee structure in which a fee is collected for each revenue-producing trip.

While there is still limited historical data to draw upon, preliminary indications are that, in addition to capturing portions of existing ground transportation and car rental markets, TNCs are also, due to their convenience, expanding the size of the ground transportation market by accommodating passengers who may have otherwise relied upon nonrevenue modes of transportation to and from the Airport (e.g. family, friends). TNCs now represent the largest portion of the Airport's other ground transportation transactions and are estimated to have accounted for 66.9% in FY 2019, an increase from 57.5% in FY 2018.

As TNC market share has increased, the market shares of other ground transportation services, most notably taxicabs, van services, and prearranged pickup services, have decreased. For example, taxicabs accounted for 13% of the other ground transportation transactions in FY 2019, down from 44% in FY 2016 (prior to the introduction of TNCs). Figure 28 summarizes historical and forecasted pick-up transactions.

Figure 28
Ground Transportation Pick-Up Transactions
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(for the 12 months ending June 30; transactions in thousands)

The forecasts presented in this table were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.



(a) TNCs commenced service at the Airport on 6/18/2016, and accounted for 1.1% of ground transportation transactions in FY 2016.

Sources: City of Phoenix Aviation Department, LeighFisher.

Public Transit

Phoenix Valley Metro Regional Public Transportation covers 513 square miles. Phoenix's Valley Metro light rail is an affordable option to get to the neighboring communities of Tempe and Mesa and has been operating since 2008. The cost to ride the light rail is $2.00 per ride or $4.00 for an all-day pass. The 28-mile line provides access to nearby attractions such as the Phoenix Art Museum, Heard Museum, Chase Field, Talking Stick Resort Arena and Tempe's Mill Avenue. The light rail operates 18-22 hours per day, seven days a week, and stops every 12-20 minutes. There are 38 stations along the line and platforms can accommodate the boarding of 600 passengers onto a three-car train within 30 seconds. The light rail meets with PHX Sky Train from the 44th Street/Washington Street station.

HISTORICAL ANALYSIS OF RENTAL CAR DEMAND

Visiting Passengers

The forecast of visiting passengers, as previously discussed, reflects leisure and business demand for air travel to the Airport Service Region. The forecast of visiting passengers is summarized in Table 21.

From FY 2012 through FY 2016 changes in rental car transaction growth outpaced growth in visitor passengers. The revenue per transaction increased FY 2012 through FY 2015 but decreased in FY 2016 by 8.8%. This decrease could be due to a number of factors, including a general decrease in the cost of a rental car across the local market, the changing market share of the various brands within each brand family, or a decrease in the average length of rental (e.g., if the Airport gains additional air service or frequencies on a number of routes, some travelers may be able to reduce the overall length of their trip, requiring a rental car for fewer days, contributing to a reduced duration in some years).

Table 26 below summarizes the trends in key rental car metrics and visiting passengers. The sections on the subsequent pages graphically present trends for the metrics and add additional context on changes.

Table 26
Trends in Key Rental Car Metrics and Visiting Passengers
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30; in thousands except for Percent Change and Revenue Per Transaction)

	2012	2013	2014	2015	2016	2017	2018	2019
Visitor Passengers	6,502	6,463	6,637	6,987	7,391	7,827	8,201	8,598
Percent Change		-0.60%	2.70%	5.27%	5.79%	5.89%	4.77%	4.85%
Rental Car Transactions	1,596	1,597	1,651	1,744	1,849	1,917	1,877	1,954
Percent Change		0.05%	3.41%	5.65%	5.98%	3.68%	-2.07%	4.13%
Gross Rental Car Revenues	$ 336,274	$ 342,079	$ 365,393	$ 394,452	$ 381,154	$ 403,367	$ 410,984	$ 433,148
Percent Change		1.73%	6.82%	7.95%	-3.37%	5.83%	1.89%	5.39%
Revenue per Transaction	$ 210.74	$ 214.26	$ 221.31	$ 226.13	$ 206.19	$ 210.45	$ 218.97	$ 221.62
Percent Change		1.67%	3.29%	2.18%	-8.82%	2.07%	4.05%	1.21%
Propensity to Rent	24.54%	24.71%	24.88%	24.97%	25.01%	24.49%	22.89%	22.73%
Average Length of Rental (days)	4.32	4.33	4.35	4.28	4.23	4.09	4.37	4.30
Percent Change		0.19%	0.44%	-1.65%	-1.08%	-3.36%	6.90%	-1.53%
Transaction Days	6,894	6,911	7,178	7,458	7,819	7,835	8,202	8,410
Percent Change		0.24%	3.86%	3.91%	4.84%	0.20%	4.68%	2.54%
CFC Revenues	$ 41,539	$ 40,579	$ 41,858	$ 45,899	$ 46,969	$ 46,899	$ 49,685	$ 51,375
Percent Change		-2.31%	3.15%	9.65%	2.33%	-0.15%	5.94%	3.40%

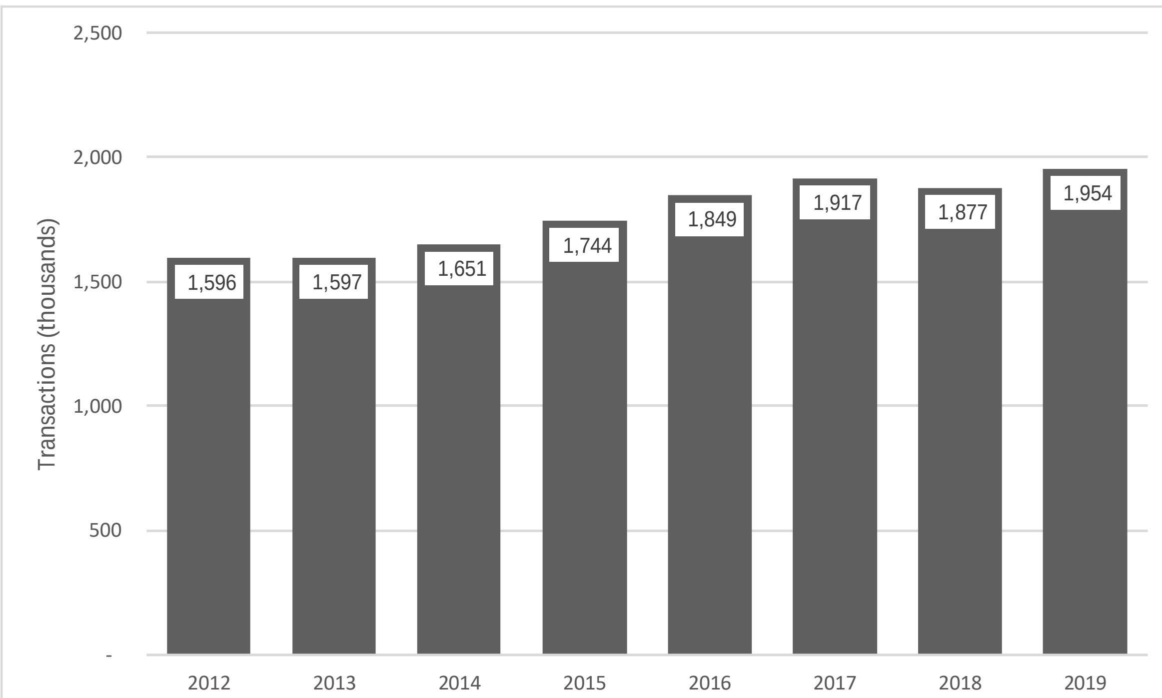
Source: City of Phoenix Aviation Department.

Note: CFC Revenues are based on cash deposited with the Trustee from Annual Receipts plus interest earnings and fund balance changes during the time periods noted. Per the CFC Ordinance, rental car companies must remit CFCs by the last day of the month following the month the CFC's were collected, creating a slight timing difference from the other information reported above which is based on the time period where the activity occurred.

Rental Car Transactions

Figure 29 shows the trend in Airport rental car transactions since 2012. There were 1.954 million transactions in FY 2019. Transactions in FY 2019 were 22.5% higher than FY 2012 levels, or a 2.6% CAGR between FY 2012-FY 2019. Transactions in FY 2019 were 4.1% higher compared to the prior year. The growth in rental car transactions correlates to the increased number of visiting passengers the Airport has experienced since FY 2012.

Figure 29
Rental Car Transactions for Airport Rental Car Companies
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30; in thousands)



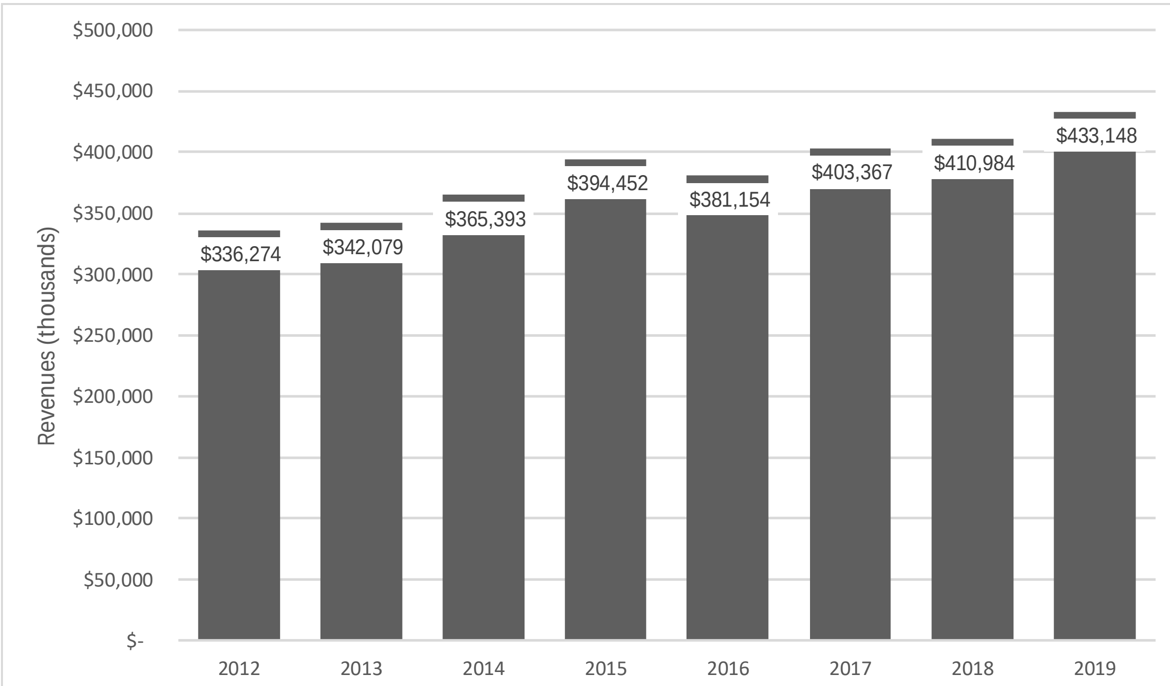
Source: City of Phoenix Aviation Department.

Gross Rental Car Revenues

Figure 30 shows the trend in Airport rental car gross revenue at the Airport since FY 2012. Gross revenues in FY 2019 were $433 million, 28.8% higher than in FY 2012, or a CAGR of 3.2%. Revenues increased 5.4% for FY 2019 compared to FY 2018.

As presented in Figure 30, gross rental car revenues increased nearly 5.4% in FY 2019 which compares to a 4.1% increase in the number of rental car transactions for the same period. This indicates that (1) the average cost of a rental has increased, (2) cars are being rented for a longer duration, or (3) some combination thereof.

Figure 30
Gross Rental Car Revenues for Airport Rental Car Companies
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30; in thousands)



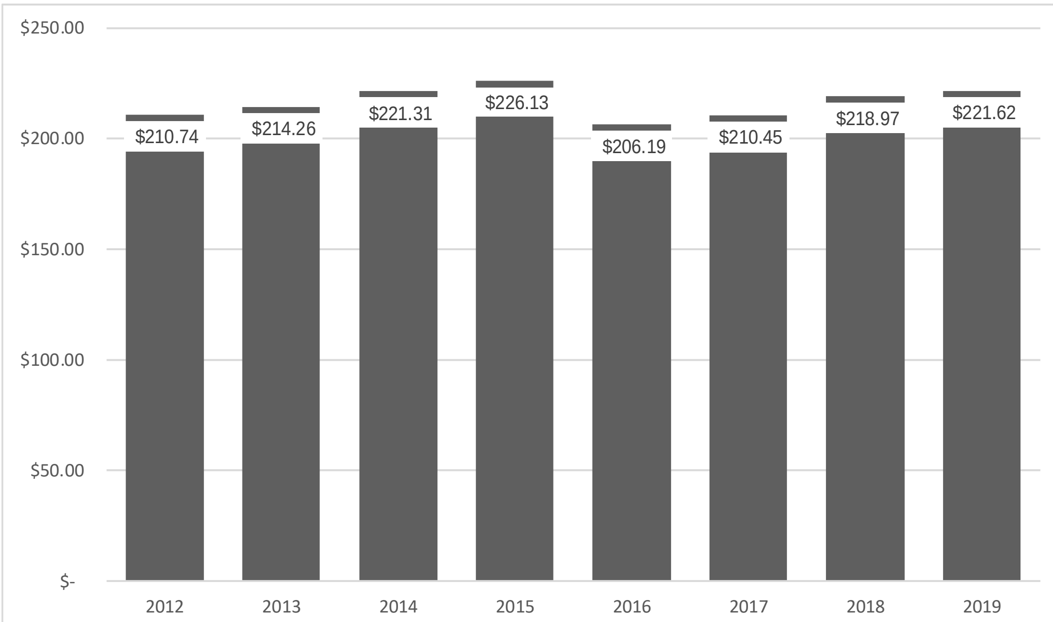
Source: City of Phoenix Aviation Department.

Average Revenue per Transaction

In 2015, the rental car companies began to lower prices nationwide because of an oversupply of vehicles. The rental car industry overestimated future levels of rental car activity, purchasing 1.5 million vehicles in 2015; the highest since 2007. Excess vehicle inventory levels exerted downward pressures on car rental rates. The rental car industry gradually managed to right-size their fleet and normalize pricing practices, with many markets showing a stabilization of average revenue per transaction by 2016 or early 2017.

As shown in Figure 31, revenue per transaction at the Airport increased in FY 2014 and FY 2015 but decreased in FY 2016, driven in part, by the factors mentioned above. The rental car market at the Airport resumed growth in revenue per transaction in FY 2017, with an average revenue per transaction of $210.45, up 2.1% from the prior year and has continued to grow in FY 2018 and FY 2019 by 4.1% and 1.2%, respectively.

Figure 31
Revenue per Transaction for the On-Airport Rental Car Companies
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30)



Source: City of Phoenix Aviation Department.

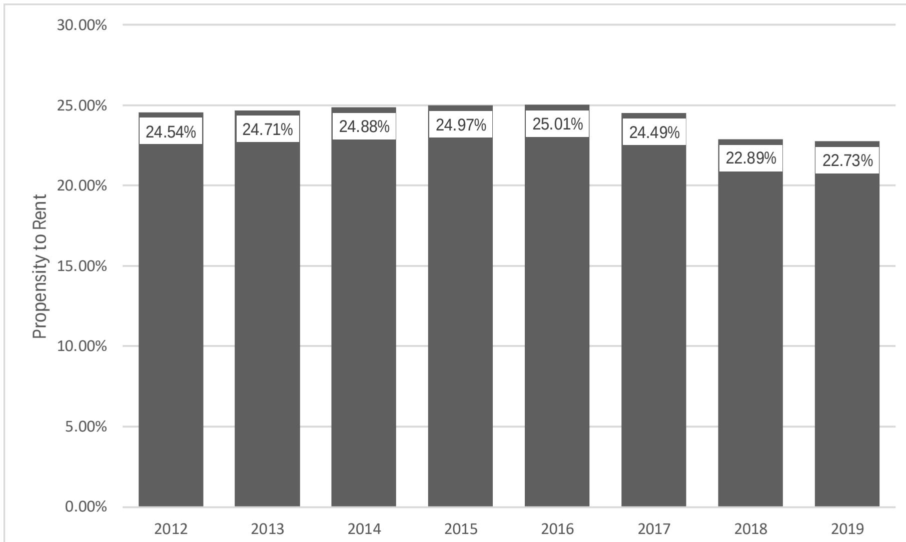
Rental Car Transactions per Visiting Passenger

From FY 2012 to FY 2017, the ratio of rental car transactions per visiting passenger (the propensity to rent), ranged from approximately 22% to 25%, with an average of 24.8%. However, as shown in Figure 32, for FY 2018 and FY 2019 this ratio fell to 22.9% and 22.7%, respectively.

In any given year, the spring quarter (April to June – Q4) tends to exhibit the highest propensity to rent, while the summer quarter (August to October – Q1) tends to exhibit the lowest. Figure 33 presents the propensity to rent by quarter for the last four and a half calendar years through June 2019, which includes both the period of LCC carrier growth at the Airport and the emergence of TNCs. This shows the propensity to rent decreased from 26.4% in 2014 Q1 to 22.9% in 2019 Q1.

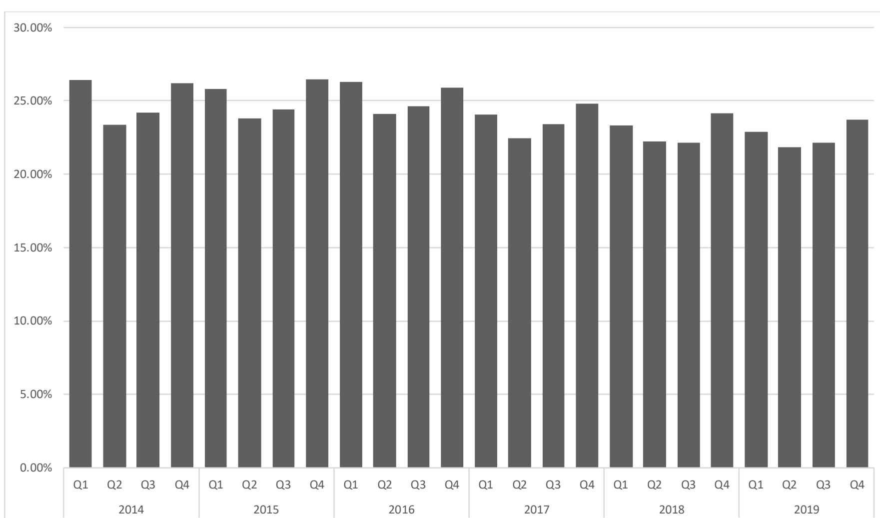
A number of factors could be contributing to a declining propensity to rent. Propensity to rent is an imputed calculation based on visitor passengers and transactions. If growth in visitor passengers outpaces growth in transactions, then propensity to rent falls. Service changes at the Airport may have led to an increase in average trip size (i.e., more visitors traveling in groups), which would cause the propensity to rent to fall. Other factors could impact the propensity to rent such as changes in cost of renting a car, the growth of TNCs, or the characteristics of visiting passengers to the MSA.

Figure 32
Propensity to Rent
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30)



Sources: Actual—City of Phoenix Aviation Department.; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Figure 33
Propensity to Rent
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30)

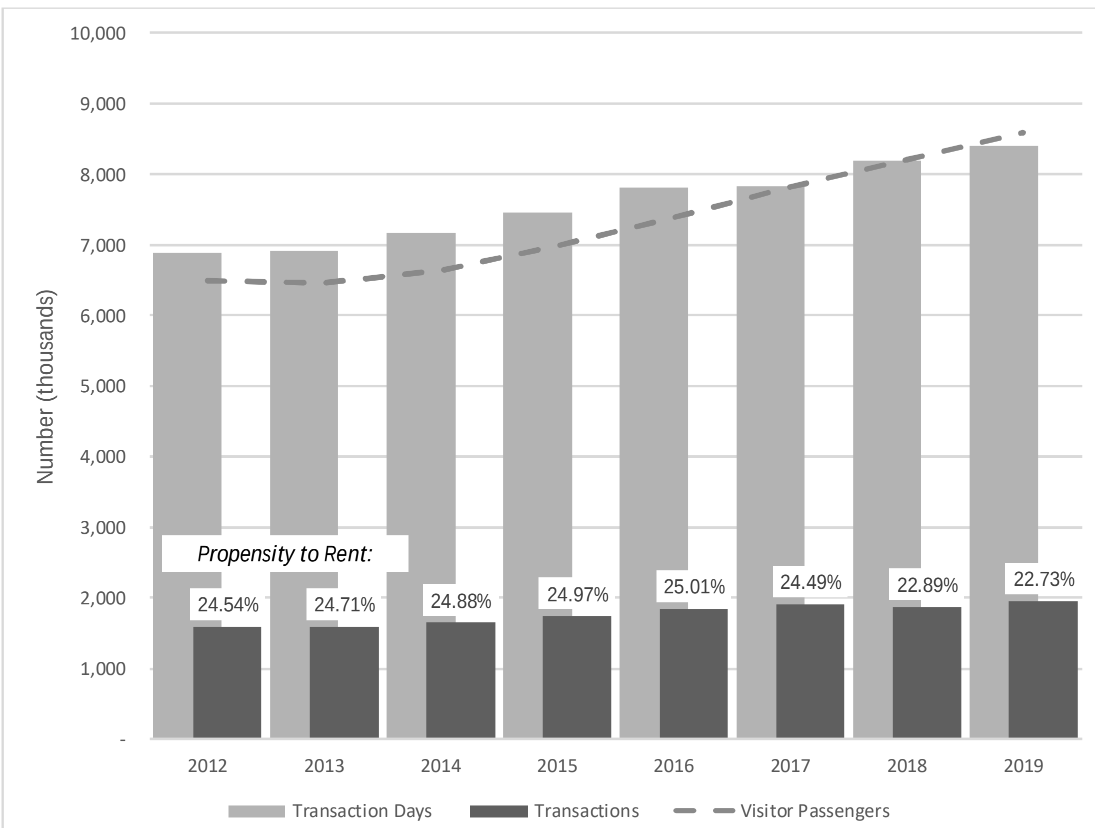


Sources: Actual— City of Phoenix Aviation Department.; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Visiting passenger numbers increased to 8.6 million in FY 2019 compared to 8.2 million in FY 2018 (an increase of 4.9%), and the number of rental car transactions increased from 1.877 million to 1.954 million (an increase of 4.1%) in the same period.

While the propensity to rent has fallen from a high of 25.01% in FY 2016, to 22.73% in FY 2019, Figure 34 shows that the number of visiting passengers, rental car transactions, and rental car transaction days all increased. This indicates that there is still a consistent demand for rental cars in the market, even though the ratio of rental car transactions to visiting passengers has fallen. As discussed earlier, the characteristics of the growing number of visiting passengers may be impacting the propensity to rent more than the changing behaviors of previous or recurring visiting passengers.

Figure 34
Propensity to Rent, Rental Car Transaction Days, Transactions, and Visitor Passengers
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30; in thousands)



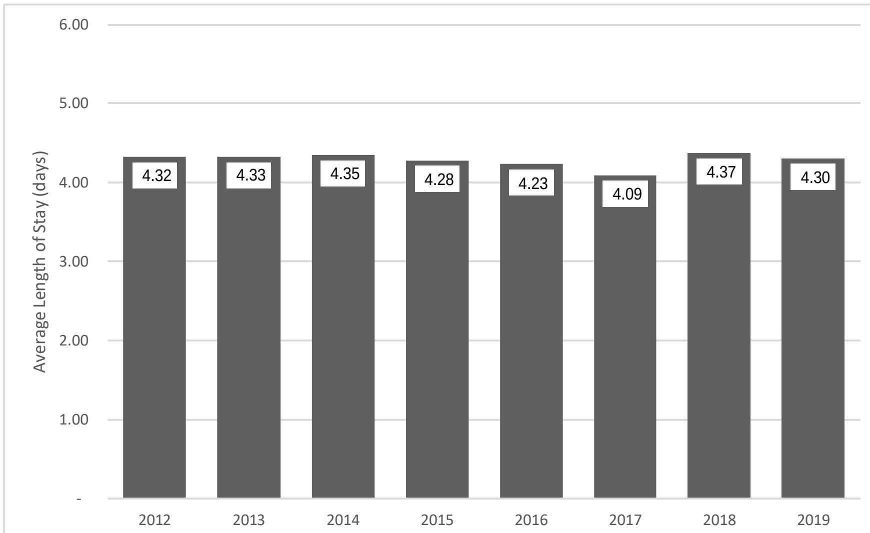
Sources: Actual— City of Phoenix Aviation Department.; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Average Length of Rental

The average length of rental, or duration, is calculated by dividing the number of transaction days by the number of rental car transactions. A transaction-day refers to a 24-hour period or fraction thereof for which a rental car customer is provided the use of a rental car for compensation regardless of the duration or length of the rental term. If the same rental car is rented to more than one customer within a continuous 24-hour period, then each rental is calculated as a transaction-day and is subject to collection of the per transaction-day CFC.

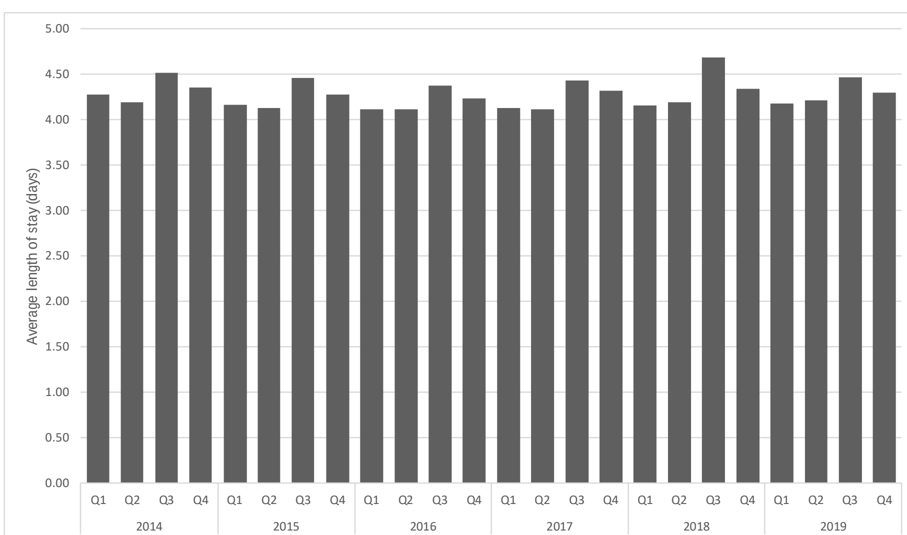
As shown in Figure 35, the average length of rental, or duration at the Airport and was 4.30 days in FY 2019, and has been relatively consistent since FY 2012. As described earlier, average length of duration can change due to changes in air service and frequencies, or changes in average length of trips, or other factors that lead to changes in duration on average.

Figure 35
Average Length of Rental
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30)



Source: City of Phoenix Aviation Department.

Figure 36
Quarterly Average Length of Rental
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30)



City of Phoenix Aviation Department.

FORECAST OF RENTAL CAR DEMAND

Forecast of Propensity to Rent and Transactions

The number of visiting passengers increased by 4.8% to approximately 8.2 million in FY 2018, and increased by 4.9% to 8.6 million in FY 2019. Rental car transactions decreased in FY 2018 by 2.1% but increased in FY 2019 by 4.1%.

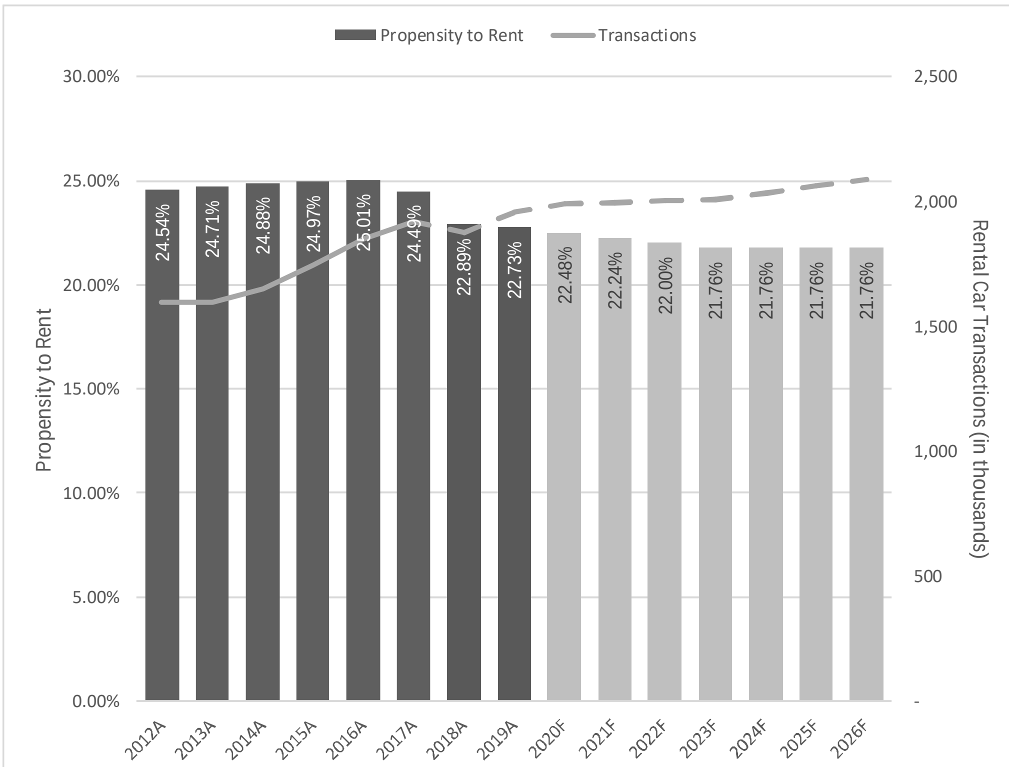
The propensity to rent in FY 2019 was 22.7%. This is a decrease from 22.9% in FY 2018, continuing a trend of decreasing propensity to rent seen in recent years. This decrease is consistent with recent historical decreases which were due to a number of factors described earlier which impacted PHX and many other airports, most notably the introduction of TNCs.

As shown in Figure 37, the propensity to rent is forecast to decrease through FY 2023 due to growth in TNCs and then will remain constant throughout the remainder of the Forecast Period. As noted earlier, the CFC rate per transaction-day is assumed to remain at $6.00 during the Forecast Period.

Figure 37 also presents the forecast of rental car transactions. Despite an expected reduction in the propensity of visiting passengers to rent cars, the number of rental car transactions is forecast to increase given the forecasted increase in visiting passengers. Visiting passengers are forecast to increase by 2.9% in FY 2020 and then increase at approximately 1.3% per year through FY 2026. Rental car transactions are forecast to increase at a lesser rate than visitor passengers until FY 2024, then grow with visitor passengers throughout the remainder of the forecast.

Figure 37
Forecast of Propensity to Rent and Rental Car Transactions
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30; in thousands except for percentages)

The forecasts presented in this table were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.



Sources: Actual— City of Phoenix Aviation Department.
Forecast—LeighFisher.

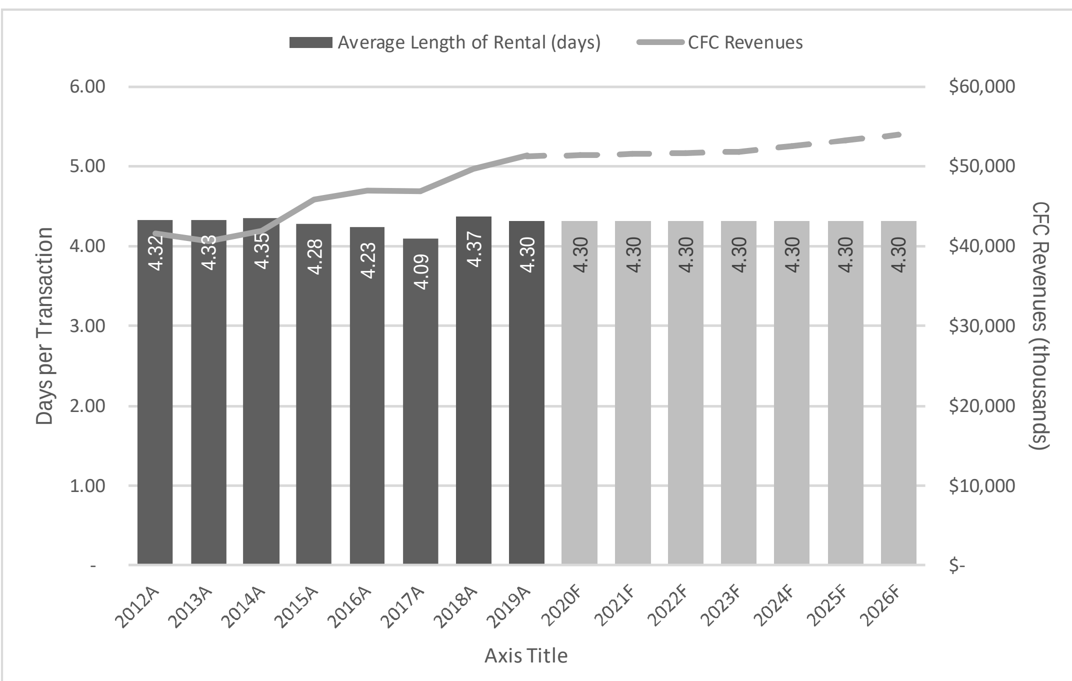
Forecast of CFC Transaction-days and CFC Revenues

Figure 38 presents the forecast of CFC revenues and rental car transaction-days. The average number of days per rental car transaction are forecast to remain at 4.30 for the Forecast Period.

As previously mentioned, the primary variables of consequence to forecasting CFC revenues are: (1) visiting passengers, (2) rental car transactions, (3) rental car transaction-days, and (4) the CFC rate per transaction-day. CFC revenues are forecast to increase from $51.1 million in FY 2019 to $51.4 million in FY 2020, or 0.5%. CFC revenues increased from $48.8 million to $51.1 million in FY 2019 as compared to FY 2018, or a 4.8% increase. Even with the forecasted downward pressure on the propensity to rent, CFC revenues are forecast to increase 0.8% per year, on average, between FY 2020 and FY 2026. The forecasted growth is due to a projected 1.6% average increase in visiting passengers and a resulting 0.9% average annual increase in transactions. It is assumed that the CFC rate will remain unchanged from $6.00 throughout the Forecast Period.

Figure 38
Forecast of Days per Transaction and CFC Revenues
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30; in thousands)

The forecasts presented in this table were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.



Sources: Actual— City of Phoenix Aviation Department. Forecast—LeighFisher.

RENTAL CAR FINANCIAL ANALYSIS

2019 RENTAL CAR BONDS – PLAN OF FINANCE

The City intends to issue the 2019 Rental Car Bonds, in the par amount of $313,205,000 ($234,490,000 for the 2019A Rental Car Bonds, and $78,715,000 for the 2019B Rental Car Refunding Bonds).* Proceeds are expected to be used for the following purposes:

- PHX Sky Train Stage 2: Fund $273 million of ongoing expenditures with the 2019A Rental Car Bonds.
- Series 2004 Rental Car Facility Charge Revenue Bonds: The Series 2004 Bonds will be refunded with the 2019B Rental Car Refunding Bonds plus amounts released from the Series 2004 Debt Service Fund, Debt Service Reserve Fund, Debt Service Coverage Fund, Transportation O&M Reserve Fund, City Transportation O&M Reserve Fund, and the Improvement Reserve Surplus Fund.
- Reserve Funds: Fund the Parity Reserve Fund and the Debt Service Coverage Fund for the 2019 Rental Car Bonds.
- Issuance costs: Pay the costs of issuing the 2019 Rental Car Bonds, including underwriters' discount and financing, legal, and other costs.

For the purposes of this Report, no future Rental Car Facility Charge Revenue Bonds are planned or assumed to be issued during the Forecast Period. Exhibit 1 summarizes the plan of finance.

FORECAST DEBT SERVICE COVERAGE

Exhibit 2 summarizes the forecasts of CFC Revenues, debt service, and debt service coverage, taking into consideration debt service on the proposed 2019 Rental Car Bonds and the forecast assumptions described in this Report.

The calculation of debt service coverage indicates compliance with the Rate Covenant in each year of the Forecast Period.

STRESS TEST FINANCIAL PROJECTIONS

Exhibit 3 summarizes the stress test forecasts of CFC Revenues, debt service, and debt service coverage, taking into consideration debt service on the proposed 2019 Rental Car Bonds. The stress test visitor passenger forecasts are as presented earlier. (See the chapter "Air Traffic Forecasts" and caption "Stress Test Forecast"). In the stress test scenario, visiting passenger numbers are forecast to be decline 2.7% in FY 2020 and 2.8% in FY 2021. Transaction Days are forecast to decline 5.0% in FY 2020, 3.9% in FY 2021, and 1.1% in FY 2022. Under the stress test scenario, the calculation of debt service coverage indicates compliance with the Rate Covenant in each year of the Forecast Period.

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*Preliminary and subject to change.

Exhibit 1

PLAN OF FINANCE
CITY OF PHOENIX AVIATION DEPARTMENT
(in thousands)

	Series 2019A (Non-AMT)	Series 2019B (Taxable)	Series 2019 Total
SOURCES OF FUNDS			
Par Amount of Bonds	$ 234,490	$ 78,715	$ 313,205
Premium / (Discount)	40,624	-	40,624
Debt Service Fund Release	-	10,641	10,641
Debt Service Reserve Funds Released	-	21,315	21,315
Debt Service Coverage Funds on Hand	-	5,364	5,364
Transportation O&M Reserve Fund Release	-	7,942	7,942
City Transportation O&M Reserve Fund Release	-	23,826	23,826
Improvement Reserve Surplus Fund Release	-	73,000	73,000
Total All Sources	$ 275,114	$ 220,803	$ 495,916
USES OF FUNDS			
Bond Proceeds	$ 273,000	$ -	$ 273,000
Parity Reserve Fund Deposit	-	21,578	21,578
Debt Service Coverage Fund	-	5,395	5,395
Cost of Defeasance - Make Whole Call	-	193,120	193,120
Cost of Issuance	2,114	710	2,824
Total Uses of Funds	$ 275,114	$ 220,803	$ 495,916

Source: City of Phoenix Aviation Department; Frasca & Associates.
Notes: 1. Interest rates as of September 20, 2019 plus 50 basis points.

Exhibit 2

APPLICATION AND USE OF CUSTOMER FACILITY CHARGE (CFC) REVENUES
CITY OF PHOENIX AVIATION DEPARTMENT
(Fiscal Years ending June 30; in thousands except rates)

The forecasts presented in this exhibit were prepared using information from the sources indicated, and assumptions listed below, and as provided in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material.

		Historical 2017	2018	2019	Forecast 2020	2021	2022	2023	2024	2025	2026
Forecast of Rental Car Demand											
Visiting O&D Passengers		7,827	8,201	8,598	8,851	8,974	9,097	9,220	9,343	9,466	9,589
Percent change		5.9%	4.8%	4.8%	2.9%	1.4%	1.4%	1.4%	1.3%	1.3%	1.3%
Transaction Days		7,814	8,128	8,521	8,563	8,589	8,613	8,634	8,749	8,865	8,980
Percent change		-0.2%	4.0%	4.8%	0.5%	0.3%	0.3%	0.2%	1.3%	1.3%	1.3%
Transactions		1,917	1,877	1,954	1,990	1,996	2,002	2,007	2,033	2,060	2,087
Percent change		3.7%	-2.1%	4.1%	1.8%	0.3%	0.3%	0.2%	1.3%	1.3%	1.3%
Average Duration		4.08	4.33	4.36	4.30	4.30	4.30	4.30	4.30	4.30	4.30
Percent change		-3.7%	6.2%	0.7%	-1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total CFC Collection Pledged Rate		$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00
Annual CFC receipts											
Annual CFC receipts generated by Pledged Rate		$ 46,882	$ 48,765	$ 51,124	$ 51,380	$ 51,537	$ 51,678	$ 51,804	$ 52,496	$ 53,187	$ 53,878
Net Interest earned and Fund Balance Changes		17	920	251	-	-	-	-	-	-	-
Total Annual CFC Receipts	**A**	$ 46,899	$ 49,685	$ 51,375	$ 51,380	$ 51,537	$ 51,678	$ 51,804	$ 52,496	$ 53,187	$ 53,878
Less:											
Administrative Costs	**B**		$ 14	$ 20	$ 30	$ 30	$ 30	$ 31	$ 32	$ 33	$ 34
Existing Debt Service	$\mathbf{C_1}$		21,273	21,274	10,641	-	-	-	-	-	-
Series 2019A (Non-AMT)	$\mathbf{C_2}$		-	-	6,709	11,725	11,725	11,725	11,725	11,725	11,725
Series 2019B (Taxable)	$\mathbf{C_3}$		-	-	4,248	9,851	9,849	9,852	9,852	9,853	9,852
Transportation O&M Expenses	**D**		15,309	15,142	15,489	16,264	16,735	17,237	17,754	18,642	19,574
Total Annual CFC Receipts net of expenses and debt service			$ 13,089	$ 14,938	$ 14,264	$ 13,668	$ 13,339	$ 12,960	$ 13,132	$ 12,934	$ 12,693
IRSF Fund beginning balance					$ 76,270	$ 17,534	$ 31,201	$ 44,541	$ 57,500	$ 70,633	$ 83,567
Total Annual CFC Receipts net of expenses and debt service					14,264	13,668	13,339	12,960	13,132	12,934	12,693
IRSF Release					(73,000)	-	-	-	-	-	-
IRSF Fund ending balance				$ 76,270	$ 17,534	$ 31,201	$ 44,541	$ 57,500	$ 70,633	$ 83,567	$ 96,260
Pledged Revenues											
2019 Bond Fund					$ -	$ -	$ -	$ -	$ -	$ -	$ -
Parity Reserve Fund					21,578	21,578	21,578	21,578	21,578	21,578	21,578
Debt Service Coverage Fund	**E**				5,395	5,395	5,395	5,395	5,395	5,395	5,395
Improvement Reserve/Surplus Fund					17,534	31,201	44,541	57,500	70,633	83,567	96,260
Total Pledged Revenues					$ 44,506	$ 58,174	$ 71,513	$ 84,473	$ 97,605	$ 110,539	$ 123,232
Total Annual CFC Receipts	**A**		$ 49,685	$ 51,375	$ 51,380	$ 51,537	$ 51,678	$ 51,804	$ 52,496	$ 53,187	$ 53,878
Less: Administration Costs and Transportation O&M Expenses	$\mathbf{B = B_1 + B_2}$		(15,323)	(15,162)	(15,519)	(16,294)	(16,766)	(17,269)	(17,787)	(18,675)	(19,608)
Total Annual CFC Receipts net of expenses	**F = A + B**		$ 34,362	$ 36,213	$ 35,861	$ 35,243	$ 34,913	$ 34,536	$ 34,709	$ 34,512	$ 34,270
Total Debt Service	$\mathbf{C = C_1 + C_2 + C_3}$		$ 21,273	$ 21,274	$ 21,597	$ 21,575	$ 21,573	$ 21,576	$ 21,577	$ 21,578	$ 21,577
Debt Service Coverage Ratios											
Total Annual CFC Receipts incl. Debt Service Coverage Fund	**(A + E - B) / C**		2.59	2.67	2.63	2.64	2.64	2.65	2.68	2.71	2.75
Total Annual CFC Receipts	**(A - B) / C**		2.33	2.41	2.38	2.39	2.39	2.40	2.43	2.46	2.50
Total Annual CFC Receipts net of O&M	**F / C**		1.62	1.70	1.66	1.63	1.62	1.60	1.61	1.60	1.59

Source: Historical - Trustee Records; Forecast - City of Phoenix Aviation Department and LeighFisher.
Note: Historical - Annual Receipts are based on cash deposited with the Trustee during the time periods noted. Transaction Days in this exhibit are imputed based on Trustee records (e.g., dividing Annual Receipts by the $6.00 Pledged Rate). For this reason there is a slight timing difference from the information reported in Table 26 and other figures presented in the "Rental Car Analysis" section.

Exhibit 3

APPLICATION AND USE OF CUSTOMER FACILITY CHARGE (CFC) REVENUES : STRESS TEST SCENARIO PASSENGER FORECAST
CITY OF PHOENIX AVIATION DEPARTMENT
(Fiscal Years ending June 30; in thousands except rates)

This scenario was based upon hypothetical assumptions, as described in the text.

