NEW ISSUES — BOOK-ENTRY-ONLY **RATINGS: Moody's: A1**
Standard & Poor's: A+

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 4, 2015

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the 2015 Junior Bonds is excludible from gross income for federal income tax purposes. Interest on the 2015 Junior Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, see "TAX EXEMPTION" herein for a description of certain federal tax consequences of ownership of the 2015 Junior Bonds. Bond Counsel is further of the opinion that, assuming interest is so excludible for federal income tax purposes, interest on the 2015 Junior Bonds is exempt from income taxation under the laws of the State of Arizona. See also "ORIGINAL ISSUE DISCOUNT AND BOND PREMIUM" herein.

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

$98,545,000*
Junior Lien Airport
Revenue Bonds,
Series 2015A (Non-AMT)

$19,350,000*
Junior Lien Airport
Revenue Refunding Bonds,
Series 2015B (Non-AMT)

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

Principal of, and premium, if any, on the Junior Lien Airport Revenue Bonds, Series 2015A (the *"Series 2015A Junior Bonds"*) and the Junior Lien Airport Revenue Refunding Bonds, Series 2015B (the *"Series 2015B Junior Bonds"* and, together with the Series 2015A Junior Bonds, the *"2015 Junior Bonds"*) are payable at the designated corporate trust office of U.S. Bank National Association, Phoenix, Arizona, as trustee (the *"Trustee,"* also referred to herein as the *"Registrar,"* and the *"Paying Agent"*). The 2015 Junior 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 2015 Junior 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 2015 Junior Bonds will be made to the ultimate purchasers thereof and all payments of principal of and premium, if any, and interest on the 2015 Junior Bonds will be made to such purchasers through DTC. Interest on the 2015 Junior Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 2016, by the Trustee. The 2015 Junior Bonds are being issued pursuant to a Bond Indenture, dated as of December 1, 2015*, between the City of Phoenix Civic Improvement Corporation (the *"Corporation"*) and the Trustee.

The 2015 Junior Bonds are subject to redemption prior to maturity as described herein.

The 2015 Junior Bonds are special revenue obligations of the Corporation and are payable solely from payments required to be paid by the City of Phoenix, Arizona (the *"City"*), to the Corporation pursuant to the Junior Lien City Purchase Agreement dated as of December 1, 2015* (the *"City Purchase Agreement"*) between the City and the Corporation. **The obligations of the City to make payments under the City Purchase Agreement are absolute and unconditional, but do not constitute a pledge of the full faith and credit or the ad valorem taxing power of the City.** Except to the extent the City appropriates other lawfully available funds for such payments, the City's payments under the City Purchase Agreement are payable solely from Designated Revenues (as defined herein) to be derived from operation of the City's Airport (as defined herein). The pledge of Designated Revenues to amounts due under the Junior Lien City Purchase Agreement is subordinate to amounts owed with respect to outstanding Senior Lien Obligations (as defined herein) and Senior Lien Obligations which may be issued in the future. The pledge is also on parity with outstanding Junior Lien Obligations (as defined herein) and Junior Lien Obligations which may be issued in the future. Principal of and interest on the 2015 Junior Bonds is additionally payable from and secured by an irrevocable commitment of the net proceeds of a passenger facility charge approved by the Federal Aviation Administration and received by the City in each Fiscal Year (as defined herein) in an amount equal to 30% of Series 2015A Junior Bonds Debt Service and 100% of the Series 2015B Junior Bonds Debt Service (each as defined herein) in each Fiscal Year due on or before July 1, 2021. See "SECURITY AND SOURCES OF PAYMENT" herein.

This cover page contains only a brief description of the 2015 Junior 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 2015 Junior Bonds or of investment risks involved with the purchase of the 2015 Junior 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 2015 Junior Bonds are offered when, as and if issued and received by the Underwriters, and subject to the legal opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed upon for the Underwriters by Squire Patton Boggs (US) LLP, Phoenix, Arizona, Counsel to the Underwriters. It is expected that the 2015 Junior Bonds will be available for delivery in book-entry-only form through the facilities of DTC on or about December , 2015.

Citigroup

Barclays **Mesirow Financial, Inc.**

Cabrera Capital Markets, LLC **Raymond James**

* Subject to change.

MATURITY SCHEDULES

$98,545,000*
Junior Lien Airport Revenue Bonds, Series 2015A (Non-AMT)

Maturity July 1	Principal Amount	Interest Rate	Price or Yield	Maturity July 1	Principal Amount	Interest Rate	Price or Yield
2016	$ 1,570,000	%		2031	$ 3,075,000	%	
2017	1,615,000			2032	3,230,000		
2018	1,665,000			2033	3,395,000		
2019	1,730,000			2034	3,560,000		
2020	1,800,000			2035	3,740,000		
2021	1,890,000			2036	3,925,000		
2022	1,985,000			2037	4,125,000		
2023	2,085,000			2038	4,330,000		
2024	2,185,000			2039	4,545,000		
2025	2,295,000			2040	4,775,000		
2026	2,410,000			2041	5,015,000		
2027	2,530,000			2042	5,265,000		
2028	2,660,000			2043	5,525,000		
2029	2,790,000			2044	5,805,000		
2030	2,930,000			2045	6,095,000		

$ % Term Bond Due July 1, , Price %

$19,350,000*
Junior Lien Airport Revenue Refunding Bonds, Series 2015B (Non-AMT)

Maturity July 1	Principal Amount	Interest Rate	Price or Yield
2034	$ 19,350,000	%	

* Subject to change.

CITY OF PHOENIX, ARIZONA

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

Wallace Estfan
President and Director

Michael R. Davis
Vice President and Director

James H. Lundy
Secretary-Treasurer and Director

Barbara Barone
Director

Bruce Covill
Director

Marian Yim
Director

CITY OF PHOENIX, ARIZONA CITY COUNCIL

Greg Stanton, *Mayor*

Daniel Valenzuela, *Vice Mayor*
District 5

Sal DiCiccio, *Member*
District 6

Kate Gallego, *Member*
District 8

Bill Gates, *Member*
District 3

Michael Nowakowski, *Member*
District 7

Laura Pastor, *Member*
District 4

Jim Waring, *Member*
District 2

Thelda Williams, *Member*
District 1

ADMINISTRATIVE OFFICIALS

Ed Zuercher
City Manager

Milton Dohoney, Jr.
Assistant City Manager

Paul Blue
Deputy City Manager

Jim Bennett
Aviation Director

Denise M. Olson
Acting Chief Financial Officer

Brad Holm
City Attorney

Cris Meyer
City Clerk

SPECIAL SERVICES

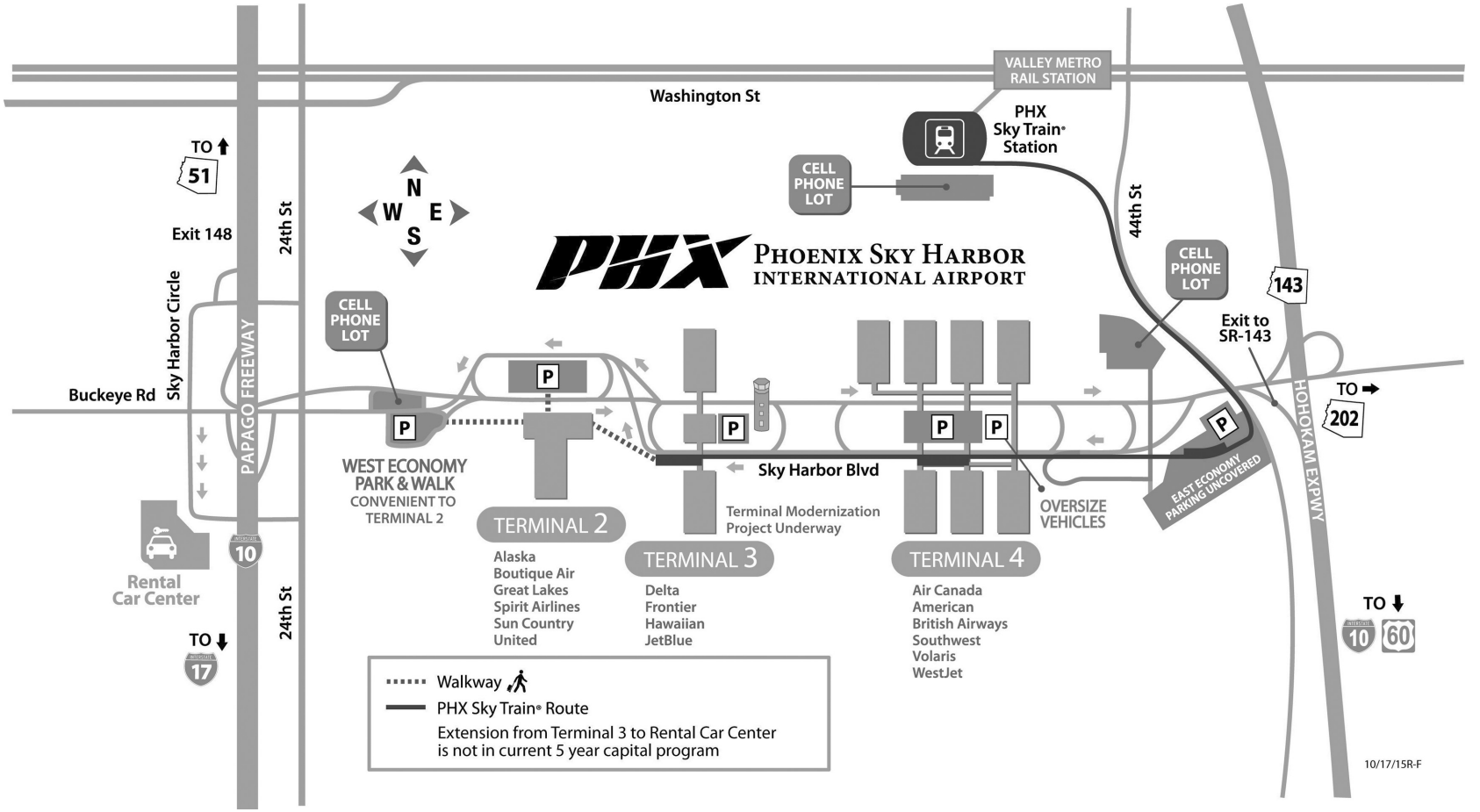
GREENBERG TRAURIG, LLP
Phoenix, Arizona
Bond Counsel

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

LEIGHFISHER INC.
Cincinnati, Ohio
Airport Consultant

GRANT THORNTON LLP
Minneapolis, Minnesota
Escrow Verification Agent

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


VALLEY METRO RAIL STATION
Washington St
PHX Sky Train® Station
CELL PHONE LOT
N
W
E
S
PHX
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
TO
51
Exit 148
24th St
Sky Harbor Circle
PAPAGO FREEWAY
44th St
143
Exit to SR-143
Buckeye Rd
WEST ECONOMY PARK & WALK
CONVENIENT TO TERMINAL 2
Sky Harbor Blvd
Terminal Modernization Project Underway
OVERSIZE VEHICLES
EAST ECONOMY PARKING UNCOVERED
HOHOKAM EXPWY
202
Rental Car Center
10
17
60
TERMINAL 2
Alaska
Boutique Air
Great Lakes
Spirit Airlines
Sun Country
United
TERMINAL 3
Delta
Frontier
Hawaiian
JetBlue
TERMINAL 4
Air Canada
American
British Airways
Southwest
Volaris
WestJet
Walkway
PHX Sky Train® Route
Extension from Terminal 3 to Rental Car Center is not in current 5 year capital program
10/17/15R-F

This Official Statement does not constitute an offering of any security other than the original offering of the 2015 Junior 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 2015 Junior 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 2015 Junior 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 2015 Junior Bonds for sale.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2015 JUNIOR 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 2015 Junior Bonds.

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OFFICIAL STATEMENT
Relating to

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

$98,545,000*	**$19,350,000***
Junior Lien Airport	**Junior Lien Airport**
Revenue Bonds,	**Revenue Refunding Bonds,**
Series 2015A (Non-AMT)	**Series 2015B (Non-AMT)**

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 (collectively, the *"2015 Junior Bonds"*). The offering of the 2015 Junior 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 2015 Junior Bonds. Accordingly, prospective 2015 Junior 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.

For certain provisions of the City Purchase Agreement, 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 (the *"Airport Revenue Bond Ordinance"*) and for the definitions of certain capitalized terms used in this Official Statement and for certain provisions of the Bond Indenture, dated as of December 1, 2015* (the *"Indenture"*) between the Corporation and the Trustee, pursuant to which the 2015 Junior Bonds are being issued, see "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — CERTAIN DEFINITIONS."

THE AIRPORT

General

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

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 (FAA)

* Subject to change.

and is the principal commercial service airport serving metropolitan Phoenix and most of the State's population. There are no other U.S. medium- or large-hub commercial service airports within a five hour driving distance of Phoenix, with the closest being Las Vegas' McCarran International Airport (292 miles to the northwest). In fiscal year 2014-15, Sky Harbor served 21,488,569 enplaned passengers. During fiscal year 2014-15 passenger airline service at Sky Harbor was provided by Aeromexico, Air Canada, Alaska, American, Envoy Air (American Eagle), British Airways, Compass (Delta Connection), Delta, ExpressJet (United Express), Frontier, Great Lakes, Hawaiian, JetBlue, Mesa (American Eagle), Skywest (American Eagle, Delta Connection and United Express), Southwest, Spirit, Sun Country, United, Volaris and WestJet. Sky Harbor served commercial, general aviation and military aircraft with 435,937 operations in fiscal year 2014-15.

Sky Harbor currently has three passenger terminal buildings, Terminals 2, 3, and 4. Collectively, the three terminals provide a total of 107 passenger hold rooms and 111 associated aircraft parking positions (gates). Terminal 2 contains approximately 330,000 square feet and 12 gates. Terminal 3 contains approximately 880,000 square feet and 15 gates. Terminal 4 contains approximately 2.3 million square feet and 84 gates. American Airlines and Southwest Airlines, the two largest carriers at Sky Harbor, and all foreign flag carriers, operate exclusively from Terminal 4. As of May 2015, Sky Harbor had approximately 26,300 public and employee parking spaces. A consolidated rental car facility is located on a 141-acre site, with 5,613 ready/return garage spaces and a 107,000 square foot commercial service building. 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 facilities handled, in aggregate, 458,162 general aviation operations in fiscal year 2014-15. In fiscal year 1984-85, Phoenix-Deer Valley Airport and Phoenix-Goodyear Airport were made a part of the Airport for the purpose of issuing obligations payable from Net Airport Revenues (as defined herein). Such obligations payable from Net Airport Revenues *("Senior Lien Obligations"),* as well as obligations payable from Designated Revenues (as defined herein) *("Junior Lien Obligations"),* and Junior Subordinate Lien Obligations (as defined herein) can be issued for improvements at Phoenix-Deer Valley Airport and Phoenix-Goodyear Airport. The revenues of these two 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 Revenue Obligations, which are pledged to the payment of Junior Subordinate Lien Obligations.

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 and became a voting member of the Phoenix-Mesa Gateway Airport Authority, which owns and operates Phoenix-Mesa Gateway Airport. Phoenix-Mesa Gateway Airport, located approximately 30 miles east of Sky Harbor, serves as a commercial reliever airport and currently offers flights on Allegiant Air. 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.

The City has engaged the firm of LeighFisher, Inc. to prepare a traffic and earnings report in connection with the issuance of the 2015 Junior Bonds. The report of LeighFisher, Inc. is included as "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT."

Airport System Management

Direct supervision of the Airport is exercised by the Aviation Department. Management of the Airport is led by the Aviation Director with 856 full-time equivalent employees as of July 1, 2015. The Aviation Director currently reports to a Deputy City Manager.

Ed Zuercher, City Manager, 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, 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's degree in Public Administration from the University of Kansas and an undergraduate degree from Goshen College.

Milton Dohoney, Jr., Assistant City Manager, 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.

Paul Blue, Deputy City Manager, was named Deputy City Manager in April 2014. Prior to the City Manager's Office, Mr. Blue was Chief of Staff to Mayor Greg Stanton from November 2011 through June 2013, and Director of the Community and Economic Development Department for the balance of 2011. From 2001 to 2010, he served in middle management and executive roles at the City of Phoenix Aviation Department. Mr. Blue began his career with the City in 1989 and worked in various economic development roles, including business development, business attraction, retention and expansion and redevelopment. He received master's degrees in Public Administration and Business Administration from Arizona State University, and a bachelor's degree in Music from Westmont College.

Jim Bennett, Aviation Director, began his role as Aviation Director for the City of Phoenix 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.

Christine Smith, Assistant Aviation Director, has served in numerous capacities across several city departments over the past 24 years including the Mayor and City Council Offices, Phoenix Convention Center, Budget and Research, Equal Opportunity, and Development Services Departments. During her tenure with Public Works she has lead a variety of programs including Solid Waste Disposal Management and Support Services. Prior to joining the City, Ms. Smith worked for the Arizona Department of Transportation and several private sector firms in the Phoenix area. She holds a Bachelor's Degree in Public Administration from Grand Canyon University and a Master's Degree in Public Administration from Arizona State University.

Chad Makovsky, Assistant Aviation Director, has more than 20 years of aviation industry experience, beginning his career with America West Airlines (now American Airlines), and then holding positions in operations at both John F. Kennedy International Airport and Bob Hope Airport in Burbank, California. Mr. Makovsky joined the City of Phoenix in 2002 and oversees Operations, Technology, Facilities, General Aviation, Police and Fire. Mr. Makovsky is a Certified Member of the American Association of Airport Executives (AAAE) and a member of AAAE's National Policy Review Committee. He also serves as Arizona's representative on AAAE's Southwest Chapter Board of Directors. Mr. Makovsky holds a bachelor's degree in Aviation Operations from Saint Cloud State University and an MBA from the Arizona State University W.P. Carey School of Business.

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, Government Relations, Community Outreach, 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.

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, Acting Chief Financial Officer, was appointed Acting Chief Financial Officer in June 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.

PLAN OF REFUNDING*

Series 2015A Junior Bonds. The proceeds of the sale of the Series 2015A Junior Bonds remaining after deduction of issuance costs and a deposit to the Junior Lien Parity Reserve Fund will be held by the City in a fund (the *"Note Prepayment Fund"*) restricted for the payment of the principal of $100,000,000 aggregate principal amount of the Corporation's Airport Commercial Paper Program Notes, Series 2014A-1 and Series 2014A-2 (collectively, the *"Notes Being Refunded"*) or the reimbursement to the respective letter of credit banks for drawings made to pay principal of the Notes Being Refunded as they become due. The Notes Being Refunded will mature no later than 90 days after the date of initial authentication and delivery of the Series 2015A Junior Bonds. Interest on the Notes Being Refunded will be paid from draws under the respective letters of credit and the City will reimburse the letter of credit banks from Junior Subordinate Lien Revenues (as defined herein) budgeted for such purpose.

Series 2015B Junior Bonds. The proceeds of the sale of the Series 2015B Junior Bonds remaining after deduction of issuance costs and a deposit to the 2015B Junior Lien Bond Reserve Fund will be held in the Bond

* Subject to change.

Fund established under the bond indenture pursuant to which the bonds described below (the *"Bonds Being Refunded"*) were issued, by U.S. Bank National Association, as bond trustee for the Bonds Being Refunded, to be applied to the redemption of the Bonds Being Refunded on their redemption date as shown in the following table. The amounts so deposited will be verified to be sufficient, without regard to interest earned on such funds, to pay when due, the redeemed principal amounts of and interest on the Bonds Being Refunded, by Grant Thornton LLP, Independent Certified Public Accountants, as a condition to delivery of the 2015 Junior Bonds. Such verification will be based upon information supplied to Grant Thornton LLP by the Underwriters or the Financial Advisor on behalf of the City. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

SCHEDULE OF MATURITIES AND CALL DATE OF BONDS BEING REFUNDED

Issue Series	Maturity Date July 1	Principal Amount Outstanding	Principal Amount Being Refunded	Coupon	Expected Call Date	Call Premium as a Percentage of Principal	Refunded CUSIP
2010A	2034	$20,000,000	$20,000,000	5.000%	12-16-15	0.0%	71883MHC1

SOURCES AND APPLICATIONS OF FUNDS

	Junior Lien Airport Revenue Bonds, Series 2015A (Non-AMT)	Junior Lien Airport Revenue Refunding Bonds, Series 2015B (Non-AMT)	Total
Sources:			
Par Amount of the Bonds	$	$	$
Net Original Issue Premium (Discount)			
2010 Junior Lien Bond Reserve Fund			
Other Available Funds			
Total	$	$	$
Applications:			
Bond Fund for Bonds Being Refunded	$	$	$
Note Prepayment Fund for Notes Being Refunded			
Deposit to Junior Lien Parity Reserve Fund			
Deposit to 2015B Junior Lien Bond Reserve Fund			
Costs of Issuance			
Underwriters' Discount			
Total	$	$	$

2015 JUNIOR BONDS

Authorization and Purpose

The Series 2015A Junior Bonds are being issued by the Corporation under the terms of the Indenture for the purpose of (i) refunding the Notes Being Refunded, (ii) making a deposit to the Junior Lien Parity Reserve Fund and (iii) paying the costs of issuance of the Series 2015A Junior Bonds. The Series 2015B Junior Bonds are being issued for the purpose of (i) refunding the Bonds Being Refunded, (ii) making a deposit to the 2015B Junior Lien Bond Reserve Fund and (iii) paying the costs of issuance of the Series 2015B Junior Bonds. The payments pursuant to the City Purchase Agreement (*"Purchase Payments"*) are scheduled to be sufficient to make payments on the 2015 Junior Bonds and certain other expenses. To secure amounts due under the City Purchase Agreement with respect to all of the 2015 Junior Bonds, the City has made a pledge of the Designated

Revenues (as defined herein). Payments under the City Purchase Agreement are further secured by an irrevocable commitment of the PFC Revenues (as defined herein), to the extent received by the City in each Fiscal Year through and including June 30, 2021 (the *"Commitment Period"*), in an amount equal to 30% of debt service on the Series 2015A Junior Bonds (*"2015A Junior Bonds Debt Service"*) and 100% of debt service on the Series 2015B Junior Bonds (the *"Series 2015B Junior Bonds Debt Service"*) in each Fiscal Year due on or before July 1, 2021. See "SECURITY AND SOURCES OF PAYMENT — Pledge of Designated Revenues" and "— Irrevocable Commitment of Passenger Facility Charge Revenues to Debt Service on Certain Junior Bonds."

General Description

The 2015 Junior 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 2015 JUNIOR BONDS, AS NOMINEE OF THE DEPOSITORY TRUST COMPANY (*"DTC"*), REFERENCES HEREIN TO THE OWNERS OF THE 2015 JUNIOR BONDS (OTHER THAN UNDER THE CAPTIONS "TAX EXEMPTION" AND "ORIGINAL ISSUE DISCOUNT AND BOND PREMIUM") WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2015 JUNIOR BONDS. PRINCIPAL, PREMIUM, IF ANY, AND INTEREST PAYMENTS ON THE 2015 JUNIOR 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 2015 Junior 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, 2016. The 2015 Junior 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 2015 Junior Bonds will be delivered in fully registered form in amounts of $5,000 each or any whole multiple thereof (but no 2015 Junior 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 2015 Junior Bond will be payable upon presentation and surrender of such 2015 Junior Bond at the designated corporate trust office of the Registrar. Interest on each 2015 Junior Bond, other than that due at maturity or redemption, will be paid on each Interest Payment Date by check of said Registrar, mailed to the person shown on the bond register of the Corporation maintained by the Registrar as being the registered owner of such 2015 Junior 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 2015 Junior Bonds, as applicable, providing for making all payments to that Owner of principal of and interest and any premium on those 2015 Junior 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 2015 Junior 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 2015 Junior Bonds may be made by wire transfer to any Owner of $1,000,000 aggregate principal of 2015 Junior 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 moneys 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 2015 Junior 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 and www.dtc.org.

Purchases of 2015 Junior Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Junior Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Junior 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 2015 Junior 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 2015 Junior Bonds, except in the event that use of the book-entry system for the 2015 Junior Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Junior 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 2015 Junior 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 2015 Junior Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 Junior 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 2015 Junior Bonds may wish to take certain steps to augment the transmission to

them of notices of significant events with respect to the 2015 Junior Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Junior Bond documents. For example, Beneficial Owners of 2015 Junior Bonds may wish to ascertain that the nominee holding the 2015 Junior 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 2015 Junior 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 2015 Junior 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 2015 Junior Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the 2015 Junior 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 2015 Junior 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 2015 JUNIOR BONDS FOR ALL PURPOSES UNDER THE INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE 2015 JUNIOR 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 2015 JUNIOR 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 2015 JUNIOR 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 2015 JUNIOR 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 2015A Junior Bonds. The Series 2015A Junior Bonds maturing on or prior to July 1, are not subject to optional redemption prior to maturity. The Series 2015A Junior 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, by lot within a maturity, by payment of redemption price equal to the principal amount of each Series 2015A Junior Bond called for redemption plus accrued interest to the date fixed for redemption, but without premium.

Optional Redemption — Series 2015B Junior Bonds. The Series 2015B Junior Bonds 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, as directed by the City, by lot within a maturity, by payment of redemption price equal to the principal amount of each Series 2015B Junior Bond called for redemption plus accrued interest to the date fixed for redemption, but without premium.

Mandatory Sinking Fund Redemption — Series 2015A Junior Bonds. The Series 2015A Junior Bonds maturing on July 1, and on July 1, (collectively, *"2015A 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 equal to the principal amount of such 2015A Term Bonds called for redemption plus the interest accrued to the date fixed for redemption, but without premium, as follows:

Series 2015A Term Bonds Maturing July 1,

Sinking Fund Retirement Date	Sinking Fund Requirement
*	

* Maturity

Series 2015A Term Bonds Maturing July 1,

Sinking Fund Retirement Date	Sinking Fund Requirement
*	

* Maturity

At the option of the Corporation, as directed by the City, whenever 2015A 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 2015A Term Bonds so retired will satisfy and be credited against the Sinking Fund Requirement (and the corresponding redemption requirements) relating to such 2015A Term Bonds of the same maturity as the 2015A 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 45th 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 2015 Junior Bonds to be redeemed (initially only DTC) notice of the redemption of such 2015 Junior Bonds. Such notice will specify (a) that the whole or part of the 2015 Junior 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 to be paid. Any redemption of 2015 Junior 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 2015 Junior 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. Neither failure to receive any such notice nor any defect therein will affect the sufficiency of the proceedings for the redemption of the 2015 Junior Bonds with respect to which there is no such defect.

Notice having been given in the manner provided above, the 2015 Junior 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 2015 Junior Bonds and portions thereof called for redemption is held by the Trustee or any paying agent on the redemption date, then the 2015 Junior 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

Pledge of Designated Revenues

General. The 2015 Junior Bonds are special revenue obligations of the Corporation payable solely from payments received under the City Purchase Agreement. Under the terms of the City Purchase Agreement, the City is to make Purchase Payments to the Trustee in amounts sufficient to pay when due the principal of and interest on the 2015 Junior Bonds, fees of the Trustee and all other expenses enumerated in the City Purchase Agreement.

Designated Revenues. The Purchase Payments relating to all of the 2015 Junior Bonds are secured by a pledge of the Designated Revenues. The City Purchase Agreement defines the term *"Net Airport Revenues"* to mean Airport Revenues, after provision for payment of all of the Cost of Maintenance and Operation and the term *"Designated Revenues"* to mean Net Airport Revenues, after payments required on any Senior Lien Obligations. Airport Revenues generally include all income and revenue received by the City directly or indirectly from the use and operation of the Airport, except for certain specifically excluded revenues. Airport Revenues also include, among other revenues, rentals, landing fees, use charges, income from sales of services, fuel oil and other supplies or commodities; fees from concessions and parking; fees from rental car, taxi and limousine services (other than customer facility charges such as those relating to Special Purpose Facilities, which are pledged to debt service on obligations incurred for such facilities, until released (to the extent available) to the Airport as Airport Revenues as reimbursement for eligible expenses (*"Recovered Revenue"*)); advertising revenues; and receipts derived from leases or other contractual agreements relating to the use of the Airport. Passenger Facility Charges (as defined herein), federal subsidy payments related to the 2010B Junior Bonds (as defined herein) (*"2010 RZEDB Subsidy Payments"*), federal grants and special facility revenues (such as customer facility charges relating to Special Purpose Facilities which remain pledged to debt service on obligations incurred for such facilities and do not represent Recovered Revenues) are specifically excluded from Airport Revenues. *"Cost of Maintenance and Operation"* generally includes all expenses (exclusive of depreciation and interest on money borrowed) which are necessary to the efficient maintenance and operation of the Airport. For a description of the irrevocable commitment of Passenger Facility Charges to the payment of the

principal of and interest on (a) 100% of the debt service on the 2010A/B Junior Bonds (*"2010A/B Junior Bonds Debt Service"*) in each Fiscal Year due on or before July 1 2021 and (b) 30% of the Series 2015A Junior Bonds Debt Service and 100% of the Series 2015B Junior Bonds Debt Service in each Fiscal Year due on or before July 1, 2021, see "Irrevocable Commitment of Passenger Facility Charges to Debt Service on Certain Junior Bonds." For complete definitions of Airport Revenues and Cost of Maintenance and Operation see "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — CERTAIN DEFINITIONS." The Purchase Payments to be made under the City Purchase Agreement will be, with respect to the Designated Revenues, (i) junior to Senior Lien Obligations presently outstanding in the aggregate principal amount of $496,905,000 and (ii) on a parity with Junior Lien Obligations presently outstanding in the aggregate principal amount of $659,585,000.

Irrevocable Commitment of Passenger Facility Charge Revenues to Debt Service on Certain Junior Bonds

Passenger Facility Charge Revenues. Debt Service on the 2015 Junior Bonds (*"2015 Junior Bonds Debt Service"*) which is due on or before July 1, 2021 (the *"2015 Junior Commitment Period"*) is further secured by an irrevocable commitment of net proceeds of a passenger facility charge (*"Passenger Facility Charge"*) imposed by the City and collected on behalf of the City by non-exempt passenger air carriers at Sky Harbor in an amount equal to 30% of the Series 2015A Junior Bonds Debt Service and 100% of the Series 2015B Bonds Debt Service coming due in any Fiscal Year to the extent received by the City in any Fiscal Year during the 2015 Junior Commitment Period. Debt Service on the Corporation's Junior Lien Airport Revenue Bonds, Series 2010A (the *"2010A Junior Bonds")* and Junior Lien Airport Revenue Bonds, Taxable Series 2010B (Recovery Zone Economic Development Bonds-Direct Payments) (the *"2010B Junior Bonds"* and, together with the 2010A Junior Bonds, the *"2010A/B Junior Bonds")* which is due on or before July 1**,** 2021 (the *"2010A/B Junior Commitment Period"* and together with the 2015 Junior Commitment Period, the *"Commitment Period"*) is also secured by the same PFC Revenues as described above in an amount equal to 2010A/B Junior Bonds Debt Service coming due on or before July 1, 2021. The Passenger Facility Charge is currently imposed at the rate of $4.50 per qualifying enplaned passenger, and is required to be remitted to the City less the compensation (i.e. any accrued interest prior to remittance and $0.11 per Passenger Facility Charge collected) that air carriers are permitted to deduct prior to remittance. Such remittances, to the extent received by the City in each Fiscal Year plus interest thereon, are referred to herein as *"PFC Revenues."* See "Flow of Funds — Application of PFC Revenues." During the Commitment Period, any 2010A/B Junior Bonds and 2015 Junior Bonds not paid by PFC Revenues would then be payable from Designated Revenues on a parity with any Junior Lien Obligations which may be outstanding.

Applicable Laws and the City's Passenger Facility Charge Program. For a description of the laws relating to Passenger Facility Charges and the City's Passenger Facility Charge Program, see "AIRPORT FINANCIAL INFORMATION — Passenger Facility Charge Program," herein."

Investment Considerations. For a description of certain risks relating to the City's Passenger Facility Charge Program, see "CERTAIN BONDHOLDERS' RISKS — Certain Risks and Covenants Relating to the Amount and Timing of Receipt of Passenger Facility Charges."

Irrevocable Commitment of 2010 RZEDB Subsidy Payments to Interest on Certain Junior Bonds

The interest requirements for the 2010B Junior Bonds are further secured by an irrevocable commitment of the 2010 RZEDB Subsidy Payments through the final maturity of the 2010B Junior Bonds. The Corporation and the City expect to receive 2010 RZEDB Subsidy Payments rebating forty-five percent (less sequester reductions described under Table 4 — "CITY OF PHOENIX IMPROVEMENT CORPORATION JUNIOR LIEN AIRPORT REVENUE BONDS OUTSTANDING") of the interest on the 2010B Junior Bonds from the United States Treasury, provided that the Corporation and the City comply with certain Code requirements. Any such cash subsidy payments received by the Corporation or the City will be deposited directly to the Series 2010B

Interest Subaccount of the 2010 PFC Interest Account of the PFC Revenue Fund and will not constitute Airport Revenues. Sequestration reductions were 7.3% for the federal government's fiscal year ending September 30, 2015 and 6.8% for the federal government's fiscal year ending September 30, 2016. The City does not expect any sequestration to have a material adverse effect on its ability to pay the interest requirements of the 2010B Junior Bonds.

Certain Covenants and Remedies

Covenants and agreements contained in the Airport Revenue Bond Ordinance are incorporated by reference in the City Purchase Agreement and are applicable to the 2015 Junior Bonds. The Trustee and the Corporation, as their respective interests appear, have the right to enforce these covenants and agreements. The City may, but is not required to, pay amounts due under the City Purchase Agreement from unrestricted grant money and other moneys available to the Airport, which are not included in the definition of Airport Revenues (*"Other Available Funds"*). For a discussion of certain financial covenants which the City has entered into with respect to the Airport, see "SECURITY AND SOURCES OF PAYMENT — Rate Covenants;" "— Additional Senior Lien Obligations," "— Additional Junior Lien Obligations" and "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE AIRPORT REVENUE BOND ORDINANCE." For a discussion of the Airport, see "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT."

During the term of the City Purchase Agreement, Purchase Payments are to be made regardless of damage to the Airport 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 Airport. The City's obligation to make Purchase Payments will continue until all Purchase Payments and all other amounts due under the City Purchase Agreement have been paid or provision for which has otherwise been made.

The obligation of the City to make Purchase Payments 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 to the payment of the 2015 Junior Bonds. The 2015 Junior Bonds are special revenue obligations of the Corporation secured only by the Purchase Payments which are to be paid from a pledge of the Designated Revenues and an irrevocable commitment of the PFC Revenues received in each Fiscal Year during the 2015 Junior Commitment Period in an amount equal to 30% of Series 2015A Junior Bonds Debt Service and 100% of the Series 2015B Junior Bonds Debt Service in each Fiscal Year. Remedies available to the Trustee upon a failure of the City to make Purchase Payments when due are generally limited to specific performance against the City to payment from Designated Revenues and the PFC Revenues during the Commitment Period. The Purchase Payments are not secured by a lien of the Airport or any portion thereof. For a description of events of default and remedies under the City Purchase Agreement, see "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

Rate Covenants

Junior Lien Rate Covenant. Pursuant to the Airport Revenue Bond Ordinance and the City Purchase Agreement, the City has covenanted to continuously maintain the Airport in good condition and operate the same in a proper and economical manner and on a revenue-producing basis, and will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (i) sufficient to produce Designated Revenues at least equal to 110% of the annual debt service requirements of Junior Lien Obligations (net of Other Available Funds deposited in the Bond Fund in such Fiscal Year and net of any Junior Lien Passenger Facility Charge Credit applicable to such Fiscal Year) and (ii) sufficient to produce any required payments to the Junior Lien Bond Reserve Fund or any separate reserve fund, including the Junior Lien Parity Reserve Fund and the 2015B Junior Lien Bond Reserve Fund, for such Fiscal Year. *"Junior Lien Passenger Facility Charge Credit"* means the amount of principal of and/or interest to come due on specified Junior Lien Obligations during any Fiscal Year to which Passenger Facility Charges, state and/or federal grants or other

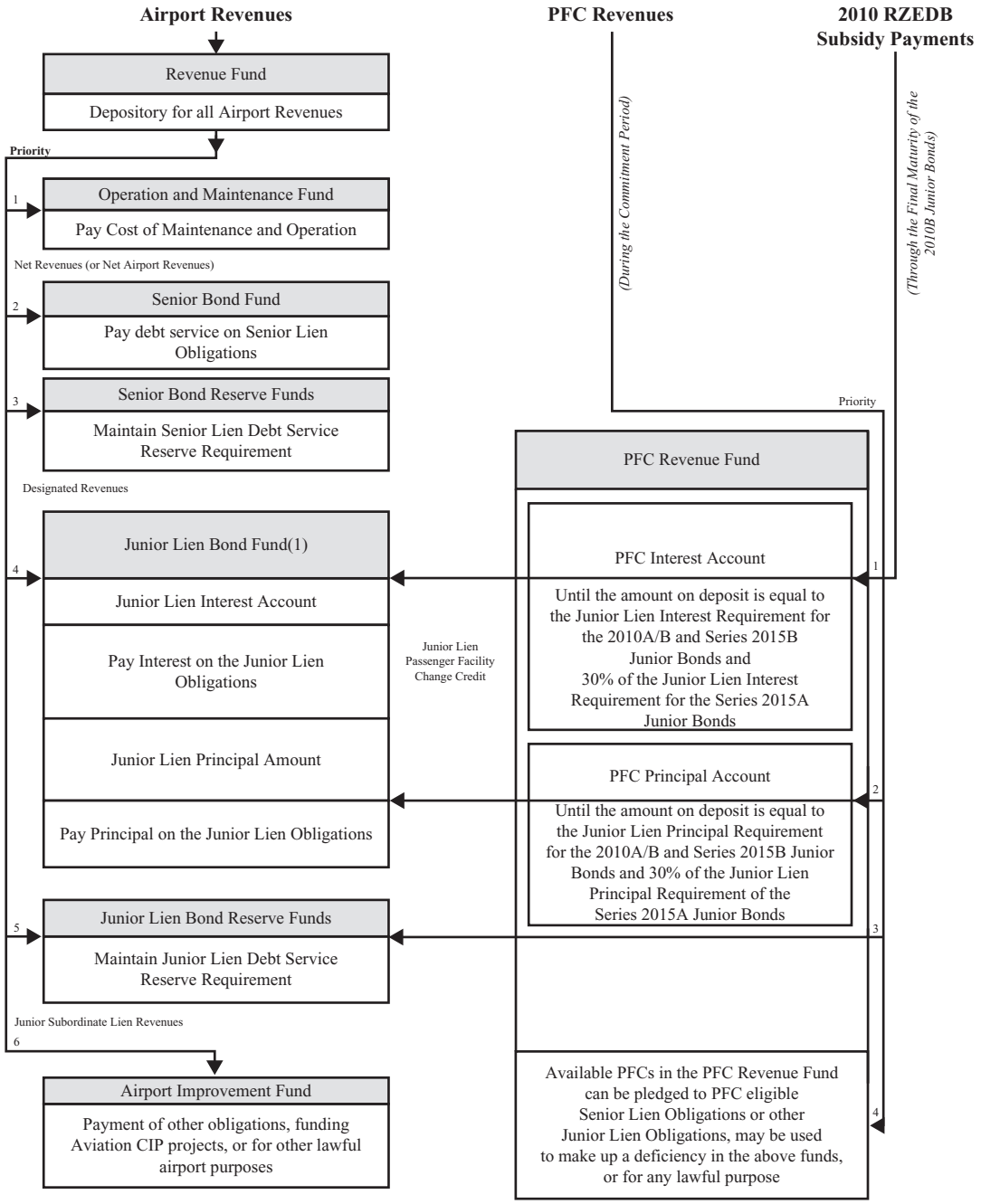
moneys have received all required governmental approvals and have been irrevocably committed or are held in the Junior Lien Bond Fund or otherwise in trust by or on behalf of the Paying Agent and are to be set aside exclusively to be used to pay the Junior Lien Interest Requirement and/or Junior Lien Principal Requirement on such specified Junior Lien Obligations, during the period of such commitment (unless such Passenger Facility Charges, state and/or federal grants or other moneys are subsequently included in the definition of Airport Revenues). **The City has irrevocably committed the PFC Revenues, to the extent received by the City in any Fiscal Year during the Commitment Period, to (A) payment of the 2010A/B Junior Bonds Debt Service in each Fiscal Year due on or before July 1, 2021 and (B) payment of 30% of the Series 2015A Junior Bonds Debt Service and 100% of the Series 2015B Junior Bond Debt Service in each Fiscal Year due on or before July 1, 2021.** See "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS —THE CITY PURCHASE AGREEMENT."

Senior Lien Rate Covenant. Pursuant to the Airport Revenue Bond Ordinance and the Senior Lien Obligation Documents, the City has covenanted to continuously maintain the Airport in good condition and operate the same in a proper and economical manner and on a revenue-producing basis, and will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (i) sufficient to produce Net Airport Revenues at least equal to 125% of the annual debt service requirements of Senior Lien Obligations (net of Other Available Funds deposited in the Bond Fund in such Fiscal Year and net of any Passenger Facility Charge Credit applicable to such Fiscal Year) and (ii) sufficient to produce any required payments to the Bond Reserve Fund or any separate reserve fund, for such Fiscal Year. *"Passenger Facility Charge Credit"* means the amount of principal of and/or interest to come due on specified Senior Lien Obligations during any Fiscal Year to which Passenger Facility Charges, state and/or federal grants or other moneys have received all required governmental approvals and have been irrevocably committed or are held in the Bond Fund or otherwise in trust by or on behalf of the Paying Agent and are to be set aside exclusively to be used to pay the Interest Requirement and/or Principal Requirement on such specified Senior Lien Obligations, during the period of such commitment (unless such Passenger Facility Charges, state and/or federal grants or other moneys are subsequently included in the definition of Airport Revenues). There are currently no Senior Lien Obligations to which Passenger Facility Charges have been irrevocably committed. See "APPENDIX F —SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE AIRPORT REVENUE BOND ORDINANCE — Section 4.3 Rate Covenant" and "— THE CITY PURCHASE AGREEMENT."

Flow of Funds

General. The application of Airport Revenues is governed by the Airport Revenue Bond Ordinance and the City Purchase Agreement. Such documents provide that so long as any Senior Lien Obligations or Junior Lien Obligations remain outstanding, all Airport Revenues shall be deposited as collected into a fund designated the *"Revenue Fund"* held by the City separate and apart from all other funds of the City. Figure 1 depicts the flow of funds under the Airport Revenue Bond Ordinance, the Senior Lien Obligation Documents and the Junior Lien Obligation Documents and the application of Airport Revenues, PFC Revenues and 2010 RZEDB Subsidy Payments:

FIGURE 1
APPLICATION OF REVENUES, PFC REVENUES AND 2010 RZEDB SUBSIDY PAYMENTS UNDER AIRPORT REVENUE BOND ORDINANCE AND CITY PURCHASE AGREEMENT



(1) PFC Revenues will be transferred to the 2010 Junior Lien Bond Reserve Fund, the Junior Lien Parity Reserve Fund and the 2015B Junior Lien Bond Reserve Fund to the extent amounts have been withdrawn to pay 2010A/B Junior Bonds Debt Service and 2015 Junior Bonds Debt Service, respectively; provided that amounts transferred to the Junior Lien Parity Reserve Fund will be limited to 30% of the amounts withdrawn to pay debt service on the Series 2015A Junior Bonds.

(2) The PFC Interest Account and PFC Principal Account are accounts within the PFC Revenue Fund. Additionally there is a Series 2010B Interest Subaccount of the PFC Interest Account where 2010 RZEDB Subsidy Payments are deposited for payment of interest on the 2010B Junior Bonds.

As set forth in the figure above, all moneys in the Revenue Fund are to be transferred by the City to the following funds in the order listed:

(a) From time to time to the Operation and Maintenance Fund sufficient moneys to pay Cost of Maintenance and Operation;

(b) Monthly to the Senior Bond Fund, (i) into the Principal Account amounts equal to one-twelfth of the next succeeding Principal Requirement (whether at maturity or pursuant to a sinking fund redemption requirement) on all Senior Lien Obligations, and (ii) into the Interest Account amounts equal to one-sixth of the next succeeding Interest Requirement, on all Senior Lien Obligations. Moneys in the Bond Fund are to be transferred by the City to the respective paying agents for Senior Lien Obligations, at least one business day before each debt service payment is required to be made on the Senior Lien Obligations.

(c) From time to time to each separate bond reserve fund established for Senior Lien Obligations (each, a *"Senior Lien Obligation Bond Reserve Fund"),* amounts then required to be deposited to such Senior Lien Obligation Bond Reserve Funds; provided that such deposits may be transferred to a Credit Facility in order to reimburse such Credit Facility for amounts paid out under any insurance policy or surety bond securing any of the Senior Lien Obligations. See "Bond Reserve Funds — Senior Lien Obligation Bond Reserve Funds" for a discussion of such funds.

(d) Monthly to the Junior Lien Bond Fund, (i) into the Junior Lien Principal Account amounts equal to one-twelfth of the next succeeding Junior Lien Principal Requirement (whether at maturity or pursuant to a mandatory sinking fund redemption requirement) for the next succeeding principal payment date for Junior Lien Obligations and (ii) into the Junior Lien Interest Account amounts equal to one-sixth of the Junior Lien Interest Requirement for the next succeeding interest payment date for Junior Lien Obligations, in each case less any amounts to which an irrevocable commitment from another funding source has been made.

(e) From time to time into any reserve fund established for Junior Lien Obligations, including the 2010 Junior Lien Bond Reserve Fund, the Junior Lien Parity Reserve Fund and the 2015B Junior Lien Bond Reserve Fund, amounts then required to be deposited therein under the terms of the Junior Lien Obligation Documents, provided that such deposits may be transferred to a credit facility provider for Junior Lien Obligations in order to reimburse such credit facility provider for amounts paid out under any insurance policy or surety bond securing any of the Junior Lien Obligations and related costs.

(f) From time to time to the Airport Improvement Fund such funds as the City chooses to deposit therein. Amounts in the Airport Improvement Fund may be used for any lawful airport purpose including, but not limited to, the payment of other obligations of the City relating to the Airport.

Each of the above-referenced funds is created as a separate fund and, other than the Senior Lien Obligation Reserve Funds, the 2010 Junior Lien Bond Reserve Fund, the Junior Lien Parity Reserve Fund and the 2015B Junior Lien Bond Reserve Fund, is held by the City.

The City may establish one or more additional funds, accounts or subaccounts including funds, accounts or subaccounts for the payment of obligations subordinate in lien to the payment of the Senior Lien Obligations and Junior Lien Obligations. In the event the City establishes additional funds, accounts or subaccounts for the payment of obligations subordinate in lien to the payment of the Senior Lien Obligations and Junior Lien Obligations, the City has reserved the right to provide that deposits into such funds, accounts or subaccounts may be made in a manner which is prior to deposits to be made into the Airport Improvement Fund. The City has further reserved the right to provide that any moneys held in such additional funds, accounts or subaccounts may not be used to pay amounts due on any Senior Lien Obligations or Junior Lien Obligations.

For a more complete discussion of the general flow of funds see "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE AIRPORT REVENUE BOND ORDINANCE" and "— THE CITY PURCHASE AGREEMENT."

2015 Junior Lien Bond Fund. Pursuant to the Indenture, the Trustee will create the 2015 Junior Lien Bond Fund which will contain the 2015 Junior Lien Principal Account, the 2015 Junior Lien Interest Account and the 2015 Junior Lien Redemption Account. So long as any 2015 Junior Bonds are outstanding, the Trustee will deposit the Purchase Payments transferred to it by the City from the Interest Account and Principal Account into the 2015 Junior Lien Interest Account and the 2015 Junior Lien Principal Account, respectively of the 2015 Junior Lien Bond Fund held by the Trustee. The portion of the Purchase Payments deposited into the 2015 Junior Lien 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 2015 Junior Bonds and the portion of the Purchase Payments deposited in the 2015 Junior Lien Interest Account will be used by the Trustee to pay the next succeeding interest payment on the 2015 Junior Bonds.

If all required deposits to the debt service funds for all Junior Lien Obligations and to all of the Junior Lien Obligation Bond Reserve Funds, as discussed below, have been made and the City makes an optional prepayment of its Purchase Payments to be used to purchase or redeem 2015 Junior Bonds, such optional prepayment shall be deposited in the 2015 Junior Lien Redemption Account and promptly applied by the Trustee to retire 2015 Junior Bonds by purchase, redemption or both in accordance with the City's direction. Any balance remaining in the 2015 Junior Lien Redemption Account after the purchase or redemption of the 2015 Junior Bonds in accordance with the City's direction shall be transferred to the City.

For a more complete description of the 2015 Junior Lien Bond Fund and the use thereof see "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE."

Bond Reserve Funds

Senior Lien Obligation Bond Reserve Funds. The Airport Revenue Bond Ordinance and the Senior Lien Obligation Documents require that the City establish a separate bond reserve fund with respect to each concurrent issuance of Senior Lien Obligations in an amount equal to the applicable Debt Service Reserve Requirement. Debt Service Reserve Funds have been established for Outstanding Senior Lien Obligation Bonds as set forth in the following table.

Table 1
SENIOR LIEN OBLIGATION BOND RESERVE FUNDS

Senior Lien Obligation Bond Series	Funding Type	Value Credited to the Debt Service Reserve Requirement
Series 2008A, Series 2008B, Series 2008C and Series 2008D	Cash and Permitted Investments on deposit with Trustee	$30,786,632.55
Series 2013	Cash and Permitted Investments on deposit with Trustee	$16,250,750.00

Junior Lien Bond Reserve Funds. The Airport Revenue Bond Ordinance and the Junior Lien Obligation Documents require that the City establish a separate bond reserve fund with respect to each concurrent issuance of Junior Lien Obligations in an amount equal to the applicable Debt Service Reserve Requirement. Debt Service Reserve Funds will have been established for Outstanding Junior Lien Obligation Bonds as set forth in the following table.

Table 2
JUNIOR LIEN OBLIGATION BOND RESERVE FUNDS

Junior Lien Obligation Bond Series	Funding Type	Value Credited to the Debt Service Reserve Requirement
Series 2010A, Series 2010B, and Series 2010C	Cash and Permitted Investments on deposit with Trustee	$56,645,276.26*
Series 2015A (Junior Lien Parity Reserve Bond)(1)	Cash and Permitted Investments on deposit with Trustee	$ 6,400,250*
Series 2015B(2)	Cash and Permitted Investments on deposit with Trustee	$ 1,935,000*

(1) To be funded from proceeds of the Series 2015A Junior Bonds. Upon issuance of the 2015 Junior Bonds, the Series 2015A Junior Bonds will be the only obligations secured by the Junior Lien Parity Reserve Fund, except as described in the following sentence. At the direction of the City, without notice to or consent of the owners of the 2015 Junior Bonds, the Junior Lien Parity Reserve Fund may secure additional Junior Obligations which may be issued in the future and the 2015A Junior Lien Debt Service Reserve Requirement may be modified to the extent necessary to reflect on an aggregate basis the principal amount and annual debt service requirements of the Junior Obligations to be secured by the Junior Lien Parity Reserve Fund. See "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE CITY PURCHASE AGREEMENT" and "— THE INDENTURE."

(2) To be funded from proceeds of the Series 2015B Junior Bonds.

* Subject to change.

Outstanding Senior Lien Obligations

As of October 1, 2015, there are $496,905,000 principal amount of the Corporation's Senior Lien Airport Revenue Bonds outstanding as shown on the following table, which are senior in priority to the City's obligations under the City Purchase Agreement.

Table 3
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
SENIOR LIEN AIRPORT REVENUE BONDS OUTSTANDING

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 10-1-15
06-18-08	$206,840,000	Airport Improvements	07-01-20/38	5.00%	$206,840,000
06-18-08	43,160,000	Airport Improvements	07-01-12/19	5.20	23,745,000
06-18-08	109,850,000	Airport Improvements Refunding	07-01-09/22	4.69	61,345,000
06-18-08	68,520,000	Airport Improvements Refunding	07-01-09/20	5.23	21,805,000
03-05-13	196,600,000	Airport Improvements Refunding	07-01-14/32	4.99	183,170,000
Total Senior Lien Airport Revenue Bonded Debt Outstanding					$496,905,000

Schedule of Senior Lien Obligations Annual Debt Service Requirements

Fiscal Year	Principal	Interest	Total
2015-16	$ 24,010,000	$ 24,764,925	$ 48,774,925
2016-17	25,235,000	23,561,763	48,796,763
2017-18	26,575,000	22,275,450	48,850,450
2018-19	27,935,000	20,983,500	48,918,500
2019-20	29,505,000	19,624,625	49,129,625
2020-21	25,710,000	18,151,250	43,861,250
2021-22	26,995,000	16,865,750	43,860,750
2022-23	17,810,000	15,544,550	33,354,550
2023-24	18,710,000	14,654,050	33,364,050
2024-25	19,640,000	13,718,550	33,358,550
2025-26	20,630,000	12,736,550	33,366,550
2026-27	21,655,000	11,705,050	33,360,050
2027-28	22,740,000	10,622,300	33,362,300
2028-29	23,870,000	9,487,750	33,357,750
2029-30	25,065,000	8,294,250	33,359,250
2030-31	26,320,000	7,041,000	33,361,000
2031-32	27,635,000	5,725,000	33,360,000
2032-33	12,770,000	4,343,250	17,113,250
2033-34	13,410,000	3,704,750	17,114,750
2034-35	14,080,000	3,034,250	17,114,250
2035-36	14,785,000	2,330,250	17,115,250
2036-37	15,520,000	1,591,000	17,111,000
2037-38	16,300,000	815,000	17,115,000
	$496,905,000	$271,574,813	$768,479,813

Additional Senior Lien Obligations

The Airport Revenue Bond Ordinance provides that additional Senior Lien Obligations may be issued if (1) an officer of the City shall certify that either the Net Airport Revenues of the most recently completed fiscal year for which audited financial statements are available or the Net Airport Revenues for 12 consecutive months out of the most recent 18 calendar months, in each case together with Other Available Funds deposited to the Bond Fund during such period (a) were equal to at least 1.25 times actual debt service on outstanding Senior Lien Obligations during such period and (b) would have been at least equal to 120% of Maximum Annual Debt Service for all Senior Lien Obligations to be outstanding, including the obligations proposed to be issued, and (2) a Consultant provides a report which projects that Net Airport Revenues in each fiscal year will equal at least 1.25 times debt service on Senior Lien Obligations to be outstanding, including the obligations proposed to be issued, which report addresses the period of time beginning with the first full fiscal year following the issuance of the Senior Lien Obligations through the later of (i) three fiscal years following the expected date of completion of the proposed project or (ii) five fiscal years following the issuance of the Senior Lien Obligations. In making such projections, the Consultant's report may reduce assumed senior lien debt service by applying a Passenger Facility Charge Credit, if applicable. Under the City Purchase Agreement, Other Available Funds deposited to the Bond Fund are not taken into account for purposes of clause (1) in the preceding sentence. Additionally, Senior Lien Obligations may be issued for refunding purposes without compliance with any of the foregoing financial tests if Maximum Annual Debt Service immediately after issuance of the refunding obligations is not greater than 110% of Maximum Annual Debt Service immediately prior to such issuance. See "SECURITY AND SOURCES OF PAYMENT — Rate Covenants;" and "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE AIRPORT REVENUE BOND ORDINANCE."