		Historical			Forecast						
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Forecast of Rental Car Demand											
Visiting O&D Passengers		7,827	8,201	8,598	8,364	8,129	8,129	8,252	8,375	8,498	8,621
Percent change		5.9%	4.8%	4.8%	-2.7%	-2.8%	0.0%	1.5%	1.5%	1.5%	1.4%
Transaction Days		7,814	8,128	8,521	8,092	7,781	7,697	7,728	7,843	7,958	8,073
Percent change		-0.2%	4.0%	4.8%	-5.0%	-3.9%	-1.1%	0.4%	1.5%	1.5%	1.4%
Transactions		1,917	1,877	1,954	1,881	1,808	1,789	1,796	1,823	1,849	1,876
Percent change		3.7%	-2.1%	4.1%	-3.8%	-3.9%	-1.1%	0.4%	1.5%	1.5%	1.4%
Average Duration		4.08	4.33	4.36	4.30	4.30	4.30	4.30	4.30	4.30	4.30
Percent change		-3.7%	6.2%	0.7%	-1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total CFC Collection Pledged Rate		$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00
Annual CFC receipts											
Annual CFC receipts generated by Pledged Rate		$ 46,882	$ 48,765	$ 51,124	$ 48,554	$ 46,684	$ 46,179	$ 46,366	$ 47,057	$ 47,749	$ 48,440
Net Interest earned and Fund Balance Changes		17	920	251	-	-	-	-	-	-	-
Total Annual CFC Receipts	**A**	$ 46,899	$ 49,685	$ 51,375	$ 48,554	$ 46,684	$ 46,179	$ 46,366	$ 47,057	$ 47,749	$ 48,440
Less:											
Administrative Costs	**B**		$ 14	$ 20	$ 30	$ 30	$ 30	$ 31	$ 32	$ 33	$ 34
Existing Debt Service	**C_1**		21,273	21,274	10,641	-	-	-	-	-	-
Series 2019A (Non-AMT)	**C_2**		-	-	6,709	11,725	11,725	11,725	11,725	11,725	11,725
Series 2019B (Taxable)	**C_3**		-	-	4,248	9,851	9,849	9,852	9,852	9,853	9,852
Transportation O&M Expenses	**D**		15,309	15,142	15,489	16,264	16,735	17,237	17,754	18,642	19,574
Total Annual CFC Receipts net of expenses and debt service			$ 13,089	$ 14,938	$ 11,438	$ 8,815	$ 7,841	$ 7,521	$ 7,694	$ 7,495	$ 7,255
IRSF Fund beginning balance					$ 76,270	$ 14,708	$ 23,524	$ 31,364	$ 38,886	$ 46,579	$ 54,075
Total Annual CFC Receipts net of expenses and debt service					11,438	8,815	7,841	7,521	7,694	7,495	7,255
IRSF Release					(73,000)	-	-	-	-	-	-
IRSF Fund ending balance				$ 76,270	$ 14,708	$ 23,524	$ 31,364	$ 38,886	$ 46,579	$ 54,075	$ 61,329
Pledged Revenues											
2019 Bond Fund					$ -	$ -	$ -	$ -	$ -	$ -	$ -
Parity Reserve Fund					21,578	21,578	21,578	21,578	21,578	21,578	21,578
Debt Service Coverage Fund	**E**				5,395	5,395	5,395	5,395	5,395	5,395	5,395
Improvement Reserve/Surplus Fund					14,708	23,524	31,364	38,886	46,579	54,075	61,329
Total Pledged Revenues					$ 41,681	$ 50,496	$ 58,337	$ 65,858	$ 73,552	$ 81,047	$ 88,302
Total Annual CFC Receipts	**A**		$ 49,685	$ 51,375	$ 48,554	$ 46,684	$ 46,179	$ 46,366	$ 47,057	$ 47,749	$ 48,440
Less: Administration Costs and Transportation O&M Expenses	**$B = B_1 + B_2$**		(15,323)	(15,162)	(15,519)	(16,294)	(16,766)	(17,269)	(17,787)	(18,675)	(19,608)
Total Annual CFC Receipts net of expenses	**F = A + B**		$ 34,362	$ 36,213	$ 33,036	$ 30,391	$ 29,414	$ 29,097	$ 29,271	$ 29,073	$ 28,831
Total Debt Service	**$C = C_1 + C_2 + C_3$**		$ 21,273	$ 21,274	$ 21,597	$ 21,575	$ 21,573	$ 21,576	$ 21,577	$ 21,578	$ 21,577
Debt Service Coverage Ratios											
Total Annual CFC Receipts incl. Debt Service Coverage Fund	**(A + E - B) / C**		2.59	2.67	2.50	2.41	2.39	2.40	2.43	2.46	2.49
Total Annual CFC Receipts	**(A - B) / C**		2.33	2.41	2.25	2.16	2.14	2.15	2.18	2.21	2.24
Total Annual CFC Receipts net of O&M	**F / C**		1.62	1.70	1.53	1.41	1.36	1.35	1.36	1.35	1.34

Source: Historical - Trustee Records; Forecast - City of Phoenix Aviation Department and LeighFisher.
Note: Historical - Annual Receipts are based on cash deposited with the Trustee during the time periods noted. Transaction Days in this exhibit are imputed based on Trustee records (e.g., dividing Annual Receipts by the $6.00 Pledged Rate). For this reason there is a slight timing difference from the information reported in Table 26 and other figures presented in the "Rental Car Analysis" section.

APPENDIX B
City of Phoenix, Arizona — Description
OVERVIEW

Phoenix is the fifth largest city in the United States, the state capital of Arizona and the center of the metropolitan area encompassed by Maricopa County (the "*County*"). This metropolitan area also includes the cities of Mesa, Chandler, Glendale, Scottsdale, Tempe, Peoria, Surprise, Avondale, Goodyear, Buckeye and El Mirage; the towns of Gilbert, Queen Creek, Fountain Hills, and Paradise Valley as well as several smaller cities and towns and all unincorporated areas of the County. It is situated 1,117 feet above sea level in the semi-arid Salt River Valley. The area is well known for its mild, sunny winters and hot summers and receives average rainfall of 7.70 inches annually.

Phoenix was founded in 1870 as an agricultural community. In 1881, it was incorporated as a city. The City Charter under which it is presently governed was adopted in 1913 and has been amended from time to time. The City has grown steadily since its inception and has shown especially strong growth since 1950. The 1900 census recorded Phoenix's population at 5,544. In 1950, the City occupied 17 square miles with a population of almost 107,000 ranking it 99th among American cities. The 2010 census recorded Phoenix's population at 1,447,128. As of August 1, 2019 the City encompasses 519.68 square miles.

Population Statistics
Phoenix, Maricopa County and Arizona

Area	1950	1970	1990	2000	2010	2018	Percent Change 1950-18	Percent Change 1990-18
Phoenix	106,818	584,303	983,403	1,321,045	1,447,128	1,660,272	1,454.3%	68.8%
Maricopa County	331,770	971,228	2,122,101	3,072,149	3,817,117	4,410,824	1,229.5	107.9
State of Arizona	749,587	1,775,399	3,665,228	5,130,632	6,392,017	7,171,646	856.7	95.7

Source: Population figures are from the U.S. Department of Commerce Census Bureau.

Phoenix is served by main lines of the Union Pacific and Burlington Northern Santa Fe Railroads, a busline (Greyhound Trailways), and 10 transcontinental, 34 interstate and 39 intrastate truck lines. Phoenix Sky Harbor International Airport, located approximately 4 miles from downtown Phoenix, is served by the following scheduled airlines: Advanced Air, Air Canada, Alaska, American, Boutique Air, British Airways, Jazz Aviation (Air Canada Express), Compass (Delta Connection), Condor, Contour, Delta, Frontier, Hawaiian, JetBlue, Mesa (American Eagle, United Express), SkyWest (American Eagle, Delta Connection, and United Express), Southwest, Spirit, Sun Country, United, Volaris and WestJet. Interstate 10, Interstate 17, U.S. Highway 60, State Routes 51, 74, 85, 87, 88, 143 and Loops 101, 202, and 303 all traverse the metropolitan area.

The metropolitan area is presently served by 34 elementary school districts, 6 high school districts, 15 unified school districts and 2 technical institutes, operating almost 800 schools. Education is also provided by public charter schools and private and parochial schools located throughout the metropolitan area. Maricopa County Community College District serves the educational needs of the Phoenix area through 10 institutions. Arizona State University (ASU) houses 17 colleges and schools and has a total full-time equivalent (FTE) enrollment of more than 103,000 undergraduate, graduate and professional students on four campuses in Metro Phoenix and online. ASU's main campus is located just east of Phoenix in the city of Tempe. The Arizona State University West campus opened in 1991, is located in northwest Phoenix, and has an enrollment of over 10,000 students. The Arizona State University Polytechnic campus opened in 1996, is located in southeast Metro Phoenix in the city of Mesa, and has an enrollment of more than 7,500 students. The Arizona State University Downtown Phoenix campus opened in 2006 and has an enrollment of more than 19,200 students. Grand Canyon University, a private university offering undergraduate and postsecondary degree programs, has a main campus located northwest of downtown Phoenix. In 2018, enrollment at Grand Canyon University was over 90,253 including both on-campus and online students. The City also contains a private graduate school and a number of private universities, colleges, and technical institutions. The U.S. Census Bureau's 2017 American Community Survey, the most recently available, estimated that more than 64.3% of the adult residents of the Maricopa County attended college, compared to 60.0% nationally.

SIGNIFICANT DEVELOPMENTS

Downtown Development

In 1979, the City adopted the Downtown Redevelopment Area plan for a 1.5 square mile area of downtown to revitalize the urban center of the City. Redevelopment efforts to date have resulted in the construction of residential units as well as numerous public and private redevelopment projects that have produced several amenities and services for employers, residents and visitors.

In 1984, a group of downtown business leaders founded the Phoenix Community Alliance. The group's express purpose is to work with government and other development interests to accomplish the highest quality downtown revitalization possible. They have been involved in a program of cooperative planning between government and private interests and have been focusing their attention on bringing increased housing, especially ownership housing, to downtown. The Phoenix Community Alliance's 2011-2016 Action Plan provided three goals: facilitating quality land development in downtown Phoenix, attracting investment to downtown Phoenix, and sharpening downtown Phoenix's competitive advantage.

In December 2004, the City Council adopted a ten-year plan for downtown entitled "Downtown Phoenix: A Strategic Vision and Blueprint for the Future" (the "*Downtown Strategic Plan*"). The Downtown Strategic Plan was developed by the combined efforts of the City, Phoenix Community Alliance, Downtown Phoenix Partnership, and Arizona State University. The Downtown Strategic Plan served as a framework for the City to pursue the comprehensive revitalization of downtown Phoenix and serves as a guide for decision-making as specific plans and projects are pursued.

The Downtown Phoenix Urban Form Project (the "*Urban Project*") was a collaborative planning process to revise downtown zoning, to shape future growth and to help realize the City's vision for a livelier, more integrated and sustainable downtown. The City embarked on this Urban Project due to heightened development interest in downtown Phoenix while acknowledging the unique development challenges of the infill urban environment. The Urban Project was completed in April 2010 when the City Council approved Chapter 12 of the Phoenix Zoning Ordinance (the "*Downtown Code*").

Downtown Phoenix Inc. ("*DPI*"), a nonprofit entity formed in 2013, was created for the purpose of enhancing the economic and cultural vitality of downtown Phoenix. It serves as an umbrella organization to "broaden the tent" of the downtown community and improve coordination amongst downtown focused organizations, resulting in greater efficiency and effectiveness among nonprofits, such as Downtown Phoenix Partnership, Phoenix Community Alliance and the Downtown Phoenix Community Development Corporation. DPI serves as a City liaison to downtown stakeholders, including neighborhood and business organizations, assisting the City in communicating with the community by providing guidance and advice as needed. DPI also collaborates with the City to expand and enhance special events downtown, in addition to working on assignments, such as studying the potential expansion of the Enhanced Municipal Services District boundaries.

General Plan

In 1985, the City Council adopted the General Plan, a long-range plan based on the Urban Village Concept. The overall goal of the Urban Village Concept (now referred to as the Urban Village Model) is to offer Phoenix residents a choice of lifestyles in which residents may live, work and enjoy leisure time activities within the same urban village. The Urban Village Model also gives residents the opportunity to play a major role in shaping these choices. It is a unique concept that has provided a high degree of citizen participation in local land use planning processes.

The General Plan guides future development in Phoenix through the establishment of fifteen urban villages, each with an approximate population of 125,000. Each village has its own village planning committee. The committees, guided by and responsible to the City Council, are comprised of 15-21 citizens, most of whom live in their respective villages. Planning activities include identifying the attitudes, problems, and issues impacting their village; formulating goals and policies that reflect the unique needs of their planning area; developing land use plans that will guide future growth in their village, and reviewing rezoning applications and development proposals.

In 1998, the State of Arizona passed the Growing Smarter legislation and in 2000 passed the Growing Smarter Plus legislation. The legislation required that the City update its General Plan, and amend or readopt the General Plan every ten years. It also requires that any changes to the General Plan be presented by public hearing to the citizens, be approved by at least two-thirds of the City Council and then be voted upon by the citizens. The City's General Plan was adopted by the City Council on December 5, 2001 and was approved by voters on March 12, 2002. In the opinion of management, the Growing Smarter and Growing Smarter Plus legislation provides processes and tools that can contribute to better planned, coordinated and balanced development. While the original legislation set a ten year deadline to readopt or amend the General Plan, in 2010 the State legislature extended the deadline to July 1, 2015.

On July 1, 2009, the City Council approved plans to implement a public participation process in developing the Phoenix General Plan Update. In August 2012, the Planning and Development Department, in partnership with the Mayor and City Council, launched PlanPHX in an effort to enhance community outreach. In order to facilitate public participation, the PlanPHX project included the debut of www.myplanphx.com. The website served as an interactive and innovative way for Phoenix residents to be involved in the Phoenix General Plan Update. In addition to the website, the Planning and Development Department conducted meetings throughout the community to obtain input and ideas from residents. The Phoenix General Plan Update focuses on five Core Values — Connecting People and Places, Building the Sustainable Desert City, Creating an Even More Vibrant Downtown, Celebrating our Diverse Communities and Neighborhoods, and Strengthening Our Local Economy. The General Plan Update was unanimously approved by the Phoenix Planning Commission on January 13, 2015. The General Plan Update was approved by the City Council on March 4, 2015 and was approved by voters in the August 25, 2015 Citywide election.

Phoenix Convention Center

Redevelopment of the downtown Phoenix area has accompanied the construction and expansion of the Phoenix Convention Center (previously Phoenix Civic Plaza). Opened in 1972, the original convention and cultural center facility encompassed eight city-blocks in downtown Phoenix, having a capacity of 10,000 persons and containing a variety of meeting and exhibition halls in addition to Symphony Hall.

In 1980, the City Council authorized the first expansion of the Phoenix Convention Center, adding a new structure connected directly to the existing facility. The additional space expanded the total convention space to 306,000 square feet. Construction of the $55 million addition commenced in late 1982 and was completed in June 1985, effectively doubling the size of the facility. In November 1995, the City completed a $31.5 million modernization and refurbishing program for the Phoenix Convention Center.

In 1998, construction began on the Civic Plaza East Garage, a 2,891-space parking facility to serve Phoenix Convention Center patrons and other downtown visitors. Included within the garage is approximately 25,000 square feet of commercial space. The garage was completed in the fall of 1999.

On June 22, 2001, the Arizona Legislature appointed the Ad Hoc Study Committee on Phoenix Civic Plaza/ Convention Facility Expansion (the "*Committee*") to make recommendations on several issues regarding Phoenix Convention Center expansion, including potential funding sources and State involvement. The membership included four State Senators, four State Representatives and nine public members. The Committee recognized the significant statewide benefit of convention business and unanimously recommended that the State develop a program to provide matching funds for major convention center improvements.

On November 6, 2001, City of Phoenix voters approved a ballot proposition authorizing the City to incur debt and expend public funds in an amount up to $300 million from City funding sources and in an amount up to $300 million in State or other non-City funding sources for the construction, expansion, modification and improvement of the Phoenix Convention Center. In June 2003, the Arizona Legislature approved spending up to $300 million in State money to match the City's contribution. Combined, the $600 million expansion project effectively tripled the size of the facility by adding approximately 600,000 square feet of meeting and exhibition space.

In 2001, City of Phoenix voters approved an additional $18.5 million in general obligation bonds for the renovation of the adjacent Symphony Hall. In order to minimize disruption to event activity, the construction schedule for Symphony Hall was aligned with the first phase of the Phoenix Convention Center expansion. In June 2003, the City Council approved the final development concept and selected the design team and the construction management team for the Phoenix Convention Center expansion and Symphony Hall renovation.

Construction of phase one of the Phoenix Convention Center expansion and the Symphony Hall renovation began in June 2004. Symphony Hall re-opened September 3, 2005 after renovations were completed during phase one. Significant improvements to Symphony Hall included a new entrance, plaza facing, wall paneling, carpeting, seating, roofing and an upgraded lobby. Phase one of the Phoenix Convention Center expansion, known as the West Building, was completed in July 2006. The four-level West Building includes a 45,000 square feet ballroom, an Executive Conference Center, 64,000 square feet of exhibition hall space and 27,000 square feet of meeting space.

Phase two construction on the new Phoenix Convention Center North Building was completed in December 2008. The four-level North Building features amenities such as a 46,000 square feet street-level ballroom, 56 meeting rooms, over 300,000 square feet of exhibition hall space on the lower level, 190,000 square feet of exhibition hall space on the upper level and a food court with six themed eateries. The North Building is connected to the West Building via a pedestrian bridge on the third level and below ground through the lower level exhibition hall. The fully expanded Phoenix Convention Center, which welcomed its first convention in January 2009, now offers approximately 900,000 square feet of rentable convention space and is one of the top 25 facilities in the country in terms of size.

The Phoenix Convention Center expansion had a significant impact on Arizona during the five-year construction period. From December 18, 2003 through November 30, 2008, 95 percent of the work was performed by Arizona residents, 11,684 people were employed on the project, $89.0 million was paid in wages and $26.9 million was paid in state construction taxes.

The expanded Phoenix Convention Center surpassed its projected goals for 2009, hosting 68 conventions with approximately 309,379 delegates, which equated to an economic impact of approximately $449 million in direct spending. Since its expansion in 2009, the Phoenix Convention Center has hosted 627 conventions, or an average of 62 conventions per year, with an estimated 2,226,000 delegates through 2018. The Phoenix Convention Center is projected to host over 65 conventions in 2019 with an estimated economic impact of over $550 million.

Business Development

The City of Phoenix Community and Economic Development Department (CEDD) strategically positions Phoenix as a globally competitive and sustainable city. Developing a modern economy is rooted in aligning economic development initiatives around Phoenix's core strengths: focusing on targeted industry sectors with the highest impact and opportunity for sustained growth, expanding the pipeline of job-creating businesses, enhancing the Phoenix business climate and improving Phoenix's competitive position in the new economic environment.

CEDD works to attract and grow quality businesses that strengthen and diversify Phoenix's economy through job growth, private investment and creating a sense of place for our community. The Arizona Commerce Authority, Greater Phoenix Economic Council and the Greater Phoenix Chamber of Commerce are strong allies in these endeavors. With these partners, the City continues several initiatives aimed at workforce development, creating and maintaining high quality jobs and industry diversification. These partnerships also establish sound economic development programs that enhance regional and statewide competitiveness.

In July 2019, the U.S. Bureau of Labor Statistics announced that Greater Phoenix led the nation in new jobs created from May 2018 to May 2019. The metropolitan area added 66,500 non-farms jobs, representing growth of 3.2%. From fiscal year 2008-09 through fiscal year 2018-19, CEDD and its partners have directly assisted in the attraction of 237 new employers to the City of Phoenix. These companies represent more than 39,772 new jobs and approximately $2.9 billion in new capital investment.

Arts, Cultural and Sports Facilities

The Orpheum Theatre was built in 1929 in downtown Phoenix for vaudeville performances and movie exhibitions. The City purchased the theatre in 1984 and it was listed on the National Register of Historic Places the following year. In 1988, citizens approved funding $7 million towards a renovation of the theatre, with the Orpheum Theatre Foundation providing additional funding of $7 million. The theatre, built in the Spanish Baroque Revival architectural style, reopened in early 1997 and is the last remaining example of theatre palace architecture in Phoenix. The 1,364-seat Orpheum Theatre is now an internationally recognized showcase for arts and entertainment and hosts a variety of productions which draw thousands of people to the vibrant downtown venue annually.

The Herberger Theater Center, a performing arts facility, opened in October 1989 adjacent to the Phoenix Convention Center. Located on a one-block site immediately north of the original Phoenix Convention Center, the Herberger Theater Center was financed with $18 million in public and private funds. Renovations to the Herberger Theater were performed during the summer of 2010 and included refurbishment of seating, platforms, lighting, carpet and paint on the 801-seat Center Stage and 343-seat Stage West. The renovations included the addition of exterior public space, upgraded outdoor signage and a new private second floor lounge and balcony for theater VIPs. The renovations were completed in October 2010 at a cost of approximately $16 million.

The Phoenix Art Museum, located at Central Avenue and McDowell Street began an expansion in December 2004. The $50 million project added nearly 30,000 square feet to the museum complex, most of which is utilized for exhibition space to benefit the museum's 290,000 annual visitors. $18.2 million of the total project cost was financed with bond funds approved by Phoenix voters in 2001. The remaining funds were raised from individuals and philanthropic organizations. The expansion was completed in November 2006.

The Arizona Science Center is located in Heritage and Science Park, a multi-block downtown cultural center, and received City funding from general obligation bonds approved by the voters in 1988. The Arizona Science Center, which cost $47 million, encompasses nearly 127,000 square feet including a 200-seat planetarium and a 285-seat IMAX Theater. The City contributed land and $20 million to the project, with the balance funded by private contributions. The Arizona Science Center opened in April 1997. In addition, an 800-space parking garage was developed. The parking garage was completed in November 1995.

In January 2000, an agreement between the City and a private company was reached for development of a 4,800-seat entertainment facility on a City owned site at the northwest corner of Washington Street and Fourth

Avenue. The Comerica Theatre (formerly Dodge Theatre) totals 165,000 square feet and cost approximately $39 million. Construction began in September 2000 and was completed in April 2002.

In November 1988, the City entered into negotiations with the Phoenix Suns Limited Partnership (the "*Suns*") for the development and operation of a 20,000-seat downtown sports arena to be located immediately south of the Phoenix Convention Center. Final agreements between the City and the Suns were approved by the City Council in July 1989. The construction cost of the arena and adjacent garage was $100 million. The City acquired and cleared the land for the project at a cost of $12.8 million and contributed $35 million toward construction. The Suns contributed an additional $515,000 for land acquisition and were responsible for the balance of the construction costs (approximately $52 million). Construction began in November 1990 and America West Arena (currently Talking Stick Resort Arena) opened in June 1992.

A multi-phased renovation of Talking Stick Resort Arena began in the spring of 2001 and was completed in early 2005. Exterior renovations included the addition of a 15,000 square feet climate controlled pavilion on the main entrance plaza, expansion of the north façade to accommodate street level restaurants along Jefferson Street and the construction of a pedestrian passageway from Jefferson Street to Jackson Street. The interior renovations consisted of concourse improvements, seating enhancements and additional restrooms. The second phase of renovations brought significant technology improvements including a new scoreboard and wraparound LED boards, as well as expansion of the Platinum Club, and other core building improvements, all of which ensure the Center's continued state of the art status. The renovations were completed at a total cost of approximately $57 million funded jointly by the City and the Suns.

In January 2019, the Phoenix City Council authorized the City to amend its agreement with the Suns to facilitate the renovation of Talking Stick Resort Arena. The arena renovation will be funded by the City and the Suns, with the City contributing $150 million and the Suns contributing $80 million plus any cost overruns. Major building systems including electrical, mechanical, plumbing and technology infrastructure will be updated or replaced. Additional plans include upgrades to social spaces, suite renovations, retail space improvements, and modernization of locker rooms. The renovations are expected to begin in 2019 and be completed in 2021. The new agreement will commit the Suns to stay in the arena until at least 2037.

Major League Baseball owners awarded a Phoenix-based ownership group a major league baseball franchise in March 1995. The team, the Arizona Diamondbacks, began play in March 1998. A $354 million, 48,500-seat, natural grass baseball stadium was constructed at the southwest corner of Jefferson Street and Seventh Street in downtown Phoenix through a public/private partnership. Public participation was authorized in early 1994, when the Maricopa County Stadium District approved the expenditure of $238 million for the development of the stadium. The balance of the construction costs were financed by the team ownership group.

In April 2009, the City completed construction on the Civic Space Park. The 2.77-acre park in the heart of downtown Phoenix, bounded by First and Central Avenues and Van Buren and Fillmore Streets, offers residents, workers, students and visitors a unique urban design. The park contains sustainable features such as solar panel shade structures, which generate power for the park's lighting and electrical needs and pervious concrete and pavers to reduce heat reflection and allow rainfall to seep through to the ground. The park also includes interactive water and light features, green spaces and a 100-foot aerial art sculpture. The historic 1926 A.E. England Building is located inside Civic Space Park and hosts an auditorium as well as office, meeting and retail space.

On August 31, 2011 the Community and Economic Development and Phoenix Convention Center Department entered into a 20 year public private partnership with the Legends Entertainment District. The district, which utilizes digital signage to stimulate activity within downtown, is generally bounded on the north and south sides of Jefferson Street from First Avenue to Seventh Street and includes sites such as Chase Field, Talking Stick Resort Arena, the Phoenix Convention Center South Building and the Phoenix Convention Center East Garage.

In 2011, the City's Community and Economic Development Department acquired a site on Central Avenue across from the Phoenix Art Museum for the construction of the Arizona Opera Center. The new building, which opened in March 2013, is a 28,000 square-foot performing arts facility that includes performance and rehearsal space, administrative offices, and educational and public meeting facilities. The City contributed $3.2 million of general obligation bonds towards the $5.2 million facility. The Arizona Opera Center building is owned by the City and operated by Arizona Opera.

In 2015, the City facilitated the creation of an entertainment district in downtown Phoenix (the "*Entertainment District*"). The Entertainment District encompasses about one-square mile of downtown Phoenix and is intended to foster economic development by bringing more businesses to the area. Previously, potential businesses were prohibited from applying for a liquor license if they were within 300 feet of a church or school, per Arizona State law. The Phoenix City Council now has the option to consider an exemption for liquor licenses within the district. The creation of the Entertainment District serves as a development tool that supports the growth of a vibrant downtown with a mix of businesses and nightlife.

Commercial Development

In the 1970s, Arizona's three major commercial banks (at that time The Valley National Bank of Arizona, First Interstate Bank, and The Arizona Bank) located their high-rise headquarters buildings in the downtown area. In addition, the Citibank building (now Compass Bancshares), consisting of 113,000 square feet of space situated on the northwest corner of Van Buren Street and First Avenue, was opened on August 1, 1989.

The 1970s also saw the development of two downtown high-rise hotels. The Hyatt and Renaissance (formerly the Wyndham) properties combine to provide 1,242 hotel rooms in downtown Phoenix. As an outgrowth of the many downtown development and redevelopment projects during the 1990s and 2000s, there was a rapid increase in hotel room demand from business, leisure and convention travelers visiting the area. To meet this demand, the City constructed a new 1,000-room hotel on the northwest corner of Third Street and Van Buren Street. Adjacent to the Arizona Center and several office and entertainment venues, the hotel contains approximately 10,000 square feet of retail space, including a coffee shop, lounge, restaurant, and fitness facilities; a 30,000 square-foot ballroom; and additional meeting space. Starwood Hotels and Resorts was selected as the hotel's operator under the company's Sheraton flag. Design of the hotel began in early 2005 and construction began in March 2006. The Sheraton Grand Phoenix Hotel opened September 2008 and supports the additional hotel demand generated by the expansion of the Phoenix Convention Center. The City sold the hotel to Marriott in 2018.

The Trammell Crow Company completed construction of an $80 million, 26-story, 450,000 square-foot high-rise office building (currently called One Renaissance), including 40,000 square feet of retail, in the center of downtown Phoenix in 1988. In conjunction with this project, the City constructed a 1,456 space underground public parking garage to support the parking needs generated by the Trammell Crow building and other downtown projects. This $15 million project was dedicated in December 1988. In response to a successful leasing effort, Trammell Crow Company constructed a second office building (called Two Renaissance) which opened in January 1990 on the half-block immediately north of their first building, consisting of 475,000 square feet including 15,000 square feet of retail.

Culminating an effort initiated by the Phoenix Community Alliance, the City entered into an agreement with The Rouse Company in September 1987 to develop a $515 million mixed-use development project to the north of the Phoenix Convention Center known as the Arizona Center. The development includes office and retail use as well as a three-acre public plaza. Arizona Public Service occupies a 450,000 square-foot office tower, which was completed in March 1989. In March 1998, a 5,000-seat 24-screen movie theater opened.

The Barron Collier Company and Opus West initiated a mixed-use downtown development project in 1998. The plans for Collier Center included three high-rise towers with 1.5 million square feet of office space, 200,000 square feet of retail shops and restaurants, and parking for 2,400 vehicles. The project is located on a

7.2-acre site bounded by Washington, Jefferson, First and Third Streets. Collier Center's Phase I, a $500 million, 23-story office tower, was completed in September 2000 and is the Arizona headquarters for Bank of America. The tower contains over 500,000 square feet of office space, 85,000 square feet of retail space and a 1,500-space underground parking garage.

Construction of the 20-story, 410,000 square-foot One North Central Building (formerly the Phelps Dodge Building), including 10,000 square feet of retail and 975 on-site parking spaces, began in February 2000. The building is located on the northeast corner of Washington Street and Central Avenue in downtown Phoenix. Construction was completed in November 2001.

In 2005, the City exchanged the City-owned historic Hanny's Building located at First and Adams Streets for the historic A.E. England Building located next to the ASU Downtown Phoenix campus at 424 North Central. The A.E. England Building, owned and operated by the City Parks and Recreation Department, was renovated for mixed retail and community use. The 30,000 square-foot Hanny's Building was renovated into a restaurant that opened in December 2008. The Historic Preservation Commission and the City assisted with approximately $400,000 of the estimated $4 million renovation costs.

The City entered into an agreement with One Central Park East Associates LLC to develop a $185 million 26-story office tower at the northwest corner of First and Van Buren streets. The Freeport McMoRan Center houses the world headquarters for Freeport-McMoRan Copper & Gold Inc. (formerly Phelps Dodge Corporation) and the Westin Hotel. The City provided property tax assistance and abandonment of right-of-way for the 485,700 square-foot building of Class A office space, 8,500 square feet of ground level retail space and 590 parking spaces. Construction began in October 2007 and was completed in November 2009. The Westin, which opened in March 2011, occupies nine floors of the Freeport McMoRan Center and includes 242 over sized guest rooms averaging 550 square feet.

In March 2012, the office space vacated by Freeport McMoRan at One North Central Avenue, (the former Phelps Dodge Building) was leased to the Arizona Summit Law School, formerly the Phoenix School of Law. The school relocated its private law school from the Phoenix mid-town corridor into the downtown area to improve student and faculty access to the various courts and for convenient access and close proximity to retail and entertainment venues.

CityScape is an approximately 5-acre, mixed-use development that blends urban living with work, shopping and entertainment and includes restaurants, a hotel, offices and outdoor event space. The project encompasses two blocks in downtown Phoenix and is one block from the Talking Stick Resort Arena and 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, 200,000 square feet of retail, 1,300 parking spaces and redevelopment of Patriot's Square Park. Construction of the second phase commenced in February 2011 and included construction of the 242 room Hotel Palomar which was completed in June 2012. The final phase of the project, The Residences at CityScape, is comprised of 224 high-rise apartment units, constructed above the Hotel Palomar. The Residences at CityScape opened in the spring of 2014.

In 2010, the City entered into a development agreement with Hansji Hotels to develop the Luhrs City Center Marriott at the Northwest corner of Central Avenue and Madison Street. Construction on the hotel, which houses two brands, Residence Inn by Marriott and Courtyard by Marriott, began in late 2014. The two hotels share a lobby and other amenities, such as the fourth-floor pool. The 19-story Luhrs City Center Marriott offers 320 guest rooms and ground-floor retail space, while retaining the existing historic buildings on the same city block. The project incorporated the 10-story Luhrs Building, built in 1924, the 14-story Luhrs Tower, built in 1929, along with the one-story Luhrs Post Office Station & Arcade that connects the two high-rises. Construction was completed in April 2017 and resulted in $85,000,000 in capital investment.

In 2017, RED Development and Streetlights commenced construction of a dense, vibrant, urban development in the heart of downtown, with a capital investment of nearly $160 million. The project will include approximately 300 multi-family, for rent, high-rise residential units in one tower with 150,000 square feet of creative, open, office space attractive to technology and innovative tenants and 50,000 square feet of commercial space including an urban Fry's grocery store in the other tower, plus 1,000 above and below grade structured parking stalls and streetscape improvements. This project is expected to be completed in 2020.

In the spring of 2018, a 210-room, 11-story Hampton Inn hotel opened in downtown Phoenix. This $44 million hotel is well positioned to serve both the Phoenix Convention Center and the Arizona State University downtown campus.

In the summer of 2018, True North Holdings entered into a development agreement to construct the $151 million Ro2 development featuring 305,000 square-foot of office space and 77,000 square-foot of commercial retail space on City-owned land on 2nd Street north of Roosevelt. In the fall of 2018, True North closed escrow on the first phase of the development, acquiring the historic Knipe House for $80,000. The historic house will be renovated and adaptively reused for retail space in late 2019. Completion of the full project is anticipated in 2021.

Biotechnology and Education

In spring of 2002, the City and the State of Arizona, in partnership with the County's three State universities, various foundations and the private sector, formalized two proposals to the International Genomics Consortium (IGC) and the Translational Genomics Research Institute (TGen) to locate their new headquarters in downtown Phoenix. The City agreed to construct a six-story, 170,000 square-foot research facility for IGC and TGen located at Fifth and Van Buren Streets. Construction began in late July 2003 with occupancy occurring in December 2004. In September 2017 TGen, now an affiliate of City of Hope, agreed to a 20-year Lease-to-Purchase transaction for the building that is home to its headquarters and several other long-term tenants.

In August 2004, the Arizona Board of Regents, the University of Arizona (U of A) and ASU (collectively, the Arizona Biomedical Collaborative) entered into a memorandum of understanding outlining a combined vision to expand the U of A's colleges of medicine and pharmacy in downtown Phoenix, perform complementary research and develop facilities at the Phoenix Biomedical Campus (PBC) located on Van Buren Street between Fifth and Seventh Streets. The U of A College of Medicine has renovated three historic former Phoenix Union High School buildings located on the PBC for the first phase of the medical school. The $27 million renovation project began in March 2005 and was completed in September 2006. The first Arizona Biomedical Collaborative building (ABC I) is a four-story, 85,000 square-foot building located just north of the historic Phoenix Union High School buildings along Fifth Street. Research within ABC I focuses on several areas including cancer, diabetes, neurological and cardiovascular diseases. The $30 million facility includes academic space for the ASU Department of Biomedical Informatics on floors one and two and wet lab space for the U of A College of Medicine on floors three and four. Construction began in September 2005 and was completed July 2007.

In July 2012, the U of A Health Sciences Education Building (HSEB) opened and now houses the U of A College of Pharmacy and Northern Arizona University's Allied Healthcare Programs. This approximately $140 million, 260,000 square-foot six-story academic facility has provided space for the expansion of the U of A College of Medicine in downtown Phoenix. The U of A was also the recipient of a $15 million American Recovery and Reinvestment Act stimulus grant for the development of a below-grade research core. At build-out, the 30-acre PBC is expected to include more than six million square feet of research, academic and clinical development.

In the fall of 2015 the University of Arizona Cancer Center at Dignity Health St. Joseph's opened. The 220,000 square-foot, five-story, $100 million facility offers comprehensive cancer services, including infusion, radiation oncology, diagnostic imaging, endoscopic/interventional radiology, a women's center, specialized cancer clinics, patient wellness and support services, a prevention/executive health clinic, clinical lab space and other related support areas. The center is the only National Cancer Institute-designated Comprehensive Cancer

Center located in Phoenix. This outpatient clinical facility hosts approximately 60,000 patient visits and 500,000 annual visitors.

In February 2017, the U of A Biosciences Partnership Building (BSPB) opened. The 10-story, 245,000 square-foot building is connected to HSEB through a walkway. Research in BSPB will focus on flow cytometry, physics, materials science, nanotechnology, cancer drug therapies, molecular medicine, pediatric vaccines, building platforms for DNA and Biomarker Testing. At full occupancy, the facility will employ an estimated 360 healthcare professionals.

The next phase of construction at the PBC commenced in February 2013 with the groundbreaking of the Arizona Cancer Center. The $100 million, five-story, 220,000 square-foot facility is located on the northwest corner of 7th and Fillmore Streets and opened in the fall of 2015. This outpatient clinical facility is anticipated to host approximately 60,000 patient visits and 500,000 annual visitors.

To help serve the growing PBC, construction began in the fall of 2014 on a 1,200-car parking structure at 5th and Fillmore Streets. The eight-level privately developed project will provide parking for the neighboring institutions in the Phoenix Biomedical Campus, as well as paid public parking. The $19.0 million facility was opened in November 2015.

In March 2019, construction began on the first phase of Arizona State University's planned Health Solutions Campus at the Phoenix Biomedical Campus. ASU aims to develop its campus under a long-term agreement with the City for development rights for seven acres of land on the campus. The first phase of this development is the PBC Innovation Center, a 225,000-square-foot building being constructed by Wexford Science and Technology. The project cost of the first phase is $77 million and is expected to be completed in 2021.

In order to meet the additional business needs of the growing biomedical sector, the City is looking beyond the 30-acre downtown PBC. The City is collaborating with the Arizona State Land Department, ASU and the Mayo Clinic to develop the 600-acre Arizona Biomedical Corridor in north Phoenix. The City is assisting ASU with infrastructure on their 24-acre Health Solutions Campus. Groundbreaking for the first building occurred in April 2019. The Mayo Clinic completed its $314 million proton beam therapy facility within the Corridor in February 2016.

In 2004, ASU and the City of Phoenix entered into a partnership to develop the ASU Downtown Phoenix campus. Phoenix voters committed $223 million to the ASU Downtown Phoenix campus in the 2006 bond election. The campus is located in downtown Phoenix between Van Buren and Fillmore Streets on the north and south and First Avenue and Seventh Street on the west and east, respectively. Over 11,400 students were enrolled in degree programs at the ASU Downtown Phoenix campus during the fall 2017 semester.

As part of the first phase of the ASU Downtown Phoenix campus, which opened in August 2006, ASU began to offer a wide range of undergraduate and graduate programs from the College of Public Programs and the University College. The second phase brought programs from the state-of-the-art Walter Cronkite School of Journalism and Mass Communications, KAET/Channel 8 and the College of Nursing & Healthcare Innovation to the ASU Downtown Phoenix campus.

As part of the second phase of the ASU Downtown Phoenix campus expansion, construction was completed on the 82,000 square-foot ASU College of Nursing and Healthcare Innovation II facility. The innovative design creates a sense of arrival for the northeast corner of the campus and downtown. With over a third of the materials utilized for this project containing recycled content, the new facility achieved the Leadership in Energy and Environmental Design (LEED) certified Gold status and has received 14 awards including Best Education Facility in America and the LEED Building of the Year. ASU invested $1.5 million in tenant improvements to finish the remaining fifth floor space of the ASU Nursing and Health Innovation II facility for executive offices, meeting space and staff workstations, which were completed in July 2013.

The second phase was completed with the addition of a student union and a student residence hall. The U.S. Post Office building at Central Avenue and Fillmore Street houses the student union for the ASU Downtown Phoenix campus. Retail postal services remain in the building, and a veranda was added along the south side of the building to be used for concerts, outdoor films and other activities. The conversion of the U.S. Post Office building was completed in March 2010. Taylor Place, a new student residence hall was constructed on the campus between First and Second Streets on Taylor Street. Taylor Place was completed in August 2009 and accommodates 1,294 beds. In early 2012, ASU began construction on the 18,870 square-foot Student Center @ the Post Office located on the lower and first floors of the historic post office. Construction was completed in time for the 2013 spring semester.

In August 2012, construction of the new ASU student recreation center began. The Sun Devil Fitness Complex is a five-story, 64,000 square-foot facility with state-of-the-art weight and fitness areas, three multi-purpose studios for group fitness and mind/body classes, a two-court gymnasium, a rooftop outdoor leisure pool and a multi-purpose area for student clubs to utilize. The $25 million facility is located on First Avenue north of Van Buren Street, next to the YMCA. With classroom space for the Exercise and Wellness academic program on the second floor, the new facility adds to the existing YMCA services and serves both ASU students and YMCA members. The Sun Devil Fitness Complex opened to students and members in August 2013.

The ASU Sandra Day O'Connor College of Law relocated to downtown Phoenix from the Tempe main campus with the completion of the Beus Center for Law and Society building. The City of Phoenix invested $12 million in the project, located on a square block bounded by First, Second, Taylor and Polk Streets. Construction on the $129 million, 280,000-square-foot facility began in June 2014 and completed in August 2016.

In 2018, ASU committed to relocate the ASU Thunderbird School of Global Management (Thunderbird) from Glendale, Arizona to a new building on the square block also containing the ASU Sandra Day O'Connor College of Law. Thunderbird is moving to a temporary space at the Arizona Center before moving the graduate school to a new $60 million, 100,000 square-foot, four-story building at the corner of Second and Polk Streets in 2020. The City of Phoenix has agreed to invest $13.5 million into the project.

The anticipated economic impact of the ASU Downtown Phoenix campus is estimated to be $570 million, including the creation of 7,700 jobs. The City and ASU are working together to develop the State's workforce through education, generating academic and intellectual capital.

In July 2019, Creighton University, based in Omaha, Nebraska, began construction on a new health sciences campus at Park Central in midtown Phoenix. Creighton has estimated the total development cost to be $99,000,000. Expected to open in 2021, the 180,000-square-foot Phoenix campus will serve nearly 900 students. It will include a four-year medical school and schools for nursing, occupational and physical therapy, pharmacy, physician assistants and an emergency medical services program. In conjunction with the new Creighton campus and other development at Park Central, a $30 million parking garage is being constructed by the Park Central Community Facilities District, formed for this purpose. The new ten-story parking garage will have a capacity of 2,001 spaces and is expected to open in the summer of 2020.

Neighborhood Revitalization and Downtown Housing

The City's downtown redevelopment efforts are complemented by Neighborhood Services Department (NSD) programs through which NSD works to preserve and improve the physical, social and economic health of Phoenix neighborhoods. NSD has created programs to assist neighborhoods citywide and aggressively works to revitalize targeted neighborhoods. City projects are complemented by neighborhood-based programs such as clean-ups, blight elimination and graffiti prevention that are often led by neighborhood stakeholders, including businesses, residents and schools.

Targeted neighborhood strategies are more comprehensive and concentrated in approach, involving redevelopment of blighted or under-used properties, proactive code enforcement, housing rehabilitation, infill housing development, infrastructure improvements, neighborhood capacity building and economic development. Targeted neighborhoods include Neighborhood Initiative Areas, Redevelopment Areas, West Phoenix Revitalization Area, Rental Renaissance Neighborhoods and other City designated revitalization areas.

In order to make a meaningful impact towards the revitalization of distressed neighborhoods, NSD uses a strategic approach to address citywide needs and revitalization activities to enhance the physical environment and to improve neighborhoods. Federal programs that address blight elimination and neighborhood revitalization priorities including owner occupied housing rehabilitation and homeownership opportunities support the NSD strategies while enhancing the quality of life of Phoenix residents.

Beginning in the late 1990s, downtown Phoenix saw the development of several market rate projects for the first time in nearly a decade. From 1997 through 2003, nearly 1,300 housing units were built and available for occupancy in downtown. The units included apartments, lofts, condominiums and multi-family housing.

In the summer of 2003, Post Properties and Desert Viking Properties, LLC completed a rehabilitation project of a 12,300 square-foot retail structure located at Roosevelt Street and Third Avenue. The Gold Spot Market was reopened on July 17, 2003.

In August 2003, Artisan Homes, Inc. began building 105 ownership housing units on a 5.5 acre site bounded by Fifth and Seventh Streets and Roosevelt and Portland Streets. Artisan Village is an urban, mixed-use row house and townhouse residential project featuring ownership and unique live/work units with 3,000 square feet of street level retail opportunities, streetscapes, green belts, open spaces and 1,200 square feet dedicated for cultural use. The total project cost approximately $18 million and was completed in March 2006.

In March 2004, the City entered into an agreement with Portland Place Partners to develop vacant land on Portland Street between Third Avenue and Central Avenue. Portland Place is an urban residential development that consists of 54 units in a six-story condominium tower and brownstones. Construction of Portland Place was completed in July 2007. The next phase of development, Portland on the Park, began construction in the spring of 2015 and was completed in the spring of 2017. This luxury condominium project sits adjacent to the City's Hance Park on Portland Ave, between 1st and 2nd Ave. The $54,000,000 Portland on the Park project has added 170 condos to the historic Roosevelt neighborhood.

Since 2004, residential housing projects have been developed in downtown Phoenix with several additional projects currently under construction. Over the past ten years, downtown has gained over 3,300 market rate units and 1,200 affordable units. These new units have been developed as urban infill and adaptive reuse as well as low, mid and high-rise development projects.

On July 1, 2004, the City Council authorized staff to enter into a disposition and development agreement with Urban Form Development, LLC for a mixed-use residential project on City-owned property located at 215/217 East McKinley Street. Named 215 East McKinley, the development includes 14 residential units. Construction began in March 2006 and was completed in the fall of 2007.

WP South Acquisitions, LLC began construction in the spring of 2005 of a mixed-use residential project on a City-owned parcel and adjacent privately-owned property at the northwest corner of Fourth and Fillmore Streets. Alta Phoenix Lofts consists of approximately 325 market-rate rental residential units in an eight-story building with up to 10,000 square feet of street level commercial space and live/work units and a six-story parking structure with 450 parking spaces. Occupancy began in March 2009.

The Summit at Copper Square, a $32 million project adjacent to Chase Field, was completed in late 2007. The 22-story residential project on the southwest corner of Fourth Street and Jackson Street, consists of 167 ownership loft, studio, and luxury condominium units.

Grace Communities completed demolition of an office building located at the northeast corner of First Avenue and Monroe Street in June 2005 and constructed the tallest residential tower in Arizona. 44 Monroe consists of a 34-story mixed-use high-rise with 196 ownership condominium units, a recreation area, fitness center, theater, parking and approximately 3,300 square feet of commercial development. The $140 million project was completed in August 2008. In June 2010, ST Residential purchased 44 Monroe and converted the condominiums into rental units.

The City of Phoenix obtained a HOPE VI (Home Ownership Opportunities for People Everywhere) grant from the U.S. Department of Housing and Urban Development (HUD) to fund the revitalization of the Matthew Henson public housing site and surrounding community. The overall goals of HOPE VI are to assist public housing authorities in replacing severely distressed housing, increasing resident self-sufficiency and home ownership opportunities, creating incentives to encourage investment, and lessening concentrations of poverty by promoting mixed-income communities. The HOPE VI Special Redevelopment Area encompasses the area between Seventh and Fifteenth Avenues and Grant and Pima Streets. The project is a concentrated, mixed-income development of 611 affordable housing units with a community resource center, youth activity center, public parks, community gardens and swimming pools. Demolition and reconstruction began in December 2003. Eligible residents began to return to the communities in December 2005 and final occupancy occurred in the fall of 2008.

Concord Eastridge began development of a major multi-family, mixed-use residential project in 2011. The $52 million project, Roosevelt Point, occupies a three acre site in downtown Phoenix located between Roosevelt and McKinley Streets and Third and Fourth Streets. The privately funded project consists of 327 units and a 5-level parking garage and several thousand square feet of street-level retail. The project is intended to serve the growing population of students attending classes at the ASU Downtown Phoenix campus and the Phoenix Biomedical Campus. Construction began in the spring of 2012 and was completed in September 2013.

In January 2013, the developer of the CityScape project began construction on a 242 luxury apartment complex, Residences at CityScape, situated atop the 10-story Hotel Palomar at the intersection of Jefferson Street and Central Avenue. Construction was completed in the spring of 2014. The Residences at CityScape extends 25 stories above street level and provides the apartment residents access to all of the hotel's amenities, including a private pool deck.

Art HAUS is a market rate residential project that completed construction in July 2016. The project includes twenty-five urban dwellings located in Midtown Phoenix consisting of simple yet bold forms organized around inter-connected semi-private resident courtyards. Dwellings consist of seven three-level townhomes, fifteen two-level lofts and three single-level flats ranging from 560 to 1,800 square feet. The project was constructed on the remnant parcel behind the Arizona Opera Center at Central Avenue and McDowell Road. The $5.5 million project is within walking distance of the Midtown Arts District.

Cloquet Metrowest, LLC completed a $17 million, five-story mixed-use development, named Union, in the summer of 2017. The Union includes 8,000 square feet of street-level restaurant/retail space, structured parking and 80 market-rate, multifamily residential units on a 0.9 acre site in the Historic Roosevelt neighborhood, at the southwest corner of Roosevelt Street and First Avenue.

In the summer of 2017, Alliance Residential completed the Broadstone Arts District project, a $49 million four-story, multi-family, rental residential infill project with 280 apartments. This development is on a 4.0 acre site at the northeast corner of McDowell Road and Alvarado Street.

In the fall of 2017, CA Ventures broke ground on The Link PHX. The Link PHX is a 30-story high-rise residential rental project with ground floor commercial space. This is the first phase of a three phase project that will ultimately generate $175 million of new investment in downtown Phoenix.

In the fall of 2018, Akara Partners broke ground on a $45-million, 20-story high rise residential project featuring 299 rental units with 17,000 square feet of ground floor retail. The project is anticipated to be completed in the fall of 2020.

Government Facilities

A 601,000 square-foot Phoenix City Hall was built on Washington Street between Second and Third Avenues, immediately north of the existing Calvin C. Goode Municipal Building. The project, completed in 1994, includes a 1,500-space parking structure that contains 43,000 square feet of office and retail space and is located between Washington and Jefferson Streets and Third and Fourth Avenues.

The Burton Barr Central Library celebrated its grand opening in May 1995. The five-story, 284,000 square-foot library accommodates more than 1 million volumes and has seating for up to 800 patrons. The facility was designed to meet the needs of library patrons well into the 21st century.

Construction of the Phoenix Municipal Court Valdemar A. Cordova Building, a nine-story, 375,000 square-foot City criminal justice facility, was completed in the fall of 1999. The building is located on the northwest corner of Washington Street and Third Avenue, directly west of Phoenix City Hall. The project cost $79 million. It is estimated that between 3,000 and 4,000 customers per day visit this facility, making it the largest volume court in the State.

The Federal government completed construction of a 550,000 square-foot federal courthouse in September 2000. The Sandra Day O'Connor U.S. Courthouse is located on two blocks bounded by Jefferson and Washington Streets and Fourth and Sixth Avenues in downtown Phoenix. The project cost approximately $110 million and includes courtrooms and related office space.

The County constructed a new courthouse in downtown Phoenix at First Avenue and Madison Street. The new 16-story courthouse provides 683,000 square feet of space, including 32 criminal courtrooms. Construction of the $340 million courthouse was completed in February 2012.

Maricopa County began construction of a new Maricopa County Sheriff's Office (MCSO) Headquarters in June 2012. Completed in 2014, the five-story, $92.5 million facility is located on Fifth Avenue and Jefferson Street and houses MCSO administrative staff, and the 911 call center operations. The building contains approximately 128,000 square feet of space with 75 parking spaces below ground.

In late 2017, Maricopa County began a $65-million remodel of the former Madison Street Jail located east of 3rd Avenue between Madison and Jackson Streets. The space will be the future home of the Maricopa County Attorney's Office, consolidating offices from around the county in downtown Phoenix.

Downtown Streetscape

Construction on an $8.9 million streetscape project in downtown Phoenix was completed in February 1995. The project added pedestrian lighting, landscaping and street furniture to pedestrian-oriented streets in the downtown area. The improvements are concentrated along Adams Street between Second Avenue and Second Street, Monroe Street between Third Avenue and Seventh Street, Second Street from Van Buren to Jefferson Streets, and Third Street between Van Buren and Monroe Streets. Project boundaries were chosen to create a pedestrian link between Phoenix City Hall, the Orpheum Theater, Talking Stick Resort Arena, the Arizona Center and the Heritage and Science Park.

In the fall of 2000, the City and the County reached an agreement wherein the County would be responsible for funding the streetscape build out of Jackson Street from First Avenue to Ninth Avenue and the City would be responsible for its maintenance. The $3.2 million project included a three-month community input process to identify the parameters of the street layout, landscape, sidewalk, lighting and design elements. Construction began March 2004 and was completed in November 2004.

In the fall of 2006, the City began construction of two streetscape projects on the ASU Downtown Phoenix campus. The projects, which included Taylor Mall and First Street, were completed in January 2009. Taylor Mall is a tree-lined, pedestrian-friendly sidewalk and street between the Civic Space Park and Arizona Center that contains public art, inviting benches, and sustainable water features. A traffic signal and crosswalk allows pedestrians to cross Central Avenue and light rail tracks to enter the Civic Space Park safely from Taylor Mall. In addition, the west side of First Street from Polk Street to McKinley Street has been improved with lighting, shade and landscaping.

In late 2012, the City completed construction of a 2006 voter approved bond project which improved downtown streetscapes on First Street from Fillmore to McKinley streets. The City received an award from the Arizona Community Tree Council for the First Street streetscape project for the beautification of the urban environment through the use of trees.

In 2015, the City completed construction on a streetscape project improvement on Roosevelt Street between Central Avenue and Fourth Street. The project was funded through a $750,000 Federal Transportation Enhancement Grant. The improvements include new sidewalks, bike lanes, street lights, shade trees, benches, public art and other amenities. A second phase of this project on Roosevelt Street, from Fourth Street to Seventh Street was completed in August 2016.

In 2017, the Renaissance Hotel, which fronts Adams Street from Central Ave to 1st Street, began a $9.5M capital improvement program that took recommendations from the Adams Street Activation Study. The improvements included relocating the valet area from Adams St. to 1st Street, structured shade elements along the south façade, drought tolerant landscaping and decorative street pavers. This investment transformed Adams Street into a more pedestrian friendly space and set a high standard for future development along Adams Street.

In 2019, the Hyatt Hotel, which fronts Adams Street from 1st Street to 2nd Street, began a $40 million capital improvement project to renovate the hotel and enhance the streetscape consistent with recommendations from the Adams Street activation study. Work is expected to be completed in 2020.

Transit/Light Rail

Central Station, the City's downtown transit center located on the northwest corner of Central Avenue and Van Buren Street was constructed in 1997. The 2.7-acre site includes a 4,000 square-foot passenger services building for ticket sales, security, and restrooms; a 16,000 square-foot passenger plaza that includes passenger information, seating and shade; and bus loading and circulation areas for 6 bus routes, Dial-a-Ride and DASH (Downtown Area Shuttle), as well as east and westbound light rail services. The total cost of the project was approximately $9.3 million, with the Federal Transit Administration funding 80% and the City funding 20% of the project. Central Station received a $3.7 million renovation, completed in July 2011, to modernize the facility, improve security, and incorporate sustainable elements. The transit center improvements were one of five major transit capital projects funded by the American Recovery and Reinvestment Act (ARRA). The other four projects include a $1.4 million expansion of the 40th Street and Pecos Road park-and-ride that was completed in June 2010, the construction of a new $3.4 million park-and-ride at the southwest corner of Interstate 17 and Happy Valley Road that was completed in January 2011, the construction of a new $2.7 million park-and-ride at the southwest corner of 27th Avenue and Baseline Road that was completed in February 2012 and a $4.0 million project to make Americans with Disabilities Act (ADA) related improvements to 400 bus stops in Phoenix that was completed in October 2012.

On March 14, 2000, City of Phoenix voters approved a 0.4% sales tax increase to be levied for a period of twenty years to provide funding for a light rail system as well as mass transit, including expanded bus service and other transportation improvements. Construction of an approximately $1.4 billion, 20-mile light rail system connecting north central Phoenix (19th Avenue and Bethany Home Road) with Sky Harbor International Airport (via the PHX Sky Train®), Tempe and Mesa (Main Street and Sycamore Road) began in the fall of 2004 and opened for operations in December 2008. The total cost of the project was funded with Federal grant funds, City sales tax revenues and other local funding sources.

In March 2008, the City entered into an intergovernmental agreement with Valley Metro Rail, Inc. (METRO) to design, build, operate and maintain an extension to the light rail system. The Northwest Extension (NWE) as initially planned would extend the original light rail system 4.9 miles northwest from 19th Avenue and Montebello (just south of Bethany Home Road) to 25th Avenue and Mountain View Road. The project will be completed in two phases. Construction of Phase I, which extended the light rail system 3.2 miles from 19th Avenue and Montebello to 19th Avenue and Dunlap, began in January 2013 and opened for service to the public in March 2016. Phase II will extend the light rail system another 1.7 miles from 19th Avenue and Dunlap over the I-17 freeway on Mountain View Road with a terminus on the west side of the freeway near Metrocenter mall to be completed in 2023. The City, in partnership with Valley Metro, began the environmental assessment for phase II during the spring of 2015. The Transit Excise Tax has already funded 33% of the construction costs for the NWE and the Maricopa County Transportation Excise Tax is funding the remaining 67% of the construction costs. No additional borrowing by the City is expected to be required for the City to fund capital costs of the NWE. The NWE operating costs will be funded with Transit Excise Tax revenues, fares, advertising revenues, and Federal preventive maintenance funds. The first new station along the existing Valley Metro Rail line was completed in April 2019 and serves the communities near 50th and Washington Streets, and supports transit-oriented development planned for the area. A South Central Extension is anticipated to be completed in the next few years which will connect with the current light rail system in downtown Phoenix and run south to Baseline Road.

The city of Mesa received local and regional approval in August 2010 to move forward with the Central Mesa Extension, which extended the System 3.1 miles from Sycamore Drive and Main Street to Mesa Drive and Main Street. Construction on the Central Mesa Extension began in May 2012, with service beginning in August 2015. The Federal Transit Administration funded 64% of the Central Mesa Extension construction costs and the Maricopa County Transportation Excise Tax funded the remaining 36% of the construction costs. The Gilbert Road Extension was completed in late spring 2019 and extends the light rail on Main Street from Mesa Drive to Gilbert Road in Mesa. The city of Tempe began construction in 2017 on the Tempe Streetcar. Tempe Streetcar is the first modern streetcar line in the Valley and will connect riders to the light rail system, neighborhoods, major business centers, and regional events. Streetcar vehicles are smaller than light rail vehicles and operate individually, not linked together in trains. Streetcar stops are similar to bus stops and occur more frequently than light rail stations. The Tempe Streetcar is scheduled to be completed in 2021.

The City has also made major renovations to two of its bus transit centers. Renovations to the Sunnyslope Transit Center and the Paradise Valley Mall Transit Center were completed in June 2007 and June 2009, respectively. The renovations provided much needed improvements to the facilities, including security upgrades. The City recently developed a new park-and-ride facility along the Baseline Road corridor at 24th Street, which opened in April 2015. In addition, the City upgraded and expanded the Desert Sky Mall Transit Center to serve residents in West Phoenix. This much needed facility, which provides shade, security, covered parking and public art opened to the public in December 2015. The new Desert Sky Mall Transit Center cost $8.2 million for land, design and construction.

The City has also made substantial improvements to its bus operating and maintenance facilities. These facilities are the backbone of the transit system, as they provide fueling, cleaning, and maintenance for the City's bus fleet, as well as administrative space for the bus operations contract service providers. In November 2007, a new $50 million West Transit Facility was completed and opened for operations. This facility provides additional capacity to operate and maintain buses for the Phoenix transit system. The facility was designed to accommodate 250 buses and replace a rented facility, which could only accommodate 75 buses. The additional capacity will help address future expansion of the Phoenix bus system with the passage of Prop 104.

Improvement plans for the bus operating and maintenance facilities also includes renovations to the two existing facilities, the North Transit Facility and the South Transit Facility. Upgrades to these facilities include improvements to life safety, security, building code upgrades, roofing replacements, HVAC equipment replacement, and fueling system upgrades. The North Transit Facility renovation was completed in November 2013, while work at the South Transit Facility began in the summer of 2015 and is scheduled to be completed in the fall of 2019, with a total cost of $23 million for design and construction.

In August 2014, a 34-person group, the Citizens Committee on the Future of Phoenix Transportation, was created to address the 2020 expiration of the transit tax and to review the public transit and street transportation needs of the City. After six months of meetings and over 100 public engagement events, the committee forwarded their recommendations to the City Council, whom approved the plan in March 2015 and placed Prop 104 on the ballot. On August 25, 2015, voters approved a new comprehensive transportation plan and funding tax proposal that increased the existing tax rate dedicated for transportation. The dedicated sales tax rate was increased from the previous 0.4% sales tax rate to 0.7% and became effective January 1, 2016, with a sunset date of December 31, 2050. Only the revenue collected from the original 0.4% transit sales tax is currently pledged to the Transit Excise Tax Bonds. The increased tax will continue to fund expanded local bus and Dial-A-Ride service, bus rapid transit service, neighborhood circulators and the operation of the light rail system. In addition, funding will provide for expanded bus and light rail service hours and routes, high capacity transit corridors, and infrastructure improvements to bus stops, maintenance facilities and transit centers. Street improvements will also be funded by the increased tax including pavement maintenance, new bicycle lanes, sidewalk installation and traffic signal enhancements.

Phoenix Sky Harbor Center

The creation of Phoenix Sky Harbor Center was approved by the City Council in 1984, and in 1985, $19,150,000 in City bonds were issued for the development of 550 City-owned acres into a high quality business office, technological and industrial center. Located immediately west of Phoenix Sky Harbor International Airport, Phoenix Sky Harbor Center is generally bordered by I-17 to the south, 16th Street to the west, the Southern Pacific Railroad to the north and 24th Street to the east. Phoenix Sky Harbor Center is bisected by I-10, which provides convenient transportation access to the site and to Phoenix Sky Harbor International Airport.

The initial acquisition and infrastructure development phase of Phoenix Sky Harbor Center was completed in 1993. Among the earliest occupants were Honeywell, Sky Chefs Inc., Miller Brands of Phoenix and Arrow Electronics. These initial tenants built distribution space, office buildings, warehouses and manufacturing facilities totaling over 1.16 million square feet. The office park has since added Bank of America's credit card operations center, America West Airlines (now American Airlines) flight training center, and Bank One (now JPMorgan Chase) regional processing center. Other sizeable tenants at Phoenix Sky Harbor Center include First Group America dba Greyhound Lines, Charlie Case dba Community Tire, Century Link, Grand Stable & Carriage Co. LLC, LTJ Skyline, the City of Phoenix, Horseheads Industrial Capital II, LLC, 801 S. 16th Industrial, LLC, Honeywell International Inc., and Watson Properties.

In July 1993, the City received approval for the relocation and expansion of Foreign Trade Zone (FTZ) No. 75 to a 375-acre site at Sky Harbor Center. The FTZ was established to allow companies who import large amounts of foreign products to defer paying duties on these products until they are shipped to retail outlets. The FTZ boundaries were modified to include air cargo operations at the Airport.

In July 2001, the City Council approved the concept of a consolidated rental car center (RCC) for Phoenix Sky Harbor International Airport. On June 1, 2002, the City initiated a daily Customer Facility Charge (CFC) collected by the rental car companies on all rentals to be used to fund the construction, operation and maintenance of the RCC. The RCC is located on approximately 141 acres within Sky Harbor Center and opened on January 19, 2006. The development includes a customer service building, car service facility, a 5,651 space parking garage, bus fleet, bus maintenance facility, and associated site improvements, infrastructure, roadways, landscaping and signage. The project was funded with CFC revenues and bond funds, and cost approximately $285 million.

Phoenix Sky Harbor International Airport

In November 1990, construction was completed on Terminal 4 at Phoenix Sky Harbor International Airport at a cost of $276 million. The original facility included 4 domestic concourses housing 44 gates, one international concourse with 4 gates, and a 3,400-space parking facility. In July 1994, the City Council approved expansion of Terminal 4 to add 10 domestic gates to the international concourse. Construction of the new facilities was completed in February 1996. In September 1995, America West Airlines (now American Airlines) announced plans to expand its Phoenix operations over the next several years. In March 1998, the City Council approved an airport capital expansion program funded primarily by passenger facility charges and airport revenue bonds. Approved and completed projects included rebuilding runways in concrete, construction of two new airport fire stations, a new Terminal 4 concourse to provide more capacity for American Airlines and additional parking facilities at Terminal 4. The airport is currently constructing the final concourse at Terminal 4, which Southwest Airlines has already committed to utilize. The new concourse will add 8 gates, and is expected to be completed in mid-2022.

In February 2007, the City Council approved a $2.9 billion, ten-year Airport Development Program (ADP). The ADP included the design and construction of the PHX Sky Train®, development of additional gates and facility rehabilitation and maintenance. The national economic recession ending in 2009 negatively impacted the airline industry and resulted in reductions to passenger traffic at the airport. As a result of traffic and revenue declines, Airport management reduced operating expenditures and deferred some non-essential capital projects. Even with these reductions and deferrals, management continued design and construction of phase one of the PHX Sky Train® project and other vital airport projects. In 2010, air passenger traffic at Sky Harbor International Airport stabilized and began to recover. On June 11, 2019, the Phoenix City Council approved the Airport's Comprehensive Asset Management Plan (the *"CAMP"*), which is a 20-year blueprint for Airport investments. The CAMP is projected to cost $5.7 billion during the 20-year period. Funding for the first few projects of the CAMP were approved by the City Council, and funding for future projects will require additional approval as the time frames for those projects reach the planning stages.

Terminal 3, which opened in 1979, contains approximately 639,000 square feet and 10 gates. The Terminal 3 Modernization project, which began construction in 2014, consists of incremental improvements to Terminal 3 with the purpose of removing Terminal 2 from service, providing for passenger growth in Terminal 3, increasing passenger flow efficiencies and increasing concession revenue. The $580 million modernization project has three independent phases that allow the project to be completed as demand requires and finances allow. When complete, airlines currently operating in Terminal 2 will be moved into the expanded Terminal 3 facilities. The Airport opened the new south concourse for passenger service in January 2019, offering 12 new gates. When all three phases are complete in 2020, Terminal 3 will contain approximately 710,000 square feet and 25 gates.

PHX Sky Train® is an automated people mover designed to carry over 35 million riders annually through seven stations at Sky Harbor along an elevated guideway spanning approximately five miles. The PHX Sky Train® provides a new front door to the Airport, offering a seamless connection with the light rail transit station at 44th Street and Washington. Stage 1 of the PHX Sky Train® connects Phoenix's light rail system, Sky Harbor's east economy parking garages and Terminal 4 and began service on April 8, 2013. Stage 1a (the Terminal 3 Line Extension) began service on December 8, 2014 and runs from Terminal 4 to Terminal 3 with a walkway connection to Terminal 2. The two stages were completed more than $45 million under the combined budget of $884 million.

Construction of the final extension of the PHX Sky Train®, which will extend service from Terminal 3 to the Rental Car Center commenced construction in February 2018. The train extension project has a budget of $745 million and is scheduled to open for service in mid-2022.

Property Tax Supported Bond Program

In order to help meet the City's future capital financing needs, a comprehensive property tax supported general obligation bond program was initiated in the summer of 2005. A citizens bond committee consisting of approximately 700 private citizens was appointed by the Mayor and City Council to review the City's capital requirements and recommend a total bond program to the voters. This is the traditional approach used by the City for bond elections since 1950. The program culminated in a special bond election on March 14, 2006 when the voters approved all seven propositions totaling $878.5 million in new general obligation bond authorizations. The propositions and the amount of bonds authorized are shown in the following table. There is currently $152.3 million of authorized bonds that have not yet been issued.

2006 Bond Program	Amount Authorized
Police, Fire and Homeland Security	$177,000,000
Education Facilities	198,700,000
Library and Youth, Senior and Cultural Facilities	133,800,000
Parks, Open Space and Recreational Facilities	120,500,000
Streets, Storm Sewers and Flood Protection	147,400,000
Affordable Housing and Neighborhood Revitalization	85,000,000
Computer Technology	16,100,000
Total	$878,500,000

PHOENIX CITY GOVERNMENT

Phoenix operates under a Council-Manager form of government as provided by its Charter which was adopted in 1913. The City Council consists of a Mayor and eight Council members, elected by the people on a non-partisan ballot. At a special election held on October 3, 1989, Phoenix voters passed Proposition 105 which amended the City Charter to provide for four year staggered terms and a limit of two such terms for the Mayor and Council members. On November 6, 2001, Phoenix voters passed Proposition 101 which amended the City Charter to allow Council members to serve up to three consecutive four-year terms, with no limit on the number of terms that could be served over a lifetime. On August 28, 2018, Phoenix voters passed Proposition 411 which amended the City Charter by changing City Council elections from the fall of odd-numbered years to November of even-numbered years to coincide with county and statewide elections. The initial implementation of Proposition 411 will extend current Council members' terms by a year, so the next elections can occur in even-numbered years. 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.

The Council is responsible for policy making. It appoints advisory boards, commissions and committees and also appoints Municipal Court Judges and the City Manager.

The City Manager is responsible for executing Council policies and administering City operations. Reporting to the City Manager is an Assistant City Manager, a Special Assistant, the Budget and Research Director, the Chief Financial Officer, the City Auditor and the City Attorney.

The City government is responsible for furnishing basic municipal services. Primary services delivered by the City's 30 departments/functions, 19 initiatives/projects and 14,560 employees include police, Municipal Court, fire protection, parks, recreation, libraries, sanitation, water, sewer, transportation (including streets and public transit), airports, building safety, public works, neighborhood improvement and housing, community and economic development and convention and cultural services. These services are being provided in fiscal year 2019-20 through an adopted operating budget of $4,554.9 million. Of this, the general purpose funds budget totals $1,374.4 million, which is for general municipal services and excludes enterprise activities such as water, sewer, refuse and airports and special revenue funds such as grants, secondary property taxes, Arizona Highway User Revenues, impact fees and voter-approved dedicated sales taxes.

Elected Officials

KATE GALLEGO, MAYOR

Mayor Gallego began her first term as Mayor in March 2019. Prior to being elected Mayor, Ms. Gallego served on the City Council representing District 8 for nearly five years before resigning in August 2018 to run for Mayor. Ms. Gallego has been an active member of the community and held several volunteer positions including Chair of the Environmental Quality Commission, Chair of the Solar Energy Subcommittee, Vice Chair of MyPlanPHX.com, and as a member of the Central City Village Planning Commission. Additionally, Ms. Gallego is a member of the Board of Directors of the Arizona Latino Arts and Culture Center and serves on the Arizona Commission on Service and Volunteerism. Ms. Gallego has a bachelor's degree in environmental studies from Harvard University and holds a Master of Business Administration in Entrepreneurial Management from the Wharton School of Business at the University of Pennsylvania.

JIM WARING, VICE MAYOR, DISTRICT 2

Councilmember Waring began his second consecutive full term on the City Council in January 2018. Mr. Waring has been an active member of the community for many years and has volunteered on many City and charitable organizations, including the Paradise Valley Village Planning Committee, Phoenix Planning Commission and Neighborhood Block Watch Committee. For his contributions, he has earned awards from the Arizona Federation of Taxpayers (Champion of the Taxpayer), National Federation of Independent Business

(Guardian of Small Business), and the Arizona Chamber of Commerce (Senator of the Year). In addition, he was recognized for his work fighting domestic violence by the Arizona Coalition Against Domestic Violence (Legislator of the Year twice) and the Men's Anti Violence Network (Man of the Year). Councilmember Waring was awarded the Arizona Veterans Hall of Fame Copper Shield Award and the National Guard Association of the United States Medal of Merit. Mr. Waring was an Arizona State Senator for seven years and has served on the staffs at Arizona State University, the Arizona Board of Regents and Northern Arizona University. Mr. Waring received his PhD in Public Administration from Arizona State University's School of Public Affairs and his undergraduate degree from Northern Illinois University.

THELDA WILLIAMS, COUNCILMEMBER, DISTRICT 1

Councilmember Williams began her third consecutive term on the City Council in January 2016, having previously served on the Council from 1989 to 1996 and as interim mayor in 1994, as well as 2018 and 2019. Before rejoining the City Council, Ms. Williams served on the Maricopa County Animal Care and Control Agency, the Governor's Commission to Prevent Violence Against Women and the Phoenix Sky Harbor International Airport Master Plan Committee. Currently, Ms. Williams serves on the Phoenix-Mesa Gateway Airport Authority, the Luke (AFB) West Valley Council and the Childhelp USA Advisory Board.

DEBRA STARK, COUNCILMEMBER, DISTRICT 3

Councilmember Stark began her first term on the City Council in March 2017 to fill the District 3 position left vacant upon the resignation of Bill Gates. Ms. Stark has spent her entire career in local government working for the City of Phoenix, the County, and the City of Peoria. At the City of Phoenix, Ms. Stark was the Planning and Development Director from 2005 to 2012. She is currently the President of the Arizona Chapter of the American Planning Association and serves as a Board Member for the Arizona Council of the Urban Land Institute and Southwest Center for HIV/AIDS. Ms. Starks holds a bachelor's degree in sociology from Western Kentucky University and a master's degree in planning from Arizona State University.

LAURA PASTOR, COUNCILMEMBER, DISTRICT 4

Councilmember Pastor began her second consecutive term on the City Council in January 2018. Ms. Pastor is Director of Achieving a College Education Program at South Mountain Community College and was a classroom elementary teacher for four years. Previously, Ms. Pastor was with the Department of Employment and Rehabilitation Services at the Arizona Department of Economic Security and was Special Assistant to the Arizona Director of Insurance. Ms. Pastor is a member of the Phoenix Union High School District Board and serves on the O'Connor House Speak Out Against Domestic Violence and Mi Familia Vota advisory boards. She is a former member of the Hispanic Advisory Board of Maricopa Community Colleges, Maricopa Transportation Advisory Board, the Homeless Task Force, and Phoenix Day. Ms. Pastor has a bachelor's degree in education from Arizona State University and a Master of Public Administration from City University of New York.

BETTY GUARDADO, COUNCILMEMBER, DISTRICT 5

Councilmember Betty Guardado began her first term on the City Council in June 2019. Ms. Guardado has been an active member of the community and has served as the director of union organizing in Phoenix for UNITE HERE Local 11, where she has conducted campaigns and negotiated contracts for thousands of hotel and food-service workers around Maricopa County. Currently, she is a vice president of Local 11. Ms. Guardado has been instrumental in leading successful independent voter turnout campaigns to elect several Phoenix City Council members, developing young leaders, and empowering working-class families.

SAL DICICCIO, COUNCILMEMBER, DISTRICT 6

Councilmember DiCiccio began his third consecutive full term on the City Council in January 2018. Mr. DiCiccio previously served on the City Council from 1994 to 2000. Mr. DiCiccio currently works with state, tribal, county and municipal governments as well as national business entities to develop business opportunities in Arizona. Mr. DiCiccio has served on several boards and committees including the Arizona Municipal Tax Code Commission, the State Land Conservation Task Force, the Arizona Growing Smarter Working Advisory Committee, the Maricopa County Planning Commission and the Arizona FARE Committee. Mr. DiCiccio was also a member of the Fiesta Bowl Committee and the Board of Directors for the Arizona Center for the Blind. Mr. DiCiccio is a member of the South East Valley Regional Association of Realtors and the National Association of Realtors. Mr. DiCiccio is a small business professional and holds a bachelor's degree in business from Arizona State University.

MICHAEL NOWAKOWSKI, COUNCILMEMBER, DISTRICT 7

Councilmember Nowakowski began his third consecutive full term on the City Council in January 2016. Mr. Nowakowski is currently the Vice President of Communications of a non-profit radio station, coming from previous work with the Catholic Diocese of Phoenix where he served as Assistant Director of the Office of Youth and Young Adult Ministry. Mr. Nowakowski has served on several boards and committees including co-chairman of the 2006 City of Phoenix Historic Preservation Bond Committee, member of the City of Phoenix Police Chief's Advisory Board, founding member of the Mayor's Anti-Graffiti Task Force, City of Phoenix Census 2000 Committee, Phoenix Union High School Superintendent's Advisory Board, chairman of Santa Rosa Neighborhood Council and in 2008 was appointed commissioner for the Western Maricopa Enterprise Zone. Mr. Nowakowski holds a bachelor's degree in liberal arts in religious studies from Arizona State University.

CARLOS GARCIA, COUNCILMEMBER, DISTRICT 8

Councilmember Carlos Garcia began his first term on the City Council in June 2019. Prior to being elected to the Phoenix City Council, Mr. Garcia spent 16 years advocating social justice in Arizona and across the country. Mr. Garcia serves on the U.S. Human Rights Network Board and co-founded Puente Human Rights Movement, an immigrant rights organization, as well as One Arizona, a non-profit coalition focused on civic engagement. Mr. Garcia is also a co-founder and board member of Mijente, a national political home for Latinx and Chicanx.

Administrative Staff

ED ZUERCHER
City Manager

Ed Zuercher was appointed City Manager in February 2014, after serving as Acting City Manager since October 2013. Prior to his appointment as City Manager, Mr. Zuercher had been the Assistant City Manager since November 2009 and served as a Deputy City Manager since November 2007. Before working in the City Manager's Office, Mr. Zuercher served as Co-Chief of Staff to the Mayor, Executive Assistant to the City Manager, Assistant to the City Manager, Public Transit Director and Management Assistant in the City Manager's Office and Budget & Research Department. Originally from Kansas, he participated in the City of Phoenix Management Intern Program from 1993 to 1994. Mr. Zuercher served as chairperson of the Public Safety Pension Retirement System from 2005-2009 and currently serves on the Greater Phoenix Convention and Visitors Bureau board. He has a Master of Public Administration from the University of Kansas and an undergraduate degree from Goshen College.

MILTON DOHONEY, JR
Assistant City Manager

Mr. Dohoney was appointed Assistant City Manager on April 21, 2014. Mr. Dohoney brings nearly 30 years of executive experience leading organizations in three cities. He worked for seven years as City Manager of Cincinnati, Ohio and for three years as Chief Administrative Officer of Lexington Fayette Urban County

Government in Kentucky. He also served nearly 20 years with the City of Louisville, Kentucky in the capacities of an Assistant Community Services Director, Chief Administrative Officer and Public Safety Director. Mr. Dohoney is the recipient of many awards, including Administrator of the Year in 2013 from the American Society for Public Administration Greater Cincinnati Chapter; YMCA Black Achievers Award in 2010; and Kentucky Commission on Human Rights Spirit for Justice Medal in 2012. He earned his master's degree in Personnel Management/Human Resources from the University of Louisville and his bachelor's degree in Psychology from Indiana University Southeast.

DEANNA JONOVICH
Assistant City Manager

Ms. Jonovich has worked for the City since 2000. She previously served a Deputy City Manager, as the Human Services Director and has worked in a variety of management positions in the Human Services Department. Prior to joining the City, she was the Community Services Director for four years in Gila County where she assisted with the creation of the first Arizona Fuel Fund to assist low-income individuals and families with utility assistance. Ms. Jonovich has a master's degree in administration and an undergraduate Bachelor of Science in Business Administration, both from Northern Arizona University. Ms. Jonovich remains very active in the community and currently serves on the Arizona Coalition to End Homelessness, Valley of the Sun United Way Hunger Council, Build Arizona Steering Committee, Local Initiative Support Corporation, Maricopa Association of Governments Technical Committee, and Neighborhood Housing Services.

CRIS MEYER
City Attorney

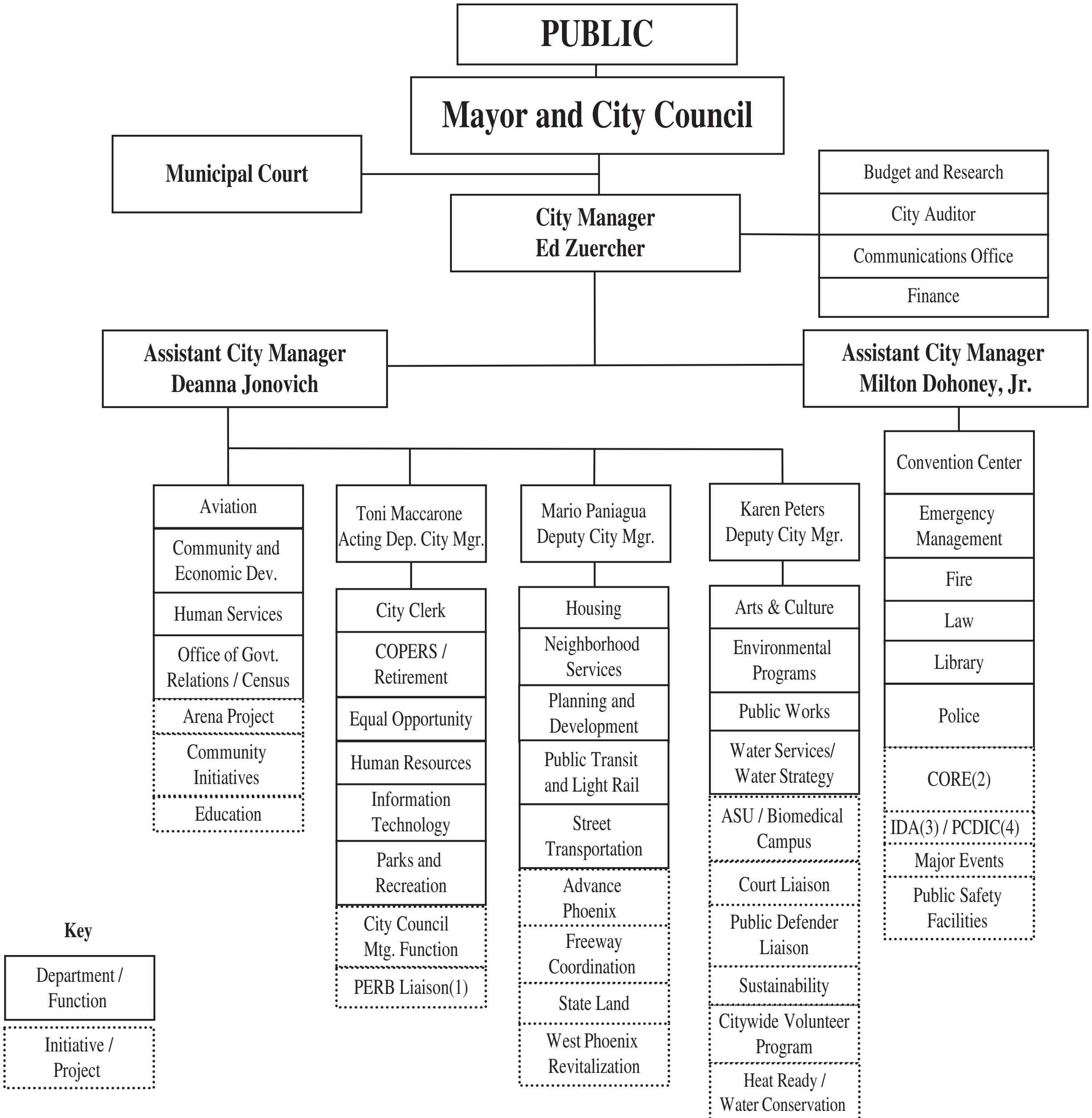
Mr. Meyer was named City Attorney in December 2018 after serving as Chief Assistant City Attorney. Mr. Meyer has more than 25 years of experience in City administration, management and municipal law in the areas of elections and initiative, referendum and recall petitions, campaign finance, public records, open meeting law and public meetings, ethics, conflicts of interest, annexation, regulatory licensing, and municipal administration. Mr. Meyer is a member of the State Bar of Arizona and the State Bar of Illinois. He received his bachelor's degree in Psychology from Wheaton College in Illinois and his law degree from the University of Illinois College of Law.

DENISE OLSON
Chief Financial Officer

Ms. Olson was appointed Chief Financial Officer in November 2015. She began her career with the City in 1994 in the Finance Department, working as an economist in the Utilities Accounting Division and the Financial Accounting and Reporting Division. She became Deputy Finance Director in 2006, and was promoted to Assistant Finance Director in 2012. Throughout her career she has managed financial planning, financial systems applications and support, procurement, city controller functions, financial accounting and reporting and has been involved in the planning and issuances of debt to fund capital expenditures. Ms. Olson has a bachelor's degree in Business Administration with majors in Human Resources and Economics from New Mexico State University, and a Master of Public Administration from Arizona State University. Ms. Olson was named CFO of the Year by the Phoenix Business Journal in November 2018. This award recognizes top executives for their contribution and commitment to the community.

JAMES E. BENNETT
Director of Aviation Services

Mr. Bennett began his current role for the City in October 2015. In a career spanning nearly 35 years, Mr. Bennett has served as President and Chief Executive Officer of the Metropolitan Washington Airports Authority, operating Ronald Reagan Washington National and Washington Dulles International Airports. He also worked in private industry as chief executive officer for the Abu Dhabi Airports Company overseeing five airports within the Emirate of Abu Dhabi and as president of his own consulting firm providing consultation for both foreign and domestic transportation companies. From 1988 to 1996, Mr. Bennett was Phoenix's Assistant Aviation Director assisting with successful community discussions leading to a third runway at Sky Harbor, overseeing the construction and development of Sky Harbor's Terminal 4 and supervising the Airport's finance, engineering, planning and maintenance operations, among other duties. Mr. Bennett has a Bachelor of Aviation Management degree from Auburn University and a Master of Public Administration degree from the University of Michigan. His numerous professional affiliations include being the former chairman of the American Association of Airport Executives and past president of the Arizona Airports Association. Airports Council International – North America awarded Mr. Bennett with the 2019 Excellence in Visionary Leadership Award. This award recognizes the leadership of an airport CEO who best exemplifies nine core competencies, including people practice expertise, relationship management, consultation, leadership and navigation, communication, global and cultural effectiveness, ethical practice, critical evaluation, and business acumen.



1 - Phoenix Employee Relations Board

2 - Comprehensive Organization Review Evaluation.

3 - Phoenix Industrial Development Authority.

4 - Phoenix Community Development and Investment Corporation.

Effective March 4, 2019

Awards

The City of Phoenix and its employees have been recognized professionally for numerous awards including the following accomplishments:

- **Certificate of Achievement for Excellence in Financial Reporting**

This award (formerly the Certificate of Conformance in Financial Reporting) recognizes the completeness, accuracy and understandability of the City's Comprehensive Annual Financial Reports. Awarded to the City of Phoenix by the Government Finance Officers Association each year since 1976, and to the City of Phoenix Aviation Department each year since 2016, the first year of the Aviation CAFR.

- **Employees' Retirement Plan Certificate of Achievement for Excellence in Financial Reporting**

Awarded to the City of Phoenix by the Government Finance Officers Association for its component unit financial report each year since 1985. The Certificate of Achievement is the highest form of recognition in the area of public employee retirement system accounting and financial reporting.

- **Distinguished Budget Presentation Award**

Awarded to the City of Phoenix Budget and Research Department each year since 1990 by the Government Finance Officers Association for the completeness and understandability of its budget document.

- **2018 Illuminating Engineering Society Award of Excellence Winner**

The Illuminating Engineering Society (IES) and Smith Group recognized Phoenix Sky Harbor International Airport for its Terminal 3 Modernization Project. The 2018 Illuminating Engineering Society Awards celebrates design excellence worldwide and selected Phoenix Sky Harbor as an Award of Excellence Winner. This award was provided to the airport due to an exceptional contribution to the art and science of light.

- **2017 Arizona Forward — Governor's Award for Arizona's Future**

Arizona Forward awarded its prestigious Governor's Award for Arizona's Future to the City of Phoenix for its landmark 2017 agreement with the Gila River Indian Community to preserve endangered Colorado River water in Lake Mead. In all, Phoenix received nine awards at Arizona Forward's 37th Annual Environmental Excellence Awards, including four Crescordia Awards, the highest honor in each category. Mayor Greg Stanton and the Phoenix City Council unanimously approved the Colorado River Conservation Agreement in June 2017 in partnership with the Gila River Indian Community, the U.S. Bureau of Reclamation and the Walton Family Foundation. Under the agreement, Phoenix works with the Tribe to preserve 13 billion gallons of its annual portion of Colorado River water in Lake Mead, which helps preserve water levels in the dangerously over-allocated reservoir.