For information on planned additional Senior Lien Obligations see "AIRPORT FINANCIAL INFORMATION — Aviation Capital Improvement Program."

Outstanding Junior Lien Obligations

As of October 1, 2015, there are $659,585,000 principal amount of the Junior Lien Obligations Revenue outstanding, as shown in the following table.

Table 4
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
JUNIOR LIEN AIRPORT REVENUE BONDS OUTSTANDING

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 10-1-15
09-01-10	$642,680,000	Airport Improvements	07-01-13/40	4.99%	$606,160,000(1)(2)
09-01-10	21,345,000	Airport Improvements	07-01-40	6.60	21,345,000(1)(3)
09-01-10	32,080,000	Airport Refunding	07-01-23/25	5.00	32,080,000
Total Junior Lien Airport Revenue Bonded Debt Outstanding					$659,585,000

(1) Debt Service due on or before July 1, 2021 on these bonds also is currently secured by an irrevocable commitment of PFC Revenues.

(2) Represents bonds, a portion of which are being refunded by the 2015 Junior Bonds offered herein.

(3) Subject to the City's compliance with certain requirements of the Code, the City expects to receive 2010 RZEDB Subsidy Payments rebating a portion of the interest on these bonds from the United States Treasury in an amount equal to 45% of the interest payable each respective interest payment date. Effective October 1, 2013, the federal government implemented certain automatic budget cuts known as the sequester, which has most recently resulted in a reduction of the federal subsidy payments by 7.3% for the federal government's fiscal year ending September 30, 2015 and 6.8% for the federal government's fiscal year ending September 30, 2016 (the "Sequester Reductions"). The City does not expect the Sequester Reductions to have a material adverse effect on its ability to make payments of interest on this issue.

Schedule of Estimated Junior Lien Obligations Annual Debt Service Requirements(1)

Fiscal Year	Principal	Interest	Total
2015-16	$ 13,310,000	$ 33,160,151	$ 46,470,151
2016-17	13,960,000	32,510,601	46,470,601
2017-18	14,655,000	31,816,851	46,471,851
2018-19	15,285,000	31,186,801	46,471,801
2019-20	16,025,000	30,443,751	46,468,751
2020-21	16,785,000	29,684,276	46,469,276
2021-22	17,620,000	28,850,026	46,470,026
2022-23	28,675,000	27,969,026	56,644,026
2023-24	30,110,000	26,535,276	56,645,276
2024-25	31,615,000	25,029,775	56,644,775
2025-26	21,365,000	23,502,183	44,867,183
2026-27	22,430,000	22,433,933	44,863,933
2027-28	23,555,000	21,312,433	44,867,433
2028-29	24,730,000	20,134,683	44,864,683
2029-30	25,965,000	18,898,183	44,863,183
2030-31	27,200,000	17,663,108	44,863,108
2031-32	28,570,000	16,303,108	44,873,108
2032-33	30,065,000	14,803,183	44,868,183
2033-34	31,645,000	13,224,770	44,869,770
2034-35	33,230,000	11,642,520	44,872,520
2035-36	34,890,000	9,981,020	44,871,020
2036-37	36,635,000	8,236,520	44,871,520
2037-38	38,465,000	6,404,770	44,869,770
2038-39	40,390,000	4,481,520	44,871,520
2039-40	42,410,000	2,462,020	44,872,020
	$659,585,000	$508,670,488	$1,168,255,488

(1) Includes debt service on the Bonds Being Refunded.

Additional Junior Lien Obligations

The City Purchase Agreement provides that additional Junior Lien Obligations may be issued if either (1) an officer of the City shall certify that either the Designated Revenues of the most recently completed fiscal year for which audited financial statements are available or the Designated Revenues for 12 consecutive months out of the most recent 24 calendar months, (a) were equal to at least 1.10 times actual debt service on outstanding Junior Lien Obligations during such period and (b) would have been at least equal to 110% of Maximum Annual Junior Lien Debt Service for all Junior Lien Obligations to be outstanding, including the obligations proposed to be issued, or (2) a Consultant provides a report which projects that Designated Revenues in each Fiscal Year will equal at least 1.10 times debt service on Junior Lien Obligations to be outstanding, including the obligations proposed to be issued, which report addresses the period of time beginning with the first full fiscal year following the issuance of the Junior Lien Obligations through the later of (a) three fiscal years following the expected date of completion of the proposed project or (b) five fiscal years following the issuance of the Junior Lien Obligations. In making such projections, the Consultant's report may reduce assumed senior lien debt service and junior lien debt service by applying a Passenger Facility Charge Credit or a Junior Lien Passenger Facility Charge Credit, if applicable, including the Junior Lien Passenger Facility Charge Credits. **The City has irrevocably committed the PFC Revenues, to the extent received by the City in any Fiscal Year during the Commitment Period, to 2010A/B Junior Debt Service due in each Fiscal Year on or before July 1, 2021 and to 30% of Series 2015A Junior Bonds Debt Service and 100% of the Series 2015B Junior Debt Service**

due on or before July 1, 2021. The City and Corporation have irrevocably committed the 2010 RZEDB Subsidy Payments to the Junior Lien Interest Requirement of the 2010B Junior Bonds. Such irrevocable commitments are expected to constitute Junior Lien Passenger Facility Charge Credits. Additionally, Junior Lien 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."

For information on planned additional Junior Lien Obligations see "AIRPORT FINANCIAL INFORMATION — Aviation Capital Improvement Program."

Outstanding Junior Subordinate Lien Obligations

The City entered into a city purchase agreement with the City of Phoenix Civic Improvement Corporation for the acquisition and construction of improvements to the Airport. The Corporation is currently authorized to issue up to an aggregate principal amount of $100,000,000 of its Airport Commercial Paper Program Notes, Series 2014A-1, Series 2014B-1 and/or Series 2014C-1 and $100,000,000 of its Airport Commercial Paper Program Notes, Series 2014A-2, Series 2014B-2 and/or Series 2014C-2 (collectively, the *"Notes").* The Notes are issued as commercial paper in varying maturities up to 270 days. As of October 1, 2015, there are $100,000,000 principal amount of Series 2014A-1 and Series 2014A-2 Notes outstanding, representing the Notes Being Refunded and $40,000,000 principal amount of Series 2014B-1 Notes outstanding. The Notes are secured by irrevocable, direct pay letters of credit (each, a "*CP Letter of Credit*") issued by Bank of America, N.A. (Series 2014A-1, B-1 and C-1 Notes), and Barclays Bank PLC (Series 2014A-2, B-2 and C-2 Notes), respectively (collectively, the "*Banks*"). While the City has not granted any lien on Net Airport Revenues or Designated Revenues to the owners of the Notes, under the city purchase agreement, the City has granted to the Banks a lien of Designated Revenues, junior and subordinate to the Junior Lien Obligations ("*Junior Subordinate Lien Revenues*") to secure its obligations to satisfy the Corporation's payment obligations under a reimbursement agreement. Such reimbursement obligations, together with any obligations on a parity therewith, are referred to herein as "*Junior Subordinate Lien Obligations.*"

Commercial Paper (CP) Bank	Subseries Supported by CP Letter of Credit	Principal Amount of Notes Supported by CP Letter of Credit	Stated Amount of CP Letter of Credit(1)	CP Letter of Credit Termination Date (2)
Bank of America, N.A.	2014A-1, B-1, C-1	$100,000,000	$108,876,712.50	October 4, 2017
Barclays Bank PLC	2014 A-2, B-2, C-2	$100,000,000	$108,876,712.50	October 4, 2017

(1) Equal to the principal of the Notes supported by the CP Letter of Credit plus interest on such Notes accruing at a rate of 12% for 270 days on a 365/366 day year.

(2) Unless terminated sooner in accordance with the respective terms of the CP Letter of Credit.

In the event a Bank is not immediately reimbursed for a drawing under the applicable CP Letter of Credit, the related payment obligations owed to a Bank ("*Payment Obligations*") can, subject to certain conditions, be converted to a term loan with a maximum maturity of three years. However, upon an event of default under a CP Reimbursement Agreement, term loans will no longer be available and a Bank may declare Payment Obligations immediately due and payable. Events of default under a CP Reimbursement include, but are not limited to, failure to pay amounts due to a Bank by the applicable grace period, failure to perform certain covenants such as issuance of obligations in violation of additional bonds tests, sale of Airport property in violation of the Airport Revenue Bond Ordinance, acceleration of other obligations payable from Airport Revenues on any basis of lien in an amount of at least $5,000,000, certain litigation, bankruptcy and insolvency events related to the Airport and certain downgrades of Senior Lien Obligations. If Payment Obligations were to be accelerated, Airport Revenues would continue to be transferred to the extent available from the Revenue Fund to the Senior Bond Fund and the Junior Bond Fund on a monthly basis prior to payment of Payment Obligations as described under the caption "SECURITY AND SOURCES OF PAYMENT — Flow of Funds."

Other Obligations Currently Paid From Airport Improvement Fund

The City has a policy of paying certain general obligation and excise tax obligations incurred for projects at the Airport with funds deposited to the Airport Improvement Fund. As of July 1, 2015, there are $7,865,000 principal amount of airport general obligation bonds outstanding and no airport excise tax revenue bonds outstanding. The City currently does not have any plans to issue airport general obligation bonds or airport excise tax revenue bonds.

AIRPORT FINANCIAL INFORMATION

Aviation Department Financial Policies

The Aviation Department is focused on maintaining sound financial performance and has adopted specific financial and debt management policies to assist with the financial management of the Airport (note all fiscal year 2014-15 data is preliminary and unaudited), including:

Debt Service Coverage. Management seeks to maintain Senior Lien Bond debt service coverage of at least 1.75x-2.00x. Fiscal year 2014-15 coverage of 2.63x was well above the target range. Fiscal year 2013-14 debt service coverage of 2.38x was also well above the target. Management also seeks to maintain aggregate debt service coverage (coverage of Senior Lien Bond debt service and Junior Lien Bond debt service) of at least 1.50x. The City's aggregate debt service coverage was 2.54x in fiscal year 2014-15 and 2.30x in fiscal year 2013-14.

PFC Leveraging. Management has established a PFC leverage target of no greater than 65%-75% of annual collections in order to preserve PFC pay-as-you-go capacity and program flexibility. For fiscal year 2014-15, PFC revenues were 52% leveraged, below the maximum target, and down slightly from 55% in fiscal year 2013-14.

Cash & Liquidity. Management has established a target of at least 475 days cash on hand to support extraordinary operating and capital needs. In fiscal year 2014-15 and fiscal year 2013-14 management exceeded the target achieving 528 and 508 days of cash, respectively. Furthermore, management has an active commercial paper program supported by two Commercial Paper Letters of Credit to provide liquidity and support short-term capital needs.

Cost Per Enplanement ("CPE"). The Airport maintains one of the industry's lowest CPE figures for similarly-sized U.S. airports. Management has the flexibility to increase CPE to maintain financial metrics and develop facilities. CPE was $5.98 in fiscal year 2014-15 and $5.79 in fiscal year 2013-14.

Debt Service Requirements

The following two schedules set forth the estimated annual principal and interest requirements on the 2015 Junior Bonds offered herein and the debt service requirements on outstanding Senior Lien Obligations and Junior Lien Obligations to be outstanding after the issuance of the 2015 Junior Bonds.

SCHEDULE OF ESTIMATED PAYMENTS UNDER THE CITY PURCHASE AGREEMENT[1]*

The City Purchase Agreement requires semi-annual Purchase Payments by the City to the Corporation in an amount equal to the principal of and interest on the 2015 Junior Bonds, which payments have been assigned to the Trustee under the Indenture in addition to certain other amounts payable thereunder. The Purchase Payments are due in immediately available funds on each December 31 and June 30 commencing June 30, 2016 and ending June 30, 2045. The Indenture requires that the Trustee deposit the Purchase Payments received from the City from Designated Revenues and PFC Revenues to the extent committed in the 2015 Junior Lien Bond Fund and use such amounts to pay the principal of and interest on the 2015 Junior Bonds due on the following day. Set forth below is a schedule of the estimated annual Purchase Payments with respect to the 2015 Junior Bonds:

Fiscal Year Ending June 30	Series 2015A Junior Bonds			Series 2015B Junior Bonds			Total 2015 Junior Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	$ 1,570,000	$ 2,629,449	$ 4,199,449	$ —	$ 526,750	$ 526,750	$ 1,570,000	$ 3,156,199	$ 4,726,199
2017	1,615,000	4,782,500	6,397,500	—	967,500	967,500	1,615,000	5,750,000	7,365,000
2018	1,665,000	4,734,050	6,399,050	—	967,500	967,500	1,665,000	5,701,550	7,366,550
2019	1,730,000	4,667,450	6,397,450	—	967,500	967,500	1,730,000	5,634,950	7,364,950
2020	1,800,000	4,598,250	6,398,250	—	967,500	967,500	1,800,000	5,565,750	7,365,750
2021	1,890,000	4,508,250	6,398,250	—	967,500	967,500	1,890,000	5,475,750	7,365,750
2022	1,985,000	4,413,750	6,398,750	—	967,500	967,500	1,985,000	5,381,250	7,366,250
2023	2,085,000	4,314,500	6,399,500	—	967,500	967,500	2,085,000	5,282,000	7,367,000
2024	2,185,000	4,210,250	6,395,250	—	967,500	967,500	2,185,000	5,177,750	7,362,750
2025	2,295,000	4,101,000	6,396,000	—	967,500	967,500	2,295,000	5,068,500	7,363,500
2026	2,410,000	3,986,250	6,396,250	—	967,500	967,500	2,410,000	4,953,750	7,363,750
2027	2,530,000	3,865,750	6,395,750	—	967,500	967,500	2,530,000	4,833,250	7,363,250
2028	2,660,000	3,739,250	6,399,250	—	967,500	967,500	2,660,000	4,706,750	7,366,750
2029	2,790,000	3,606,250	6,396,250	—	967,500	967,500	2,790,000	4,573,750	7,363,750
2030	2,930,000	3,466,750	6,396,750	—	967,500	967,500	2,930,000	4,434,250	7,364,250
2031	3,075,000	3,320,250	6,395,250	—	967,500	967,500	3,075,000	4,287,750	7,362,750
2032	3,230,000	3,166,500	6,396,500	—	967,500	967,500	3,230,000	4,134,000	7,364,000
2033	3,395,000	3,005,000	6,400,000	—	967,500	967,500	3,395,000	3,972,500	7,367,500
2034	3,560,000	2,835,250	6,395,250	19,350,000	967,500	20,317,500	22,910,000	3,802,750	26,712,750
2035	3,740,000	2,657,250	6,397,250	—	—	—	3,740,000	2,657,250	6,397,250
2036	3,925,000	2,470,250	6,395,250	—	—	—	3,925,000	2,470,250	6,395,250
2037	4,125,000	2,274,000	6,399,000	—	—	—	4,125,000	2,274,000	6,399,000
2038	4,330,000	2,067,750	6,397,750	—	—	—	4,330,000	2,067,750	6,397,750
2039	4,545,000	1,851,250	6,396,250	—	—	—	4,545,000	1,851,250	6,396,250
2040	4,775,000	1,624,000	6,399,000	—	—	—	4,775,000	1,624,000	6,399,000
2041	5,015,000	1,385,250	6,400,250	—	—	—	5,015,000	1,385,250	6,400,250
2042	5,265,000	1,134,500	6,399,500	—	—	—	5,265,000	1,134,500	6,399,500
2043	5,525,000	871,250	6,396,250	—	—	—	5,525,000	871,250	6,396,250
2044	5,805,000	595,000	6,400,000	—	—	—	5,805,000	595,000	6,400,000
2045	6,095,000	304,750	6,399,750	—	—	—	6,095,000	304,750	6,399,750
Total	**$98,545,000**	**$91,185,949**	**$189,730,949**	**$19,350,000**	**$17,941,750**	**$37,291,750**	**$117,895,000**	**$109,127,699**	**$227,022,699**

(1) Represents estimated debt service requirements on the 2015 Junior Bonds offered herein. Interest is estimated at an average rate of 4.99% for the Series 2015A Junior Bonds and 5.00% for the Series 2015B Junior Bonds.

* Subject to change.

SCHEDULE OF SENIOR AND JUNIOR LIEN AIRPORT REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending June 30	Outstanding Senior Lien Airport Revenue Bonds Debt Service	Outstanding Junior Lien Airport Revenue Bonds Debt Service (1)	Estimated Debt Service on the 2015 Junior Bonds (2)	Total Junior Lien Airport Bonds Debt Service	Total Senior & Junior Lien Airport Bonds Debt Service
2016	$ 48,774,925	$ 45,470,151	$ 4,726,199	$ 50,196,350	$ 98,971,275
2017	48,796,763	45,470,601	7,365,000	52,835,601	101,632,364
2018	48,850,450	45,471,851	7,366,550	52,838,401	101,688,851
2019	48,918,500	45,471,801	7,364,950	52,836,751	101,755,251
2020	49,129,625	45,468,751	7,365,750	52,834,501	101,964,126
2021	43,861,250	45,469,276	7,365,750	52,835,026	96,696,276
2022	43,860,750	45,470,026	7,366,250	52,836,276	96,697,026
2023	33,354,550	55,644,026	7,367,000	63,011,026	96,365,576
2024	33,364,050	55,645,276	7,362,750	63,008,026	96,372,076
2025	33,358,550	55,644,776	7,363,500	63,008,276	96,366,826
2026	33,366,550	43,867,183	7,363,750	51,230,933	84,597,483
2027	33,360,050	43,863,933	7,363,250	51,227,183	84,587,233
2028	33,362,300	43,867,433	7,366,750	51,234,183	84,596,483
2029	33,357,750	43,864,683	7,363,750	51,228,433	84,586,183
2030	33,359,250	43,863,183	7,364,250	51,227,433	84,586,683
2031	33,361,000	43,863,108	7,362,750	51,225,858	84,586,858
2032	33,360,000	43,873,107	7,364,000	51,237,107	84,597,107
2033	17,113,250	43,868,183	7,367,500	51,235,683	68,348,933
2034	17,114,750	23,869,770	26,712,750	50,582,520	67,697,270
2035	17,114,250	44,872,520	6,397,250	51,269,770	68,384,020
2036	17,115,250	44,871,020	6,395,250	51,266,270	68,381,520
2037	17,111,000	44,871,520	6,399,000	51,270,520	68,381,520
2038	17,115,000	44,869,770	6,397,750	51,267,520	68,382,520
2039	—	44,871,520	6,396,250	51,267,770	51,267,770
2040	—	44,872,020	6,399,000	51,271,020	51,271,020
2041	—	—	6,400,250	6,400,250	6,400,250
2042	—	—	6,399,500	6,399,500	6,399,500
2043	—	—	6,396,250	6,396,250	6,396,250
2044	—	—	6,400,000	6,400,000	6,400,000
2045	—	—	6,399,750	6,399,750	6,399,750
	$768,479,813	$1,129,255,488	$227,022,699	$1,356,278,187	$2,124,758,000

(1) Does not include the Bonds Being Refunded.

(2) Represents debt service requirements on the 2015 Junior Bonds offered herein. Interest is estimated at an average rate of 4.99% for the Series 2015A Junior Bonds and 5.00% for the Series 2015B Junior Bonds.

Historical Revenues, Expenditures and Changes in Fund Balances

Table 5 "CITY OF PHOENIX, AVIATION DEPARTMENT ENTERPRISE FUND COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, HISTORICAL DEBT SERVICE COVERAGE AND CHANGES IN FUND BALANCE" on the following page presents historical results of the Airport on a budgetary basis for the last five fiscal years. This schedule is consistent with the City's Comprehensive Annual Financial Report *("CAFR* ") Exhibit E-4.

In fiscal year 2014-15, operating revenues for Sky Harbor increased 3.0% over the prior year. This increase is partly due to enplaned passenger growth of 4.7% in fiscal year 2014-15 generating additional landing fee and terminal area revenues and ground transportation revenues.

Landing area and terminal area revenues increased 3.3% in fiscal year 2014-15 over fiscal year 2013-14. This increase is primarily due to growth in landing area of 3.4% and terminal area of 3.3%. Non-airline revenues increased as well, led mostly by ground transportation revenues, which increased 5.2% in fiscal year 2014-15 over the prior fiscal year.

Operating expenditures increased at a more modest rate of 0.7% in fiscal year 2014-15. This minor increase was primary due to a 1.0% increase in personal services and a larger increase of 36.0% in equipment/minor improvements and other services.

Overall, in fiscal year 2014-15, net revenues available for debt service increased 7.6%, resulting in very strong senior lien debt service coverage of 2.63x and aggregate debt service coverage of 2.54x.

Table 5
CITY OF PHOENIX, AVIATION DEPARTMENT ENTERPRISE FUND COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, HISTORICAL DEBT SERVICE COVERAGE AND CHANGES IN FUND BALANCES
(non-GAAP)
(In Expense Priority Established by the Airport Bond Ordinance)
(Fiscal Years; in thousands)

	2010-11	2011-12	2012-13†	2013-14†	2014-15*
REVENUES					
Landing Area	$ 41,200	$ 42,978	$ 44,791	$ 50,368	$ 52,082
Terminal Area	108,612	108,011	115,977	123,566	127,641
Ground Transportation	109,760	113,871	116,524	120,722	127,039
Other	32,329	32,363	29,558	33,461	31,129
Interest	1,356	833	467	1,807	1,842
Total Revenues before Reimbursement	293,257	298,056	307,317	329,924	339,733
Transportation O&M Expense Reimbursement(1)	12,102	12,593	12,473	13,626	14,488
Total Revenues	305,359	310,649	319,790	343,550	354,221
EXPENDITURES AND ENCUMBRANCES					
Cost of Maintenance and Operation					
Personal Services	97,690	98,743	103,197	104,683	105,760
Contractual Services	84,819	89,725	95,703	105,687	105,198
Supplies	11,252	11,536	11,654	11,159	11,092
Equipment/Minor Improvements	2,499	2,716	3,915	3,034	4,115
Total Cost of Maintenance and Operation(1)	196,260	202,720	214,469	224,563	226,165
Net Airport Revenue Available for Revenue Bond Debt Service (Net Airport Revenues)	109,099	107,929	105,321	118,987	128,056
Total Senior Lien Airport Revenue Bond Debt Service	53,450	57,819	51,639	50,030	48,732
Senior Lien Revenue Bond Debt Service Coverage	2.04	1.87	2.04	2.38	2.63
Net Airport Revenue Available After Senior Lien Revenue Bond Debt Service (Designated Revenues)	55,649	50,110	53,682	68,957	79,324
Total Junior Lien Airport Revenue Bonds Debt Service(2)	1,337	1,604	1,604	1,604	1,604
Junior Lien Revenue Bond Debt Service Coverage	41.62	31.24	33.47	42.99	49.45
Net Airport Revenue Available after Senior and Junior Lien Revenue Bond Debt Service	54,312	48,506	52,078	67,353	77,720
Other Expenditures					
Capital Improvements	34,603	40,470	37,481	23,614	17,719
General Obligation Bond Debt Service	1,314	1,315	1,105	859	206
Lease-Purchase Payments	645	—	—	—	—
Total Other Expenditures	36,562	41,785	38,586	24,473	17,925
Total Expenditures and Encumbrances	287,609	303,928	306,298	300,670	294,426
Excess of Revenues Over Expenditures and Encumbrances	17,750	6,721	13,492	42,880	59,795
OTHER FINANCING SOURCES (USES)					
Recovery of Prior Years Expenditures	4,212	1,577	2,545	2,334	2,368
Transfer to General Fund: Staff and Administrative — Central Service	(4,364)	(5,889)	(6,869)	(7,262)	(7,969)
Transfers (to) from Other Funds					
Transfers to Other Funds	(14,333)	(14,193)	(4,347)	(29,420)	(46,599)
Transfers from Other Funds(3)	—	—	155,461	773	533
Net Transfers (to) from Other Funds	(14,333)	(14,193)	151,114	(28,647)	(46,066)
Total Other Financing Sources (Uses)	(14,485)	(18,505)	146,790	(33,575)	(51,667)
Net Increase in Fund Balance	3,265	(11,784)	160,282	9,305	8,128
FUND BALANCE, JULY 1	158,091	161,356	149,572	309,854	319,159
FUND BALANCE, JUNE 30	161,356	149,572	309,854	319,159	327,287
Airport Improvement Reserve Fund Balance, June 30(3)	150,971	151,454	—	—	—
Total Available Fund Balance (Budgetary), June 30	312,327	301,026	309,854	319,159	327,287
Non-Cash Budgetary Transactions(4)	(10,056)	(11,152)	(2,109)	(6,350)	(426)
Total Airport Cash on Hand, June 30	$302,271	$289,874	$307,745	$312,809	$326,861

(1) Rental Car Center Transportation O&M Expenses as defined in the CFC Bond Documents are included as a Cost of Maintenance and Operation. Amounts reimbursed to the City by the CFC trustee to pay the rental car busing service expenses (included as a Cost of Maintenance and Operation) are included as Revenues.

(2) Debt service is net of the Junior Lien Passenger Facility Charge Credits and the Recovery Zone Economic Development Bonds subsidy from the United States Treasury.

(3) The Airport Improvement Reserve fund balance was transferred to the operating fund in fiscal year 2013. The related cash and investments has previously been reported in the capital funds and was an addition to the Total Airport Cash on Hand for this schedule.

(4) Consists of budgetary encumbrances, revenue recoveries and other timing differences.

† Revenue amounts for fiscal years 2012-13 and 2013-14 have been restated within revenue line items. Total Revenues before Reimbursement did not change.

* Fiscal year 2014-15 data is preliminary and unaudited.

Enplaned Passenger Activity

The ten largest U.S. passenger airlines provide regular service at Sky Harbor. As of June 2015, 21 airlines at Sky Harbor provided nonstop passenger service to 92 airports, including 78 U.S. airports and 14 international airports located primarily in Mexico and Canada. According to Airports Council International ("ACI") statistics for calendar year 2014, Sky Harbor was the tenth 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 2014-15.

Table 6
AIRLINES REPORTING ENPLANED PASSENGERS AND AIR CARGO

Phoenix Sky Harbor International Airport

Major/National

Alaska
American(1)
Delta
Frontier
Hawaiian
JetBlue
Southwest
Spirit
Sun Country
United

Regional/Commuter

Compass (Delta Connection)
Envoy Air (American Eagle)
ExpressJet (United Express)
Great Lakes
Mesa (American Eagle)
Skywest (American Eagle, Delta Connection, United Express)

Foreign-Flag

Aeromexico(2)
Air Canada
British Airways
Volaris
WestJet

All-Cargo

ABX Air (DHL)(3)
AirNet Systems(4)
Ameriflight
Atlas Air (DHL)(3)
Empire
FedEx
Gulf & Caribbean Cargo
UPS

(1) US Airways merged with American Airlines in December 2013. The two airlines began operating on a single operating certificate on April 8, 2015.

(2) Aeromexico ceased service at the airport in September 2014.

(3) DHL Express branded operations transitioned from ABX Air to Atlas Air in February 2015.

(4) Ceased service in August 2014.

Note: Boutique Air began service at Sky Harbor Airport in August 2015.

Source: City of Phoenix Aviation Department.

Table 7 presents total historical enplaned passengers by airline at Sky Harbor. More than four-fifths (82.5%) of all passengers enplaned at Sky Harbor in fiscal year 2014-15 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 2014-15, respectively.

Table 7
TOTAL ENPLANED PASSENGERS BY AIRLINE
Phoenix Sky Harbor International Airport

	Fiscal Years					Fiscal Years (July-August)	
	2010-11	2011-12	2012-13	2013-14	2014-15	2014-15	2015-16
Published Airline Enplaned Passengers							
American(1)	10,168,306	10,443,129	10,620,512	10,734,648	10,978,341	1,949,438	2,012,263
Southwest(2)	6,036,115	6,353,423	6,294,553	6,305,923	6,750,373	1,082,006	1,220,350
Delta	1,256,788	1,296,941	1,240,735	1,262,548	1,325,051	205,719	213,691
United	1,121,492	1,058,382	984,130	960,710	981,702	127,265	126,671
Alaska	328,390	343,867	324,218	339,086	370,801	49,816	53,178
Frontier	253,391	217,964	218,072	207,590	279,517	36,406	36,976
WestJet	116,551	150,795	163,247	179,257	214,812	11,460	13,130
Spirit	—	—	—	106,036	148,673	15,103	16,353
British Airways	85,600	92,099	91,609	99,380	103,408	16,990	18,186
Air Canada	78,022	79,454	78,611	81,683	101,417	7,403	8,965
JetBlue	99,601	109,521	90,743	87,332	90,195	15,130	14,857
Hawaiian	85,197	86,867	85,553	83,715	85,368	13,769	14,542
All Other	51,780	46,016	43,805	70,840	58,911	6,703	3,752
Total	**19,681,233**	**20,278,458**	**20,235,788**	**20,518,748**	**21,488,569**	**3,537,208**	**3,752,914**
Share of Total							
American(1)	51.7%	51.5%	52.5%	52.3%	51.1%	55.1%	53.6%
Southwest(2)	30.7	31.3	31.1	30.7	31.4	30.6	32.5
Delta	6.4	6.4	6.1	6.2	6.2	5.8	5.7
United	5.7	5.2	4.9	4.7	4.6	3.6	3.4
Alaska	1.7	1.7	1.6	1.7	1.7	1.4	1.4
Frontier	1.3	1.1	1.1	1.0	1.3	1.0	1.0
WestJet	0.6	0.8	0.8	0.9	1.0	0.3	0.4
Spirit	0.0	0.0	0.0	0.5	0.7	0.5	0.4
British Airways	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Air Canada	0.4	0.4	0.4	0.4	0.5	0.2	0.2
JetBlue	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Hawaiian	0.4	0.4	0.4	0.4	0.4	0.4	0.4
All Other	0.2	0.2	0.2	0.3	0.2	0.2	0.1
Total	**100.0%**	**100.0%**	**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 for all years shown. 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 0.4% per year from fiscal year 2005-06 through fiscal year 2014-15, as shown in Table 8. Connecting passengers accounted for the majority of the passenger growth in fiscal year 2014-15, increasing 5.6% year-over-year compared with 4.1% for origin-destination passengers. Total passenger enplanements at Sky Harbor increased 4.7% in fiscal year 2014-15 compared to fiscal year 2013-14.

Table 8
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**
2005-06	19,750	892	5,867	6,789	12,656	7,986	**20,642**
2006-07	19,892	871	6,008	6,807	12,815	7,948	**20,763**
2007-08	19,752	916	6,015	6,793	12,808	7,860	**20,668**
2008-09	17,980	932	5,230	6,093	11,323	7,589	**18,912**
2009-10	18,096	1,001	5,112	6,282	11,394	7,703	**19,097**
2010-11	18,593	1,088	5,156	6,205	11,361	8,320	**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(2)	20,349	1,140	5,730	6,926	12,656	8,833	**21,489**
Compound annual growth rate:							
2005-06 to 2014-15	0.3%	2.8%	(0.3)%	0.2%	0.0%	1.1%	0.4%
2013-14 to 2014-15	4.9%	2.2%	3.8%	4.4%	4.1%	5.6%	4.7%

(1) Historical resident, visitor, and connecting numbers were restated to reflect methodolgical improvements in the complilation of DOT O&D Survey sample data by Data Base Products (a third-party vendor) and are believed to be more accurate.

(2) Resident, visitor, and connecting numbers for fiscal year 2014-15 are estimated based on 2 quarters of actual data.

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

Sky Harbor's Role as a Connecting Hub

As discussed 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. In fiscal year 2014-15, American Airlines and Southwest Airlines combined to account for 82.5% of total enplaned passengers at Sky Harbor and an estimated 98.5% of the connecting passengers at Sky Harbor. In fiscal year 2014-15, American Airlines accounted for 51.1% of the total enplaned passengers at Sky Harbor and 75.0% of the connecting traffic, and Southwest Airlines accounted for 31.4% of total enplanements and 23.5% 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). America West 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 August 2015, Southwest Airlines offers more seats at

Sky Harbor than at all but five airports in its system — Chicago Midway International Airport, Las Vegas McCarran International Airport, Baltimore Washington International Thurgood Marshall Airport, Denver International Airport and Dallas Love Field.

Aviation Capital Improvement Program

Table 9 "AVIATION CAPITAL IMPROVEMENT PROGRAM THROUGH FISCAL YEAR 2019-20 (the *"Aviation CIP")* provides for $718,471,000 in capital improvements for Phoenix-Sky Harbor International Airport, Phoenix- Goodyear Airport and Phoenix-Deer Valley Airport (collectively, the *"Airport").* The Aviation CIP is expected to be funded from $191,882,000 in airport operating funds, $141,317,000 in pay-as-you-go Passenger Facility Charge (PFC) revenues, $299,034,000 in future senior lien obligations, $225,000 in 2008 bond proceeds and $86,013,000 in capital grants.

The Aviation CIP is reevaluated annually and the scope and phasing of projects may be modified by considering financial capacity, government regulations, current needs, and other relevant factors. The City has a long standing practice of updating the five-year Aviation CIP and financial forecast each year for review by the City Council as part of the financial planning process. The forecast includes anticipated adjustments to align GAAP and budgetary reporting differences that result from separate interest allocation methodologies. The adjustments, which will total $24 million, began in fiscal year 2014-15 with an $8 million reduction to the Airport budgetary fund balance. These adjustments will not impact the GAAP financial statements or the GAAP fund balance. Through the financial planning process, the City will assess whether the remaining $16 million of the adjustments will be made all at once in fiscal year 2015-16 or spread over a period of years.

Major projects of the Aviation CIP include the Terminal 3 Modernization and Terminal 4 International Facility Improvements. Terminal 3 Modernization 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 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.

Terminal 4 International Facility Improvements will increase passenger flow efficiencies and capacity for international arrivals. These improvements include the reconfiguration of existing facilities, addition of new vertical circulation, and more efficient passenger processing technology.

A recently completed project is Stage 1a (Terminal 3 Line Extension) of the PHX Sky Train, an automated people mover designed to carry over 35 million riders annually through seven stations along an elevated guideway spanning approximately five miles. The PHX Sky Train began service in April of 2013 with the completion of Stage 1 and links the Valley Metro light rail station located on Washington Street at 44th Street with Terminal 4 via the East Economy Lot parking facilities. Stage 1a began service in December 2014 and links Terminal 4 with Terminal 3 with a walkway connection to Terminal 2. Final costs for the first two stages was approximately $200 million, 17% below budget. Stage 2 will eventually link Stage 1 and Stage 1a with the rental car center. Stage 2 costs are outside the fiscal year 2019-20 timeframe and are not included in the Aviation CIP.

Table 9
AVIATION CAPITAL IMPROVEMENT PROGRAM THROUGH FISCAL YEAR 2019-20
CITY OF PHOENIX AVIATION DEPARTMENT
(in thousands)

		Funding Sources				
	Total	Capital Grants	PFC Pay-as-you-go	2008 Bonds	Future Senior Lien Obligations	Airport Operating Funds
Major Capital Projects						
Terminal 3 Modernization	$424,991	$ —	$ 56,300	$ —	$299,034	$ 69,657
Terminal 4 International Facility Improvements...	23,229	—	18,853	—	—	4,376
Subtotal Major Capital Projects	$448,220	$ —	$ 75,153	$ —	$299,034	$ 74,033
Other CIP Projects						
Other Terminal Improvements	$ 28,029	$ 1,653	$ 380	$ —	$ —	$ 25,996
Noise Mitigation and Land Acquisition	4,563	—	4,563	—	—	—
Runways, Taxiways, and Roadways	92,143	44,111	20,097	—	—	27,935
Development Studies	9,163	750	—	—	—	8,413
Maintenance Facilities	500	—	—	—	—	500
Security Facilities	23,045	—	21,000	—	—	2,045
General Aviation	31,008	25,420	—	—	—	5,588
Other (Includes Contingency)	81,800	14,079	20,124	225	—	47,372
Subtotal Other CIP Projects	$270,251	$ 86,013	$ 66,164	$ 225	$ —	$117,849
Total All Projects	$718,471	$ 86,013	$141,317	$ 225	$299,034	$191,882

Source: City of Phoenix 2015-20 Capital Improvement Program from Budget and Research Department, excluding debt service.

Airport Rates and Charges

In 1981, the Mayor and Council of the City formally adopted a compensatory (cost of services) rate-setting policy which provides (1) that charges to aviation users be established on the basis of the costs to provide, maintain and operate Airport facilities and services and (2) that these costs be recovered from aviation users on a basis not to exceed their proportional use thereof. Under this compensatory rate-setting methodology, the City bears the risk of any revenue shortfall and retains any surplus revenue for its own discretionary expenditures. Rates and charges are typically adjusted at the beginning of each Fiscal Year after the City has reviewed proposed rate changes and capital expenditures with airline representatives. However, the City retains its proprietary right to adjust fees and to determine its capital expenditures without airline approval, and the City has the unilateral right to adjust terminal rates and landing fees at any time to reflect changes in cost. Any such adjustment is subject to federal law and regulations. In establishing any new schedule of rates, fees and charges for the use of the Airport, the City intends to comply with federal law and regulations.

The City uses short-term (month-to-month) Letters of Authorization (each, a *"LOA")* for airline space within its terminal facilities. Such LOA can be terminated by either party upon 30-days' notice, providing the City with the flexibility to maximize the use of its terminal facilities.

The following table provides the historical average airline cost per enplaned passenger.

Table 10
HISTORICAL AVERAGE COST PER ENPLANEMENT
Phoenix Sky Harbor International Airport
Fiscal Years

	Fiscal Years		
	2012-13	2013-14	2014-15
Total Airline Revenues (000's)	$111,911	$118,747	$128,596
Enplanements (000's)	20,236	20,519	21,489
Cost per Enplanement	$ 5.53	$ 5.79	$ 5.98

Passenger Facility Charge Program

Authorization for the Passenger Facility Charge. The Passenger Facility Charge is currently collected by non-exempt air carriers using Sky Harbor and remitted to the City pursuant to Section 1113(e) of the Federal Aviation Act, as amended, and the regulations promulgated thereunder (collectively, the *"PFC Laws").* The PFC Laws empower the FAA to authorize a public agency that controls an airport to impose a passenger facility charge of $1.00, $2.00, $3.00, $4.00 or $4.50 (the current maximum level) for each enplaned passenger at such airport (a *"PFC'),* subject to certain exceptions described below. Proceeds of an authorized PFC may be used only to pay "allowable costs" of specific airport projects approved by the Federal Aviation Administration *("FAA"),* including debt service and other financing costs on bonds issued to finance such specific projects. Projects for which the FAA may authorize a PFC must (i) preserve or enhance safety, security or capacity of the national air transportation system, (ii) reduce noise or mitigate noise impacts resulting from an airport or (iii) furnish opportunities for enhanced competition between or among air carriers.

Under the PFC Laws, substantially all air carriers serving an airport for which the FAA has authorized the collection of a PFC must collect such PFC at the time they sell an airline ticket to a passenger to be enplaned at the airport. Passenger enplanements subject to the charge include passengers originating their travel itineraries on departing flights out of the collecting airport or connecting passengers at the collecting airport whose itineraries originated in other cities, provided the airport is among the first two or last two airports collecting a PFC on such connecting passenger's itinerary. An authorized PFC may only be collected for "revenue passengers" enplaned at a collecting airport, including passengers using scheduled and non-scheduled airline service. "Revenue passengers" do not include passengers who do not pay for the air transportation which resulted in their enplanement, including passengers using frequent flyer awards.

Under the PFC Laws, the air carriers collecting a PFC on behalf of a public agency must remit the proceeds of the PFC to the public agency on a monthly basis, not later than the last day of the month following the month in which such proceeds were collected or the first business day thereafter. Prior to such remittance, however, collecting air carriers are entitled to retain any interest accrued on the investment of the proceeds of the PFC they collect, as well as $0.11 of each PFC collected as compensation for administering the collection process.

Under the PFC Laws, the FAA may terminate a public agency's ability to impose, collect and apply the proceeds of a previously authorized PFC if the FAA finds that the public agency has violated the PFC Laws, including a violation of the agency's obligation under the PFC Laws to expend proceeds of its authorized PFC only on FAA-approved projects. A public agency's ability to impose, collect and apply the proceeds of a previously authorized PFC may also be terminated by the FAA if the agency is found to have violated the Airport Noise and Capacity Act of 1990 or its implementing regulations (collectively, the *"Noise Law").* Both the PFC Laws and the Noise Law contain a variety of procedural safeguards, including an informal resolution procedure, and in the case of the PFC Laws, a public hearing, which would apply before a public agency's PFC program could be terminated. Under the PFC Laws and the Noise Law, termination proceedings would include a period of

time to allow the airport agency to correct any violation identified by the FAA or otherwise settle any alleged violation. The public agency would also subject certain other of its funds, including federal airport improvement grants, to termination by violating the PFC Laws or the Noise Law. While the City is not aware of any action by the FAA to terminate its ability to impose, collect and apply the proceeds of its PFC program, there can be no assurance that the FAA will not terminate the PFC program in the future.

The City's Passenger Facility Charge Program. From January 26, 1996, when the City initiated the collection of the Passenger Facility Charge at the Airport, through June 30, 2015, the City's Passenger Facility Charge collections when measured on a cash basis, totaled $1,972.4 billion (excluding interest). The City's most recent application, PFC #7 for Terminal 4 improvements and design costs related to Terminal 3 modernization, was approved by the FAA in July 2015 for $82.2 million. Nonscheduled on-demand carriers and carriers with fewer than 7,500 enplanements annually are exempted.

Table 11 shows PFC collections at Sky Harbor in fiscal year 2012-13 through fiscal year 2014-15.

Table 11
HISTORICAL PFC COLLECTIONS
Phoenix Sky Harbor International Airport
Fiscal Years

	2012-13	2013-14	2014-15
PFC Rate	$ 4.50	$ 4.50	$ 4.50
Airline Administrative Fee	$ 0.11	$ 0.11	$ 0.11
Net PFC Rate	$ 4.39	$ 4.39	$ 4.39
Total Enplanements (000's)	20,236	20,519	21,489
PFC Eligible Enplanements	88.1%	88.2%	90.1%
Total PFC Collections (000's)	$78,273	$79,406	$84,976

Source: City of Phoenix Aviation Department

Table 12 shows active and closed PFC approvals and the remaining collection authority. Table 13 shows the various projects approved for funding in the three active PFC approvals.

Table 12
PFC APPROVALS AND REVENUES
Phoenix Sky Harbor International Airport
(as of June 30, 2015; in millions)

	Approval Amount	Revenues	Remaining Authority
Closed PFC Approvals(1)	$ 875.2	$ 875.2	$ —
Active PFC Approvals(2) PFC 6 and PFC 7	2,054.6	484.8	1,569.8
Total All PFC Approvals	$2,929.8	$1,360.0	$1,569.8

(1) PFC 1, PFC 2, PFC 3, PFC 4 and PFC 5 are closed and no longer active.

(2) PFC 7 application was approved July 17, 2015. As of July 17, 2015, active PFC approvals include PFC 6 applications 09-09-C-00-PHX ($1,858.6 million), 09-09-C-01-PHX ($81.9 million), and 09-09-C-02-PHX ($31.9 million), and PFC 7 application 15-10-C-00-PHX ($82.2 million; approved July 17, 2015).

Source: Federal Aviation Administration and City of Phoenix Aviation Department.

Table 13
ACTIVE PFC APPROVALS BY PROJECT
Phoenix Sky Harbor International Airport
(as of June 30, 2015; in millions)

PFC 6	
PHX Sky Train	$1,788.6
Community Noise Reduction Program	120.2
Terminal 4 Rehabilitation	15.1
Airfield Lighting and Runway Sign Relocation	2.1
Terminal Capacity Improvements	37.8
South Infield Paving	8.6
Subtotal PFC 6	$1,972.4
PFC 7(1)	
East Air Cargo Apron Reconstruction	$ 0.7
Perimeter Gates Security Enhancements	1.5
T3 NE Transition Ramp Reconstruction	1.2
Terminal 4 North Apron Reconstruction	13.5
Terminal 4 South Apron Reconstruction	4.6
Terminal 4 TSA EDS Enhancements	0.7
Taxiway A Reconstruction (Phase I and II)	3.4
Taxiway Connector G5 Construction	1.3
Terminal Window Glazing	1.2
West Hold Bay Reconstruction	0.8
Airfield Lighting Enhancements	1.5
Terminal 4 International Facility Improvements	20.0
Jetbridge Enhancements	2.9
Terminal Development Concept Design	26.9
Airport Compatible Land Reuse Plan	2.0
Subtotal PFC 7	$ 82.2
Total PFC Approval Amount (2)	$2,054.6
Less PFC 6 Revenues Collected as of June 30, 2015	(484.8)
Remaining Authority	$1,569.8

(1) PFC application 7 was approved July 17, 2015.
(2) Includes PFC approval for $491.5 million pay-as-you-go, $772.6 million bond funds and $790.5 million interest.

Sources: Federal Aviation Administration and City of Phoenix Aviation Department.

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant (the "*Report")* prepared by LeighFisher Inc. is included herein as Appendix A. The Report presents certain enplaned passenger and financial forecasts for fiscal years 2015-16 through 2020-21 and sets forth the assumptions upon which the forecasts are based. The financial forecasts are based on assumptions that were provided by, or reviewed with and adopted by, the Aviation Department of the City. The Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions contained therein. 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 forecast period may vary, and the variations may be material. See "CERTAIN BONDHOLDERS' RISKS — Report of the Airport Consultant."

CERTAIN BONDHOLDERS' RISKS

Investment in the 2015 Junior Bonds involves risk. The City's ability to generate Designated Revenues and PFC Revenues to pay debt service on the 2015 Junior Bonds, as well as to generate other funds important to the operation of the Airport depends upon many factors, most of which are not under the control of the City. This section describes some of the risks associated with investing in the 2015 Junior Bonds; however, prospective purchasers of the 2015 Junior Bonds should give careful consideration to all of the information in this Official Statement.

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 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. 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.

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 and the crash of Malaysia Airlines Flight 17. 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.

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 have had 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 economy. 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+. It is not known at this time whether the high national unemployment rate, or the slow rate of national and global economic growth will persist beyond 2015. There can be no assurances that the prolonged weak economic conditions, the U.S. federal government's credit rating downgrade, or other national and international fiscal concerns will not have an adverse effect on the air transportation industry.

Certain Risks and Covenants Relating to the Amount and Timing of PFC Revenues

Passenger Facility Charge collections are dependent upon the number of enplaned passengers using Sky Harbor Airport. (For a summary of historical passenger enplanements at Sky Harbor, see "Table 8" herein and APPENDIX A — "REPORT OF THE AIRPORT CONSULTANT"). In addition, the City's ability to recognize PFC Revenues in each Fiscal Year that are sufficient to pay 100% of the 2010A/B Junior Bonds Debt Service, 30% of the Series 2015A Junior Bonds Debt Service and 100% of the Series 2015B Junior Bonds Debt Service during the Commitment Period will require (a) that the air carriers collecting the Passenger Facility Charge remit the net proceeds thereof to the City in accordance with the PFC Laws, (b) that the maximum amount of Passenger Facility Charge collections authorized by the FAA (either under the current authorization or as may be amended) not be exceeded prior to the payment, or provision for the payment, of the 2010A/B Junior Bonds and the 2015 Junior Bonds (c) that the City's ability to impose and collect the Passenger Facility Charge not be terminated by the FAA prior to the payment, or provision for the payment, of all such bonds and (d) PFC Revenues are received in each Fiscal Year in amounts at least equal to the amounts pledged for such year. For further discussion see APPENDIX A — "REPORT OF THE AIRPORT CONSULTANT." See also "CERTAIN BONDHOLDERS' RISKS — Airline Consultations, Bankruptcy and Financial Considerations — Passenger Facility Charges."

To help ensure that each of these requirements is satisfied, the City has covenanted (i) to take all action reasonably necessary to cause the collection and remittance to the City of all PFC Revenues required by Federal law to be so collected and remitted, (ii) to apply PFC Revenues, to the extent received in any Fiscal Year, to

payments in a dollar amount equal to, but not to exceed (1) 100% of the 2010A/B Junior Bonds Debt Service, (2) 30% of the Series 2015A Junior Bonds Debt Service and (3) 100% of the Series 2015B Junior Bonds Debt Service coming due in each Fiscal Year during the Commitment Period.

Despite the foregoing covenants, no assurance can be given that the PFC Laws will not be modified or restricted by the FAA or the U.S. Congress so as to reduce the amount of PFC Revenues available to the City. Further, even if the City takes all reasonably necessary action to cause the collection and remittance of PFC Revenues, there can be no assurance that the FAA will not terminate the City's PFC program.

PFC Revenues received in a Fiscal Year during the Commitment Period which exceed the amount irrevocably committed for 2010A/B Junior Bonds Debt Service and/or 2015 Junior Bonds Debt Service in that Fiscal Year may be applied by the City for any lawful purpose. Under the current PFC Laws, such purposes are limited to eligible projects or debt service related to eligible projects. Consequently, if PFC Revenues were received in excess of the amount irrevocably committed to 2010A/B Junior Bonds Debt Service and/or 2015 Junior Bonds Debt Service in a Fiscal Year during the Commitment Period and the City had other permitted uses for excess PFC Revenues received in prior years, but collections in a subsequent Fiscal Year were less than the amount pledged to debt service, the City would be permitted, but not required, to apply such excess PFC Revenues towards 2010A/B Junior Bonds Debt Service and/or 2015 Junior Bonds Debt Service.

Activity Level Concentration and Financial Condition of Airlines Serving the Airport

The Airport derives a substantial portion of its operating revenues from landing and facility rental fees. The financial strength and stability of the airlines using Sky Harbor, together with numerous other factors, influence the level of aviation activity at, and the revenues of, the Airport. Individual airline decisions regarding level of service also affect total enplanements. Financial or operational difficulties of any of the airlines operating at Sky Harbor will have an adverse impact, directly or indirectly on Designated Revenues, Airport operations and PFC Revenues. In some cases, such an impact may be material.

The operating revenues from the landing and facility fees of American Airlines and Southwest Airlines are especially important to the Airport. For the fiscal year ended June 30, 2015, American Airlines and Southwest Airlines represented approximately 51.1% and 31.4%, respectively, of the total enplaned passengers at Sky Harbor. No other airline represented over 6.2% of Sky Harbor's enplaned passengers. 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 the Airport.

Airline Consolidations, Bankruptcy and Financial Considerations

Since September 11, 2001, substantially all domestic airlines were downgraded by the rating agencies, and a number of them have filed for bankruptcy, including, but not limited to, American, United, US Airways, Delta, Northwest, Frontier, Hawaiian, Mesa, Sun Country and Air Canada. By 2008, all major and regional airlines that had filed for Chapter 11 of the U.S. Bankruptcy Code had emerged from bankruptcy. Certain other airlines including ATA, Aloha, Midway, Vanguard and Skybus have ceased operations. None of the airlines that ceased operations had significant enplanement levels at Sky Harbor. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. However, it is not possible to predict the potential impact on Sky Harbor of any of these future events at this time.

In response to competitive pressures, the U.S. airline industry has continued to consolidate. In 2008, Delta and Northwest merged. In 2010, United and Continental completed the merger of the two airlines. In 2011, Southwest Airlines completed its acquisition of AirTran Airways. In 2013, US Airways and American Airlines

completed the merger of the two airlines. Further airline consolidation is possible and could continue to change airline service patterns, particularly at the connecting hub airports of the merged airlines. The City cannot predict what impact, if any, such consolidation will have on airline traffic at Sky Harbor.

Letters of Authorization. To date, all airlines that have filed for bankruptcy protection have remitted all material payments due to the Airport for use of terminal facilities under their respective LOA. In the event a bankruptcy case is filed by an airline in the future, under current law the bankruptcy court could terminate the LOA at the expiration of its 30-day term. In such event, the City would be permitted to remove such airline from use and occupancy of the terminal and provide the premises to another airline. In such circumstances, while passenger demand may not be affected, revenue collections could be affected until other airlines absorb the unmet demand of the departing airline. The City cannot make any assurance regarding how a bankruptcy court will interpret the LOA.

Passenger Facility Charges. The PFC Laws provide that Passenger Facility Charges collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Airport) imposing the Passenger Facility Charges, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for Passenger Facility Charge collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. Airlines are permitted to commingle Passenger Facility Charge collections with other revenues. Airlines that have filed for Chapter 7 or 11 bankruptcy protection, however, are required to segregate Passenger Facility Charge revenue in a separate account for the benefit of the applicable airport and cannot grant a third party any security or other interest in Passenger Facility Charge revenue. Passenger Facility Charges collected by those airlines are required by the bankruptcy court to be placed in accounts separate from other airline revenue accounts and paid to airports monthly in accordance with the Passenger Facility Charge regulations. However, the City cannot predict whether an airline that files for bankruptcy protection will properly account for the Passenger Facility Charges or whether the bankruptcy estate will have sufficient moneys to pay the Airport in full for the Passenger Facility Charges owed by such airline. The airlines are entitled to retain interest earned on Passenger Facility Charge collections until such Passenger Facility Charge collections are remitted.

Airline Agreements and Federal Regulation Regarding Rates and Charges

The current form of month-to-month LOA for the exclusive use of space at Sky Harbor gives the Airport great flexibility in adjusting to the varying demands of the airlines. It also means that the airlines can seek to increase or decrease their space on a monthly basis. The City cannot offer any assurance that airlines will be willing to maintain their use of Airport space on terms that are similar to their existing terms of use.