- **2017 Nations's Highest Performing City**

The City of Phoenix has been named the nation's highest performing city by Governing Magazine and Living Cities through the first-ever national "Equipt to Innovate" survey. Equipt to Innovate is a new initiative launched by Governing and Living Cities. It is an integrated, collaborative framework of seven essential elements that define high-performance government and empower innovation. It is also an invitation for cities to work together, learn from each other and help drive better outcomes for their communities. The seven Equipt elements are: Dynamically Planned; Broadly Partnered; Resident-Involved; Race-Informed; Smartly Resourced; Employee-Engaged; and Data-Driven. Cities from across the country participated in the inaugural 2016 Equipt survey, assessing their capacity and competence in these seven key areas.

- **ICMA Program Excellence Awards**

  – **2019 ICMA Certificate of Distinction in Performance Management**

The International City/County Management Association (ICMA) has recognized the City of Phoenix for its data-driven management and reporting efforts with a Certificate of Distinction for 2019. Certificates of Distinction are awarded to those who provide comparative and benchmarking information to the public, use performance data in strategic planning and operational decision-making, and share their knowledge with other local governments through presentations, site visits, and other networking activities. Phoenix is among 19 jurisdictions receiving the Certificate of Distinction and one of 63 recognized overall. This is the 18th year the City's performance management efforts have been recognized by ICMA.

  - **2017 Community Partnership Award**

The City of Phoenix was awarded the Community Partnership Award for the Phoenix/Tucson water exchange program. This award recognizes innovative programs or processes between and/or among a local government and other governmental entities, private sector businesses, individuals, or nonprofit agencies to improve the quality of life for residents or provide more efficient and effective services. The exchange agreement between Phoenix and Tucson takes advantage of the unique infrastructure of each city's water system. Tucson's system relies on wells, Phoenix relies on surface water, and a canal connects the two cities.

- **2017 Water Resource Utility of the Future Today Award**

The City of Phoenix Water Services Department was honored as a 'Utility of the Future Today' for the department's forward-thinking initiatives. The recognition program is administered by four water sector organizations — the National Association of Clean Water Agencies (NACWA), the Water Environment Federation (WEF), the Water Environment & Reuse Foundation (WE&RF) and WateReuse — with input from the U.S. Environmental Protection Agency (EPA). The Phoenix Water Department was one of just 25 water utilities in the country to receive this recognition. The Utility of the Future Today recognition celebrates the achievements of forward-thinking, innovative water utilities that are providing resilient value-added service to communities. The recognition focuses specifically on community engagement, watershed stewardship and recovery of resources such as water, energy and nutrients.

- **2017 AAAE Airport Innovation Award**

The Airport Innovation Accelerator – established by the American Association of Airport Executives (AAAE) as a hub for innovation to drive creative approaches and build airports of the future – has selected Phoenix Sky Harbor International Airport to receive the second annual Airport Innovation Award for its creative work to improve the passenger experience and deploy cutting-edge technologies. The Airport Innovation Award was established by the Airport Innovation Accelerator to honor Innovative developments that are a model for airports around the country. Phoenix secured the award for a portfolio of creative innovation to enhance the passenger experience and make airport operations more efficient. The award was presented to Phoenix officials at the third Annual Airport Innovation Forum in Seattle.

- **Outstanding Achievement in Innovation**

  - **2017 Outstanding Achievement in Innovation**

The Alliance for Innovation awarded the City of Phoenix an Outstanding Achievement in Innovation Award for PHXteens Program. Developed to help teenagers better connect with the community and to realize their full potential, the PHXteens program launched in September 2016 and is facilitated out of eight community and recreation centers located throughout the city. During its inaugural year, 233 teens registered for the program. Additionally, teens participated in 31 cultural and 24 recreational field trips, 70 teen council meetings, 28 workshops, and 2,439 volunteer hours.

  - **2016 Outstanding Achievement in Innovation**

FitPHX is the recipient of the Alliance for Innovation's Outstanding Achievement in Local Government Innovation Award. FitPHX is a citywide initiative with the goal of improving health and wellness in the region and making Phoenix area one of the healthiest in the nation. The initiative has created innovative collaboration between government, private sector, non-profits and universities to develop programming that gives citizens tools and education to be healthier. In 2015, FitPHX provided services to nearly 14,000 participants and raise $350,000 to support its programming.

– **2013 Outstanding Achievement in Innovation**

The Alliance for Innovation awarded the City of Phoenix an Outstanding Achievement in Innovation Award for its organizational review, which resulted in a leaner work force and more efficient delivery of services. The goals of the organizational review were to eliminate layers of supervision, broaden the span of control, streamline services, identify efficiencies and reduce the size of government. Through these goals, the City was able to improve services to residents by providing for faster decision making and enhanced organizational flexibility and communications, leading to the smallest City government in 40 years, as measured by employees per capita.

– **2012 Outstanding Achievement in Innovation**

The Alliance for Innovation awarded the City of Phoenix an Outstanding Achievement in Innovation Award for the Innovation and Efficiency Task Force. Created in January 2010, the task force is comprised of City staff and public members who explore, develop and implement innovative processes that result in a more efficient delivery of City services and maximize the use of limited taxpayer dollars.

- **2016 President's "E" Award for Export Service**

The City of Phoenix was a 2016 winner of the President's "E" Award for Export Service. The President's "E" Award was initiated in 1962 by President John F. Kennedy to recognize excellence by companies and municipalities for contributions to U.S. exporting. Phoenix is only the fifth city to earn the honor in 54 years. It is typically reserved for companies and private sector entities. The City earned the award by demonstrating a sustained commitment to export expansion with significant and broad-based support to grow exports from Phoenix, which is responsible for more than half of the exports from the State of Arizona. The support included the launch of the City's export boot camp initiative, which teaches local small- and medium-sized businesses how to trade abroad.

- **2016 Platinum Award for Utility Excellence**

The City of Phoenix Water Services Department was honored for utility excellence by the Association of Metropolitan Water Agencies (AMWA) at its 2016 Executive Management Conference. The City's Water Department was one of ten water utilities in the country to receive the Platinum Award for Utility Excellence. The Platinum Award recognizes outstanding achievement in implementing the nationally recognized Attributes of Effective Utility Management.

- **2015 Mayors' Climate Protection Awards**

Awarded to the City by the U.S. Conference of Mayors, the annual Mayors' Climate Protection award recognizes mayors for innovative programs that increase energy efficiency and reduce greenhouse gas emissions. The City earned the award for the Energize Phoenix Program, a large-scale, three-year building energy efficiency program, which catalyzed $56 million in energy upgrades along a ten-square-mile urban corridor of Phoenix surrounding the newly-constructed Metro light rail. Phoenix partnered with Arizona State University and APS, Arizona's largest electricity provider, to leverage $25 million in program funding from the U.S. Department of Energy and $31 million in utility funding to transform the downtown core into a green corridor. It focused on a diverse mix of single- and multi-family residential buildings and small commercial buildings offering significant rebates and financing for energy efficient upgrades.

- **2015 Sister Cities Best Overall Sister City Program Award**

In July 2015, the Phoenix Sister Cities Commission received the Sister Cities International Best Overall Sister City Program in the U.S. for cities with a population of 500,000 or more award, its highest honor. This is the eight time in the past 21 years that Phoenix has won this award. Phoenix Sister Cities highlights include a new and improved Youth Ambassador Exchange Program; a significant increase in arts and culture projects including the second annual WorldFEST celebration promoting its 10 sister cities; the Vincenzo Bellini Opera project with Catania, Italy; a police training program for Hermosillo, Mexico; and economic development projects with Chengdu, China; Catania, Italy; and Calgary, Canada as well as trade missions with Calgary and Catania.

- **National Association of Clean Water Agencies (NACWA) Awards**

  - **2015 NACWA Platinum Peak Performance Award**

The National Association of Clean Water Agencies (NACWA) honored the City of Phoenix Water Services Department with the Platinum Award for seven consecutive years of perfect National Pollutant Discharge Elimination System permit compliance. NACWA is a nationally recognized leader in water quality, environmental policy and ecosystem protection issues. The City treats wastewater from 2.5 million people in Phoenix, Glendale, Mesa, Scottsdale and Tempe.

  - **2012 NACWA Gold Peak Performance Award**

The NACWA honored the City of Phoenix Water Services Department with the Gold Award for consistently meeting all National Pollutant Discharge Elimination System permit limits during the calendar year. The City's 23rd Avenue Wastewater Treatment Plant and 91st Avenue Multi-Cities Wastewater Treatment Plant were presented the award to recognize 100 percent compliance with regulatory discharge limits.

- **2014 World Airport Award (WAA)**

SkyTrax World Airport Awards (WAA) recognized Phoenix Sky Harbor International Airport as the 7th best airport in the world serving 40-50 million passengers. WAA is the leading global award for the world's best airports, as voted by travelers from over 160 countries and 410 airports worldwide, in the largest airport customer satisfaction survey. The ranking was determined by airline customers and evaluates traveler experiences across key performance indicators: check-in, arrivals, transfers, shopping, security, immigration processing and departure.

- **2014 Top Ten Digital Cities Award**

In November 2014, the City of Phoenix was named a Top Ten City in the Center for Digital Government's 2014 Digital Cities Survey. The award honors cities with best practices in public sector information and communications technology.

- **National Association of Housing and Redevelopment Officials (NAHRO) Award**

  - **2014 NAHRO Award**

In August 2014, the City's Neighborhood Services Department (NSD) received the Award of Merit for designing the Neighborhood Stabilization Program as an innovative, multi-faceted delivery approach to revitalize communities affected by the foreclosure crisis. With funding from the U.S. Department of Housing and Urban Development, accomplishments of the program include 395 homes rehabilitated to energy efficiency building standards, 191 homebuyers receiving down-payment assistance, 102 demolition projects completed using green methods and strategies, and a rescued subdivision featuring 14 newly constructed, solar-powered, single-family homes Gold certified to the National Green Building Standard.

  - **2011 NAHRO Award**

In October 2011, NSD received three Awards of Merit. NSD was honored for a pilot program that allows residents to use mobile devices to report blight, a code violation resolution volunteer assistance program and the Isaac Neighborhood Initiative Area. Since 1993, the City has used the Neighborhood Initiative Area strategy in the Isaac community to do comprehensive and concentrated neighborhood revitalization which continues to make significant progress in improving the economic, physical and social health of the neighborhood.

  - **2010 NAHRO Award**

In November 2010, the City received an Award of Excellence for the Housing Department's McCarty on Monroe senior housing development. McCarty on Monroe consists of 34 public housing units and 35 low-income housing tax credit units. All units are clustered around a central, landscaped courtyard, creating a sense of community and interaction among the residents. McCarty on Monroe combines quality affordable housing for seniors and immediate access to light-rail while preserving history and adding green design.

- **2014 NBC-LEO City Cultural Diversity Award**
  In March 2014, the City of Phoenix was recognized by the National Black Caucus of Local Elected Officials (NBC-LEO) of the National League of Cities for its "Phoenix Against Domestic Violence - A Roadmap to Excellence" Program. The Roadmap to Excellence Program is a five-year strategic plan to end domestic violence in the City. More than 50 community partners, including private and nonprofit organizations, collaborated to create a plan that includes a community and media campaign focusing on five strategies: community awareness, coordinated service delivery, systems reform, "Phoenix as a Model," and community partnerships.

- **2013 Sunny Award**
  Awarded to the City of Phoenix by Sunshine Review, a national nonprofit organization dedicated to government transparency. The award honors the most transparent government websites in the nation. This is the fourth time the City has won the award.

- **2013 NGWA Outstanding Groundwater Protection Award**
  The National Ground Water Association (NGWA) annually awards the Groundwater Protection Award to the organization that exhibits outstanding science, engineering, or innovation in the area of protecting groundwater. The City of Phoenix Water Services Department received the award for incorporating innovative technologies in the aquifer restoration program. Phoenix was the first city in the country to use the technology, which has reduced annual operations and maintenance costs by over $110,000.

- **2013 Technology "Best of the Web" Award**
  The City of Phoenix Information Technology Services Department received a "Best of the Web" award from the Multi-State Information Sharing and Analysis Center for the City's Information Security and Privacy website.

- **2013 National Institute of Senior Centers (NISC)**
  A Program of Excellence Award was received by the City of Phoenix Human Services Department for its FitPHX Senior Champions Passport Program in the Nutrition, Fitness and Health Promotion category. The program is offered at the City's fifteen senior centers.

- **2012 NBC-LEO City Cultural Diversity Award**
  In March 2012, the City of Phoenix was recognized by the National Black Caucus of Local Elected Officials (NBC-LEO) of the National League of Cities for the City Manager's Community Engagement and Outreach Task Force. The task force was established in 2010 as a community-based, long-term effort to enhance the relationship between the Phoenix Police Department and the community.

- **2010 Desert Peaks Award**
  In June 2010, the City of Phoenix received an award from Maricopa Association of Governments for its Urban Education Initiatives, on which it collaborated with Arizona State University and the University of Arizona to create the ASU Downtown Phoenix Campus and the Phoenix Biomedical Campus. The award recognizes excellence in regionalism.

- **2010 LEED Platinum Certification Award**
  In June 2010, the City of Phoenix Nina Mason Pulliam Rio Salado Audubon Center was the recipient of the U.S. Green Building Council's award for its use of the Leadership in Energy and Environmental Design (LEED) rating system. Located in the heart of the Rio Salado Habitat Restoration Area, the center received the award for the environmental friendliness and sustainability of the facility. The center is a gateway to a lush Sonoran riparian habitat used by more than 200 species of birds and other wildlife.

- **2009 All-America City Award**
  The City of Phoenix was the recipient of the National Civic League's All-America City award, the fifth time the City has earned the recognition, for its collaborative projects that involve the community and address critical

issues. The City highlighted the newly developed urban education campuses (Arizona State University Downtown Phoenix Campus and Phoenix Biomedical Campus), the Phoenix Parks and Preserve Initiative and the innovative library teen spaces.

- **Carl Bertelsmann Prize**

Awarded in 1993 to the City of Phoenix and Christchurch, New Zealand, recognizing each as being the best managed city governments in the world. The international competition for the most efficiently operated city was sponsored by the Bertelsmann Foundation, a research and philanthropic arm of Bertelsmann AG, the second largest media organization in the world. Cities were judged on several categories including customer service, decentralized management, planning and financial controls, employee empowerment and administrative innovation.

ECONOMY & DEMOGRAPHICS (1)

Overview

In 1912, Arizona was admitted as the 48th state of the United States of America. At that time, less than 300,000 people lived in Arizona. The state has experienced tremendous growth over the last century. Now the sixth largest state in terms of area, the estimated 2018 population was over 7 million people. The majority of the population resides in urban areas. Nearly 4.9 million people lived within the Phoenix-Mesa-Chandler Metropolitan Statistical Area (the Phoenix MSA) in 2018, and 23.2% of the state's population was concentrated in the City of Phoenix. Nationally, Phoenix is ranked as the fifth most populous city, and the Phoenix MSA ranked as the 11th most populous metro area.

At the beginning of the 20th century, the Arizona economy relied heavily on copper, cattle, cotton, climate, and citrus. Today, the local economy is far more diversified. It includes many significant value-added sectors such as aerospace and defense, financial services, and the semi-conductor industry.

Over two thirds of the Arizona population resides in the Phoenix MSA. In terms of land area, the Phoenix MSA is often described as a sprawling metropolitan area with a low-density population. The City of Phoenix, the state capital and largest city in the Phoenix MSA, is generally flat and surrounded by scattered, low mountain ranges. The subtropical desert climate is conducive to a variety of outdoor recreation activities during all twelve months. Both the topography and climate attract many visitors and out-of-state tourists, further bolstering the economy. The Phoenix MSA accounted for approximately 70% of total state employment in 2018. Professional and business services was the largest source of employment in the MSA, with other major sources including retail and wholesale trade, education and health services, leisure and hospitality, and financial activities.

Approximately 300,000 jobs were lost between 2008 and 2010, the peak of the Great Recession. Many of these job losses occurred in sectors such as construction, business services and retail, which had previously helped the state to grow pre-recession. The residential real estate market also suffered as population inflows stalled. However, both population and construction is on the rise, and the real estate markets are optimistic. Low business costs and business-friendly regulatory systems entice businesses to locate in the area. The state's advantageous location in the Canada-Mexico corridor and its abundance of skilled and available workers have contributed to the Phoenix MSA's recovery from the 2008 recession and its bright outlook for future growth.

The Arizona economy has experienced steady growth in recent years. More than 88,000 new jobs were filled in the Phoenix MSA between 2017 and 2018. This equates to a 4% growth rate in civilian labor force employment over the previous year. Local economists expect 2019 to result in additional wage and salary employment growth of 3.1%.

Key Phoenix MSA Statistics:

- 11th most populous MSA in the nation in 2018 with a population of 4,857,962.
- Civilian labor force above 2.4 million in 2018.
- Unemployment rate of 4.2% in 2018.
- High compound annual growth rates in multiple industries including 6.0% compound annual growth rate in construction, 4.6% in transportation, warehousing, and utilities, and 4.1% in financial activities, 2011 through 2018.
- Compound annual growth rates of more than 3.5% in several other industries, including education and health services, information, leisure and hospitality, and professional and business services.

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(1) The economic information contained herein was prepared for the City of Phoenix by the L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University on August 30, 2019.

- 3.3% increase in total nonfarm jobs in 2018 compared to 2017.
- Annual total nonfarm job growth rates higher than the State of Arizona and the nation.
- Accounted for 74.4% of annual statewide Gross Domestic Product (GDP) in 2017, and real GDP per capita of $44,534 (in 2009 chained dollars).
- 23rd largest U.S. exporter by merchandise export value ($13.2 billion in 2017).
- Mexico (22.8%), Canada (9.5%), and China (7.9%) were the top foreign markets for goods exports in 2017.
- Total annual number of housing permits upwards of 30,000 in 2018.
- Over 75% of housing permits in 2018 were for single residential units.
- Decreasing vacancy rates, increasing wages, and a strengthening housing market signal a strong start for the retail market during 2019.
- Demand continued to outpace supply in the office market during the first quarter of 2019, particularly in the Chandler, South Tempe/Ahwatukee, and South Scottsdale submarkets
- Users in the industry market continue to diversify, and net absorption reached the highest first-quarter total on record.

Key City of Phoenix Statistics:

- Population of 1,660,272 as of July 1, 2018, remaining the 5th most populous U.S. city.
- Accounts for nearly a quarter of the state's population and over 34% of the population of the Phoenix MSA.
- Nearly 30% of residents between the ages of 25 and 44 in 2017, with the median age being 33.8 years.
- 737,289 residents ages 16 and older were members of the civilian labor force in 2017.
- 33.7% of working residents held jobs in management, business, science and the arts in 2017.
- An additional 45.7 % of jobs held in service, sales and office occupations in 2017.
- Median household income of $52,080 in 2017 dollars.
- 89.4% of housing units occupied.
- On average, 2.9 people per unit in owner occupied hosing, and 2.8 people average household size in renter occupied housing.

Population

The Phoenix MSA encompasses 14,565 square miles, containing both Maricopa County (9,199 square miles) and Pinal County (5,365 square miles). Phoenix is the principal city of the Phoenix MSA, measuring 517.7 sq. miles and with 1.66 million residents in 2018, according to the Census Bureau. Within the Phoenix MSA, eight cities have populations in excess of 125,000: Mesa, Chandler, Gilbert, Glendale, Scottsdale, Tempe, Peoria, and Surprise. The U.S. Census Bureau ranked Phoenix the 11th most populous MSA as of July 1, 2018.

The following table compares the population of the Phoenix MSA with 21 peer MSAs. The peer MSAs consist of every western metro of more than one million people, plus other Sun Belt metros of more than 2 million people. The population continued to increase in metro Phoenix during 2018. The Phoenix MSA ranked 7th in population growth between 2010 and 2018 compared to the 22 MSAs listed in the table.

In recent years, the Phoenix MSA has been home to the majority of the Arizona population. Furthermore, population growth for the Phoenix MSA outpaces population growth for the state as a whole. In 1990 the Phoenix MSA accounted for 61.1% of the State of Arizona's total population. In 2000, it accounted for 63.4% of the State of Arizona's total population. In 2010, the Phoenix MSA accounted for 65.4% of the State of Arizona's total population. In 2018, it accounted for 67.7% of the State of Arizona's total population. The Tucson MSA (Pima County) was home to 14.5% of the state's residents in 2018. Five other metro areas combined (Flagstaff, Lake Havasu City-Kingman, Prescott, Sierra Vista-Douglas, and Yuma) accounted for 12.9% of the state's population, with the remaining 4.9% living in nonmetropolitan areas.

It is important to note that in 1994, the U.S. Office of Management and Budget (OMB) redefined the Phoenix MSA to include both Maricopa and Pinal counties. The rate of population growth in the Phoenix MSA has continued to outpace the rate of population growth in the State of Arizona.

Population
Metropolitan Statistical Areas
(In thousands)

	Census	Population Estimates as of July 1								Percent Growth
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2010-18
Phoenix-Mesa-Chandler, AZ	4,192.9	4,253.8	4,331.1	4,404.7	4,491.4	4,581.1	4,676.0	4,761.7	4,858.0	15.9%
Atlanta-Sandy Springs-Roswell, GA	5,286.7	5,366.3	5,444.8	5,511.3	5,594.5	5,688.3	5,790.3	5,874.2	5,950.0	12.5
Austin-Round Rock, TX	1,716.3	1,780.6	1,834.9	1,883.9	1,943.4	2,002.6	2,062.2	2,115.2	2,168.3	26.3
Charlotte-Concord-Gastonia, NC-SC	2,217.0	2,254.5	2,292.2	2,332.7	2,374.7	2,422.4	2,474.5	2,524.9	2,569.2	15.9
Dallas-Fort Worth-Arlington, TX	6,426.2	6,570.6	6,706.4	6,817.5	6,955.3	7,109.3	7,263.0	7,407.9	7,539.7	17.3
Denver-Aurora-Lakewood, CO	2,543.5	2,603.0	2,650.5	2,700.8	2,754.6	2,813.5	2,857.5	2,893.0	2,932.4	15.3
Houston-The Woodlands-Sugar Land, TX	5,920.4	6,056.4	6,184.9	6,330.7	6,503.6	6,676.6	6,812.3	6,905.7	6,997.4	18.2
Las Vegas-Henderson-Paradise, NV	1,951.3	1,962.0	1,989.7	2,018.0	2,054.3	2,098.1	2,140.5	2,183.3	2,231.6	14.4
Los Angeles-Long Beach-Anaheim, CA	12,828.8	12,927.6	13,018.9	13,106.1	13,178.7	13,251.0	13,291.2	13,298.7	13,291.5	3.6
Miami-Fort Lauderdale-West Palm Beach, FL	5,564.6	5,693.5	5,771.7	5,849.4	5,921.0	5,998.3	6,086.9	6,149.7	6,198.8	11.4
Orlando-Kissimmee-Sanford, FL	2,134.4	2,176.0	2,225.8	2,270.5	2,324.9	2,387.6	2,453.0	2,512.9	2,573.0	20.5
Portland-Vancouver-Hillsboro, OR-WA	2,226.0	2,262.6	2,288.5	2,311.3	2,344.6	2,382.4	2,427.5	2,456.5	2,478.8	11.4
Riverside-San Bernardino-Ontario, CA	4,224.9	4,295.3	4,336.2	4,371.9	4,418.7	4,465.2	4,516.7	4,570.4	4,622.4	9.4
Sacramento-Roseville-Arden-Arcade, CA	2,149.1	2,172.9	2,190.6	2,211.1	2,236.6	2,264.1	2,292.4	2,320.4	2,345.2	9.1
Salt Lake City, UT	1,087.9	1,106.7	1,123.8	1,140.2	1,151.7	1,165.2	1,185.2	1,205.2	1,222.5	12.4
San Antonio-New Braunfels, TX	2,142.5	2,193.9	2,237.4	2,280.6	2,329.8	2,380.6	2,428.3	2,474.3	2,518.0	17.5
San Diego-Carlsbad, CA	3,095.3	3,137.4	3,175.2	3,211.2	3,251.0	3,284.1	3,310.3	3,325.5	3,343.4	8.0
San Francisco-Oakland-Hayward, CA	4,335.4	4,395.9	4,456.4	4,521.3	4,587.3	4,649.5	4,689.1	4,710.7	4,729.5	9.1
San Jose-Sunnyvale-Santa Clara, CA	1,836.9	1,868.1	1,895.0	1,924.6	1,950.9	1,975.7	1,988.8	1,993.6	1,999.1	8.8
Seattle-Tacoma-Bellevue, WA	3,439.8	3,499.1	3,554.5	3,610.8	3,672.1	3,738.3	3,814.4	3,884.5	3,939.4	14.5
Tampa-St. Petersburg-Clearwater, FL	2,783.2	2,828.7	2,845.7	2,870.4	2,912.9	2,969.3	3,034.2	3,091.2	3,142.7	12.9
Tucson, AZ	980.3	988.4	993.2	997.4	1,004.7	1,009.7	1,017.6	1,027.5	1,039.1	6.0

Source: U.S. Census Bureau

Based on July 1, 2018 estimates, the U.S. Census Bureau ranks the City of Phoenix as the 5th most populous city in the United States. Phoenix held this same ranking in both 2016 and 2017.

Ten Most Populous U.S. Cities, July 1, 2018

Rank	City	State	Total Population
1	New York	New York	8,398,748
2	Los Angeles	California	3,990,456
3	Chicago	Illinois	2,705,994
4	Houston	Texas	2,325,502
5	Phoenix	Arizona	1,660,272
6	Philadelphia	Pennsylvania	1,584,138
7	San Antonio	Texas	1,532,233
8	San Diego	California	1,425,976
9	Dallas	Texas	1,345,047
10	San Jose	California	1,030,119

Source: U.S. Census Bureau.

City of Phoenix Population
As a Percent of the Phoenix MSA and the State (1)

Year	City of Phoenix	Maricopa and Pinal Population (Combined)	Percentage of State of Arizona Population
2018	1,660,272	34.2%	23.2%
2017	1,634,984	34.3	23.2
2016	1,613,581	34.5	23.2
2015	1,584,927	34.6	23.2
2014	1,556,552	34.7	23.1
2013	1,527,336	34.7	23.0
2012	1,499,839	34.6	22.9
2011	1,470,052	34.6	22.7
2010	1,449,295	34.5	22.6

(1) The estimates are based on the 2010 Census and reflect changes to the April 1, 2010 population due to the Count Question Resolution program and geographic program revisions.

Source: U.S. Census Bureau

Employment

When Arizona was granted statehood in 1912, it primarily depended on extraction-based operations such as copper, cattle, cotton, climate, and citrus. However, rapid population growth post World War II attributed to a diversification of the state's economy into higher value-added sectors such as advanced manufacturing, aerospace and defense, bioscience, and financial services.

Between 1990 and 2008, Arizona's civilian labor force saw growth of more than 80%. On average, approximately 95.7% of Arizona's civilian labor force was employed each year between 1990 and 2008. Civilian labor force employment has again been on the rise since 2011. In 2018, a total of 2,306,482 people in the civilian labor force in the Phoenix MSA were employed. This was a 4.0% increase in Phoenix MSA employment compared to the previous year, and represented 70.5% of the state's total employment in 2018.

Civilian Labor Force Employment:
Phoenix, State of Arizona, and U.S.
(not seasonally adjusted)

Year	Phoenix MSA Employment	State of Arizona Employment (1)	U.S. Employment
2018	2,306,482	3,273,550	155,761,000
2017	2,218,394	3,165,127	153,337,000
2016	2,139,833	3,066,011	151,436,000
2015	2,065,815	2,974,540	148,834,000
2014	1,991,115	2,889,380	146,305,000
2013	1,918,061	2,794,697	143,929,000
2012	1,893,596	2,776,349	142,469,000
2011	1,867,553	2,748,470	139,869,000
2010	1,874,006	2,769,454	139,064,000

(1) The 2013-2017 data reflects revised population controls and model re-estimation.

Source: U.S. Bureau of Labor Statistics.

The following table compares the labor force of the Phoenix MSA with 21 peer MSAs. The peer MSAs consist of every western metro of more than one million people, plus other Sun Belt metros of more than 2 million people. Six of the peer MSAs had a total labor force higher than the Phoenix MSA in 2018.

Comparison of the Phoenix MSA's Labor Force
Status with 21 Peer MSAs (1)
(not seasonally adjusted)

	Labor Force (in thousands)							
MSA	2011	2012	2013	2014	2015	2016	2017	2018
Phoenix-Mesa-Chandler, AZ	2,044.3	2,044.3	2,055.4	2,115.7	2,179.4	2,244.5	2,317.2	2,407.7
Atlanta-Sandy Springs-Roswell, GA	2,760.2	2,791.0	2,789.9	2,800.4	2,839.0	2,941.6	3,035.6	3,071.6
Austin-Round Rock, TX	960.8	987.7	1,019.5	1,049.0	1,074.0	1,119.2	1,160.1	1,197.1
Charlotte-Concord-Gastonia, NC-SC	1,153.9	1,173.8	1,185.4	1,205.0	1,241.1	1,278.2	1,312.2	1,333.1
Dallas-Fort Worth-Arlington, TX	3,374.4	3,420.2	3,474.2	3,539.3	3,585.3	3,703.3	3,810.8	3,900.5
Denver-Aurora-Lakewood, CO	1,431.2	1,448.2	1,463.9	1,487.8	1,507.5	1,543.2	1,592.6	1,646.3
Houston-The Woodlands-Sugar Land, TX	3,041.2	3,112.3	3,182.6	3,243.3	3,260.5	3,300.5	3,337.4	3,390.6
Las Vegas-Henderson-Paradise, NV	995.1	999.5	1,004.3	1,015.1	1,034.0	1,046.1	1,069.5	1,098.1
Los Angeles-Long Beach-Anaheim, CA	6,474.9	6,477.4	6,532.5	6,561.6	6,575.6	6,640.2	6,706.3	6,761.8
Miami-Fort Lauderdale-W. Palm Beach, FL	2,859.2	2,906.7	2,937.8	2,984.5	2,985.0	3,036.4	3,125.0	3,150.5
Orlando-Kissimmee-Sanford, FL	1,146.9	1,162.6	1,179.4	1,202.5	1,219.0	1,257.9	1,304.3	1,337.8
Portland-Vancouver-Hillsboro, OR-WA	1,214.8	1,198.8	1,180.6	1,199.2	1,229.3	1,272.7	1,303.2	1,313.1
Riverside-San Bernardino-Ontario, CA	1,867.0	1,879.3	1,893.1	1,916.5	1,954.2	1,983.3	2,017.7	2,053.4
Sacramento-Roseville-Arden-Arcade, CA	1,045.2	1,047.9	1,046.5	1,044.7	1,053.8	1,069.3	1,076.5	1,095.8
Salt Lake City, UT	573.6	584.2	598.1	604.2	614.9	632.7	647.3	653.5
San Antonio-New Braunfels, TX	1,039.1	1,053.3	1,072.8	1,090.2	1,106.8	1,143.1	1,170.0	1,189.7
San Diego-Carlsbad, CA	1,524.6	1,540.4	1,543.2	1,540.7	1,550.1	1,564.3	1,574.6	1,592.2
San Francisco-Oakland-Hayward, CA	2,345.5	2,392.6	2,413.6	2,442.0	2,480.2	2,523.7	2,550.0	2,584.3
San Jose-Sunnyvale-Santa Clara, CA	968.1	987.0	1,000.8	1,019.1	1,042.9	1,059.2	1,070.6	1,079.7
Seattle-Tacoma-Bellevue, WA	1,879.9	1,895.3	1,910.4	1,943.3	1,978.5	2,030.8	2,071.9	2,113.3
Tampa-St. Petersburg-Clearwater, FL	1,398.4	1,410.6	1,420.4	1,432.5	1,439.4	1,474.7	1,510.9	1,530.8
Tucson, AZ	466.9	462.9	457.0	463.1	465.2	469.6	476.8	486.3

Source: U.S. Bureau of Labor Statistics.

In 2018, the top source of total nonfarm employment, expressed as a percentage of total employment in the Phoenix MSA, was professional and business services (16.8%). Professional and business services include professional, scientific and technical services, the management of companies and enterprises, administrative, and waste management services. Other notable sources of employment were education and health services (15.4%), retail and wholesale trade (15.0%), government (11.3%), and leisure and hospitality (10.9%). The industries listed in the following table are referred to as "supersectors" by the U.S. Bureau of Labor Statistics.

2018 Wage & Salary Employment:
Phoenix MSA, Arizona, and U.S.

	Total Employed (in thousands)			Percent of Employed		
Industry	**Phoenix MSA**	**State of Arizona**	**U.S.**	**Phoenix MSA**	**State of Arizona**	**U.S.**
Mining & Logging	3.6	13.1	732	0.2%	0.5%	0.5%
Construction	124.4	158.8	7,289	5.9	5.6	4.9
Manufacturing	127.9	170.1	12,689	6.1	6.0	8.5
Total Goods Producing	255.9	342.0	20,710.0	12.2	12.1	13.9
Retail & Wholesale Trade	315.8	423.5	21,685.8	15.0	14.8	14.5
Transportation, Warehousing, Utilities	87.9	111.0	5,973.2	4.2	3.9	4.0
Information	38.7	47.4	2,828	1.8	1.7	1.9
Financial Activities	192.6	220.8	8,569	9.1	7.7	5.7
Professional & Business Services	354.2	431.1	20,999	16.8	15.1	14.1
Education & Health Services	324.6	445.7	23,667	15.4	15.6	15.9
Leisure and Hospitality	229.1	326.6	16,348	10.9	11.4	11.0
Other Services	69.4	92.7	5,845	3.3	3.2	3.9
Government	239.0	415.2	22,449	11.3	14.5	15.1
Total Services Providing	1,851.3	2,514.0	128,364.0	87.8	87.9	86.1
Total Non-farm	2,107.2	2,856.0	149,074.0	100.0%	100.0%	100.0%

Source: U.S. Bureau of Labor Statistics.

Comparing industries, the Phoenix MSA's employment within goods-producing sectors (i.e. mining, manufacturing, and construction) was marginally higher than the State of Arizona as a share of total employment, but lower than the nation in 2018. This reflected an emphasis within the Phoenix MSA on services. Approximately 87.9% of the employment within the Phoenix MSA in 2018 was in service providing industries. Government accounted for approximately 239,000 of the 1.85 million services employments in the Phoenix MSA.

The following table presents the number of annual employees by industry in the Phoenix MSA, 2011 through 2018. Also included is a table comparing the Phoenix MSA compound annual growth rate by industry to the State of Arizona and the U.S. The highest compound annual growth rates in the Phoenix MSA occurred in construction (6.0%), transportation, warehousing, and utilities (4.6%), and financial activities (4.1%). There were also compound annual growth rates of more than 3.5% in information, education and health services, leisure and hospitality, and professional and business services.

Non-Farm Wage and Salary Employment
Phoenix MSA
(annual employees in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018
Mining & Logging	3.2	3.5	3.6	3.4	3.3	3.2	3.3	3.6
Construction	83.0	88.0	93.4	95.4	99.0	105.3	113.8	124.4
Manufacturing	112.8	116.7	117.1	118.5	119.7	120.4	123.1	127.9
Retail & Wholesale Trade	283.7	285.0	287.0	293.6	300.8	305.7	311.0	315.8
Transportation, Warehousing, Utilities	64.2	66.6	67.5	69.8	74.9	79.8	82.2	87.9
Information	29.6	32.2	34.5	36.1	37.1	37.2	37.7	38.7
Financial Activities	145.1	150.3	158.2	161.6	167.6	177.8	186.8	192.6
Professional & Business Services	275.5	284.3	300.1	307.8	322.1	336.3	342.1	354.2
Education & Health Services	249.5	257.6	263.0	271.0	284.4	296.6	311.1	324.6
Leisure and Hospitality	177.7	183.3	191.6	199.1	208.2	215.6	223.4	229.1
Other Services	63.8	62.3	63.7	63.5	63.6	65.6	66.7	69.4
Government	228.7	229.9	231.2	232.6	233.6	235.4	238.0	239.0
Total Non-farm	1,716.8	1,759.7	1,810.9	1,852.4	1,914.3	1,978.9	2,039.2	2,107.2

Source: U.S. Bureau of Labor Statistics.

Non-Farm Wage and Salary Employment
Phoenix MSA
(2011 to 2018 compound annual growth rate)

	Phoenix MSA	State of Arizona	U.S.
Mining & Logging	1.7%	1.8%	-1.0%
Construction	6.0	5.3	4.0
Manufacturing	1.8	1.8	1.1
Retail & Wholesale Trade	1.5	1.3	1.1
Transportation, Warehousing, Utilities	4.6	3.9	3.0
Information	3.9	2.7	0.8
Financial Activities	4.1	3.7	1.5
Professional & Business Services	3.7	3.2	2.7
Education & Health Services	3.8	3.2	2.2
Leisure and Hospitality	3.7	3.4	2.9
Other Services	1.2	0.8	1.2
Government	0.6	0.3	0.2
Total Non-farm	3.0%	2.4%	1.8%

Source: U.S. Bureau of Labor Statistics.

The compound annual growth for total nonfarm industries in the Phoenix MSA from 2011 to 2018 was higher than both the state's and the nation's compound annual growth for total nonfarm industries. In fact, compound annual growth in the Phoenix MSA was higher than or equal to the state's compound annual growth in all categories examined except mining and logging. Compound annual growth in the Phoenix MSA was also higher than the nation's compound annual growth in all categories examined except other services. Between 2011 and 2018, the compound annual growth rate for employment in goods producing industries was 3.7% in the Phoenix MSA, a higher growth rate than the state's 3.3% and the nation's 2.0%. For service providing industries, the compound annual growth rate in the Phoenix MSA was 2.9% - a higher growth rate than the state's 2.3%, and the nation's 1.7%. The table below shows that the Phoenix MSA's total nonfarm job growth in percent terms was higher than the growth rates for the State of Arizona and the nation from 2011 through 2018.

Comparison of Total Annual Job Growth Rates

Year	Phoenix MSA	State of Arizona	U.S.
2018	3.3%	2.8%	1.7%
2017	3.0	2.5	1.6
2016	3.4	2.7	1.8
2015	3.3	2.6	2.1
2014	2.3	2.0	1.9
2013	2.9	2.3	1.6
2012	2.5	2.1	1.7
2011	1.5	1.1	1.2

Source: U.S. Bureau of Labor Statistics.

The following table estimates the top 50 major employers in the Phoenix MSA in 2018.

Phoenix MSA Top 50 Employers, 2018

Employer	Employees	Sector
Banner Health	27,578	Health
State of Arizona	26,456	Government
Walmart	16,759	Retail
Fry's Food Stores	15,408	Retail
Wells Fargo	14,021	Finance & Insurance
Maricopa County	13,436	Government
City of Phoenix	12,062	Government
Intel Corporation	10,290	Manufacturing
JPMorgan Chase Bank National Association	10,194	Finance & Insurance
Arizona State University	9,770	Education
Bank of America	9,576	Finance & Insurance
Dignity Health	9,373	Health
Honeywell	8,706	Manufacturing
Mesa Unified School District 4	8,691	Education
United States Department of the Air Force	8,051	Government
HonorHealth	7,810	Health Care
McDonalds	7,635	Accommodation & Food Services
State Farm Insurance	7,596	Finance & Insurance
Amazon	7,567	Retail
United States Postal Service	7,323	Government
Home Depot	6,785	Retail
American Express	6,754	Finance & Insurance
Safeway Stores Inc	6,652	Retail
Mayo Clinic	6,529	Health
U Haul	5,873	Management of Companies & Enterprises
Bashas' Inc	5,601	Retail
Maricopa County Community College District	5,407	Education
Pinnacle West Capital Corporation	5,299	Utilities
Chandler Unified School District 80	5,190	Education
SRP	5,154	Utilities
CVS Pharmacy Inc	5,149	Retail
Target Stores Inc	5,021	Retail
Walgreens Co	4,963	Retail
UnitedHealth Group	4,736	Finance & Insurance
Starbucks Corp	4,376	Accommodation & Food Services
Phoenix Children's Hospital	4,323	Health
Paradise Valley Unified School District 69	4,185	Education
Vanguard	4,067	Finance & Insurance
Costco Wholesale	4,002	Retail
Abrazo Healthcare	3,990	Health
Deer Valley Unified School District 97	3,945	Education
USAA Phoenix Office	3,892	Finance & Insurance
Peoria Unified School District 11	3,892	Education
Gilbert Unified School District 41	3,839	Education
Grand Canyon University	3,689	Education
City of Mesa	3,683	Government
The Boeing Company	3,600	Manufacturing
Sprouts Farmers Market	3,477	Retail
Circle K Stores Inc	3,437	Retail
Phoenix Union High School District 210	3,382	Education

Source: Maricopa Association of Governments 2018 Employer Database.

Unemployment

The following table summarizes the proportion of the civilian labor force unemployed each year in the Phoenix MSA since 2011. Unemployment declined steadily between 2011 and 2017 but increased slightly in 2018. While the Phoenix unemployment rate remains below the unemployment rate for the State of Arizona, unemployment in the Phoenix MSA was higher than unemployment in the nation for the first time in the period considered.

Civilian Labor Force Unemployment
Phoenix MSA, State of Arizona, and the U.S.
(not seasonally adjusted)

Year	Phoenix MSA Unemployment Number	Phoenix MSA Unemployment Rate	State of Arizona Unemployment Rate	U.S. Unemployment Rate
2018	101,259	4.2%	4.8%	3.9%
2017	98,782	4.3	4.9	4.4
2016	104,635	4.7	5.4	4.9
2015	113,537	5.2	6.1	5.3
2014	124,630	5.9	6.8	6.2
2013	137,385	6.7	7.7	7.4
2012	150,728	7.4	8.3	8.1
2011	176,738	8.6	9.5	8.9

Source: U.S. Bureau of Labor Statistics.

The following table compares the unemployment rate in the Phoenix MSA with 21 peer MSAs. The peer MSAs consist of every western metro of more than one million people, plus other Sun Belt metros of more than 2 million people. The Phoenix MSA ties for fourth in the ranking of MSAs with the highest unemployment rate. This is a sharp increase from its previous ranking of eighth.

Comparison of the Phoenix MSA'S Labor Force And Unemployment Status with 21 peer MSAs (not seasonally adjusted)

	Unemployment rate (percent of labor force)							
MSA	2011	2012	2013	2014	2015	2016	2017	2018
Phoenix-Mesa-Chandler, AZ	8.6%	7.4%	6.7%	5.9%	5.2%	4.7%	4.3%	4.2%
Atlanta-Sandy Springs-Roswell, GA	9.9	8.8	7.8	6.7	5.7	5.1	4.5	3.8
Austin-Round Rock, TX	6.6	5.7	5.2	4.2	3.4	3.3	3.1	2.9
Charlotte-Concord-Gastonia, NC-SC	10.6	9.3	7.9	6.2	5.5	4.8	4.3	3.6
Dallas-Fort Worth-Arlington, TX	7.6	6.6	6.1	5.0	4.1	3.9	3.7	3.5
Denver-Aurora-Lakewood, CO	8.3	7.7	6.6	4.8	3.7	3.0	2.6	3.2
Houston-The Woodlands-Sugar Land, TX	7.8	6.6	6.0	4.9	4.6	5.3	5.0	4.3
Las Vegas-Henderson-Paradise, NV	13.2	11.3	9.7	8.0	6.8	5.9	5.3	4.8
Los Angeles-Long Beach-Anaheim, CA	11.4	10.2	9.0	7.6	6.1	5.0	4.5	4.2
Miami-Fort Lauderdale-West Palm Beach, FL	9.6	8.2	7.1	6.3	5.4	4.8	4.3	3.6
Orlando-Kissimmee-Sanford, FL	10.0	8.4	7.0	6.0	5.2	4.5	3.9	3.3
Portland-Vancouver-Hillsboro, OR-WA	9.0	8.0	7.1	6.1	5.2	4.6	3.9	3.9
Riverside-San Bernardino-Ontario, CA	13.0	11.5	9.8	8.1	6.6	6.0	5.1	4.2
Sacramento-Roseville-Arden-Arcade, CA	11.8	10.3	8.7	7.1	5.9	5.3	4.5	3.7
Salt Lake City, UT	6.6	5.3	4.4	3.7	3.4	3.2	3.1	3.0
San Antonio-New Braunfels, TX	7.1	6.3	5.8	4.6	3.8	3.8	3.5	3.3
San Diego-Carlsbad, CA	10.3	9.1	7.8	6.4	5.2	4.7	4.0	3.3
San Francisco-Oakland-Hayward, CA	9.1	7.8	6.5	5.2	4.3	3.8	3.3	2.7
San Jose-Sunnyvale-Santa Clara, CA	9.5	8.0	6.6	5.3	4.2	3.9	3.3	2.7
Seattle-Tacoma-Bellevue, WA	8.7	7.2	5.9	5.2	4.8	4.4	4.1	3.9
Tampa-St. Petersburg-Clearwater, FL	9.9	8.2	6.9	6.0	5.2	4.6	4.0	3.5
Tucson, AZ	8.5	7.4	6.8	6.0	5.5	5.0	4.5	4.5

Source: U.S. Bureau of Labor Statistics.

Gross Domestic Product

Gross Domestic Product, or GDP, is the monetary value of all finished goods and services produced in the U.S. on an annual or quarterly basis. GDP includes all public and private sector purchases, government expenditures, investments, and the difference between exports and imports. This metric is often used by economists to describe the health of the U.S. economy. Between 2001 and 2008, the Phoenix MSA was a major contributor to the state's GDP, accounting for more than 75% of the value. In 2009 and 2010, the Phoenix MSA's annual contribution to state GDP fell to approximately 74%. Since 2011, the GDP of the Phoenix MSA has increased steadily, along with its contribution to the overall state GDP.

Phoenix MSA
Annual Contribution to GDP
In the State of Arizona

Year	Gross Domestic Product (millions of current dollars) Phoenix MSA	State of Arizona	Phoenix MSA Percent Contribution to State.
2017	$242,951	$326,446	74.4%
2016	231,011	310,929	74.3
2015	221,570	297,116	74.6
2014	209,596	284,574	73.7
2013	199,871	275,199	72.6
2012	195,630	268,289	72.9
2011	186,383	257,948	72.3

Source: U.S. Bureau of Economic Analysis.

Between 2001 and 2007, private industries were the top contributor to total GDP. Private Industries contributed on average 90.3% of the Phoenix MSA's total GDP, while the average annual government contribution was 9.7%. When the recession began in 2008, the GDP contribution of the Phoenix MSA's private industries fell, hitting 88.8% in 2010. The following table estimates the percent contribution (in current dollars) of different Phoenix MSA industry sectors to GDP in the State of Arizona. In 2017, private industries in total contributed 90.4% of GDP in the Phoenix MSA. Finance, insurance, real estate, rental, and leasing accounted for 25.4% of the Phoenix MSA's total GDP in 2017. Professional and business services accounted for 12.7% of total GDP that same year. Education and health care accounted for 9.3% of total GDP in 2018—the third highest contribution in the Phoenix MSA.

Phoenix MSA
GDP Contribution by Industry Sector

Industry Sector	GDP Contribution (millions of dollars)						
	2011	2012	2013	2014	2015	2016	2017
Private Industries							
Agriculture, Forestry, Fishing, and Hunting	$ 787	$ 755	$ 936	$ 1,010	$ 638	$ 687	$ 658
Mining	2,259	2,387	2,059	2,430	2,002	1,945	2,360
Utilities	4,342	3,835	3,841	3,931	4,086	4,265	4,348
Construction	6,959	7,578	8,500	8,701	9,626	10,676	11,687
Manufacturing	16,661	17,729	15,849	17,633	19,138	19,154	19,906
Wholesale Trade	12,887	13,999	13,775	13,928	14,372	14,927	15,723
Retail Trade	15,111	15,497	15,257	16,593	17,302	17,897	18,642
Transportation and Warehousing	5,648	6,014	5,842	6,168	6,765	6,973	7,437
Information	5,249	5,470	6,142	6,805	7,236	7,629	7,634
Finance, Insurance, Rental, Real Estate & Leasing	43,916	47,001	49,453	51,750	56,308	59,022	61,667
Professional & Business Services	22,798	23,829	25,236	26,565	27,865	29,351	30,883
Education & Health Care	17,244	17,812	18,155	18,872	19,878	21,049	22,661
Arts, Entertainment & Recreation, and Accommodations & Food Services	8,096	8,557	9,242	9,154	9,620	10,027	10,833
Other Services (excluding Government)	3,845	4,056	4,100	4,390	4,616	4,823	5,145
Total Private Industries	$165,802	$174,519	$178,387	$187,930	$199,452	$208,425	$219,584
Government	20,582	21,112	21,482	21,665	22,118	22,588	23,367
Total All Industries	$186,383	$195,631	$199,869	$209,595	$221,570	$231,013	$242,951

Source: U.S. Bureau of Economic Analysis.

The following table compares the Phoenix MSA's real GDP with 21 peer MSAs, expressed in 2009 dollars. The table suggests that the Phoenix MSA's average annual real GDP from 2011 through 2017 was $195.1 billion in chained 2009 dollars. In 2017, the Phoenix MSA ranked 9th among the 22 MSAs examined in this report, while the neighboring Tucson, MSA ranked last in the group. However, the primary measure of economic performance internationally is per capita GDP. The second GDP table therefore compares the real GDP per capita contributions of the Phoenix MSA with the 21 peer MSAs.

Real GDP
Peer Metropolitan Statistical Areas

	Real GDP (millions of chained 2009 dollars)						
	2011	2012	2013	2014	2015	2016	2017
Phoenix-Mesa-Chandler, AZ	$182,412	$187,477	$188,075	$193,215	$199,361	$204,015	$210,968
Atlanta-Sandy Springs-Roswell, GA	274,623	278,536	288,394	299,830	311,373	324,971	334,488
Austin-Round Rock, TX	93,413	98,992	104,902	110,557	119,728	126,329	135,072
Charlotte-Concord-Gastonia, NC-SC	122,523	125,472	126,707	129,875	136,631	141,622	146,631
Dallas-Fort Worth-Arlington, TX	372,205	391,231	412,264	431,147	454,716	461,752	479,678
Denver-Aurora-Lakewood, CO	153,031	157,916	159,968	169,525	177,321	179,516	185,942
Houston-The Woodlands-Sugar Land, TX	385,027	408,515	425,042	436,083	452,353	436,221	436,369
Las Vegas-Henderson-Paradise, NV	83,297	83,380	84,768	85,858	92,309	93,517	96,062
Los Angeles-Long Beach-Anaheim, CA	760,055	781,151	796,341	826,980	869,246	880,453	904,899
Miami-Fort Lauderdale-West Palm Beach, FL	247,940	254,161	251,020	267,698	281,369	289,602	296,486
Orlando-Kissimmee-Sanford, FL	98,899	99,420	108,641	106,521	110,717	112,806	114,969
Portland-Vancouver-Hillsboro, OR-WA	148,621	142,586	138,916	141,344	146,689	151,966	156,553
Riverside-San Bernardino-Ontario, CA	115,863	114,559	119,237	122,297	128,573	132,105	135,986
Sacramento-Roseville-Arden-Arcade, CA	94,869	95,520	97,554	99,800	103,625	106,232	108,732
Salt Lake City, UT	64,477	65,892	66,175	67,969	71,143	72,554	74,363
San Antonio-New Braunfels, TX	83,814	88,033	93,734	100,494	109,081	113,035	118,241
San Diego-Carlsbad, CA	179,174	181,171	186,674	189,042	190,899	197,641	201,986
San Francisco-Oakland-Hayward, CA	321,282	337,674	350,305	368,129	389,201	411,340	425,358
San Jose-Sunnyvale-Santa Clara, CA	172,532	178,727	188,543	202,567	224,908	238,384	256,419
Seattle-Tacoma-Bellevue, WA	245,216	256,930	264,336	273,733	286,317	297,254	312,587
Tampa-St. Petersburg-Clearwater, FL	109,930	112,552	118,058	117,768	121,877	125,260	127,432
Tucson, AZ	33,855	34,979	33,905	33,431	32,792	32,879	33,841

Source: U.S. Bureau of Economic Analysis.

Real GDP Per Capita:
Peer Metropolitan Statistical Areas

	Real GDP per Capita (chained 2009 dollars)							Compound Annual Growth Rate
	2011	2012	2013	2014	2015	2016	2017	
Phoenix-Mesa-Chandler, AZ	$42,942	$43,381	$42,836	$ 43,218	$ 43,737	$ 43,888	$ 44,534	0.6%
Atlanta-Sandy Springs-Roswell, GA	51,111	51,093	52,273	53,492	54,605	56,071	56,840	1.8
Austin-Round Rock, TX	52,461	53,959	55,694	56,922	59,840	61,308	63,839	3.3
Charlotte-Concord-Gastonia, NC-SC	54,305	54,700	54,287	54,658	56,363	57,209	58,064	1.1
Dallas-Fort Worth-Arlington, TX	56,639	58,340	60,474	62,029	64,035	63,660	64,824	2.3
Denver-Aurora-Lakewood, CO	58,867	59,678	59,328	61,649	63,166	62,947	64,379	1.5
Houston-The Woodlands-Sugar Land, TX	63,557	66,063	67,152	67,122	67,878	64,169	63,311	-0.1
Las Vegas-Henderson-Paradise, NV	42,357	41,767	41,839	41,578	43,741	43,361	43,584	0.5
Los Angeles-Long Beach-Anaheim, CA	58,739	59,897	60,640	62,605	65,436	66,059	67,763	2.4
Miami-Fort Lauderdale-West Palm Beach, FL	43,527	43,966	42,814	45,039	46,692	47,418	48,140	1.7
Orlando-Kissimmee-Sanford, FL	45,441	44,635	47,814	45,758	46,305	45,981	45,807	0.1
Portland-Vancouver-Hillsboro, OR-WA	65,796	62,396	60,155	60,340	61,578	62,715	63,817	-0.5
Riverside-San Bernardino-Ontario, CA	26,956	26,387	27,235	27,633	28,745	29,203	29,687	1.6
Sacramento-Roseville-Arden-Arcade, CA	43,638	43,562	44,071	44,565	45,712	46,284	46,769	1.2
Salt Lake City, UT	58,218	58,609	57,974	58,964	60,962	61,176	61,809	1.0
San Antonio-New Braunfels, TX	38,208	39,364	41,113	43,160	45,851	46,589	47,794	3.8
San Diego-Carlsbad, CA	57,066	56,975	58,036	58,044	58,023	59,581	60,517	1.0
San Francisco-Oakland-Hayward, CA	73,032	75,658	77,352	80,098	83,556	87,536	89,978	3.5
San Jose-Sunnyvale-Santa Clara, CA	92,270	94,138	97,777	103,656	113,729	119,736	128,308	5.6
Seattle-Tacoma-Bellevue, WA	70,124	72,329	73,211	74,644	76,789	78,170	80,833	2.4
Tampa-St. Petersburg-Clearwater, FL	38,856	39,531	41,099	40,375	40,984	41,251	41,222	1.0
Tucson, AZ	34,290	35,278	34,083	33,401	32,618	32,472	33,088	-0.6

Source: U.S. Bureau of Economic Analysis.

The average annual real GDP per capita contribution in the Phoenix MSA from 2011 through 2017 was $43,505. For the most recent year available (2017), real GDP per capita in the Phoenix MSA was $44,534, expressed in chained 2009 dollars. The Phoenix MSA ranks 18th among the MSAs when considering real GDP per capita in 2017. This ranking is lower than when considering nominal real GDP. The compound annual growth rate for real GDP per capita in the Phoenix MSA from 2011 through 2017 was 0.6%.

Income

Exclusively focused on money, per capita income is derived by dividing the total aggregate income by the total population. In the table below, per capita income in 2017 dollars in the Phoenix MSA was $31,096. The Phoenix MSA ranked 14th out of the 22 peer MSAs on this measure.

Per Capita Income
Peer Metropolitan Statistical Areas

	Per Capita Income (2017 dollars)
Phoenix-Mesa-Chandler, AZ	$31,096
Atlanta-Sandy Springs-Roswell, GA	33,693
Austin-Round Rock, TX	37,823
Charlotte-Concord-Gastonia, NC-SC	33,209
Dallas-Fort Worth-Arlington, TX	33,404
Denver-Aurora-Lakewood, CO	39,832
Houston-The Woodlands-Sugar Land, TX	32,441
Las Vegas-Henderson-Paradise, NV	29,479
Los Angeles-Long Beach-Anaheim, CA	33,996
Miami-Fort Lauderdale-West Palm Beach, FL	30,408
Orlando-Kissimmee-Sanford, FL	28,512
Portland-Vancouver-Hillsboro, OR-WA	36,303
Riverside-San Bernardino-Ontario, CA	25,528
Sacramento-Roseville-Arden-Arcade, CA	33,548
Salt Lake City, UT	31,039
San Antonio-New Braunfels, TX	27,280
San Diego-Carlsbad, CA	36,697
San Francisco-Oakland-Hayward, CA	52,261
San Jose-Sunnyvale-Santa Clara, CA	51,857
Seattle-Tacoma-Bellevue, WA	43,203
Tampa-St. Petersburg-Clearwater, FL	30,738
Tucson, AZ	28,655

Source: American Community Survey 2017 (One-Year Estimate).

The next table shows total personal income and per capita personal income in current dollars for the Phoenix MSA for 2011 through 2017. The Bureau of Economic Analysis defines personal income as "…the income received by, or on behalf of, all persons from all sources: from participation as laborers in production, from owning a home or unincorporated business, from the ownership of financial assets, and from government and business in the form of transfer receipts".

By including income from global, as well as domestic sources, personal income is a measurement far wider in scope than the American Community Survey's concept of per capita income shown in the previous table. Per capita personal income is derived by calculating the total personal income divided by total population. The 2017 per capita personal income estimate in the Phoenix MSA of $44,096 was $2,011 greater than the state per capita personal income of $42,085. It was also $1,622 greater than the previous year.

Phoenix MSA
Total Personal and per Capita Personal Income

Year	Total Personal Income (in millions of dollars)	Per Capita Personal Income (in current dollars)	Per Capita Personal Income Annual Percent Change
2017	208,896	44,096	3.8%
2016	197,441	42,474	2.0
2015	189,729	41,624	3.9
2014	179,116	40,064	4.7
2013	168,082	38,283	1.1
2012	163,675	37,873	4.0
2011	154,623	36,400	4.4

Source: U.S. Bureau of Economic Analysis.

The Greater Phoenix Blue Chip Consensus Panel forecasts that current personal income in the Greater Phoenix area (the Phoenix MSA, Maricopa County, and Pinal County) will increase by 5.7% in 2019.

Exports

In 2018, the Phoenix MSA was the 24th largest U.S. exporter by merchandise export value based on origin of movement zip code data collected by the International Trade Administration. In total, the Phoenix MSA exported more than $13.6 billion in goods that year. This was a 3% increase over 2017, but still $207 million less than the peak value in 2015.

Mexico was the top foreign market, accounting for 21.3% of the Phoenix MSA's total goods exports in 2018. Canada accounted for 9.1% of the Phoenix MSA's total goods exports, and China 7.3%.

Phoenix MSA
Annual Exports

Year	Value (millions of dollars)	Annual Growth Rate
2018	$13,614,869,197	3.0%
2017	13,223,063,245	3.0
2016	12,838,188,632	-7.1
2015	13,821,528,121	8.3
2014	12,764,439,477	11.3
2013	11,473,532,187	5.9
2012	10,834,262,990	-0.7
2011	10,914,400,733	16.8
2010	9,342,732,987	17.6
2009	7,947,525,373	-37.0

Source: International Trade Administration.

Real Estate Market

The 2008-2009 recession hit the real estate market particularly hard. An overabundance of single-family residential buildings in conjuncture with a high foreclosure rate between 2008 and 2011 and a decline in population growth wounded the Phoenix MSA. However, the Phoenix real estate market has significantly improved since the recession.

New Privately-Owned Housing Units Authorized
Phoenix MSA and Arizona

	1 Unit		2 Units		3 or 4 Units		5+ Units		Total	
Year	**MSA**	**AZ**	**MSA**	**AZ**	**MSA**	**AZ**	**MSA**	**AZ**	**MSA**	**AZ**
2018	23,526	32,127	466	646	203	264	7,148	8,627	31,343	41,664
2017	20,471	28,072	302	432	212	273	8,327	10,695	29,312	39,472
2016	18,433	24,853	410	484	161	168	9,579	10,073	28,583	35,578
2015	16,621	22,311	168	222	186	225	5,427	6,152	22,402	28,910
2014	11,557	16,841	156	230	125	137	8,503	9,789	20,341	26,997
2013	12,959	18,386	128	214	201	213	5,449	6,396	18,737	25,209
2012	11,931	16,189	176	244	161	210	3,699	5,083	15,967	21,726
2011	7,297	10,306	18	54	80	115	1,686	2,532	9,081	13,007

Source: U.S. Census Bureau.

The total number of permits issued in the Phoenix MSA increased 245.1% compared to 2011. Permits issued in the state increased 220.3% over the same period. Over 75.0% of the permitting in the Phoenix MSA in 2018, and 77.0% of the permitting in the State of Arizona in 2018, was for single units. Permitting always occurs before housing starts. However, a stronger indicator of economic conditions is housing completions.

An estimated 89.4% of housing units were occupied in the City of Phoenix in 2017. 53.4% of the occupied housing units in the City of Phoenix in 2017 were owner occupied, and 46.6% renter occupied. The average household size in each was very similar, 2.9 for owner-occupied units, and 2.8 for renter-occupied units. The median dollar value of an owner-occupied home in the City of Phoenix was $197,800 in 2017. The gross median rent for an occupied unit in 2017 was $954 per month. *

Population and Housing Units (1)
City of Phoenix

Year	Population (2)	Change in Population	Housing	Change in Housing Units (3)
2018	1,597,738	18,485	619,052	5,589
2017	1,579,253	19,233	613,463	4,060
2016	1,560,020	24,005	609,403	6,070
2015	1,536,015	29,576	603,333	2,744
2014	1,506,439	20,688	600,589	3,913
2013	1,485,751	19,528	596,676	2,486
2012	1,466,223	14,257	594190	2,063
2011	1,451,966	6,334(4)	592,127	1,978(4)

(1) The population and housing unit figures reflect the change to the 2010 decennial census that resulted from the census count question resolution program, which added 463 housing units and 1,496 residents to the previously published figures.

(2) Maricopa Association of Governments uses a different methodology and different data to estimate population.

(3) The change in the number of housing units is equal to the number of housing completions plus the number of units annexed less the number of units demolished.

(4) Change over five quarters from the decennial census figure on April 1, 2010.

Source: Maricopa Association of Governments

* Data for 2018 is currently unavailable.

New Housing Starts (1)

Year	City of Phoenix
2018	7,262
2017	6,832
2016	6,972
2015	4,611
2014	5,138
2013	3,131
2012	4,434
2011	1,628
2010	1,695
2009	1,706
2008	4,040

(1) Reflects housing permits authorized, by units, including single-family, multi-family and mobile homes.

Source: U.S. Census Bureau.

According to CB Richard Ellis, outlook is positive for the 2019 Phoenix retail market. Phoenix remains one of the fastest growing metros in the nation in terms of both population and employment, supporting demand for retail space. Despite several big-box store move-outs in 2018, big-box retailers, especially those in the fitness industry, remained active. The vacancy rate decreased slightly to 8.3% while the average asking lease rate also decreased to $16.57 per square foot during the first quarter of 2019. Over 730,000 square feet of retail space was under construction at the end of the quarter. Increased wages and the strengthening housing market are expected to generate demand for retail, but analyst do warn that competition from e-commerce will require traditional brick-and-mortar stores to adapt to changing consumer preferences.

Retail Real Estate Market
Phoenix MSA

Year	Vacancy Rate	Net Absorption (square feet)	Change in Inventory (square feet)
2019 (1)	8.3%	280,186	52,470
2018	8.4	1,181,675	997,933
2017	8.1	1,601,498	580,776
2016	8.9	1,321,833	1,204,766
2015	9.1	1,150,192	164,859
2014	9.6	1,487,313	-49,225
2013	10.2	1,579,202	-325,959
2012	11.0	1,879,005	184,392
2011	12.2	-152,647	24,353

(1) Year-to-date data through June 2019.

Source: CB Richard Ellis.

Office Real Estate Market
Phoenix MSA

Year	Vacancy Rate	Net Absorption (square feet)	Change in Inventory (square feet)
2019 (Q1)	15.0%	582,309	604,918
2018	15.2	2,473,034	-15,597
2017	16.4	2,839,559	2,731,217
2016	17.	3,219,853	1,045,155
2015	19.3	3,779,039	3,763,828
2014	21.1	1,969,716	1,107,906
2013	22.4	1,712,366	-35,566
2012	23.9	2,020,529	973,282
2011	25.5	1,857,433	3,144,910

Source: CB Richard Ellis.

Industrial/Commercial Real Estate Market
Phoenix MSA

Year	Vacancy Rate	Net Absorption (square feet)	Change in Inventory (square feet)
2019 (1)	6.1%	3,020,086	832,425
2018	6.5	9,781,257	8,966,852
2017	6.8	9,898,893	6,988,240
2016	8.0	9,497,677	5,136,644
2015	10.1	7,046,663	3,966,434
2014	11.0	6,214,680	6,791,313
2013	11.4	8,783,982	8,902,571
2012	10.9	7,405,168	3,358,724
2011	12.4	7,753,111	1,954,037

(1) Year-to-date data through June 2018.

Source: CB Richard Ellis

Demand continued to outpace supply for new office space during the first quarter of 2019. This is a continuation of the healthy growth in the Phoenix office market seen during 2018. Activity was particularly notable in the Chandler, South Tempe/Ahwatukee, and South Scottsdale submarkets. Approximately 435,000 square feet of office space was completed during the first quarter with an additional 300,000 square feet of construction breaking ground. The vacancy rate continued to decline while the asking rental rate remained relatively constant at $26.68 per square foot. Outlook in the office market remains positive for the remainder of the year. *

The positive momentum of the 2018 industrial market continued into the first quarter of 2019. The vacancy rate continued to decrease, settling at 6.1%, while net absorption reached the highest first-quarter total on record. Industrial users continued to diversify, and manufacturing, third party logistics, pharmaceutical, and e-commerce industries remained particularly active. Data center users are also significantly expanding their footprint in the area. The remainder of 2019 is expected to see continued growth of tenant demand and falling vacancy. **

Outlook/Summary

The Greater Phoenix Blue Chip Economic Forecast shows that growth is expected to continue throughout the Phoenix MSA in 2019. Population is forecast to grow 2.0%, while current personal income is expected to increase 5.7%, and wage and salary employment is calculated to rise by 3.1 %. Retail sales are also predicted to rise 5.5%.

The construction industry is often described as a measurement of economic health because it tends to gain strength during economic upswings. The Greater Phoenix Blue Chip Economic Forecast projects construction employment to increase 8.1% in the remainder of 2019. Manufacturing employment is also expected to increase during 2019, with consensus suggesting a 3.6% increase in employment.

* CBRE Phoenix Office Market View, Phoenix Office, Q2 2019

** CBRE Phoenix Industrial & Logistics Market View, Phoenix Office, Q2 2019

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APPENDIX C
State Expenditure Limitation

Since fiscal year 1982-83, the City has been subject to an annual expenditure limitation imposed by the Arizona Constitution. This limitation is based upon the City's actual 1979-80 expenditures adjusted annually for subsequent growth in population and inflation. The 2019-20 expenditure limit supplied by the Economic Estimates Commission was $1,574,234,282. The City increased this limit to $8,122,071,000 to adjust for additional voter-approved modifications, as described below.

The Constitution exempts certain expenditures from the limitation. The principal exemptions for the City of Phoenix are payments for debt service and other long-term obligations, as well as expenditures of federal funds and certain State-Shared Revenues. Exemptions associated with revenues not expended in the year of receipt may be carried forward and used in later years. The 1979-80 expenditure base may also be adjusted for the transfer of functions between governmental jurisdictions.

The Constitution provides four processes, all requiring voter approval, to modify the expenditure limitation:

1. A four-year home rule option.
2. A permanent adjustment to the 1979-80 base.
3. A one-time override for the following fiscal year.
4. An accumulation for pay-as-you-go capital expenditures.

Phoenix voters have approved four-year home rule options on a regular basis since the implementation of the expenditure limitation. The current home rule option which was approved in 2015 allows the City Council, after hearings are held for each council district, to establish the annual budget as the limit. This four-year home rule option is in effect through 2019-20. In 2018, voters approved a proposition that moved regular City candidate elections from the fall of odd-numbered years to November of even-numbered years. State legislation allows the four-year home rule option to be extended in conjunction with the change of election dates. The new expiration date for the most recently approved home rule option will be at the end of 2020-21. The City plans to seek voter approval for an additional four-year option at an election to be held on November 2020.

On November 3, 1981, Phoenix voters approved four propositions that allow the City to accumulate and expend local revenues for "pay-as-you-go" capital improvements without being subject to the State spending limit. These capital improvement exclusions include annual amounts of up to $5,000,000 for Aviation, $6,000,000 for Sanitary Sewers, $2,000,000 for Streets and $6,000,000 for Water. These exclusions were approved on a permanent basis and do not require voter reapproval except to raise or lower the annual amounts.

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APPENDIX D

Retirement and Pension Plans

Substantially 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 System, the State of Arizona Public Safety Personnel Retirement System or the Elected Officials' Retirement Plan.

City of Phoenix Employees' Retirement System

The City of Phoenix Employees' Retirement System ("*COPERS*") is a single-employer defined benefit pension plan established by the Phoenix City Charter. COPERS covers all eligible full-time employees of the City, with the exception of elected officials and sworn City police and fire personnel. COPERS provides retirement, disability retirement and survivor benefits to its members. The plan can be amended or repealed by a vote of the people.

The general administration, management and operation of COPERS is vested in a nine-member Retirement Board consisting of three elected employee members, four statutory members, a citizen member and a retiree member. The Retirement Board appoints the Retirement Program Administrator and contracts investment counsel and other services necessary to properly administer the plan. Additional information regarding the City's financial statements, including reporting of the City's net position and the net pension liability, is available in the City's Comprehensive Annual Financial Report (CAFR). The CAFR is available at http://emma.msrb.org or www.phoenix.gov under Departments-Finance-Comprehensive Annual Financial Report or by calling the City at (602) 262-7166. The most recent report of the Actuary and the plan's annual financial reports are available online at https://phoenix.gov/copers/pension-plan-reports.

Employees participate in the plan upon beginning employment with the City. COPERS' membership data is as follows:

	June 30	
	2019	**2018**
Active Members		
Tier 1	5,197	5,638
Tier 2	657	737
Tier 3	2,087	1,602
Total	7,941	7,977
Deferred Vested Members	1,008	943
In Pay Members		
Service Retirees	6,013	5,813
Beneficiaries	1,110	1,076
Disabled Retirees	245	249
Total	7,368	7,138
Total Members	16,317	16,058

The City contributes an actuarially determined percentage of payroll to COPERS, as required by City Charter, to fully fund benefits for active members and to amortize any unfunded actuarial liability as a level percent of projected member payroll over a closed 19-year period. For the fiscal year ended June 30, 2019, the total contribution rate was 37.98% of compensation. Tier 1 employees contributed 5% of their compensation, Tier 2 and Tier 3 employees contributed 11.0% and the City contributed the remainder, which amounted to $165.8 million for the fiscal year.

The City's actuarially determined contribution, actual contribution and covered payroll for the last three fiscal years follows:

Schedule of Employer Contributions
(in thousands)

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Percentage Contributed	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2019	$ 165,796	$ 165,796	—	100%	$ 561,938	29.50%
2018	159,006	229,006	(70,000)	144	526,667	43.48
2017	152,153	152,153	—	100	521,295	29.19

The actuarially determined recommended pension contribution rate is 31.77% for fiscal year 2019-20 and 31.60% for fiscal year 2020-21.

The following schedule shows the funding progress of the plan for the last three fiscal years. The total pension liability increased $96,594,000 from 2017 to 2018 and $175,779,000 from 2018 to 2019.

Schedule of Changes in Net Pension Liability and Related Ratios
(in thousands)

	Fiscal Year End 2019	Fiscal Year End 2018	Fiscal Year End 2017
Total Pension Liability			
Service cost	$ 73,255	$ 73,072	$ 72,876
Interest on the total pension liability	300,543	293,883	293,258
Changes of benefit terms	—	—	—
Differences between expected and actual experience of the total pension liability	39,370	(42,785)	429
Changes of assumptions	—	—	2,420
Benefit payments, including refunds of employee contributions	(237,389)	(227,576)	(223,668)
Net change in total pension liability	175,779	96,594	145,315
Total pension liability—beginning	4,226,046	4,129,452	3,984,137
Total pension liability—ending	$4,401,825	$4,226,046	$4,129,452
Plan Fiduciary Net Position			
Employer contributions	$ 165,796	$ 229,006	$ 152,153
Employee contributions	35,042	33,340	30,870
Pension plan net investment income	142,963	166,514	243,211
Benefit payments, including refunds of employee contributions	(237,389)	(227,576)	(223,668)
Pension plan administrative expense	(793)	(377)	(380)
Net change in plan fiduciary net position	105,619	200,907	202,186
Plan fiduciary net position—beginning	2,554,514	2,353,607	2,151,421
Plan fiduciary net position—ending	$2,660,133	$2,554,514	$2,353,607
Net pension liability	$1,741,692	$1,671,532	$1,775,845
Plan fiduciary net position as a percentage of the total pension liability	60.43%	60.45%	57.00%
Covered payroll	$ 561,938	$ 526,667	$ 521,295
Net pension liability as a percentage of covered payroll	309.94%	317.38%	340.66%

Actuarial assumptions used to determine the total pension liability in the June 30, 2019 valuation were based on the results of the actuarial experience study covering the period from July 1, 2009 through June 30, 2014. Those assumption, applied to all periods included in the measurement, are as follows:

Investment Rate of Return	7.25%
Inflation	2.5%
Salary Increase Rate	Individual salary increases are composed of a price inflation component, a real wage growth component, and a merit or longevity component that varies by age. Total salary increases range from 9.6% at age 20 to 3.0% for members age 65 and older.
Cost of Living Adjustment	1.25%
Administrative Expenses	Assumed to be equal to the prior year's amount, increased by 3.0%.
Mortality	CalPERS Employee Mortality and CalPERS Healthy Annuitant tables both without Scale BB Projection, and also the RP-2014 Disabled Retiree Mortality table without MP-2014 Projection
Amortization	Closed

Based on the assumption that employee and City contributions to COPERS will continue to follow the established contribution policy and the sufficiency of the Fiduciary Net Position, the long-term expected rate of return on the plan's investments, 7.25%, was applied as the single rate to all periods of projected benefit payments to determine the total pension liability.

City of Phoenix Pension Reform

In January 2011, the Mayor and City Council appointed members of a Pension Reform Task Force (the "*Task Force*") to work with management, outside consultants and other stakeholders to review and possibly recommend changes to COPERS. On September 25, 2012, after several revisions, the Task Force presented a final report to the Mayor and City Council, including recommended amendments to the City Charter. At the September 25, 2012 meeting, the Mayor and City Council directed staff to draft proposed revisions to City Charter language for referral to the March 2013 ballot based on the Task Force's recommendations.

At a special election held on March 12, 2013, voters approved changes to COPERS. The changes affected new employees hired on and after July 1, 2013 and are expected to save the City approximately $829 million over 25 years. The changes exclude public safety employees and elected officials, each covered under separate pension plans. The following is a summary of the voter-approved changes:

- The retirement eligibility age will increase an average of approximately 3.5 years
- The employer and employee contribution rates will be based on a 50/50 split of the actuarially determined rate necessary to fully fund the annual required contribution (ARC)
- The benefit formula components will be changed to a graduated multiplier based on years of service, matching the State of Arizona retirement plan
- Prior to these changes, the City Charter required full funding of the ARC, but prohibited the City from contributing an amount greater than the ARC. The voter-approved changes allow the City to contribute an amount greater than the ARC
- The Investment Policy for COPERS will be updated to allow for investments that meet the Prudent Investor Rule

On July 1, 2013 as a result of the voter approved changes, a two-tier system was created for COPERS. A Tier 1 employee is any employee hired by the City before July 1, 2013, or any employee hired by the City on or after July 1, 2013 who participated in the Arizona State Retirement System prior to July 1, 2011. A Tier 2 employee is any employee hired by the City on or after July 1, 2013 who is not a Tier 1 employee. Effective July 1, 2013, Tier 1 employees continued to contribute 5.0% of their compensation to the plan, and Tier 2 employees contributed one-half of the total required actuarial percentage. The contribution rate for the City is the total projected percentage less the member contribution rates for each tier.

In November 2014, the Mayor created the Civilian Retirement Security Ad Hoc Committee (the "*Committee*") to address further pension reform. The Committee, which included members of the City Council along with community and business leaders, met over three months to consider several options for reform. In February 2015, the Committee unanimously recommended a stacked hybrid plan ("Prop 103") that was expected to save the City over $38 million over 20 years starting January 1, 2016. The most significant changes under this plan are for employees hired after January 1, 2016 to be classified as Tier 3 employees. Tier 3 employees would be subject to the following benefit changes:

- Final Average Salary calculation changed to a five-year average
- Pension multiplier reduced to 1.85% of salary per year of service through the first 10 years of employment, gradually increasing to 2.0% at 20 years of service
- Elimination of the sick leave service credit
- Eliminates the ability for employees previously employed by the state or other cities in Arizona to join the City of Phoenix as Tier 1 employees
- Makes compensation above $125,000 per year non-pensionable; the cap would increase each year to match inflation.

Prop 103 continues the 50/50 split in the contribution rate for new hires, but created a ceiling in the employee rate of 11.0% of their compensation. The ceiling applies to both Tier 2 and Tier 3 employees to help improve the recruitment and retention of employees. The City Council approved the plan on March 4, 2015, and on August 25, 2015 voters also approved Prop 103, which became effective on January 1, 2016.

Citizen Pension Reform Initiative

On November 4, 2014, Phoenix voters considered and rejected an initiative known as Proposition 487 — The Phoenix Pension Reform Act of 2014 that if approved, would have amended the Phoenix City Charter and changed City retirement benefits for both current and future employees. The City is unable to predict whether and in what form, future initiatives may be proposed regarding COPERS and what the impact of such initiatives might be.

State of Arizona Public Safety Personnel Retirement System

The City of Phoenix also contributes to an agent multiple-employer defined benefit pension and health insurance premium subsidy plan, the Arizona Public Safety Personnel Retirement System (APSPRS), for sworn police officers and firefighters. The APSPRS functions as an investment and administrative agent for the City of Phoenix with respect to the plans for police officers and firefighters.

Periodic employer contributions to the pension and health insurance premium subsidy plans are determined on an actuarial basis using the entry age normal cost method. Normal cost is funded on a current basis. The City's unfunded actuarial accrued liability is funded over a closed period, and as of June 30, 2016, the City had 20 years remaining in the amortization period. Senate Bill 1442, passed by the State Legislature on April 17, 2017, authorized the governing body of an employer to make a one-time request to increase the amortization to a closed period not exceeding 30 years. On June 21, 2017, the City Council voted to submit a request to the APSPRS Board of Trustees to increase the City's amortization period from 20 years to 30 years. The change was reflected in the employer contribution rate beginning with the July 1, 2018 contribution, and represents the minimum required contribution percentage. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the entry age normal cost method. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

The System, for both police and fire personnel, is funded via member contributions of 7.65% of compensation for employees whose membership date was prior to July 20, 2011, and 11.65% of compensation for employees whose membership date began on or after July 20, 2011. Employees whose membership date was on or after January 1, 2012 have the option of participating in the hybrid plan for non-social security positions with contributions of 14.65%, of which 3.0% goes toward a defined contribution plan and is matched by the employer. Employer rates are set by an actuarial valuation and expressed as a percent of compensation. For fiscal year ended June 30, 2019, the required employer contribution rates were as follows:

	Police	Fire
Tier 1	59.76%	57.48%
Tier 2	59.76%	57.48%
Tier 3	10.15%	10.15%
Tier 3 Legacy	44.41%	41.57%

For Fiscal year ended June 30, 2019, the City chose to contribute $151.9 million and $84.8 million for Police and Fire, respectively and were based on the following contribution rates:

	Police	Fire
Tier 1	65.00%	62.39%
Tier 2	65.00%	62.39%
Tier 3	10.15%	10.15%
Tier 3 Legacy	49.65%	46.48%

The City's APSPRS membership data is as follows:

	June 30, 2018	
	Police	Fire
Retirees and Beneficiaries	2,374	1,102
Inactive and Non-Retired Members	768	253
Active Members	2,501	1,426
Total	5,643	2,781

Schedule of Changes in Net Pension Liability and Related Ratios
for Reporting Date ended June 30,
(thousands)

	POLICE		
	Fiscal Year 2019	**Fiscal Year 2018**	**Fiscal Year 2017**
Total Pension Liability			
Service cost	$ 49,601	$ 58,148	$ 47,232
Interest on the total pension liability	231,824	217,244	199,120
Changes of benefit terms	—	22,618	171,696
Difference between expected and actual experience of the total pension liability	(906)	1,601	3,644
Changes of assumptions	—	107,195	100,323
Benefit payments, including refunds of employee contributions	(168,682)	(164,031)	(170,877)
Net change in total pension liability	111,837	242,775	351,138
Total pension liability—beginning	3,192,300	2,949,525	2,598,387
Total pension liability—ending	$3,304,137	$3,192,300	$2,949,525
Plan Fiduciary Net Position			
Employer contributions	$ 124,618	$ 113,645	$ 92,298
Employee contributions	22,728	31,289	31,061
Pension plan net investment income	89,411	139,676	7,019
Hall/Parker Settlement	(42,201)	—	—
Benefit payments, including refunds of employee contributions	(168,682)	(164,031)	(170,877)
Pension plan administrative expense	(1,364)	(1,236)	(1,010)
Other(1)	(443)	652	411
Net change in plan fiduciary net position	24,067	119,995	(41,098)
Plan fiduciary net position—beginning	1,291,612	1,171,617	1,212,715
Plan fiduciary net position—ending	$1,315,679	$1,291,612	$1,171,617
Net pension liability	$1,988,458	$1,900,688	$1,777,908
Plan fiduciary net position as a percentage of the total pension liability	39.82%	40.46%	39.72%
Covered payroll	$ 221,105	$ 231,023	$ 225,236
Net pension liability as a percentage of covered valuation payroll	899.33%	822.73%	789.35%

(1) Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

Schedule of Changes in Net Pension Liability and Related Ratios
for Reporting Date ended June 30,
(thousands)

	FIRE		
	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
Total Pension Liability			
Service cost	$ 30,634	$ 31,155	$ 25,101
Interest on the total pension liability	123,038	114,721	107,388
Changes of benefit terms	—	9,098	95,865
Difference between expected and actual experience of the total pension liability	21,387	5,985	(22,672)
Changes of assumptions	—	61,290	51,468
Benefit payments, including refunds of employee contributions	(89,735)	(88,133)	(108,988)
Net change in total pension liability	85,324	134,116	148,162
Total pension liability–beginning	1,692,224	1,558,108	1,409,946
Total pension liability–ending	$1,777,548	$1,692,224	$1,558,108
Plan Fiduciary Net Position			
Employer contributions	$ 73,288	$ 56,671	$ 49,932
Employee contributions	13,413	16,694	16,039
Pension plan net investment income	49,178	76,651	3,927
Hall/Parker Settlement	(21,840)	—	—
Benefit payments, including refunds of employee contributions	(89,735)	(88,133)	(108,988)
Pension plan administrative expense	(751)	(679)	(565)
Other(1)	251	11	1,050
Net change in plan fiduciary net position	23,804	61,215	(38,605)
Plan fiduciary net position–beginning	710,511	649,296	687,901
Plan fiduciary net position–ending	$ 734,315	$ 710,511	$ 649,296
Net pension liability	$1,043,233	$ 981,713	$ 908,812
Plan fiduciary net position as a percentage of the total pension liability	41.31%	41.99%	41.67%
Covered payroll	$ 132,503	$ 127,530	$ 124,322
Net pension liability as a percentage of covered valuation payroll	787.33%	769.79%	731.02%

(1) Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

Actuarial assumptions used to determine the total pension liability in the June 30, 2017 actuarial valuation were based on the results of the actuarial experience study covering the period from July 1, 2011 through June 30, 2016. Those assumptions, applied to all periods included in the measurement, are as follows:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Payroll Growth	3.5%
Price Inflation	2.5%
Salary Increases	3.5% to 7.5% including inflation
Tier 1 and 2 Investment Rate of Return	7.4%, net of investment and administrative expense
Tier 3 Investment Rate of Return	7.0%, net of investment and administrative expense
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period July 1, 2011 – June 30, 2016.
Mortality	RP-2014 mortality tables projected backwards 1 year to 2013 with MP-2014 (110% of female healthy annuitant mortality table.) Future mortality improvements are assumed each year using 75.0% of scale MP-2016.

The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. The assumed future permanent benefit increase used for this valuation is 1.75%.

Schedule of Contributions for Measurement Date ended June 30,
(thousands)

	Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution(1)	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Valuation Payroll
POLICE	2019	$ —	$151,919	$ —	$221,105	56.36%
	2018	124,618	124,618	—	221,105	56.36
	2017	113,645	113,645	—	231,023	49.19
	2016	92,298	92,298	—	225,236	40.98
FIRE	2019	$ —	$ 84,790	$ —	$ —	—%
	2018	73,288	73,288	—	132,503	55.31
	2017	56,671	56,671	—	127,530	44.44
	2016	49,932	49,932	—	124,322	40.16

(1) Actual contributions are based on covered payroll at the time of contribution. It is the actuary's understanding that the City's practice is to contribute the percent-of-payroll employer contribution rate (or flat dollar amount if there are no active employees) shown in the actuarial valuation report. Because of this understanding, the Actuarially Determined Contributions shown in the Schedule of Contributions are the actual contributions made by the City in the fiscal year. Fiscal year 2018 actual contributions represent contributions made subsequent to the measurement date.

The actuarially determined recommended pension contribution rates for Police was 67.30% for fiscal year 2017-18, and is 59.76% for fiscal year 2018-19 and 64.64% for fiscal year 2019-20. The actuarially determined recommended pension contribution rates for Fire was 62.69% for fiscal year 2017-18, and is 57.48% for fiscal year 2018-19 and 58.95% for fiscal year 2019-20.

APSPRS Pension Reform

On April 29, 2011, the Governor signed into law Senate Bill 1609 ("SB 1609"), which created significant pension reform to the APSPRS.

The following is a summary of changes to the APSPRS required by SB 1609:

- Revise the formula used to calculate cost of living adjustments (COLA)
- Increase member contribution rate from 7.65% to 11.65% by fiscal year 2015-16
- Eliminate the Deferred Retirement Option Plan (DROP) for employees hired after January 1, 2012
- Increase the number of years of service required to become retirement eligible from 20 to 25
- Increase the number of consecutive years of salary used to compute pension from three to five
- Calculated pension cannot exceed 80.0% of the five consecutive years' average

On February 20, 2014, the Arizona Supreme Court upheld a lower court ruling that provisions of SB 1609 revising the formula used to calculate cost of living adjustments of members of the Arizona Elected Officials Retirement Plan (EORP) violated the Arizona Constitution to the extent those provisions applied to elected officials hired prior to January 1, 2012. Because that Supreme Court ruling applies to invalidate the same language in similar provisions of SB 1609 which relate to APSPRS, COLA increases for members hired prior to January 1, 2012 and affected by SB 1609 will be restored retroactively, which required rate increases from employers, including the City. The APSPRS Board allowed employers to phase-in the pension contribution rate increase over 3 years beginning with the 2015-16 fiscal year. The City's contribution rate for fiscal year 2015-16 increased 7.96% for fire and 9.31% for police due the phase-in. In fiscal year 2016-17 the City's contribution rate increased 4.93% for fire and 6.05% for police. The City is unable to determine the rate increase for the last year of the phase-in or any potential savings due to other provisions of SB 1609.

On November 10, 2016, the Arizona Supreme Court upheld another lower court ruling that provisions of SB 1609 which increased employee contribution rates and curtailed certain benefit increases were also unconstitutional. The decision means that many current employees will receive refunds, while some retirees will receive retroactive benefit increases. The issuance of refunds by the City will have minimal effect on contribution rates. Neither of the Supreme Court decisions will impact the ability of the City to fulfill its obligations on its bonds. The City is not aware of any other pending lawsuits regarding SB 1609.