The FAA Authorization Act of 1994 establishes that airline rates and charges set by airports be "reasonable" and mandates an expedited administrative process by which the Secretary of Transportation (the "Secretary") shall review rates and charges complaints that are not under an agreement with the carriers. An affected air carrier may file a written complaint requesting a determination of the Secretary as to reasonableness within 60 days after such carrier receives written notice of the establishment or increase of such fee. During the pendency of the review, the airlines must pay the disputed portion of the fee to the airport under protest, subject to refund to the extent such fees are found to be unreasonable by the Secretary. The airport must obtain a letter of credit, surety bond or other suitable credit facility equal to the amount in dispute unless the airport and the complaining carriers agree otherwise.

Federal Funding Considerations

The City depends upon federal funding for the Airport not only in connection with grants and PFC authorizations but also because it is federal funding that provides for TSA, air traffic control and other FAA staffing and facilities. The FAA currently operates under the FAA Modernization and Reform Act of 2012, which expired September 30, 2015 and was extended for six months to March 31, 2016 through the Airport and Airway Extension Act of 2015 (H.R. 3614). That statute was the first long term FAA authorization since 2007 and ended a period of 23 short term extensions of FAA authority, including a two-week, partial shutdown of all FAA facilities. Federal funding is also impacted by sequestration under the federal Budget Control Act of 2011. Except to the extent changed by Congress from time to time, sequestration is a multi-year process and could continue to affect FAA,

TSA and Customs and Border Control budgets and staffing, which results in staffing shortages and furloughs and traffic delays at Sky Harbor and nationwide. Some of the TSA funding shortages are being addressed by increasing the amount (and removing the cap) on the security fees on tickets, but no assurance can be given that such fees will be sufficient or that the increased ticket costs will not result in lower passenger enplanements.

Competition, Travel Alternatives and Other Issues

Sky Harbor has no significant competition in the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area. Phoenix-Mesa Gateway Airport provides limited passenger service and is not expected to provide significant competition in the foreseeable future. However, teleconference, video-conference and web-based meetings continue to improve in quality and price and are often considered a satisfactory alternative to face-to-face business meetings. While the effects of these developments cannot be quantified, it is possible that business travel to and from Sky Harbor may be adversely affected as a result.

Cost of Capital Improvement Program

No proceeds of the 2015 Junior Bonds will be used as part of the Aviation CIP. However, the ability of the Airport to complete its on-going Aviation CIP may be adversely affected by various factors including: (1) incorrect assumptions made to complete the Aviation CIP, (2) design and engineering oversights, (3) changes to the scope of the projects, including changes to federal security regulations, (4) delays in contract awards, (5) material and/ or labor shortages, (6) unforeseen site conditions, (7) adverse weather conditions and other force majeure events, (8) contractor defaults, (9) labor disputes, (10) unanticipated economic events such as inflation and (11) environmental issues. No assurance can be made that the projects will not exceed the currently budgeted amounts. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs per enplaned passenger to the airlines, increased parking rates, or other rate increases.

Uncertainties of Projections, Forecasts and Assumptions

This Official Statement, and particularly the information contained under the caption "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT," contain 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 and its appendices, the words "estimate," "budget," "forecast," "intend," "expect," "projected," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among many factors that may cause projected revenues and expenditures to be materially different from those anticipated include an inability to incur debt at assumed interest rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general or specific airlines, federal, state or local legislation and/or regulations, changes in the Airport's operational plans and procedures, and regulatory and other restrictions, including but not limited to those that may affect the ability to undertake, the timing or the costs of certain projects or operations. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Report of the Airport Consultant

The Report included as Appendix A to this Official Statement contains certain assumptions and forecasts. The Report should be read in its entirety for a discussion of historical and forecast results of the Airport and the assumptions and rationale underlying the forecasts. As noted in the Report, any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the projections contained in the Report or that may be contained in any future certificate of the City or a consultant are not necessarily indicative of future performance, and neither the Airport Consultant nor the City assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the Airport are subject to change. No representation is made

or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the 2015 Junior Bonds are cautioned not to place undue reliance upon the Report or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Designated Revenues may be materially less than expected and consequently, the ability of the City to make timely payment of the principal of and interest on the 2015 Junior Bonds may be materially adversely affected.

Neither the City's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Designated Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Designated Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability.

Limitation of Remedies

The Airport Revenue Bond Ordinance, the City Purchase Agreement and the Indenture provide limited remedies for Owners if defaults occur relating to the 2015 Junior Bonds the most significant of which is specific performance. Such documents and agreements do not provide for acceleration prior to maturity. The availability of those remedies may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; the application of equitable principles and the exercise of judicial discretion in appropriate cases; common law and statutes affecting the enforceability of contractual obligations generally; principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City. The City cannot assure Owners that the remedies provided in the Airport Revenue Bond Ordinance, City Purchase Agreement and the Indenture will be available or effective to make Owners whole if a default occurs.

Future Legislation

The operation of the Airport and the ability of the City to generate Designated Revenues and PFC Revenues sufficient to pay the 2015 Junior 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 Designated Revenues and PFC 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 elimination or reduction of the ability of the City to impose fees and charges for use of Airport products or services. In addition, the United States Congress could enact legislation making interest earned on the 2015 Junior Bonds includable in a bondholder's gross income for federal income tax purposes. No assurance can be given that the PFC Laws will not be modified or restricted by the FAA or the U.S. Congress so as to reduce the amount of PFC Revenues available to the City. Further, even if the City takes all reasonably necessary action to cause the collection and remittance of PFC Revenues, there can be no assurance that the FAA will not terminate the City's PFC program.

With respect to an airline in bankruptcy proceedings in a foreign country, the City is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

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 2015 Junior 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 Bonds. Detailed information on the City and the Airport is set forth in Appendices A 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 refunding of the Notes Being Refunded and the Bonds Being Refunded. The Corporation is not financially liable for the payment of the principal of or interest on the Bonds and the Owners will have no right to look to the Corporation for payment of the Bonds except to the extent of the payments received from the City under the City Purchase Agreement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants will deliver to the City, on or before the settlement date of the 2015B Junior Bonds, its attestation report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Underwriters or the Financial Advisor on behalf of the City. Included in the scope of its verification will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash deposited with the bond trustee for the Bonds Being Refunded to pay, when due, the principal and interest requirements of the Bonds Being Refunded, whether at maturity or earlier redemption; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the 2015 Junior Bonds are not "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the *"Code"*) and the regulations promulgated thereunder.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the Underwriters or the Financial Advisor on behalf of the City. The Grant Thornton LLP report of its verification will state that Grant Thornton LLP has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

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 2015 Junior Bonds or (ii) contested or questioned the validity of the 2015 Junior Bonds or the proceedings and authority under which the 2015 Junior 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 2015 Junior Bonds.

TAX EXEMPTION

General

The Code includes requirements which the City and the Corporation must continue to meet with respect to the 2015 Junior Bonds after the issuance thereof in order that interest on the 2015 Junior Bonds be excludible from gross income for federal income tax purposes. The City and the Corporation's failure to meet these requirements may cause interest on the 2015 Junior Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City and the Corporation have covenanted in the City Purchase Agreement to take the actions required by the Code in order to maintain the excludability from federal gross income of interest on the 2015 Junior Bonds.

In the opinion of Bond Counsel, rendered with respect to the 2015 Junior Bonds on the date of issuance of the 2015 Junior Bonds, under existing statutes, regulations, rulings and court decisions, assuming continuing compliance by the City and the Corporation with the tax covenants referred to above, interest on the 2015 Junior Bonds is excludible from gross income for federal income tax purposes. Interest on the 2015 Junior Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2015 Junior Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion upon the date of issuance of the 2015 Junior Bonds that assuming interest is excludible from gross income for federal income tax purposes, the interest thereon is 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 ownership of, receipt or accrual of interest on, or disposition of the 2015 Junior Bonds. Prospective purchasers of the 2015 Junior Bonds should be aware that the ownership of the 2015 Junior 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 the 2015 Junior Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a 2015 Junior Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the interest on the 2015 Junior Bonds; (iii) the inclusion of interest on the 2015 Junior Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the 2015 Junior Bonds in passive investment 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) the inclusion in gross income of interest of the 2015 Junior Bonds in the determination of taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the 2015 Junior Bonds. Prospective purchasers of the 2015 Junior Bonds should consult their own tax advisors as to the impact of these other tax consequences.

From time to time, there are legislative proposals pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of interest on the 2015 Junior Bonds, adversely affect the market price or marketability of the 2015 Junior Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the 2015 Junior Bonds. Prospective purchasers of the 2015 Junior Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Information Reporting and Backup Withholding

Interest paid on bonds such as the 2015 Junior Bonds is subject to information reporting to the Internal Revenue Service. This reporting requirement does not affect the excludability of interest on the 2015 Junior 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 2015 Junior Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the 2015 Junior Bonds and proceeds from the sale of 2015 Junior Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owners of 2015 Junior Bonds. This withholding generally applies if the owner of 2015 Junior 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 2015 Junior 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 BOND PREMIUM

Original Issue Discount

Certain of the 2015 Junior Bonds as indicated on the inside front cover of this Official Statement (*"Discount Bonds"*), were offered and sold to the public at an original issue discount (*"OID"*). OID 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 (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID 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 OID that accrues during the period of ownership of a Discount Bond (i) is interest excludible from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the 2015 Junior Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, 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.

Bond Premium

Certain of the 2015 Junior Bonds as indicated on the inside front cover of this Official Statement (*"Premium Bonds"*), were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on 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 (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Other Considerations

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 OID or bond premium properly accruable in any period with respect to the Discount Bonds or Premium Bonds and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

LEGAL MATTERS

Legal matters incident to the issuance of the 2015 Junior 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 2015 Junior Bonds, will be delivered to the Underwriters. Certain legal matters will be passed upon for the Underwriters by Squire Patton Boggs (US) LLP, Phoenix, Arizona, as Counsel 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.

RATINGS

Moody's Investors Service, Inc. (*"Moody's"*) has assigned a rating of "A1" to the 2015 Junior Bonds and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (*"S&P"*) has assigned a rating of "A+" to the 2015 Junior Bonds. No application has been made to any other rating service for the purpose of obtaining ratings on the 2015 Junior Bonds. The City furnished these rating agencies with certain information and materials with respect to the 2015 Junior 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 2015 Junior Bonds.

UNDERWRITING

The 2015 Junior Bonds are being purchased for reoffering by Citigroup and the other underwriters shown on the cover (the *"Underwriters"*). The Underwriters have agreed to purchase the 2015 Junior Bonds, subject to certain conditions, at an aggregate underwriting discount of $. If the 2015 Junior 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 2015 Junior Bonds if any are purchased. The 2015 Junior 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 2015 Junior Bonds may be sold to certain dealers (including underwriters and dealers depositing the 2015 Junior Bonds into investment trusts) at prices lower than the public offering price.

Citigroup Global Markets Inc., an underwriter of the 2015 Junior Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic member firms) and UBSFS for their selling efforts with respect to the 2015 Junior Bonds.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the *"Undertaking"*) with respect to the 2015 Junior Bonds for the benefit of the beneficial owners of such 2015 Junior 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 it is in compliance 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 2015 Junior 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 2015 Junior Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2015 Junior 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, 2014 for its fiscal year then ended have been audited by Grant Thornton 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 City 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 2015 Junior 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 _____
Acting Chief Financial Officer

Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

JUNIOR LIEN AIRPORT REVENUE BONDS, SERIES 2015A

AND JUNIOR LIEN AIRPORT REVENUE REFUNDING BONDS, SERIES 2015B

Prepared for

City of Phoenix Aviation Department
Phoenix, Arizona

Prepared by
LeighFisher
Cincinnati, Ohio

DRAFT DATED 11-14-15

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Leigh | Fisher

<<date>>

Mr. James (Jim) Bennett
Aviation Director
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 Junior Lien Airport Revenue Bonds, Series 2015A and Junior Lien Airport Revenue Refunding Bonds, Series 2015B

Dear Mr. Bennett:

We are pleased to submit this Report of the Airport Consultant (Report) on certain aspects of the proposed issuance of Junior Lien Airport Revenue Bonds, Series 2015A (Series 2015A Junior Bonds or Improvement Bonds) and Junior Lien Airport Revenue Refunding Bonds, Series 2015B (the Series 2015B Junior Bonds, or Refunding Bonds, and collectively with the Improvement Bonds, the 2015 Junior Bonds) 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 purpose of the Report is to evaluate the ability of the City to satisfy the requirements of the Rate Covenant and the Junior Lien Rate Covenant during the forecast period taking into account the proposed 2015 Junior Bonds and outstanding Senior and Junior Lien Bonds. The forecast covers the fiscal year ending June 30, 2016 (FY 2016) through FY 2021, inclusive (the Forecast Period).

The City owns and, through the Aviation Department, operates Phoenix Sky Harbor International Airport (Sky Harbor), which is the primary air carrier airport serving the Phoenix region and the State of Arizona. The City also owns and operates Phoenix-Deer Valley and Phoenix-Goodyear general aviation airports (collectively with Sky Harbor, the Airport) and is a member of the Phoenix-Mesa Gateway Airport Authority which owns and operates Phoenix-Mesa Gateway Airport.

The City intends to issue the Improvement Bonds, in the par amount of $98,545,000.** Proceeds from the Improvement Bonds, with interest earnings during construction, are expected to be used for the following purposes:

- Reimburse the commercial paper program used to fund portions of the PHX Sky Train.
- Fund the required bond fund reserves.

*Capitalized terms not otherwise defined in this Report have the meanings given in the Bond Ordinance, Senior Lien Obligation Documents, Junior Lien Obligation Documents, or Official Statement to which this Report is attached.

**Par amount is preliminary and subject to change.

- Pay the costs of issuing the Improvement Bonds, including underwriters' discount and financing, legal, and other costs.

The City intends to issue the Refunding Bonds in the par amount of $19,350,000* to refund the 2034 maturity of the Junior Lien Airport Revenue Bonds, Series 2010A, fund the required bond fund reserves, and pay the cost of issuance.

PHX SKY TRAIN

The PHX Sky Train is an automated people mover system that will connect all of the Airport's terminals and parking facilities to VALLEY METRO Light Rail (regional public transit system) and 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 the Airport. The project will be completed in three stages (Stage 1, Stage 1a, and Stage 2). The first two stages are complete and inservice, connecting the light rail system and the Airport'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.

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 9 million passengers and replaced busing as the mode of transportation between terminals and parking facilities.

AVIATION CAPITAL IMPROVEMENT PROGRAM

The Aviation Department has developed an Aviation Capital Improvement Program (Aviation CIP)** through FY 2020 with project costs totaling $801.9 million. For purposes of this Report, an additional $80.0 million of spending is assumed in the final year of the Forecast Period (FY 2021). The Improvement Bonds will reimburse the portions of the commercial paper program used to fund the PHX Sky Train. The two largest projects in the Aviation CIP are the Terminal 3 Modernization Project and the Terminal 4 International Facility Improvement Project, which are estimated to cost $560.0 million and $27.0 million respectively.

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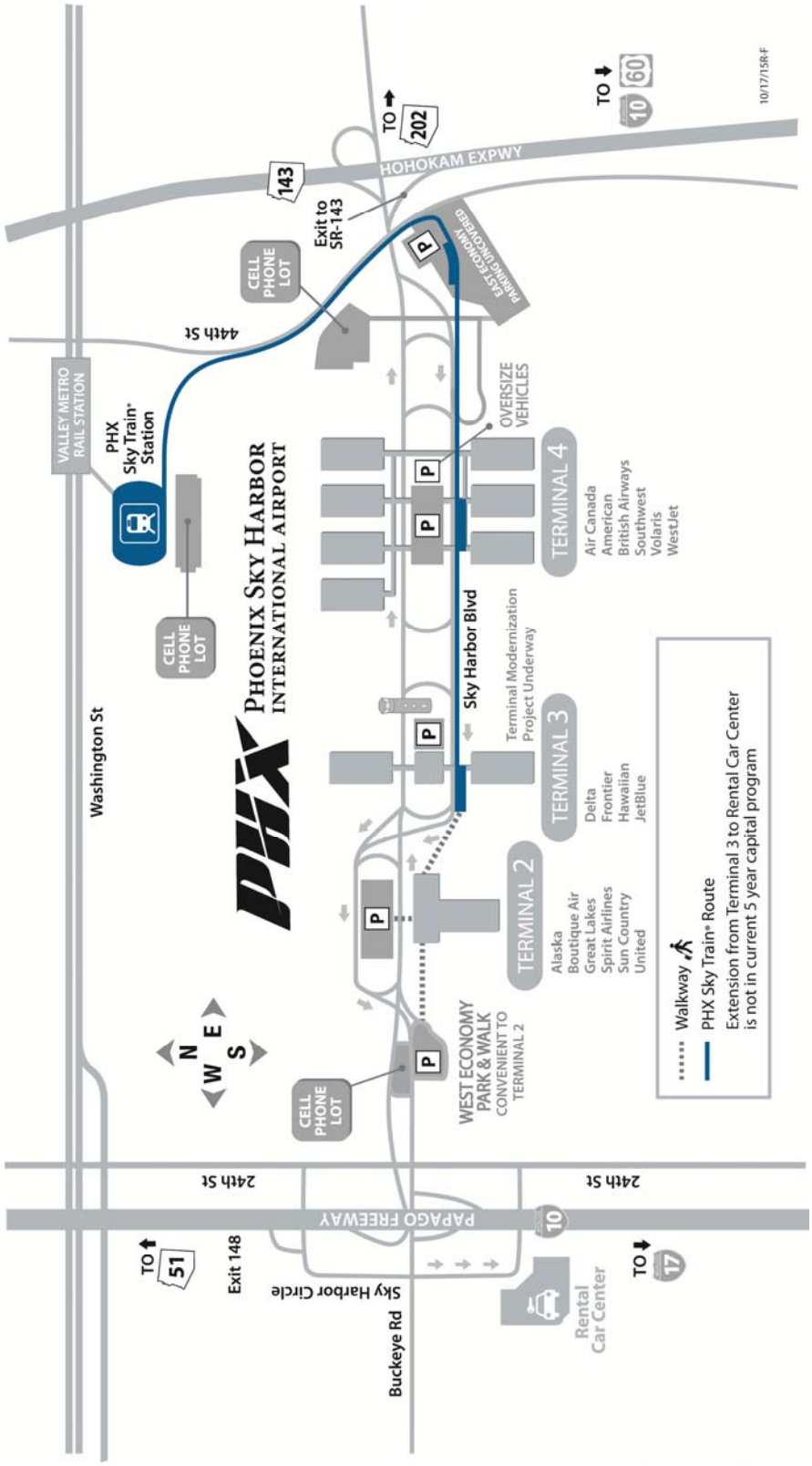
*Par amount is preliminary and subject to change. For the purposes of this Report, no savings are assumed for the Refunding Bonds; rather the original debt service for the bonds to be refunded is included.

**The Aviation Department has developed an Aviation Capital Improvement Program (Aviation CIP) through FY 2020 with project costs totaling $718.5 million. For purposes of this Report, the two major projects (Terminal 3 Modernization and Terminal 4 International Facility Improvements) were adjusted to be represented on a cash flow basis rather than a budgetary basis. Further, an additional $80.0 million of spending is assumed in the final year of the Forecast Period (FY 2021). For the Forecast Period and for the purposes of this Report, the Aviation CIP totals $881.9 million.


VALLEY METRO RAIL STATION
PHX Sky Train® Station
CELL PHONE LOT
Washington St
44th St
143
Exit to SR-143
CELL PHONE LOT
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
PHX
Sky Harbor Blvd
Terminal Modernization Project Underway
TERMINAL 4
Air Canada
American
British Airways
Southwest
Volaris
WestJet
OVERSIZE VEHICLES
EAST ECONOMY PARKING (UNCOVERED)
TO 202
HOHOKAM EXPWY
TO 10 60
10/17/15R-F
TERMINAL 3
Delta
Frontier
Hawaiian
JetBlue
TERMINAL 2
Alaska
Boutique Air
Great Lakes
Spirit Airlines
Sun Country
United
WEST ECONOMY PARK & WALK
CONVENIENT TO TERMINAL 2
CELL PHONE LOT
N
W
E
S
Walkway
PHX Sky Train® Route
Extension from Terminal 3 to Rental Car Center is not in current 5 year capital program
24th St
24th St
PAPAGO FREEWAY
10
TO 51
Exit 148
Sky Harbor Circle
Buckeye Rd
Rental Car Center
TO 17

The Terminal 3 Modernization project is a multiyear program to enhance the customer experience and provide a more efficient terminal for passengers. Major features of the project include a consolidated security checkpoint, additional ticket counters, additional baggage processing capacity, baggage carousels, replacement of gates, and expanded passenger drop-off curb. The multi-phase, design-build project includes three major components: the Terminal Processor, the South Concourse, and the North Concourse. By utilizing a modular approach to construction and funding, the Aviation Department (Management) has preserved the ability to postpone certain components of the project if unforeseen economic circumstances occur which lead to financial constraints or lowered terminal capacity requirements. The project is expected to be complete in 2020.

The Terminal 3 Modernization project includes a gate replacement and infrastructure upgrade that will allow Sky Harbor to close an aging Terminal 2 and relocate airlines to Terminal 3. Terminal 2 and Terminal 3 rely on systems that are over 30 years old and have capacity deficiencies or operational inefficiencies that will be significantly improved by the renewal of these systems. The upgrades are expected to lower operating costs, raise the level of service, and increase system reliability. Greater efficiency will be achieved by converting to common use ticket counters and gates that increase utilization though technology. The project will be delivered to a LEED Silver standard and will move passengers to their gate in a way that is faster, more pleasant, and in a fashion that drives increased revenue though food, beverage, and retail concessions.

TERMINAL 3 MODERNIZATION PROJECT
SCHEDULE OF DELIVERABLES
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport

Component number and amenities delivered	Anticipated Delivery
Component I, Phase I - New Ticket Hall, new Security Checkpoint, new Vertical Circulation Cores, Consolidated Campus Building	Fall 2016
Component I, Phase II – New Baggage Claim area and Circulation, additional concession opportunities	Fall 2017
Component I, Phase III – Completion of Terminal processor, additional concession and airline space to receive Terminal 2 airlines.	Summer 2018
Component II, Phase I - Construct New South Concourse – 10 Gates	Summer 2018
Component III - Renovate North Concourse – 10 gates	Fall 2019
Component II, Phase II – South Concourse additional 5 Gates	Spring 2020

Source: City of Phoenix Aviation Department.

The Terminal 4 International Facility Improvements project will improve the U.S. Customs and Border Protection (CBP) facilities located in the international concourse to accommodate and maintain an acceptable level of service for international passengers at Sky Harbor, especially during heavy international arrival periods. The construction phase services will include a new high-speed, large-

capacity elevator with service stairs; refurbished escalators and baggage claim equipment; a new family-assist restroom; remodeling of office areas in the basement level; and addition of new CBP offices. This will enhance vertical circulation, increase queue space, create baggage claim frontage, provide for more efficient passenger processing, and conform to current CBP compliance standards. Project design is 45% complete and construction is expected to be finished May 2017.

The Aviation Department plans to fund certain project costs of the Aviation CIP through Airport Improvement Program (AIP) grants administered by the FAA, state grants, passenger facility charge (PFC) revenues, Airport Improvement Funds (or local funds), and the proceeds of borrowings. The City uses a Commercial Paper (CP) program to provide interim funding for Aviation CIP projects including the Terminal 3 Modernization project and plans to issue additional bonds during the Forecast Period. For the purposes of this Report, additional Senior Lien Obligations are assumed to be issued in FY 2018 (Series 2017 Senior Improvement Bonds) and FY 2020 (Series 2019 Senior Improvement Bonds). No other projects in the Aviation CIP assume funding from additional bonds.

LEGAL FRAMEWORK

The Series 2015 Junior Bonds are being issued pursuant to the Bond Ordinance, the Senior Lien Obligation Documents, the Junior Lien Obligation Documents, and a Junior Lien City Purchase Agreement. The legal framework of the Junior Bonds is described below.

Junior Bonds

Junior Bonds are special revenue obligations of the CIC and are payable from payments to be made to the CIC by the City pursuant to the Junior Lien City Purchase Agreement. In 2010, the City, through the CIC, issued its first series of Junior Bonds since the redemption of the initial issuance of Junior Lien obligations originally issued in 2002 (the Junior Lien Airport Revenue Bonds, Series 2010A, Series 2010B and Series 2010C, or collectively the Prior Junior Bonds). The Prior Junior Bonds were issued pursuant to a Junior Lien City Purchase Agreement dated August 1, 2010, and the 2015 Junior Bonds will be issued pursuant to a Junior Lien City Purchase Agreement to be dated December 1, 2015 (collectively the Junior Lien City Purchase Agreements). As required in the Junior Lien City Purchase Agreements, the City will make payments to the CIC in an amount that is sufficient to pay principal and interest on the Junior Bonds. Payment on the Junior Bonds are made from (1) Designated Revenues and (2) PFC Revenues, and (3) with respect to the Series 2010B Junior Bonds, 2010 Recovery Zone Economic Development Bonds (RZEDB) Payments.

Upon the issuance of the 2015 Junior Bonds, annual PFC Revenues will be irrevocably committed in an amount equal to:

- 30% of the Improvement Bonds Debt Service,
- 100% of the Refunding Bonds Debt Service,
- 100% of the Junior Lien Airport Revenue Bonds Series 2010A and Series 2010B.

PFC Revenues are not Airport Revenues, rather PFC Revenues are irrevocably committed to pay debt service. The irrevocable commitment of annual PFC Revenues is, to the extent received by the City in any Fiscal Year, beginning on the date of issuance and ending June 30, 2021 (the Commitment Period),

unless subsequently extended or reestablished by the City in its discretion. Junior Bonds are secured by Designated Revenues (Net Airport Revenues after making all payments required for the benefit of the Senior Lien Obligations), irrevocably committed PFC Revenues, and irrevocably committed 2010 RZEDB Subsidy Payments pertaining to the Series 2010B Junior Bonds.

The City's obligations to make payments under the Junior Lien City Purchase Agreement are absolute and unconditional, but do not constitute a pledge of the full faith and credit or the ad valorem taxing power of the City. Except to the extent the City appropriates other lawfully available funds for such payments, the obligations are payable solely from payments required to be paid by the City of pursuant to the Junior Lien City Purchase Agreement and include Designated Revenues, PFC Revenues, and 2010 RZEDB Subsidy Payments.

Junior Bonds are not Parity Bonds (i.e., Senior Lien Obligations) under the Bond Ordinance. Section 4.6(b) of the Junior Lien City Purchase Agreement (the Junior Lien Rate Covenant) requires that the rates, fees, and charges for the use of the Airport be (1) sufficient to produce Designated Revenues at least equal to 110% of the amount required to be paid into the Junior Lien Bond Fund from the Revenue Fund, net of Other Available Funds deposited in the Junior Lien Bond Fund in such Fiscal Year after subtracting any Junior Lien Passenger Facility Charge Credit applicable to such Fiscal Year, and (2) sufficient to produce amounts to fund the required bond fund reserves.

Section 4.3 of the Junior Lien City Purchase Agreement reserves the City's right to issue additional Junior Lien Obligations if (1) Designated Revenues for the most recently completed Fiscal Year for which audited financial statements are available or the Designated Revenues for any 12 consecutive months out of the most recent 24 calendar months were sufficient to satisfy the rate covenant and would have been at least equal to 110% of the Maximum Annual Junior Lien Debt Service for all Junior Lien Obligations to be Outstanding including the Junior Lien Obligations proposed to be issued, <u>or</u> (2) Designated Revenues will be sufficient to satisfy the rate covenant (including any Junior Lien Obligations to be issued) in each Fiscal Year, after subtracting from the amount to be paid by any Junior Lien Passenger Facility Charge Credit, for the period of time beginning the first full Fiscal Year following the issuance of the Junior Lien Obligations through the later of three Fiscal Years following the expected date of completion of any construction projects to be financed at the Airport with the proceeds of the Junior Lien Obligations or five Fiscal Years following the issuance of the Junior Lien Obligations.

Senior Lien Obligations

The City is not issuing Senior Lien Obligations at this time, however for the purposes of this Report additional Senior Lien Obligations are assumed to be issued in FY 2018 and FY 2020. In Section 4.3 of the Bond Ordinance (and Section 4.6(a) of the Junior Lien City Purchase Agreement) (the Rate Covenant) the City covenants that "it will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (i) sufficient to produce Net Revenues at least equal to 125% of the amount required to be paid into the Bond Fund from the Revenue Fund, net of Other Available Funds deposited in the Bond Fund, in such Fiscal Year and after subtracting any Passenger Facility Charge Credit applicable to such Fiscal Year…and (ii) sufficient to produce amounts required to be deposited in the Bond Reserve Fund and any separate bond reserve fund for such Fiscal Year."

AIRLINE RATES AND CHARGES

The Phoenix City Code defines the terms and conditions by which airlines at Sky Harbor may use the airfield in common with other users and may occupy and use exclusive, joint, and common space in the terminal buildings. The City does not have long-term lease agreements with the airlines governing the use and occupancy of terminal space or the airfield at Sky Harbor. The terms are formalized in letters from the City authorizing month-to-month occupancy.

Additionally, Sky Harbor does not have a formal agreement with the airlines governing the rates and charges methodology for landing, terminal, and other fees. The Phoenix City Code provides that airline rents, fees, and charges be calculated pursuant to a compensatory rate-setting methodology. The City bears the risk of any shortfall in non-airline revenues and retains the benefit of any surplus in non-airline revenues for its own discretionary Airport-related use.

Airline Revenues consist of landing fees, terminal rentals, and other charges paid to the City by airlines for use and occupancy of the Airport. For the purpose of the Report, it is assumed that the City will annually calculate and adjust airline fees during the Forecast Period using a compensatory rate-setting methodology, and that airlines at Sky Harbor would pay such charges.

COST PER ENPLANED PASSENGER (CPE)
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30; in thousands except CPE)

	Forecast					
	2016	2017	2018	2019	2020	2021
Total Airline Revenues	$126,902	$130,496	$147,248	$159,284	$163,109	$168,290
Enplaned Passengers	21,800	22,100	22,400	22,700	23,000	23,300
CPE	$5.82	$5.90	$6.57	$7.02	$7.09	$7.22

SCOPE OF REPORT

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

- The status and estimated costs of the Aviation CIP, including the facilities expected to be provided, and the estimated completion dates of the projects in the CIP.
- 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 Aviation CIP and the estimated annual Debt Service Requirements for the proposed 2015 Junior Bonds and planned future bonds, provided by the City's Financial Advisor, Frasca & Associates, LLC.

- Historical relationships among Airport Revenues, Cost of Maintenance and Operation (Expenses), airline traffic, and other factors that may affect future Airport Revenues and Expenses.

- Historical Expense trends using the City's budgetary actual results from FY 2013-2014, the City's current FY 2015 estimates for budgetary actual results, and the City's preliminary budget of Expenses for FY 2016.

- Historical trends in Airport Revenues from FY 2013-2015 using the City's audited Comprehensive Annual Financial Report (CAFR), Exhibit E-4, as adjusted to comply with the Bond Ordinance, and the Airport's Annual Financial Report.*

- The City's policies and contractual agreements relating to use of the Airport; calculation and adjustment of airline rentals, fees, and charges; operation of public automobile parking and other concession and service privileges; and leasing of buildings and grounds.

- The historical and estimated future PFC Revenues and the City's intended use of PFC Revenues during the Forecast Period for funding portions of the Aviation CIP on a pay-as-you-go basis and as a source for repayment of the Improvement Bonds (the Junior Lien Passenger Facility Charge Credit).

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

FORECAST DEBT SERVICE COVERAGE

Exhibit H and the table on the following page summarize forecasts of Net Airport Revenues, Debt Service Requirements, and debt service coverage, taking into consideration debt service on outstanding Senior Lien Obligations, Junior Lien Obligations, estimated debt service on the proposed 2015 Junior Bonds, and estimated debt service on future obligations. For purposes of this Report, no savings are assumed for the Refunding Bonds.

The calculation of debt service coverage through the Forecast Period indicates compliance with the Rate Covenant of the Bond Ordinance and the Junior Lien Rate Covenant in each year of the Forecast Period.

*As of the date of this Report, Airport Revenues for the most recent fiscal year 2015 were unaudited. See the Official Statement, Airport Financial Information, Historical Revenues, Expenditures and Changes in Fund Balances and accompanying Table 5 for more information.

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

	2016	2017	2018	2019	2020	2021
SENIOR LIEN OBLIGATIONS						
Net Revenues and Other Available Funds	$ 115,033	$ 116,316	$ 130,680	$ 139,378	$ 144,089	$ 145,739
Senior Lien Debt Service Requirements						
Existing Senior Lien Debt Service	$ 48,775	$ 48,797	$ 48,850	$ 48,919	$ 49,130	$ 43,861
Less: Passenger Facility Charge Credit	-	-	-	-	-	-
Plus: Future Senior Improvement Bonds (Series 2017 and Series 2019)	-	-	16,234	16,234	27,144	34,820
Existing and Future Senior Lien Debt Service	$ 48,775	$ 48,797	$ 65,084	$ 65,153	$ 76,274	$ 78,681
Senior Lien Debt Service Coverage Ratios (on Net Revenues and Other Available Funds)						
Coverage including Future Senior Improvement Bonds (Series 2017 and Series 2019)	2.36	2.38	2.01	2.14	1.89	1.85
JUNIOR LIEN OBLIGATIONS						
Designated Revenues	$ 66,258	$ 67,519	$ 65,596	$ 74,226	$ 67,815	$ 67,058
Junior Lien Debt Service Requirements						
Existing Junior Lien Debt Service	$ 46,470	$ 46,471	$ 46,472	$ 46,472	$ 46,469	$ 46,469
Proposed Series 2015A Junior Improvement Bonds	4,199	6,398	6,399	6,397	6,398	6,398
Less: Junior Lien Passenger Facility Charge Credit	(45,588)	(46,248)	(46,249)	(46,249)	(46,246)	(46,247)
Less: 2010 RZEDB Subsidy Payment	(538)	(538)	(538)	(538)	(538)	(538)
Series 2015B Junior Refunding Bonds	-	-	-	-	-	-
Existing and Proposed Net Junior Lien Debt Service	$ 4,544	$ 6,082	$ 6,083	$ 6,082	$ 6,083	$ 6,083
Junior Lien Debt Service Coverage Ratios (on Designated Revenues)						
Existing and Proposed Net Junior Lien Debt Service Coverage	14.58	11.10	10.78	12.20	11.15	11.02
AGGREGATE						
Net Revenues and Other Available Funds	$ 115,033	$ 116,316	$ 130,680	$ 139,378	$ 144,089	$ 145,739
Aggregate Senior Lien and Junior Lien Net Debt Service	53,319	54,879	71,167	71,235	82,357	84,764
Aggregate Debt Service Coverage Ratios (on Net Revenues and Other Available Funds)						
Total Aggregate Net Debt Service Coverage	2.16	2.12	1.84	1.96	1.75	1.72

Mr. James (Jim) Bennett
_____, 2015

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. 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,

[UNSIGNED DRAFT DATED 11-4-15]

Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

City of Phoenix, Arizona

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CONTENTS

CONTENTS *(continued)*

CONTENTS *(continued)*

Page

FINANCIAL ANALYSIS *(continued)*

TABLES

TABLES *(continued)*

FIGURES

EXHIBITS

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BASIS FOR AIRLINE PASSENGER DEMAND

This section presents a review of (1) Phoenix Sky Harbor International Airport (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 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 2021, 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 designated 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 minutes from the central business district.

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. Sky Harbor provides approximately 26,300 public 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 is on a 141-acre site, west of the terminals, with approximately 5,600 ready/return garage spaces and an 113,000-square-foot customer service building.

Collectively, Terminals 2, 3, and 4 provide a total of 107 passenger holdrooms and 111 associated aircraft parking positions (collectively, gates). Terminal 2 contains approximately 330,000 square feet and 12 gates. Terminal 3 contains approximately 880,000 square feet and 15 gates. Terminal 4 contains approximately 2.3 million square feet and 84 gates. Southwest Airlines, American Airlines, and all international airlines operate exclusively from Terminal 4.

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 are capable of accommodating the operations of all commercial jet aircraft currently in use, while Sky Harbor jetbridges can accommodate all but Design Group VI (e.g., A380) aircraft.

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

AIRPORT SERVICE REGION

The primary region served by Sky Harbor is the Phoenix-Mesa-Scottsdale MSA, a large population center in south-central Arizona. Arizona is located 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 from Phoenix, with the closest being Las Vegas McCarran International Airport (292 miles to the northwest).

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 12th most populous metropolitan area in the United States with an estimated 2014 population of 4,489,000, accounting for two-thirds of Arizona's population. The Bureau of the Census reports an estimated 2014 Phoenix population of 1,537,000, making it the sixth largest city in the United States, as well as the largest U.S. state capital in terms of population. Despite Arizona's reputation as a retirement destination, Bureau of the Census statistics indicate that the MSA has no higher concentration of individuals aged 65 and older than the nation overall.

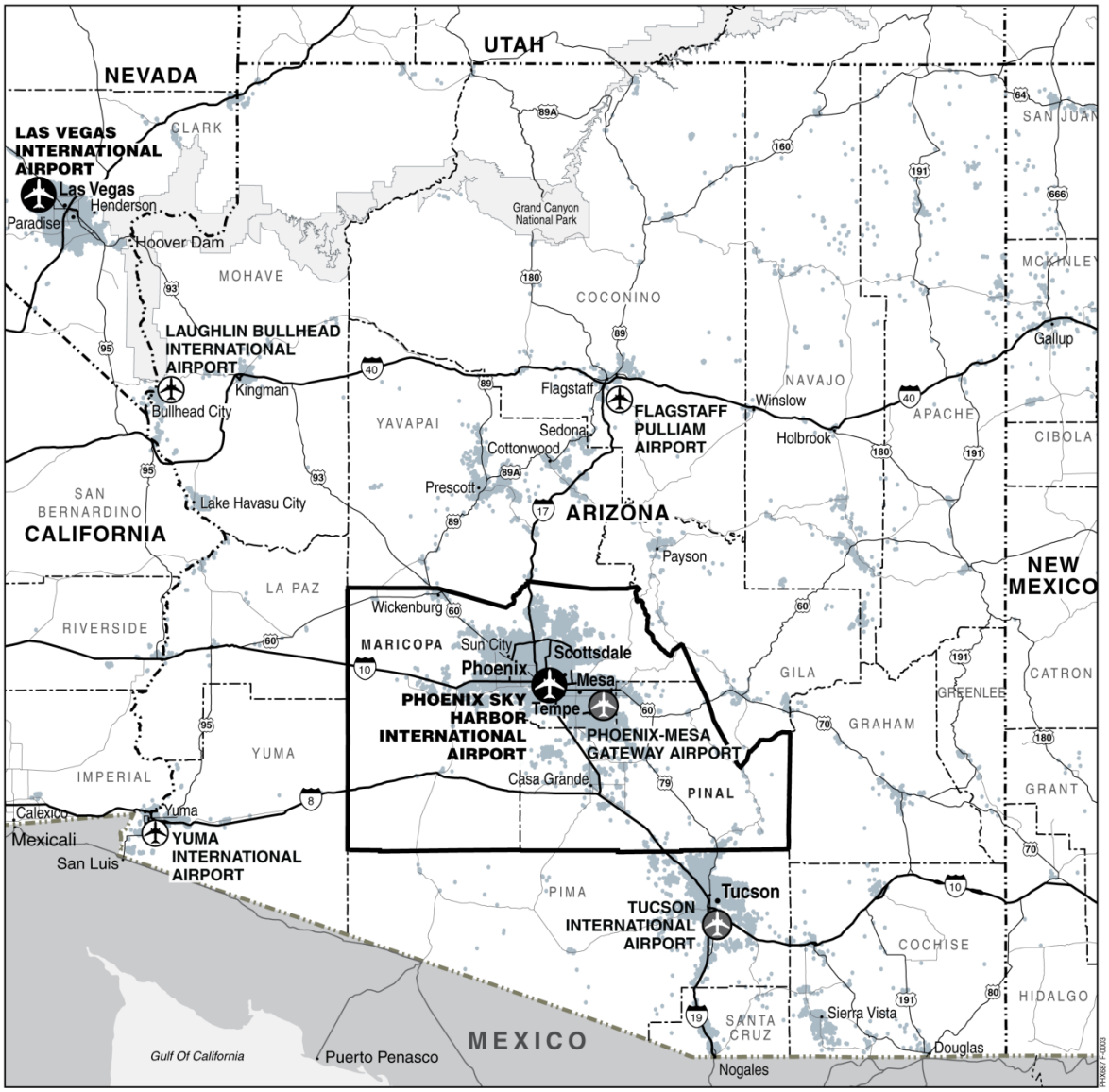
Historically, growth in air travel demand to and from the Airport Service Region has been fostered by strong population growth, the economic health and expansion of the MSA, and the attractiveness of the area as a business and leisure destination.

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



LEGEND

- Airport service region
- Population density: 1 dot represents 100 people
- Large-hub airport
- Small-hub airport
- Other commercial service airport
- International boundary
- State boundary
- County boundary

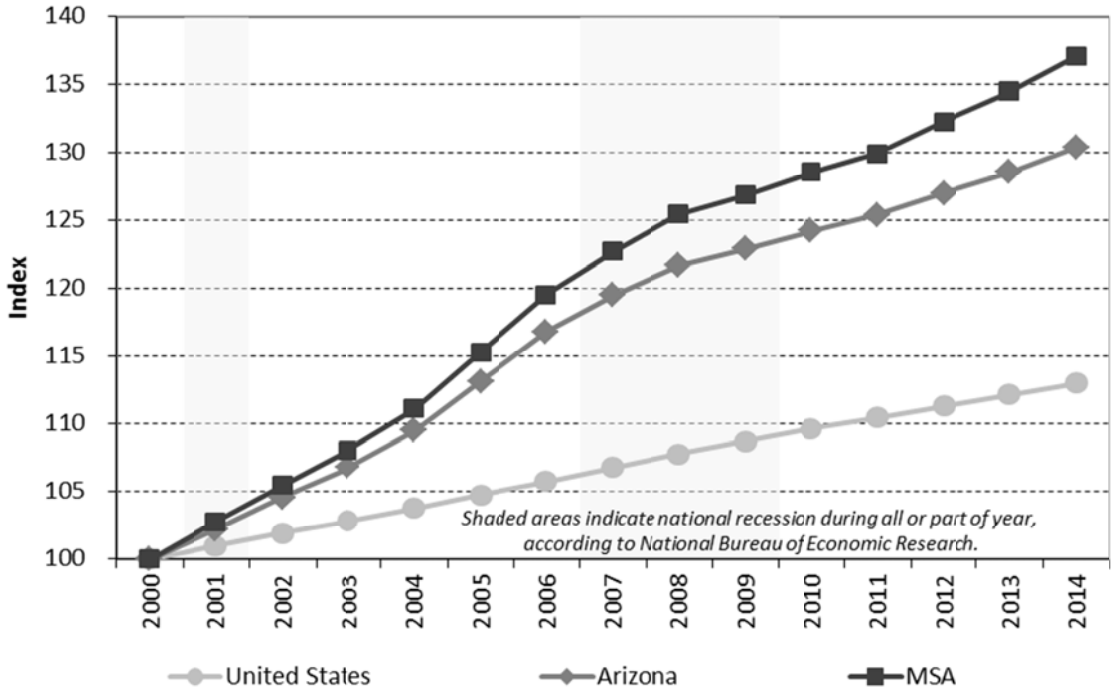
Road miles from Phoenix to:	
Tucson	117
Las Vegas	292
San Diego	354
Los Angeles	371
Salt Lake City	656
San Francisco	752
Denver	809
Dallas/Fort Worth	1056

Source: 2010 U.S. Census data.

Population

Figure 2 shows that the population of the MSA increased an average of 2.3% annually between 2000 and 2014, compared with a 1.9% average annual increase for Arizona as a whole and a 0.9% increase for the nation.

Figure 2
COMPARATIVE INDEX OF POPULATION TRENDS
(1990 = 100)



Population	2000	2007	2014
United States	282,162,411	301,231,207	318,857,056
Arizona	5,160,586	6,167,681	6,731,484
MSA	3,273,477	4,018,128	4,489,109
Compound annual growth rate	**2000-2007**	**2007-2014**	**2000-2014**
United States	0.9%	0.8%	0.9%
Arizona	2.6	1.3	1.9
MSA	3.0	1.6	2.3

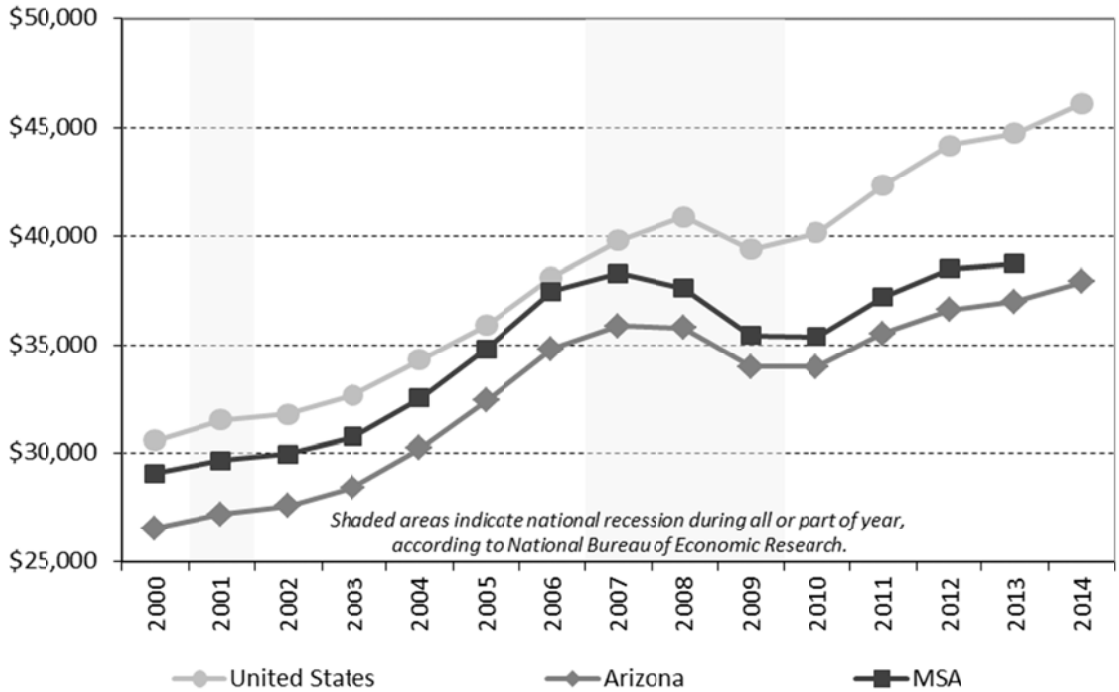
Note: Values represent July 1 population estimates.

Source: U.S. Department of Commerce, Bureau of the Census website, www.census.gov, accessed September 2015.

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 level. Additionally, the 2008-2009 recession had a more substantial impact on per capita income in Arizona and the MSA than in the nation overall. In 2013 (the most recent year for which MSA income data was available), per capita income in the MSA was 5% higher than in Arizona, but 13% lower than the national average.

Figure 3
PER CAPITA PERSONAL INCOME



Per Capita Personal Income	2000	2007	2014 *(a)*
United States	30,587	39,804	46,129
Arizona	26,538	35,860	37,895
MSA	29,081	38,291	38,745
Compound annual growth rate	**2000-2007**	**2007-2014** *(b)*	**2000-2014** *(c)*
United States	3.8%	2.1%	3.0%
Arizona	4.4	0.8	2.6
MSA	4.0	0.2	2.2

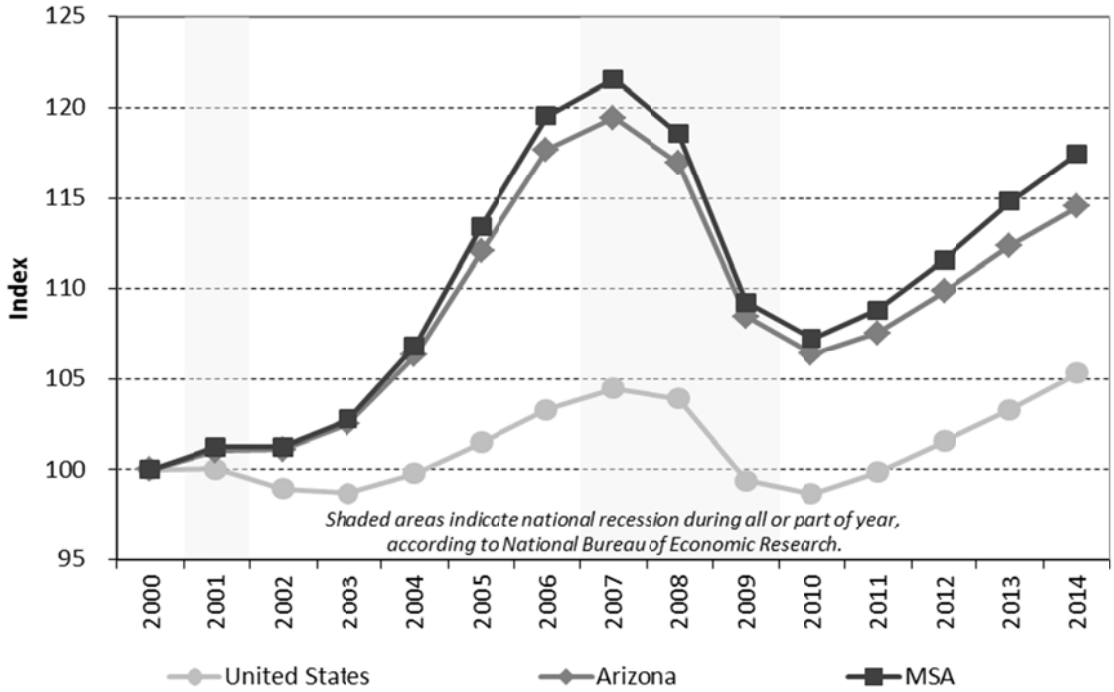
(a) Per capita personal income for the MSA is for 2013, the most recent data available.
(b) The percentage shown for the MSA is for 2007-2013.
(c) The percentage shown for the MSA is for 2000-2013.

Source: U.S. Department of Commerce, Bureau of Economic Analysis website, www.bea.gov, accessed September 2015.

Employment

Figure 4 shows that employment in the MSA increased at a rate triple that of the nation between 2000 and 2014. In 2008 and 2009, employment in the MSA declined to a much greater extent than the nation as a whole, reflecting a more substantial impact from the housing and real estate decline and related construction slowdown. By 2014, however, employment in the MSA rebounded to nearly 97% of its 2007 peak.

Figure 4
COMPARATIVE INDEX OF TOTAL NON-AGRICULTURAL EMPLOYMENT
(1990 = 100)



Employment	2000	2007	2014
United States	132,019	137,936	139,042
Arizona	2,243	2,679	2,568
MSA	1,578	1,918	1,853
Compound annual growth rate	**2000-2007**	**2007-2014**	**2000-2014**
United States	0.6%	0.1%	0.4%
Arizona	2.6	(0.6)	1.0
MSA	2.8	(0.5)	1.2

Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed September 2015.

Table 1 shows shares of employment by industry sector in the MSA, Arizona, and the United States. The MSA has a higher percentage of jobs in professional and business services and financial activities than the United States overall, and a lower percentage in government, manufacturing, education, and health services. Employment growth of the MSA outpaced U.S. employment growth from 2000 through 2014 in every sector except construction, mining, and logging.

Table 1

AVERAGE ANNUAL NONAGRICULTURAL EMPLOYMENT GROWTH, 2000-2014, AND EMPLOYMENT SHARE BY INDUSTRY, 2014

	CAGR 2000-2014			2014 percent of total *(a)*		
Industry	MSA	Arizona	United States	MSA	Arizona	United States
Trade, transportation, and utilities	0.9%	0.9%	0.0%	19.7%	19.2%	19.0%
Professional and business services	1.1	1.1	1.0	16.6	14.9	13.7
Education and health services	4.9	4.3	2.5	14.5	14.8	15.4
Government	1.3	0.8	0.4	12.6	16.0	15.7
Leisure and hospitality	2.1	1.6	1.5	10.7	11.1	10.6
Financial activities	1.8	1.6	0.2	8.8	7.4	5.7
Manufacturing	(2.2)	(2.1)	(2.5)	6.4	6.1	8.8
Construction	(1.8)	(2.1)	(0.7)	5.2	4.9	4.4
Other services	1.2	0.9	0.5	3.5	3.4	4.0
Information	(1.3)	(1.6)	(2.0)	1.9	1.7	2.0
Mining and logging	2.5	2.1	2.9	0.2	0.5	0.6
TOTAL	1.2%	1.0%	0.4%	100.0%	100.0%	100.0%

Notes: CAGR=Compound annual growth rate.

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

Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed September 2015.

Table 2 shows the top 25 private-sector employers in Arizona. Sixteen 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 2
MAJOR PRIVATE-SECTOR EMPLOYERS IN ARIZONA
(ranked by number of employees)

Company	Employment	Type of business
Wal-Mart Stores, Inc. *(a)*	32,438	Retail
Banner Health	30,266	Health care
Wells Fargo *(a)*	14,126	Financial services
Intel Corp. *(a)*	11,700	Technology
Scottsdale Lincoln Health Network	10,500	Health care
Honeywell *(a)*	10,000	Technology
JPMorgan Chase & Co. *(a)*	9,600	Financial services
Apollo Education Group Inc.	9,417	Education
American Airlines Group Inc. *(a)*	9,000	Airline
Target *(a)*	8,572	Retail
Freeport-McMoRan Inc. *(a)*	8,357	Mining
Dignity Health	8,000	Health care
American Express Co. *(a)*	7,300	Financial services
Basha's Family of Stores	6,722	Retail
Arizona Public Service Co.	5,914	Utilities
Mayo Clinic Hospital	5,597	Health care
Safeway Inc. *(a)*	5,036	Retail
Salt River Project	5,031	Utilities
United Healthcare of Arizona *(a)*	4,800	Health care
The Boeing Co. *(a)*	4,500	Aerospace
Charles Schwab & Co. *(a)*	3,500	Financial services
United Parcel Service *(a)*	3,205	Courier, logistics
Cox Communications Arizona	3,054	Telecommunications
CenturyLink *(a)*	2,865	Telecommunications
Humana Inc. *(a)*	2,862	Health care

(a) Ranked in 2015 Fortune 500 list of largest U.S. companies (based on 2014 revenue).

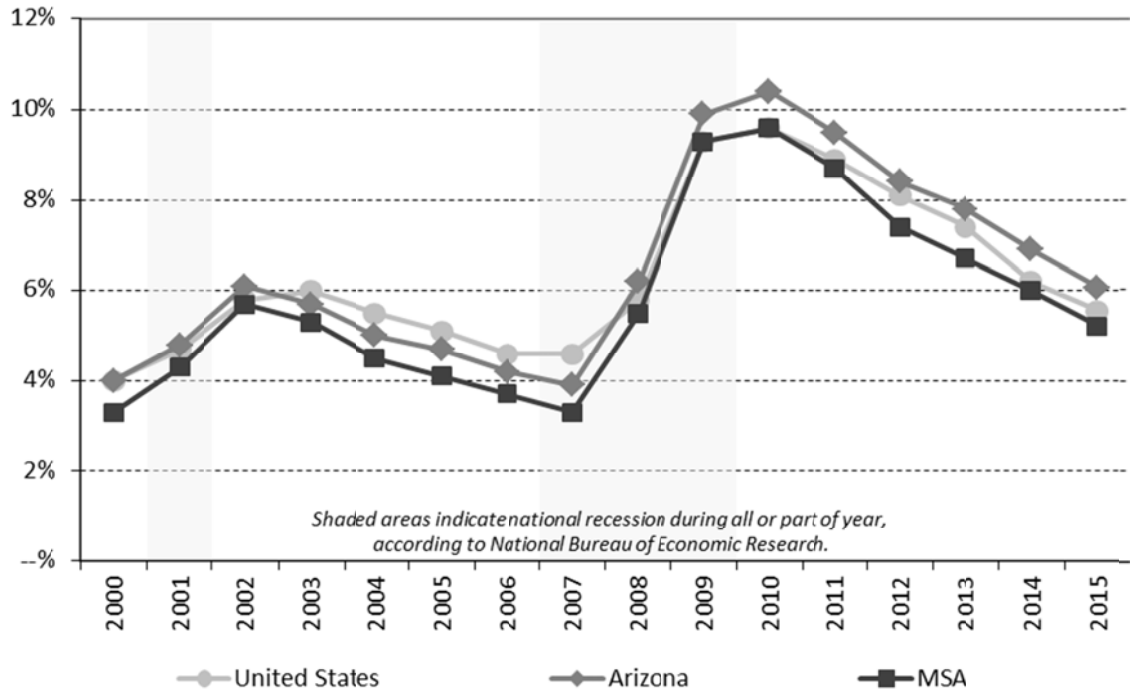
Source: Phoenix Business Journal, *2014-15 Book of Lists*.

The MSA is the headquarters location for five Fortune 500 companies (Avnet, Freeport-McMoRan, Republic Services, PetSmart, and Insight Enterprises). In addition, Mesa Airlines is headquartered in the MSA. Mesa is the largest regional affiliate of American Airlines, as measured by enplaned passengers, serving Sky Harbor.

Unemployment Rate

Figure 5 shows that unemployment in the MSA has been equal to or lower than in the United States in every year since 2000. In 2015, unemployment in the MSA was 5.2%, compared with 6.1% in Arizona and 5.6% for the nation.

Figure 5
CIVILIAN UNEMPLOYMENT RATE



Unemployment Rate	2000	2007	2015 *(a)*
United States	4.0%	4.6%	5.6%
Arizona	4.0	3.9	6.1
MSA	3.3	3.3	5.2

Note: Values represent seasonally unadjusted unemployment rates.

(a) 2015 data represents the average for January-July 2015.

Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed September 2015.

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 tourism destination. Phoenix and its surrounding cities are within the so-called 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.

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.

Total direct travel spending in Arizona was approximately $20.9 billion in 2014, 15% above a pre-recessionary peak of $18.2 billion in 2007, 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 40.7 million visitors in 2014 (35.0 million domestic and 5.7 million international).

Major sporting events also draw tourists to the Airport Service Region. For example, the MSA has been a three-time host (1996, 2008, and 2015) of the Super Bowl, the National Football League's championship game, and will host the 2016 College Football Playoff (CFP) National Championship game. The Airport Service Region is also the location of the annual 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 Sun Devils compete within the Pacific-12 Conference in a number of sports, including baseball, basketball, and football.

The favorable Arizona climate brings 15 Major League Baseball teams, known as the Cactus League, to the Airport Service Region each February and March for spring training and preseason play. The teams include the Arizona Diamondbacks, Chicago Cubs, Chicago White Sox, Cincinnati Reds, Cleveland Indians, Colorado Rockies, Kansas City Royals, Los Angeles Angels of Anaheim, Los Angeles Dodgers, Milwaukee Brewers, Oakland Athletics, San Diego Padres, San Francisco Giants, Seattle Mariners, and Texas Rangers.

The Phoenix International Raceway is a major National Association for Stock Car Auto Racing (NASCAR) venue hosting several auto racing events annually, two of which involve distances of 500 kilometers: the CampingWorld.com 500, held in March, and the Quicken Loans Race for Heroes 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.

ECONOMIC OUTLOOK

Outlook for the U.S. Economy

Following GDP growth of 1.5% in 2013 and 2.4% in 2014, the Congressional Budget Office (CBO) forecasts GDP growth of 2.8% in 2015, 3.0% in 2016, 2.7% in 2017, and 2.2% thereafter.

Continued U.S. economic growth will depend on, among other factors, the housing market, the effectiveness of monetary stimulus, the health of the financial and credit markets, the strength of the U.S. dollar versus other currencies, energy prices, the ability of the federal government to reduce historically high fiscal deficits, inflation remaining within the range targeted by the Federal Reserve, and the economic health of U.S. trading partners.

Outlook for 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 June 2015 publication, *Arizona's Economy*, the University of Arizona noted that the State is continuing its moderate recovery, adding residents and jobs at rates exceeding most other states and the national average, though trailing its own long-term historical averages. The Scottsdale based economic consulting firm Elliott D. Pollack & Company expressed similar sentiments in a recent economic outlook presentation, anticipating continued economic recovery, but at less than "boom" levels given weaker-than-historic growth in population and construction.*

Table 3 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 and employment in both Arizona and the MSA is forecast to exceed national rates while personal income is also expected to grow, albeit at a slightly lesser rate than the nation.

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 twelve different organizations. The latest Blue Chip Forecast, based upon second quarter 2015 data, reflects projections for the MSA generally in line with those shown in Table 3.

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*Elliott D. Pollack, "Most of the Economy on 8 Cylinders …. and then there's Construction" (August 7, 2015).

Table 3

SOCIOECONOMIC PROJECTIONS

(Phoenix-Mesa-Scottsdale MSA, Arizona, and the United States)

	Compound annual growth rate	
	Historical 2000-2014	Projected 2014-2019
Population		
MSA	2.3%	2.0%
Arizona	1.9	1.7
United States	0.9	0.8
Non-agricultural employment		
MSA	1.2%	2.9%
Arizona	1.0	2.6
United States	0.4	1.1
Per capita personal income		
MSA	2.2% (a)	3.7%
Arizona	2.6	3.6
United States	3.0	3.9

(a) The percentage shown is for 2000-2013, 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, www.bls.gov; U.S. Department of Commerce Bureau of Economic Analysis website, www.bea.gov.

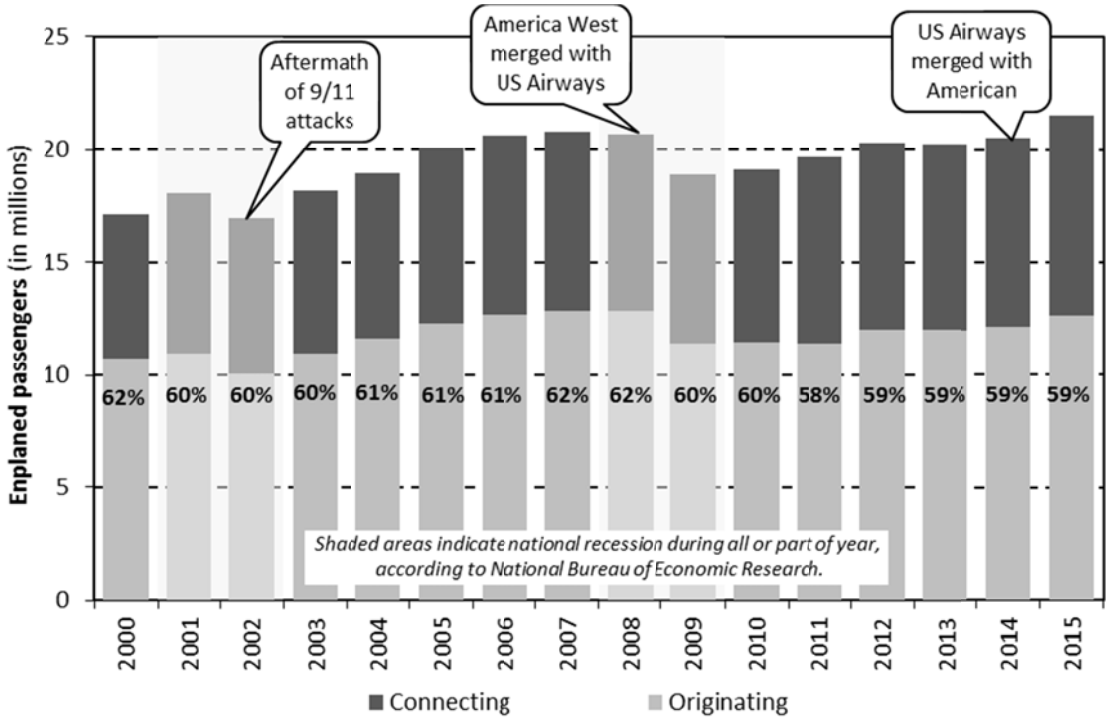
Projections—MSA, Arizona: University of Arizona, Eller College of Management, Economic & Business Research Center, June 2015. United States: U.S. Department of Commerce, Bureau of the Census website, *2014 National Population Projections,* December 2014; U.S. Department of Commerce, Bureau of Economic Analysis website, *Employment Outlook: 2012-2022*, December 2013.

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 shows that 21.5 million passengers enplaned at Sky Harbor in FY 2015. Between FY 2000 and FY 2015, the number of enplaned passengers increased at a 1.5% average annual growth rate. In FY 2015, an estimated 41% (8.8 million) of the passengers at Sky Harbor connected from one flight to another.

Figure 6
HISTORICAL ENPLANED PASSENGERS
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30)



Notes: Percentages reflect O&D passengers as a percent of total enplaned passengers.
O&D and connecting split for 2015 was estimated based on 2 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.

*In all discussions of 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; and AirTran Airways with Southwest Airlines).

Airline Roles at Sky Harbor

Table 4 shows the composition of enplaned passengers at Sky Harbor in FY 2015, profiling the types of traffic accommodated by the primary airline groups. Although American accounted for 51.1% of total enplaned passengers at Sky Harbor, the airline accommodated most (75.0%) of the connecting traffic (60.3% of American's enplaned passengers were connecting whereas 39.7% were originating). Southwest, by comparison, accounted for 31.4% of total enplaned passengers and 23.5% of total connecting passengers (30.8% of Southwest's enplaned passengers were connecting whereas 69.2% were originating). The other airlines together accommodated the remaining 17.5% of total enplaned passengers but boarded only 1.5% of Sky Harbor's connecting passengers.

Table 4
COMPOSITION OF ENPLANED PASSENGERS, BY AIRLINE GROUP
Phoenix Sky Harbor International Airport
(Fiscal Year ended June 30, 2015; 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	**10,978**	**6,750**	**3,760**	**21,489**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
By sector:								
Domestic	10,278	6,750	3,320	20,349	93.6%	100.0%	88.3%	94.7%
International	700	-	440	1,140	6.4	-	11.7	5.3
By type of passenger:								
Originating	4,354	4,675	3,627	12,656	39.7%	69.2%	96.5%	58.9%
Resident (a)	*2,103*	*2,216*	*1,411*	*5,729*	*19.2*	*32.8*	*37.5*	*26.7*
Visitor (b)	*2,251*	*2,459*	*2,217*	*6,926*	*20.5*	*36.4*	*59.0*	*32.2*
Connecting	6,625	2,076	132	8,833	60.3	30.8	3.5	41.1
Airline share of Sky Harbor total:								
Total	51.1%	31.4%	17.5%	100.0%				
Originating	34.4	36.9	28.7	100.0				
Connecting	75.0	23.5	1.5	100.0				

Notes: Figures may not add to totals shown because of rounding.
Originating, resident, visitor, and connecting numbers were estimated based on 2 quarters of actual data.

(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.

Ranking Among Other Airports

Table 5 shows the 30 largest U.S. airports ranked by enplaned passengers. By this measure, in 2014, Sky Harbor ranked 10th. The number of enplaned passengers increased 12.6% (2.3 million) at Sky Harbor between 2000 and 2014.

Table 6 shows the 30 largest U.S. airports ranked by enplaned originating passengers. By this measure, in 2014, Sky Harbor ranked 14th. The number of originating passengers increased 4.1% (500,000) at Sky Harbor between 2000 and 2014.

Table 7 shows the 30 largest U.S. airports ranked by connecting passengers. By this measure, in 2014, Sky Harbor ranked 7th. The number of connecting passengers increased 26.6% (1.8 million) at Sky Harbor between 2000 and 2014.

Table 8 shows the 30 largest U.S. gateway airports ranked by international enplaned passengers. By this measure, in 2014, Sky Harbor ranked 22nd. The number of international enplaned passengers increased 125.3% (600,000) at Sky Harbor between 2000 and 2014. Sky Harbor was among only six airports listed that experienced more than a doubling of international enplaned passengers over the 2000-2014 period.

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, located approximately 30 miles southeast of Sky Harbor. Allegiant Air began scheduled service at Phoenix-Mesa Gateway Airport in 2007. As scheduled for August 2015, Phoenix-Mesa Gateway is the 4th-ranked airport in the Allegiant system as measured by departing seats (after Las Vegas, Orlando-Sanford, and St. Pete-Clearwater).

Table 9 compares number of cities served nonstop, average daily aircraft departures, and average daily departing seats at Sky Harbor International Airport and Phoenix-Mesa Gateway in August 2015. Of the total domestic capacity in the combined Phoenix market at that time, Sky Harbor accounted for 97% and Phoenix-Mesa Gateway for the remaining 3%.

Table 5
ENPLANED PASSENGERS AT TOP-RANKING U.S. AIRPORTS
(calendar years)

2014 Rank	City (airport)	Enplaned passengers (millions) 2000	2007	2014	Percent increase (decrease) 2000-2014	Increase (decrease) 2000-2014 (millions)
1	Atlanta	39.2	43.1	46.6	18.8%	7.4
2	Los Angeles (International)	32.1	30.1	34.3	6.7	2.2
3	Chicago (O'Hare)	33.7	36.5	33.7	0.1	0.0
4	Dallas/Fort Worth	28.2	28.4	30.8	9.2	2.6
5	New York (Kennedy)	16.1	23.4	26.3	63.3	10.2
6	Denver	18.3	24.1	26.0	42.0	7.7
7	San Francisco	19.5	17.3	22.8	16.5	3.2
8	Charlotte	11.4	16.6	21.5	88.1	10.1
9	Las Vegas	16.4	22.4	20.4	24.5	4.0
10	**Phoenix (Sky Harbor)**	**18.1**	**20.8**	**20.3**	**12.6**	**2.3**
11	Houston (Bush)	16.3	20.8	19.8	21.1	3.4
12	Miami	16.5	16.2	19.5	18.2	3.0
13	Seattle	13.8	15.4	17.9	29.1	4.0
14	Newark	17.2	18.2	17.7	2.9	0.5
15	Orlando (International)	14.7	17.6	17.3	17.4	2.6
16	Minneapolis-St. Paul	16.8	17.0	17.0	1.1	0.2
17	Detroit	17.2	17.5	15.8	(8.2)	(1.4)
18	Boston	13.6	13.8	15.4	13.2	1.8
19	Philadelphia	12.3	15.7	14.7	20.2	2.5
20	New York (LaGuardia)	12.7	12.5	13.4	5.8	0.7
21	Fort Lauderdale	7.8	11.1	12.0	53.9	4.2
22	Baltimore	9.6	10.4	11.0	13.7	1.3
23	Washington DC (Dulles)	9.1	11.8	10.4	14.7	1.3
24	Chicago (Midway)	7.1	9.1	10.3	45.4	3.2
25	Salt Lake City	9.5	10.6	10.1	6.4	0.6
26	Washington DC (Reagan)	7.4	9.0	10.1	35.8	2.7
27	Honolulu	10.6	10.3	9.5	(10.5)	(1.1)
28	San Diego	7.9	9.1	9.3	18.3	1.4
29	Tampa	8.0	9.3	8.5	7.2	0.6
30	Portland, Oregon	6.8	7.3	7.9	16.7	1.1
	Total—top 30 airports				17.6%	

Notes: Airports shown are the top 30 U.S. airports ranked by number of passengers for 2014. Percentages were calculated using unrounded numbers.

Sources: U.S. DOT, Schedules T100 and 298C T1.

Table 6
ORIGINATING PASSENGERS AT TOP-RANKING U.S. AIRPORTS
(calendar years)

2014 Rank	City (airport)	Originating passengers (millions) 2000	2007	2014	Percent increase (decrease) 2000-2014	Increase (decrease) 2000-2014 (millions)
1	Los Angeles (International)	24.0	23.3	26.1	9.1%	2.2
2	New York (Kennedy)	12.9	18.8	20.7	61.0	7.9
3	San Francisco	15.1	12.7	17.9	18.4	2.8
4	Chicago (O'Hare)	16.4	17.7	17.3	5.3	0.9
5	Las Vegas	14.1	18.5	17.2	21.7	3.1
6	Orlando (International)	13.8	16.6	16.5	19.3	2.7
7	Denver	9.8	13.0	15.3	55.9	5.5
8	Boston	12.6	13.1	14.5	15.6	2.0
9	Atlanta	15.3	15.1	14.5	(4.7)	(0.7)
10	Seattle	10.4	11.6	12.8	22.3	2.3
11	Newark	13.3	13.9	12.6	(5.3)	(0.7)
12	Dallas/Fort Worth	11.5	12.3	12.4	7.6	0.9
13	New York (LaGuardia)	11.8	11.6	11.9	0.7	0.1
14	**Phoenix (Sky Harbor)**	**11.2**	**12.8**	**11.7**	**4.1**	**0.5**
15	Miami	10.0	9.4	11.3	13.0	1.3
16	Fort Lauderdale	7.6	10.4	10.8	42.9	3.2
17	Minneapolis-St. Paul	8.2	8.7	9.0	10.4	0.9
18	Houston (Bush)	6.8	9.0	8.9	31.7	2.1
19	San Diego	7.6	8.8	8.8	16.2	1.2
20	Philadelphia	7.8	9.8	8.6	10.2	0.8
21	Washington DC (Reagan)	6.5	7.4	8.4	27.9	1.8
22	Tampa	7.5	8.7	8.1	8.2	0.6
23	Detroit	8.4	9.0	8.0	(5.1)	(0.4)
24	Baltimore	8.2	8.5	7.8	(4.8)	(0.4)
25	Honolulu	8.6	8.4	7.7	(9.9)	(0.9)
26	Portland, Oregon	5.7	6.2	6.6	16.4	0.9
27	Washington DC (Dulles)	6.1	7.3	6.5	5.4	0.3
28	Chicago (Midway)	5.8	6.5	6.2	7.4	0.4
29	Charlotte	3.0	4.8	5.5	83.0	2.5
30	Salt Lake City	5.0	5.7	5.5	10.0	0.5
	Total—top 30 airports				14.5%	

Notes: Airports shown are the top 30 U.S. airports ranked by number of originating passengers for 2014.
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, Schedules T100 and 298C T1; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Table 7

CONNECTING PASSENGERS AT TOP-RANKING U.S. AIRPORTS

(calendar years)

2014 Rank	City (airport)	Connecting passengers (millions) 2000	2007	2014	Percent increase (decrease) 2000-2014	Increase (decrease) 2000-2014 (millions)
1	Atlanta	24.0	28.1	32.1	33.8%	8.1
2	Dallas/Fort Worth	16.7	16.1	18.4	10.3	1.7
3	Chicago (O'Hare)	17.2	18.8	16.4	(4.9)	(0.8)
4	Charlotte	8.4	11.8	16.0	89.9	7.6
5	Houston (Bush)	9.6	11.7	10.9	13.5	1.3
6	Denver	8.5	11.1	10.7	26.0	2.2
7	**Phoenix (Sky Harbor)**	**6.9**	**8.0**	**8.7**	**26.6**	**1.8**
8	Los Angeles (International)	8.2	6.8	8.2	(0.1)	(0.0)
9	Miami	6.4	6.8	8.1	26.2	1.7
10	Minneapolis-St. Paul	8.6	8.3	8.0	(7.7)	(0.7)
11	Detroit	8.8	8.5	7.8	(11.2)	(1.0)
12	Philadelphia	4.5	5.9	6.2	37.4	1.7
13	New York (Kennedy)	3.2	4.6	5.5	72.8	2.3
14	Seattle	3.4	3.8	5.1	50.0	1.7
15	Newark	3.8	4.3	5.0	31.3	1.2
16	San Francisco	4.4	4.5	4.9	10.2	0.5
17	Salt Lake City	4.6	4.9	4.7	2.4	0.1
18	Chicago (Midway)	1.3	2.7	4.1	217.0	2.8
19	Washington DC (Dulles)	2.9	4.5	4.0	34.2	1.0
20	Las Vegas	2.3	3.9	3.2	41.3	0.9
21	Baltimore	1.4	1.9	3.1	120.2	1.7
22	Houston (Hobby)	1.1	1.1	1.9	83.2	0.9
23	Honolulu	2.0	1.9	1.7	(12.9)	(0.3)
24	Washington DC (Reagan)	0.9	1.6	1.7	94.4	0.8
25	New York (LaGuardia)	0.8	1.0	1.5	75.7	0.6
26	Portland, Oregon	1.1	1.1	1.3	18.3	0.2
27	Dallas (Love)	0.7	1.0	1.2	77.4	0.5
28	Fort Lauderdale	0.2	0.7	1.2	418.4	1.0
29	St. Louis	9.5	1.4	1.1	(88.9)	(8.4)
30	Boston	1.0	0.7	0.9	(16.1)	(0.2)
	Total—top 30 airports				18.0%	

Notes: Airports shown are the top 30 U.S. airports ranked by number of connecting passengers for 2014.
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 Schedules T100 and 298C T1.

Table 8

INTERNATIONAL PASSENGERS AT TOP-RANKING U.S. AIRPORTS

(calendar years)

2014 Rank	City (airport)	Enplaned international passengers (millions) 2000	2007	2014	Percent increase (decrease) 2000-2014	Increase (decrease) 2000-2014 (millions)
1	New York (Kennedy)	9.02	10.71	13.78	52.8%	4.8
2	Miami	7.99	7.76	10.05	25.9	2.1
3	Los Angeles (International)	8.16	8.33	9.16	12.3	1.0
4	Chicago (O'Hare)	4.96	5.67	5.58	12.5	0.6
5	Newark	4.40	5.28	5.75	30.7	1.3
6	San Francisco	3.95	4.25	5.00	26.6	1.1
7	Atlanta	3.11	4.46	5.25	68.7	2.1
8	Houston (Bush)	2.67	3.79	4.79	79.5	2.1
9	Dallas/Fort Worth	2.42	2.51	3.44	42.5	1.0
10	Washington DC (Dulles)	1.95	2.83	3.48	78.5	1.5
11	Honolulu	2.49	1.79	2.46	(1.2)	(0.0)
12	Boston	2.13	1.92	2.24	4.9	0.1
13	Detroit	1.92	1.89	1.64	(14.3)	(0.3)
14	Philadelphia	1.28	1.79	1.94	51.2	0.7
15	Orlando (International)	1.22	1.10	2.14	75.2	0.9
16	Fort Lauderdale	0.70	1.44	2.22	216.4	1.5
17	Seattle	1.11	1.27	1.84	66.2	0.7
18	Minneapolis-St. Paul	1.44	1.26	1.18	(18.5)	(0.3)
19	Las Vegas	0.51	1.12	1.64	220.4	1.1
20	Charlotte	0.47	1.04	1.54	224.0	1.1
21	Denver	0.63	1.10	1.10	74.3	0.5
22	**Phoenix (Sky Harbor)**	**0.49**	**0.87**	**1.10**	**125.3**	**0.6**
23	New York (LaGuardia)	0.69	0.63	0.81	16.8	0.1
24	Orlando (Sanford)	0.41	0.57	0.08	(80.1)	(0.3)
25	Cincinnati	0.54	0.35	0.12	(78.7)	(0.4)
26	Baltimore	0.29	0.26	0.35	20.0	0.1
27	Portland, Oregon	0.24	0.31	0.25	6.2	0.0
28	Tampa	0.20	0.18	0.28	42.0	0.1
29	San Diego	0.15	0.15	0.34	128.8	0.2
30	Salt Lake City	0.06	0.27	0.20	236.2	0.1
	Total—top 30 airports				36.8%	

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 2014.
Percentages were calculated using unrounded numbers.

Sources: U.S. DOT, Schedules T100 and 298C T1.

Table 9

DOMESTIC AIRLINE SERVICE

Phoenix Sky Harbor International and Phoenix-Mesa Gateway Airports

(August 2015)

	Number of cities served nonstop *(a)*	Average daily aircraft departures	Average daily departing seats
By airport			
Sky Harbor	66	495	67,064
Mesa-Gateway	34	11	1,767
By airline type			
Low-cost carriers			
Sky Harbor	45	168	24,712
Mesa-Gateway	34	11	1,767
All other airlines			
Sky Harbor	58	328	42,353
Mesa-Gateway	-	-	-
By aircraft type			
Large jet			
Sky Harbor	53	382	59,574
Mesa-Gateway	34	11	1,767
Regional jet			
Sky Harbor	25	110	7,439
Mesa-Gateway	-	-	-
Turboprop			
Sky Harbor	2	3	51
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 2015.

Role in American's System

Table 10 shows that in August 2015, Sky Harbor was the sixth largest hub in the American Airlines System in terms of departing seats (5.7% of its total systemwide capacity). American and its regional code-sharing affiliates accounted for 51.1% of enplaned passengers at Sky Harbor in FY 2015—the largest share of any airline. American's Oneworld alliance and joint venture partner, British Airways, also serves Sky Harbor. Over the past 15 years, the number of passengers enplaned on American at Sky Harbor increased an average of 1.8% per year.

Table 10
SCHEDULED DEPARTING SEATS ON AMERICAN
Top U.S. Airports in the American Airlines System
(for the month of August)

		2000		2007		2015	
Rank	Airport	Seats	% of total	Seats	% of total	Seats	% of total
1	Dallas/Fort Worth	2,550,371	10.1%	2,793,354	12.8%	2,877,837	14.3%
2	Charlotte	1,502,436	6.0	1,657,145	7.6	2,071,052	10.3
3	Miami	1,141,066	4.5	1,260,431	5.8	1,505,289	7.5
4	Chicago-O'Hare	1,710,636	6.8	1,575,099	7.2	1,435,177	7.2
5	Philadelphia	1,339,008	5.3	1,265,394	5.8	1,299,433	6.5
6	**Phoenix**	**1,218,584**	**4.8**	**1,118,404**	**5.1**	**1,144,903**	**5.7**
7	Los Angeles	846,956	3.4	668,239	3.1	760,184	3.8
8	Washington-Reagan	632,077	2.5	649,105	3.0	628,418	3.1
9	New York-LaGuardia	804,763	3.2	699,291	3.2	456,819	2.3
10	New York-Kennedy	494,223	2.0	475,573	2.2	424,513	2.1
	All other	12,969,048	51.4	9,648,380	44.2	7,464,001	37.2
	Total—U.S. system	25,209,168	100.0%	21,810,415	100.0%	20,067,626	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 2015.

Role in Southwest's System

Table 11 shows that in August 2015, Sky Harbor was the sixth largest airport in Southwest's system in terms of departing seats (4.6% of its total systemwide capacity). Southwest accounted for 31.4% of enplaned passengers at Sky Harbor in FY 2015, ranking second to American. Over the past 15 years, the number of passengers enplaned on Southwest at Sky Harbor increased an average of 2.5% per year.

Table 11
SCHEDULED DEPARTING SEATS ON SOUTHWEST AIRLINES
Top U.S. Airports in the Southwest System
(for the month of August)

		2000		2007		2015	
Rank	Airport	Seats	% of total	Seats	% of total	Seats	% of total
1	Chicago-Midway	526,255	4.5%	1,013,734	6.1%	1,142,068	7.2%
2	Las Vegas	635,831	5.5	1,001,561	6.0	970,409	6.1
3	Baltimore	455,958	3.9	918,771	5.5	925,154	5.8
4	Denver	-	-	191,800	1.1	809,242	5.1
5	Dallas-Love Field	517,055	4.5	517,483	3.1	734,272	4.6
6	**Phoenix**	**725,019**	**6.3**	**849,791**	**5.1**	**724,326**	**4.6**
7	Houston-Hobby	598,142	5.2	606,026	3.6	627,835	4.0
8	Atlanta	462,213	4.0	982,449	5.9	540,092	3.4
9	Los Angeles	499,212	4.3	520,066	3.1	514,838	3.2
10	Orlando	242,677	2.1	704,147	4.2	465,809	2.9
	All other	6,928,572	59.8	9,394,548	56.3	8,409,329	53.0
	Total—U.S. system	11,590,934	100.0%	16,700,376	100.0%	15,863,374	100.0%

Note: Represents seats on scheduled domestic and international flights.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2015.

HISTORICAL AIRLINE SERVICE AND TRAFFIC

Table 12 lists the passenger and cargo airlines that provided service at Sky Harbor in FY 2015.

Table 12
AIRLINES REPORTING ENPLANED PASSENGERS AND AIR CARGO
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Year ended June 30, 2015)

Major/national
Alaska
American *(b)*
Delta
Frontier
Hawaiian
JetBlue
Southwest
Spirit
Sun Country
United

Regional/commuter
Compass (Delta Connection)
Envoy Air (American Eagle)
ExpressJet (United Express)
Great Lakes
Mesa (American Eagle)
SkyWest (American Eagle, Delta Connection, United Express)

Foreign-flag
Aeromexico *(a)*
Air Canada
British Airways
Volaris
WestJet

All-cargo airlines
ABX Air (DHL) *(c)*
AirNet Systems *(d)*
Ameriflight
Atlas Air (DHL) *(c)*
Empire
FedEx
Gulf & Caribbean Cargo
UPS

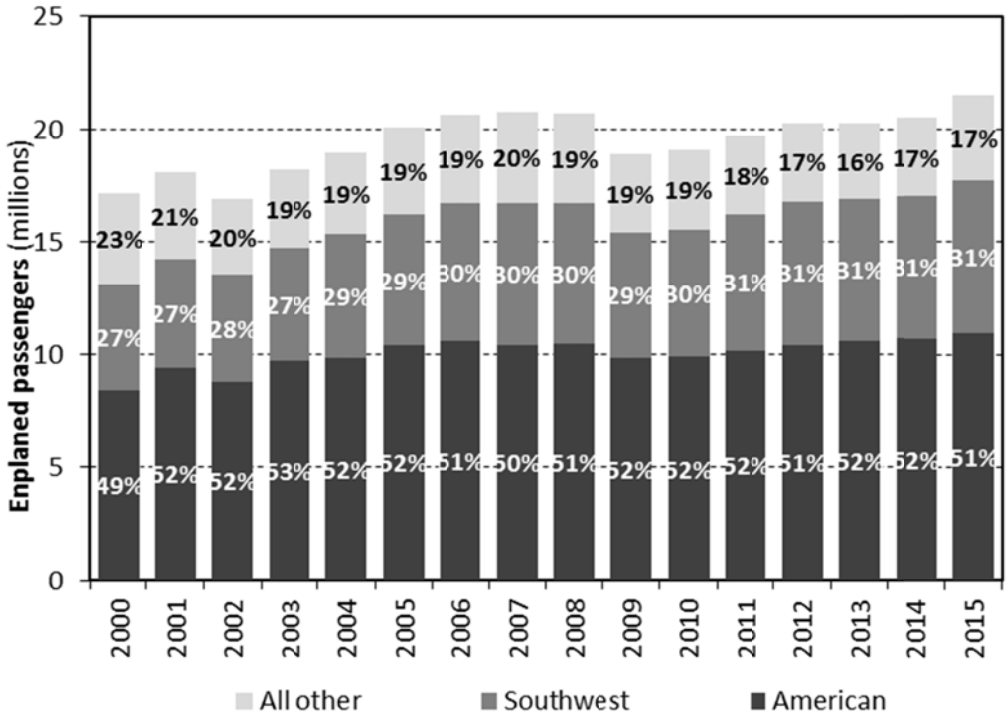
Note: Boutique Air started service at Sky Harbor in August 2015.

(a) Aeromexico ceased service at Sky Harbor in September 2014.
(b) 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.
(c) DHL Express branded operations at Sky Harbor transitioned from ABX Air to Atlas Air in February 2015.
(d) AirNet Systems ceased service at Sky Harbor in August 2014.

Source: City of Phoenix Aviation Department.

Figure 7 shows the airline passenger shares at Sky Harbor over the past 15 years. American gained 2 percentage points of market share and Southwest gained 4 percentage points of market share, while all other airlines together declined 6 percentage points.

Figure 7
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 8 shows the locations of the U.S. airports served by scheduled daily nonstop or one-stop roundtrip flights from Sky Harbor in August 2015.

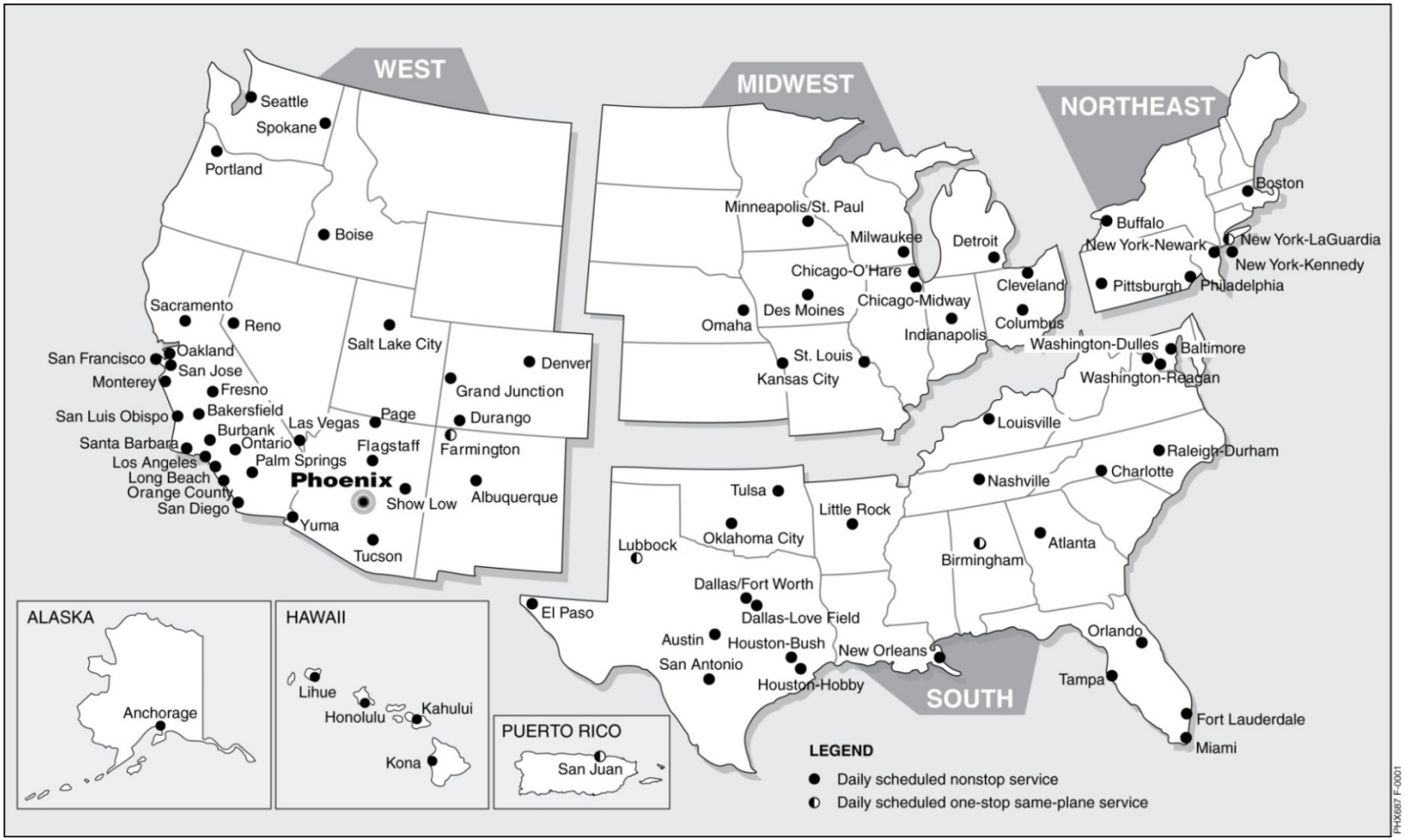
Figure 8

U.S. AIRPORTS SERVED BY DAILY SCHEDULED ROUNDTRIP PASSENGER FLIGHTS

City of Phoenix Aviation Department

Phoenix Sky Harbor International Airport

(August 2015)



Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2015.

Table 13 shows the number of cities served nonstop at Sky Harbor declined from 79 to 66 between 2000 and 2015, due entirely to a reduction in destinations served by turboprop aircraft. While an increase in the number of regional jet flights at Sky Harbor offset the decline in the number of turboprop flights, the overall number of average daily flights and seats declined at Sky Harbor between 2000 and 2015, driven by a larger reduction in mainline jet activity. The types of routes offered at Sky Harbor shifted over the 15-year period as well, with the total number of daily departing flights and scheduled seats declining on short- and medium-haul routes but increasing on long-haul routes.

Table 14 shows how airline service has changed over the past 15 years in the top 15 domestic originating city-pair markets for Sky Harbor. The top 15 routes accounted for 56% of all scheduled flight departures at Sky Harbor in August 2015. Competing nonstop service was offered in all of the top 15 markets in August 2015, 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 American and in 14 of the top 15 markets by Southwest.

International Service

Figure 9 shows the international destinations with nonstop service from Sky Harbor in August 2015. American, Air Canada, British Airways, Volaris, and WestJet operate such service to 14 destinations in Canada, Mexico, Costa Rica, and the United Kingdom.

Passenger Traffic by Segment

Table 15 shows historical enplaned passenger numbers at Sky Harbor by originating and connecting components. The total number of enplaned passengers at Sky Harbor increased an average of 1.5% per year from FY 2000 through FY 2015, equating to average growth of nearly 300,000 enplaned passengers per year. Connecting passengers drove more of the growth over the 15-year period, increasing an average of 2.1% per year compared with 1.1% per year for originating passengers.

Originating passengers represented 58.9% of total enplaned passengers at Sky Harbor in FY 2015, down from 62.5% in FY 2000. Table 15 shows that domestic passengers account for most of the originating passengers. The other major passenger segment at Sky Harbor—connecting passengers—represented 41.1% of total enplaned passengers in FY 2015. 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 2015, domestic-domestic connections accounted for 90% of all connecting passengers at Sky Harbor, while domestic-international connections accounted for the remaining 10%.

Table 13

DAILY SCHEDULED DOMESTIC PASSENGER SERVICE

City of Phoenix Aviation Department

Phoenix Sky Harbor International Airport

(for the month of August)

	2000	2007	2015
NUMBER OF CITIES SERVED NONSTOP *(a)*	**79**	**80**	**66**
Change from previous year shown		1	(14)
By aircraft type:			
Total jet	63	70	64
Mainline jet	*56*	*57*	*53*
Regional jet	*11*	*28*	*25*
Turboprop	18	14	2
By stage length:			
Short-haul (<600 mi.)	29	25	19
Medium-short haul (600-1200 mi.)	20	21	18
Medium-long haul (1200-1800 mi.)	17	17	14
Long-haul (>1800 mi.)	13	17	15
AVERAGE DAILY DEPARTING FLIGHTS	**619**	**594**	**495**
Change from previous year shown		(25)	(98)
By aircraft type:			
Total jet	562	561	492
Mainline jet	*531*	*476*	*382*
Regional jet	*31*	*86*	*110*
Turboprop	57	33	3
By stage length:			
Short-haul (<600 mi.)	295	256	187
Medium-short haul (600-1200 mi.)	186	182	170
Medium-long haul (1200-1800 mi.)	95	96	84
Long-haul (>1800 mi.)	43	60	54
AVERAGE DAILY SCHEDULED SEATS	**76,807**	**73,167**	**67,064**
Change from previous year shown		(3,640)	(6,103)
By aircraft type:			
Total jet	75,167	72,176	67,013
Mainline jet	*73,593*	*66,483*	*59,574*
Regional jet	*1,574*	*5,693*	*7,439*
Turboprop	1,640	991	51
By stage length:			
Short-haul (<600 mi.)	32,089	26,844	20,670
Medium-short haul (600-1200 mi.)	24,245	23,354	23,898
Medium-long haul (1200-1800 mi.)	14,031	13,872	13,425
Long-haul (>1800 mi.)	6,442	9,097	9,071

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. Includes only cities with an average of 4 flights per week.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2015.

Table 14

COMPARISON OF NONSTOP SERVICE
IN THE TOP 15 DOMESTIC ORIGINATING PASSENGER MARKETS

City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(for the month of August)

Rank *(a)*	City market / *Airport*	Nonstop mileage	Airlines offering nonstop service *(b)*	Number of carriers serving *(c)* 2000	2007	2015	Daily scheduled flight departures 2000	2007	2015
1	Los Angeles	350	AA,DL,UA,WN	3	4	4	95	87	63
	Los Angeles		*AA,DL,UA,WN*	*3*	*4*	*4*	*50*	*34*	*25*
	Santa Ana		*AA,WN*	*1*	*2*	*2*	*8*	*16*	*11*
	Burbank		*AA,WN*	*2*	*2*	*2*	*13*	*15*	*10*
	Ontario		*AA,WN*	*2*	*2*	*2*	*20*	*17*	*11*
	Long Beach		*AA*	*1*	*1*	*1*	*5*	*5*	*5*
2	San Francisco *(d)*	638	AA,F9,UA,WN	3	3	4	41	34	35
3	Denver	600	AA,F9,NK,UA,WN	3	4	5	21	24	21
4	Chicago *(e)*	1,438	AA,F9,UA,WN	4	3	4	21	23	19
5	New York *(f)*	2,137	AA,B6,DL,UA,WN	3	4	5	12	14	13
6	Seattle	1,105	AA,AS,DL,UA,WN	3	3	5	13	13	17
7	Minneapolis/St. Paul	1,273	AA,DL,WN	3	3	3	10	9	11
8	Las Vegas	254	AA,WN	3	2	2	35	33	17
9	Dallas/Ft. Worth *(g)*	871	AA,NK,WN	2	1	3	18	16	19
10	Washington DC/Baltimore *(h)*	1,972	AA,UA,WN	3	3	3	9	12	9
11	San Diego	303	AA,UA,WN	2	2	3	22	23	16
12	Portland	1,008	AA,AS,WN	3	3	3	9	11	10
13	Salt Lake City	507	AA,DL,WN	3	3	3	16	19	16
14	Detroit	1,666	AA,DL,WN	3	3	3	8	9	8
15	Boston	2,293	AA,B6	1	1	2	4	3	4
	Total—top 15 markets			8	6	6	334	330	277
	All other markets						285	264	218
	Total—all markets			10	9	9	619	594	495

(a) Top 15 city markets ranked by domestic outbound originating passengers for the 12 months ended June 30, 2014.
(b) For August 2015. Carrier legend: AA=American, AS=Alaska, B6=JetBlue, DL=Delta, F9=Frontier, NK=Spirit, SY=Sun Country, UA=United, WN=Southwest.
(c) Each mainline carrier and its regional code-sharing affiliates were counted as one airline.
(d) Market includes San Francisco, Oakland, and San Jose airports.
(e) Market includes O'Hare and Midway airports.
(f) Market includes LaGuardia, Newark, and Kennedy airports.
(g) Market includes Dallas/Fort Worth Airport and Love Field.
(h) Market includes Dulles, Reagan, and Baltimore airports.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2015.

Figure 9

INTERNATIONAL DESTINATIONS SERVED BY SCHEDULED ROUNDTRIP PASSENGER FLIGHTS

City of Phoenix Aviation Department

Phoenix Sky Harbor International Airport

(August 2015)

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2015.

Table 15

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**
2000	10,083	617	**10,700**	6,102	321	**6,423**	**17,123**
2005	11,527	729	**12,256**	6,940	873	**7,813**	**20,070**
2006	11,811	845	**12,656**	7,114	872	**7,986**	**20,642**
2007	11,935	880	**12,815**	7,176	773	**7,948**	**20,763**
2008	11,866	942	**12,808**	7,008	852	**7,860**	**20,668**
2009	10,395	928	**11,323**	6,734	856	**7,589**	**18,912**
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**
2015A/E	11,474	1,181	**12,656**	7,976	857	**8,833**	**21,489**
	Average annual percent increase (decrease)						
2000-2015	0.9%	4.4%	**1.1%**	1.8%	6.8%	**2.1%**	**1.5%**
	Annual percent increase (decrease)						
2005-2006	2.5%	15.9%	**3.3%**	2.5%	(0.2%)	**2.2%**	**2.9%**
2006-2007	1.1	4.1	**1.3**	0.9	(11.4)	**(0.5)**	**0.6**
2007-2008	(0.6)	7.1	**(0.1)**	(2.3)	10.3	**(1.1)**	**(0.5)**
2008-2009	(12.4)	(1.5)	**(11.6)**	(3.9)	0.4	**(3.4)**	**(8.5)**
2009-2010	0.4	3.2	**0.6**	(0.1)	13.9	**1.5**	**1.0**
2010-2011	(0.8)	4.9	**(0.3)**	7.4	12.6	**8.0**	**3.1**
2011-2012	4.8	8.4	**5.1**	1.1	(5.8)	**0.2**	**3.0**
2012-2013	0.1	2.4	**0.3**	(0.5)	(3.6)	**(0.9)**	**(0.2)**
2013-2014	1.4	2.5	**1.5**	2.8	(10.0)	**1.2**	**1.4**
2014-2015	4.2	3.3	**4.1**	6.8	(4.6)	**5.6**	**4.7**
	Share of Airport total						
2000	58.9%	3.6%	**62.5%**	35.6%	1.9%	**37.5%**	**100.0%**
2007	57.5	4.2	**61.7**	34.6	3.7	**38.3**	**100.0**
2015	53.4	5.5	**58.9**	37.1	4.0	**41.1**	**100.0**

Notes: A/E=Actual total enplaned passengers/estimated passengers by component.
Rows may not add to totals shown because of rounding.
Originating and connecting numbers for 2015 were estimated based on 2 quarters of actual data.
Historical originating and connecting numbers reflect modest restatements and may not match prior reports exactly. The restatements reflect methodological improvements in the compilation of DOT *O&D Survey* sample data by Data Base Products (a third party data vendor).

(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 Schedules T100 and 298C T1.

Table 16 shows that the number of passengers departing Sky Harbor on international flights has increased substantially since FY 2000. The gain was entirely attributable to increases in passengers bound for Mexico and Canada.

Table 16
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)

International market	2000	2007	2014	Compound annual growth rate 2000-2007	2007-2014	2000-2014
Mexico	278	487	517	8.3%	0.8%	4.5%
Canada	95	297	478	17.6%	7.0%	12.2%
United Kingdom	111	81	95	(4.5)%	2.4%	(1.1)%
Other *(a)*	36	16	12	(11.1)%	(4.2)%	(7.7)%
Total	521	880	1,102	7.8%	3.3%	5.5%

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 on flights to Costa Rica.

Sources: U.S. DOT, Schedules T100 and 298C T1.

Passenger Traffic by Airline

Table 17 shows that the concentration of passenger traffic on flights operated by Sky Harbor's top two airlines—American and Southwest—has increased since FY 2000. In FY 2015, 82.5% of all passengers enplaned at Sky Harbor boarded flights operated by either American (including its regional affiliates) or Southwest, up from 76.6% in FY 2000. Delta and United were the third and fourth ranking airlines in FY 2015, enplaning 6.2% and 4.6% of Sky Harbor's passengers, respectively. In the first 2 months of FY 2016, the number of enplaned passengers at Sky Harbor increased 6.1%, year-over-year. Southwest accounted for most of the growth, increasing 12.8% year-over-year.

Table 17

AIRLINE SHARES OF TOTAL ENPLANED PASSENGERS

City of Phoenix Aviation Department

Phoenix Sky Harbor International Airport

(Fiscal Years ended June 30, unless otherwise noted; listed in descending order by FY 2015)

	Fiscal Years			FYTD (Jul-Aug)	
Published airline	2000	2007	2015	2015	2016
American	8,442,854	10,412,365	10,978,341	1,949,438	2,012,263
Southwest	4,671,818	6,285,404	6,750,373	1,082,006	1,220,350
Delta	1,470,189	1,180,998	1,325,051	205,719	213,691
United	1,548,554	1,533,290	981,702	127,265	126,671
Alaska	406,092	376,946	370,801	49,816	53,178
Frontier	146,389	322,157	279,517	36,406	36,976
Westjet	-	37,985	214,812	11,460	13,130
Spirit	-	-	148,673	15,103	16,353
British Airways	81,877	87,104	103,408	16,990	18,186
Air Canada	41,446	55,432	101,417	7,403	8,965
JetBlue	-	120,435	90,195	15,130	14,857
Hawaiian	-	84,820	85,368	13,769	14,542
All Other	313,899	265,934	58,911	6,703	3,752
Total	17,123,118	20,762,870	21,488,569	3,537,208	3,752,914

	Share of total				
American	49.3%	50.1%	51.1%	55.1%	53.6%
Southwest	27.3	30.3	31.4	30.6	32.5
Delta	8.6	5.7	6.2	5.8	5.7
United	9.0	7.4	4.6	3.6	3.4
Alaska	2.4	1.8	1.7	1.4	1.4
Frontier	0.9	1.6	1.3	1.0	1.0
Westjet	-	0.2	1.0	0.3	0.3
Spirit	-	-	0.7	0.4	0.4
British Airways	0.5	0.4	0.5	0.5	0.5
Air Canada	0.2	0.3	0.5	0.2	0.2
JetBlue	-	0.6	0.4	0.4	0.4
Hawaiian	-	0.4	0.4	0.4	0.4
All Other	1.8	1.3	0.3	0.2	0.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

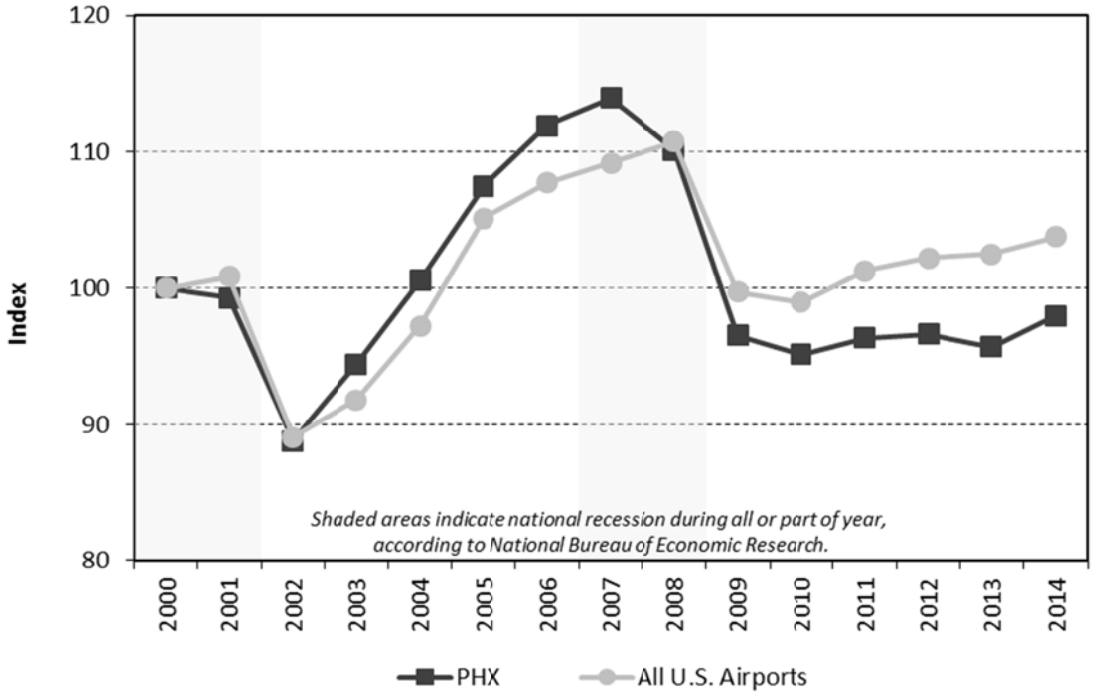
Notes: FYTD=Fiscal-Year-to-date.
Passengers reported by regional affiliates have been grouped with their respective code-sharing partners.
Columns may not add to totals shown because of rounding.

Source: City of Phoenix Aviation Department.

Domestic Originating Passengers

Figure 10 shows that the trend in domestic originating passengers at Sky Harbor resembles the nationwide pattern of growth. Relative to the nation, Sky Harbor experienced somewhat stronger growth between FY 2002 and FY 2007, but then underwent a more pronounced decline during and after the 2008-2009 economic recession.