In February 2016, the Governor signed Senate Bills 1428 and 1429 to further reform the APSPRS. Most of the changes only affect new hires who start after June 30, 2017. Those changes include requiring new public safety employees to serve until age 55 before being eligible for full pension benefits, splitting the annual pension cost 50/50 between employers and new employees, and providing new hires the option of choosing a 100% defined contribution plan in place of a defined benefit (or pension) plan. The one change that could affect current retirees and those hired both before and after June 30, 2017, is a 2.0% annual cap on cost-of-living adjustments, which would be tied to the metropolitan Phoenix-Mesa Consumer Price Index. For the cost-of-living cap to apply to current members of APSPRS, it needed to be approved by voters. Proposition 124, which capped the cost of living adjustments for current and new members, was approved by voters on May 17, 2016.

Elected Officials' Retirement Plan

The Elected Officials' Retirement Plan (EORP) is a cost sharing multiple-employer defined benefit pension plan of which the City of Phoenix is a contributing employer and covers the Mayor and City Council, effective January 4, 1988. As a condition of coverage, members are required to contribute a percentage of their compensation.

The City contributed an actuarially determined rate of 32.99% for fiscal year 2012 and 36.44% for fiscal year 2013, to fully fund benefits for active members. For the first six months of fiscal year 2014, the City contribution rate was 39.62%. Effective January 1, 2014, the State Legislature closed the EORP to new members and changed the contribution rate to 23.50% for both the EORP and for the newly created Elected Officials' Defined Contribution Retirement System (EODCRS). All elected officials, appointed or elected on or after January 1, 2014 and not previously a member of the EORP, become members of the EODCRS, a defined contribution plan.

In 2017, a trial court ruled that the 23.50% level per cent employer contribution rate for the defined benefit plan was unconstitutional without supplemental funding because it was insufficient to cover the actuarial computed unfunded liabilities.

In March 2018, the Arizona State Legislature introduced Senate Bill 1478 ("SB 1478"), which proposed to eliminate the 23.50% employer contribution rate and replace it with an actuarially determined employer contribution rate. SB 1478 requires the contribution rate to be sufficient to meet both the normal cost and the unfunded accrued liability amortized over a closed period of at least 20 years, but not more than 30 years, beginning July 1, 2018. The Governor signed SB 1478 into law on May 16, 2018. Effective July 1, 2018, the EORP employer contribution rate was 61.5% and 61.625% for EODCRS. Effective July 1, 2019, the EORP employer contribution rate was 61.43% and 61.555% for EODCRS.

Pension reform for EORP was approved by voters in November 2018. The reform requires a replacement of the permanent benefit increase, or PBI, with a cost-of-living-adjustment based on annual changes recognized by the U.S. Department of Labor, Bureau of Labor Statistics' Consumer Price Index for the Phoenix-Mesa-Scottsdale CBSA. The PBI could increase as much as 4.0% per year, while the new cost-of-living adjustment increase has a cap of 2.0% per year.

No additional disclosures regarding EORP are provided due to the immateriality to the City's finances as a whole. EORP financial statements are available online at www.psprs.com.

Additional Information

Additional information regarding the City's Retirement and Pension Plans, including trend information and detailed assumptions, is available in the City's Comprehensive Annual Financial Report (CAFR) under the headings "Pension Plans" and "Required Supplementary Information". The CAFR is available at http://emma.msrb.org or www.phoenix.gov under Departments-Finance-Comprehensive Annual Financial Report or by calling the City at (602) 262-7166.

Additional information regarding the APSPRS and the Elected Officials Retirement Plan, including annual financial reports, actuary reports, trend information and detailed assumptions is available at www.psprs.com/investments--financials/annual-reports.

APPENDIX E

Health Care Benefits for Retired Employees

The City provides certain postemployment health care benefits for its retirees. City retirees meeting certain qualifications are eligible to participate in the City's health insurance program along with the City's active employees. As of August 1, 2007, separate unblended rates have been established for active and retiree health insurance.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45) which addresses how state and local governments should account for and report costs and obligations related to post-employment health care and other post-employment non-pension benefits (OPEB). GASB 45 generally requires that the annual cost of OPEB and the outstanding obligations and commitments related to OPEB be accounted for and reported in essentially the same manner as pensions. The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, effective July 1, 2007.

GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces GASB Statement No. 45 and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The new GASB statement requires the presentation of liability for OPEB obligations in the employer's financial statements. The Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The City implemented GASB 75 effective July 1, 2017.

Medical Expense Reimbursement Plan

Employees eligible to retire in 15 years or less from August 1, 2007, will receive a monthly subsidy from the City's Medical Expense Reimbursement Plan (MERP) when they retire. The MERP is a single-employer, defined benefit OPEB plan.

The subsidy provides an offset to out of pocket healthcare expenses such as premiums, deductibles and co-pays, whether the retiree or survivor elects to purchase coverage through city sponsored retiree plans or other sources. City sponsored health plans are provided to eligible non-Medicare retirees and dependents. The subsidy varies with length of service or bargaining unit, from $117 to $202 per month. Retirees may be eligible for additional subsidies depending on their bargaining unit, retirement date, or enrollment in the City's medical insurance program. Current and future eligible retirees who purchase health insurance through the City's plan will receive an additional subsidy to minimize the impact of unblending health insurance rates for active and retired employees.

In December 2007, the City established the City of Phoenix MERP Trust to fund all or a portion of the City's share of liabilities incurred in providing the benefits as reflected in Administrative Regulation 2.42 — Medical Expense Reimbursement Plan for Retirees and Eligible Surviving Spouses or Qualified Domestic Partners. A five-member Board of Trustees was delegated fiduciary responsibility for the MERP Trust, subject to oversight of the City Council.

The employees covered by MERP at June 30, 2019 are:

	2019
Plan Members Currently Receiving Benefits	9,352
Active Plan Members	3,527
Total Plan Members	12,879

Contributions by the City (plus earnings thereon) are the sole source of funding for the MERP. The City's Board of Trustees, subject to oversight by the City Council has the authority to establish and amend the contribution requirements of the City and active employees. The Board of Trustees establishes the rates based on an actuarially determined rate recommended by an independent actuary. The actuarial determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, the City contributed $24.1 million. Employees are not required to contribute to the MERP.

The MERP actuarially determined contribution, actual contribution and covered payroll for the last two fiscal years follows:

MERP
Schedule of Employer Contributions
(in thousands)

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2019	$ 22,465	$ 24,100	$ (1,635)	$ 270,600	8.9%
2018	22,465	25,881	(3,416)	329,982	7.84

The City's net OPEB liability for MERP was measured as of June 30, 2019, and the total MERP OPEB liability used to calculate the net OPEB liability for MERP was determined by an actuarial valuation as of June 30, 2019. The net OPEB liability for MERP is measured as the total MERP OPEB liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 7.0% was used to measure the total MERP OPEB liability as of June 30, 2019. This single discount rate was based on an expected rate of return on MERP OPEB plan investments of 7.0%. Based on the stated assumptions and the projection of cash flows, the MERP OPEB fiduciary net position and future contributions were projected to be sufficient to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MERP OPEB plan investments was applied to all periods of projected benefit payments to determine the total MERP OPEB liability.

The following schedule shows the funding progress of the plan for the last two fiscal years. The total MERP OPEB liability increased $4,969,000 from 2018 to 2019.

Schedule of Changes in Net OPEB Liability and Related Ratios
(in thousands)

	MERP	
	Fiscal Year End 2019	**Fiscal Year End 2018**
Total OPEB Liability		
Service cost	$ 4,282	$ 4,690
Interest on the total OPEB liability	25,141	24,826
Changes of benefit terms	19,835	—
Differences between expected and actual experience	(18,132)	—
Changes of assumptions	(637)	—
Benefit payments, including refunds of employee contributions	(25,520)	(24,107)
Net change in total OPEB liability	4,969	5,409
Total OPEB liability–beginning	369,774	364,365
Total OPEB liability–ending	$374,743	$369,774
Plan Fiduciary Net Position		
Employer contributions	$ 24,100	$ 25,881
OPEB plan net investment income	8,734	9,761
Benefit payments, including refunds of employee contributions	(25,520)	(24,107)
Other	(17)	6
Net change in plan fiduciary net position	7,297	11,541
Plan fiduciary net position–beginning	170,869	159,328
Plan fiduciary net position–ending	$178,166	$170,869
Net OPEB liability–ending	$196,577	$198,905
Plan fiduciary net position as a percentage of total OPEB liability	47.54%	46.21%
Covered payroll	$270,600	$329,982
Net OPEB liability as a percentage of covered payroll	72.64%	60.28%

Post Employment Health Plan

Benefit eligible employees with more than 15 years until retirement eligibility, as of August 1, 2007, receive $150 per month while employed by the City as a defined contribution to the Post Employment Health Plan (PEHP). This is a 100% employer-paid benefit. The program provides employees who have a payroll deduction for City medical insurance coverage (single or family) with a PEHP account. This account is to be used by the employee when he/she retires or separates employment with the City for qualified medical expenses (including health insurance premiums).

Long-Term Disability Program

In November 2008, the City established the City of Phoenix Long-Term Disability (LTD) Trust to fund all or a portion of the City's liabilities incurred in providing the benefits as reflected in Administrative Regulation 2.323 — City of Phoenix Long-Term Disability Program. The LTD Trust is a single-employer, defined benefit plan. A five-member Board of Trustees was delegated fiduciary responsibility for the LTD Trust, subject to oversight by the City Council. The LTD Trust issues a separate report that can be obtained through the City of Phoenix, Finance Department, Financial Accounting and Reporting Division, 251 W. Washington Street, 9th Floor, Phoenix, Arizona, 85003.

Long-term disability benefits are available to regular, full-time, benefit-eligible employees who have been employed by the City for at least 12 consecutive months. The program provides income protection of 2/3 of an employee's monthly base salary following a continuous three-month waiting period from the last day worked and the use of all leave accruals. The benefit continues to age 80 for those disabled prior to July 1, 2013 and age 75 for those disabled on or after July 1, 2013. The City pays 100% of the cost of this benefit.

The number of participants as of June 30, 2018, the effective date of the biennial OPEB valuation, follows:

	Fire	Police	General City	Total
Active Employees	3,038	1,685	7,910	12,633
Disabled Employees	19	5	264	288
Total Covered Participants	3,057	1,690	8,174	12,921

Contributions by the City (plus earnings thereon) are the sole source of funding for the LTD program. The LTD Trust's Board of Trustees, subject to oversight by the City Council has the authority to establish and amend the contribution requirements of the City and active employees. The Board of Trustees establishes the rates based on an actuarially determined rate recommended by an independent actuary. The actuarial determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2019, the City contributed $1.8 million. Employees are not required to contribute to the LTD program.

The LTD actuarially determined contribution, actual contribution and covered payroll for the last two fiscal years follows:

LTD
Schedule of Employer Contributions
(in thousands)

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2019	$ 1,772	$ 1,758	$ 14	$ 831,706	0.21%
2018	1,772	1,643	129	832,952	0.20

The City's net OPEB liability for LTD was measured as of June 30, 2019, and the total LTD OPEB liability used to calculate the net LTD OPEB liability was determined by an actuarial valuation as of June 30, 2019. The net LTD OPEB liability is measured as the total OPEB liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the LTD Trust's Board of Trustees adopted assumptions and methods).

A single discount rate of 7.00% was used to measure the total OPEB liability for LTD as of June 30, 2019. This single discount rate was based on an expected rate of return on LTD OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the LTD OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on LTD OPEB plan investments was applied to all periods of projected benefit payments to determine the total LTD OPEB liability.

The following schedule shows the funding progress of the plan for the last two fiscal years. The total LTD OPEB liability decreased $7,624,000 from 2018 to 2019.

Schedule of Changes in Net OPEB Liability and Related Ratios
(in thousands)

	LTD	
	Fiscal Year End 2019	**Fiscal Year End 2018**
Total OPEB liability/(asset)		
Service cost	$ 3,679	$ 3,554
Interest on the total OPEB liability/(asset)	3,614	3,407
Differences between expected and actual experience	(2,778)	—
Changes of assumptions	(8,013)	—
Benefit payments, including refunds of employee contributions	(4,126)	(3,993)
Net change in total OPEB liability/(asset)	(7,624)	2,968
Total OPEB liability/(asset)–beginning	51,854	48,886
Total OPEB liability/(asset)–ending	$ 44,230	$ 51,854
Plan Fiduciary Net Position		
Employer contributions	$ 1,758	$ 1,643
OPEB plan net investment income	3,983	4,611
Benefit payments, including refunds of employee contributions	(4,126)	(3,993)
OPEB plan administrative expense	(380)	(409)
Other	(86)	167
Net change in plan fiduciary net position	1,149	2,019
Plan fiduciary net position–beginning	78,930	76,911
Plan fiduciary net position–ending	$ 80,079	$ 78,930
Net OPEB liability/(asset)–ending	$ (35,849)	$ (27,076)
Plan fiduciary net position as a percentage of total OPEB liability/(asset)	181.05%	152.23%
Covered payroll	$831,706	$832,952
Net OPEB liability/(asset) as a percentage of covered payroll	(4.31)%	(3.25)%

APSPRS—OPEB

The Arizona Public Safety Personnel Retirement System (APSPRS) administers an agent multiple-employer defined benefit retirement system established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes that provides retirement benefits, as well as death and disability benefits to public safety employees of certain state and local governments. Authority to make amendments to the plan rests with the Arizona State Legislature. The APSPRS acts as a common investment and administrative agent that is jointly administered by a Board of Trustees and participating local boards.

A post-retirement health insurance subsidy is payable on behalf of retired members and survivors who elect coverage provided by the state or participating employer. The monthly subsidy ranges between $100 and $260 depending on Medicare eligibility and dependents.

The City's APSPRS membership data is a follows:

	June 30, 2018	
	Police	**Fire**
Retirees and Beneficiaries	2,374	1,102
Inactive, Non-Retired Members	405	224
Active Members	2,501	1,426
Total	5,280	2,752

APSPRS has the authority to establish and amend the contribution requirements of the City and active employees. APSPRS establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability.

For the year ended June 30, 2019, there were no employer contributions. Employees are not required to contribute to the APSPRS OPEB Plan.

APSPRS
Schedule of Employer Contributions
(in thousands)

	Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
Police	2018	$ —	$ —	$ —	$ 221,105	— %
Fire	2018	—	—	—	132,503	—

The following schedule shows the funding progress of the APSPRS OPEB plan for the last two fiscal years. The City's net OPEB liability for APSPRS was measured as of June 30, 2018, and the total APSPRS OPEB liability used to calculate the net OPEB liability for APSPRS was determined by an actuarial valuation as of the same date.

Schedule of Changes in Net OPEB Liability and Related Ratios for Reporting Date Ended June 30,
(in thousands)

	APSPRS	
	Police 2019	**Fire 2019**
Total OPEB Liability		
Service cost	$ 647	$ 338
Interest on the total OPEB liability	3,440	1,755
Changes of benefit terms	—	—
Differences between expected and actual experience of the Total OPEB Liability	(632)	(116)
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(3,253)	(1,766)
Net change in total OPEB liability	202	211
Total OPEB liability–beginning	47,791	24,430
Total OPEB liability–ending	$ 47,993	$ 24,641
Plan Fiduciary Net Position		
Contributions–employer	$ —	$ —
Contributions–employee	5	1
Net Investment Income	4,483	2,529
Benefit payments, including refunds of employee contributions	(3,253)	(1,766)
OPEB Plan administrative expense	(68)	(39)
Other	—	—
Net change in Plan fiduciary net position	1,167	725
Plan fiduciary net position–beginning	65,659	37,001
Plan fiduciary net position–ending	$ 66,826	$ 37,726
Net OPEB liability/(asset)	$ (18,833)	$ (13,085)
Plan fiduciary net position as a percentage of total OPEB liability	139.24%	153.10%
Covered payroll	$221,105	$132,503
Net OPEB liability as a percentage of covered payroll	(8.52)%	(9.88)%

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional Information

Additional information regarding the City's Health Care Benefits for Retired Employees, including the actuarial methods and detailed assumptions used to calculate the ARC, is available in the City's Comprehensive Annual Financial Report (CAFR) under the heading "Other Postemployment Benefits (OPEB)". The CAFR is available at http://emma.msrb.org or www.phoenix.gov under Departments-Finance-Comprehensive Annual Financial Report or by calling the City at (602) 262-7166.

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS

The following information summarizes or paraphrases certain provisions of the City Purchase Agreement, the Bond Indenture, the CFC Ordinance (as codified in the City Code), the RCC Leases and the Concession Agreements. Such information is not a full statement of the terms of such documents and, accordingly, is qualified by reference to the full text thereof.

CERTAIN DEFINITIONS

The following definitions in summary form of certain terms used in the City Purchase Agreement, the Bond Indenture and the CFC Ordinances (terms not so defined have the meanings ascribed to such terms in the City Purchase Agreement and the Bond Indenture):

"Administrative Costs" means the following expenses as determined and approved by the City which are incurred in connection with the issuance of the Bonds and the financing of the Project as a direct consequence of the execution and delivery of the Indenture, the City Purchase Agreement and the RCC Leases: (i) the ongoing fees and expenses of the Trustee, as Trustee, (ii) the ongoing fees and expenses of the Trustee as Paying Agent, (iii) fees and expenses of the Rate Consultant subsequent to those included in the costs of issuance, (iv) fees and expenses of the City and the Corporation, including, but not limited to those of attorneys, financial advisors, accountants and consultants incurred in connection with any regulatory or administrative requirements, including specifically, without limitation, the preparation and filing of annual financial statements and audits and compliance with continuing disclosure requirements, (v) the reasonable legal fees and expenses of the RCC Companies incurred with respect to defending any actions or proceedings brought by third parties challenging the Customer Facility Charges or the collection or remittance thereof pursuant to the RCC Leases and (vi) such other reasonable fees and expenses of the City and the Corporation, including reasonable overhead expenses in carrying out their respective obligations under this Bond Indenture, the City Purchase Agreement and the RCC Leases, as applicable. Administrative Costs do not include costs of issuance.

"Airport" means Phoenix-Sky Harbor International Airport.

"Airport Revenue Bond Ordinance" means Ordinance No. S-21974 adopted by the Mayor and Council of the City on April 20, 1994, as amended to date and as further supplemented and amended from time to time.

"Annual Receipts" means Customer Facility Charges deposited in the Revenue Fund for a twelve-month period.

"Airport System" means the airports of the City presently known as "Phoenix — Sky Harbor International Airport," "Phoenix — Goodyear Airport," and "Phoenix — Deer Valley Airport," including all additions, extensions and improvements thereto which may be made while any Bonds remain Outstanding, including all property and facilities of every nature owned or operated by the City and used in connection with its airports or for airport purposes, including but without limitation, lands, rights-in-land, terminals and other buildings and facilities, hangars, runways, ramps, shops, stores and similar facilities located in the terminal building areas, parking meters and facilities, facilities for limousine, taxi and car rental services, restrooms, sinks, showers, toilets, luggage lockers, repair shops, facilities for the sale of oil and fuel, communication facilities, restaurant and bar facilities, and all other property and facilities of every nature located on or used in connection with the airports and the land on which each is located, and including airport facilities not described in this definition if such facilities have been added to the definition of Airport by subsequent resolution or ordinance of the City.

"Board" means the Board of Directors of the Corporation.

"Bond Documents" means, collectively, the Bond Indenture and the City Purchase Agreement and similar financing instruments.

"Bond Indenture" means the Bond Indenture dated as of December 1, 2019 between the Corporation and the Trustee, as amended or supplemented from time to time.

"Bond Payment Date" means a date on which principal or interest shall be payable on Bonds in accordance with their respective terms.

"Bond Year" means the period commencing July 2 of each year and ending July 1 of the next year.

"Bonds" means the 2019 Bonds and any Parity Obligations Outstanding from time to time.

"Bonds Being Refunded" means the Corporation's Rental Car Facility Charge Revenue Bonds, Taxable Series 2004 maturing July 1, 2024 and July 1, 2029.

"Buses" means the common bus fleet to transport rental car customers between the Airport terminals and the Rental Car Center.

"Business Day" means any day other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which banking institutions located in the City of Phoenix, Arizona, the City of New York, New York, or the city in which the designated corporate trust office of the Trustee is located, are required or are authorized by law or executive order to close, or (iii) a day on which the New York Stock Exchange is closed.

"CFC Ordinance" means Ordinance No. G-4375 duly adopted on July 5, 2001 by the Mayor and Council of the City and any amendments thereto, including, but not limited to, amendments in Ordinance No. G-4418 and in Ordinance No. G-4530. The CFC Ordinance is currently codified in Phoenix City Code Section 79.

"Chief Financial Officer" means the actual, acting or interim Financial Director or Chief Financial Officer.

"City" means the City of Phoenix, Arizona.

"City Purchase Agreement" means the City Purchase Agreement, dated as of December 1, 2019 by and between the Corporation and the City, as amended or supplemented from time to time.

"City Representative" means the Chief Financial Officer of the City or any other person at any time designated to act on behalf of the City by written certificate furnished to the Corporation and the Trustee, if any, containing the specimen signature of such person and signed by the City Manager or his designee. Such certificate may designate one or more alternates.

"Commercial Paper" means Bonds with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time.

"Common Transportation System" means the transportation system used to transport Airport customers between Airport terminals and the RCC including but not limited to transportation provided by a common busing operation and/or the Sky Train (including any irregular operation for the Sky Train).

"Company" or *"Companies"* means each RCC Company and Off-Site Company.

"Concession Agreement" or *"Concession Agreements"* means each Rental Vehicle Concession Agreement between the City and an RCC Company, and any amendments or extensions thereof.

"Contingent Payments" means payments made by RCC Companies pursuant to Section 3.12 of the Concession Agreements relating to deficiencies in Customers Facility Charges Collections.

"*Contract Year"* means the twelve (12) month period beginning on January 1st and ending December 31st of the year following the Date of Beneficial Occupancy and every twelve-month period thereafter until the end of the term of the Concession Agreement.

"Credit Facility" means a bank, financial institution, insurance company or indemnity company enhancing the credit of any Bonds by assuring holders of such Bonds that principal of and interest on said Bonds will be paid promptly when due and includes the issuance of an insurance policy, surety bond or other form of security for the Parity Reserve Fund or similar fund established for Parity Obligations.

"Customer Facility Charges" means payments to be made to the City or the Depository by the Companies pursuant to the CFC Ordinance.

"Customer Facility Charges Collections" means Customer Facility Charges collected for a given period.

"Customer Service Building" means the customer service building component of the Rental Car Center.

"Date of Beneficial Occupancy" means the date determined by the City that reflects completion of the redevelopment project and that the Rental Car Center is ready for rental car operations.

"Debt Service Coverage Fund" means the fund of that name created pursuant to the Bond Indenture.

"Debt Service Coverage Requirement" means 25% of the aggregate Debt Service Reserve Requirement.

"Debt Service Reserve Requirement" means (a) with respect to Bonds secured by the Parity Reserve Fund, the Parity Reserve Requirement and (b) with respect to other Parity Obligations, the amount set forth in the applicable Parity Obligation Documents.

"Defeasance Obligations" means money and any of the following:

(i) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the Corporation obtains a Rating Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts; and

(ii) non-callable obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof), including, but not limited to Resolution Funding Corp. debt obligations, and U.S. Agency for International Development guaranteed notes (must mature at least 4 business days before the appropriate payment date).

"Depository" means, initially, JPMorgan Chase Bank, N.A. as the financial institution designated by the City to receive the Customer Facility Charges pursuant to the CFC Ordinance.

"Derivative Product" means an agreement of the City entered into in accordance with the City Purchase Agreement.

"Exclusive-Use Customer Service Building" or *"ECS"* means the storefront or linear counter retail area within the Customer Service Building which the Operator will transact business with Airport customers.

"Exclusive-Use Garage Area" or *"EG"* means the RCC garage area shown in an RCC Lease designated for ready and return parking of Operator's rental vehicles.

"Exclusive-Use Vehicle Service Site" or *"EVS"* means the RCC ground area designated for the non-retail activities, necessary to the operation of Operator's vehicle rental service.

"Financed Property" means the property actually funded with proceeds of the Series 2019A Bonds.

"Improvement Reserve/Surplus Fund" means the fund of that name created pursuant to the Bond Indenture.

"Initial Rate" means, with respect to Customer Facility Charges, a fee equal to six dollars ($6.00) per Transaction Day.

"Interest Requirement" means the amount of interest falling due on the next Bond Payment Date.

"Maximum Annual Debt Service" means an amount equal to the highest aggregate Principal Requirement and Interest Requirement to fall due and payable in the current or any future Bond Year of all Outstanding Bonds, as adjusted pursuant to any Derivative Product with a Qualified Counterparty in accordance with the City Purchase Agreement. In case any Bonds outstanding or proposed to be issued shall bear interest at a variable rate, the Interest Requirement of such Bonds in each Bond Year during which such variable rate applies shall be computed at the lesser of (i) the maximum rate which such Bonds may bear under the terms of their issuance or (ii) the rate of interest established for long-term bonds by the 20-year bond index most recently published by *THE BOND BUYER* of New York, New York, prior to the date of computation (or in the absence of such published index, some other index selected in good faith by the Chief Financial Officer of the City after consultation with one or more reputable, experienced investment bankers as being equivalent thereto) (the *"Variable Rate Assumption"*). With respect to any Commercial Paper issued or proposed to be issued, the Principal Requirement shall be calculated as if the entire amount of Commercial Paper authorized to be issued under the Parity Obligation Documents were to be amortized over a term of 30 years commencing in the year in which such Commercial Paper is issued or proposed to be issued and with substantially level annual debt service payments and the Interest Requirement shall be computed using the Variable Rate Assumption.

"Obligation Payments" means payments made by the RCC Companies pursuant to Section 3.10 of the Concession Agreements in the event the Customer Facility Charges or the CFC Ordinance are determined to be void.

"Off-Airport Company" or *"Off-Airport Companies"* means each rental car company obtaining customers at the Airport which is not a party to an RCC Lease.

"*Operator"* means the contracting party bound to all rights and obligations under the Concession Agreement and its successors and assigns.

"Opinion of Counsel" means a written opinion of an attorney or firm of attorneys selected by the City and acceptable to the Trustee and, to the extent the Corporation is to act or refrain from acting in reliance thereon, the Corporation, and who (except as otherwise expressly *provided herein* or in the City Purchase Agreement) may be counsel for the Corporation, the City or the Trustee, provided that such attorney or firm of attorneys may not be an employee of the Trustee.

"Other Available Funds" means moneys available to the Airport which are not included in the definition of Pledged Revenues.

"Other Available Moneys" means Other Available Funds which the City elects to make available for a particular purpose.

"Outstanding" when used with reference to the 2019 Bonds, means, as of any date of determination, all 2019 Bonds theretofore authenticated and delivered except:

(i) 2019 Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) 2019 Bonds which are deemed paid and no longer Outstanding as provided in the Indenture;

(iii) 2019 Bonds in lieu of which other 2019 Bonds have been issued pursuant to the provisions hereof relating to 2019 Bonds destroyed, stolen or lost, unless evidence satisfactory to the Trustee and the Corporation has been received that any such 2019 Bond is held by a bona fide purchaser; and

(iv) For purposes of any consent or other action to be taken hereunder or under the City Purchase Agreement by the Holders of a specified percentage in principal amount of 2019 Bonds, 2019 Bonds held by or for the account of the Corporation, the City, or any Person controlling, controlled by, or under common control with, any of them.

"Parity Obligation Documents" means any ordinance, indenture, contract or agreement of the City constituting or authorizing Parity Obligations.

"Parity Obligations" means obligations, which may be bonds, lease obligations, purchase agreements or other obligations which are issued subsequent to, and are to rank on a parity with the City's obligation to pay the Purchase Price under the City Purchase Agreement from the Pledged Revenues.

"Parity Reserve Fund" means the fund of that name created pursuant to the Bond Indenture.

"Parity Reserve Requirement" means, with respect to Bonds secured by the Parity Reserve Fund, Maximum Annual Debt Service with respect to such Bonds on an aggregate basis and shall mean $ initially. The Parity Reserve Requirement may be recalculated from time to as Bonds included in such calculation are no longer Outstanding or in the event the City elects to make the Parity Reserve Fund a reserve fund for the benefit of additional Parity Obligations. In that event, as set forth in Section 2.7(b) of the Bond Indenture, the requirements set forth above shall be determined on an aggregate basis.

"Permitted Investments" means and include:

(i) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee (*"Direct Obligations"*).

(ii) Direct obligations and fully guaranteed certificates of beneficial interest of the Federal Credit System Financial Assistance Corporation, the Farmers Home Administration or the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (*"FHLMCs"*); debentures of the Federal Housing Administration; mortgage backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association (*"FNMAs"*); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association (*"GNMAs"*); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; Resolution Funding Corporation securities.

(iii) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P.

(iv) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P.

(v) Federal funds, certificates of deposit collateralized and in accordance with A.R.S. § 35-323, time deposits or bankers acceptances (in each case having maturities of not more than 360 days collateralized in accordance with A.R.S. § 35-323) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P.

(vi) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation.

(vii) Investments in money-market funds rated "AAAm" or "AAAm-G" by S&P.

(viii) Repurchase agreements collateralized by Direct Obligations, GNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's, and "A-1" or "A-" or better by S&P, provided:

(A) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(B) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent (*"Agent"*) for the Trustee, and such third party is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

(C) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

(D) the repurchase agreement has a term of 180 days or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation; and

(E) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%.

(ix) Pre-refunded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the dates specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the *"Escrow"*), in the highest Rating Category of S&P and Moody's or any successors thereto; or

(B) (1) which are fully secured as to principal and interest and redemption premium, if any, by an Escrow consisting only of cash or obligations which are direct obligations of the United States of America, which Escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which Escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations as described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(x) A "no load" open-end Management Investment Company or Trust (mutual fund), registered with the Federal Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and which invests in short term United States Treasury obligations, agencies guaranteed by the United States, and repurchase agreements secured by the same and which, with regard to amounts relating to the Bonds, is rated by S&P at least as highly as the then current rating by S&P for the Bonds.

"Pledged Rate" means, with respect to the Customer Facility Charges, a fee equal to the rate charged per Transaction Day, which shall be the Initial Rate unless and until modified as provided in the City Purchase Agreement.

"Pledged Revenues" means (i) all amounts deposited to the Revenue Fund, including the Customer Facility Charges remitted by the Companies to the Depository and transferred to the Trustee (and any interest or penalties paid with respect to a Company's failure to remit), Contingent Payments, Obligation Payments and income from investments therein and amounts required to be transferred to the Revenue Fund from the funds and accounts established under the Bond Indenture, (ii) amounts held by the Trustee in the 2019 Bond Fund, the Parity Reserve Fund, the Debt Service Coverage Fund and the Improvement Reserve/Surplus Fund and income from investments therein, (iii) amounts held in the Project Fund until expended as permitted in the City Purchase Agreement, including income from investments therein and (iv) all other amounts received by the Trustee or the Corporation with respect to payment of the Principal Requirement or the Interest Requirement with respect to the 2019 Bonds, but excluding (A) amounts paid by the RCC Companies as ground rentals or concession fees, (B) amounts on deposit in or required to be deposited to, the Administrative Costs Fund, (C) amounts on deposit in the Transportation O&M Fund, and (D) Customer Facility Charges which exceed the Pledged Rate in the event the rate at which Customer Facility Charges are imposed is increased without a corresponding increase to the Pledged Rate.

"Principal Installment" means, for any particular Bond Payment Date on which principal and interest shall be payable, the aggregate of the principal amount of 2019 Bonds that are due on such date.

"Principal Payment Date" means the dates established for the payment of Principal Requirements on Bonds.

"Principal Requirement" means, as of any date of calculation, the sum of (a) the principal amount of Bonds falling due during the then current Bond Year plus (b) the amount of principal of Bonds required to be redeemed pursuant to a mandatory redemption feature during the then current Bond Year. In computing the Principal Requirement, an amount of Bonds required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of Bonds maturing on the scheduled maturity date. In the case of Bonds supported by a Credit Facility, the Principal Requirements for such Bonds shall be determined in accordance with the principal retirement schedule specified in the proceedings authorizing the issuance of such Bonds, rather than any amortization schedule set forth in such Credit Facility.

"Project" means, in the aggregate, the improvements described in the City Purchase Agreement.

"Project Fund" means the fund established pursuant to the City Purchase Agreement and maintained by the City for the payment of costs of the Financed Property.

"Property" means, collectively, the Financed Property under the Refinanced Property.

"Purchase Payments" means the sum of the payments required by the City Purchase Agreement to be paid by the City to or for the account of the Corporation.

"Purchase Price" means the sum of the Purchase Payments.

"Qualified Counterparty" means a counterparty to a Derivative Product (i) which is a bank, insurance company, indemnity company, financial institution or any similar or related company with a credit rating in one of the two highest Rating Categories of each Rating Agency, (ii) the obligations of the counterparty which are guaranteed by an entity described in clause (i), or (iii) the obligations of which are fully secured by obligations described in items (i) or (ii) of the definition of Permitted Investments which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (B) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (C) subject to a perfected first lien on behalf of the Trustee, and (D) free and clear from all third-party liens.

"Qualified Surety Bond" shall mean an instrument meeting the requirements of Sections 5.7 and 5.14 of the Bond Indenture and which is: (i) a surety bond or insurance policy issued to the Trustee, as agent of the bondholders, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the 2019 Bonds (a "municipal bond insurer") if the claims paying ability of the issuer thereof shall be rated "AAA" or "Aaa" by S&P or Moody's, respectively at the time of issuance of such instrument, or (ii) an unconditional irrevocable letter of credit issued to the Trustee, as agent of the bondholders, by a bank if the issuer thereof is rated at least "AA" by S&P at the time of issuance of such instrument.

"Rate Consultant" means a Person chosen by the City and qualified to review and assess the anticipated Pledged Revenues and recommend to the City the rate at which the Customer Facility Charges are imposed.

"Rating Agency" means Moody's or S&P, or both.

"Rating Category" means one of the general rating categories of a Rating Agency without regard to any refinement or gradation of such rating category by numerical modifier or otherwise.

"RCC Company" or *"RCC Companies"* or *"Operator"* means those entities currently a party to an RCC Lease, and any new entities entering into an RCC Lease.

"RCC Lease" or *"RCC Leases"* or *"Lease"* means each RCC Lease between the City and an RCC Company, and any permitted amendments thereto, and each similar agreement between the City and a Company, and any permitted amendments thereto.

"RCC Share" means (i) with respect to Bonds, the debt service and other related costs as set forth in the Bond Indenture specifically associated with the capital costs for the development and/or redevelopment of the RCC and/or the Common Transportation System as reasonably determined by the City, in its sole discretion. To the extent there is a Common Transportation System that is shared with other users at the Airport, the City shall determine the RCC Share of such Common Transportation System design/construction/development or modification/redevelopment cost; and/or (ii) with respect to the Transportation O&M Expenses, the cost associated with the Common Transportation System as reasonably determined by the City, in its sole discretion. To the extent there is a Common Transportation System that is shared with other users at the Airport, the City as set forth in Article Five, shall determine the RCC Share of such Transportation O&M Expenses.

"Rental Car Brands" means the individual business entity or individual trade name owned, licensed to or otherwise authorized to be operated by Operator that have been authorized and approved by the City as a component of Operator's Rental Car Business, specifically including Operator's Traditional Rental Car Brands and Operator's Car Sharing Brand, as defined in the RCC Lease.

"Rental Car Business" means the non-exclusive right and privilege of the use and occupancy of the Rental Car Center and the Airport by an Operator for its conduct of an on-Airport rental car concession and car sharing services, subject to the rights and limitations set forth in this Agreement and the Lease, and the obligation of Operator to provide its rental car service through its Rental Car Brands for the term of the Concession Agreement.

"Rental Car Center" or *"RCC"* means the rental car center on the Airport site and within a development known as Sky Harbor Center which includes a Customer Service Building, rental car parking areas and rental car maintenance and storage facilities and accommodates all of the RCC Companies servicing Airport customers.

"Refinanced Property" means the property actually funded or refinanced with proceeds of the Bonds Being Refunded.

"S&P" means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, *"S&P"* shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by written notice to the Trustee.

"Series 2019A Bonds" means the City of Phoenix Civic Improvement Corporation Rental Car Facility Charge Revenue Bonds, Series 2019A.

"Share Calculation Formula" means a fraction, where the numerator is equal to the amount of Operator's Exclusive Use Garage Area at the RCC, and the denominator is equal to the aggregate amount of all RCC Companies' Exclusive Use Garage Areas.

"Sky Train" means a fully-operable standalone automated people mover linking the Valley Metro light rail station located on 44th Street and Washington Street with the Airport terminals, a future West Ground Transportation Center and the Rental Car Facility.

"Sky Train 2 Project" means the construction project resulting in the extension of the Sky Train that will provide the connection to and service for the RCC as the Common Transportation System.

"Surety Provider" means a provider of a Qualified Surety Bond.

"2019 Bond Fund" means the fund of that name created pursuant to the Bond Indenture.

"2019 Bond Payment Date" means each date on which interest or both principal and interest shall be payable on any of the 2019 Bonds according to their respective terms so long as any 2019 Bonds are Outstanding.

"2019 Bonds" means, collectively, the Series 2019A Bonds and the Taxable Bonds.

"2019 Interest Account" means the account of the 2019 Bond Fund of that name created pursuant to the Bond Indenture.

"2019 Principal Account" means the account of the 2019 Bond Fund of that name created pursuant to the Bond Indenture.

"2019 Redemption Account" means the account of the 2019 Bond Fund of that name created pursuant to the Bond Indenture.

"Taxable Bonds" means the City of Phoenix Civic Improvement Corporation Rental Car Facility Charge Revenue Refunding Bonds, Taxable Series 2019B.

"Transaction Day" means a car rented for twenty-five or fewer hours for the first Transaction Day and, and every twenty-four hours for each Transaction Day thereafter.

"Transportation O&M Expenses" means all expenditures (exclusive of depreciation and interest on money borrowed) which are necessary to the efficient maintenance and operation of vehicles and facilities, including, but not limited to Buses and the Sky Train, which transport rental car customers between the Airport terminals and the Rental Car Center determined in accordance with the Concession Agreements and the RCC Leases.

"Transportation O&M Fund" means the fund of that name created pursuant to the Bond Indenture.

"Trustee" or *"Bond Trustee"* means U.S. Bank National Association, in its capacity as trustee hereunder and any successor to its duties hereunder.

THE CITY PURCHASE AGREEMENT

Section 2.3. Project Fund. The City, or the Corporation on behalf of the City, shall establish and maintain the Project Fund to be funded with proceeds of the Series 2019A Bonds. In addition, the City may, but shall not be required to deposit additional funds in the Project Fund. Moneys in the Project Fund shall be disbursed by the City or the Corporation, for the following purposes and for no other purposes:

(i) costs and expenses relating to the issuance, sale and delivery of the Series 2019A Bonds;

(ii) payment for labor, services and materials used or furnished in the improvement and construction of the Financed Property and all real and personal property deemed necessary in connection with the Financed Property and for the miscellaneous expenses incidental to any of the foregoing including the premium on each performance and payment bond;

(iii) reimbursement of capital expenditures relating to the Financed Property advanced prior to the issuance of the Series 2019A Bonds; and

(iv) payment of the portion of the Purchase Price representing interest on the Series 2019A Bonds during the construction and acquisition of the Financed Property.

The City covenants and agrees that, to the extent no other funds are available, it will apply amounts on deposit in the Project Fund to payment of the interest portion of the Purchase Price related to the Series 2019A Bonds.

Before any of the foregoing payments may be made, the City shall maintain a record with respect to each such payment to the effect that: (i) none of the items for which the payment is proposed to be made has formed the basis for any payment previously made from the Project Fund, (ii) each item for which payment is proposed to be made is or was necessary in connection with the Financed Property and (iii) each item for which payment is proposed is for a purpose permitted by this Section 2.3. Notwithstanding the foregoing, withdrawals from the Project Fund for transfers to the Rebate Fund may be made by the City provided that all withdrawals and payments shall be in compliance with applicable law.

* * *

Section 3.3. Amounts of Purchase Price Payable Upon Issuance of 2019 Bonds. The City agrees that it will pay, subject to certain limitations in the City Purchase Agreement, solely from the Pledged Revenues, as the Purchase Price of the Property. The payments under the City Purchase Agreement include, but are not limited to, the following amounts:

(a) A sum equal to the interest on the Bonds falling due on the next succeeding interest payment date.

(b) A sum equal to the principal payments due for the then current Bond Year.

(c) A sum equal to the Trustee's fees and expenses under the Indenture.

(d) Amounts necessary to maintain the required balances in the Administrative Costs Fund, the Parity Reserve Fund, the Debt Service Coverage Fund and the Transportation O&M Fund.

* * *

Section 3.5. Limitation on Source of City Payments; City's Obligation to Make Deposits to Certain Funds Under the Bond Indenture.

(a) Except to the extent the City determines to make payments from Other Available Moneys, all amounts to be paid by the City (other than in subsection (c) below) shall be payable solely from the Pledged Revenues. Amounts payable by the City hereunder shall never constitute a general obligation of the City or a pledge of ad valorem taxes by the City.

(b) The City shall cause to be remitted to the Trustee the Pledged Revenues, Contingent Payments, if any, and Obligation Payments, if any, to maintain the balances in the Administrative Costs Fund, the Parity Reserve Fund, the Debt Service Coverage Fund and the Transportation O&M Fund at the required levels pursuant to the Bond Indenture.

Section 3.6. Obligations of City Hereunder Unconditional. The obligations of the City to pay the amounts required in Section 3.3 (subject to certain limitations) and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, regardless of the continued existence of the Property or its physical condition.

* * *

Section 4.1. Prior Lien Obligations. The City shall not incur any obligations payable from the Pledged Revenues ranking prior to the obligations of the City under this City Purchase Agreement.

The City shall not incur any obligations payable from the Pledged Revenues in the future on a parity with its obligations under the City Purchase Agreement except for (a) Bonds entered into or issued for the purpose of refunding the 2019 Bonds or Parity Obligations if upon the incurring of such Parity Obligations, the conditions specified below are met, or (b) Parity Obligations entered into or issued for purposes other than refunding the 2019 Bonds or Parity Obligations if, upon the incurring of such Parity Obligations, the conditions specified below are met.

Section 4.2. Additional Parity Obligations for Refunding Purposes. Any or all of the 2019 Bonds or Parity Obligations may be refunded at or prior to maturity, upon redemption in accordance with their terms or with the consent of the holders thereof, and the refunding obligations so issued, if so designated by the City, shall constitute Parity Obligations *provided, however*, that:

(a) An officer of the City shall certify that the Maximum Annual Debt Service becoming due and payable from the date of such determination to maturity or earlier redemption on the Bonds of all series to be Outstanding immediately after the date of authentication and delivery of such refunding bonds is not greater than 110% of the Maximum Annual Debt Service becoming due and payable from the date of such determination to maturity or earlier redemption on the Bonds of all series Outstanding immediately prior to the authentication and delivery of such refunding bonds; and

(b) The bonds being refunded will no longer be Outstanding upon the issuance of the refunding bonds.

Section 4.3. Parity Obligations Generally. Parity Obligations may also be issued if the following conditions are satisfied:

(a) A Corporation Representative shall certify that, upon issuance or delivery of the Parity Obligations, neither the Corporation, nor the City will be in default under any term or provision of the Bond Indenture or the City Purchase Agreement;

(b) To the extent necessary to acknowledge or perfect the security interest of the holders of the Parity Obligations in the Pledged Revenues, amounts in the Debt Service Coverage Reserve Fund and if applicable, the Parity Reserve Fund, an intercreditor agreement or jointly signed closing certificate between the Trustee and the trustee(s) for the Parity Obligations;

(c) The Trustee certifies that upon issuance of the Parity Obligations, the Parity Reserve Fund (and similar accounts established for Parity Obligations) and the Debt Service Coverage Fund are funded at the applicable Debt Service Reserve Requirement and the Debt Service Coverage Requirement, respectively; and

(d) A City Representative shall certify that either the Annual Receipts for the most recently completed Fiscal Year for which audited financial statements are available or the Annual Receipts for 12 consecutive months out of the most recent 18 calendar months would have been at least equal to Administrative Costs for the last complete Bond Year and 125% of the Maximum Annual Debt Service for all Bonds to be Outstanding, including the Parity Obligations proposed to be issued.

Section 4.4. Rate Covenant. The City covenants that it will in each Bond Year, establish, maintain and enforce the Customer Facility Charges applicable to both RCC Companies and Off-Site Companies at not less than the Pledged Rate. In the event that the Annual Receipts prepared pursuant to the City Purchase Agreement plus amounts on deposit in the Debt Service Coverage Fund, are not projected to equal at least (a) 125% of the Principal Requirement and the Interest Requirement plus (b) budgeted Administrative Costs for the next Bond Year and any amounts required to maintain the Parity Reserve Fund (and comparable funds established for Parity Obligations) at the applicable Debt Service Reserve Fund Requirement and the Debt Service Coverage Fund at the Debt Service Coverage Requirement, it will use its best efforts to increase the rate at which Customer Facility Charges are imposed to remedy such projected deficiencies and notify the Trustee of a corresponding increase in the Pledged Rate. Such notice shall, without further action, increase the Pledged Rate for purposes of this Agreement and the Bond Indenture. The Corporation acknowledges that increasing the rate at which the Customer Facility Charges are imposed and increasing the Pledged Rate are legislative acts solely within the control of the Mayor and the City Council of the City.

Section 4.5. Derivative Products. The City reserves the right to enter into arrangements involving derivative products including swap agreements, forward agreements, interest rate agreements, and other similar agreements, to the extent permitted by law, and make payments on such agreements from Pledged Revenues, and reserves the right to establish funds, accounts and subaccounts to make payment on such agreement and reserves the right to revise the flow of funds set forth in the Bond Indenture and corresponding Parity Obligation Documents, provided that such revisions do not result in payments under such agreements being made on a basis which is senior to the payment of any Bonds. To the extent the City enters into such agreements and pledges Pledged Revenues to the payment of such agreements on a parity with the Bonds, such agreements may only be incurred if the City satisfies the relevant Parity Obligations test subject to the provisions set forth below. In determining whether the Parity Obligations test is satisfied in connection with any such agreements, the City is permitted to treat the amount or rate of interest on those agreements or on the Parity Bonds to which the applicable agreement applies as the amount or rate of interest payable after giving effect to the agreements, provided that any agreement is with a Qualified Counterparty, thus the City is permitted to include the net payment due under such agreements in calculating the additional bonds tests. Further, the City is permitted to disregard the notional principal amount of any such agreement provided that such agreement is with a Qualified Counterparty.

Section 4.6. Subordinate Obligations. The City reserves the right to issue or enter into obligations payable from Pledged Revenues after payment of Bonds, which are subordinate to the City's obligation to pay the Purchase Price hereunder.

* * *

Section 5.3. RCC Leases and Concession Agreements. The City shall diligently enforce its rights and perform its obligations under the RCC Leases and Concession Agreements.

* * *

Section 7.1. Events of Default. Any one or more of the following events (herein called *"Events of Default"*) shall constitute a default under the City Purchase Agreement.

(a) The City shall fail to make a payment of the Purchase Price sufficient to pay amounts due on the Bonds; or

(b) The City shall fail to make any other payment of the Purchase Price for a period of 30 days after notice of such failure shall have been given in writing to the City by the Corporation or by the Trustee; or

(c) The City shall fail to perform any other covenant herein for a period of 30 days after written notice specifying such default shall have been given to the City by the Corporation or the Trustee, provided that if such failure be such that it cannot be remedied within such 30 day period, it shall not be deemed an Event of Default so long as the City diligently tries to remedy the same.

Section 7.2. Remedies on Default by City. Upon the occurrence of an Event of Default as above defined, the Corporation shall, but only if requested to do so by the Trustee, without further demand or notice, exercise any of the available remedies at law or in equity, including, but not limited to, specific performance hereunder and under the RCC Leases and Concession Agreements, however, under no circumstances may amounts due under the City Purchase Agreement be accelerated.

* * *

Section 9.3. Amendments. The City Purchase Agreement may only be amended with the express written consent of the Trustee and in accordance with the provisions of the Bond Indenture, provided that no such consent shall be required for any amendment to the description of the Property.

THE BOND INDENTURE

Section 1.3. All 2019 Bonds Equally and Ratably Secured; 2019 Bonds Not General Obligations of the Corporation. All 2019 Bonds issued hereunder and at any time Outstanding shall in all respects be equally and ratably secured. The 2019 Bonds shall be payable solely out of the Pledged Revenues and shall not constitute an indebtedness or general obligation of the Corporation or the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Corporation or the City or be a charge against their general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof. The Corporation has no taxing power.

* * *

Section 5.3. Flow of Funds-Revenue Fund. So long as any 2019 Bonds are Outstanding, in each Bond Year, Pledged Revenues received by the Trustee shall be deposited to the credit of the Revenue Fund and applied in the following manner and order of priority:

(a) *Administrative Costs Fund.* The Trustee shall deposit to the Administrative Costs Fund on or before the last Business Day of each month, an amount equal to the Administrative Costs budgeted for the 2019 Bonds or any Parity Obligations for such Bond Year until all budgeted Administrative Costs have been deposited. Thereafter, no additional transfers to the Administrative Costs Fund may be made during such Bond Year unless the City amends the Administrative Costs budgeted for the Bonds for such Bond Year and such amendment increases the Administrative Costs budgeted for the Bonds for such Bond Year. In such event, the Trustee is required to transfer to the Administrative Costs Fund all moneys subsequently deposited in the Revenue Fund until there shall have been deposited thereto an amount equal to the increased Administrative Costs budgeted for the Bonds for such Bond Year. In the event amounts on deposit at the end of a Bond Year exceed the amount budgeted for the following Bond Year, such excess shall be transferred to the Improvement Reserve/Surplus Fund.

(b) *2019 Interest Account and Parity Obligation Interest Accounts.* The Trustee shall deposit to the 2019 Interest Account and any subsequent account for Parity Obligations on or before the last Business Day of each month an amount equal to one-fifth of the respective amounts of interest to be paid on Outstanding Bonds on the next Bond Payment Date unless and until funds are on deposit in an amount sufficient to make such payment. If Pledged Revenues are not available to make a deposit when required, such deficiency shall be remedied on the next succeeding deposit date. Moneys in the 2019 Interest Account shall be used to pay interest on the 2019 Bonds as it becomes due.

(c) *2019 Principal Account and Parity Obligation Principal Accounts.* The Trustee shall deposit to the 2019 Principal Account and any subsequent account for Parity Obligations on or before the last Business Day of each month (in each Bond Year ending on a date on which Bonds mature), an amount equal to one tenth (one fifth for the first Bond Year) of the respective principal amounts at maturity plus one-tenth of the amount equal to any mandatory sinking fund redemption requirement of 2019 Bonds Outstanding (or similar obligation with respect to Parity Obligations) which will mature or be subject to mandatory redemption on the last day of such Bond Year unless and until funds are on deposit in an amount sufficient to make such payment. If Pledged Revenues are not available to make a deposit when required, such deficiency shall be remedied on the next succeeding deposit date. Moneys in the 2019 Principal Account shall be used to retire 2019 Bonds by payment at their scheduled maturity or their mandatory sinking fund retirement date.

(d) *2019 Parity Reserve Fund and Parity Obligation Reserve Funds.* The Trustee shall deposit from time to time to the credit of the 2019 Parity Reserve Fund and every separate debt service reserve fund established for Parity Obligations not secured by the 2019 Parity Reserve Fund, amounts then required to be deposited therein on a pro rata basis, provided that such deposits may be transferred to the applicable Credit Facility in order to reimburse such Credit Facility for amounts paid out under any insurance policy or Qualified Surety Bond securing any of the Bonds and related costs.

(e) *Debt Service Coverage Fund*. The Trustee shall deposit from time to time to the credit of the Debt Service Coverage Fund, amounts then required to be deposited therein.

(f) *Transportation O&M Fund.* The Trustee shall deposit to the credit of the Transportation O&M Fund on or before the last Business Day of each month an amount equal to the Transportation O&M Expenses budgeted for such Bond Year until all budgeted Transportation O&M Expenses have been deposited.

(g) *Improvement Reserve/Surplus Fund.* The Trustee shall deposit to the credit of the Improvement Reserve/ Surplus Fund any amounts remaining in the Revenue Fund after any applicable reimbursement directed by the City pursuant to Section 3.13 of the Concession Agreements.

Notwithstanding the foregoing, in the event amounts not constituting Pledged Revenues are deposited to the Revenue Fund in error, the Trustee shall transfer such amounts from any fund or account to the City at its direction.

Section 5.4. 2019 Redemption Account of the 2019 Bond Fund. If the City makes an optional prepayment of any installment of principal which is to be applied to redeem 2019 Bonds and specifying the amount and maturities of 2019 Bonds to be redeemed and the optional redemption date, the amount so paid shall be credited to the 2019 Redemption Account and applied promptly by the Trustee, first, to cause the amounts credited to the 2019 Interest Account or the 2019 Principal Account of the 2019 Bond Fund, in that order, to be not less than the amounts then required to be credited thereto, and, second, to retire 2019 Bonds by purchase, redemption or both purchase and redemption in accordance with the City's directions. Any such purchase shall be made at the best price obtainable with reasonable diligence and no 2019 Bond shall be so purchased at a cost or price (including brokerage fees or commissions or other charges), excluding accrued interest, which exceeds the redemption price at which such 2019 Bond could be redeemed on the date of purchase or on the next succeeding date upon which such 2019 Bond is subject to redemption, plus accrued interest, to the date of purchase. Any such redemption shall be of 2019 Bonds then subject to redemption at the redemption price then applicable for redemption of such 2019 Bonds.

Any balance remaining in the 2019 Redemption Account after the purchase or redemption of 2019 Bonds in accordance with the City's directions shall be transferred to the 2019 Interest Account.

Section 5.5. Administrative Costs Fund. The Trustee shall apply amounts credited to the Administrative Costs Fund to pay or reimburse the City for Administrative Costs within three Business Days of receipt of a direction of a City Representative specifying the payee and certifying that the Administrative Costs have been incurred as permitted by the Bond Indenture.

Section 5.6 Debt Service Coverage Fund. Subject to the payments required as described above, from and to the extent of any moneys remaining in the Revenue Fund, there shall be deposited to the Debt Service Coverage Fund from time to time amounts necessary to maintain the balance in the Debt Service Coverage Fund at an amount at least equal to the Debt Service Coverage Requirement. Amounts in the Debt Service Coverage Fund shall be used by the Trustee in the following order of priority: (a) to pay the Interest Requirement or the Principal Requirement of the Bonds on any Bond Payment Date to the extent sufficient funds are not available in the 2019 Fund or the Parity Reserve Fund or separate similar funds established for Parity Obligations and (b) to restore any deficiency in the Parity Reserve Fund or separate debt service reserve fund established for Parity Obligations (or to reimburse the provider for amounts advanced under a Qualified Surety Bond).

Section 5.7. Parity Reserve Fund.

(a) Subject to the payments required as described above, from and to the extent of any moneys remaining in the Revenue Fund, there shall be deposited to the Parity Reserve Fund from time to time amounts necessary to maintain the balance in the Parity Reserve Fund at an amount at least equal to the Parity Reserve Requirement and to similar accounts established at the applicable Debt Service Reserve Requirement for any Parity Obligations.

(b) Amounts in the Parity Reserve Fund shall be applied to pay the Interest Requirement and the Principal Requirement for the 2019 Bonds on any Bond Payment Date to the extent sufficient funds are not available in the 2019 Bond Fund, the Improvement Reserve/Surplus Fund and the Debt Service Coverage Fund. At the direction of the City, upon notice to the Trustee, this Section may be amended without notice to, or consent of the owners of the 2019 Bonds, to provide that the Parity Reserve Fund shall be a parity reserve fund for the benefit of one or more series of Parity Obligations. In connection with any such amendment, the Parity Reserve Requirement shall be modified only to the extent necessary to reflect on an aggregate basis Maximum Annual Debt Service of the Parity Obligations to be secured by the Parity Reserve Fund. The Bond Trustee is authorized to enter into an intercreditor agreement (or jointly signed closing certificate) with the trustee for any Parity Obligations to be secured by the Parity Reserve Fund to acknowledge the parity nature of the Parity Reserve Fund.

(c) The Parity Reserve Fund may be funded with cash, Permitted Investments or a Qualified Surety Bond. In the event the City chooses to provide a subsequent Qualified Surety Bond, the City shall receive a certificate or an opinion to the effect that the Qualified Surety Bond is a binding obligation of the issuer thereof and shall receive evidence that the issuer thereof has a credit rating in one of the two highest Rating Categories of a nationally recognized credit rating service. If as a result of the provision of a Qualified Surety Bond, the amount of cash and Permitted Investments exceeds the Parity Reserve Requirement, such excess shall be transferred to the Revenue Fund. In the event the Parity Reserve Fund contains both cash or Permitted Investments and a Qualified Surety Bond, then the cash and Permitted Investments shall be liquidated prior to drawing upon the Qualified Surety Bond. Further, replenishment of the Parity Reserve Fund shall be made first to the reinstatement of such Qualified Surety Bond and then, at the option of the Corporation, at the direction of the City, to cash or Permitted Investments. In the event the amount on deposit in the Parity Fund consists of cash or Permitted Investments with a value in excess of the Parity Reserve Requirement, the Trustee shall transfer such excess to the Revenue Fund.

Section 5.8. Transportation O&M Fund. Subject to the payments required by as described above, amounts remaining in the Revenue Fund shall be credited to the Transportation O&M Fund. On the first Business Day of each month, the Trustee shall transfer one-twelfth of the budgeted annual Transportation O&M Expenses to the City pursuant to the City Purchase Agreement to be used to pay Transportation O&M Expenses or to reimburse the City for such expenses. If the monthly amounts so transferred are insufficient to pay Transportation O&M Expenses incurred, the Trustee shall, at the direction of the City, transfer additional amounts necessary to pay actual Transportation O&M Expenses.

The City has covenanted in the City Purchase Agreement to pay Transportation O&M Expenses from the following sources in the following order: (i) monthly or supplemental transfers from the Transportation O&M Fund and (ii) amounts on deposit in the Improvement Reserve/Surplus Fund.

* * *

Section 5.10. Improvement Reserve/Surplus Fund. Subject to the payments required as described above, amounts remaining in the Revenue Fund shall be deposited to the Improvement Reserve/Surplus Fund. Amounts in the Improvement Reserve/Surplus Fund shall be used by the Trustee in the following order of priority: (i) to pay Administrative Costs to the extent funds are not available in the Administrative Costs Fund, (ii) to pay the Principal Requirement and Interest Requirement on the Bonds on any Bond Payment Date to the extent funds are not available in the 2019 Bond Fund or separate bond funds established for Parity Obligations, the Parity Reserve Fund or separate debt service reserve fund established for Parity Obligations, or the Debt Service Coverage Fund, (iii) to restore any deficiency in the Parity Reserve Fund or any separate reserve fund established for Parity Obligations or to reimburse the provider of a Qualified Surety Bond, (iv) to restore any deficiency in the Debt Service Coverage Fund and (v) at the direction of the City, to the Transportation O&M Fund or the Project Fund or to pay expenditures for major maintenance or other capital improvements related to the Rental Car Center and related transportation facilities and equipment or to reimburse the City for any funds used to pay Transportation O&M Expenses from other than Pledged Revenues.

* * *

Section 5.13. Investment Income. Except as otherwise provided herein, interest income and gain received, or loss realized, from investments or moneys in any fund or account shall be credited, or charged, as the case may be, to such respective fund or account. Income and gain from 2019 Redemption Account investments may be transferred to any other fund or account upon direction of the City. Investment income from the Administrative Costs Fund, the 2019 Parity Reserve Fund, the Debt Service Coverage Fund and the Improvement Reserve/

Surplus Fund shall be transferred to the Revenue Fund to the extent such funds are not needed to maintain an applicable balance requirement.

Section 5.14. Additional Requirements for Qualified Surety Bond. (a) A Qualified Surety Bond which is a letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the 2019 Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the Corporation and the Trustee, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(b) If such notice indicates that the expiration date shall not be extended, the Corporation shall deposit in the Parity Reserve Fund an amount sufficient to cause the cash or permitted investments on deposit in the Parity Reserve Fund together with any other qualifying credit instruments, to equal the Parity Reserve Fund Requirement, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless a replacement Qualified Surety Bond is provided. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Parity Reserve Fund is fully funded in its required amount.

(c) Left Blank Intentionally.

(d) The obligation to reimburse the issuer of a Qualified Surety Bond for any fees, expenses, claims or draws upon such Qualified Surety Bond shall be subordinate to the payment of debt service on the 2019 Bonds. The right of the issuer of a Qualified Surety Bond to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Parity Reserve Fund, and, subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Parity Reserve Fund. The Qualified Surety Bond shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Qualified Surety Bond to reimbursement will be further subordinated to cash replenishment of the Parity Reserve Fund to an amount equal to the difference between the full original amount available under the Parity Reserve Fund credit instrument and the amount then available for further draws or claims. If (i) the issuer of a Qualified Surety Bond becomes insolvent or (ii) the issuer of a Qualified Surety Bond defaults in its payment obligations thereunder or (iii) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P "AAA" or a Moody's "Aaa" or (iv) the rating of the issuer of the letter of credit falls below a S&P "A", the obligation to reimburse the issuer of the Qualified Surety Bond shall be subordinate to the cash replenishment of the Parity Reserve Fund.

(e) If (i) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (ii) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P "AAA" or a Moody's "Aaa" or (iii) the rating of the issuer of the letter of credit falls below S&P "AA", the Corporation shall cause the City to either (i) deposit into the Parity Reserve Fund an amount sufficient to cause the cash or permitted investments on deposit in the Parity Reserve Fund to equal the Parity Reserve Requirement, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a Qualified Surety Bond within six months of such occurrence. In the event the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" or the rating of the issuer of the letter of credit falls below "A" or (iii) the issuer of the Qualified Surety Bond defaults in its payment obligation or (iv) the issuer of the Qualified Surety Bond becomes insolvent, the Corporation shall cause the City to either (A) deposit into the Parity Reserve Fund to equal to Parity Reserve Requirement, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (B) replace such instrument with a Qualified Surety Bond within six months of such occurrence.

(f) Where applicable, the amount available for draws or claims under the Qualified Surety Bond may be reduced by the amount of cash or permitted investments deposited in the Parity Reserve Fund pursuant to subparagraph (d).

(g) If the Corporation chooses the above described alternatives to a cash-funded Parity Reserve Fund, any amounts owed by the Corporation to the issuer of such credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to Sections 3.3 and 3.4 of the City Purchase Agreement.

(h) The Trustee is to ascertain the necessity for a claim or draw upon Qualified Surety Bond and to provide notice to the issuer of the Qualified Surety Bond in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Qualified Surety Bond) prior to each Bond Payment Date.

(i) Cash on deposit in the Parity Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Qualified Surety Bond. If and to the extent that more than one Qualified Surety Bond is deposited in the Parity Reserve Fund, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, by reference to the maximum amounts available thereunder.

* * *

Section 7.1. Events of Default. Each of the following is hereby declared an *"Event of Default"* under the Bond Indenture:

(a) If payment of any installment of interest on any 2019 Bond shall not be made in full when the same becomes due and payable;

(b) If payment of the principal or redemption premium, if any, on any 2019 Bond shall not be made in full when the same becomes due and payable;

(c) If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of all or any part of the interests pledged hereunder and such custody or control shall continue for more than 60 days;

(d) If the Corporation shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions on its part to be performed and such default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Corporation and the City by the Trustee, unless within such 30 days the Corporation shall have commenced and be diligently pursuing in good faith appropriate corrective action to the satisfaction of the Trustee; the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25% in principal amount of the 2019 Bonds then Outstanding; or

(e) Any *"Event of Default"* under the City Purchase Agreement.

Section 7.2. Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default and in accordance with the City Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the 2019 Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the 2019 Bondholders hereunder and the 2019 Bonds by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to, an action for the recovery of any amounts due hereunder or for damages for the breach of the Bond Indenture, and the Trustee may pursue any other remedy which the law affords, including the remedy of specific performance. The Trustee shall also have those remedies which the Corporation is provided pursuant to the City Purchase Agreement, subject to any limitations on such remedies set forth in the City Purchase Agreement and of the Bond Indenture.

(b) Regardless of the happening of an Event of Default and subject to the Bond Indenture, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the 2019 Bonds then Outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of 2019 Bonds not making such request.

Section 7.3. No Acceleration. In no event shall the Trustee have the right to accelerate or cause to become immediately due and payable or payable in advance of their scheduled maturity dates, other than an optional redemption pursuant to this Bond Indenture and then only to the extent of the amount to be so redeemed and only pursuant to the Bond Indenture, amounts due thereunder.

Section 7.4. Application of Revenues and Other Moneys After Default. During the continuance of an Event of Default all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be deposited in the 2019 Bond Fund, and all amounts held by the Trustee hereunder shall be applied as follows:

First: To the payment to the Persons entitled thereto of all installments of interest (including interest on amounts unpaid when due on the 2019 Bonds) then due, and, if the amount available shall not be sufficient to pay in full any installment or installments then due, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid Principal Installments or redemption price of any 2019 Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the 2019 Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal Installments or redemption price due on such date, to the Persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the 2019 Bonds to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid 2019 Bond until such 2019 Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all principal of and interest on the 2019 Bonds which has become due has been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid and the 2019 Bond Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the City.

* * *

Section 7.7. Individual 2019 Bondholder Action Restricted. (a) No Holder of any 2019 Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trustee's duties and powers hereunder upon the occurrence of all of the following events:

(i) The Holders of at least a majority in principal amount 2019 Bonds Outstanding, shall have made written request to the Trustee to proceed to exercise the powers granted herein; and

(ii) Such 2019 Bondholders shall have offered the Trustee reasonable security or indemnity; and

(iii) The Trustee shall have failed or refused to exercise the duties or powers herein granted for a period of 60 days after receipt by it of such request and offer of indemnity; and

(iv) During such 60-day period no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a greater majority in principal amount of 2019 Bonds then Outstanding.

(b) No one or more Holders of 2019 Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right except in the manner herein provided and for the equal benefit of the Holders of all 2019 Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any 2019 Bond (i) to receive payment of the principal of or interest on such 2019 Bond, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any 2019 Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of 2019 Bonds.

* * *

Section 7.9. Waiver of Event of Default. (a) No delay or omission of the Trustee or of any Holder of the 2019 Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article may be exercised from time to time and as often as may be deemed expedient.

(b) The Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) In case of any waiver by the Trustee of an Event of Default hereunder, the Corporation, the Trustee and the 2019 Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with this Section.

* * *

Section 9.1. Supplements not Requiring Consent of 2019 Bondholders. The Corporation acting through the Corporation Representative and the Trustee may, but without the consent of or notice to any of the Holders, enter into one or more supplements to the Bond Indenture for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein or to correct or supplement any provision therein which may be inconsistent with any other provision herein, or, to make any other provisions with respect to matters or questions arising hereunder provided such action shall, in the opinion of the Trustee, not materially adversely affect the interests of the Holders;

(b) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(c) To secure additional revenues or provide additional security or reserves for payment of the 2019 Bonds;

(d) To comply with the requirements of any state or federal securities laws or the Bond Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(e) To provide for the appointment of a successor trustee or co-trustee; and

(f) To adopt procedures for the disclosure of information to 2019 Bondholders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to this Bond Indenture by agreement of the Trustee, the Corporation and the City.

(g) To preserve the exclusion of the interest on the Series 2019A Bonds from gross income for purposes of federal or State income taxes and to preserve the power of the Corporation to continue to issue bonds or other obligations (specifically not limited to the Series 2019A Bonds authorized hereby) the interest on which is likewise exempt from federal income taxes;

(h) To adopt procedures for the disclosure of information to 2019 Bondholders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to this Bond Indenture by agreement of the Bond Trustee, the Corporation and the City; and

(i) To provide for the Parity Reserve Fund to be a parity reserve fund for the benefit of one or more series of Parity Obligations.

Section 9.2. Supplements Requiring Consent of 2019 Bondholders. (a) Other than Supplements described above and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in principal amount of the 2019 Bonds then Outstanding, shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the Corporation acting through the Corporation Representative and the Trustee of such Supplement as shall be deemed necessary and desirable by the Corporation and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular respect, any of the terms or provisions contained herein; provided, however, nothing shall permit or be construed as permitting a supplement which would:

(i) extend the stated maturity of or time for paying interest on any 2019 Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any 2019 Bond without the consent of the Holder of such 2019 Bond;

(ii) prefer or give a priority to any 2019 Bond over any other 2019 Bond without the consent of the Holder of each 2019 Bond then Outstanding not receiving such preference or priority;

(iii) reduce the principal amount of 2019 Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all 2019 Bonds then Outstanding;

(iv) increase the principal amount of 2019 Bonds then Outstanding the request of the Holders of which is required under the Bond Indenture, without the consent of the Holders of all 2019 Bonds then Outstanding; or

(v) reduce the redemption price of any 2019 Bond upon optional redemption or reduce any period of time prior to commencement of any optional redemption period without the consent of the Holder of such 2019 Bond.

(b) If at any time the Corporation shall request the Trustee to enter into a Supplement pursuant to this Section, the Trustee shall, upon being satisfactorily and specifically indemnified by the City with respect to expenses with respect to such Supplement, cause notice of the proposed execution of such Supplement to be mailed by first class mail, postage pre-paid, to all registered Holders of 2019 Bonds then Outstanding at their addresses as they appear on the registration books herein provided for. The Trustee shall not, however, be subject to any liability to any 2019 Bondholder by reason of its failure to mail, or the failure of such 2019 Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the office of the Trustee for inspection by all 2019 Bondholders.

Section 9.4. Amendments to City Purchase Agreement Not Requiring Consent of 2019 Bondholders. The Corporation and the Trustee may, without the consent of or notice to any of the Holders consent to and join with the City in the execution and delivery of any amendment, change or modification of the City Purchase Agreement as may be required (i) by the provisions thereof; (ii) to cure any ambiguity or formal defect or omission therein or to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising thereunder provided such action shall, in the opinion of the Trustee, not materially adversely affect the interests of the Holders and (iii) to preserve the power of the Corporation to continue to issue bonds or other obligations (specifically not limited to the 2019 Bonds authorized hereby) the interest on which is likewise exempt from federal and State income taxes in connection with any other change therein which in the opinion of the Trustee will not materially adversely affect the interests of the Holders or the Trustee. In addition, the Corporation and the City may amend the description of the Property in the City Purchase Agreement at any time without notice to or consent of the Trustee or the Holders.

Section 9.5. Amendments to City Purchase Agreement Requiring Consent of 2019 Bondholders. Except for amendments, changes or modification to the City Purchase Agreement described above, the Trustee may consent to and join with the City in the execution and delivery of any amendment, change or modification to the City Purchase Agreement only upon the consent of not less than a majority in principal amount of 2019 Bonds then Outstanding, given, provided, however, no such amendment, change or modification may affect the obligation of the City to make payments under the City Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all 2019 Bonds then Outstanding.

* * *

Section 10.1. Discharge. If payment of all principal of, premium, if any, and interest on all of the 2019 Bonds in accordance with their terms and is provided for in accordance with the Bond Indenture, and if all other sums, if any, payable by the Corporation shall be paid, then the liens, estates and security interests granted under the Bond Indenture shall cease. Thereupon, upon the request of the Corporation, and upon receipt by the Trustee of an Opinion of Counsel addressed to the Corporation and Trustee stating that all conditions precedent to the satisfaction and discharge of the lien of the Bond Indenture have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof and the Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the 2019 Bonds, to the Corporation, the City or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

The Corporation or the City may at any time surrender to the Trustee for cancellation any 2019 Bonds previously authenticated and delivered which the Corporation or the City may have acquired in any manner whatsoever and such 2019 Bonds upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of 2019 Bonds. Payment of all or any part of the 2019 Bonds in authorized denominations may be provided for by the deposit with the Trustee or any financial institution meeting the requirements as a successor Trustee under the Bond Indenture which may be designated by the City and acceptable to the Trustee to serve as its agent (the *"Depository Trustee"*) of moneys or Defeasance Obligations which are not redeemable in advance of their maturity dates. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants or nationally recognized public finance consulting firm acceptable to the Trustee and the Depository Trustee, to pay when due the principal of and interest on such Bonds. The moneys and Defeasance Obligations shall be held by the Trustee or the Depository Trustee irrevocably in trust for the Holders of such 2019 Bonds solely for the purpose of paying the principal and interest on such 2019 Bonds as the same shall mature or come due.

If payment of 2019 Bonds is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to each Holder of a 2019 Bond so provided for.

2019 Bonds, the payment of which has been provided for shall no longer be deemed Outstanding under the Bond Indenture. The obligation of the Corporation in respect of such 2019 Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited with the Trustee or the Depository Trustee to provide for the payment of such 2019 Bonds.

CFC ORDINANCE (AS CODIFIED)

Sec. 4-79. Rental car customer facility charge.

A. All on-airport rental car companies who lease space at Phoenix Sky Harbor International Airport, and all off-airport rental car companies who obtain customers through the Sky Harbor Rental Car Center ("RCC"), shall collect a daily customer facility charge ("CFC") of six dollars per transaction day per vehicle from all Sky Harbor Airport customers. A transaction day means a car rented for twenty-five or fewer hours for the first transaction day, and every twenty-four hours for each transaction day thereafter. The CFC shall not apply to rentals that originate from fixed base operators.

B. All CFC's collected by all vehicle rental companies are and shall be trust funds held by the vehicle rental companies for the benefit of the City. Vehicle rental companies and their agents hold only a possessory interest in the CFC's, and no legal or equitable interest. All vehicle rental companies shall segregate, separately account for and disclose all CFC's as trust funds in their financial statements, and shall maintain adequate records that account for all CFC's charged and collected. Failure to segregate the CFC's shall not alter or eliminate their trust fund nature. The City shall have the right to audit the CFC records upon reasonable notice.

C. All vehicle rental companies shall remit all CFC's that were collected or should have been collected from its airport customers on a monthly basis to the City together with the monthly statement of transactions and transaction days to a lockbox location designated by the City. The CFC's shall be remitted by the last day of the month following the month the CFC's were collected. Failure to strictly comply with this subparagraph shall be considered a material breach of the vehicle rental company's authorization to do business at the airport.

   1. The CFC's shall be used to pay, or reimburse the City, for the costs associated with the RCC consolidated rental car facility which shall be located in Sky Harbor Center, and for the costs of related transportation facilities and equipment. Any or all of the CFC's may be pledged to the punctual payment of debt service on obligations issued by or on behalf of the City for the cost of the consolidated rental car facility RCC and related transportation facilities and equipment, and to create and maintain reasonable reserves. Eligible costs for the consolidated rental car facility RCC shall include all costs, fees, and expenses associated with the planning, design, equipping, construction,

other related costs for the development or acquisition of the RCC consolidated car rental facility, and for capital improvements to the RCC. Eligible costs for the related transportation facilities and equipment shall include operating costs in addition to the foregoing costs. Any or all of the CFC's may be deposited with an Depository or held in trust by a trustee pending application as authorized by this Section.

D. The RCC consolidated rental car facility and related improvements are designated as "special purpose facilities" for purposes of Ordinance No. S-21974, as amended, Master Airport Revenue Refunding Bond Ordinance.

E. This Section is hereby adopted pursuant to the laws of the State of Arizona, including, without limitation, Arizona Constitution, Article XIII; Title 9 and Article 6, Chapter 25, Title 28, Arizona Revised Statutes, as amended; and the City of Phoenix Charter.

(Ord. No. G-4375, § 2, passed 7-5-2001, eff. 8-4-2001; Ord. No. G-4418, § 3, passed 4-3-2002, eff. 5-3-2002; Ord. No. G-4530, §§ 1, 2, passed 7-2-2003, eff. 8-1-2003; Ord. No. G-4764, § 1, adopted 12-14-2005, eff. 1-26-2006; Ord. No. G-5272, § 1, adopted 11-12-2008, eff. 12-12-2008; Ord. No. G-5360, § 1, adopted 5-13-2009, eff. 6-12-2009)

THE RCC LEASE

* * *

2.1.3 Premises

The City hereby leases to Operator and Operator hereby leases from City, upon and in consideration of the terms and conditions contained herein, the Premises reflecting the Exclusive-Use Areas to be leased and occupied by Operator for the Lease term.

2.1.4 Additional Office Space

Additional office space that may be available to Operator will be addressed through a separate agreement attached as an exhibit hereto. Unless otherwise provided for the in the attachment, this additional office space will not be deemed "Premises."

2.1.5 Additional Land

Operator may request from the Aviation Director the use of additional land, which land is available, for over flow parking needs subject to the following conditions; 1) The additional land can be leased for no less than one month and cannot exceed six months; 2) Operator shall pay no less than fair market rent for the additional land established by recent appraisals; and 3) Operator will provide the Aviation Director with a prior thirty (30) day written notice for use of the additional land. Operator understands that it is not obligated to lease from the City, and may lease from other entities.

2.2.2 Allocation and Reallocation

The Operator's Premises will remain unchanged for the Lease Term, except upon City's determination that those areas must be reallocated or relocated to avoid adverse impact on the operation of the RCC resulting from changes in operations by the Operators or changes in the needs of the RCC customers.

Operator shall be responsible for any and all of its expenses or costs incurred in effecting relocation or reallocation under this Section 2.2.2.

2.3 Future Expansion of EG

If at any time throughout the Term the EG is expanded, the Operator shall be allocated additional EG stalls approximately in the same percentage of stalls allocated to the Operator based on the Share Calculation Formula.

Operator shall be responsible for any and all of its expenses or costs incurred in effecting the allocation, reallocation, or relocation as a result of future expansion of the EG.

2.4 Reallocation upon Operator Termination

In addition to all other remedies at law, upon the termination of an Operator's Lease or any approved changes to the Rental Car Business of Operator, under the provisions of Article Sixteen herein, the City may conduct a competitive process, or otherwise allocate amongst all other existing RCC Companies at the RCC for any premises vacated as a result of the termination or other approved changes. If none of the other RCC Companies compete or are successful in a bid for the vacated premises, then the City will conduct a Revenue Contract Solicitation ("RCS") to the general public for the vacated premises. If there is no interest in the RCS from the general public, then the City will allow existing RCC Companies to lease vacated garage space on a month to month basis until such time as a new entrant occupies the premises. At all times City will receive cost recovery for the vacated premises in accordance with Article Four herein.

* * *

ARTICLE THREE — TERM

3.1 Lease Term

The Term of this Lease (*"Term"*) shall extend until 12:00 midnight on [June 30, 2029 for Tier One RCC Companies] [December 31, 2022, with option to extent to December 31, 2027 for Tier Two RCC Companies], unless this Lease is sooner terminated as hereinafter provided.

3.3 Holdover

If an Operator continues to operate after the expiration of the Term with the consent of the City, this Lease, with all its terms and conditions, will be deemed extended on a month-to-month basis. Either the City or the Operator may terminate this holdover at any time by giving thirty (30) days written notice of termination to the other.

If Operator continues to operate after the expiration of the Term without the City's consent, Operator's occupancy shall be at sufferance in monthly intervals with fees payable in advance and equal to two hundred percent (200%) of the monthly minimum annual guarantee. Operator shall be bound by all other conditions and terms of this Lease.

Nothing shall be construed, however, to give any automatic right of holdover and City may exercise any and all remedies at law or in equity to recover possession of the premises identified in the Lease and to terminate Operator's Rental Car Business at the Airport, together with any damages incurred by the City.

* * *

4.1.1 Ground Rent

Operator shall pay City an allocated share of ground rent for the entire square footage attributable to the RCC with rates specified in the RCC Lease.

4.2.1 Exclusive Use Areas

Operator is responsible for payment of all expenses in connection with the operation, maintenance, and repair of its EVS, ECS and EG up to a physical demarcation location as specified in the RCC Lease.

4.2.2 Non-Exclusive Areas

The City will develop and deliver to Operator in writing forecasts of operation, maintenance and repair expenses for the CAS, including administrative charges for all lease years. Operator's allocable share of said forecasted expense shall be based on a share calculation formula.

* * *

5.1 Permitted Use

Operator shall have the right to the use of the Premises and all common areas of the RCC only for the purpose of conducting Operator's rental car business under the terms of this Lease and the Agreement, and in accordance with the Phoenix City Code as same may be amended. All other uses and activities are expressly prohibited unless City provides written consent in its sole discretion.

* * *

6.1 Operator Responsibilities

Operator is responsible for performing all repair and maintenance of its improvements on the EVS, ECS, and EG, up to a demarcation point, as specified in the RCC Lease, except for the utilities in the ECS and EG.

The required level or standard of maintenance for the EVS, ECS, and EG will be determined by the City with input from the Operator.

If City determines that Operator is failing to maintain the level or standard of maintenance set by the City for the EVS, ECS, and EG, Operator will be deemed in default. In addition to all other remedies, City may elect to assume the responsibility for said maintenance. If City assumes the responsibility for said maintenance, Operator shall reimburse the City for its costs and an associated administrative charge by paying City one hundred twenty percent (120%) of the actual costs as set forth in a written report to the Operator.

6.2 City Responsibilities

City is responsible for performing all repair and maintenance on the CAS and the bus maintenance facility. Operator will reimburse City for Operator's share of all costs.

* * *

7.1 Common Transportation System

Airport customers will be transported between Airport terminals and the RCC exclusively on the Common Transportation System provided by the City. The direct and allocated operating and maintenance expenses reasonably determined by the City to be attributable to the Expenses Transportation System shall constitute the Expenses Transportation System O&M Costs. Customers of all RCC Companies and Off-Site Company at the Airport will be required to use the Common Transportation System. No RCC Company will be permitted at any time under any circumstances to use its own transportation system or contract with a third party transportation system, or use vouchers, or use its rental vehicles to pick up or drop off customers at the Airport terminals.

City will require that customers of Off-Site Company be “double-bused,” meaning that the customers will be transported between the Airport terminals and the RCC via the Common Transportation System and may only be picked up at a curb position at the RCC designated for Off-Site Company. Drop off of customers of Off-Site Company will occur in the same manner at the same RCC curb.

Loading and unloading curbside positions for the Common Transportation System have been identified by the City for each Airport terminal and at the RCC. At the discretion of the City in consultation with the RCC Companies and Off-Site Company, these positions may be changed from time to time as is necessary to provide for appropriate curb management and traffic control. Upon completion of the Sky Train Stage 2 Project the loading and unloading curbside positions may be reallocated by the City for other uses.

7.2 Sky Train Stage 2 Project

Operator hereby acknowledges that City intends to initiate the Sky Train Stage 2 project during the Agreement Term, and that the Sky Train will become the Common Transportation System upon the termination of the common busing system.

* * *

8.1 Payment Guaranty

Operator shall provide City with security to guarantee payment for all amounts due under the RCC Lease. The amount of such security is required to be twenty five percent (25%) of all rent, operations and maintenance recovery, and fees due for the current Lease Year. The amount of the security will be adjusted accordingly every Lease Year throughout the Term of the Lease.

The security shall be in one of the following forms:

(a) An irrevocable letter of credit drawn on a bank doing business in Arizona;

(b) A bond in a form acceptable to City provided by a surety authorized to conduct business in Arizona;

(c) Any form of security approved in writing by the City in its sole and absolute discretion.

The City shall draw upon or make a claim under the security provided pursuant to this Section in order to satisfy any delinquency under this Lease that remains uncured thirty (30) calendar days after written notice, if required, has been given to the Operator. If the City draws or makes a claim upon the security, Operator must replenish the security to its original amount within thirty (30) calendar days after notice of the City’s draw.

* * *

ARTICLE NINE — CUSTOMER FACILITY CHARGE (CFC)

The City adopted Ordinance No. G-4375 amended by Ordinance No. G-4418, and Ordinance No. G-4530, imposing a uniform CFC on rental car customers at the Airport. The CFC Ordinance is currently codified in Phoenix City Code Section 4-79. The CFC Ordinance and Phoenix City Code Section 4-79 may be amended as needed and approved by Phoenix City Council.

* * *

10.1 Issuance of Bonds

The City has issued the Bonds under the applicable Bond Indenture. There is no mortgage or encumbrance on the RCC to secure the City’s obligations under the Bond Documents; provided however, that the Bondholders, acting on their own behalf or through the Trustee, are entitled to the remedy of specific performance to enforce the City’s obligations under the RCC Lease and the Bond Documents.

10.2 Conflict with the Bond Documents

If there is a conflict between this Lease and any of the Bond Documents, the terms and provisions of the Bond Documents shall control. In the event that enforcement of the terms of the RCC Lease would result in an event which, with the giving of notice and the failure to cure, would result in an event of default under the Bond Documents, the terms of the Bond Documents shall be deemed to preclude such enforcement.

10.4 Expansion/Improvements

If the City concludes that the RCC, including the Common Transportation System, should be expanded or improved, or additional equipment is required for the RCC's efficient operation, the City may cause 2019 Bonds or Parity Obligations to be issued in its sole and absolute discretion after consultation with RCC Operators and consideration of their comments and suggestions.

The final term and the structure of the 2019 Bonds or Parity Obligations will be determined by the City's Finance Department; however, the City will discuss proposed structures for the 2019 Bonds or Parity Obligations with the Operator(s) and will consider comments and suggestions from them.

* * *

12.1 Operator Default and Opportunity to Cure

Operator will be in default of this Lease if it fails to comply with any of its terms and conditions. There are two types of defaults and opportunities to cure:

(a) Monetary Default

Operator is in default if it fails to duly and punctually pay the rent or any other payments, charges or fees required under the RCC Lease or under the Agreement. Except for failure to collect and remit CFC's as required, City shall issue written notice of non-payment to Operator and Operator shall have ten (10) days after such notice to cure the default.

(b) Non-monetary Default

Operator is in default if it fails to keep, perform and observe any other term or condition set forth in this Lease, including, but not limited to, the failure by the Operator, or its employees, agents and contractors, to operate in a manner consistent with the uses and standards of service set forth herein and in the Agreement. Except as provided in Section 12.2 below, City will issue written notice of the non-monetary default and Operator shall have thirty (30) days after written notice to correct the instance of non -monetary default. Unless otherwise prescribed by law, City may allow more than thirty (30) days for the Operator to cure a non-monetary default if Operator has notified City in writing of the additional time period necessary to cure the default and Operator has already commenced prompt efforts to cure the default prior to sending City the notification.

12.2 Termination by City

(a) Immediate Termination — No Notice Required

In addition to all other available remedies, the City may terminate this Lease with no notice if any of the following events occur:

(1) Operator failing to cure any default as provided in Section 12.1.

(2) Operator failing to comply with Article Nine of this Lease.

(3) Within a six (6) month period City has issued three (3) written notices of default to Operator for failure to comply with the same term or condition of this Lease.

(4) Termination of the Concession Agreement.

(5) Operator becoming insolvent, or taking the benefit of any present or future insolvency statute, or making a general assignment for the benefit of creditors, or filing a voluntary petition in bankruptcy, or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or of any state thereof, or consent to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property.

(6) A petition under any part of the federal bankruptcy laws or an action under any present or future insolvency law or statute, shall be filed against Operator and shall not be dismissed within thirty (30) days after the filing thereof.

(7) Operator vacating the Premises. Premises are presumed vacated if the ECS area is unmanned during RCC hours of operation, as specified in the Agreement, for three (3) consecutive days.

(8) Operator conducting its operations in a manner that threatens public safety as determined by the City in conformity with the laws and regulations of the State of Arizona and the City of Phoenix.

(9) Operator willfully falsifying any of its records or figures so as to deprive the City of any of its rights under the terms of this Lease.

(b) Termination by City After Notice

In addition to termination as stated above, City may terminate this Lease thirty (30) days after written notice by the City if any of the following events occur:

(1) With the written concurrence of the Operator, the occurrence of any act which deprives the Operator of the rights, power, licenses, permits, or authority necessary for the proper conduct and operations of the activities authorized herein and in the Agreement.

(2) The lawful assumption by the United States Government, or any authorized agency thereof, of the operation, control, or use of the Airport and its facilities, or any part thereof, in such a manner as to substantially restrict Operator’s operations for a period in excess of thirty (30) consecutive days.