Figure 10
INDEX OF OUTBOUND DOMESTIC ORIGINATING PASSENGERS
Phoenix Sky Harbor International Airport and All U.S. Airports
(for the 12 months ended June 30)



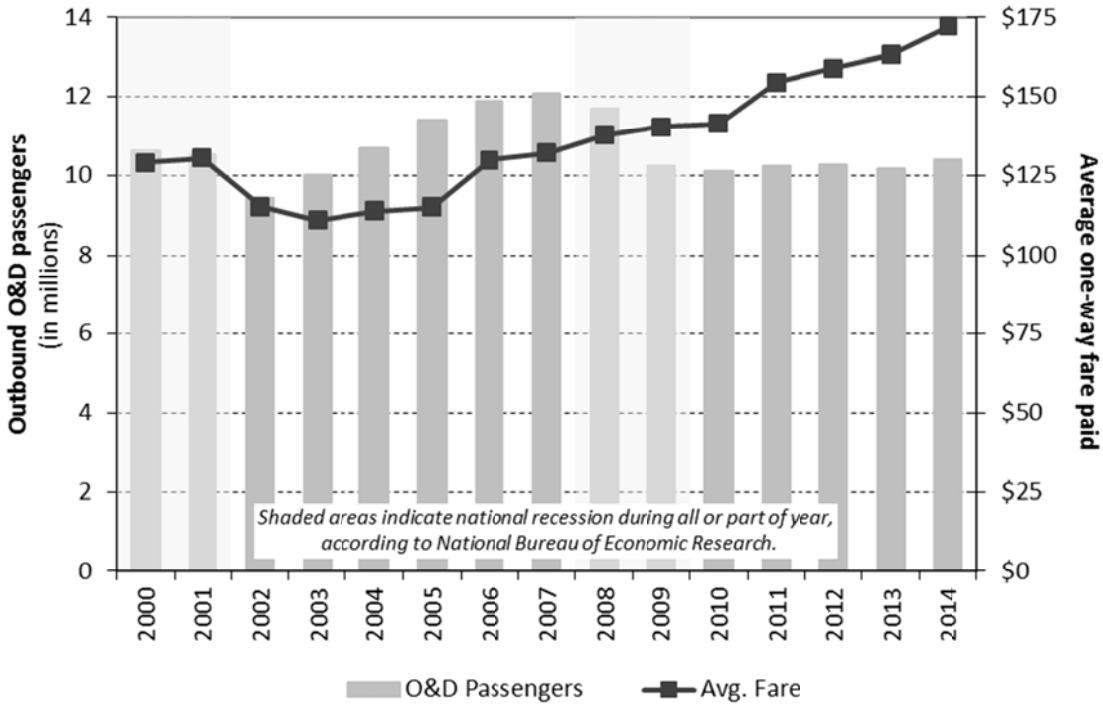
Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Figure 11 shows domestic originating passengers and average domestic airfares at Sky Harbor from FY 2000 to FY 2014. In general, fare increases dampen passenger traffic while fare decreases tend to stimulate traffic. Since the 2008-2009 economic recession, average airfares at Sky Harbor have increased steadily while the number of originating passengers has experienced little net change.

The average airfares shown in Figure 11, as reported by the airlines to the U.S. DOT, exclude ancillary charges, such as those for checked baggage, preferred seating, in-flight meals, entertainment, and ticket changes that 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, particularly for recent years. Ancillary charges that were previously included in the ticket price vary by airline and are not all separately reported to the U.S. DOT, but they have been

estimated by industry analysts to amount to an effective average surcharge on domestic airfares of approximately 5% of ticket fare revenues. The amount of ancillary charges varies by market and is affected by airline mix and traveler trip purpose (i.e., business vs. leisure).

Figure 11
DOMESTIC ORIGINATING PASSENGERS AND AVERAGE FARE PAID
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ended June 30)



Note: 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 Schedules T100 and 298C T1.

Table 18 presents data on domestic originating passengers and average airfares for the top 15 domestic originating passenger markets from Sky Harbor. This table illustrates the stimulative effect of lower airfares on passenger traffic and, conversely, the dampening effect of higher airfares. For example, the five Sky Harbor markets with the most pronounced declines in passenger volumes between FY 2007 and FY 2014, namely, Los Angeles, Las Vegas, San Diego, Salt Lake City, and Detroit, experienced some of the largest increases in average airfares among the top 15 markets. By contrast, the four Sky Harbor markets recording increases in passenger volumes, Denver, Seattle, Dallas/Ft. Worth, and Boston, experienced more modest increases in average airfares.

Table 18

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; ranked by 2014 passengers)

		Domestic outbound originating passengers						Average one-way fare paid *(a)*			
	City market			% of total		2007-2014				2007-2014	
Rank	*Airport*	2007	2014	2007	2014	Change	% change	2007	2014	Change	% change
1	Los Angeles	1,271,620	864,800	10.5%	8.3%	-406,820	(32.0)%	$76.83	$118.38	$41.55	54.1%
	Los Angeles	*428,150*	*307,740*	*3.5*	*3.0*	*-120,410*	*(28.1)*	*75.40*	*114.61*	*39.20*	*52.0*
	Santa Ana	*325,750*	*238,640*	*2.7*	*2.3*	*-87,110*	*(26.7)*	*77.48*	*116.45*	*38.96*	*50.3*
	Burbank	*264,870*	*164,540*	*2.2*	*1.6*	*-100,330*	*(37.9)*	*79.60*	*107.24*	*27.63*	*34.7*
	Ontario	*208,050*	*113,520*	*1.7*	*1.1*	*-94,530*	*(45.4)*	*75.56*	*118.53*	*42.97*	*56.9*
	Long Beach	*44,800*	*40,360*	*0.4*	*0.4*	*-4,440*	*(9.9)*	*77.56*	*125.30*	*47.74*	*61.5*
2	San Francisco *(b)*	675,740	629,870	5.6	6.1	-45,870	(6.8)	121.39	154.45	33.07	27.2
3	Denver	575,920	609,260	4.8	5.9	33,340	5.8	75.44	95.99	20.55	27.2
4	Chicago *(c)*	689,800	588,170	5.7	5.7	-101,630	(14.7)	133.80	164.37	30.57	22.8
5	New York *(d)*	496,820	475,710	4.1	4.6	-21,110	(4.2)	181.08	222.68	41.60	23.0
6	Seattle	399,000	406,580	3.3	3.9	7,580	1.9	130.25	151.21	20.95	16.1
7	Minneapolis/St. Paul	359,030	349,730	3.0	3.4	-9,300	(2.6)	136.69	150.02	13.33	9.8
8	Las Vegas	519,650	308,440	4.3	3.0	-211,210	(40.6)	73.06	99.20	26.14	35.8
9	Dallas/Ft. Worth *(e)*	296,960	307,530	2.5	3.0	10,570	3.6	151.75	174.67	22.93	15.1
10	Washington DC/Baltimore *(f)*	318,900	280,070	2.6	2.7	-38,830	(12.2)	187.11	245.11	58.00	31.0
11	San Diego	384,980	272,400	3.2	2.6	-112,580	(29.2)	73.72	113.65	39.94	54.2
12	Portland	254,990	238,890	2.1	2.3	-16,100	(6.3)	125.66	156.89	31.22	24.8
13	Salt Lake City	293,250	219,760	2.4	2.1	-73,490	(25.1)	105.14	145.18	40.04	38.1
14	Detroit	267,030	197,810	2.2	1.9	-69,220	(25.9)	140.31	211.45	71.14	50.7
15	Boston	157,120	184,600	1.3	1.8	27,480	17.5	171.58	204.58	33.00	19.2
	Total—top 15 markets	6,960,810	5,933,620	57.6%	57.0%	-1,027,190	(14.8)%	$115.63	$152.96	$37.33	32.3%
	All other markets	5,130,380	4,469,060	42.4	43.0	-661,320	(12.9)	154.44	197.75	43.31	28.0
	Total—all markets	12,091,190	10,402,680	100.0%	100.0%	-1,688,510	(14.0)%	$132.09	$172.20	$40.11	30.4%

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

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

(b) Market includes San Francisco, Oakland, and San Jose airports.

(c) Market includes O'Hare and Midway airports.

(d) Markets includes LaGuardia, Newark, and Kennedy airports.

(e) Market includes Dallas/Fort Worth Airport and Love Field.

(f) Market includes Dulles, Reagan, and Baltimore airports.

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. In FY 2015, an estimated 9.0% of enplaned 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 operating at Sky Harbor.

PFC-eligible enplaned passengers by fiscal year are imputed based upon annual PFC collections, enplaned passengers, and the net PFC rate charged. Table 19 shows that the estimated PFC-eligible percentage was 90.1% in FY 2015.

Table 19
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
2013	20,236	$78,273	$4.39	17,830	88.1%
2014	20,519	79,406	4.39	18,088	88.2
2015	21,489	84,976	4.39	19,357	90.1

(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.

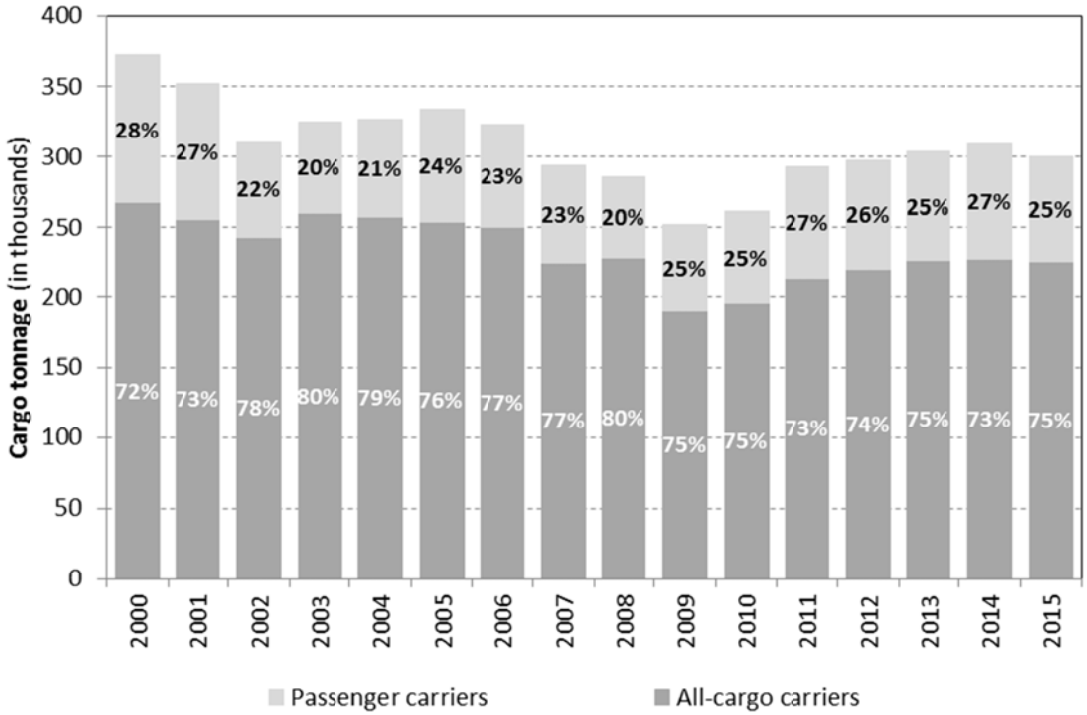
Source: City of Phoenix Aviation Department.

AIR CARGO ACTIVITY

Figure 12 shows that air cargo activity at Sky Harbor has declined over the past 15 years, from approximately 370,000 tons in FY 2000 to 300,000 tons in FY 2015. The top two all-cargo carriers at Sky Harbor in FY 2015 were FedEx (41% market share) and UPS (25%), while American (14%) and Southwest (6%) represented the largest passenger airlines by cargo tonnage.

A long-term declining trend in air cargo tonnage is not uncommon among U.S. airports. Technological advances have reduced the bulk of many manufactured commodities. Also, shipper (consumer) cost sensitivity has shifted some cargo formerly transported by air to cheaper surface modes of transport.

Figure 12
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

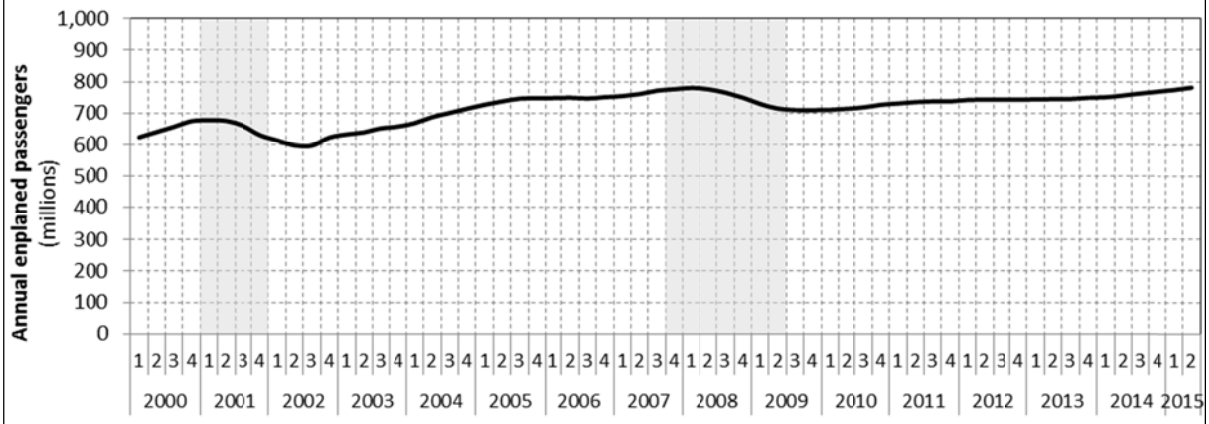
In addition to the population and economy of the Airport service region, as discussed earlier, key factors that will affect future airline traffic at Sky Harbor include:

- Economic and political 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
- Phoenix-Mesa Gateway Airport

Economic and Political 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 in Figure 13, recessions in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and coincided with reduced airline travel demand in those years.

Figure 13
HISTORICAL ENPLANED PASSENGERS ON U.S. AIRLINES



Notes: Data shown are 12-month moving averages of monthly enplaned passengers.
Shaded quarters indicate economic recession during all or part of quarter.
Includes scheduled and non-scheduled service to domestic and international destinations.

Sources: Bureau of Transportation Statistics, T100 Market and Segment; National Bureau of Economic Research.

With the globalization of business and the increased importance of international trade and tourism, the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities all influence passenger traffic at major U.S. airports. Sustained future increases in passenger traffic at Sky Harbor will depend on stable international conditions as well as national and global economic growth.

Financial Health of the Airline Industry

The number of passengers using 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.

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 huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately $61 billion.* To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. Between 2002 and 2005, Delta Air Lines, Northwest Airlines, United Airlines, and US Airways all filed for bankruptcy protection and restructured their operations.

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, recording net income of approximately $23 billion, but in 2008, as oil and aviation fuel prices increased to unprecedented levels, the industry experienced a profitability crisis. In 2008 and 2009, the U.S. passenger airline industry recorded net losses of approximately $27 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, the U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10%.

In 2010 through 2013, the U.S. passenger airline industry as a whole recorded net income of approximately $15 billion, in spite of sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. Over the four years 2009 to 2013, the airlines collectively increased domestic seat-mile capacity by an average of just 1.0% per year.** American filed for bankruptcy protection in 2011, emerging in 2013. In 2014, the U.S. passenger airline industry reported net income of approximately $7.4 billion, assisted by reduced fuel prices in the second half of the year (as discussed in the later section, “Availability and Price of Aviation Fuel”).

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*U.S. Department of Transportation, Bureau of Transportation Statistics, Schedule P1.2, www.transtats.bts.gov, accessed August 2015.

**U.S. Department of Transportation, Bureau of Transportation Statistics, T-100 Market and Segment, www.transtats.bts.gov, accessed August 2015.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to allow increased airfares, and stable fuel prices. 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 (2009), the acquisition of AirTran by Southwest (2011), and the merger of American and US Airways (2013). Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) accounting for approximately 72% of domestic seat capacity in 2014 and is expected by airline industry analysts to contribute to industry profitability. However, any resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide.

Airline Service and Routes

Sky Harbor serves as a gateway to the Airport service region and as a connecting hub. The number of originating passengers at Sky Harbor depends on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airline fares and service provided. The number of connecting passengers, on the other hand, depends entirely on the airline service provided.

The large airlines have developed hub-and-spoke systems that allow them to offer high-frequency service in many city-pair markets. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends 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 drastically 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 2009-2011), Memphis (Delta 2011-2013), and Cleveland (United 2014).

As discussed in earlier sections, Sky Harbor is a primary connecting hub for American and one of the largest focus cities in Southwest's route network, and a significant percentage of passengers at the airport connect between flights. 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 could create business opportunities for others. The potential effect on passenger traffic of a reduction in 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 relatively short trips for which automobile and other 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, in part, on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines decreased from 14.9 cents to 12.7 cents per passenger-mile.* In 2006 through 2008, as airlines reduced capacity and were able to sustain fare increases, the average domestic yield increased to 14.6 cents per passenger-mile. In 2009, yields again decreased, but, beginning in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 18.2 cents per passenger-mile by 2014. Beginning in 2006, ancillary charges have been introduced by most airlines for services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Figure 14 shows the historical fluctuation in fuel prices since 2000. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Fuel prices fell sharply in the second half of 2008 as demand for oil declined worldwide, but then increased as demand increased. Between early 2011 and mid-2014, fuel prices were relatively stable, partly as a result of increased oil supply from U.S. domestic production. As of mid-2014, average aviation fuel prices were approximately three times those prevailing at the end of 2003. During the second half of 2014, an imbalance between worldwide supply and demand resulted in a precipitous drop in the price of oil and aviation fuel. As shown in Figure 14, the average price of aviation fuel in mid-2015 was approximately 33% lower than in mid-2014. The reduction in fuel prices is having 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. However, 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 and increasingly expensive oil supplies.

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 global climate change.

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*U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, OAG DOT Analyser online database, accessed August 2015.

Figure 14
HISTORICAL AVIATION FUEL PRICES

Sources: Bureau of Transportation Statistics, F41 Schedule P12A as of 9/14/2015.

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. Public health and safety concerns have also affected airline travel demand from time to time.

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 sky 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 also has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health and safety concerns, and international hostilities. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at Sky Harbor will depend primarily on economic, not 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 Transport 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 as a result of reduced numbers of aircraft operations, but, as airline travel increases in the future, flight delays and restrictions may 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 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 in aircraft operations.

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 2014, approximately 670,000 passengers enplaned at Phoenix-Mesa Gateway Airport, far fewer than the 21.0 million passengers enplaned at Sky Harbor, however Phoenix-Mesa Gateway Airport 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 2021 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 January 2015, 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 approximately 2.5% per year, an average rate of GDP growth 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 O&D 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 or terrorist acts or threats.

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

Enplaned Passenger Forecast

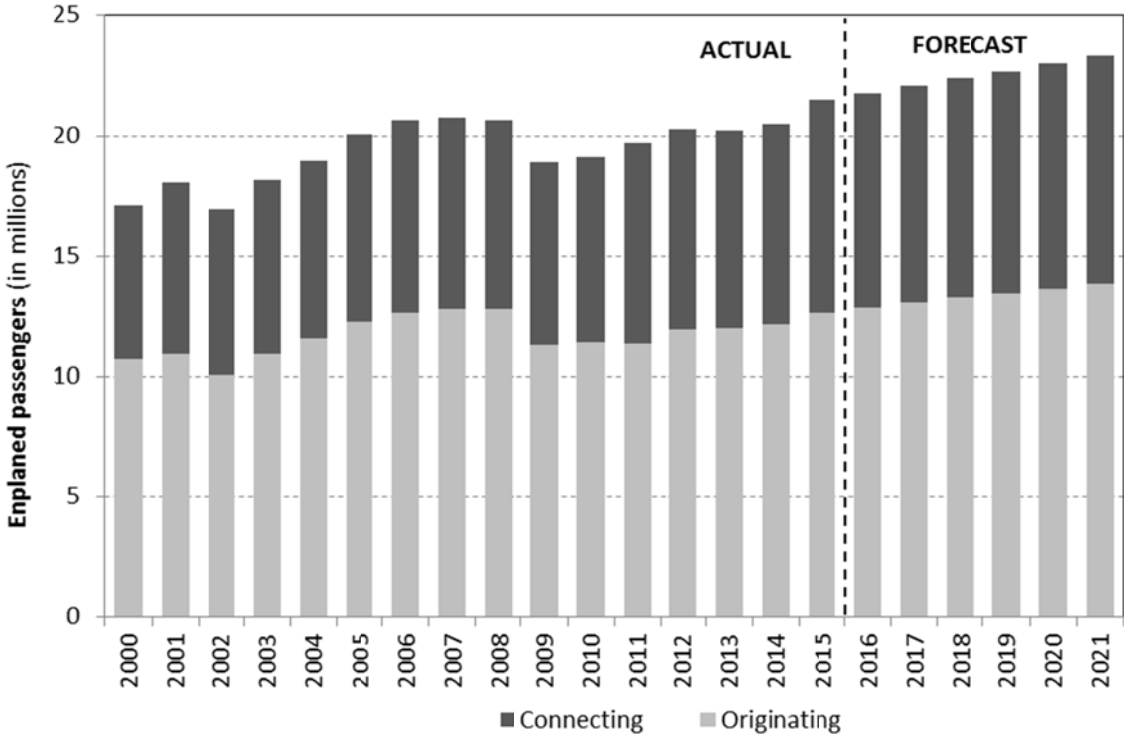
Year-to-date and advance schedule filings by the airlines indicate a 2.8% increase in the number of departing seats at Sky Harbor between the first half of FY 2015 and the first half of FY 2016 (compared with an estimated nationwide increase of 4.1%). On the basis of year-to-date passenger traffic reports and advance airline schedules, the number of enplaned passengers at Sky Harbor is forecast to be 21.8 million in FY 2016, up 1.4% from the number enplaned in FY 2015.

Between FY 2016 and FY 2021, 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 1.3%. This is lower than the average rate forecast by the FAA for Sky Harbor in the TAF (2.7% per year). A higher rate of passenger growth is not unusual in passenger forecasts related to facility planning, such as the TAF, compared with forecasts such as the one presented herein, which was developed for financial planning purposes.

The number of enplaned passengers at Sky Harbor is forecast to be 23.3 million in FY 2021, an increase of 8.4% from FY 2015. Connecting passengers are forecast to account for a slightly smaller share of enplaned passengers in FY 2021 (40.6%) than they did in FY 2015 (41.1%). Figure 15 presents the forecast of enplaned passengers graphically. Table 20 presents historical and forecast enplaned passengers at Sky Harbor by originating and connecting components and provides domestic and international subtotals.

Figure 15
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: Originating and connecting split for 2015 was estimated based on 2 quarters of actual 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, September 2015.

Table 20

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.

	By flight destination		By type of passenger					Percent
			Originating					change from
Year	Domestic	International	Resident	Visitor	Total	Connecting	**Total**	previous year
2010	18,095	1,001	5,112	6,282	11,394	7,703	**19,097**	
2011	18,593	1,089	5,155	6,205	11,361	8,321	**19,681**	3.1%
2012	19,134	1,144	5,442	6,502	11,943	8,335	**20,278**	3.0
2013	19,094	1,142	5,513	6,463	11,975	8,261	**20,236**	(0.2)
2014	19,404	1,115	5,518	6,637	12,155	8,363	**20,519**	1.4
2015A/E	20,349	1,140	5,729	6,926	12,656	8,833	**21,489**	4.7
2016F	20,650	1,150	5,813	7,037	12,850	8,950	**21,800**	1.4
2017	20,920	1,180	5,917	7,133	13,050	9,050	**22,100**	1.4
2018	21,190	1,210	6,008	7,242	13,250	9,150	**22,400**	1.4
2019	21,460	1,240	6,099	7,351	13,450	9,250	**22,700**	1.3
2020	21,730	1,270	6,190	7,460	13,650	9,350	**23,000**	1.3
2021	22,000	1,300	6,281	7,569	13,850	9,450	**23,300**	1.3
Compound annual growth rate:								
2010-2015	2.4%	2.6%	2.3%	2.0%	2.1%	2.8%	**2.4%**	
2015-2016	1.5	0.9	1.5	1.6	1.5	1.3	**1.4**	
2016-2021	1.3	2.5	1.6	1.5	1.5	1.1	**1.3**	

Notes: A=Actual; E=Estimated; F=Forecast.
Figures may not add to totals shown because of rounding.
Originating and connecting numbers for 2015 were estimated based on 2 quarters of actual data.

Sources: Actual—City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.
Forecast—LeighFisher, September 2015.

It was assumed that the ratio of PFC–eligible passengers to total enplaned passengers would be 88.5% throughout the Forecast Period. Table 21 presents the PFC-eligible passenger forecast derived from the enplaned passenger forecast.

Table 21
ACTUAL AND FORECAST PFC-ELIGIBLE ENPLANED PASSENGERS
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.

Year	Enplaned passengers	Estimated PFC-eligible percentage	Estimated PFC-eligible enplaned passengers
2013	20,236	88.1%	17,830
2014	20,519	88.2	18,088
2015A	21,489	90.1	19,357
2016F	21,800	88.5	19,293
2017	22,100	88.5	19,559
2018	22,400	88.5	19,824
2019	22,700	88.5	20,090
2020	23,000	88.5	20,355
2021	23,300	88.5	20,621

Notes: A=Actual; F=Forecast.
Sources: Actual—City of Phoenix Aviation Department.
Forecast—LeighFisher, September 2015.

Forecast Aircraft Departures and Landed Weight

Table 22 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 2015 and FY 2021, average aircraft seating capacity and passenger load factors at Sky Harbor were assumed to increase, with the result that the number of aircraft departures is forecast to increase an average of 0.6% per year and landed weight is forecast to increase an average of 1.0% per year.

Table 22

FORECAST TRENDS IN PASSENGER FLIGHT OPERATIONS

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	Enpl. passengers	Departing seats	Flight operations *(a)*	Landed weight (millions)
2010	19,097	24,880	406,954	24,900
2011	19,681	25,433	415,824	25,556
2012	20,278	25,306	419,636	25,670
2013	20,236	24,762	402,148	24,950
2014	20,519	24,858	395,470	24,943
2015A	21,489	25,782	397,214	25,642
2016F	21,800	26,138	400,800	25,923
2017	22,100	26,427	403,400	26,199
2018	22,400	26,702	405,800	26,461
2019	22,700	26,975	408,200	26,710
2020	23,000	27,246	410,400	26,963
2021	23,300	27,516	412,800	27,228
Compound annual growth rate:				
Historical:				
2010-2015	2.4%	0.7%	(0.5%)	0.6%
Forecast:				
2015-2016	1.4%	1.4%	0.9%	1.1%
2016-2021	1.3	1.0	0.6	1.0
2015-2021	1.4	1.1	0.6	1.0

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

(a) Sum of flight arrivals and departures.

Sources: Historical—City of Phoenix Aviation Department; U.S. DOT, Schedule T100; OAG Aviation Worldwide Ltd, OAG Analyser database, accessed August 2015.
Forecast—LeighFisher, September 2015.

Stress Test Forecast

A stress test forecast of enplaned passengers was developed to provide the basis for conducting a test of Sky Harbor's financial results to hypothetical reductions in passenger numbers, such as could occur under conditions of weak economic growth or recession, restricted seat capacity, high airfares, and reduced connecting airline service such as 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 between FY 2016 and FY 2018 in this stress test depicts the potential effect of a hub "downsizing" by the primary airline accommodating connecting traffic at Sky Harbor—American. In the stress test scenario, air service reductions by American at Sky Harbor result in fewer connecting opportunities and a consequent overall reduction in connecting traffic. Currently American's enplaned passengers are split approximately 60% connecting and 40% originating (see Table 4 in "Airline Traffic Analysis"). If such a stress scenario were to occur, American's originating passengers would likely increase to 50-60% of their total enplaned passengers. Even in such a situation, however, Sky Harbor would continue to retain some level of connecting activity by virtue of: (1) its large population of local travelers which supports air service, (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 over 2 million connecting passengers in FY 2015—nearly one quarter of Sky Harbor's total.

The number of enplaned passengers for the stress test in FY 2021 is forecast to be 19.5 million, compared with 23.3 million for the base forecast. Relative to the base forecast for FY 2021, originating passenger numbers are forecast to be 9% lower and connecting passenger numbers are forecast to be 28% lower. Originating passengers account for approximately 65% of the FY 2021 total for the stress test forecast, compared with 59% for the base forecast.

Table 23 presents the stress test forecast relative to the base forecast. Figure 16 depicts the stress test forecast graphically. As shown in Figure 16, stress test passenger numbers forecast for FY 2021 are close to the numbers in FY 2011, simulating a decade of no net growth in passenger volumes. The decline in originating passengers between FY 2016 and FY 2018 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 not comparable to any recent historical event experienced at Sky Harbor and nearly returns connecting passenger levels to those last recorded in FY 2000, 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 23

BASE CASE AND STRESS TEST FORECASTS

City of Phoenix Aviation Department

Phoenix Sky Harbor International Airport

(Fiscal Years ended June 30; in thousands)

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 purely 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					
	2010	2011	2012	2013	2014	2015		2016	2017	2018	2019	2020	2021
Base case													
Enplaned passengers	19,097	19,681	20,278	20,236	20,519	21,489		21,800	22,100	22,400	22,700	23,000	23,300
Originating passengers	11,394	11,361	11,943	11,975	12,155	12,656	E	12,850	13,050	13,250	13,450	13,650	13,850
Connecting passengers	7,703	8,321	8,335	8,261	8,363	8,833	E	8,950	9,050	9,150	9,250	9,350	9,450
Stress test													
Enplaned passengers	19,097	19,681	20,278	20,236	20,519	21,489		21,800	20,800	18,600	18,900	19,200	19,500
Originating passengers	11,394	11,361	11,943	11,975	12,155	12,656	E	12,850	12,605	12,060	12,260	12,460	12,660
Connecting passengers	7,703	8,321	8,335	8,261	8,363	8,833	E	8,950	8,195	6,540	6,640	6,740	6,840
Percent reduction from Base													
Enplaned passengers								-	(6%)	(17%)	(17%)	(17%)	(16%)
Originating passengers								-	(3)	(9)	(9)	(9)	(9)
Connecting passengers								-	(9)	(29)	(28)	(28)	(28)

Note: E=Estimated.

Sources: Historical—City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.
Forecast—LeighFisher, September 2015.

Figure 16

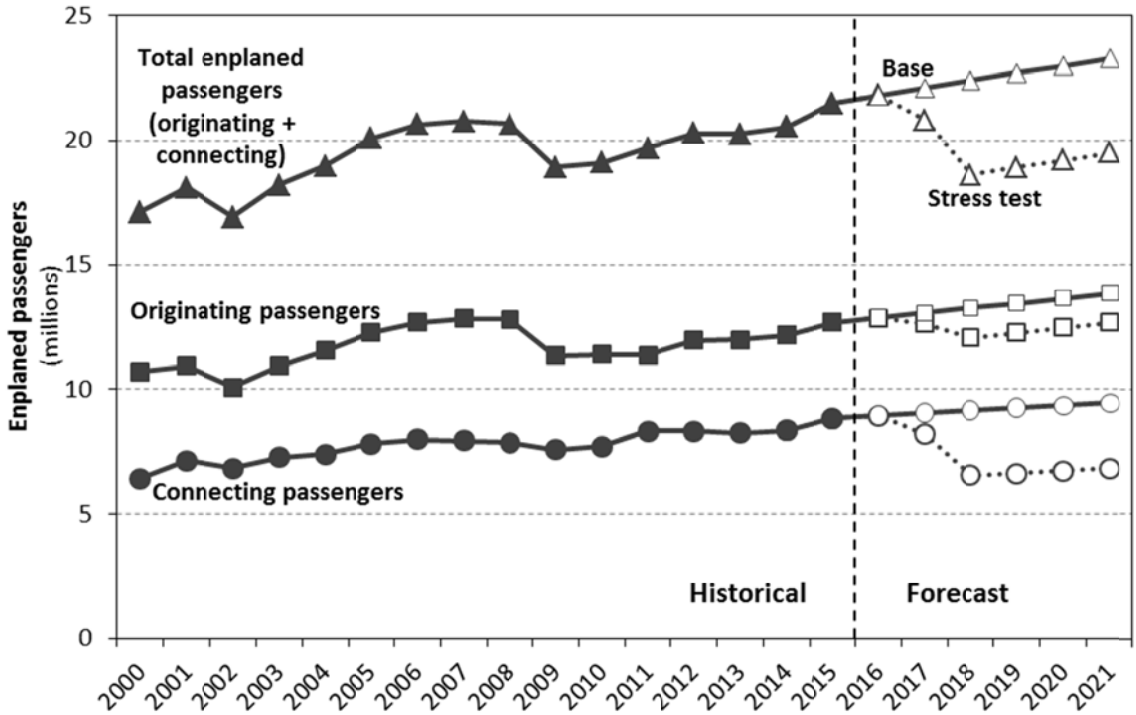
BASE AND STRESS TEST FORECASTS OF ENPLANED PASSENGERS

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 purely 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.



Sources: Historical—City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.
Forecast—LeighFisher, September 2015.

FINANCIAL ANALYSIS

The purpose of the Report is to evaluate the ability of the City to satisfy the requirements of the Rate Covenant and the Junior Lien Rate Covenant during the forecast period taking into account the proposed 2015 Junior Bonds, outstanding Senior Lien Bonds and Junior Lien Bonds. The forecast covers the fiscal year ending June 30, 2016 (FY 2016) through FY 2021, inclusive (the Forecast Period).

FRAMEWORK FOR AIRPORT SYSTEM FINANCIAL OPERATIONS

The City accounts for Airport system financial operations as a separate Aviation Enterprise Fund according to generally accepted accounting principles for governmental entities, federal regulations related to airlines rates and related City ordinances, the requirements of the City bond ordinances, and the City Purchase Agreements, as discussed below.

Organization and Management

The Airport is operated as a self-supporting enterprise through the City's Aviation Department.* The Phoenix City Council establishes the major policies attendant to the development and operation of the Airport. The City operates under a Council-Manager form of government. The City Council consists of a Mayor and eight Council members. The Mayor is elected at-large. Council members are elected for 4-year staggered terms from separate districts on a non-partisan ballot. The Mayor and each member of Council have equal voting powers. The City Council appoints the City Manager who administers the policies relative to the Airport. The City Manager appoints the Aviation Director. The City Council adopts ordinances establishing fee structures for use of Airport facilities, including airline rates and charges.

The Phoenix Aviation Advisory Board is made up of nine members appointed by the City Council to 4-year terms and meets on a monthly basis. The Board provides non-binding advisory recommendations regarding Airport fees, including airline rates and charges, concession agreements, leases, master plans, noise studies, and development plans for the Airport.

The Aviation Department is headed by an Aviation Director who reports to a Deputy City Manager. The Aviation Director is responsible for executing the aviation policies of the City Council and administering the operations of the Airport. Reporting to the Aviation Director are three Assistant Aviation Directors. The Aviation Director and Assistant Aviation Directors head the Aviation Department staff. Certain accounting, bond financing, treasury, and related financial functions are performed by the City's Finance Department.

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*The City owns Sky Harbor and two general aviation airports that are collectively defined as "Airport" in the City Ordinances and City Purchase Agreements. References in this section of the Report to "Airport" include all three airports. The City also is a fifth member government in the Phoenix-Mesa Gateway Airport Authority, which owns and operates Phoenix-Mesa Gateway Airport, however Phoenix-Mesa Gateway Airport is excluded from the definition of Airport.

Airline Rates and Charges

The Phoenix City Code defines the terms and conditions by which airlines at Sky Harbor may use the airfield in common with other users and may occupy and use exclusive, joint, and common space in the terminal buildings. The City does not have long-term lease agreements with the airlines governing the use and occupancy of terminal space or the airfield at Sky Harbor. The terms are formalized in letters from the City authorizing month-to-month occupancy.

Additionally, Sky Harbor does not have a formal agreement with the airlines governing the rates and charges methodology for landing, terminal, and other fees. The Phoenix City Code provides that airline rents, fees, and charges be calculated pursuant to a compensatory rate-setting methodology. The City bears the risk of any shortfall in non-airline revenues and retains the benefit of any surplus in non-airline revenues for its own discretionary airport-related use.

Customarily, the rate budget is established at the beginning of the fiscal year. Additionally, the City has the flexibility to increase rates at any time during a fiscal year as necessary. The City reviews proposed rate changes and capital expenditures with airline representatives. Following the end of each fiscal year, the actual information for such fiscal year replaces the budgeted and estimated amounts used in the rate calculation to determine actual airline obligations for such fiscal year. The difference between these actual airline obligations and the amounts actually paid by the airlines is cleared through a settlement process.

Airline Revenues consist of landing fees, terminal rentals, and other charges paid to the City by airlines for use and occupancy of the Airport. For the purpose of the Report, it is assumed that the City will annually calculate and adjust airline fees during the Forecast Period using a compensatory rate-setting methodology, and that airlines at Sky Harbor would pay such fees.

Bonds and Other Obligations

Outstanding Airport Bonds consist of Senior Bonds, Junior Bonds, and Other Airport Bond Obligations. The 2015 Junior Bonds will be the second issuance of bonds under a Junior Lien since the lien was reinstated in 2010. The Airport also has outstanding the Rental Car Facility Charge Revenue Bonds, Series 2004, that are special revenue obligations as described later.

The City has relied upon the City of Phoenix Civic Improvement Corporation (CIC) to issue airport bonds on its behalf. The CIC enters into a Bond Indenture with the Bond Trustee; however, the City is obligated to make payments to the CIC through a City Purchase Agreement with the CIC. The payment obligations are limited to: (1) with respect to Senior Bonds, certain available Net Airport Revenues, Passenger Facility Charges, to the extent irrevocably committed, and Other Available Funds, and (2) with respect to Junior Bonds, certain available Designated Revenues, 2010 Recovery Zone Economic Development Bonds (RZEDB) Subsidy Payments (Series 2010B Junior Bonds only), and Passenger Facility Charges, to the extent irrevocably committed, and Other Available Funds. There is no obligation or pledge of the full faith and credit or the ad valorem taxing powers of the City. Relevant bond documents are identified on Figure 17.

Figure 17
BONDS AND AUTHORIZING DOCUMENTS
City of Phoenix Aviation Department

MASTER AIRPORT REVENUE BOND ORDINANCE			
Senior Bonds		Junior Bonds	
Senior Bond Indenture	Senior City Purchase Agreement	Junior Bond Indenture	Junior City Purchase Agreement

OTHER OBLIGATIONS
General Obligation Bonds

CFC ORDINANCE	
Rental Car Facility Charge Revenue Bonds	
Rental Car Bond Indenture	Rental Car City Purchase Agreement

Source: City of Phoenix Aviation Department.

Senior Lien Obligations

All outstanding Bonds and Parity Bonds (or Senior Lien Obligations) were issued under (1) City Ordinance No. S-21974, as amended (the Bond Ordinance), (2) Bond Indentures between the CIC and the Bond Trustee, and (3) the respective City Purchase Agreements between the City and the CIC. Bonds include the CIC Senior Lien Airport Revenue Bonds, Series 2008 and Senior Lien Airport Revenue Bonds, Series 2013 and are secured by a pledge of Net Airport Revenues.*

In Section 4.3 of the Bond Ordinance (and Section 4.6(a) of the Junior Lien City Purchase Agreement) (the Rate Covenant) the City covenants that:

> it will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (i) sufficient to produce Net Revenues at least equal to 125% of the amount required to be paid into the Bond Fund from the Revenue Fund, after subtracting Other Available Funds deposited in the Bond Fund, in such Fiscal Year and after subtracting any Passenger Facility Charge Credit applicable to such Fiscal Year…and (ii) sufficient to [fund the required bond fund reserves].

To issue additional Senior Lien Obligations, the City is required under Section 3.3 of the Bond Ordinance to meet an historical <u>and</u> a prospective test (together, the Additional Bonds Test):

> An officer of the City shall certify that either the Net Revenues for the most recently completed Fiscal Year for which audited financial statements[**] are available or the Net Revenues for 12 consecutive months out of the most recent 18 calendar months, in

*The term Net Airport Revenues means Revenues of the Airport, after provision for payment of all Cost of Maintenance and Operation.

**Also known as Comprehensive Annual Financial Report (CAFR).

each case together with Other Available Funds[*] deposited in the Bond Fund during such period, (i) were sufficient to satisfy the rate covenant set forth in Section 4.3 and (ii) would have been at least equal to 120% of Maximum Annual Debt Service for all Bonds to be Outstanding, including the Parity Bonds [i.e., Senior Lien Obligations] proposed to be issued; and

A Consultant provides a report which projects that Net Revenues will be sufficient to satisfy the rate covenant set forth in Section 4.3 (including any Parity Bonds [i.e., Senior Lien Obligations] to be issued) in each Fiscal Year after subtracting from the amount required to be paid into the Bond Fund from the Revenue Fund any applicable Passenger Facility Charge Credit**, which report addresses the period of time beginning with the first full Fiscal Year following the issuance of the Parity Bonds [i.e., Senior Lien Obligations] through the later of (i) three Fiscal Years following the expected date of completion (as provided to the Consultant by an officer of the City) of any construction projects to be financed at the Airport with the proceeds of the relevant Parity Bonds [i.e., Senior Lien Obligations] or (ii) five Fiscal Years following the issuance of the Parity Bonds [i.e., Senior Lien Obligations].

Senior Lien Obligations may be issued for refunding purposes without meeting the Additional Bonds Test described above, if the following conditions are met: an officer of the City certifies "that the Maximum Annual Debt Service…of all series to be Outstanding immediately after the date of…delivery of such refunding bonds is not greater than 110% of the Maximum Annual Debt Service…prior to…delivery of such refunding bonds…" and, the "bonds being refunded will no longer be Outstanding upon issuance of the refunding bonds."

The City reserved the right in the Bond Ordinance to provide for the issuance of obligations payable from Net Airport Revenues on a basis subordinate to the Senior Lien Obligations (e.g., Junior Lien Obligations and other Airport obligations as described below), but the Bond Ordinance does not specify terms and conditions applicable to such subordinate obligations other than to recognize that the flow of funds set forth therein may be altered to allow for payments to be made on a subordinate basis to the Bonds.

Junior Lien Obligations

Through the issuance of the 2010 Junior Bonds, the City re-established a Junior Lien, with the terms and conditions of the Junior Lien defined in (1) a Bond Indenture between the CIC and the Bond Trustee, and (2) a Junior Lien City Purchase Agreement dated August 1, 2010, between the City and the CIC. The 2015 Junior Bonds will be on parity with other Junior Bonds and will be issued pursuant

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*The term Other Available Funds means unrestricted grant money and other moneys available to the Airport which are not included in the definition of Revenues or Airport Revenues. Under the City Purchase Agreements, no credit is allowed for Other Available Funds so deposited.

**The Passenger Facility Charge Credit is defined to be "the amount of principal of and/or interest to come due on specified Bonds during any Fiscal Year to which Passenger Facility Charges…have received all required governmental approvals and have been irrevocably committed…to be used to pay [Debt Service] on such specified Bonds…unless such Passenger Facility Charges…are subsequently included in the definition of Airport Revenues."

to a Junior Lien City Purchase Agreement to be dated December 1, 2015. The Junior Bonds are secured by a pledge of Designated Revenues.*

In Section 4.6(b) of the Junior Lien City Purchase Agreement (the Junior Lien Rate Covenant) the City covenants that, in addition to meeting the terms and conditions of the Rate Covenant pertaining to Senior Bonds, it will in each Fiscal Year establish, maintain, and enforce schedules of rates, fees, and charges for the use of the Airport (i) sufficient to produce Designated Revenues at least equal to 110% of the annual debt service requirements of the Junior Lien Obligations (net of Other Available Funds deposited into the Bond Fund in such Fiscal Year and after subtracting any Junior Lien Passenger Facility Charge Credit applicable to such Fiscal Year), and (ii) sufficient to fund the required bond fund reserves.

To issue additional Junior Lien Obligations, the City is required under Section 4.3 of the Junior Lien City Purchase Agreement to meet an historical <u>or</u> a prospective test (together, the Junior Lien Additional Bonds Test):

> An officer of the City shall certify that either the Designated Revenues for the most recently completed Fiscal Year for which audited financial statements are available or the Designated Revenues for any 12 consecutive months out of the most recent 24 calendar months were sufficient to satisfy the rate covenant set forth in Section 4.6(b) hereof and would have been at least equal to 110% of the Maximum Annual Junior Lien Debt Service for all Junior Lien Obligations to be Outstanding, including the Junior Lien Obligations proposed to be issued; or
>
> A Consultant provides a report which projects that Designated Revenues will be sufficient to satisfy the rate covenant set forth in Section 4.6(b) (including any Junior Lien Obligations to be issued) in each Fiscal Year after subtracting from the amount required to be paid into the Junior Lien Bond Fund from the Revenue Fund any applicable Junior Lien Passenger Facility Charge Credit, which report addresses the period of time beginning with the first full Fiscal Year following the issuance of the Junior Lien Obligations through the later of (i) three Fiscal Years following the expected date of completion (as provided to the Consultant by an officer of the City) of any construction projects to be financed at the Airport with the proceeds of the relevant Junior Lien Obligations or (ii) five Fiscal Years following the issuance of the Junior Lien Obligations.

Junior Lien Obligations may be issued for refunding purposes without meeting the Junior Lien Additional Bonds Test described above, if certain conditions are met.

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*The term Designated Revenues means Net Airport Revenues after provision for payment of Senior Lien Obligations.

Other Airport Obligations

Other Airport obligations are subordinate to the Senior Lien Obligations and Junior Lien Obligations and currently consist of general obligation bonds and the obligations to the providers of the respective letters of credit supporting its commercial paper (CP).

- Airport general obligation bonds are general obligations of the City. Although the City's payment obligations are secured by its full faith and credit, the City has historically paid the principal and interest on these obligations from the Airport Improvement Fund, consistent with the provisions of the Bond Ordinance pertaining to the priority of payments from Net Airport Revenues.

- The City has a $200 million CP program. The CP program is supported by Net Airport Revenues on a basis subordinate to the Senior Lien Obligations and the Junior Lien Obligations, consistent with the provisions of the Bond Ordinance pertaining to the priority of payments from Net Airport Revenues. As of June 30, 2015, the City's outstanding balance on draws was $140 million, including $100 million of draws to complete funding of PHX Sky Train project (to be repaid with proceeds from the Improvement Bonds) and $40 million to provide interim funding for the Terminal 3 Modernization project. The City intends to continue the CP program and use the CP Program to fund the Terminal 3 Modernization project on an interim basis.

Special Revenue Obligations

The City is the obligor with respect to one issue of special revenue obligations that relates to Special Purpose Facilities, which is the Rental Car Facility Charge Revenue Bonds, Series 2004, issued to fund construction of the Consolidated Rental Car Center. These obligations are not secured by Net Airport Revenues and are payable solely from Customer Facility Charges related to the operational activity at the Consolidated Rental Car Center. Debt service relating to special revenue obligations is excluded from annual debt service.

PASSENGER FACILITY CHARGES

The City's PFC program is administered in accordance with regulations set forth in 14 Code of Federal Regulations (CFR) Part 158. As discussed in the previous section under the caption "Historical Passengers and Airline Activity" under the subsection "PFC Eligible Passengers," PFCs are fees imposed on enplaned passengers up to a $4.50 level for the purpose of generating revenues for airport projects that preserve or enhance safety, security, or capacity; mitigate noise impacts; or provide opportunities for enhanced competition among air carriers. Allowable costs under the regulations include reasonable and necessary costs to carry out approved projects, including payment of debt service.

PFC Approvals

The City imposes a $4.50 PFC per eligible enplaned passenger at Sky Harbor. The City has the authority to collect and use $2.9 billion for PFC-eligible projects. The City's largest application, known as PFC 6, as amended, provides collection authority in the amount of $1,972 million. (See Table 24.)

Table 24
SUMMARY OF PFC 6 APPROVAL
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(in thousands)

	Pay-as-you-go	Bond Funds	Total
PHX Sky Train *(a)*			
Construction	$ 270,000	$ 753,072	$ 1,023,072
Interest	-	765,564	765,564
Subtotal	$ 270,000	$ 1,518,636	$ 1,788,636
Other Projects			
Construction	$ 139,308	$ 19,525	$ 158,833
Interest	-	24,936	24,936
Subtotal	$ 139,308	$ 44,461	$ 183,769
Total	$ 409,308	$ 1,563,097	$ 1,972,405

(a) Includes funding for PHX Sky Train Stage 1, Stage 1a, and Stage 2.

Source: FAA Final Agency Decision for 09-09-C-02-PHX, February 20, 2015.

The PFC 6 application provided approval for the PHX Sky Train project in the amount of $1,788.6 million to fund Stage 1, Stage 1a, and Stage 2. The PHX Sky Train was approved at a $4.50 PFC level as a single project, although it was recognized that construction would be sequenced based upon available financial capacity and other considerations. The approval included amounts for construction, as well as interest and financing costs associated with the planned issuance of bonds.

The City's most recent application, known as PFC 7, was approved by the FAA in the amount of $82.2 million in July 2015. PFC 7 provides approval for various PFC eligible projects including Terminal 4 International Facility Improvements and design costs related to the Terminal 3 Modernization project. For purposes of this Report, it is assumed that the Airport will apply and receive approval for a PFC 8, which will be used to fund other PFC eligible projects including construction related to the Terminal 3 Modernization project. See Exhibit D for a detailed forecast of PFC revenues and expenditures by year.

Through June 30, 2015, the City had received $1,296.7 million in PFC Revenues. (See Table 25.)

Table 25
PFC AUTHORITY AND REVENUES
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(as of June 30, 2015; in millions)

PFC	Approval Amount	Revenues Applied	Remaining Authority
Closed PFCs *(a)*	$ 875.2	$ 875.2	$ -
Open PFCs			
PFC 6	$ 1,972.4	$ 484.8	$ 1,487.6
PFC 7 *(b)*	82.2	-	82.2
Subtotal Open PFCs	$ 2,054.6	$ 484.8	$ 1,569.8
Total All PFC Applications	$ 2,929.8	$ 1,360.0	$ 1,569.8

(a) Closed PFCs are PFC applications that have been physically and financially completed and therefore closed and are no longer active.
(b) The PFC 7 application was approved July 17, 2015 and for purposes of this Report will be included in the total PFC approvals.

Sources: Federal Aviation Administration and City of Phoenix Aviation Department.

PFC Framework

Under the Bond Ordinance and Junior Lien City Purchase Agreement, PFCs are excluded from the definition of Airport Revenues and Designated Revenues, respectively. Principal and interest due on specified Senior Lien Obligations* and Junior Lien Obligations, to which PFCs have been irrevocably committed or otherwise held in trust and set aside to pay debt service (the Passenger Facility Charge Credit and Junior Lien Passenger Facility Charge Credit, respectively) are excluded from debt service for the purposes of the Additional Bonds Test, Junior Lien Additional Bonds Test, Rate Covenant, and Junior Lien Rate Covenant.

Upon the issuance of the Improvement Bonds, annual PFC Revenues will be irrevocably committed in an amount equal to:

- 30% of the Improvement Bonds Debt Service,
- 100% of the Refunding Bonds Debt Service,
- 100% of the Junior Lien Airport Revenue Bonds Series 2010A and Series 2010B.

The irrevocable commitment of annual PFC Revenues is to the extent received by the City in any Fiscal Year, beginning on the date of issuance and ending June 30, 2021 (the Commitment Period),

*Currently there are no Senior Lien Obligations to which PFCs have been irrevocably committed.

unless subsequently extended or reestablished by the City in its discretion, to pay debt service. Junior Bonds are secured by Designated Revenues (Net Airport Revenues after making all payments required for the benefit of the Senior Lien Obligations), irrevocably committed PFC Revenues, and irrevocably committed 2010 RZEDB Subsidy Payments pertaining to the Series 2010B Junior Bonds.

2010 RZEDB Subsidy Payments

The CIC and the City expect to receive cash subsidy payments rebating a portion of the interest on the Series 2010B Junior Bonds from the United States Treasury (the 2010 RZEDB Subsidy Payments). The City covenants that it will take reasonable actions necessary to apply for and receive the 2010 RZEDB Subsidy Payments and, irrevocably commits, for the life of the bonds, to transfer such amounts to the Series 2010B Interest Subaccount of the PFC Interest Account (the depository for the Junior Lien Passenger Facility Charge Credit). Any 2010 RZEDB Subsidy Payments received by the CIC or the City will not constitute Airport Revenues, but will be irrevocably committed by the City and CIC towards the interest payments on the 2010B Junior Bonds. Sequestration reductions were 7.3% for the federal government's fiscal year ending September 30, 2015 and will be 6.8% for the federal government's fiscal year ending September 30, 2016.

RZEDB and PFC Revenue Forecast Assumptions

The Debt Service Requirements for the Improvement Bonds to be paid from the 2010 RZEDB Subsidy Payments and PFC Revenues during the Forecast Period (see Exhibit C) in this Report are excluded from the calculation of debt service coverage as permitted by the Bond Ordinance and Junior Lien City Purchase Agreement. For the purposes of this Report, we assumed the City could continue to collect a $4.50 PFC per enplaning passenger (net fee of $4.39 after airline compensation). Exhibit D contains the Application and Use of PFC Revenues assuming the 2010 RZEDB Subsidy Payments (45% of interest) are received less a sequestration reduction (6.8%) on a timely basis through the Forecast Period. Should the subsidy be less than full amount, the City plans to transfer additional PFC Revenues for payment of the Series 2010B Junior Bonds.

PFC Revenues will be used in the following manner during the Forecast Period:

- To pay debt service on the Series 2010A and Series 2010B Junior Bonds, 30% of debt service on the Improvement Bonds and debt service on the Refunding Bonds, through the irrevocable commitment period.

- For existing approved projects contained in PFC 6 and PFC 7.

- For other PFC-eligible projects contained in the Aviation CIP, for which PFC approval will be obtained before utilizing PFC revenues on such projects. For example, certain projects identified in the Aviation CIP are funded in whole or part using PFC 8 funds, which are not yet approved by the FAA. For the purposes of this Report, we classify such projects as PFC 8 funded, assume PFC 8 will be approved by the FAA in FY 2017, and utilize Airport Improvement Funds as an interim funding source until PFC 8 is approved.

AVIATION CAPITAL IMPROVEMENT PROGRAM

The Aviation Department has developed an Aviation Capital Improvement Program (Aviation CIP)* through FY 2020 with project costs totaling $801.9 million. For purposes of this Report, an additional $80.0 million of spending is assumed in the final year of the Forecast Period (FY 2021). The Improvement Bonds will reimburse the portions of the commercial paper program used to fund the PHX Sky Train. The two largest projects in the Aviation CIP are the Terminal 3 Modernization Project and the Terminal 4 International Facility Improvement Project, which are estimated to cost $560.0 million and $27.0 million respectively. The project categories in the Aviation CIP and their estimated costs by year are shown on Exhibit A-1. The project categories in the Aviation CIP and their estimated funding are shown on Exhibits A-2a and A-2b. Major categories of projects are explained below.

The Aviation Department plans to fund certain project costs of the Aviation CIP through Airport Improvement Program (AIP) grants administered by the FAA, state, grants, passenger facility charge (PFC) revenues, Airport Improvement Funds, and the proceeds of borrowings. The City uses a Commercial Paper (CP) program to provide interim funding for Aviation CIP projects including the Terminal 3 Modernization Project and plans to issue additional bonds during the Forecast Period. For the purposes of this Report, additional Senior Lien Obligations are assumed to be issued in FY 2018 (Series 2017 Senior Improvement Bonds) and FY 2020 (Series 2019 Senior Improvement Bonds). No other projects in the Aviation CIP assume funding from additional bonds.

The Aviation Department monitors demand forecasts and facility capacity frequently and is obliged periodically to respond to unanticipated requirements for capital investments. Management is responsive to a rapidly changing aviation industry that is affected by global, national, and local economies and other factors (see the chapter "Airline Traffic Analysis" and caption "Key Factors Affecting Future Airline Traffic"). Such factors could affect the traffic levels at Sky Harbor and thus could affect the demand and need for certain capital projects. Therefore the Aviation CIP as presented in this Report may be modified in future years.

PHX Sky Train

The PHX Sky Train is an automated people mover system that will connect all of the Airport's terminals and parking facilities to VALLEY METRO Light Rail (regional public transit system) and 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 traffic solution to growing traffic congestion in and around the Airport. 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 the Airport'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. Stage 2 will eventually link the Stage 1 and Stage 1a with the Rental Car Center. Stage 2 costs are not included in the FY 2016 to FY 2020 Aviation CIP.

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*The Aviation Department has developed an Aviation Capital Improvement Program (Aviation CIP) through FY 2020 with project costs totaling $718.5 million. For purposes of this Report, the two major projects (Terminal 3 Modernization and Terminal 4 International Facility Improvements) were adjusted to be represented on a cash flow basis rather than a budgetary one. Further, an additional $80.0 million of spending is assumed in the final year of the Forecast Period (FY 2021). For the Forecast Period, the total Aviation CIP totals $881.9 million.

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 9 million passengers and replaced busing as the primary mode of transportation between terminals and parking facilities.

Terminal 3 Modernization

The Terminal 3 Modernization project is a multiyear program to enhance the customer experience and provide a more efficient terminal for passengers. Major features of the project include a consolidated security checkpoint, additional ticket counters, additional baggage processing capacity, baggage carousels, replacement of gates, and expanded passenger drop-off curb. The multi-phase, design-build project includes three major components: Terminal Processor, the South Concourse, and the North Concourse.

The Terminal 3 Modernization project includes a gate replacement and infrastructure upgrade that will allow Sky Harbor to close an aging Terminal 2 and relocate airlines to Terminal 3. Terminal 2 and Terminal 3 rely on systems that are over 30 years old and have capacity deficiencies or operational inefficiencies that will be significantly improved by the renewal of these systems. The upgrades are expected to lower operating costs, raise the level of service, and increase system liability. Greater efficiency will be achieved by converting to common use ticket counters and gates that increase utilization though technology. The project will be delivered to a LEED Silver standard and will move passengers to their gate in a way that is faster, more pleasant, and in a fashion that drives increased revenue though food, beverage, and retail concessions.

By utilizing a phased approach to construction and funding, Management has preserved the ability to postpone certain components of the project if unforeseen economic circumstances occur which lead to financial constraints or lowered terminal capacity requirements. The project is expected to be completed in 2020.

Figure 18
TERMINAL 3 MODERNIZATION PROJECT
SCHEDULE OF DELIVERABLES
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport

Component number and amenities delivered	Anticipated Delivery
Component I, Phase I - New Ticket Hall, new Security Checkpoint, new Vertical Circulation Cores, Consolidated Campus Building	Fall 2016
Component I, Phase II – New Baggage Claim area and Circulation, additional concession opportunities	Fall 2017
Component I, Phase III – Completion of Terminal processor, additional concession and airline space to receive Terminal 2 airlines.	Summer 2018
Component II, Phase I - Construct New South Concourse – 10 Gates	Summer 2018
Component III - Renovate North Concourse – 10 gates	Fall 2019
Component II, Phase II – South Concourse additional 5 Gates	Spring 2020

Source: City of Phoenix Aviation Department.

Terminal 4 International Facilities Improvements

The Terminal 4 International Facility Improvements project will improve the U.S. Customs and Border Protection (CBP) facilities located in the international concourse to accommodate and maintain an acceptable level of service for international passengers at Sky Harbor, especially during heavy international arrival periods. The construction phase services will include a new high-speed, large-capacity elevator with service stairs; refurbished escalators and baggage claim equipment; a new family-assist restroom; remodeling of office areas in the basement level; and addition of new CBP offices. This will enhance vertical circulation, increase queue space, create baggage claim frontage, provide for more efficient passenger processing, and conform to current CBP compliance standards. Project design is 45% complete and construction is expected to be finished May 2017.

Other Aviation CIP Projects

Other Aviation CIP projects are listed below:

- **Air Cargo ($15.3 million):**): Includes work to be done on the East Apron of the West Air Cargo area and expanding the South Air Cargo Ramp to add more aircraft parking positions.

- **Development Studies ($6.2 million):** Projects in this category include studies facilities assessment, Terminal Area Monitoring Systems, Americans with Disability Act Transition Plan improvements, and environmental remediation projects.

- **General Aviation ($1.8 million):** Projects include fuel cleanup and hangar repair projects.

- **Infrastructure ($1.0 million):** Project to create the Geographic Information System (GIS) data and Airport Airspace analysis report for FAA.

- **Land Acquisition including Noise Mitigation ($4.6 million):** Areas in and around Sky Harbor are impacted by noise. The major projects in this category are the acquisition of land north of Sky Harbor (Part 150 Land), the Voluntary Acquisition and Relocation Services for acquired properties, and Sound Insulation Mitigation Services.

- **Maintenance Facilities ($0.5 million):** Remodeling and refurbishing of facilities.

- **Parking Facilities ($0.2 million):** Includes completion on an Employee Parking lot.

- **Roadways ($7.8 million):** The project is general roadway pavement restoration and replacement of airport monument signs.

- **Runway and Taxiway Improvements ($69.1 million):** Projects include north apron (Terminal 4) reconstruction, taxiway pavement rehabilitation and maintenance; infield pavement projects; and utility access upgrades.

- **Security Facilities ($23.0 million):** Projects related to Sky Harbor security include construction of command center and emergency operations center and replacement of perimeter gate wedge barrier devices.

- **Terminal 4 ($28.0 million):** Projects in this category include moving walkway refurbishments, restroom remodeling, EDS enhancements, retail infrastructure improvements and replacing carpet with Terrazzo flooring.

- **Deer Valley Airport ($12.0 million):** Projects include aircraft run-up area improvements, taxiway connector improvements, North Ramp reconstruction, and parking lot improvements.

- **Goodyear Airport ($17.3 million):** Projects include runway pavement rehabilitation and property purchases for the runway protection zone (RPZ).

- **Phoenix-Mesa Gateway Airport ($6.5 million):** The City is providing limited capital funding as part of its investment in this airport.

- **Other Miscellaneous and Contingency ($153.6 million):** This is funding for aviation contingency, including planned terminal and airfield modifications, security and communication enhancement and potential grant projects. Funds ($80.0 million) are also established for years in the forecast that have not yet been adopted by City Council (FY 2021).

PLAN OF FINANCE

The major sources of funds for projects in the Aviation CIP are shown in Exhibits A-2a, A-2b, and B-2. The Aviation Department plans to fund certain project costs of the Aviation CIP through Airport Improvement Program (AIP) grants administered by the FAA, passenger facility charge (PFC) revenues, Airport Improvement Funds, and the proceeds of borrowings.

The City is eligible to receive FAA grants under the AIP for up to 75% of the costs of eligible projects. Grants are received as either entitlement grants, based on the number of enplaned passengers, program funding and formulas, or as discretionary grants, based on FAA determination of the priority of projects at airports nationally. [Current FAA authorization and AIP funding has been approved through the 2012 FAA Reauthorization and Reform Act which expired September 30, 2015, and was extended 6 months to March 31, 2016 through the Airport and Airway Extension Act of 2015 (H.R. 3614). For the purposes of this Report, it was assumed that Congress will pass a reauthorization bill or extend the current authorization so that no lapse in AIP funding authority will occur.] A portion of the Aviation CIP is expected to be funded from AIP entitlement and discretionary grants; however, to the extent that funding is not available in the near term, the City is able to defer spending for these projects without impacting the overall operations of Sky Harbor, and such deferrals are assumed to not affect the air traffic forecasts, or the financial forecasts contained in this Report.

2015 Junior Bonds

The 2015 Junior Bonds are to be issued under (1) a Bond Indenture between the CIC and the Bond Trustee, and (2) a Junior Lien City Purchase Agreement between the City and the CIC. The Junior Bonds include Improvement Bonds and Refunding Bonds as described below.

Improvement Bonds

The City intends to issue the Improvement Bonds, in the par amount of $98,545,000.* Proceeds from the Improvement Bonds, with interest earnings during construction, are expected to be used for the following purposes:

- Reimburse the commercial paper program used to fund portions of the PHX Sky Train.
- Fund the required bond fund reserves allocable to the Improvement Bonds.
- Pay the costs of issuing the Improvement Bonds, including underwriters' discount and financing, legal, and other costs.

The Improvement Bonds are secured by a pledge of Designated Revenues and irrevocably committed PFC Revenues, equal to 30% of the Improvement Bonds Debt Service and 100% of the Refunding Bonds Debt Service, during the commitment period.

*Preliminary and subject to change.

Refunding Bonds

The City intends to issue the Refunding Bonds in the par amount of $19,350,000* to refund the 2034 maturity of the Junior Lien Airport Revenue Bonds, Series 2010A. The Refunding Bonds will not provide proceeds for any portion of the Aviation CIP. The Refunding Bonds are secured by a pledge of Designated Revenues and irrevocably committed PFC Revenues during the Commitment Period.

Future Bonds

In the future the City may issue additional Senior Lien Obligations under the Bond Ordinance on parity with other outstanding Senior Lien Obligations. Additionally the City may issue additional Junior Lien Obligations on parity with outstanding Junior Lien Obligations and the planned 2015 Junior Bonds. For the purposes of this Report, additional Senior Lien Obligations are assumed to be issued in FY 2018 in the par amount of $223 million and FY 2020 in the par amount of $256 million, to fund a portion of the Terminal 3 Modernization project. No other projects in the Aviation CIP assume additional bonds.

DEBT SERVICE REQUIREMENTS

Debt service requirements are described below for outstanding Senior Lien Obligations, outstanding Junior Lien Obligations, the proposed 2015 Junior Bonds, and Other Airport Obligations.

Senior Lien Obligations

Exhibit C presents estimated debt service requirements on the outstanding Senior Lien Obligations. Outstanding principal on the Senior Lien Obligations as of October 1, 2015 was $496.9 million, which is equivalent to $23 per enplaned passenger based on FY 2015 passenger levels.

Junior Lien Obligations

Exhibit C presents estimated debt service requirements on the outstanding Junior Lien Obligations. Outstanding principal on the Junior Lien Obligations as of October 1, 2015 was $659.6 million, which is equivalent to $31 per enplaned passenger based on FY 2015 passenger levels.

2015 Junior Bonds

Improvement Bonds

The City intends to issue the Improvement Bonds, in the par amount of $98,545,000.* Debt Service for the proposed Improvement Bonds was estimated by Frasca & Associates based on the following assumptions: a delivery date in December 2015, final maturity in July 2045, a debt service reserve sufficient to satisfy the requirement, an assumed all-in True Interest Cost of 4.32% and a 30-year amortization period.

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*Par amount is preliminary and subject to change. For the purposes of this Report, no savings are assumed for the Refunding Bonds; rather the original debt service for the bonds to be refunded is included.

Refunding Bonds

The City intends to issue the Refunding Bonds in the par amount of $19,350,000* to refund the 2034 maturity of the Junior Lien Airport Revenue Bonds, Series 2010A. Junior Lien Debt Service is reduced accordingly; however, the amount of debt service pertaining to the Refunding Bonds was not reduced to account for savings that may result from the refinancing.

Other Airport Obligations

General Obligation Bonds

Exhibit C also presents estimated debt service requirements on the outstanding Airport general obligation bonds. Outstanding principal on this obligation as of October 1, 2015 is $7.9 million.

CP Program

The City has a CP program which it intends to use for interim funding of Aviation CIP projects. The current $200 million CP Program is assumed to be maintained throughout the Forecast Period. For the purposes of this Report, it is assumed that the CP through FY 2021 will be used for interim funding of the Terminal 3 Modernization project and will be refunded through periodic issuance of additional Senior Lien Obligations.

The CP program is subordinate to the Senior Lien Obligations and the Junior Lien Obligations. The CP program is supported by Junior Subordinate Lien Revenues.** Costs associated with the CP program were estimated by Frasca & Associates based on the following assumptions: no amortization of principal throughout the Forecast Period; an interest rate of 1.0% in FY 2016, 2.0 % in FY 2017, 3.0% in FY 2018 and 4.0 % thereafter; and letter of credit fees based upon the terms of the existing letter of credit reimbursement agreements.

COST OF MAINTENANCE AND OPERATION

In the Bond Ordinance, the term Cost of Maintenance and Operation (or operating expenses) means "all expenditures (exclusive of depreciation and interest on money borrowed) which are necessary to the efficient maintenance and operation of the Airport and its facilities, such expenditures to include the items normally included as essential expenditures in the operating budgets of municipally owned airports." We rely upon the City's actual expenditures on a budgetary basis as reported in the City's Comprehensive Annual Financial Report (CAFR), Exhibit E-4, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budget Basis, for the best representation of historical Cost of Maintenance and Operation (See section "Accounting Bases" below).

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*Par amount is preliminary and subject to change. For the purposes of this Report, no savings are assumed for the Refunding Bonds; rather the original debt service for the bonds to be refunded is included.

**Junior Subordinate Lien Revenues is defined in the Commercial Paper documents.

Recent Historical Trends

Operating expenses in FY 2013 and FY 2014 grew 5.8% and 4.7% respectively due primarily to incremental expenses associated with the PHX Sky Train Stage 1 project. Operating expenses in FY 2015 grew 0.7%, and include PHX Sky Train Stage 1a expenses for a partial year of operation and realized contractual savings due to the decrease in busing services at the Airport.

FY 2016 Budget

Operating expenses in the FY 2016 budget are expected to increase 0.8% over the FY 2015 budget and 5.1% over FY 2015 estimates (FY 2015 expenses are estimated at 4.1% less than FY 2015 budget). The largest increases are in Contractual Services, which are expected to increase approximately $8.2 million. This increase is primarily due to difference between budgeted and actual expenses incurred as well as PHX Sky Train Stage 1a related O&M, which began service in December of 2014 (see Tables 26 and 27).

Table 26
OPERATING EXPENSES BY CHARACTER
2015 ESTIMATE AND 2016 BUDGET
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Years ending June 30; in thousands)

	Estimate *(a)* 2015	Budget *(a)* 2016	% Change
Personal Services	$ 105,760	$ 106,541	0.7%
Contractual Services	105,198	113,442	7.8%
Supplies	11,092	11,615	4.7%
Equipment/Minor Improvements	4,115	6,041	46.8%
Total Budgeted Operating Expenditures	$ 226,165	$ 237,639	5.1%

	% Total 2015	% Total 2016
Personal Services	47%	45%
Contractual Services	47%	48%
Supplies	5%	5%
Equipment/Minor Improvements	2%	3%
Total Budgeted Operating Expenditures	100%	100%

Note: Figures may not add to totals due to rounding.

(a) Amounts represent the Aviation Department's estimate for FY 2015 and budget for FY 2016.

Source: City of Phoenix Aviation Department.

Table 27
OPERATING EXPENSES BY DIVISION
2016 BUDGET
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(Fiscal Year ended June 30, 2016; in thousands)

	Personal Services	Contractual Services	Supplies	Equipment/ Minor Imp.	Total
Aviation Divisions					
Facilities & Services	$ 31,975	$ 44,984	$ 7,215	$ 3,785	$ 87,958
Operations	16,552	42,117	1,755	1,210	61,632
Technology	5,087	8,997	2,177	900	17,161
Aviation Administration	3,257	1,972	82	-	5,311
Business & Properties	2,256	3,568	19	-	5,842
Public Relations	1,484	2,512	97	-	4,093
Financial Management	2,262	1,044	20	141	3,467
General Aviation	2,609	1,306	213	5	4,133
Planning & Environmental & CMD	466	3,535	10	-	4,011
Design & Construction	(1,402)	2,270	16	-	884
Community Dev & Government Relations	820	1,138	13	-	1,970
Aviation Divisions: Subtotal	$ 65,366	$ 113,442	$ 11,615	$ 6,041	$ 196,464
Interdepartmental Charges					
Police	$ 20,031	$ -	$ -	$ -	$ 20,031
Fire	12,702	-	-	-	12,702
Parks & Recreation	2,296	-	-	-	2,296
Information Technology	568	-	-	-	568
Law & Civil	1,232	-	-	-	1,232
Audit	980	-	-	-	980
Other	3,366	-	-	-	3,366
Interdepartmental Charges: Subtotal	$ 41,175	$ -	$ -	$ -	$ 41,175
Total Expenses	$ 106,541	$ 113,442	$ 11,615	$ 6,041	$ 237,639

Note: Amounts represent the Aviation Department's budget for FY 2016.

Source: City of Phoenix Aviation Department.

Personal Services

Personal services are budgeted at $106.5 million in FY 2016, or 45% of total operating expenses. Personal services operating expenses are directly related to salaries and employee benefits. Overall, personal services expense is budgeted to increase $0.8 million compared to FY 2015.

Interdepartmental charges/credits, which are included in personal services, are budgeted at $41.2 million in FY 2016, or 39% of total operating expenses. Interdepartmental charges/credits include the cost of City services related to the Airport. Major services include: police ($20.0 million), fire ($12.7 million), direct City administrative services ($4.9 million, including internal audit, information technology, finance, others), City parks services ($2.3 million), and City legal services ($1.2 million).

Contractual Services

In FY 2016, contractual services are budgeted at $113.4 million, or 48% of total operating expenses, making it the largest expense category. Major elements of the contractual services category are summarized below.

- **Utilities.** Utilities are $20.6 million in the FY 2016 budget and include electricity, water, solid waste disposal, and gas, telephone, and sewer services.

- **Public Parking.** Parking contracts are budgeted at $8.9 million in the FY 2016 budget and major contractors includes Ace Parking Management and Scheidt & Bachmann USA. Ace Parking Management provides general parking management oversight, cleaning, maintenance, and security monitoring services. Scheidt & Bachmann provides revenue control services. The City retains all revenues from the public parking operations.

- **Baggage Handling**. Elite Line Services operates, maintains, and repairs certain baggage handling systems at a FY 2016 budgeted cost of $2.5 million.

- **Bus Service.** Transdev Services provides the airport-wide shuttle bus services at Sky Harbor for a FY 2016 budgeted cost of $14.7 million. Services covered under the contract include Rental Car Center and emergency busing. The contract expires June 2016 and is based on a per hour fee which includes overhead.

- **Custodial Services.** The budgeted amount for contractual custodial services in FY 2016 is $10.1 million.

- **PHX Sky Train Operations.** Bombardier Transportation Holding USA, Inc. was awarded a 10-year contract to Design-Build-Operate-Maintain the PHX Sky Train Stage 1 and 1a. The budgeted amount for operating and maintenance services in FY 2016 is $9.2 million. This includes a full year of cost for Stage 1a of $2.2 million.

Supplies and Equipment/Minor Improvements

Remaining operating expenses are primarily related to supplies and equipment/minor improvements. In FY 2016, these two expense categories are collectively budgeted at $17.7 million, or 7.4% of total operating expenses.

FY 2017-2021 Forecast

The FY 2017-2021 forecast includes a base forecast of operating expenses with no incremental operating expenses assumed. A forecast of total operating expenses is summarized below.

Base Cost of Maintenance and Operation

Cost of Maintenance and Operation expenses are forecast to increase at an annual rate of 3.0% in FY 2017 through FY 2021. The Aviation Department expects to continue to constrain expense growth over the Forecast Period to help offset the impact of the Aviation CIP on airline tenants that are charged on the basis of cost recovery, as described earlier.

Incremental Cost of Maintenance and Operation

The Aviation Department assumes no additional incremental costs of Maintenance and Operation related to the Terminal 3 Modernization project since incremental increases would be offset by savings related to the closure of Terminal 2 for airline operations. Additionally, the Terminal 3 Modernization project includes a number of investments (as described earlier) that enable the Aviation Department to operate and maintain Terminal 3 more efficiently.

Total Cost of Maintenance and Operation

The total Cost of Maintenance and Operation are shown in Exhibit E. The City believes the forecasted rate of expense growth is reasonable to assume based upon (1) historical trends, (2) the FY 2016 budget, (3) projected O&M costs (and savings) for new facilities, and (4) Management objectives relative to future growth and expectations regarding internal staffing and contracted services.

Central Service Cost Allocation

Central service cost allocation expenses are charges for certain City services provided to the Aviation Department and are not otherwise directly charged to the Aviation Department. The amount of allocation is determined on an annual basis by the City Finance Department. The Aviation Department does not directly pay these expenditures through its operating budget nor does it plan for these costs through its operation and maintenance budget.

The Cost of Maintenance and Operation as defined in the Bond Ordinance and clarified by bond counsel does not include central service cost allocation. The forecast of Net Airport Revenues, Designated Revenues, Rate Covenant, and Additional Bonds Test do not include this allocation, which is directly paid using the Airport Improvement Fund to the extent funds are available. In FY 2015, the allocation is estimated at $8.0 million. In FY 2016, the allocation is budgeted at $8.6 million. Thereafter, the allocation is forecast to grow at a rate of 3.0% per year.

AIRPORT REVENUES

The term Revenues (or Airport Revenues) means all revenues or income received by the City directly or indirectly from the use and operation of the Airport, except for certain exclusions. (See Table 28.) Revenues also include interest on invested money and profits realized from the sale of investments held in funds established pursuant to the Bond Ordinance, except for the Construction Fund, the Project Fund, and the Rebate Fund.* We rely upon the City's CAFR, Exhibit E-4, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budget Basis, as the best representation of actual historical Revenues (See section "Accounting Bases" below).

Excluded from Revenues are monies received from state and federal grants, proceeds received from property damage insurance claims that are used to repair or replace Airport facilities or property, PFC Revenues, 2010 RZEDB Subsidy Payments, proceeds received from the sale of any bonds or other obligations, and Special Purpose Facilities revenues.

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*The Construction Fund is a special fund into which proceeds of Senior Lien Obligations issued for the purpose of improving and extending the Airport are deposited. The Rebate Fund is a special fund created to collect interest earnings subject to "rebate" under United States Treasury Regulations.

Table 28

TOTAL REVENUES

City of Phoenix Aviation Department

Phoenix Sky Harbor International Airport

(Fiscal Years ending June 30; in thousands)

	2014		2015 Estimate		2021 Forecast	
	Revenues	% of Ttl	Revenues	% of Ttl	Revenues	% of Ttl
Operating Revenues						
Landing and Terminal Fees						
Airline Landing Fees *(a)*	$ 50,368	15%	$ 52,082	15%	$ 59,318	14%
Airline Terminal Fees	67,679	20%	70,642	20%	96,262	23%
Total Airline Revenues (less Baggage System Fees)	$ 118,047	34%	$ 122,724	35%	$ 155,580	37%
Baggage System Fees	4,354	1%	3,390	1%	3,676	1%
Jetway Rental	701	0%	716	0%	716	0%
Common Use	3,181	1%	4,184	1%	8,633	2%
FIS Fees	763	0%	563	0%	2,867	1%
Total Airline Revenues	$ 127,047	37%	$ 131,576	37%	$ 171,473	41%
Nonairline Terminal Revenues	35,597	10%	36,887	10%	40,398	10%
Misc. Other Landing and Terminal Fees	11,290	3%	11,260	3%	12,842	3%
Total Landing and Terminal Fees	$ 173,934	51%	$ 179,723	51%	$ 224,713	54%
Ground Transportation						
Parking (Public and Employee)	$ 77,170	22%	$ 80,933	23%	$ 87,455	21%
Car Rentals	38,434	11%	41,130	12%	42,588	10%
Total Parking and Car Rentals	$ 115,604	34%	$ 122,063	34%	$ 130,043	31%
Taxis	4,162	1%	4,123	1%	4,412	1%
Other	956	0%	853	0%	1,209	0%
Total Ground Transportation	$ 120,722	35%	$ 127,039	36%	$ 135,664	33%
Other Revenues						
Hangars	$ 3,715	1%	$ 3,787	1%	$ 4,522	1%
Land Rental	11,428	3%	11,684	3%	13,952	3%
Building and Facility Rentals	2,930	1%	3,037	1%	3,627	1%
Facility Lease Reimbursement (RCC)	7,203	2%	7,216	2%	8,790	2%
Other	8,185	2%	5,404	2%	6,336	2%
Total Other Revenues	$ 33,461	10%	$ 31,129	9%	$ 37,226	9%
Total Operating Revenues	$ 328,117	96%	$ 337,891	95%	$ 397,603	95%
Interest Income	1,807	1%	1,842	1%	2,224	1%
Total Revenues prior to RCC Reimbursement	$ 329,924	96%	$ 339,733	96%	$ 399,827	96%
RCC Busing Service Reimbursement *(b)*	13,626	4%	14,488	4%	17,281	4%
Total Revenues	$ 343,550	100%	$ 354,221	100%	$ 417,108	100%

Note: Columns may not add to total due to rounding.

(a) Landing fees include -$2.1 million and -$1.0 million in Rates & Charges annual settlement in FY 2014 and FY 2015 respectively.

(b) Reimbursement of Transportation O&M Expenses for Rental Car busing using available CFC revenues.

Sources: City of Phoenix Aviation Department and LeighFisher.

Landing and Terminal Fees

Landing and terminal fees include airline revenues; nonairline terminal revenues; and miscellaneous other landing and terminal fees.

Airline Revenues

As noted earlier under the caption "Framework for Airport System Financial Operations" under the subsection "Airline Rates and Charges" the rate budget is established at the beginning of the fiscal year. For purposes of this Report, it is assumed that the City will annually calculate and adjust airline fees during the Forecast Period using a compensatory rate-setting methodology, and that airlines at Sky Harbor would pay such charges.

Under the compensatory rate-setting methodology, components of the Terminal 3 Modernization project will be included in the rate base through debt service and amortization of City funded assets as these components are completed. This results in higher forecasted year over year airline revenue increases in FY 2018 and FY 2019 of 11.3% and 6.7% respectively.

Common Use and Federal Inspection Services Fees

Common use fee revenues are determined by the number of departures (turns) on common use gates at the Airport. The common use fee charge is indexed to the terminal rental rate and assumes the average cost of a typical gate. The full service charge for domestic users is $662 per turn. International users receive an adjustment as shown in Table 29, which is being phased out through FY 2017, resulting in an FY 2016 rate of $430 per turn.

Airlines also pay a Federal Inspection Services (FIS) fee per passenger for all international passengers arriving at the Airport at a rate of $1.30 after adjustment, equal to 65% of the current $2.00 FIS fee. The Airport plans to increase the FIS fee by $1.00 per year through FY 2018 resulting in an FIS fee of $4.00 in FY 2018. The FIS fee adjustment will also be phased out through FY 2017 following the schedule shown in Table 29.

Table 29
INTERNATIONAL COMMON USE AND
FEDERAL INSPECTION FEE ADJUSTMENT SCHEDULE
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport

Year	% Adjustment
2014	50%
2015	50%
2016	35%
2017	15%
2018	0%

Source: City of Phoenix Aviation Department.

Nonairline Terminal Revenues

In general, concession revenues are significantly related to the following factors: (1) the rental provisions set out in concession agreements; (2) the level and mix of passenger traffic and spending patterns; (3) inflation; (4) the ability of concessionaires to increase revenues by increasing prices or increasing volume; and (5) various other factors, such as concessions environment, store locations and merchandise mix.

Except as specifically noted below, the forecasts of concession revenues apply the following assumptions: (1) prevailing rental provisions will remain in effect over the Forecast Period; (2) concession revenues will increase in relation to enplaned passengers; (3) increases in concession prices will be constrained below the general level of inflation; and (4) the development of concession revenue will not be constrained by facilities or new development.

Food and Beverage. Food and Beverage. Food and beverage revenues consist mainly of rents and concession fees paid by concessionaires for in-terminal operations. Most contracts provide for a concession fee equal to scheduled percentages of gross sales subject to a minimum annual guarantee. The City has major exclusive concession agreements at Sky Harbor as follows: (1) Host International, Inc. covering food and beverage operations in Terminal 3 (with extension until March 2016), (2) Premiere Airport Food Services, Inc., JMJ-LLC, First Class Concessions covering food and beverage operations in Terminal 2 (expires February 2016), (3) Host International, Inc. and SSP America covering food and beverage operations in Terminal 4 (expires in 2025). Revenues were forecast in relation to enplaned passengers, assuming no material change in contract terms or any expansion of space devoted to concessionaires. Terminal 3 is undergoing a modernization that will result in various temporary closures of existing food service, however such closures will be managed in phases to ensure continuity of service and revenues. New food service contracts are anticipated for Terminal 3 sometime in 2017. For purposes of this Report no adjustment was made to decrease revenues associated with Terminal 3 due to temporary closures, nor were increases assumed due to new food and beverage options.

General Merchandise. General merchandise revenues consist of concession fees paid by news, gift, duty free, and specialty retail shops. Revenues were forecast in relation to enplaned passengers, assuming no material change in contract terms with concessionaires or any expansion of space devoted to concessionaires. The City has over 45 contracts with different vendors including Paradies, HDS Retail, Casa Unlimited, Hudson Group, and others. Nearly all of the agreements have substantially similar terms providing for concession fees equal to scheduled percentages of gross sales subject to a minimum annual guarantee. The agreements for general merchandise operations in Terminal 2 and Terminal 4 expire June 2016. The agreements for general merchandise operations in Terminal 3 also expire in June of 2016. Terminal 3 is undergoing a modernization that will result in various temporary closures of general merchandise vendors, however such closures will be managed in phases to ensure continuity of service and revenues. New contracts are anticipated for Terminal 3 sometime in 2017. For purposes of this Report no adjustment was made to decrease revenues associated with Terminal 3 due to temporary closures, nor were increases assumed due to new merchandise options.

Advertising. The Aviation Department currently has contracts with Alliance/Lamar for advertising in Terminal 2, Terminal 3, Terminal 4, and both Clear Channel Outdoor for outdoor/billboard advertising and American Outdoor for outdoor/billboard advertising. The contracts provide for a concession fee equal to a percentage of gross receipts or a minimum annual guarantee, whichever is greater. Advertising revenues were approximately $4.0 million in FY 2015. Thereafter, revenues are expected to increase with enplaned passengers and an assumed consumer price growth rate of 1.5%.

Miscellaneous Other Landing and Terminal Fees

This revenue category comprised around $11.3 million of annual revenues in FY 2015. This category generally relates to non-signatory airlines and includes tenant office rent, commercial use permit fees, and air cargo fees.

Ground Transportation

Ground transportation includes public parking, employee parking, car rentals, and taxis and other ground transportation.

Public Parking

Public parking at Sky Harbor is accommodated in three types of facilities: terminal garages, economy garages, and economy surface lots. Parking customers are divided into two distinct groups determined by their duration of stay: hourly customers and daily customers.

Hourly customers stay for less time than required to reach the daily maximums per parking structure and primarily park in the terminal garages. Hourly customers constitute the bulk of the parking transactions, but only 15% of the overall public parking revenues.

Daily customers stay for more time than needed to reach the daily maximum per parking structure. Daily customers are a small portion of total parking transactions, but produce 85% of the overall public parking revenues.

Future parking revenues are generally forecast on the basis of (1) historical trends in parking revenue per originating resident passenger and per transaction broken into two duration types (hourly and daily customers) and (2) forecast increases in the number of originating resident passengers.

Employee Parking

Employee parking includes paid parking for 13,895 permitted employees that are provided access to designated employee parking locations at Sky Harbor. Employee parking revenues were estimated at $9.0 million in FY 2015. Revenues are forecast assuming no change to the number of permitted employees and no change to employee parking rates within the Forecast Period.

Car Rentals

Rental car revenues are derived from (1) on-Airport concession agreements at Sky Harbor, that specify the greater of 10% of revenues or minimum annual guarantees, be remitted annually ($34.5 million in FY 2015), and (2) ordinances requiring off-Airport rental car companies doing business at Sky Harbor remit 7% of airport-derived revenues ($0.1 million in FY 2015).

On-Airport Concession Revenues. The City has on-airport rental car concession agreements with the following fourteen rental car brands that are owned by 6 parent companies operating at Sky Harbor: Avis, Budget, Payless, Zipcar (owned by Avis Budget Group); Hertz, Dollar, Thrifty, Firefly (owned by the Hertz Corp); Enterprise, National, Alamo (owned by Enterprise Holdings, Inc.); and Sixt, Fox, Advantage which are independent. All Concession Agreements expire at the end of December 2016; new 10-year agreements are being negotiated. These agreements authorize the companies to operate automobile rental businesses at Sky Harbor subject to various conditions, including the payment of a concession fee equal to the greater of 10% of gross receipts or a minimum annual guarantee. The minimum annual guarantee for the majority of the brands is subject to automatic adjustment to the greater of 75% of the previous year's concession fees or the current minimum annual guarantee. Three of the brands—Fox, Sixt, and Payless operate under similar agreements but annual adjustments are based on 85% of the previous year's concession fees. The rental car agreements do not allow assignment in the event of consolidation, or reductions in minimum annual guarantee. (See Table 30.)

Table 30
RENTAL CAR MINIMUM ANNUAL GUARANTEE
City of Phoenix Aviation Department
Phoenix Sky Harbor International Airport
(for contract year ending December 31, 2015; in thousands)

	2015
Avis	$ 5,655
Budget	3,571
Dollar	2,675
Enterprise	3,008
Fox	938
Hertz	8,059
National Alamo	6,575
Payless	1,203
Simply Wheelz	882
Sixt	509
Thrifty	1,777
	$ 34,853

Source: City of Phoenix Aviation Department.

While the minimum annual guarantee is applied annually, the Aviation Department collects the greater of 10% of gross receipts or one-twelfth of the minimum annual guarantee each month for the contract year (contract years start January 1 and end December 31). Due to slight seasonality in rental car transactions, this causes the Aviation Department to over collect revenues in certain months. The Aviation Department performs a settlement to reimburse the rental car companies for any over collections, and such amounts are reimbursed in subsequent contract years.

On-Airport rental car concession revenues are forecast as a function of visitor enplaned passengers, rental car transactions, transaction days, rental car rates per transaction day, company market share, and minimum annual guarantees. In FY 2015, rental car rates per transaction day were $52.82 per day on average and the average length of rental was 4.27 days. The forecast assumes that rental car rates per transaction day and the average length of rental will remain steady at FY 2015 rates; however, using these assumptions, nearly every rental car company is forecast to pay 10% of gross sales through the Forecast Period. Gross sales for FY 2015 were approximately 10% above normalized gross sales due to additional transactions days related to the NFL Super Bowl in January and February 2015. It assumed for FY 2016 that the gross sales will decrease by about 10% and continue to grow based on visiting passenger growth throughout the Forecast Period. Annual settlements will continue to occur due to the difference in contract and fiscal years

Off-Airport Revenues. Off-Airport rental car companies are subject to a 7% fee on the share of gross revenues derived from customers transported between Sky Harbor and the consolidated rental car facility. Revenues are forecast to increase with the rate of growth in visitor enplaned passengers. Gross Sales reported for FY 2015 increased by 5.8% over FY 2014.

Taxis and Other Ground Transportation

Taxicab services and other commercial vehicles are discussed below.

Taxicab Services. The Aviation Department manages contracts with three taxi cab companies. Revenues from taxi services are generated by vehicle bid fees and trip fees. In FY 2015, the tax companies contributed approximately $4.5 million in revenue. Future revenues are forecast based on enplanement growth and a consumer growth factor equal to 1.5% annually.

Other Commercial Vehicles. Other commercial vehicles include shared ride van services, transportation network companies (TNC's), and other vehicles subject to fees for the privilege of picking up and dropping off passengers at the Airport. The Aviation Department is currently in negotiations with several TNC's to provide ridesharing type services at the Airport. For purposes of this Report, no additional revenues are being assumed for TNC's and revenues for other commercial vehicles are forecast based on enplanement growth and a consumer growth factor equal to 1.5% annually.

Other Revenues

Other revenues include the following:

- **Hangars, Land Rentals,** and **Building and Facility Rentals.** Hangars, land, and building, and facilities are leased from the Airport by tenants including Sky Chefs, Greyhound Lines, JP Morgan Chase, FedEx, UPS, and various rental car companies doing business at the Airport. The leases are adjusted annually based on CPI. Hangar, Land Rental, and Building and Facility Rental revenues are assumed to continue to grow based on CPI throughout the Forecast Period. The Airport assumes any new or expiring lease agreements will not have material effect on future revenues.

- **Facility Lease Reimbursements.** The consolidated rental car center sits within the Sky Harbor boundary on a 141-acre site west of the terminal buildings and has 5,613 ready/return garage spaces and a 113,000 square-foot customer service building. The facility houses on-Airport rental car companies at one location (including a parcel for small operators). Additionally off-Airport rental car companies are required to transport Sky Harbor customers to and from the rental car center. Facility lease reimbursements are made by tenants pursuant to long term ground leases that expire January 2026. The reimbursements are calculated annually by the Aviation Department to recover the costs of operating and maintaining the common areas of the rental car center. Reimbursements are forecast to increase at the base rate of growth in Operating and Maintenance expenses.

- **Other.** This minor category of revenue includes fuel sales, security badge fees, delinquent fees, certain fuel sales, recovery of damage claims, and other miscellaneous income.

Non-Operating Revenues

Non-operating revenues include the Rental Car busing reimbursement amounts and interest income. The busing service reimbursement is provided using available customer facility charge (CFC) funds and is forecast as a function of the operating expenses eligible for such reimbursement contained in the forecast Cost of Maintenance and Operation for a given year. Interest income is forecast based upon available fund balances at earnings rates of 0.5% in FY 2016, 1.0% in FY 2017, and 1.5% thereafter.

Funding of the Busing Service Reimbursement

The CIC, on behalf of the City, issued the Rental Car Facility Charge Revenue Bonds, Series 2004, (CFC Bonds) for the rental car center project. As noted above under the section “Framework for Airport Financial System Operations” under the caption “Bonds and Other Obligations” and under the subsection “Special Revenue Obligations,” the CFC Bonds are not payable from Airport Revenues but are secured from a CFC imposed by City Council, paid by rental car customers, and remitted by rental car companies obtaining customers from Sky Harbor. Both on-Airport and off-Airport rental car companies are currently required to collect and remit a $6.00 CFC per transaction day (including a $4.50 Pledged Rate and a $1.50 non-pledged rate).

The City deposits CFC receipts with a trustee for the benefit of the CFC Bonds. The total CFC receipts to be deposited during FY 2016 with the CFC trustee are estimated to be approximately $43 million. The CFC trustee uses the deposited CFC receipts and interest earnings thereon to pay debt service on the CFC Bonds, pay certain costs, make monthly transfers to the City to fund payment of the rental car busing service operating expenses described above in the "Cost of Maintenance and Operation" section, maintain reserves at their required balances, and fund certain related capital expenditures. The Aviation Department's FY 2016 budget for Cost of Maintenance and Operation expenses contained rental car busing service operating expenses of $14.6 million, which are being reimbursed by the CFC trustee.

The CFCs are pledged in priority to (1) certain incidental administrative costs, (2) debt service on CFC Bonds and related reserve funds, and (3) certain CFC-eligible operating expenses, generally related to the rental car buses (described earlier) defined as Transportation O&M Expenses in the CFC Bond Documents, and (4) related Maintenance and Operation reserve funds. Since the CFC Bonds are special obligations of the CIC secured by CFCs, the debt service is excluded from the Additional Bonds Test, Junior Lien Additional Bonds Test, and Rate Covenant, and Junior Lien Rate Covenant calculations in this Report. Additional operating expenses, such as facility operations costs, are charged annually to the rental car companies using a cost-based methodology through the facility lease and are not reimbursed with CFCs.

ACCOUNTING BASES

The Aviation Department, through the Aviation Enterprise fund within the City, reports its financial operations as a governmental enterprise in accordance with generally accepted accounting principles (GAAP) for governmental entities and the accrual basis of accounting.

Under the accrual basis of accounting, revenues and expenses are recognized and recorded when earned or incurred. Budgetary accounting is on a modified accrual basis plus encumbrances. Differences between the two bases of reporting include the treatment of (1) central service cost allocations; (2) encumbrances; (3) grant revenues; (4) investment income; and (5) reserves on fund balances. As a result, differences exist between the treatment of accounting transactions under the budgetary and accrual basis of accounting and some of the differences may be material.

This Report relies primarily upon the Bond Ordinance as a basis for presentation. Therefore, references to certain terms such as Cost of Maintenance and Operation, and Revenues, have meanings that are defined under the Bond Ordinance, which may be different than as set forth in GAAP. In certain cases, for the purposes of debt service coverage and rate covenant compliance, the City may rely upon Other Available Funds as defined in the Bond Ordinance, though not included in the definition of Revenues, essentially has an impact similar to a revenue in calculating debt service coverage and rate covenant compliance. For example, Other Available Funds may include grant funds that are not typically included as revenue under GAAP.

Additionally, while Airport Revenues as defined in the Bond Ordinance do not include CFC receipts, amounts reimbursed to the City by the CFC trustee to pay the rental car busing service operating expenses included as a Cost of Maintenance and Operation under the Bond Ordinance are included as Airport Revenues or Revenues.

The Bond Ordinance should be read in its entirety for an understanding of the defined terms as references contained in this Report do not purport to be comprehensive.

The City's CAFR, Exhibit E-4, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budget Basis, is used as the best representation of historical Cost of Maintenance and Operation expenses and Revenues.

APPLICATION OF REVENUES

The Bond Ordinance in Section 2.2, and the Junior Lien City Purchase Agreement in Section 2.5 and pursuant to Section 2.6 of the 2010 Junior Lien City Purchase Agreement, defines the application of Revenues with respect to priority and amount. The City is permitted by subsequent ordinance to establish additional funds or subaccounts relating to the payment of obligations subordinate in lien to the payment of the Senior Lien Obligations.

As depicted on Figure 19, the City is required to deposit all Revenues into the Revenue Fund and apply Revenues in the following amounts and order of priority:

1. Operation and Maintenance Fund. The City shall from time to time deposit into the Operation and Maintenance Fund amounts sufficient to pay the Cost of Maintenance and Operation.

2. Senior Bond Fund. The City shall deposit monthly into the Principal Account and the Interest Account of the Bond Fund amounts equal to the Principal Requirement and the Interest Requirement, respectively.

3. Senior Bond Reserve Funds. The City shall, from time to time, deposit into the Bond Reserve Fund and every separate bond reserve fund established for Senior Lien Obligations not secured by the Bond Reserve Fund, amounts then required to be deposited to the Bond Reserve Fund or any separate bond reserve fund. (Note: this was updated in the Junior Lien City Purchase Agreement, Section 2.5(c) pursuant to Section 2.6(c) of the 2010 Junior Lien City Purchase Agreement.)

4. Junior Bond Fund and Reserve Funds. In Section 2.3 of the Junior Lien City Purchase Agreement and pursuant to Section 2.4 of the 2010 Junior Lien City Purchase Agreement, the City established a Junior Lien Bond Fund for the payment of Junior Lien Obligations, which contains a Junior Lien Interest Account and a Junior Lien Principal Account. The City shall deposit into the Junior Bond Funds the amounts necessary to pay Junior Lien Interest and Principal Requirements and make required reserve fund deposits after taking into account the Junior Lien Passenger Facility Charge Credit.

5. Airport Improvement Fund. The City may from time to time deposit into the Airport Improvement Fund such amounts as it determines. Amounts in the Airport Improvement Fund may be used for any lawful purpose. Under Section 2.6 of the Bond Ordinance, the City is allowed to pay obligations for general obligation bonds and lease or installment purchase agreements from the Airport Improvement Fund. Additionally, the Airport Improvement Fund is used to hold adequate discretionary reserves for Cost of

Maintenance and Operation Expenses, internal Capital Reserves, and debt service reserves for Senior Lien Obligations (none required under the Ordinance).*

APPLICATION OF PFC REVENUES

In Section 2.4 of the Junior Lien City Purchase Agreement and pursuant to Section 2.5 of the 2010 Junior Lien City Purchase Agreement, the City established a PFC Revenue Fund, which contains a PFC Interest Account (including a Series 2010B Interest Subaccount) and a PFC Principal Account. Annually, the City shall deposit, during the Commitment Period, all PFC Revenues into the PFC Revenue Account for application in the following amounts and order of priority:

1. PFC Interest Account. The City shall deposit monthly into the PFC Interest Account of the PFC Revenue Fund until the amount on deposit is equal to 100% of the 2010 Junior Lien Interest Requirements with respect to the Series 2010A and Series B Junior Bonds, 30% of the Junior Lien Interest Requirements of the Series 2015A Junior Bonds and 100% of the Junior Lien Interest Requirements of the Series 2015B Junior Bonds for the then current Bond Year.

2. PFC Principal Account. The City shall deposit monthly into the PFC Principal Account of the PFC Revenue Fund until the amount on deposit is equal to (i) the 2010 Junior Lien Principal Requirement with respect to the Series 2010A and Series 2010B Junior Bonds for the then current Bond Year and (ii) 30% of the Junior Lien Principal Requirements of the Series 2015A Junior Bonds and 100% of the Junior Lien Principal Requirements of the Series 2015B Junior Bonds.

3. 2010 Junior Lien Bond Reserve Fund, Junior Lien Parity Reserve Fund and 2015B Junior Lien Bond Reserve Fund. The City shall deposit monthly the amount necessary to maintain the amount on deposit in the 2010 Junior Lien Bond Reserve Fund at the 2010 Junior Lien Debt Service Reserve Requirement to the extent amounts have been withdrawn to pay debt service on the Series 2010A and Series 2010B Junior Bonds and, to the Junior Lien Parity Reserve Fund and 2015B Junior Lien Bond Reserve Fund the amount(s) necessary to maintain the amount on deposit therein at the 2015A Junior Lien Debt Service Reserve Requirement and the 2015B Junior Lien Debt Service Reserve Requirements to the extent amounts have been withdrawn to pay debt service on the Series 2015A Junior Bonds and Series 2015B Junior Bonds, respectively.

Additionally, to the extent PFC Revenues in any month exceed the requirements of the PFC Interest Account, the PFC Principal Account, the 2010 Junior Lien Bond Reserve Account, the Junior Lien Parity Reserve Fund, and the 2015B Junior Lien Bond Reserve Fund, remaining PFCs may be applied

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*An agreement between the City and the CIC related to the issuance of the CFC Bonds requires the trustee of the CFC Bonds to hold and maintain a reserve fund equal to one-half of the amount to be transferred to the City for reimbursement of the rental car busing service expenses during the upcoming bond year. The agreement also requires the City to hold a reserve, which was funded from CFC receipts and is maintained by amounts transferred from the CFC trustee, equal to one and a half times the reimbursement amount. Should there be a deficiency in the reserve held by the CFC trustee that cannot be replenished from available CFC funds and that the City chooses not to replenish from its CFC-funded reserve, the City is then required by the agreement to use "amounts on deposit in the Airport Improvement Fund . . . not required to pay debt service on . . . Airport Obligations" to cure the deficiency.

to any other fund or account as permitted under the Junior Lien City Purchase Agreement or for any lawful purpose.

Amounts on deposit in the PFC Interest Account and the PFC Principal Account shall be transferred to the Junior Lien Bond Fund to pay Junior Lien Interest Requirements and Junior Lien Principal Requirements, respectively, as provided for in Section 2.3 of the Junior Lien City Purchase Agreement and pursuant to Section 2.4 of the 2015 Junior Lien City Purchase Agreement.

As described in Section 5.3 of the Junior Lien Bond Indentures, payments transferred to the Junior Lien Bond Fund shall be applied in the following manner and order of priority:

1. 2010/2015 Junior Lien Interest Accounts. The Bond Trustee shall deposit in December and June an amount equal to the interest to be paid on the Outstanding 2010/2015 Junior Bonds as it becomes due.

2. 2010/2015 Junior Lien Principal Accounts. The Bond Trustee shall deposit in June of each year in each Bond Year in which 2010 Junior Bonds mature or are subject to mandatory redemption an amount equal to the principal amount at maturity plus an amount equal to any mandatory sinking fund redemption requirements.

3. 2015 Junior Lien Redemption Accounts. Optional prepayments made by the City of any installment of principal that is to be applied to redeem 2010/2015 Junior Bonds shall be credited to the Junior Lien Redemption Account.

2010 RZEDB Subsidy Payments are to be deposited to the Series 2010B Subaccount of the PFC Interest Account and applied to interest on the Series 2010B Junior Bonds.

Exhibit G presents the application of Revenues during the Forecast Period.

DEBT SERVICE COVERAGE AND RATE COVENANT COMPLIANCE

Debt service coverage and rate covenant compliance are discussed below for Senior Lien Obligations and Junior Lien Obligations.

Senior Lien Obligations

In Section 4.3 of the Bond Ordinance (the Rate Covenant), the City covenants that "it will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (i) sufficient to produce Net [Airport] Revenues at least equal to 125% of the amount required to be paid into the Bond Fund from the Revenue Fund, net of Other Available Funds deposited in the Bond Fund, in such Fiscal Year and net of any Passenger Facility Charge Credit applicable to such Fiscal Year…and (ii) sufficient to produce amounts required to be deposited in the Bond Reserve Fund and any separate bond reserve fund for such Fiscal Year."

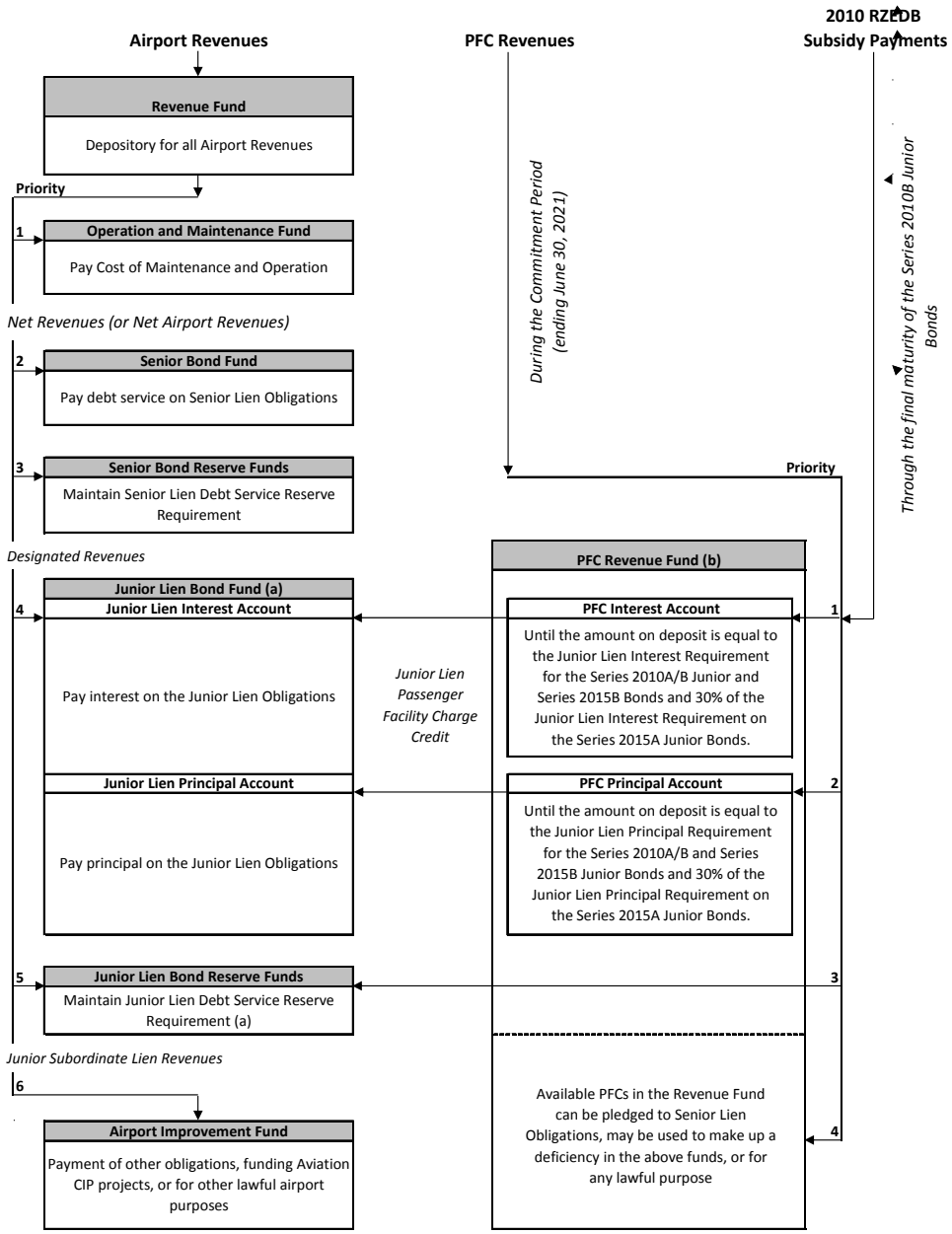
Exhibit H demonstrates satisfaction of the Rate Covenant during the Forecast Period.

Figure 19

APPLICATION OF REVENUES AND PFC REVENUES

BOND ORDINANCE AND JUNIOR LIEN CITY PURCHASE AGREEMENT

City of Phoenix Aviation Department



(a) PFC Revenues will be transferred to the 2010 Junior Lien Bond Reserve Fund, the Junior Lien Parity Reserve Fund and the 2015B Junior Lien Bond Reserve Fund to the extent amounts have been withdrawn to pay 2010A/B Junior Bonds Debt Service and 2015 Junior Bonds Debt Service, respectively; provided that amounts transferred to the Junior Lien Parity Reserve Fund will be limited to 30% of the amounts withdrawn to pay debt service on the Series 2015A Junior Bonds.