In addition to termination as stated above, City may terminate this Lease three (3) days after written notice by the City if the following event occurs:

(1) Operator fails to provide and/or maintain the Financial Security and Insurance required by this Lease at any time during the Term. If the City does not terminate, Operator must obtain a new or renewed policy that specifically provides the required coverage to the City for any liability arising during the lapsed or previously uncovered period.

12.3 Termination by Operator

If Operator is not in default under this Lease or the Agreement, it may terminate this Lease at any time by giving the City forty-five (45) days advance written notice, upon the happening of any of the following events:

(a) Issuance by a court of competent jurisdiction of an injunction in any way preventing or restraining normal use of the Airport or any substantial part of the Airport that remains in force for a period of ninety (90) consecutive days.

(b) The inability of Operator to use, for a period in excess of ninety (90) consecutive days, the Airport or any substantial part of the Airport because of embargo, fire, explosion, earthquake, other similar casualty or acts of God or the public enemy, provided that same is not caused by Operator’s negligent acts of omission or commission or its willful misconduct.

(c) The lawful assumption by the United States Government, or any authorized agency thereof, of the operation, control, or use of the Airport and its facilities, or any part thereof, in such a manner as to substantially restrict Operator's operations for a period in excess of ninety (90) consecutive days.

* * *

ARTICLE THIRTEEN — SURRENDER

13.1 Surrender — Removable Property

Upon the expiration of the term of this Lease, including any authorized holdover period, or upon the sooner termination of the Lease, Operator shall peaceably and quietly leave, remove all its personal property, furniture and equipment, then surrender, and yield up to the City all of the Premises broom-clean and free of occupants, and shall repair all damage to the Premises caused by or resulting from the removal of any property of Operator or its agents, contractors and vendors, normal wear and tear excepted. Any property, furniture or equipment of Operator which remains in the RCC after the expiration of the Term, including any authorized holdover period, or upon earlier termination, shall be deemed to have been abandoned, and may either be retained by City as its property or disposed of in such manner as City may see fit. If such property or any part thereof shall be sold, City shall receive and retain the proceeds of such sale. Operator shall be liable to City for any and all costs of removal and the repair of any and all damage caused thereby in excess of any proceeds received by City from any sale of Operator's property pursuant to this provision.

* * *

13.6 Survival of Obligations

The provisions of this Article shall survive the expiration or earlier termination of this Lease. In the event that Operator's Premises are vacated, or Operator no longer occupies the Premises as a result of a subsequent Revenue Solicitation Process, Operator is responsible for complying with all Environmental Laws and the requirements of Article Thirteen and Article Nineteen. Nothing in this Article shall be construed to relieve Operator of its obligations under this Lease or applicable law.

17.5 Risk of Loss

At no time during the Term hereof, will City be required to carry any insurance covering or affecting the EVS, the ECS and the EG. With respect thereto, Operator assumes the risk of any loss, damage, or claims throughout the Term hereof.

THE CONCESSION AGREEMENT

* * *

ARTICLE TWO — TERM

2.1 Commencements and Expiration

The Term of this Agreement will commence on the Effective Date and shall extend until 12:00 midnight on [June 30, 2029 for Tier One Companies] [December 31, 2022 with option to extend to December 31, 2027 for Tier Two Companies], unless sooner terminated as hereinafter provided. After the Effective Date the Operator will not be allowed to operate at the Airport in any manner inconsistent with the terms of this Agreement.

2.3 Holdover

If an Operator continues to operate after the expiration of the Term with the consent of the City, this Agreement, with all its terms and conditions, will be deemed extended on a month-to-month basis. Either the City or the Operator may terminate this holdover at any time by giving thirty (30) days written notice of termination to the other.

If Operator continues to operate after the expiration of the Term without the City's consent, Operator's occupancy shall be at sufferance in monthly intervals with fees payable in advance and equal to two hundred percent (200%) of the monthly minimum annual guarantee. Operator shall be bound by all conditions and terms of this Agreement.

Nothing shall be construed, however, to give any right of holdover and City may exercise any and all remedies at law or in equity to recover possession of the premises identified in the Lease and to terminate Operator's Rental Car Business at the Airport, together with any damages incurred by the City.

* * *

3.1 Concession Fee

From the Effective Date until the end of the Term or earlier termination of this Agreement, Operator will pay an annual Concession Fee (hereinafter "Concession Fee") for the operation of Operator's Rental Car Brands which shall be the greater of the minimum annual guarantee as determined for said Contract Year, or the percentage fee set forth in the RCC Lease.

3.5 Diversion of Rental Car Business Revenue

Operator agrees that it will not divert revenue from Operator's Rental Car Business concession authorized by this Agreement from being included in Gross Revenues. Diversion shall include, but not be limited to, Operator advising or suggesting to a customer or potential customer arriving at the Airport that such customer or potential customer rent a Vehicle at any off-Airport location, regardless of the reason.

Operator agrees that ii will not rename or revise any Gross Revenues, fees, charges, or other revenue, or falsify any of its records, in an attempt to avoid payment of, or reduce Gross Revenues, or reduce payment of any other charges or fees due and owing to the City hereunder.

3.6 Pass Through of Concession Fee — Concession Recovery Fee

Operator acknowledges that the Concession Fee payments by Operator to the City under this Agreement are for Operator's use of the facilities and access to the Airport market, and that none of those payments reflect a fee that is imposed by the City upon customers renting vehicles from Operator. The City does not require, but will not prohibit, the separate statement of the Concession Fee on customer invoices or rental contracts.

3.7 Pass Through of Other Payments

Operator shall notify City thirty (30) days prior to implementation of Operator's intention to pass through, unbundle, or list any payments (other than a Concession Recovery Fee and Customer Facility Charge) payable to the City as a separate item on its customer invoices, for sole the purpose of City to review and approve in writing the nomenclature used for such pass through of fees, which approval shall not be unreasonably withheld.

3.8 Customer Facility Charge (CFC) — Ordinance and Remittance

The City adopted Ordinance No. G-4375 amended by Ordinance No. G-4418, and Ordinance No. G-4530, imposing a uniform CFC on rental car customers at the Airport. The CFC Ordinance is currently codified in Phoenix City Code Section 4-79. The CFC Ordinance and Phoenix City Code Section 4-79 may be amended as needed and approved by Phoenix City Council.

The Operator shall promptly remit to the Depository the CFC's required to be charged, and at the times required under the CFC Ordinance (regardless of whether such amounts are actually collected). The Operator covenants and agrees that it will not be entitled to any rights to offset or other reduction in the requirements herein and to remit to the Depository all CFC's imposed regardless of any amounts that may be owed or due to the Operator by the City. All CFC's collected by the Operator shall be trust funds held for the benefit of the City and subject to the pledge by the City under the Bond Documents. The Operator shall have only a possessory interest and not an equitable interest in CFC collections. The Operator hereby consents to such pledge and acknowledges the Trustee's security interest in the CFC collections as the Trustee's bailee under Article 3, Chapter 9, Title 47 of the Arizona Revised Statutes, as amended.

3.9 CFC Covenant

Without limiting the provisions provided in the CFC Ordinance, Operator and City hereby acknowledge that prior and future improvements to the RCC were and are being undertaken for improved customer service, enhanced operational efficiency, and business growth related to the rental car program at the Airport. Operator and City also acknowledge: (1) CFC and/or the proceeds of the Bonds were the principal funding source for the original design, construction and equipment related to the RCC, the bus maintenance facility and common bus system, (2) CFCs will be the principal funding source for the construction of the RCC, and (3) CFCs and/or the proceeds of the 2019 Bonds or Parity Obligations will be included as funding sources for the Common Transportation System, including the construction of the Sky Train Stage 2 and the annual operating and maintenance costs for the Sky Train. During the Term hereof, the Sky Train Stage 2 construction costs and the ongoing operating and maintenance costs of the Sky Train not funded with CFCs and/or the proceeds of the 2019 Bonds or Parity Obligations will be funded from sources unrelated to the Operator's Rental Car Business.

Operator hereby expressly covenants to abide by the requirements and obligations set forth in the CFC Ordinance, as same may be amended, and further expressly covenants (1) it will not join in a legal proceeding against the City that would render the CFC Ordinance or the collection and remittance of the CFC thereunder, in whole or in part, invalid, unconstitutional, unlawful or unenforceable, and (2) to cooperate with the City in the City's defense of any challenge against the CFC Ordinance or otherwise, that would render the CFC Ordinance or the collection and remittance of the CFC thereunder, in whole or in part, invalid, unconstitutional, unlawful or unenforceable. The City and Operator also covenant to use reasonable efforts to oppose any challenges to the CFC Ordinance.

This covenant shall survive the expiration or other termination of this Agreement.

3.10 Obligation Payment

In the event that a decision by any court of competent jurisdiction renders the CFC in general or the CFC Ordinance in whole or in part, invalid, unconstitutional, unlawful or unenforceable, ("Voided CFC") the City shall prepare and deliver to the RCC Companies a Bond Report of the Rate Consultant and/or other related documentation for the determination of the anticipated future impact to the City and the operation of the RCC and the Common Transportation System.

In addition, for any Contract Year or any partial Contract Year of the Term commencing with the Effective Date in which there is a Voided CFC, the City shall prepare and deliver to the RCC Companies a report that outlines the amount, whether actual or forecasted, necessary to cover (1) the debt service and/or RCC Share of the debt service and any other required fees or reserves set forth in the Bond Indenture for the 2019 Bonds and/or the Parity Obligations, as applicable, (2) the amount to cover any anticipated capital expenditures for the RCC and/or the RCC Share of the Common Transportation System not funded with 2019 Bonds or Parity Obligations, as applicable, and (3) the amount to cover the Transportation O&M Expenses (or if applicable, the RCC Share of the Transportation O&M Expenses), ("Annual Obligation Requirement"). The Annual Obligation Requirement specifically excludes the reimbursement of any payment made by City prior to the determination of the Voided CFC for any capital or operational expenses or costs related to the RCC and the Common Transportation System.

After consultation with the RCC Companies, the City shall reasonably determine, in City's sole discretion, the remedy or combination of remedies for the loss of the CFC revenue from the Voided CFC which remedies may be imposed at different times and in different combinations and include, but are not limited to the following options, listed in no particular order:

A. City will use its best efforts to promptly modify or recommend for adoption the appropriate ordinance or ordinances to allow for the legal collection of a rental car customer based charge for such customer's use of the RCC and the Common Transportation System, including a customer based charge calculated on a per day basis, at a level to cover at a minimum the revenues required for the Annual Obligation Requirement.

B. On or about the date that the Voided CFC is in effect, City may impose a payment on the RCC Companies necessary to meet the Annual Obligation Requirement, taking into account any customer based charges that might be collected, ("Obligation Payment"). Operator's share of any Obligation Payment shall be determined by applying the Share Calculation Formula.

   The Obligation Payment will commence on the first day of the month following thirty (30) day's prior written notice from City to Operator. In the event an Obligation Payment is imposed on the RCC Companies, the RCC Companies to the extent legally permissible, may pass through, unbundle, or list Obligation Payment as a separate item on its customer invoices.

C. City using reasonable discretion and after consultation with the RCC Companies as set forth herein, shall determine the required or desired changes to the operations, business program and financial program related to the RCC pertaining to Operator's Rental Car Business at the Airport ("New Program"). City shall develop new documentation ("New Agreements") to reflect the New Program. The City may terminate this Agreement and all related agreements, including but not limited to the Lease, pertaining to Operator's Rental Car Business at the Airport upon six (6) month's prior written notice from City to Operator in the event that any RCC Company does not execute the New Agreements in the reasonable time frame set forth by the City for such execution. Except as provided in the default and termination provisions of the respective agreements, this Agreement, and all related agreements of Operator shall not be terminated unless all agreements and related agreements of all RCC Companies at the RCC are likewise terminated.

In the event the City elects to impose an Obligation Payment on the RCC Companies and for the duration of the Obligation Payment requirement, the City shall prepare and deliver to the RCC Companies on an annual basis the Annual Bond Year Report of the Rate Consultant and/or other updated or related documentation for the reporting of Obligation Payment revenues against the forecasted Annual Obligation Requirement for each Contract Year. Upon delivery of such reports, the City shall meet with the RCC Companies to review the required Obligation Payment revenues in relation to the Annual Obligation Requirements. The City shall reasonably determine in its sole discretion, the appropriate Obligation Payment increase or decrease that is reasonably sufficient to address Annual Obligation Requirement for the applicable Contract Year and/or subsequent Contract Years of the Term.

Such Obligation Payment shall remain in place as set forth herein until such time as City provides written notification to the RCC Companies that an ordinance(s) have been authorized to allow for the legal collection of a rental car customer based charge for such customer's use of the RCC and the Common Transportation System at a level to cover at a minimum the revenues required for the Annual Obligation Requirement, or other remedies as determined by the City in its sole discretion, have been determined for this purpose.

3.11 Customer Facility Charge — CFC Deficiency

For each Contract Year or partial Contract Year of the Term commencing with the Effective Date, the City shall prepare and deliver to the RCC Companies the Annual Bond Year Report of the Rate Consultant and/or other related documentation and, upon delivery of such reports, shall meet with the RCC Companies to review the CFC revenues in relation to the Annual Obligation Requirement as defined in Section 3.10, and address any other RCC related matters.

If after consultation with the RCC Companies, the City reasonably determines that there is a deficiency between the CFC revenues necessary to meet the Annual Obligation Requirement and the actual CFC revenues collected during a current Contract Year, or forecasted to be collected for any upcoming Contract Year, during the Term (where such deficiency is not related to a Voided CFC as set forth in Section 3.10), (hereinafter "CFC Deficiency") the City will initiate the following actions listed in the order of priority:

A. The City will determine if there are available CFC funds held in a CFC reserve account for the Bonds (currently designated as the "Improvement Reserve/Surplus Fund" or the "IRSF") at the City for which all or a portion thereof could be used to offset or partially offset the CFC Deficiency for any applicable Contract Year. The IRSF fund balance (and/or the fund balance of fund/account under the Bond Indenture for 2019 Bonds or Parity Obligations that has the same purpose as the IRSF Fund) will be applied to the CFC Deficiency (applied first to the debt service for the 2019 Bonds or Parity Obligations) and the remaining deficiency, if any, is referred to hereinafter as the "Net CFC Deficiency". Other reserve funds required under the Bond Indenture for the 2019 Bonds and/or Parity Obligations may not be available for offset or partial offset of a CFC Deficiency under the terms of the Bond Indenture, however the City will use reasonable efforts to determine if such reserve funds can be released for offset to the CFC Deficiency and if available, will apply such funds accordingly to further reduce the amount of the Net CFC Deficiency. The actions taken to offset a CFC Deficiency with CFC funds held in a CFC reserve account for any Contract Year may be modified from time to time by the City to reflect the circumstances related to changes, whether current or forecasted, in the CFC Deficiency.

B. The City, acting promptly and using good faith efforts, will endeavor to immediately take actions to reduce the then current RCC Share of the Common Transportation System O&M expenses to further offset or partially offset the Net CFC Deficiency for any applicable Contract Year. The actions taken to reduce the RCC Share of the Common Transportation System O&M expenses for any Contract Year may be modified from time to time by the City to reflect the changing circumstances related to changes whether current or forecasted in the CFC Deficiency.

C. The City, acting promptly and using good faith efforts, will identify which anticipated capital expenditures for the RCC and/or the RCC Share of the Common Transportation System not funded with Bonds can be deferred or reduced in scope, to further offset or partially offset the Net CFC Deficiency for any applicable Contract Year. The actions taken to defer or reduce in scope anticipated capital expenditures for the RCC and/or the RCC Share of the Common Transportation System not funded with Bonds for any Contract Year may be modified from time to time by the City to reflect the circumstances related to changes whether current or forecasted in the CFC Deficiency.

D. The City, acting promptly and using good faith efforts, will determine the appropriate CFC increase that is reasonably sufficient to cover all or a portion of the CFC Deficiency for the applicable Contract Year and/or subsequent Contract Years of the Term. If the City determines in its sole discretion that an increase to the CFC rate is in the best interest of the Airport, the City may, but is not obligated to make a recommendation to the City Council for an increase to the CFC rate to a level sufficient to cover all or a portion of the CFC Deficiency, taking into consideration the level of the Net CFC Contingency. Such increase shall be subject to the provisions of the Bond Indenture and the CFC Ordinance, and subject to the formal approval of Phoenix City Council to be effective. The actions taken to increase the CFC rate for any Contract Year may be modified from time to time by the City to reflect the changing circumstances related to changes whether current or forecasted in the CFC Deficiency.

3.12 Contingent Payment

Should the actions set forth in Section 3.11 above fail to completely offset the Net CFC Deficiency necessary to meet the Annual Obligation Requirement, or if the passage of time to achieve the completion of the actions set forth in Section 3.11 above fails to meet the Annual Obligation Requirement timeframes for any Contract Year, the City acting promptly and using good faith efforts, will determine if the RCC Companies will be required to pay to City Contingent Payment, to offset the Net CFC Deficiency for any applicable Contract Year. The imposition of Contingent Payment to the RCC Companies by the City is subject to the following:

A. Notwithstanding the determination of the total Net CFC Deficiency for any applicable individual Contract Year during the Term, the portion of the Net CFC Deficiency in any such Contract Year that is designated for payment by Contingent Payment shall not exceed Five Million Dollars ($5,000,000) in total for all RCC Companies.

B. The Contingent Payment will commence upon the first day of the month following thirty (30) day's prior written notice from City to the RCC Companies. In the event that a Contingent Payment was imposed during the Term and subsequently thereto, CFC revenues in any Contract Year exceed or are forecasted to exceed the Annual Obligation Requirement, City shall promptly notify the RCC Companies in writing of the date of the termination of the Contingent Payment obligation. Contingent Payment paid by the RCC Companies prior to the termination of the Contingent Payment obligation that has not been previously reimbursed by the City (as set forth in Section 3.13) is referred to herein as "Paid Contingent Payment."

C. This Contingent Payment obligation and the use of CFC funds are and will remain subject to the rights provided to the City under the CFC Ordinance. However, the City agrees that it will take no action voluntarily to reduce the CFC rate set forth in the CFC Ordinance and, as set forth above, will use its best efforts to request a reasonable increase to the CFC rate to address a CFC Deficiency. The foregoing and the provisions of Section 3.7 notwithstanding, in the event Contingent Payment is imposed on the RCC Companies, the RCC Companies may not pass through, unbundle, or list Contingent Payment as a separate item on its customer invoices.

D. For any Contract Year or partial Contract Year of the Term, Operator's share of any Contingent Payment shall be determined by applying the Share Calculation Formula.

3.13 Contingent Payment — Excess CFC Revenues

In the event total CFC revenues in a Contract Year are greater than the Annual Obligation Requirement, the City will apply such excess CFC revenues in the following order of priority, but may structure, spread or defer any payment or credit to the RCC Companies under this Section for a time frame up to thirty-six (36) months. In the event the Agreement terminates prior to City repayment to RCC Companies within the thirty-six month period, the City will continue to meet the obligation following expiration of the Agreement.

A. Paid Contingent Payment shall be reimbursed as and when the excess CFC revenues are received by the City for any Contract Year and such repayment to the RCC Companies shall be paid as such revenues are received based on the same Share Calculation Formula basis as the Contingent Payment was paid. City shall provide a reimbursement credit (which may be at the City's discretion in the form of rent credits against future rental/payment obligations) to the RCC Companies for the Paid Contingent Payment.

B. Bond reserve funds (other than the IRSF and/or the fund balance of fund/account under the Bond Indenture for 2019 Bonds or Parity Obligations that has the same purpose as the IRSF Fund) used to offset the CFC Deficiency shall be reimbursed, as and when excess CFC revenues are received by the City for any Contract Year and the structure for the repayment to the RCC Companies of Paid Contingent Payment is in place.

C. Payments made by the City related to the CFC Deficiency (payments made in excess of Paid Contingent Payment or in lieu of imposition of Contingent Payment, or in lieu of an increase in the CFC rate in any Contract Year) for any Contract Year may be reimbursed to the City as and when excess CFC revenues are received by the City, and the structure for the repayment to the RCC Companies of Paid Contingent Payment is in place.

D. Any lawful purpose provided under the CFC Ordinance.

* * *

ARTICLE FOUR — USE

4.1 Uses Permitted

During the Term of this Agreement, and subject to Operator's Lease at the RCC, Operator shall have the non-exclusive right to operate its Rental Car Business at the Airport. Operator understands and agrees that it is restricted under this Agreement to activities necessary to the operation of a Rental Car Business only, subject to Article Five of the Lease, and that no other product, merchandise, or service shall be sold or offered by Operator without the express written consent of the Aviation Director. Operator further agrees that all Airport related rental car transactions will take place at the RCC.

4.2 RCC Lease

Concurrently with the execution of this Agreement, the Operator will execute an Amended and Restated Lease under which it will occupy, use and lease space at the RCC.

* * *

5.1 Common Transportation System

Airport customers will be transported to and from the Airport, including the RCC exclusively on a Common Transportation System provided by the City. Customers of all RCC Companies and Off-Site Company at the Airport will be required to use the Common Transportation System. No RCC Company will be permitted at any time under any circumstances to use its own transportation system or contract with a third party transportation system, or use vouchers, or use its rental Vehicles to pick up or drop off customers at the Airport terminals. Without limiting the rights and privileges set forth in the CFC Ordinance, the Transportation O&M Expenses will be funded from CFC proceeds.

The City will require that customers of Off-Site Company will be "double-bused," meaning that the customers will be transported between the Airport terminals and the RCC via the Common Transportation System and may only be picked up at a position at the RCC designated curb for Off-Site Company. The customers will then be transported to the Off-Site Company off-site location. Drop off of customers of Off-Site Company will occur in the same manner at the same RCC curb.

Loading and unloading curbside positions for the Common Transportation System have been identified for each Airport terminal and at the RCC. At the discretion of the City in consultation with the RCC Companies and Off-Site Company, these positions may be changed from time to time as is necessary to provide for appropriate curb management and traffic control. Upon completion of the Sky Train Stage 2 Project the loading and unloading curbside positions may be reallocated by the City for other uses.

5.1.1 Sky Train Stage 2 Project — Development Cost

Operator hereby acknowledges that City intends to initiate the Sky Train Stage 2 Project during the Agreement Term, and that the Sky Train will become the Common Transportation System upon the termination of the common busing system. City will periodically advise the RCC Companies as to the progress for the design and construction of the Sky Train Stage 2 Project, and will provide written notice to the RCC Companies for the date of the transition of the Common Transportation System from the common busing operation to the Sky Train.

Prior to the transition of the Common Transportation System from the common busing operation to the Sky Train, the City shall consult with the RCC Companies regarding that portion of the design, construction, development and/or modification, redevelopment cost of the Sky Train, including but not limited to the Sky Train Stage 2 Project, allocated to the RCC and to be funded CFC revenues, whether on a "pay as you go basis", on an annual basis, or otherwise (referred to elsewhere herein as the RCC Share); and such RCC Share will be reasonably determined by the City in the City's sole discretion. Operator acknowledges that the annual RCC Share shall be included in the determination of the Annual Obligation Requirement.

5.2.2 Transportation O&M Expenses

Operator and City agree that the annual operating and maintenance cost of operating and maintaining Sky Train will be funded in part with CFC revenues. After consultation with the RCC Companies, a portion of the operation and maintenance costs of the Sky Train allocated to the RCC anticipated to be funded CFC revenues on an annual basis (referred to elsewhere herein as the RCC Share) will be reasonably determined by the City in the City's sole discretion. Operator acknowledges that the annual RCC Share shall be included in the determination of the Annual Obligation Requirement. In addition, except as needed for irregular operations throughout the Term, the operation and maintenance costs of associated with a common busing operation including the Bus Maintenance Facility will be transitioned and ultimately removed from the calculation of the RCC Share of the Transportation O&M.

* * *

ARTICLE SIX — FINANCIAL SECURITY

6.1 Payment Guaranty

The Operator shall provide to the City security to guarantee payment for all amounts due under this Agreement, including all amounts set forth in Article Three of this Agreement. The amount of security will be twenty five percent (25%) of the minimum annual guarantee for the applicable Contract Year as provided herein. The amount of the security will be adjusted accordingly every Contract Year throughout the Term of the Agreement.

The security shall be in one of the following forms:

A. An irrevocable letter of credit drawn on a bank doing business in Arizona.

B. A bond in a form acceptable to the City provided by a surety authorized to conduct business in Arizona.

C. A form of security approved in writing by the City in its sole discretion.

The City may draw upon the security provided pursuant to this Section in order to satisfy any payment delinquency under this Agreement that remains uncured ten (10) calendar days after written notice, if required, has been given to the Operator. If the City draws upon the security, Operator must replenish the security to its original amount within thirty (30) calendar days after notice of the City's draw.

* * *

7.1 Operator Default and Opportunity to Cure

Operator will be in default of this Agreement if it fails to comply with any of its terms and conditions. There are two types of defaults and opportunities to cure:

A. Monetary Default

Operator is in default if it fails to duly and punctually pay the Concession Fees or any other payments, charges, rents or fees required under this Agreement or under the Lease. Except for failure to collect and remit CFC's as required, the City shall issue written notice of non-payment to the Operator and the Operator shall have ten (10) days after notice to cure the default.

B. Non-monetary Default

Operator is in default if it fails to keep, perform and observe any other term or condition set forth in this Agreement, including, but not limited to, the failure by the Operator, or its employees, agents and contractors, to operate in a manner consistent with the uses and standards of service set forth herein and in the Lease. Unless the City is allowed to terminate immediately, City will issue written notice of the non-monetary default and Operator shall have thirty (30) days after written notice to correct the instance of non-monetary default.

7.2 Termination by City

A. Immediate Termination — No Notice Required

In addition to all other available remedies, the City may terminate this Agreement with no notice if any of the following events occur:

1. Operator fails to cure any default as provided in Section 7.1.
2. Operator fails to collect and remit CFC's as required.
3. Within a six (6) month period the City has issued three (3) written notices of default to the Operator for failure to comply with any one term or condition of this Agreement.
4. Termination of the RCC Lease.
5. Operator becomes insolvent, or takes the benefit of any present or future insolvency statute, or makes a general assignment for the benefit of creditors, or files a voluntary petition in bankruptcy, or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or of any state thereof, or consents to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property.
6. A petition under any part of the federal bankruptcy laws or an action under any present or future insolvency law or statute, is filed against Operator and is not be dismissed within thirty (30) days after the filing thereof.
7. A transfer or assignment occurs without prior approval of the City.
8. Operator vacates the premises at the RCC. Premises are presumed vacated if the Operator's space in the customer service building is unmanned during RCC hours of operation for three (3) consecutive days.
9. Operator conducts its operations in a manner that threatens public safety as determined by the City in conformity with the laws and regulations of the State of Arizona and the City of Phoenix.

10. The City determines that Operator willfully falsified any of its records or figures so as to deprive the City of any of its rights under the terms of this Agreement or diverted revenue.

11. Operator failed to comply with all applicable laws and regulations of the United States Government, the State of Arizona, the County of Maricopa, and the City of Phoenix and all agencies thereof, and all rules and/or regulations of the Airport now in effect or hereafter promulgated.

B. Termination by City after Notice

1. In addition to termination as stated above, the City may terminate this Agreement thirty (30) days after written notice by the City if any of the following events occur:

(a) With written concurrence of Operator, the occurrence of any act that deprives the Operator of the rights, power, licenses, permits, or authority necessary for the proper conduct and operations of the activities authorized herein.

(b) The lawful assumption by the United States Government, or any authorized agency thereof, of the operation, control, or use of the Airport and its facilities, or any part thereof, in such a manner as to substantially restrict Operator's operations for a period in excess of ninety (90) consecutive days.

2. In addition to termination as stated above, the City may terminate this lease three (3) days after written notice by the City if the following event occurs:

(a) Operator fails to provide and/or maintain the Financial Security and Insurance required by this Agreement at any time during the Term. If the City does not terminate, Operator must obtain a new or renewed policy that specifically provides the required coverage to the City for any liability arising during the lapsed or previously uncovered period.

7.3 <u>Termination by Operator</u>

If Operator is not in default under this Agreement or the Lease, it may terminate this Agreement at any time by giving the City forty-five (45) days advance written notice, upon the happening of any of the following events:

A. Issuance by a court of competent jurisdiction of an injunction in any way preventing or restraining normal use of the Airport or any substantial part of the Airport that remains in force for a period of ninety (90) consecutive days.

B. The inability of Operator to use, for a period in excess of ninety (90) consecutive days, the Airport or any substantial part of the Airport because of embargo, fire, explosion, earthquake, other similar casualty or acts of God or the public enemy, provided that same is not caused by Operator's negligent acts of omission or commission or its willful misconduct.

C. The lawful assumption by the United States Government, or any authorized agency thereof, of the operation, control, or use of the Airport and its facilities, or any part thereof, in such a manner as to substantially restrict Operator's operations for a period in excess of ninety (90) consecutive days.

* * *

9.1 <u>Assignment</u>

Operator shall not assign, encumber, or otherwise transfer, whether voluntarily or involuntarily or by operation of law, its interest in this Agreement or any part thereof without City's prior written consent. City agrees, however, that it will consent if Operator establishes to the City's satisfaction that the transferee is qualified to meet all the financial obligations of the Lease and this Agreement and has the requisite experience to operate the rental car business with the appropriate level of customer service under the terms of the Lease and this Agreement. City's consent to a transfer is subject to City Council approval and shall not be deemed consent to any other subsequent transfers. Any attempt by Operator to perform any of the acts proscribed under this Article without the prior written consent of the City, may be deemed by the City, in its sole absolute discretion, as a breach of this Agreement rendering it null and void.

9.2 Changes in Operator or Rental Car Brands

A. Changes in Operator

For purposes of this Agreement, the merger of the Operator with any other entity or the transfer of any controlling ownership interest in the Operator, or the assignment or transfer of any portion of the assets of the Operator to any entity intended to replace the Operator under the Lease or this Agreement, whether or not located at the Airport, shall constitute a transfer. Without limiting the generality of the foregoing, if Operator is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law of the partner or partners owning fifty one percent (51%) or more of the partnership, or the dissolution of the partnership, shall be deemed a transfer. If Operator is a corporation or limited liability company, any dissolution, merger, consolidation, or other reorganization of Operator which would result in a different Operator under this Agreement, or the sale of at least fifty one percent (51%) of the value of the assets of the Operator, shall be deemed a transfer.

The phrase "controlling percentage" means the ownership of, and the right to *vote,* stock or interests possessing at least fifty one percent (51%) of the total combined voting power of all classes of Operator's capital stock or interests issued, outstanding and entitled to vote for the election of directors.

B. Changes in Rental Car Brands

For purposes of this Agreement and the letting of premises for operations of the Operator's Rental Car Business under the Lease, and subject to the operation of a Rental Car Brand(s) of Operator by an Affiliate as set forth in Section 9.3 below, Operator commits to continuously operate each of the Rental Car Brands set forth in Exhibit 1 to this Agreement, throughout the Term of this Agreement. The Operator must obtain City's prior written consent for the cessation or significant diminution of the business in general or the removal of any of Operator's Rental Car Brands at the Airport, and must likewise obtain City's written consent to Operator's request to substitute or add any Rental Car Brands to Operator's Rental Car Business at the Airport. After consultation with the Operator, the City will provide a written notification to Operator which notification shall set forth the City's decision on the request for consent to changes in Rental Car Brands as set forth herein, including other relevant terms of Operator's occupancy of the Premises set forth in the Lease related to such change.

Any attempt by Operator to cease the operations, remove, substitute, or add any of Operator's Rental Car Brands without the prior written consent of the City, may be deemed by the City, in its sole absolute discretion, as a breach of this Agreement. City agrees, however, that it will consent if Operator establishes to the City's satisfaction that the overall operation of the revised mix of Rental Car Brands does not significantly impair the overall operation of the RCC with the appropriate level of customer service, and meets all the financial expectations and obligations under the terms of the Lease and this Agreement. City also reserves the right as a component of its consent to consider a portion of the Operator's premises set forth in the Lease as "vacated" and proceed with providing such vacated premises as available for lease.

9.4 No Release

In no event will City's consent to a transfer or to an operation by an Affiliate of Operator be deemed a release of the primary obligor hereunder. If after obtaining requisite consent, Operator shares all or any part of its interests in its allocation of the Premises or if all or any part of its interest in the RCC is occupied by anyone other than Operator (including any Affiliate or subsidiary of Operator), the City may, but shall not be obligated to, if an event of default shall occur and continue, collect rent from such assignee, Affiliate, subsidiary, or occupant. In such event, the City shall apply the amount collected to the extent possible to satisfy the obligations of Operator, but no such collection shall be deemed a waiver by the City of the obligations, rights and covenants contained in this Agreement or an acceptance by the City of any such shared use, claimant or occupant as a successor Operator, nor a release of Operator by the City from the performance by Operator of the covenants and obligations of Operator under this Agreement. Notwithstanding anything contained in this Agreement to the contrary, no such shared use or assignment shall be authorized if it in any way releases Operator from its primary obligations under this Agreement.

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APPENDIX G

Proposed Form of Legal Opinion of Bond Counsel
[Letterhead of Greenberg Traurig, LLP]

[To Be Dated Closing Date]

We hereby certify that we have examined a certified copy of the proceedings of the City of Phoenix Civic Improvement Corporation (the *"Corporation"*) passed preliminary to the issue of its Rental Car Facility Charge Revenue Bonds, Series 2019A in the principal amount of $ (the *"Series 2019A Bonds"*) and Rental Car Facility Charge Revenue Refunding Bonds, Taxable Series 2019B in the principal amount of $ (the *"Taxable Bonds"* and together with the Series 2019A Bonds, the *"2019 Bonds"*) in fully registered form, dated the date of initial authentication and delivery thereof. The Series 2019A Bonds are being issued to finance improvements to the transportation system at the airport of the City of Phoenix, Arizona (the *"City"*). The Taxable Bonds are being issued to refund bonds previously issued for the design and construction of a consolidated rental car facility at the City's airport (the *"Bonds Being Refunded"*) and to fund certain reserves.

We have examined the law and such documents and matters as we have deemed necessary to render this opinion, including, without limitation, the original or a copy identified to our satisfaction as being a true copy of the Indenture (as defined herein).

As to questions of fact material to the opinions expressed herein, we have relied upon, and have assumed due compliance with the provisions of, the proceedings and other documents, and have relied upon certifications and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the use to be made of the proceeds of the 2019 Bonds. Reference is made to certifications of and opinions of counsel to parties other than the Corporation with respect to the existence and powers of such parties to enter into and perform the instruments referred to, the authorization, execution and delivery of such instruments by such parties and such instruments being binding upon and enforceable against such parties; we express no opinion as to such matters.

The 2019 Bonds are being issued pursuant to a Bond Indenture, dated as of December 1, 2019 (the *"Indenture"*) between the Corporation and U.S. Bank National Association, as trustee (the *"Trustee"*). The 2019 Bonds are payable solely, as to both principal and interest, from payments made by the City under the City Purchase Agreement, dated as of December 1, 2019 (the *"City Purchase Agreement"*) between the Corporation and the City.

Based upon the foregoing, we are of the opinion as of this date, which is the date of initial delivery of the 2019 Bonds against payment therefor, that:

1. The Indenture, the City Purchase Agreement and the Bonds have been duly authorized, executed and delivered by the Corporation and are valid and binding upon and enforceable against the Corporation.

2. The 2019 Bonds constitute special obligations of the Corporation, and the principal of and interest and any premium on the 2019 Bonds (collectively, *"debt service"*), unless paid from other sources, are payable solely from the revenues and other moneys pledged and assigned by the Indenture to secure that payment. Those revenues and other moneys include payments required to be made by the City under the City Purchase Agreement, and the City's obligation to make those payments is secured by a first lien pledge of pledged revenues, which includes revenues derived from certain customer facility charges to be collected by rental car companies and other funds as more fully provided in the Indenture. The Indenture creates the pledge which it purports to create in the pledged revenues and of other moneys in the funds and accounts created by the Indenture (other than the Administration Fund, the Transportation O&M Fund and the Rebate Fund), which pledge will be perfected only as to the revenue and other moneys on deposit in the funds and accounts created by the Indenture

and held by the Trustee or by a depository holding funds in a segregated trust account under a blocked account control agreement with the Trustee. The 2019 Bonds and the payment of debt service are not secured by an obligation or pledge of any moneys raised by taxation; the 2019 Bonds do not represent or constitute a debt or pledge of the general credit of the Corporation, the City or the State of Arizona; and the City Purchase Agreement, including the City's obligation to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

3. The Internal Revenue Code of 1986, as amended (the *"Code"*), includes requirements which the City and the Corporation must continue to meet after the issuance of the Series 2019A Bonds in order that interest on the Series 2019A Bonds be excludible from gross income for federal income tax purposes. The City and the Corporation have covenanted to take the actions required by the Code in order to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2019A Bonds. (Subject to the limitations in the next to last paragraph hereof, the City and the Corporation have full legal power and authority to comply with such covenants.) Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the last sentence of this paragraph, interest on the Series 2019A Bonds is excludible from the gross income of the owners thereof for federal income tax purposes and, if the foregoing is the case, the interest on the Series 2019A Bonds is exempt from income taxation under the laws of the State of Arizona. Interest on the Series 2019A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Series 2019A Bonds. In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Series 2019A Bonds in order that interest on the Series 2019A Bonds not be included in gross income for federal tax purposes.

We express no opinion as to the exclusion of interest on the Taxable Bonds from gross income for federal or Arizona income tax purposes. Ownership of the Taxable Bonds may result in other federal or State of Arizona income tax consequences to certain taxpayers and we express no opinion regarding any such collateral consequences arising with respect to the Taxable Bonds.

In rendering the foregoing opinions, we have assumed and relied upon compliance with the City's and the Corporation's covenants and the accuracy, including with respect to the application of the proceeds of the 2019 Bonds, which we have not independently verified, of the City's and the Corporation's representations and certifications contained in the transcript. The accuracy of those representations and certifications, and the City's and the Corporation's compliance with those covenants, may be necessary for the interest on the Series 2019A Bonds to be and remain excluded from gross income for federal and State income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain requirements subsequent to issuance of the Series 2019A Bonds could cause interest on the Series 2019A Bonds to be included in gross income for federal and State income tax purposes retroactively to the date of issuance of the Series 2019A Bonds.

The rights of the owners of the 2019 Bonds and the enforceability of those rights under the 2019 Bonds and the documents referred to above may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity. Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX H

Form of Continuing Disclosure Undertaking

This Continuing Disclosure Undertaking, dated December , 2019 (the "Undertaking" or the "Agreement"), is executed and delivered by the City of Phoenix, Arizona (the "City"), in connection with the issuance of $ City of Phoenix Civic Improvement Corporation Rental Car Facility Charge Revenue Bonds, Series 2019A (the "Series 2019A Bonds") and $ City of Phoenix Civic Improvement Corporation Rental Car Facility Revenue Refunding Bonds, Taxable Series 2019B (the "Taxable Bonds" and together with the Series 2019A Bonds, the "2019 Bonds"). The 2019 Bonds are being issued pursuant to a Trust Indenture, dated as of December 1, 2019 (the "Indenture"), between the City of Phoenix Civic Improvement Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

1. *Purpose of this Undertaking*. This Undertaking is executed and delivered by the City as of the date set forth above, for the benefit of the beneficial owners of the 2019 Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The City represents that it will be the only obligated person with respect to the 2019 Bonds at the time the 2019 Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the 2019 Bonds.

2. *Definitions*. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"*Annual Financial Information*" means the financial information and operating data set forth in Exhibit I.

"*Annual Financial Information Disclosure*" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"*Audited Financial Statements*" means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

"City Purchase Agreement" means the City Purchase Agreement dated as of December 1, 2019, between the City and the Corporation.

"*Commission*" means the Securities and Exchange Commission.

"*Dissemination Agent*" means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent's successors and assigns.

"*EMMA*" means the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Undertaking, information regarding submissions to EMMA is available at http://emma.msrb.org.

"*Event*" means the occurrence of any of the events set forth in Exhibit II.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Financial Obligations*" means a debt obligation, a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or a guarantee of a debt obligation or a derivative. The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"*Listed Event*" means the occurrence of events set forth in Exhibit II provided that with respect to any Event qualified by the phrase "if material," materially shall be interpreted under the Exchange Act. If an Event is not qualified by the phrase "if material," such Event shall in all cases be material.

"*Listed Events Disclosure*" means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Participating Underwriters*" means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the 2019 Bonds.

"*Rule*" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State*" means the State of Arizona.

"*Undertaking*" means the obligations of the City pursuant to Sections 4 and 5 hereof.

3. *CUSIP Number/Final Official Statement*. The CUSIP Numbers of the 2019 Bonds are as follows:

Series 2019A Bonds

Maturity Date	CUSIP No. *	Coupon
		%

Taxable Bonds

Maturity Date	CUSIP No. *	Coupon
		%

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("*CGS*") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® numbers are provided for convenience of reference only. None of the City, the Financial Advisor of the City, the Participating Underwriters or their respective counsel or agents takes responsibility for the accuracy of such numbers.

The Final Official Statement relating to the 2019 Bonds is dated November , 2019 (the "*Final Official Statement*").

4. *Annual Financial Information Disclosure*. Subject to Section 9 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any, (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA in an electronic format as prescribed by the MSRB. The City is required to deliver such information in such manner and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. *Listed Events Disclosure*. Subject to Section 9 of this Undertaking, the City hereby covenants that it will disseminate in a timely manner not in excess of ten business days after the occurrence of the event, Listed Events Disclosure to the MSRB through EMMA in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any of the 2019 Bonds or defeasance of any 2019 Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the 2019 Bondholders pursuant to the Indenture.

6. *Duty to Update*. The City shall determine, in the manner it deems appropriate, the address of EMMA or such alternate repository specified by the MSRB each time it is required to file information with such entities.

7. *Consequences of Failure of the City to Provide Information*. The City shall give notice in a timely manner and within ten business days after the occurrence of such failure to the MSRB through EMMA, of any failure to provide Annual Financial Information Disclosure in the manner and at the time required.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any 2019 Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an Event of Default under the City Purchase Agreement or the Indenture, and the sole remedy available to 2019 Bondholders under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

8. *Amendments; Waiver*. Notwithstanding any other provision of this Agreement, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the 2019 Bonds, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the Bondholders pursuant to the terms of the Indenture at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the generally accepted accounting principles ("*GAAP*") to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the Fiscal Year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

9. *Termination of Undertaking*. The Undertaking of the City shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of a series of the 2019 Bonds under the City Purchase Agreement. The City shall give notice in a timely manner if such event occurs to the MSRB through EMMA in an electronic format as prescribed by the MSRB.

10. *Dissemination Agent*. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

11. *Additional Information*. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or a Listed Event Disclosure, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

12. *Beneficiaries*. This Undertaking has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the 2019 Bonds, and shall create no rights in any other person or entity.

13. *Recordkeeping*. The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. *Assignment*. The City shall not transfer obligations under the City Purchase Agreement unless the transferee agrees to assume all obligations of the City under this Agreement or to execute an Undertaking meeting the requirements of the Rule.

15. *Governing Law*. This Undertaking shall be governed by the laws of the State.

CITY OF PHOENIX, ARIZONA

By: Ed Zuercher
Its City Manager

By: ________________________________
Denise M. Olson
Chief Financial Officer

ATTEST:

By: ________________________________
City Clerk

APPROVED AS TO FORM:

By: ________________________________
City Attorney

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EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means financial information and operating data consisting of (a) that set forth under the tables captioned, "Rental Car Facility Charge Revenue Bonds Schedule of Transaction Days and Net Annual CFC Collections" and "SCHEDULE OF FORECASTED NET ANNUAL CFC RECEIPTS, ESTIMATED DEBT SERVICE REQUIREMENTS AND FORECASTED COVERAGE OF RENTAL CAR FACILITY CHARGE REVENUE BONDS OUTSTANDING" (most recently completed fiscal year only), (b) the Pledged Rate then in effect, (c) the total Annual Receipts, Pledged Revenues and Administrative Costs for the prior fiscal year.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB through EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB or the Commission. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, if any, by February 1 of each year, commencing February 1, 2020. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to GAAP, as applied to governmental units as modified by State law.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Undertaking, the City will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II
EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2019A Bonds, or other material events affecting the tax status of the Series 2019A Bonds
7. Modifications to the rights of 2019 Bondholders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the 2019 Bonds, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the City*
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City, any of which reflect financial difficulties

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* The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.