(b) The PFC Interest Account and PFC Principal Account are accounts within the PFC Revenue Fund. Additionally there is a Series 2010B Interest Subaccount of the PFC Interest Account where 2010 RZEDB Subsidy Payments are deposited for payment of interest on the Series 2010B Junior Bonds.

Source: City of Phoenix Aviation Department.

Junior Lien Obligations

In Section 4.6(b) of the Junior Lien City Purchase Agreement, the City covenants that "it will in each Fiscal Year establish, maintain, and enforce schedules of rates, fees, and charges for the use of the Airport (i) sufficient to produce Designated Revenues at least equal to 110% of the amount required to be paid into the Junior Lien Bond Fund from the Revenue Fund, net of Other Available Funds deposited in the Junior Lien Bond Fund, in such Fiscal Year after subtracting any Junior Lien Passenger Facility Charge Credit applicable to such Fiscal Year"…"and (ii) sufficient to produce amounts required to be deposited in the 2010 Junior Lien Bond Reserve Fund and any separate reserve fund for the Junior Lien Obligations for such Fiscal Year."

Exhibit H demonstrates satisfaction of the Junior Lien Rate Covenant during the Forecast Period.

STRESS TEST FINANCIAL PROJECTIONS

Exhibit I-1 summarizes forecast financial results through FY 2021 as presented in Exhibits A through H and discussed in the preceding sections. Revenues and operating expenses were estimated assuming the baseline forecasts of enplaned passengers and aircraft landed weight presented in Table 23 in the earlier chapter. (See the chapter "Airline Traffic Analysis" and caption "Airline Traffic Forecasts" and the subsection "Enplaned Passenger Forecast.")

Exhibit I-2 summarizes projected financial results through FY 2021 associated with the stress test passenger forecasts of enplaned passengers and aircraft landed weight presented in Table 26. (See the chapter "Airline Traffic Analysis" and caption "Airline Traffic Forecasts" and the subsection "Stress Test Forecast.")

For the stress test financial projections, the Terminal 3 Modernization Project was adjusted such that the Future Senior Improvement Bonds, Series 2019, project fund deposit would be reduced to $122.6 million (whereas the base assumption is $227.0 million as shown on Exhibit B-2). No adjustment is made to the Future Senior Improvement Bonds, Series 2017, which provide a project fund deposit of $205.0 million. Except for the aforementioned adjustment, the Aviation CIP shown in Exhibit A-1 was assumed to be implemented to the same schedule assumed for the baseline forecasts, notwithstanding the reduced passenger traffic, and to be financed with the same sources as shown in Exhibit A-2.

The forecast of airline revenues was adjusted to account for the revised funding plan for the Terminal 3 Modernization program. All other assumptions underlying the stress scenario financial projections are the same as those for the baseline financial forecasts, except revenues forecast based on passenger numbers, such as PFC revenues, concession revenues, parking revenues, and rental car revenues. If such a scenario were to occur, the Aviation Department could evaluate additional actions such as facility closure(s), revisions to the Aviation CIP, or increases to non-airline revenues.

Under the stress test scenario the Aviation Department is able to satisfy the requirements of the Rate Covenant and Junior Lien Rate Covenant.

Exhibit A-1

ESTIMATED COSTS AND CASH FLOW
AVIATION CAPITAL IMPROVEMENT PROGRAM
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands)

Group Category	Total Costs	Subtotal '16-'21	Cost by Year Prior	2016	2017	2018	2019	2020	2021
Major Capital Projects									
Terminal 3 Modernization	$ 560,000	$ 510,363	$ 49,637	$ 121,193	$ 120,376	$ 141,084	$ 82,692	$ 45,018	$ -
Terminal 4 International Facility Improvements	27,000	24,727	2,273	24,727	-	-	-	-	-
Subtotal Major Capital Projects	$ 587,000	$ 535,090	$ 51,910	$ 145,920	$ 120,376	$ 141,084	$ 82,692	$ 45,018	$ -
Other Capital Projects ('16-'20)									
Air Cargo		$ 15,334		$ -	$ 225	$ 5,279	$ 9,830	$ -	$ -
Development Studies		6,202		1,805	1,099	1,099	1,099	1,099	-
General Aviation		1,770		1,770	-	-	-	-	-
Infrastructure		1,000		1,000	-	-	-	-	-
Land Acquisition		4,563		4,563	-	-	-	-	-
Maintenance Facilities		500		500	-	-	-	-	-
Parking Facilities		245		245	-	-	-	-	-
Roadways		7,755		1,755	1,500	1,500	1,500	1,500	-
Runway and Taxiway Improvements		69,054		27,454	17,890	13,610	5,050	5,050	-
Security Facilities		23,045		12,545	10,500	-	-	-	-
Terminal 4		28,029		10,963	5,788	3,347	4,612	3,319	-
Deer Valley Airport		11,964		6,122	5,842	-	-	-	-
Goodyear Airport		17,274		11,878	-	-	-	5,396	-
Phoenix-Mesa Gateway Airport		6,500		1,300	1,300	1,300	1,300	1,300	-
Other Miscellaneous and Contingency		73,555		23,029	7,927	13,112	20,454	9,033	-
Subtotal Other Capital Projects		$ 266,790		$ 104,930	$ 52,071	$ 39,247	$ 43,845	$ 26,697	$ -
Other Miscellaneous and Contingency ('21)		$ 80,000		$ -	$ -	$ -	$ -	$ -	$ 80,000
Subtotal Other Capital Projects ('16-'21)		$ 346,790		$ 104,930	$ 52,071	$ 39,247	$ 43,845	$ 26,697	$ 80,000
Total All Projects		$ 881,880	$ 51,910	$ 250,850	$ 172,447	$ 180,331	$ 126,537	$ 71,715	$ 80,000

Source: City of Phoenix Aviation Department.

Note: Adopted Aviation Capital Improvement Program (Aviation CIP) through FY 2020 totals $718.5 million. For purposes of this report, the two major projects (Terminal 3 Modernization and Terminal 4 International Facility Improvements) were adjusted to be represented on a cash flow basis rather than a budgetary basis.

Exhibit A-2a

PLANNED FUNDING - MAJOR CAPITAL PROJECTS
AVIATION CAPITAL IMPROVEMENT PROGRAM
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands)

	Total Costs	Subtotal '16-'21	Cost by Year						
			Prior	2016	2017	2018	2019	2020	2021
Terminal 3 Modernization									
PFC Pay-as-you-go (PFC 7)	$ 26,851	$ 8,851	$ 18,000	$ 8,851	$ -	$ -	$ -	$ -	$ -
PFC Pay-as-you-go (PFC 8)	41,149	41,149	-	-	30,000	11,149	-	-	-
Future Senior Lien Obligations	432,000	400,688	31,312	107,342	55,376	110,260	82,692	45,018	-
Airport Improvement Fund	60,000	59,675	325	5,000	35,000	19,675	-	-	-
Subtotal Terminal 3 Modernization	$ 560,000	$ 510,363	$ 49,637	$ 121,193	$ 120,376	$ 141,084	$ 82,692	$ 45,018	$ -
Terminal 4 International Facility Improvements									
PFC Pay-as-you-go (PFC 7)	$ 20,040	$ 17,768	$ 2,273	$ 17,768	$ -	$ -	$ -	$ -	$ -
Airport Improvement Fund	6,960	6,960	-	6,960	-	-	-	-	-
Subtotal Terminal 4 International Facility Improvements	$ 27,000	$ 24,727	$ 2,273	$ 24,727	$ -	$ -	$ -	$ -	$ -
Subtotal Major Capital Projects	$ 587,000	$ 535,090	$ 51,910	$ 145,920	$ 120,376	$ 141,084	$ 82,692	$ 45,018	$ -

Source: City of Phoenix Aviation Department.

Note: Adopted Aviation Capital Improvement Program (Aviation CIP) through FY 2020 totals $718.5 million. For purposes of this report, the two major projects (Terminal 3 Modernization and Terminal 4 International Facility Improvements) were adjusted to be represented on a cash flow basis rather than a budgetary basis.

Exhibit A-2b

PLANNED FUNDING - OTHER CAPITAL PROJECTS
ALL OTHER AVIATION CAPITAL IMPROVEMENT PROGRAM (FY2016-2021)
CITY OF PHOENIX AVIATION DEPARTMENT
(in thousands)

		Funding Sources										
			PFC Pay-as-you-go					Existing	Airport Improvement Fund			
Group Category	**Total**	**Grants**	**PFC 6**	**PFC 7**	**PFC 8**	**Future**	**Subtotal**	**Bonds**	**PHX**	**DVT**	**GYR**	**Subtotal**
Other Capital Projects ('16-'20)												
Air Cargo	$ 15,334	$ 3,557	$ -	$ -	$ 1,597	$ -	$ 1,597	$ -	$ 10,180	$ -	$ -	$ 10,180
Development Studies	6,202	-	-	-	-	-	-	-	6,202	-	-	6,202
General Aviation	1,770	-	-	-	-	-	-	-	1,770	-	-	1,770
Infrastructure	1,000	750	-	-	-	-	-	-	250	-	-	250
Land Acquisition	4,563	-	4,563	-	-	-	4,563	-	-	-	-	-
Maintenance Facilities	500	-	-	-	-	-	-	-	500	-	-	500
Parking Facilities	245	-	-	-	-	-	-	225	20	-	-	20
Roadways	7,755	-	-	-	-	-	-	-	7,755	-	-	7,755
Runway and Taxiway Improvements	69,054	40,554	-	13,700	4,800	-	18,500	-	10,000	-	-	10,000
Security Facilities	23,045	-	-	1,000	20,000	-	21,000	-	2,045	-	-	2,045
Terminal 4	28,029	1,653	-	180	-	-	180	-	26,196	-	-	26,196
Deer Valley Airport	11,964	10,932	-	-	-	-	-	-	-	1,032	-	1,032
Goodyear Airport	17,274	14,488	-	-	-	-	-	-	-	-	2,786	2,786
Phoenix-Mesa Gateway Airport	6,500	-	-	-	-	-	-	-	6,500	-	-	6,500
Other Miscellaneous and Contingency	73,555	14,079	-	-	18,624	-	18,624	-	30,205	1,247	9,400	40,852
Subtotal Other Capital Projects	$ 266,790	$ 86,013	$ 4,563	$ 14,880	$ 45,021	$ -	$ 64,464	$ 225	$ 101,623	$ 2,279	$ 12,186	$ 116,088
Other Miscellaneous and Contingency ('21)	$ 80,000	$ -	$ -	$ -	$ -	$ 40,000	$ 40,000	$ -	$ 40,000	$ -	$ -	$ 40,000
Total Other Capital Projects	$ 346,790	$ 86,013	$ 4,563	$ 14,880	$ 45,021	$ 40,000	$ 104,464	$ 225	$ 141,623	$ 2,279	$ 12,186	$ 156,088

Source: City of Phoenix Aviation Department.

Exhibit B-1

PLAN OF FINANCE - 2015 JUNIOR BONDS
JUNIOR LIEN AIRPORT REVENUE BONDS
CITY OF PHOENIX AVIATION DEPARTMENT
(in thousands)

	Series 2015A Junior Improvement Bonds	Series 2015B Junior Refunding Bonds	Total
SOURCES OF FUNDS			
Par Amount of Bonds	$ 98,545	$ 19,350	$ 117,895
Premium / (Discount)	8,841	1,779	10,620
Debt Service Reserve Funds Released	-	1,000	1,000
Debt Service Funds on Hand	-	456	456
Total All Sources	$ 107,386	$ 22,585	$ 129,971
USES OF FUNDS			
Commercial Paper Repayment	$ 100,000	$ -	$ 100,000
Escrow Deposit	-	20,456	20,456
Debt Service Reserve Fund Deposit	6,400	1,935	8,335
Cost of Issuance	986	194	1,180
Total Uses of Funds	$ 107,386	$ 22,585	$ 129,971

Source: City of Phoenix Aviation Department and Frasca & Associates.

Exhibit B-2

PLAN OF FINANCE - FUTURE SENIOR LIEN OBLIGATIONS
SENIOR LIEN AIRPORT REVENUE BONDS
CITY OF PHOENIX AVIATION DEPARTMENT
(in thousands)

	Series 2017 Senior Improvement Bonds	Series 2019 Senior Improvement Bonds	Total
SOURCES OF FUNDS			
Par Amount of Bonds	$ 223,475	$ 255,835	$ 479,310
Total All Sources	$ 223,475	$ 255,835	$ 479,310
USES OF FUNDS			
Project Fund Deposit	$ 205,000	$ 227,012	$ 432,012
Debt Service Reserve Fund Deposit	16,238	18,589	34,827
Capital Interest Fund Deposit	-	7,675	7,675
Cost of Issuance	2,237	2,559	4,796
Total Uses of Funds	$ 223,475	$ 255,835	$ 479,310

Source: City of Phoenix Aviation Department and Frasca & Associates.

Exhibit C

DEBT SERVICE
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands)

	Historical			Forecast					
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue Bond Obligations									
Senior Lien Obligations (CIC Airport Revenue Bonds)									
Existing Senior Lien Obligations	$ 51,639	$ 50,030	$ 48,732	$ 48,775	$ 48,797	$ 48,850	$ 48,919	$ 49,130	$ 43,861
Series 2017 Senior Improvement Bonds	-	-	-	-	-	16,234	16,234	16,234	16,234
Series 2019 Senior Improvement Bonds	-	-	-	-	-	-	-	10,910	18,586
Total Senior Lien Obligations	$ 51,639	$ 50,030	$ 48,732	$ 48,775	$ 48,797	$ 65,084	$ 65,153	$ 76,274	$ 78,681
Other Airport Bond Obligations / General Obligation Bonds	$ -	$ -	$ 206	$ 197	$ 197	$ 197	$ 4,717	$ 3,428	$ -
Total Revenue Bond Obligations	$ 51,639	$ 50,030	$ 48,938	$ 48,972	$ 48,994	$ 65,281	$ 69,870	$ 79,702	$ 78,681
Junior Lien Obligations (CIC Airport Revenue Bonds)									
2010 Junior Lien Obligations									
Series 2010A	$ 43,459	$ 43,455	$ 43,456	$ 43,457	$ 43,458	$ 43,459	$ 43,459	$ 43,456	$ 43,457
Series 2010B	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409
Series 2010C	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604
2010 Junior Lien Obligations	$ 46,472	$ 46,468	$ 46,469	$ 46,470	$ 46,471	$ 46,472	$ 46,472	$ 46,469	$ 46,469
Series 2015A Junior Improvement Bonds	-	-	-	4,199	6,398	6,399	6,397	6,398	6,398
Total Junior Lien Obligations	$ 46,472	$ 46,468	$ 46,469	$ 50,670	$ 52,868	$ 52,871	$ 52,869	$ 52,867	$ 52,868
Total Bond Obligations	$ 98,111	$ 96,498	$ 95,407	$ 99,642	$ 101,862	$ 118,152	$ 122,739	$ 132,569	$ 131,549
Summary									
Senior Lien Obligations (including future obligations)	$ 51,639	$ 50,030	$ 48,732	$ 48,775	$ 48,797	$ 65,084	$ 65,153	$ 76,274	$ 78,681
Junior Lien Obligations (including future obligations)	46,472	46,468	46,469	50,670	52,868	52,871	52,869	52,867	52,868
Other Airport Bond Obligations / General Obligation Bonds	-	-	206	197	197	197	4,717	3,428	-
Total Obligations	$ 98,111	$ 96,498	$ 95,407	$ 99,642	$ 101,862	$ 118,152	$ 122,739	$ 132,569	$ 131,549

Source: City of Phoenix Aviation Department and Frasca & Associates.

Exhibit D

APPLICATION AND USE OF PFC REVENUES
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands except for per passenger fees)

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 2013	2014	Estimated 2015	Forecast 2016	2017	2018	2019	2020	2021
PFC collections and PFC debt service										
Enplaned passengers		20,236	20,519	21,489	21,800	22,100	22,400	22,700	23,000	23,300
Multiplied by: Percent of PFC eligible passengers /1		88.1%	88.2%	90.1%	88.5%	88.5%	88.5%	88.5%	88.5%	88.5%
PFC eligible enplaned passengers		17,830	18,088	19,357	19,293	19,559	19,824	20,090	20,355	20,621
PFC per passenger fee		$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50
Less: PFC airline collection fee		0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Net PFC per passenger fee		$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39
PFC Collections (or passenger fees)		$ 78,273	$ 79,406	$ 84,976	$ 84,696	$ 85,862	$ 87,027	$ 88,193	$ 89,358	$ 90,524
PFC applied to Debt Service										
2010 Junior Lien Obligations										
Series 2010A		$ (43,459)	$ (43,455)	$ (43,456)	$ (43,457)	$ (43,458)	$ (43,459)	$ (43,459)	$ (43,456)	$ (43,457)
Series 2010B (Net of 2010 RZEDB Subsidy Payments)		(897)	(876)	(878)	(871)	(871)	(871)	(871)	(871)	(871)
Subtotal 2010 Junior Lien Obligations		$ (44,356)	$ (44,332)	$ (44,334)	$ (44,328)	$ (44,328)	$ (44,330)	$ (44,330)	$ (44,327)	$ (44,327)
2015 Junior Lien Obligations										
Series 2015A		$ -	$ -	$ -	$ (1,260)	$ (1,919)	$ (1,920)	$ (1,919)	$ (1,919)	$ (1,919)
Subtotal 2015Junior Lien Obligations		$ -	$ -	$ -	$ (1,260)	$ (1,919)	$ (1,920)	$ (1,919)	$ (1,919)	$ (1,919)
PFC passenger fees net of Debt Service		$ 33,917	$ 35,074	$ 40,643	$ 39,108	$ 39,614	$ 40,778	$ 41,944	$ 43,112	$ 44,277
PFC cash flow net of debt service										
PFC Fund beginning balance					$ 92,114	$ 90,407	$ 66,407	$ 88,021	$ 118,719	$ 160,989
Deposits										
PFC passenger fees net of debt service					$ 39,108	$ 39,614	$ 40,778	$ 41,944	$ 43,112	$ 44,277
Interest Income					98	99	102	105	108	111
Total Deposits					$ 39,206	$ 39,713	$ 40,880	$ 42,049	$ 43,220	$ 44,388
Withdrawals										
Pay-as-you-go expenditures	'16-'21									
Major Capital Projects										
Terminal 3 Modernization (PFC 7)	(8,851)				$ (8,851)	$ -	$ -	$ -	$ -	$ -
Terminal 3 Modernization (PFC 8)	(41,149)				-	(30,000)	(11,149)	-	-	-
Terminal 4 International Facility Improvements (PFC 7)	(17,768)				(17,768)	-	-	-	-	-
Subtotal Major Capital Projects	$ (67,767)				$ (26,618)	$ (30,000)	$ (11,149)	$ -	$ -	$ -
Other Capital Projects										
PFC 6	$ (4,563)				$ (4,563)	$ -	$ -	$ -	$ -	$ -
PFC 7	(14,880)				(5,770)	(4,780)	(4,330)	-	-	-
PFC 8 - FY 2016 Spending	(14,378)				-	(14,378)	-	-	-	-
PFC 8 - FY 2017+ Spending	(30,643)				-	(14,555)	(3,787)	(11,351)	(950)	-
Future Applications	(40,000)				-	-	-	-	-	(40,000)
Subtotal Other Capital Projects	$ (104,464)				$ (10,333)	$ (33,713)	$ (8,117)	$ (11,351)	$ (950)	$ (40,000)
Transfer to repayment of Commercial Paper (for Sky Train Stage 1a)					$ (3,961)	$ -	$ -	$ -	$ -	$ -
Total Withdrawals					$ (40,913)	$ (63,713)	$ (19,266)	$ (11,351)	$ (950)	$ (40,000)
PFC Fund ending balance				$92,114	$90,407	$66,407	$88,021	$118,719	$160,989	$165,377

Source: City of Phoenix Aviation Department and LeighFisher.

Note: 1. Imputed from enplaned passengers, net PFC rate, and total PFC collections for historical years. Timing variances exist between when PFCs are collected by airlines and when they are remitted to the airport, which can result in annual fluctuations of PFC collections and percent eligible passengers.

Exhibit E

EXPENSES
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands)

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 2013	2014	Estimated 2015	Budget /2 2016	Forecast 2017	2018	2019	2020	2021
Cost of Maintenance and Operation /1									
Base Expenses									
Personal Services	$ 103,197	$ 104,683	$ 105,760	$ 106,541	$ 109,737	$ 113,029	$ 116,420	$ 119,913	$ 123,510
Contractual Services	95,703	105,687	105,198	113,442	116,846	120,351	123,962	127,681	131,511
Supplies	11,654	11,159	11,092	11,615	11,964	12,323	12,692	13,073	13,465
Equipment/Minor Improvements and Other Services	3,915	3,034	4,115	6,041	6,222	6,408	6,601	6,799	7,003
Subtotal Base Expenses	$ 214,469	$ 224,563	$ 226,165	$ 237,639	$ 244,769	$ 252,112	$ 259,675	$ 267,465	$ 275,489
% Growth		4.7%	0.7%	5.1%	3.0%	3.0%	3.0%	3.0%	3.0%
Incremental Savings from Terminal 2 Closure								$ (4,000)	$ (4,120)
Total Expenses	$ 214,469	$ 224,563	$ 226,165	$ 237,639	$ 244,769	$ 252,112	$ 259,675	$ 263,465	$ 271,369
% Growth		4.7%	0.7%	5.1%	3.0%	3.0%	3.0%	1.5%	3.0%
Rates and Charges Operating Budget and Forecast									
Total Expenses				$ 237,639	$ 244,769	$ 252,112	$ 259,675	$ 263,465	$ 271,369
Central Services Staff and Administration				8,645	8,904	9,172	9,447	9,730	10,022
Less: Equipment/Minor Improvements and Other Services				(6,041)	(6,222)	(6,408)	(6,601)	(6,799)	(7,003)
Rates and Charges Operating Budget and Forecast				$ 240,244	$ 247,451	$ 254,875	$ 262,521	$ 266,397	$ 274,389
Rates and Charges Operating Budget and Forecast - Allocation by Cost Center									
Terminal 2				$ 12,750	$ 13,132	$ 13,526	$ 13,932	$ -	$ -
Terminal 3				19,799	20,392	21,004	21,634	23,794	24,507
Terminal 4				66,276	68,261	70,308	72,418	79,647	82,036
Subtotal Terminals				$ 98,825	$ 101,785	$ 104,838	$ 107,984	$ 103,440	$ 106,544
Runways				32,736	33,716	34,728	35,770	37,718	38,850
Apron				6,454	6,647	6,846	7,051	7,435	7,658
SR Channel				567	584	602	620	653	673
West Air Cargo				1,486	1,530	1,576	1,624	1,712	1,763
South Air Cargo				1,733	1,785	1,838	1,893	1,996	2,056
All Other				98,443	101,404	104,447	107,580	113,441	116,844
Total				$ 240,244	$ 247,451	$ 254,875	$ 262,521	$ 266,397	$ 274,389

Source: City of Phoenix Aviation Department and LeighFisher.
Notes: 1. Includes Transportation O&M Expenses for Rental Car busing reimbursed using available CFC revenues.
2. Amount represents the Aviation Department's budget.

Exhibit F

REVENUES
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands)

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 2013	2014	Estimated 2015	Forecast 2016	2017	2018	2019	2020	2021
Operating Revenues									
Landing and Terminal Fees									
Airline Landing Fees /1	$ 44,791	$ 50,368	$ 52,082	$ 49,381	$ 50,809	$ 51,874	$ 53,451	$ 57,159	$ 59,318
Airline Terminal Fees	65,302	67,678	70,642	70,765	70,657	83,043	93,148	93,342	96,262
Subtotal Airline Landing and Terminal Revenues	$ 110,093	$ 118,046	$ 122,724	$ 120,146	$ 121,467	$ 134,917	$ 146,599	$ 150,501	$ 155,580
Baggage System Fees	3,917	4,354	3,390	3,440	3,487	3,534	3,582	3,629	3,676
Jetway Rental	651	701	716	716	716	716	716	716	716
Common Use	3,055	3,181	4,184	4,559	5,848	8,108	8,462	8,499	8,633
FIS Fees	693	763	563	842	1,706	2,757	2,794	2,831	2,867
Total Airline Revenues	$ 118,409	$ 127,046	$ 131,576	$ 129,702	$ 133,222	$ 150,031	$ 162,151	$ 166,175	$ 171,473
Nonairline Terminal Revenues	32,742	35,597	36,887	37,482	38,060	38,640	39,224	39,810	40,398
Misc. Other Landing and Terminal Fees	9,617	11,290	11,260	11,077	11,410	11,752	12,105	12,468	12,842
Total Landing and Terminal Fees	$ 160,768	$ 173,933	$ 179,723	$ 178,262	$ 182,692	$ 200,424	$ 213,480	$ 218,453	$ 224,713
Ground Transportation									
Parking (Public and Employee)	$ 74,837	$ 77,170	$ 80,933	$ 81,774	$ 82,923	$ 84,056	$ 85,189	$ 86,322	$ 87,455
Car Rentals	36,912	38,434	41,130	39,521	40,127	40,742	41,357	41,973	42,588
Total Parking and Car Rentals	$ 111,749	$ 115,604	$ 122,063	$ 121,295	$ 123,050	$ 124,798	$ 126,546	$ 128,295	$ 130,043
Taxis	3,853	4,162	4,123	4,253	4,284	4,315	4,347	4,379	4,412
Other	922	956	853	1,041	1,073	1,106	1,139	1,174	1,209
Total Ground Transportation	$ 116,524	$ 120,722	$ 127,039	$ 126,589	$ 128,407	$ 130,219	$ 132,033	$ 133,848	$ 135,664
Other Revenues									
Hangars	$ 3,853	$ 3,715	$ 3,787	$ 3,901	$ 4,018	$ 4,138	$ 4,262	$ 4,390	$ 4,522
Land Rental	10,973	11,428	11,684	12,035	12,396	12,768	13,151	13,545	13,952
Building and Facility Rentals	2,566	2,930	3,037	3,128	3,222	3,319	3,419	3,521	3,627
Facility Lease Reimbursement (RCC)	6,886	7,203	7,216	7,582	7,810	8,044	8,285	8,534	8,790
Other	5,282	8,185	5,404	5,986	6,052	6,120	6,190	6,262	6,336
Total Other Revenues	$ 29,558	$ 33,461	$ 31,129	$ 32,632	$ 33,497	$ 34,388	$ 35,306	$ 36,252	$ 37,226
Total Operating Revenues	$ 306,850	$ 328,116	$ 337,891	$ 337,483	$ 344,596	$ 365,031	$ 380,819	$ 388,552	$ 397,603
Interest Income	467	1,807	1,842	567	1,134	1,945	1,945	2,224	2,224
Total Revenues prior to RCC Reimbursement	$ 307,317	$ 329,924	$ 339,733	$ 338,050	$ 345,730	$ 366,977	$ 382,764	$ 390,776	$ 399,827
RCC Busing Service Reimbursement /2	12,473	13,626	14,488	14,622	15,354	15,815	16,289	16,778	17,281
Total Revenues	$ 319,790	$ 343,550	$ 354,221	$ 352,672	$ 361,084	$ 382,791	$ 399,053	$ 407,554	$ 417,108

Source: City of Phoenix Aviation Department and LeighFisher.

Notes:
1. Landing fees include -$1.7 million, -$2.1 million, and -$1.0 million in Rates & Charges annual settlement in FY 2013, FY 2014, and FY 2015 respectively. Landing fees for FY 2016 include an estimated Rates & Charges annual settlement of -$2.1 million.
2. Reimbursement of Transportation O&M Expenses for Rental Car busing using available CFC revenues.

Exhibit F-1

AIRLINE REVENUES AND COST PER ENPLANED PASSENGER
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands except CPE)

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 2015	Budget 2016	Forecast 2017	2018	2019	2020	2021
Airline Revenues							
Airline Landing Fees	$ 51,092	$ 52,190	$ 50,809	$ 51,874	$ 53,451	$ 57,159	$ 59,318
Airfield Rates & Charges Settlement	990	(2,809)	-	-	-	-	-
Subtotal Airline Landing Fees	$ 52,082	$ 49,381	$ 50,809	$ 51,874	$ 53,451	$ 57,159	$ 59,318
Airline Terminal Fees							
Exclusive Space	$ 52,771	$ 48,124	$ 47,691	$ 54,457	$ 64,033	$ 64,200	$ 66,664
Joint Use Fees	19,931	21,950	22,967	28,586	29,115	29,142	29,598
Terminal Rates & Charges Settlement	(2,060)	691	-	-	-	-	-
Subtotal Airline Terminal Fees	$ 70,642	$ 70,765	$ 70,657	$ 83,043	$ 93,148	$ 93,342	$ 96,262
Subtotal Airline Landing and Terminal Revenues	$ 122,724	$ 120,146	$ 121,467	$ 134,917	$ 146,599	$ 150,501	$ 155,580
Baggage System Fees	3,390	3,440	3,487	3,534	3,582	3,629	3,676
Jetway Rental	716	716	716	716	716	716	716
Common Use	4,184	4,559	5,848	8,108	8,462	8,499	8,633
FIS Fees	563	842	1,706	2,757	2,794	2,831	2,867
Total Airline Revenues	$ 131,576	$ 129,702	$ 133,222	$ 150,031	$ 162,151	$ 166,175	$ 171,473
Less: Est. Cargo Landing Fees	(2,859)	(2,676)	(2,605)	(2,660)	(2,741)	(2,931)	(3,041)
Less: Est. G.A. Landing Fees	(121)	(124)	(121)	(123)	(127)	(136)	(141)
Airline Revenues for CPE Calculation	$ 128,596	$ 126,902	$ 130,496	$ 147,248	$ 159,284	$ 163,109	$ 168,290
% Change		-1.3%	2.8%	12.8%	8.2%	2.4%	3.2%
Enplaned Passengers	21,489	21,800	22,100	22,400	22,700	23,000	23,300
% Change		1.4%	1.4%	1.4%	1.3%	1.3%	1.3%
Cost per Enplaned Passenger	$ 5.98	$ 5.82	$ 5.90	$ 6.57	$ 7.02	$ 7.09	$ 7.22
% Change		-2.7%	1.4%	11.3%	6.7%	1.1%	1.8%

Source: City of Phoenix Aviation Department and LeighFisher.

Exhibit G

FORECAST APPLICATION OF REVENUES
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands)

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.

		2016	2017	2018	2019	2020	2021
APPLICATION OF REVENUES	[A]						
Revenues		$ 352,672	$ 361,084	$ 382,791	$ 399,053	$ 407,554	$ 417,108
Application of Revenues							
Operation and Maintenance Fund		$ 237,639	$ 244,769	$ 252,112	$ 259,675	$ 263,465	$ 271,369
Senior Lien Bond Fund		48,775	48,797	65,084	65,153	76,274	78,681
Subtotal		$ 286,414	$ 293,565	$ 317,196	$ 324,827	$ 339,739	$ 350,050
Junior Lien Bond Fund (incl. Future Bonds)		50,670	52,868	52,871	52,869	52,867	52,868
Less: Junior Lien Passenger Facility Charge Credit		(45,588)	(46,248)	(46,249)	(46,249)	(46,246)	(46,247)
Less: 2010 RZEDB Subsidy Payments		(538)	(538)	(538)	(538)	(538)	(538)
Total	[B]	$ 290,958	$ 299,648	$ 323,279	$ 330,910	$ 345,822	$ 356,133
Deposit to Airport Improvement Fund	[C=A-B]	$ 61,714	$ 61,437	$ 59,512	$ 68,144	$ 61,732	$ 60,975
Total Application of Revenues		$ 352,672	$ 361,084	$ 382,791	$ 399,053	$ 407,554	$ 417,108
AIRPORT IMPROVEMENT FUND ACTIVITY							
Beginning balance		$ 327,287	$ 310,597	$ 322,249	$ 334,940	$ 351,653	$ 372,937
Deposits:							
Revenues Applied	[=C]	61,714	61,437	59,512	68,144	61,732	60,975
Withdrawals:							
Uses of Funds:							
Commercial Paper - Annual Fee		(500)	(500)	(500)	(500)	(500)	(500)
Commercial Paper - Interest on Draws		(1,137)	(3,901)	(1,885)	(6,373)	(8,000)	(800)
General Obligation Bonds		(197)	(197)	(197)	(4,717)	(3,428)	-
Central Services Staff and Administration		(8,645)	(8,904)	(9,172)	(9,447)	(9,730)	(10,022)
Transfer from PFC 8 for FY 2016 Spending		(14,378)	14,378	-	-	-	-
Miscellaneous Transfers to AIF Spending		(5,738)	-	-	-	-	-
Pay-as-you-go funding	Total						
Other Capital Projects	$ (156,088)	(35,850)	(15,660)	(15,392)	(30,394)	(18,791)	(40,000)
Terminal 3 Modernization	(59,675)	(5,000)	(35,000)	(19,675)	-	-	-
Terminal 4 International Facility Improvements	(6,960)	(6,960)	-	-	-	-	-
Ending balance		$ 310,597	$ 322,249	$ 334,940	$ 351,653	$ 372,937	$ 382,589

Source: City of Phoenix Aviation Department and LeighFisher.

Exhibit H

FORECAST NET REVENUES AND DEBT SERVICE COVERAGE
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands except for coverage calculations)

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.

		2016	2017	2018	2019	2020	2021
Net Airport Revenues							
Revenues		$ 352,672	$ 361,084	$ 382,791	$ 399,053	$ 407,554	$ 417,108
Less: Cost of Maintenance and Operation		237,639	244,769	252,112	259,675	263,465	271,369
Net Airport Revenues	[A]	$ 115,033	$ 116,316	$ 130,680	$ 139,378	$ 144,089	$ 145,739
Senior Lien Obligations							
Principal and Interest Requirements	[B]	$ 48,775	$ 48,797	$ 65,084	$ 65,153	$ 76,274	$ 78,681
Senior Lien Obligation Debt Service Coverage	[A/B]	**2.36**	**2.38**	**2.01**	**2.14**	**1.89**	**1.85**
Required Deposits to Senior Bond Reserve Fund	[C]	$ -	$ -	$ -	$ -	$ -	$ -
Designated Revenues	[D=A-B-C]	$ 66,258	$ 67,519	$ 65,596	$ 74,226	$ 67,815	$ 67,058
Junior Lien Obligations (incl. Future Bonds)							
Principal and Interest Requirements		$ 50,670	$ 52,868	$ 52,871	$ 52,869	$ 52,867	$ 52,868
Less: Junior Lien Passenger Facility Charge Credit		(45,588)	(46,248)	(46,249)	(46,249)	(46,246)	(46,247)
Less: 2010 RZEDB Subsidy Payments		(538)	(538)	(538)	(538)	(538)	(538)
Net Principal and Interest Requirements	[E]	$ 4,544	$ 6,082	$ 6,083	$ 6,082	$ 6,083	$ 6,083
Required Deposits to Junior Bond Reserve Fund	[F]	$ -	$ -	$ -	$ -	$ -	$ -
Junior Lien Obligation Debt Service Coverage	[D/E]	**14.58**	**11.10**	**10.78**	**12.20**	**11.15**	**11.02**
Junior Subordinate Lien Revenues	[G=D-E-F]	$ 61,714	$ 61,437	$ 59,512	$ 68,144	$ 61,732	$ 60,975
Other Airport Obligations							
Airport General Obligation Bonds		$ 197	$ 197	$ 197	$ 4,717	$ 3,428	$ -
Total Debt Service on Other Airport Obligations	[H]	$ 197	$ 197	$ 197	$ 4,717	$ 3,428	$ -
Aggregate Debt Service Coverage Ratios							
Senior and Junior Lien Obligations (incl. Future Bonds)	[A/(B+E)]	**2.16**	**2.12**	**1.84**	**1.96**	**1.75**	**1.72**
All Obligations	[A/(B+E+H)]	**2.15**	**2.11**	**1.83**	**1.84**	**1.68**	**1.72**

Source: City of Phoenix Aviation Department and LeighFisher.

Exhibit I-1

SUMMARY OF PROJECTED FINANCIAL RESULTS: BASE CASE PASSENGER FORECAST
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands except for CPE and coverage calculations)

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.

	2016	2017	2018	2019	2020	2021
ENPLANED PASSENGERS	21,800	22,100	22,400	22,700	23,000	23,300
FORECAST NET REVENUES AND DEBT SERVICE COVERAGE						
Net Airport Revenues						
Revenues						
Airline Landing Fees	$ 49,381	$ 50,809	$ 51,874	$ 53,451	$ 57,159	$ 59,318
Airline Terminal Fees	70,765	70,657	83,043	93,148	93,342	96,262
Baggage System Fees	3,440	3,487	3,534	3,582	3,629	3,676
Jetway Rental	716	716	716	716	716	716
Common Use	4,559	5,848	8,108	8,462	8,499	8,633
FIS Fees	842	1,706	2,757	2,794	2,831	2,867
Subtotal Airline Revenues	$ 129,702	$ 133,222	$ 150,031	$ 162,151	$ 166,175	$ 171,473
% Growth	5.7%	2.7%	12.6%	8.1%	2.5%	3.2%
Cost Per Enplaned Passenger (CPE)	$ 5.82	$ 5.90	$ 6.57	$ 7.02	$ 7.09	$ 7.22
% Growth	-2.7%	1.4%	11.3%	6.7%	1.1%	1.8%
Parking	81,774	82,923	84,056	85,189	86,322	87,455
Car Rentals	39,521	40,127	40,742	41,357	41,973	42,588
All Other	101,674	104,812	107,962	110,355	113,084	115,592
Total Revenues	$ 352,672	$ 361,084	$ 382,791	$ 399,053	$ 407,554	$ 417,108
Less: Cost of Maintenance and Operation	(237,639)	(244,769)	(252,112)	(259,675)	(263,465)	(271,369)
Net Airport Revenues	$ 115,033	$ 116,316	$ 130,680	$ 139,378	$ 144,089	$ 145,739
Less: Net Senior Lien Obligations Requirements	(48,775)	(48,797)	(65,084)	(65,153)	(76,274)	(78,681)
Designated Revenues	$ 66,258	$ 67,519	$ 65,596	$ 74,226	$ 67,815	$ 67,058
Less: Net Junior Lien Obligations Requirements	(4,544)	(6,082)	(6,083)	(6,082)	(6,083)	(6,083)
Junior Subordinate Lien Revenues / Deposit to AIF	$ 61,714	$ 61,437	$ 59,512	$ 68,144	$ 61,732	$ 60,975
Debt Service Coverage Ratios Per Bond Documents						
Senior Lien Obligations	**2.36**	**2.38**	**2.01**	**2.14**	**1.89**	**1.85**
Junior Lien Obligations	**14.58**	**11.10**	**10.78**	**12.20**	**11.15**	**11.02**
Aggregate Debt Service Coverage Ratios						
Senior and Junior Lien Obligations	**2.16**	**2.12**	**1.84**	**1.96**	**1.75**	**1.72**
All Obligations	**2.15**	**2.11**	**1.83**	**1.84**	**1.68**	**1.72**

Source: City of Phoenix Aviation Department and LeighFisher.

Exhibit I-2

SUMMARY OF PROJECTED FINANCIAL RESULTS: HYPOTHETICAL SCENARIO PASSENGER FORECAST
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands except for CPE and coverage calculations)

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

	2016	2017	2018	2019	2020	2021
ENPLANED PASSENGERS	21,800	20,800	18,600	18,900	19,200	19,500
FORECAST NET REVENUES AND DEBT SERVICE COVERAGE						
Net Airport Revenues						
Revenues						
Airline Landing Fees	$ 49,381	$ 50,792	$ 51,905	$ 53,165	$ 56,257	$ 57,583
Airline Terminal Fees	70,765	70,657	83,043	93,148	90,950	92,162
Baggage System Fees	3,440	3,282	2,935	2,982	3,029	3,077
Jetway Rental	716	716	716	716	716	716
Common Use	4,560	6,134	7,873	8,179	8,008	8,000
FIS Fees	842	1,605	2,060	2,093	2,126	2,160
Subtotal Airline Revenues	$ 129,704	$ 133,187	$ 148,530	$ 160,282	$ 161,087	$ 163,697
% Growth	5.7%	2.7%	11.5%	7.9%	0.5%	1.6%
Cost Per Enplaned Passenger (CPE)	$ 5.82	$ 6.27	$ 7.84	$ 8.33	$ 8.23	$ 8.24
% Growth	-2.7%	7.7%	24.9%	6.3%	-1.2%	0.0%
Parking	81,792	80,404	77,315	78,448	79,582	80,715
Car Rentals	39,510	38,757	37,081	37,696	38,311	38,926
All Other	101,674	102,537	101,308	103,689	106,405	108,900
Total Revenues	$ 352,680	$ 354,884	$ 364,234	$ 380,115	$ 385,384	$ 392,238
Less: Cost of Maintenance and Operation	(237,639)	(244,769)	(252,112)	(259,675)	(263,465)	(271,369)
Net Airport Revenues	$ 115,041	$ 110,115	$ 112,123	$ 120,440	$ 121,919	$ 120,869
Less: Net Senior Lien Obligations Requirements	(48,775)	(48,797)	(65,084)	(65,153)	(71,255)	(70,131)
Designated Revenues	$ 66,266	$ 61,319	$ 47,039	$ 55,288	$ 50,664	$ 50,738
Less: Net Junior Lien Obligations Requirements	(4,544)	(6,082)	(6,083)	(6,082)	(6,083)	(6,083)
Junior Subordinate Lien Revenues / Deposit to AIF	$ 61,723	$ 55,236	$ 40,955	$ 49,206	$ 44,581	$ 44,655
Debt Service Coverage Ratios Per Bond Documents						
Senior Lien Obligations	**2.36**	**2.26**	**1.72**	**1.85**	**1.71**	**1.72**
Junior Lien Obligations	**14.58**	**10.08**	**7.73**	**9.09**	**8.33**	**8.34**
Aggregate Debt Service Coverage Ratios						
Senior and Junior Lien Obligations	**2.16**	**2.01**	**1.58**	**1.69**	**1.58**	**1.59**
All Obligations	**2.15**	**2.00**	**1.57**	**1.59**	**1.51**	**1.59**

Source: City of Phoenix Aviation Department and LeighFisher.

APPENDIX B
CITY OF PHOENIX, ARIZONA — DESCRIPTION
OVERVIEW

Phoenix is the sixth largest city in the United States, the state capital of Arizona and the center of the metropolitan area encompassed by Maricopa County. This metropolitan area also includes the cities of Mesa, Chandler, Glendale, Scottsdale, Tempe, Peoria, Surprise, Avondale, Goodyear and El Mirage; the towns of Gilbert, Buckeye, 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 7.96 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 July 31, 2015 the City encompasses 519.43 square miles.

Population Statistics
Phoenix, Maricopa County and Arizona

							Percent Change	
Area	**1950**	**1970**	**1990**	**2000**	**2010**	**2015(1)**	**1950-15**	**1990-15**
Phoenix	106,818	584,303	983,403	1,321,045	1,447,128	1,526,254	1,328.8%	55.2%
Maricopa County	331,770	971,228	2,122,101	3,072,149	3,817,117	4,008,651	1,108.3	88.9
State of Arizona	749,587	1,775,399	3,665,228	5,130,632	6,392,017	6,667,241	789.5	81.9

(1) Population figures for Maricopa County and the State of Arizona are as of July 1, 2014. Population figure for the City of Phoenix is as of July 1, 2015.

Source: Population figures prior to 2014 are from the U.S. Department of Commerce Census Bureau. The 2014 population figures for Maricopa County and the State of Arizona are from the Arizona Office of Employment and Population Statistics. The 2015 population figure for the City of Phoenix is from the City of Phoenix Planning & Development Department.

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: Air Canada, Alaska, American, American Eagle (US Airways Express), British Airways, Delta, ExpressJet (United Express), Frontier, Great Lakes, Hawaiian, JetBlue, Mesa (US Airways Express), SkyWest (Delta Connection, US Airways Express and United Express), Southwest, Spirit, Sun Country, United, US Airways, 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 over 760 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 20 colleges, schools and institutes and has a total enrollment of more than 80,000 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 3,400 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 3,700 students. The Arizona State University Downtown Phoenix campus opened in 2006 and has an enrollment of more than 10,000 students. The City also contains a private graduate school and a number of private universities, colleges, and technical institutions. The 2013 American Community Survey conducted by the U.S. Census Bureau estimated that more than 63.2% of the adult residents of Maricopa County attended college, compared to 58.8% 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 provides 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 serves 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 "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 Project due to heightened development interest in Downtown Phoenix while acknowledging the unique development challenges of the infill urban environment. The 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 new 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 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 current 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, 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 foot 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 foot 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 69 conventions with approximately 309,729 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 351 conventions, or an average of 58 conventions per year, with an estimated 1,232,000 delegates through 2014.

Business Development

The Greater Phoenix Economic Council (GPEC) was formed in 1989 as a partnership between Maricopa County and municipal governments, business and industry, and educational institutions in the metropolitan Phoenix area to serve as the marketing, business development and imaging and promotional arm for all of its members. GPEC's mission is to market the region globally to attract quality businesses and champion foundational efforts to improve the region's competitiveness.

The City of Phoenix has been a GPEC member since its inception. The City's Community and Economic Development Department (CEDD) works closely with GPEC to attract new wealth-generating employers to Phoenix. GPEC's collaborative fiscal year 2014-15 regional economic development model, "Shifting Towards Innovation," looks to implement three main action items: 1) launch "Velocity - the Metropolitan Business Plan to Transform the Greater Phoenix Economy", which aims to transform the Greater Phoenix economy to be a global force for innovation and technology by 2025; 2) focus market intelligence on evaluating next-generation electronics technology opportunities; and 3) execute the Global Cities Initiative, a joint project of the Brookings Institution and JPMorgan Chase which is designed to equip leaders in U.S. metropolitan areas to reorient their economies toward greater engagement in world markets. With these action items, GPEC continues several initiatives aimed at creating and maintaining high quality jobs and capital investment through industry diversification, while pursuing projects that meet community and regional objectives. The model also establishes sound economic development programs that enhance regional and statewide competitiveness, while communicating, educating and informing stakeholders, policy-makers, citizens and media of key economic development issues.

From fiscal year 2004-05 through fiscal year 2014-15, CEDD has directly assisted in the attraction of 197 new employers to the City of Phoenix by working with GPEC and many other economic development partners. These companies represent more than 34,000 new jobs and approximately $2.6 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 foot 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.

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 of Phoenix and operated by Arizona Opera.

In 2015, the City facilitated the creation of an entertainment district in Downtown Phoenix. 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 of Phoenix 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 Phoenix Downtown Hotel opened September 2008 and supports the additional hotel demand generated by the expansion of the Phoenix Convention Center. The opening of the hotel increased the number of hotel rooms in downtown Phoenix to 2,850.

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 of Phoenix 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. Building permits were approved and construction began in late 2014 on the hotel which will house two brands, Residence Inn by Marriott and Courtyard by Marriott. The hotels will share a lobby and other amenities, such as the fourth-floor pool. The 19-story Luhrs City Center Marriott will offer 320 guest rooms and ground-floor retail space, while retaining the existing historic buildings on the same city block. The project will incorporate 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 is scheduled for completion in late 2016 and will result in $85,000,000 in capital investment.

Biotechnology and Education

In spring of 2002, the City of Phoenix and the State of Arizona, in partnership with Maricopa County, Arizona'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 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.

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 will be located on the northwest corner of 7th and Fillmore Streets and is planned for completion in the fall of 2015. This outpatient clinical facility will host approximately 60,000 patient visits and 500,000 annual visitors at build-out.

In June 2014, the Arizona Board of Regents approved plans to construct the Biosciences Partnership Building, which will be the largest and most recent development on the PBC. The 10-story, 245,000 square-foot, $136 million facility will focus on research and will be located just north of the current HSEB. Groundbreaking for the Biosciences Partnership Building was held in October 2014, with construction expected to take just over two years. When completed, the facility will employ an estimated 360 healthcare professionals.

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 is expected to open by August 2015.

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 ASU and the Mayo Clinic to develop the 600-acre Arizona Biomedical Corridor in North Phoenix. The City is working with developer KUD International and the Arizona State Land Department to purchase and develop 225 of the 600 acres. The Mayo Clinic is expected to open its $314 million proton beam therapy facility within the Corridor in spring 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 20,000 students were enrolled in degree programs at the Downtown Phoenix campus during the spring 2014 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 will relocate to Downtown Phoenix from the Tempe main campus with the completion of the Arizona Center for Law Society building. The City of Phoenix will invest $12 million in the project, located on a square block bounded by First, Second, Taylor and Polk Streets. Construction on the $109 million, 280,000-square-foot facility began in June 2014 and is expected to be completed before the fall semester of 2016.

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.

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, is scheduled to begin construction in the spring of 2015. This luxury condominium project sits adjacent to the city's Hance Park on Portland Ave, between 1st and 2nd Ave. It will add 170 condos to the historic Roosevelt neighborhood and will bring an estimated $54,000,000 in capital investment to the City. The project is estimated to take 24 months to complete.

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 will begin construction in the fall of 2015. 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 will 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 is being constructed on the remnant parcel behind the Arizona Opera Center at Central Avenue and McDowell Road. The $5.5 million project will be within walking distance of the midtown arts district. The project is scheduled to be completed in summer 2016.

In 2015, the City supported the advancement of two important transit-oriented developments in downtown Phoenix. First, Metrowest Development is constructing Union @ Roosevelt, a mixed use project located along the light rail station at First Avenue and Roosevelt Street. The 80 unit market-rate rental project will feature ground floor restaurant and retail space. Secondly, Alliance Residential is building 277 apartments on the northeast corner of McDowell and Alvarado Streets. The project will be arts centered and feature a 12,000 square-foot courtyard and 2,000 square feet of indoor exhibition space. Both projects began construction in 2015 and are expected to be complete in 2016.

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.

Maricopa 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.

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 of Phoenix and Maricopa 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 of Phoenix 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 of Phoenix 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.

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 9 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. Phase I will extend the light rail system 3.2 miles from 19th Avenue and Montebello to 19th Avenue and Dunlap. Phase II will extend the light rail system another 1.7 miles from 19th Avenue and Dunlap to the I-17 freeway and Mountain View Road. Construction on Phase I began in January 2013, with service expected to begin in early 2016. The City, in partnership with Valley Metro, will begin the environmental assessment for phase II during the spring of 2015. The City of Mesa received local and regional approval in August 2010 to move forward with the Central Mesa Extension, which will extend 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 expected to begin in early 2016. 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 operations costs will be funded with Transit Excise Tax revenues, fares, advertising revenues, and Federal preventive maintenance funds. The Federal Transit Administration is funding 64% of the Central Mesa Extension construction costs and the Maricopa County Transportation Excise Tax is funding the remaining 36% of the construction costs.

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 is currently developing a new park-and-ride facility along the Baseline Road corridor at 24th Street, which opened in April 2015. In addition, the City is in the process of upgrading and expanding the Desert Sky Mall Transit Center to serve residents in West Phoenix. This much needed facility will provide shade, security, covered parking and public art and is expected to be completed in the fall of 2015.

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.

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 by the end of 2017.

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, which approved the plan in March 2015 and placed Prop 104 on the ballot. In August 2015, Phoenix voters approved the new comprehensive transportation plan and funding tax proposal that will replace the existing transit tax rate dedicated for transit. The new dedicated sales tax rate will be increased from the current 0.4% sales tax rate to 0.7% and will be in effect beginning January 1, 2016, with a sunset date of December 31, 2050. The new 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 new 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.

Bank of America, N.A. established its credit card operations at Sky Harbor Center in 1991. The Bank of America Credit Card Center has approximately 2,000 employees and includes a 400,000 square-foot complex on 30 acres. In November 1995, Bank of America, N.A. completed construction of an additional 150,000 square-foot structure for credit card operations, which employs approximately 1,100 employees. In 2013, First States Investors Inc. sold the property to GPT GIG BOA Portfolio Owner, LLC, with Bank of America, N.A. remaining the main tenant of the property.

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 April 2002, America West Airlines (now American Airlines) completed construction of a $35 million, 15,000 square-foot flight training center and systems operation control facility on a 17-acre site at Sky Harbor Center.

In December 2005, Bank One (now JPMorgan Chase) completed a $70 million, 400,000 square-foot regional processing center to support its banking and financial operations. The facility accommodates nearly 3,000 employees. JPMorgan Chase added a fourth level (330 parking spaces) to the existing parking garage on the facility to accommodate the hiring of additional employees.

Other sizeable tenants at Phoenix Sky Harbor Center include First Group America dba Greyhound Lines, Charlie Case dba Community Tire, Level 3 Communications, Grand Stable & Carriage Co. LLC, LTJ Skyline, the City of Phoenix, Horseheads Industrial Capital II, LLC, 801 S. 16th Industrial, LLC and Honeywell International Inc.

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 $3.50 daily customer facility charge (CFC) on all car rentals to be used to fund the construction, operation and maintenance of the RCC. The CFC was subsequently increased to $4.50 on September 1, 2003 and to $6.00 effective January 1, 2009. The RCC is located on approximately 143 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 (the "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 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. All of these projects have been completed.

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. These reductions and deferrals allowed management to continue 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. In fiscal year 2014-15, the Airport's passenger count increased 4.7% to 43,008,953 total passengers.

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. The PHX Sky Train® now connects all of the Airport's terminal facilities to Valley Metro Rail, and helps relieve significant traffic congestion during peak times in the terminal core. A final future stage will eventually extend the PHX Sky Train® to the RCC.

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, the 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, the 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. 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 Human Resources Director, the Equal Opportunity Department Director, 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 24 departments, 29 functions and 14,421 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 2014-15 through an adopted operating budget of $3,702.3 million. Of this, the general purpose funds budget totals $1,156.5 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

GREG STANTON, MAYOR

Mayor Stanton will begin his second term as Mayor in January 2016. Prior to being elected Mayor, Mr. Stanton served nine years on the City Council representing District 6. Mayor Stanton has served as a member of Big Brothers/Big Sisters of Central Arizona, Arizona Children's Association Board of Directors and the Arizona School Readiness Board. In 2009, Mr. Stanton joined the Arizona State Attorney General's Office as Deputy Attorney General. Mr. Stanton holds a bachelor's degree from Marquette University and earned his law degree from the University of Michigan.

DANIEL VALENZUELA, VICE MAYOR, DISTRICT 5

Vice Mayor Valenzuela will begin his second term on the City Council in January 2016. Mr. Valenzuela currently works as a special operations firefighter with the city of Glendale, and was formerly the public information officer for the Glendale Fire Department. Mr. Valenzuela serves on a number of boards and committees, including the Arizona Department of Emergency Management, director of the National Fire and Rescue Services Information Officer Network and is the former president of the National Association of Hispanic Firefighters.

SAL DICICCIO, COUNCILMEMBER, DISTRICT 6

Councilmember DiCiccio began his second full consecutive term on the City Council in January 2014. 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.

KATE GALLEGO, COUNCILMEMBER, DISTRICT 8

Councilmember Gallego began her first term on the City Council in January 2014. Ms. Gallego has served the City in several volunteer positions including as 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 an MBA in Entrepreneurial Management from the Wharton School of Business at the University of Pennsylvania.

BILL GATES, COUNCILMEMBER, DISTRICT 3

Councilmember Gates has served on the City Council since 2009, and will begin serving his second four-year term in January 2016. Mr. Gates has served in a variety of capacities with several nonprofit and community organizations, including the Wounded Warriors Project, Valley Leadership, INROADS, American Legion Boys State and the Young Lawyers Division of the State Bar. Mr. Gates was appointed to the Board of Trustees for the Christopher Columbus Fellowship Foundation in 2006, and he was awarded the Mark J. Santana Award by the Arizona Foundation for Legal Services and Education for exceptional service in law-related education. Mr. Gates is a lawyer for PING, a local golf equipment manufacturer. Mr. Gates received his bachelor's degree in Political Science and Economics from Drake University and earned his law degree from Harvard Law School.

MICHAEL NOWAKOWSKI, COUNCILMEMBER, DISTRICT 7

Councilmember Nowakowski will begin his third full consecutive 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.

LAURA PASTOR, COUNCILMEMBER, DISTRICT 4

Councilmember Pastor began her first term on the City Council in January 2014. 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 degree from City University of New York.

JIM WARING, COUNCILMEMBER, DISTRICT 2

Councilmember Waring began his term on the City Council in September 2011. 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 will begin 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. 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.

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's degree in 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.

BRAD HOLM
City Attorney

Mr. Holm was named City Attorney in July 2015. His background includes more than 30 years of experience in law and litigation in municipal, commercial, construction, aviation, architectural, engineering and environmental law matters. He has served as outside counsel to the City of Phoenix, and has served as general counsel for the Phoenix-Mesa Gateway Airport Authority, negotiating contracts with federal agencies, providing representation at public meetings and resolving conflicts among federal, state and local agencies. Mr. Holm is a member of the State Bar of Arizona in good standing and was recognized in Best Lawyers in America 2015 and Southwest Super Lawyers 2011 through 2015. Mr. Holm received a Bachelor of Arts degree in Political Science from Brigham Young University and obtained his law degree from the J. Reuben Clark Law School, also at BYU.

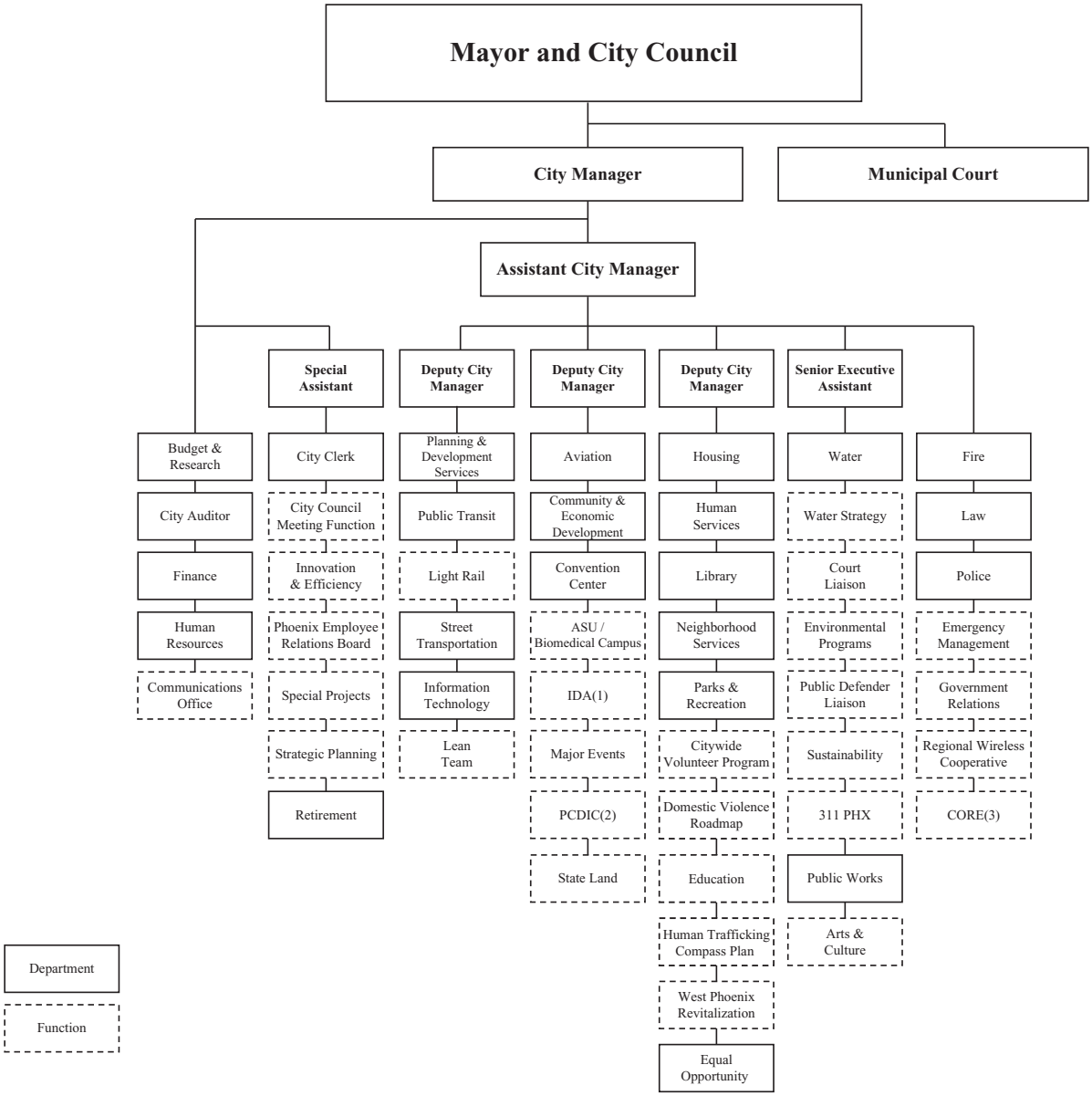
DENISE OLSON
Acting Chief Financial Officer

Ms. Olson was appointed Acting Chief Financial Officer in June 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 degree from Arizona State University.

JIM BENNETT
Aviation Director

Mr. Bennett began his role as Aviation Director for the City of Phoenix 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.

CITY OF PHOENIX



1 - Phoenix Industrial Development Authority.

2 - Phoenix Community Development and Investment Corporation.

3 - Comprehensive Organization Review Evaluation.

Effective February 28, 2015

Awards

The City of Phoenix and its employees have been recognized professionally for numerous awards including the following accomplishments:

- **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.

- **Certificate of Achievement for Excellence in Financial Reporting**

Awarded to the City of Phoenix by the Government Finance Officers Association each year since 1976. This award (formerly the Certificate of Conformance in Financial Reporting) recognizes the completeness, accuracy and understandability of the City's Comprehensive Annual Financial Reports.

- **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.

- **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.

- **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 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 five 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 National Association of Clean Water Agencies (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.

- **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.

- **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.

- **2007-2008 Technology Achievement Awards**

The City of Phoenix was the recipient of two Public Technology, Inc. awards. The Aviation Department received an achievement award for its disaster recovery system to maintain uninterrupted airport operations. The project used site server clustering and disk mirroring technology to consolidate many diverse airport systems. The Neighborhood Services Department received an achievement award for its mobile data access system. This system allows field staff to access permitting, utility and property information systems by using laptops, docking ports and wireless printers. This use of mobile technology allows field staff to work more efficiently and effectively to improve conditions of existing housing stock.

- **2006-2007 Technology Achievement Awards**

The City of Phoenix was the recipient of four Public Technology, Inc. awards. The Neighborhood Services Department received an achievement award for its use of an on-line system to track graffiti occurrences and to collect restitution from perpetrators. This system works with a mobile technology system that the Neighborhood Services Department established to fight graffiti, which also received an award in 2005. The Fire Department received an achievement award for implementing an interface between the City Fire Department's CAD system and the State Department of Transportation traffic management center. The Information Technology Department received an achievement award for implementing a standards-based, site-wide text resizing tool that makes the City website more accessible to users with impaired vision. The City also received an achievement award for implementing a wireless system that facilitates scale house transactions for residential collection commercial vehicles.

- **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.

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.

- **National Association of Housing and Redevelopment Officials (NAHRO) Awards**

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.

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.

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.

In July 2007, the City received three Awards of Merit for its efforts at removing neighborhood blight, building infill housing and removing health and safety hazards from homes in the community. The award represents community development efforts that addressed more than 1,200 blighted properties in central Phoenix, built 17 affordable infill homes, rehabilitated more than 100 homes, created approximately 200 jobs for low-and moderate-income residents, designed and created a Neighborhood Resource Center and remedied child health and safety hazards in 120 housing units.

In October 2005, the City received an Award of Excellence for the Housing Department's "Bringing Information/Technology to Seniors" program to help residents learn basic to advanced computer and internet skills. In order to provide accessibility, computer labs were installed in most of the City's senior and disabled-designated housing communities, complete with classroom instruction on using the internet, employment assistance, printshop training, photo restoration, resume writing and general computer assistance.

- **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.

- **2002 EPA Clean Water Act Recognition Award**

The City of Phoenix and the Sub-Regional Operating Group (SROG) were awarded the Environmental Protection Agency's (EPA) 2002 Clean Water Act Recognition Award in the Pretreatment Category, signifying outstanding industrial pretreatment programs and a commitment to protecting and improving waters of our nation.

- **AMWA Gold Award for Competitiveness**

Awarded in March 2001 to the City of Phoenix Water Services Department by the Association of Metropolitan Water Agencies for its internationally hailed re-engineering program. The program resulted in a reduction of annual operating costs, improved customer service, water quality, and environmental protection as well as water and sewer service charges that are among the lowest in the country.

- **Sister Cities Innovation Award for Education**

In July 2004, the Phoenix Sister Cities Commission received an award from Sister Cities International in recognition for its long-term and comprehensive efforts and programs in the area of education. Specifically cited were the Commission's annual youth ambassador exchange program, short and long-term teacher exchanges, the Global Connections World Technology Conference and the Chengdu management training program.

- **Sister Cities Best Overall Sister City Program Award**

In July 2008, 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 seventh time in the past 13 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.

- **CIO Magazine Awards**

In August 2005, the City of Phoenix was one of 100 organizations worldwide awarded the CIO-100 award. The award recognizes companies and organizations around the world that exemplify the highest level of operational and strategic excellence in the use of technology. The 2005 award theme was the Bold 100, which recognized those executives and organizations that embrace risk for the sake of reward. The City was recognized for its leadership in developing the Phoenix Regional Wireless Network, a wide-area digital radio network that will be used primarily by public safety personnel. The system is designed to allow communication between emergency personnel both within the City of Phoenix as well as among the seventeen surrounding cities and towns.

- **ASA Award of Excellence**

In November 2006, the City of Phoenix Parks and Recreation Department received an award from the Amateur Softball Association (ASA) for conducting two of the highest-rated national championships in 2006. The City of Phoenix hosted the 2006 ASA Coed Major National Championship and the 18 and under 2006 Girls Western National Championship.

- **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.

- **Air Carrier Airport Safety Award**

In July 2006, the City of Phoenix Aviation Department received an award from the Federal Aviation Administration Western Pacific Airports District Office for its innovative solutions and partnerships that have resulted in enhanced airport safety.

- **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.

- **2008 Pro Patria Award**

The City of Phoenix was the recipient of an Employer Support of the Guard and Reserve (ESGR) award for supporting employees deployed in Operation Enduring/Iraqi Freedom. The Pro Patria award is presented annually to employers who demonstrate exceptional support for U.S. national defense by adopting personnel policies that make it easier for employees to participate in the National Guard and Reserve.

- **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.

- **2008 LEED Silver Certification Award**

The City of Phoenix Convention 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. The Convention Center's West Building was designed to achieve LEED certification for energy use, lighting, water and material use as well as incorporating a variety of other sustainable strategies.

- **2010 Certificate of Excellence for Performance Measurement**

In July 2010, the City of Phoenix received an award from the International City/County Management Association (ICMA) for its commitment to continuous learning and improvement based on criteria of effective, results-oriented management practices.

- **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.

ECONOMY & DEMOGRAPHICS[1]

Overview

Since the end of World War II, one of the major economic and demographic trends in the United States has been the sustained growth of population and employment in the Sunbelt in excess of national levels. Phoenix has been an example of this trend as the Phoenix area has been one of the most rapidly growing metropolitan statistical areas (MSA)[2] in the country for many decades in terms of population, employment and personal income growth. Although the last economic recession negatively affected Greater Phoenix and slowed the rate of growth, the Greater Phoenix economy is expected to continue to recover at growth rates higher than the national average, but lower than previous Greater Phoenix recoveries.

There are numerous reasons why one area of the country outperforms others. Some reasons why Greater Phoenix grows are subjective. Greater Phoenix is a desirable place to work, live, and raise a family. The southwestern lifestyle is attractive with low-density population and a climate conducive to outdoor recreation.

There are also objective reasons why Greater Phoenix grows, including housing prices, population and employment. The median price of an existing single-family home in the Greater Phoenix area increased significantly between 2003 and mid-2005 and plateaued in mid-2005 and 2006; however, single-family home prices declined substantially beginning in 2006 and reached a trough in third quarter 2011. According to data released by Arizona State University, from the peak in second quarter 2006 to third quarter 2011, median housing prices for both new and resale homes had declined 53.9%. While the decrease in home values had negative repercussions, the decline increased affordability of housing. Beginning in fourth quarter 2011, housing prices in Greater Phoenix rebounded. As of July 2015, median housing prices for both new and resale homes increased 5.7% compared to July 2014. According to the National Association of Realtors, as of the second quarter of 2015, the U.S. median sales price for an existing (resale) single-family home was $229,400 and the median sales price for a similar home in Greater Phoenix was $217,900. The median housing price in Greater Phoenix continues to remain low relative to many major western cities such as Los Angeles, San Diego and Denver.

According to the U.S. Census Bureau, the Phoenix-Mesa-Scottsdale MSA accounted for approximately 66.7% of Arizona's population as of 2014. According to the Bureau of Labor Statistics, Greater Phoenix accounted for 72.6% of Arizona's employment as of August 2015. According to the Bureau of Economic Analysis, Greater Phoenix accounted for 69.5% of the state's personal income as of 2013, the latest available data. Over the last five years from 2009 through 2014, the Phoenix-Mesa-Scottsdale MSA has accounted for approximately 78.6% of the increase in Arizona's population. From 1950 to 2014, U.S. population grew 109.4% while Greater Phoenix grew 1,074.8% from 374,961 in 1950 to approximately 4,489,109 people in 2014. From 2004 to 2014, population growth was 19.5% in Greater Phoenix compared to 8.8% for the U.S. as a whole. According to the U.S. Census Bureau, as of 2014, Greater Phoenix was the 12th largest metropolitan statistical area in the nation. According to the University of Arizona, the population of Greater Phoenix is expected to grow to 4.5 million by 2015 and 5.0 million by 2020. The table on the following page shows historical population and growth information for Greater Phoenix in comparison to peer MSAs.

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(1) The economic information contained herein has been taken from a report prepared for the City of Phoenix by Elliott D. Pollack & Company on September 21, 2015.

(2) In 1994, the U.S. Office of Management and Budget (OMB) redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal Counties. The Arizona Department of Economic Security released historical employment data on this redefined Phoenix-Mesa-Scottsdale MSA from 1990 through November 2009. Prior to 1990, detailed industry sub-sector employment data is not available for the Phoenix-Mesa-Scottsdale MSA. When historical data for the Phoenix-Mesa-Scottsdale MSA is not available, Maricopa County data is used, and all references to "Maricopa County only" data are so noted. Maricopa County accounts for 97% of the Phoenix-Mesa-Scottsdale MSA employment and 95% of the MSA's population. "Greater Phoenix" refers to the Phoenix-Mesa-Scottsdale MSA, unless otherwise noted.

POPULATION
Metropolitan Statistical Areas
(in thousands)

	1990	2000	2010	2014	Percent Growth 1990-00	2000-10	2010-14
Phoenix-Mesa-Scottsdale, AZ(1)	2,238.5	3,251.9	4,192.9	4,489.1	45.3%	28.9%	7.1
Albuquerque, NM(5)	599.4	729.6	887.1	904.6	21.7	21.6	2.0
Atlanta-Sandy Springs-Roswell, GA(5)	3,082.3	4,263.4	5,286.7	5,614.3	38.3	24.0	6.2
Austin-Round Rock, TX	846.2	1,249.8	1,716.3	1,943.3	47.7	37.3	13.2
Dallas-Fort Worth-Arlington, TX(4)(5)	4,018.8	5,204.1	6,426.2	6,954.3	29.5	23.5	8.2
Denver-Aurora-Lakewood, CO(2)	1,650.5	2,179.2	2,543.5	2,754.3	32.0	16.7	8.3
El Paso, TX(5)	594.5	683.0	804.1	836.7	14.9	17.7	4.1
Houston-The Woodlands-Sugar Land, TX(5)	3,751.0	4,693.2	5,920.4	6,490.2	25.1	26.1	9.6
Jacksonville, FL(5)	925.2	1,122.8	1,345.6	1,419.1	21.4	19.8	5.5
Las Vegas-Henderson-Paradise, NV(5)	741.5	1,375.8	1,951.3	2,069.7	85.5	41.8	6.1
Los Angeles-Long Beach-Anaheim, CA(4)	11,273.7	12,365.6	12,828.8	13,262.2	9.7	3.7	3.4
Orlando-Kissimmee-Sanford, FL	1,224.8	1,644.6	2,134.4	2,069.7	34.3	29.8	-3.0
Riverside-San Bernardino-Ontario, CA	2,588.8	3,254.8	4,224.9	4,441.9	25.7	29.8	5.1
Sacramento-Roseville-Arden-Arcade, CA(5)	1,481.1	1,796.9	2,149.1	2,244.4	21.3	19.6	4.4
Salt Lake City, UT(3)(5)	752.6	939.1	1,087.9	1,153.3	24.8	15.8	6.0
San Antonio-New Braunfels, TX	1,407.7	1,711.7	2,142.5	2,328.7	21.6	25.2	8.7
San Diego-Carlsbad, CA	2,498.0	2,813.8	3,095.3	3,263.4	12.6	10.0	5.4
San Francisco-Oakland-Hayward, CA(4)	3,686.6	4,123.7	4,335.4	4,594.1	11.9	5.1	6.0
San Jose-Sunnyvale-Santa Clara, CA(5)	1,534.3	1,735.8	1,836.9	1,952.9	13.1	5.8	6.3
Seattle-Tacoma-Bellevue, WA(4)	2,559.2	3,043.9	3,439.8	3,671.5	18.9	13.0	6.7
Tampa-St. Petersburg-Clearwater, FL	2,067.9	2,396.0	2,783.2	2,915.6	15.9	16.2	4.8
Tucson, AZ	666.9	843.7	980.3	1,004.5	26.5	16.2	2.5

(1) In 1994, the U.S. Office of Management and Budget (OMB) redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal counties.

(2) In 2003, the U.S. Office of Management and Budget redefined these areas to reflect data from the 2000 Census. Data for the redefined areas has been recalculated to reflect the change back to 1990.

(3) In 2006, the OMB redefined the Salt Lake City-Ogden MSA into two separate areas, the Salt Lake City MSA and the Ogden-Clearfield MSA. Data prior to 2000 reflects the Salt Lake City-Ogden MSA. Data for 2000 and later reflects the Salt Lake City MSA only.

(4) In 2010, the OMB redefined a number of MSAs and eliminated Consolidated MSAs and Primary MSAs. This change affected the Dallas-Fort Worth-Arlington, TX MSA (to include Fort Worth), the Los Angeles-Long Beach-Anaheim MSA (to include Orange County), the San Francisco-Oakland-Hayward MSA (to include Oakland area counties) and the Seattle-Tacoma-Bellevue MSA (to include Tacoma). Data reflects redefined MSAs.

(5) In 2013, the OMB redefined a number of MSAs. This change affected the Atlanta-Sandy Springs-Roswell, GA MSA (to include Morgan County), the Dallas-Fort Worth-Arlington TX, MSA (to include Hood County and Somervell County while removing Delta County), the El Paso, TX MSA (to include Hudspeth County), the Houston-The Woodlands-Sugar Land, TX MSA (removing San Jacinto County), and the Salt Lake City MSA (removing Summit County). This change also affected the Albuquerque, NM MSA (to include Torrance County), Jacksonville, FL MSA (to include Baker County), Las Vegas-Henderson-Paradise, NV MSA (removing Mohave County), Sacramento-Roseville-Arden-Arcade, CA MSA (to include Yolo County), and San Jose-Sunnyvale-Santa Clara, CA MSA (to include San Benito County). Data reflects redefined MSAs.

Source: U.S. Department of Commerce, Census Bureau.

The rapid population growth has been accompanied by even greater employment growth. Non-agricultural wage and salary employment from 1950 through August 2015 in the Phoenix-Mesa-Scottsdale MSA was up 2,437.1% to 1,887,600 jobs, while the U.S. as a whole grew 212.3%. More recently, non-agricultural wage and salary employment from 2010 through August 2015 in the Phoenix-Mesa-Scottsdale MSA was up 11.6%, while the U.S. as a whole grew 8.3%.

Employment growth has also yielded strong gains in personal income. Personal income had strong gains from 2000 through 2007 (see following table). However due to decreases in employment, increases in personal income slowed in 2008, declined in 2009 but began to rebound in 2010. In 2013, personal income increased 2.3% in Greater Phoenix. The Greater Phoenix Blue Chip Economic Forecast, a consensus forecast of a number of local economists, estimates personal income will increase 4.9% in 2015 and 5.3% in 2016.

Personal Income Growth

Year	Arizona	Greater Phoenix
2013	2.1%	2.3%
2012	4.4	5.3
2011	5.4	6.3
2010	1.0	1.1
2009	-4.0	-4.7
2008	1.6	0.4
2007	5.4	4.9
2006	10.9	11.6
2005	10.8	11.0
2004	9.0	8.8
2003	5.3	5.2
2002	3.7	3.7
2001	4.8	4.8
2000	9.2	10.1

Source: U.S. Bureau of Economic Analysis

Employment

The Phoenix-Mesa-Scottsdale MSA labor force is relatively young and well educated. According to the 2010 Census, the median age in Maricopa County is 34.6 years compared to 37.2 years for the U.S. as a whole. Historically, during periods of national economic expansion, Phoenix-Mesa-Scottsdale MSA employment has grown much more rapidly than the United States as a whole. During periods of slowing in the U.S. economy, the Phoenix-Mesa-Scottsdale MSA has usually continued to grow, albeit slowly. It has taken a national recession for the Phoenix-Mesa-Scottsdale MSA to experience employment declines. The National Bureau of Economic Research (NBER) maintains the chronology of the national business cycles and identifies the dates of expansion and recession. On December 1, 2008, the NBER declared that the nation was in a recession and that the recession began in December 2007. In September 2010, the NBER declared that the most recent recession ended in June 2009. This recent recession lasted 18 months and was the longest and deepest recession since the end of World War II.

Over the last several decades, Greater Phoenix has become economically healthier and more diversified. During the March 1975 to January 1980 expansion, Phoenix-Mesa-Scottsdale MSA employment increased 47.1% versus an increase of 18.2% nationally. This exceeded the expansion in other growth areas such as San Diego, Denver and Houston. During the expansion period that began in November 1982, Phoenix-Mesa-Scottsdale MSA employment growth again outpaced that of comparable fast growth areas. During the November

1982 to July 1990 expansion, Phoenix-Mesa-Scottsdale MSA employment increased 49.4% versus an increase of 22.4% nationally. During the March 1991 to March 2001 expansion, Phoenix-Mesa-Scottsdale MSA employment increased 58.3% versus an increase of 22.6% nationally. During the November 2001 to December 2007 expansion, employment in the Phoenix-Mesa-Scottsdale MSA increased 21.6% versus an increase of 5.4% nationally. Since the most recent expansion began in June 2009 through August 2015, Phoenix-Mesa-Scottsdale MSA employment increased 11.2%, versus an increase of 7.8% nationally.

During the 1980 to 1982 recession, Phoenix-Mesa-Scottsdale MSA employment increased 6.0% versus a decrease of 0.2% nationally. During the July 1990 to March 1991 recession, Phoenix-Mesa-Scottsdale MSA employment increased 3.0% versus a decrease of 1.8% nationally. During the March 2001 through November 2001 recession, Phoenix-Mesa-Scottsdale MSA employment declined 0.9% versus an increase of 0.2% nationally. During the most recent recession from December 2007 to June 2009, Phoenix-Mesa-Scottsdale MSA employment decreased 13.0% versus a decrease of 6.4% nationally. The underperformance of Greater Phoenix employment during the last recession compared to most peer cities can be attributed to the fact that each of Greater Phoenix's major employment sectors were the most negatively impacted by the national recession and population flows slowed dramatically all at the same time. These sectors include construction, tourism, financial services, and high-tech manufacturing. See the following table for historical percentage changes in wage and salary growth for Greater Phoenix and other peer MSAs during recessionary and expansion periods.

The 1987 through 1992 period in Maricopa County was a period of modest growth by historic standards. This was due to a number of factors including a slowdown in the national economy, cutbacks in national defense spending and a severe downturn in the commercial real estate market in the metropolitan area. This situation began turning around in 1992 due to a series of events that were quite positive. These included reasonably strong growth in the national economy, an increase in international trade, strength in Greater Phoenix's manufacturing sector, especially the high-tech manufacturing sector, a sustained expansion in single-family housing within Greater Phoenix, strong retail sales within Greater Phoenix, and an end to defense cutbacks by the Federal government.

The years 1993 through early 2001 were strong growth years for the Greater Phoenix economy. Employment in 2001 increased 1.3% following increases of 3.5%, 4.6%, 5.4%, 5.4% and 7.2% in 2000, 1999, 1998, 1997 and 1996, respectively. Several of the economic sectors that usually hold Greater Phoenix in good stead in an economic slowdown were especially hard hit by the events of September 11, 2001, including semiconductor and aerospace manufacturing and tourism. In addition, although an end to the national recession was declared in November 2001, many national economists have suggested that this date ignores that employment levels were especially slow to recover and as a lagging indicator may more accurately describe the state of the economy. In October 2001, employment growth in Greater Phoenix turned negative for the first time since the 1991 recession and remained negative until July 2002. Overall, employment decreased 0.01% in 2002. The Phoenix economy began to rebound in 2003 and employment grew 1.5%, once again exceeding growth in the U.S. as a whole. Greater Phoenix employment was up 3.9% in 2004, 6.2% in 2005 and 5.4% in 2006. In response to the slowing economy related to problems in the subprime mortgage market and tight credit, Greater Phoenix employment increased only 1.7% in 2007. In 2008 and 2009, as the national and Greater Phoenix economies were impacted by the deep recession, employment in Greater Phoenix decreased 2.5% and 7.8% while the U.S. as a whole decreased 0.6% and 4.3%, respectively. During 2010, employment began to grow again in Greater Phoenix, but not enough to turn the average for the year positive. In 2010, employment in Greater Phoenix decreased 1.9% while the U.S. as a whole decreased 0.7%. Beginning in 2011, employment in Greater Phoenix outperformed the U.S. increasing 1.5% in 2011, 2.5% in 2012 and 2.9% in 2013 compared to 1.2%, 1.7% and 1.7%, respectively, in the U.S. as a whole. In 2014, employment increased 2.3% in Greater Phoenix and 1.9% in the U.S. as whole. As of August 2015, employment increased 2.9% in Greater Phoenix and 2.2% in the U.S. over the same period in 2014.

NON-AGRICULTURAL WAGE & SALARY EMPLOYMENT
Metropolitan Statistical Areas
Not Seasonally Adjusted
(% Change)

	RECESSION PERIODS					EXPANSION PERIODS				
	Nov. 1973 to Mar. 1975	Jan. 1980 to Nov. 1982	July 1990 to Mar. 1991	Mar. 2001 to Nov. 2001	Dec. 2007 to June 2009	Mar. 1975 to Jan. 1980	Nov. 1982 to July 1990	Mar. 1991 to Mar. 2001	Nov. 2001 to Dec. 2007	June 2009 to Aug. 2015
U.S. Average	(3.7)%	(0.2)%	(1.8)%	0.2%	(6.4)%	18.2%	22.4%	22.6%	5.4%	7.8%
Phoenix-Mesa-Scottsdale, AZ(1)	(5.6)	6.0	3.0	(0.9)	(13.0)	47.1	49.4	58.3	21.6	11.2
Albuquerque, NM(2)(4)	(3.0)	4.6	(1.0)	0.1	(5.6)	30.2	44.2	35.3	9.3	1.7
Atlanta-Sandy Springs-Roswell, GA(2)(4)	(7.3)	7.7	(2.7)	(0.1)	(7.7)	35.3	54.0	45.8	7.3	13.3
Austin-Round Rock, TX(2)	6.1	18.3	4.2	(2.1)	(1.6)	31.9	38.8	71.4	14.6	24.2
Dallas-Fort Worth-Arlington, TX(2)(4)	(2.2)	8.9	(0.8)	(1.7)	(4.3)	33.8	31.5	41.3	7.6	18.2
Denver-Aurora-Lakewood, CO(2)	(2.7)	8.9	(0.5)	(1.4)	(4.0)	30.6	12.8	42.0	5.6	15.0
El Paso, TX(4)	1.2	3.7	(0.9)	(1.2)	(2.9)	21.9	28.3	24.4	9.3	8.4
Houston-The Woodlands-Sugar Land, TX(2)(4)	7.7	10.3	0.7	0.6	(2.6)	39.2	20.3	28.3	12.5	16.9
Jacksonville, FL(2)(4)	(0.7)	7.4	(0.9)	0.0	(8.6)	11.9	37.9	36.7	12.6	10.4
Las Vegas-Henderson-Paradise, NV(4)	1.1	1.5	1.7	(0.8)	(12.0)	57.3	87.6	91.1	29.4	10.2
Los Angeles-Long Beach-Anaheim, CA(2)	(2.6)	(1.6)	(2.2)	(1.2)	(8.0)	25.1	21.5	7.4	5.1	8.9
Orlando-Kissimmee-Sanford, FL(2)	(8.3)	16.3	0.5	(2.3)	(9.8)	33.2	86.7	59.1	22.4	17.0
Portland-Vancouver-Hillsboro, OR-WA(2)	(2.0)	(5.6)	(0.8)	(1.5)	(7.3)	27.6	39.3	34.1	8.9	14.4
Riverside-San Bernardino-Ontario, CA	(2.0)	(0.7)	2.1	2.6	(10.0)	32.6	63.8	40.9	22.6	13.5
Sacramento-Roseville-Arden-Arcade, CA(4)	3.3	4.7	1.3	2.1	(7.0)	27.9	29.5	29.1	9.9	7.0
Salt Lake City, UT(3)(4)	1.6	3.4	1.3	(0.3)	(7.0)	23.2	24.1	50.0	17.3	11.7
San Antonio-New Braunfels, TX(2)	0.1	8.9	1.1	(0.5)	(1.1)	25.6	22.7	38.9	12.7	16.4
San Diego-Carlsbad, CA	1.7	2.8	0.5	1.4	(6.1)	37.0	44.9	24.6	7.8	11.1
San Francisco-Oakland-Hayward, CA	(0.4)	1.5	(0.5)	(3.9)	(6.7)	17.0	17.9	18.0	0.5	15.9
San Jose-Sunnyvale-Santa Clara, CA(2)(4)	(0.7)	7.4	(1.3)	(8.8)	(6.5)	44.3	16.3	29.3	(4.0)	21.8
Seattle-Tacoma-Bellevue, WA	N/A	N/A	(1.3)	(1.2)	(5.3)	N/A	47.1	28.0	9.4	13.3
Tampa-St. Petersburg-Clearwater, FL	(3.4)	10.2	0.5	(0.7)	(10.0)	29.3	41.0	34.9	8.0	12.2
Tucson, AZ	0.7	6.4	8.1	(0.7)	(9.8)	27.1	24.4	35.6	12.3	2.6

(1) In 1994, the U.S. Office of Management and Budget (OMB) redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal counties. Data prior to 1974 reflects Maricopa County data only.

(2) In 2003, the U.S. Office of Management and Budget redefined these areas to reflect data from the 2000 Census. Data for the redefined areas has been recalculated to reflect the change back to 1990 only.

(3) In 2006, the U.S. Office of Management and Budget redefined the Salt Lake City - Ogden MSA into two separate areas, the Salt Lake City MSA and the Ogden - Clearfield MSA. Data after 2000 reflects the Salt Lake City MSA only.

(4) In 2013, the OMB redefined a number of MSAs. This change affected the Atlanta-Sandy Springs-Roswell, GA MSA (to include Morgan County), the Dallas-Fort Worth-Arlington TX, MSA (to include Hood County and Somervell County while removing Delta County), the El Paso, TX MSA (to include Hudspeth County), the Houston-The Woodlands-Sugar Land, TX MSA (removing San Jacinto County), and the Salt Lake City MSA (removing Summit County). This change also affected the Albuquerque, NM MSA (to include Torrance County), Jacksonville, FL MSA (to include Baker County), Las Vegas-Henderson-Paradise, NV MSA (removing Mohave County), Sacramento-Roseville-Arden-Arcade, CA MSA (to include Yolo County), and San Jose-Sunnyvale-Santa Clara, CA MSA (to include San Benito County). Data for the redefined areas has been recalculated to reflect the change back to 1990 only.

Source: U.S Bureau of Labor Statistics.

The employment mix of the Phoenix-Mesa-Scottsdale MSA is well diversified and mirrors that of the United States in many respects. However, it is under-represented in manufacturing, but the manufacturing mix is much more concentrated in high technology than that of the United States. As of August 2015, high technology manufacturing represented 37.3% of the manufacturing jobs in Greater Phoenix versus 12.4% nationally. This is a significant, positive factor in the long run because these high-technology manufacturing sectors are likely to grow at rates greater than that of non-high-tech manufacturing. However, these industries tend to be cyclical in nature and therefore, during periods of slower national economic growth, Greater Phoenix manufacturing will likely be negatively affected. In addition, manufacturing employment in the U.S. has been affected by the movement of manufacturing jobs to less expensive labor markets abroad. The following table shows the percent distribution of each employment sector for Phoenix-Mesa-Scottsdale MSA compared to the U.S.

NON-FARM WAGE & SALARY EMPLOYMENT
Percent Distribution
2015 Annual Average through August

Sector	Phoenix-Mesa-Scottsdale MSA	United States
Manufacturing	6.2%	8.7%
Natural Resources & Mining	0.2	0.6
Construction	5.3	4.5
Total Goods Producing	11.7	13.8
Transportation, Warehousing, Utilities	3.6	3.7
Trade	16.0	15.2
Information	1.9	2.0
Financial Activities	8.8	5.7
Services	45.8	44.2
Government	12.2	15.4
Total Service Producing	88.3	86.2
Non-Farm Wage & Salary	100.0%	100.0%

Source: Arizona Department of Economic Security, U.S. Department of Labor. Data through August 2015.

Arizona's manufacturing industry is concentrated in the Phoenix-Mesa-Scottsdale MSA. As of August 2015, employment in manufacturing accounted for 6.2% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. According to the Arizona Department of Administration, the Phoenix-Mesa-Scottsdale MSA has approximately 3,200 manufacturing firms employing approximately 114,013 workers as of the first quarter of 2015 (latest available data). This represents 73.3% of the State's total manufacturing employment. The table below reflects annual growth in manufacturing employment for Greater Phoenix. U.S. Major manufacturers located in Greater Phoenix include Honeywell, Intel, Freeport-McMoRan Copper & Gold, Boeing, General Dynamics, IBM, Freescale, Avnet, Sonora Quest Laboratories and Shamrock Foods.

Manufacturing Employment Annual Growth

Year	Greater Phoenix	United States
2015	-1.1%	1.5%
2014	0.9	1.4
2013	0.3	0.8
2012	3.5	1.7
2011	1.8	1.7
2010	-3.6	-2.7
2009	-11.4	-11.6
2008	-5.5	-3.4
2007	-1.9	-2.0

Source: U.S. Bureau of Labor Statistics. Data through August 2015.

As of August 2015, manufacturing employment in Greater Phoenix decreased 1.1% while U.S. manufacturing employment increased 1.5% over the same period in 2014. The Greater Phoenix Blue Chip Economic Forecast estimates that total manufacturing employment in Greater Phoenix will increase 1.8% in 2015 and 2.2% in 2016.

Greater Phoenix trade employment was up 3.1% in 2007, but declined 2.3% in 2008, 7.9% in 2009, and 2.0% in 2010. Trade employment increased 0.7% in 2011 and 0.8% in 2012. Trade employment increased 0.9% and 2.5% in 2013 and 2014, respectively. As of August 2015, trade employment increased 2.4% over the same period in 2014. Trade employment accounted for 16.0% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. Greater Phoenix trade employment is greatly affected by retail sales. Trade employment increases as retail sales rise and decreases as retail sales fall. According to the Arizona Department of Revenue, retail sales were up 0.1% in 2007, but declined 10.3% in 2008 and 10.6% in 2009. Retail sales increased 0.7% in 2010, 10.1% in 2011, 5.0% in 2012, 9.4% in 2013 and 4.7% in 2014. Through July 2015, retail sales increased 10.3% over the same period in 2014. The Greater Phoenix Blue Chip Economic Forecast estimates retail sales will increase 6.2% in 2015 and 6.0% in 2016.

The expansion of the Greater Phoenix economy in the past has generated employment in the financial activities category. This sector includes finance, insurance and real estate employment and rental and leasing employment. Employment in financial activities accounts for 8.8% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. Employment in this sector increased 0.4% in 2007, but declined 3.8% in 2008, 4.9% in 2009 and 1.3% in 2010. Employment in financial activities increased 3.0% in 2011, 3.5% in 2012, 5.3% in 2013 and 2.7% in 2014. As of August 2015, employment in financial activities increased 3.1% over the same period in 2014.

The services industry, particularly business services, has also contributed to the sustained historical growth in Greater Phoenix. The services employment category has four sub-categories including professional and business, educational & health, leisure & hospitality and other services. In total, services account for 45.8% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. Employment in this sector increased 3.1% in 2007, but declined 0.5% in 2008 and 5.4% in 2009. Services employment increased 0.2% in 2010, 2.5% in 2011, 2.7% in 2012, 3.9% in 2013 and 2.8% in 2014. As of August 2015, services employment in the Phoenix-Mesa-Scottsdale MSA increased 4.1% over the similar period in 2014.

Professional and business services employment, 36.5% of total services industry employment, is a strong contributor to services growth. Employment in this services industry sub-category increased 1.9% in 2007. The slowdown in the national economy during the last recession affected professional and business services in the Phoenix-Mesa-Scottsdale MSA. Employment in this services industry sub-category decreased 4.9% in 2008, 11.1% in 2009 and 1.4% in 2010. Employment in professional and business services increased 2.3% in 2011, 3.2% in 2012, 5.6% in 2013 and 2.2% in 2014. As of August 2015, employment in professional and business services increased 3.8% over the same period in 2014.

A significant portion of services industry employment in Greater Phoenix is related to tourism. Leisure and hospitality employment accounts for 23.6% of total services employment. Construction of three resorts within Greater Phoenix was completed in 2002. The Westin Kierland Resort, Marriott Desert Ridge and the Sheraton Wild Horse Pass added a total of 2,200 hotel rooms. A number of hotels within Greater Phoenix were completed in 2007 and early 2008. The Marriott Renaissance at Westgate, Marriott Residence Inn, Hampton Inn at Westgate, Spring Hill Suites, Holiday Inn Express and the Comfort Inn all opened in Glendale adding a total of 917 hotel rooms. Three notable hotels within Greater Phoenix were completed in the second half of 2008. The Phoenix Downtown Sheraton Hotel (1,000 rooms), the W Hotel Scottsdale (230 rooms) and the Intercontinental Montelucia Resort and Spa in Paradise Valley (293 rooms) opened adding a total of 1,523 hotel rooms. In addition, 15 select-service hotels opened in 2008 throughout Greater Phoenix totaling approximately 1,700 rooms. Overall market conditions and the continued pressure on the capital markets slowed hotel development throughout Greater Phoenix during the last recession. In 2009, the Hilton Phoenix Chandler (197 rooms), the aloft Hotel Tempe (136 rooms), the aloft Hotel Phoenix Airport (143 rooms) and the Wild Horse Pass & Casino (242 rooms) opened along with 14 select-service hotels totaling 1,800 additional rooms. The Talking Stick Resort at Casino Arizona (496 rooms) and three limited service hotels totaling 350 rooms, including Holiday Inn Phoenix, Doubletree in Gilbert and Residence Inn in Surprise, opened in 2010. The Westin Phoenix Downtown (242 rooms) and the Radisson Hotel Glendale (120 rooms) opened in 2011, along with two limited service hotels in Casa Grande and Phoenix totaling 100 rooms. New hotel openings in 2012 in Greater Phoenix included the Hotel Palomar (242 rooms) in downtown Phoenix, the Saguaro (194 rooms) in Scottsdale and five limited service hotels totaling 610 rooms. In 2013, new hotel openings for Greater Phoenix included Vee Quiva Casino and Hotel (90 rooms) in Laveen, the Holiday Inn Express (104 rooms) in Phoenix and the Residence Inn Tempe Downtown (173 rooms) as well as the renovation of the Fiesta Resort in Tempe, which reopened as the Double Tree by Hilton (270 rooms). The former Crowne Plaza Phoenix Airport Hotel (290 rooms) underwent an $8 million renovation and reopened as The Wren in early 2014.

Also announced in 2014 was a $30 million renovation of the historic Professional Building in downtown Phoenix, expected to open in 2015 as the Monroe Hilton Garden Inn (170 rooms), and an $80 million high-rise hotel (320 rooms) within the historic Luhrs block, also downtown. The Luhrs City Center Marriott project began in 2014 and is expected to open in 2016. In April 2014, construction began on a 180-room Sheraton Hotel, which is being built next to the Chicago Cubs' new spring training ballpark in Mesa. In Tempe, the Drury Inn & Suites (180 rooms) opened in winter 2014, Omni Hotels & Resorts will build a 13-story luxury hotel (330 rooms) expected to open in the fall of 2016 and Marriott is planning a 159-room lakefront hotel that will be named the AC Hotel and is projected to open in late 2016. In early 2015, the 284-room Radisson Hotel Phoenix North reopened near the Metrocenter Mall in north Phoenix after a five-month, $8 million renovation. The Chaparral Suites hotel in Scottsdale will undergo renovations and be rebranded as a 312-room Embassy Suites Hotel. Construction on the Embassy Suites will start in the summer of 2015 and be completed by year-end. New hotels announced in 2015 are a 15-story (237 room) hotel by Kimpton in Tempe at the corner of Mill Avenue and Rio Salado Parkway, and the Tohono O'odham Nation's $200 million Desert Diamond West Valley resort and casino. Employment in this services industry sub-category increased 3.2% in 2007, but declined 0.8% in 2008, 5.5% in 2009 and 0.6% in 2010. Greater Phoenix leisure and hospitality services employment increased 2.5% in 2011, 3.2% in 2012, 4.5% in 2013 and 4.0% in 2014. As of August 2015, leisure and hospitality services employment increased 3.0% over the same period in 2014. Employment in this sub-sector is expected to continue gradually improving.

Educational and health services employment is related to population flows and the aging of the population and should continue to grow in Greater Phoenix. Educational and health services employment is 32.0% of total services employment. Employment in this services industry sub-category increased 5.2% in 2007 and 5.7% in 2008. Educational and health services employment began to slow in 2009 due to the slowing economy, slowing population flows and reduced school district budgets. Employment growth in this services industry sub-category increased 3.3% in 2009, 4.6% in 2010, 3.5% in 2011, 3.3% in 2012 and 2.1% in 2013 and 3.0% in 2014. As of August 2015, employment in educational and health services increased 4.5% over the same period in 2014.

The government sector includes employment in federal, state and local governments. Employment in government accounted for 12.2% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. Total government sector employment increased 4.1% in 2007 and 3.0% in 2008, but decreased 2.8% in 2009, 1.8% in 2010 and 2.4% in 2011. Government sector employment increased 0.6% in 2012, 0.6% in 2013 and 0.5% in 2014. As of August 2015, total government employment increased 0.7% over the same period in 2014. As the economy continues to slowly recover, demand for government sector services are expected to cause government employment to grow.

NON-FARM WAGE AND SALARY EMPLOYMENT
Phoenix-Mesa-Scottsdale
Metropolitan Statistical Area

(Yearly Average in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Natural Resources and Mining	2.7	3.2	3.8	3.1	3.0	3.2	3.5	3.6	3.4	3.4
Construction	179.9	169.2	139.3	95.90	82.4	83.0	88.0	93.4	95.6	100.4
Manufacturing	139.8	137.1	129.6	114.8	110.7	112.7	116.7	117.1	118.1	116.9
Trade, Transportation, and Utilities										
Wholesale Trade	86.6	89.2	88.4	82.2	78.9	78.1	78.0	77.8	77.6	77.8
Retail Trade	227.4	234.3	227.7	208.9	206.3	209.0	211.3	214.1	221.8	223.8
Transp., Warehousing, and Utilities	64.9	67.4	66.9	62.7	60.3	62.3	63.7	64.1	65.6	67.8
Information	32.3	31.1	31.1	28.9	27.4	28.4	31.1	33.2	34.8	35.2
Financial Activities	155.3	155.9	149.9	142.7	140.8	145.1	150.2	158.2	162.4	166.3
Professional and Business Services	318.5	324.7	308.9	274.7	271.0	277.2	286.0	301.9	308.5	316.6
Education and Health Services	198.7	209.1	221.0	228.4	239.0	247.4	255.5	261.0	268.7	277.5
Leisure and Hospitality	180.4	186.2	184.6	174.4	173.4	177.7	183.3	191.6	199.2	204.2
Other Services	70.8	71.9	73.2	68.0	63.8	63.8	62.3	63.7	64.5	68.2
Government	229.2	238.7	246.0	239.2	234.8	229.2	230.6	231.9	233.0	229.6
Total	1,886.4	1,918.1	1,870.5	1,723.8	1,691.6	1,717.2	1,760.3	1,811.5	1,853.0	1,887.6

* Year-to-date through August 2015.

Note: Annual averages may not add due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics; Arizona Department of Commerce, Research Administration.

MAJOR PRIVATE-SECTOR EMPLOYERS IN ARIZONA

(ranked by number of employees)

Company	Employment	Type of Business
Wal-Mart Stores, Inc.	32,438	Retail
Banner Health	30,266	Health care
Wells Fargo	14,126	Financial services
Intel Corp.	11,700	Technology
Scottsdale Lincoln Health Network	10,500	Health care
Honeywell	10,000	Technology
JPMorgan Chase & Co.	9,600	Financial services
Apollo Education Group Inc.	9,417	Education
American Airlines Group Inc.	9,000	Airline
Target	8,572	Retail
Freeport-McMoRan Inc.	8,357	Mining
Dignity Health	8,000	Health care
American Express Co.	7,300	Financial services
Basha's Family of Stores	6,722	Retail
Arizona Public Service Co	5,914	Utilities
Mayo Clinic Hospital	5,597	Health care
Safeway Inc.	5,036	Retail
Salt River Project	5,031	Utilities
United Healthcare of Arizona	4,800	Health care
The Boeing Co.	4,500	Aerospace
Charles Schwab & Co.	3,500	Financial services
United Parcel Service	3,205	Courier, logistics
Cox Communications Arizona	3,054	Telecommunications
CenturyLink	2,865	Telecommunications
Humana Inc.	2,862	Health care

Source: Phoenix Business Journal, 2014-15 Book of Lists.

Unemployment

The Phoenix-Mesa-Scottsdale MSA average unemployment rate has generally been consistently below the State and national average. The table below shows annual average unemployment statistics for Greater Phoenix in comparison to Arizona and the nation.

COMPARATIVE UNEMPLOYMENT STATISTICS
Phoenix-Mesa-Scottsdale
Metropolitan Statistical Area
(Annual Average, Seasonally Adjusted)

Year	Employed Phoenix-Mesa-Scottsdale MSA	Unemployed Phoenix-Mesa-Scottsdale MSA	Unemployment Rate		
			Phoenix-Mesa-Scottsdale MSA	Arizona	U.S.
2015*	2,048,100	113,300	5.3%	6.2%	5.5%
2014	1,982,000	126,000	6.0	6.8	6.2
2013	1,923,900	138,900	6.8	7.5	7.5
2012	1,895,200	152,200	7.4	8.3	8.1
2011	1,868,000	177,500	8.7	9.5	8.9
2010	1,873,700	199,300	9.6	10.4	9.6
2009	1,899,200	194,900	9.3	10.3	9.3
2008	1,977,400	115,100	5.5	6.2	5.8
2007	1,988,900	68,300	3.3	3.9	4.6
2006	1,949,300	74,000	3.7	4.1	4.6

* Data as of July 2015.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Construction/Real Estate Market

During the 1990s, the construction/real estate market in Maricopa County fully recovered from the recession of the late 1980s, when the State faced a national recession, a severe real estate recession and defense cutbacks. Using Arizona State University data, which includes Maricopa County and part of Pinal County (the Apache Junction area), single-family permits declined annually from 1986 through 1990; however, single-family permit activity was up 27% in 1991, 36% in 1992, 19% in 1993, 22% in 1994, 0.7% in 1995, 5.0% in 1996, 3.4% in 1997 and 16.1% in 1998. There were 26,824 single-family permits issued in Maricopa County in 1995, 28,157 issued in 1996, 29,109 issued in 1997 and a record 33,811 issued in 1998. Indeed, 1998 was the eighth consecutive year of increased single-family permit activity. In 1999 and 2000, the number of single-family permits issued declined modestly by 1.7% and 2.3%, respectively, to 33,252 permits in 1999 and 32,511 permits in 2000.

The real estate market began to improve in 2001 and the number of single-family permits issued in Greater Phoenix increased 1.1% to 32,869 and increased 7.2% to 38,745 permits in 2002. Both 2003 and 2004 were record years for single-family construction with permit issuance up 19.7% and 28.6% to 46,382 and 59,731 permits, respectively. In 2005, single-family permits issued increased 3.0% to 61,447 permits. In an over response to high demand for single-family homes between 2003 and mid-2005 and increasing home prices, an excess number of single-family housing units were built during this period, even as demand began to slow by late 2005. This excess housing inventory resulted in a reduction in the number of single-family housing permits issued in Greater Phoenix of 33.3% to 42,423 permits in 2006. In 2006, the number of single-family units built was more consistent with the demographic demand and for the first time in several years, completions (closings) exceeded new permits. This indicated that builders were beginning to work off their existing inventory and the market began to move towards a more sustainable level. Despite the reduction in the number of single-family

housing permits, 2006 was still the fourth strongest housing year on record, which appears to indicate that 2004 and 2005 were extremely robust years. As further evidence of the market's return to a more sustainable level, permits were down 26.5% to 31,172 permits in 2007, down 59.6% to 12,582 permits in 2008, down 36.2% to 8,027 permits in 2009 and down an additional 15.0% to 6,822 permits in 2010. In 2011, single family permits reached a bottom with 6,794 permits issued. As the excess supply of new and existing housing inventory was absorbed, permit activity began to turn around. Single family permits increased 71.0% to 11,615 permits in 2012 and 10.1% to 12,785 permits in 2013. In 2014, single family permits decreased 15.2% to 10,840. The slow growth in employment and population, relative to historic norms, has extended the time frame necessary to absorb the excess in the residential real estate market. The residential real estate market in Greater Phoenix continues to improve and single family permits in 2015 are increasing. Through August 2015, single family permits increased 43.0% over the same period in 2014. The eight month figure of 10,902 permits exceeds the entire 2014 level of 10,840 permits. According to the Greater Phoenix Blue Chip Economic Forecast, single-family permits are expected to be approximately 15,500 in 2015, 19,300 in 2016 and 22,900 in 2017.

Single-family housing prices in Greater Phoenix increased significantly between mid-2004 and mid-2005. According to the Multiple Listing Service (MLS), housing listing prices jumped 96.8% to a median listed price of $359,900 in May 2005. This record increase in listing prices appears to have been the result of a transitory supply/demand imbalance caused by strong population flows, a large number of homes purchased for investment purposes, a jump in demand for second homes and vacation homes, the movement of people from apartments into single-family homes, easy credit, and excess liquidity in the financial markets. In addition, during that period from mid-2004 to mid-2005, there was a substantial decline in the number of units in the MLS and an increase in the delivery time of new homes by homebuilders due to factors such as the inability of cities to process permits in a timely manner due to high workloads and labor bottlenecks.

Housing price increases began to level in 2006 as a result of slowing demand, which increased the number of units listed in the MLS, and lessened investor activity. In fact, housing prices began declining in 2007 in Greater Phoenix as they did nationally. According to the S&P/Case-Shiller Home Price Index (a series that tracks changes in existing single-family home prices given a constant level of quality), Greater Phoenix housing prices increased only 0.3% in 2006 and declined 15.3% in 2007, 34.0% in 2008, 9.2% in 2009, 8.3% in 2010 and 1.2% in 2011. By mid-2012, housing prices began to show signs of growth as lower prices and little new construction allowed the excess supply of homes to clear. According to the National Association of Realtors, in 2012 existing single-family home prices increased 27.8% over 2011 to $147,600. In 2013, the median price of an existing single-family home in Greater Phoenix increased 24.4% over 2012 to $183,600. In 2014, the median price of an existing single-family home in Greater Phoenix increased 8.1% over 2013 to $198,500. As of second quarter 2015, the median price of an existing single-family home was $229,400 in the U.S. and $217,900 in Greater Phoenix.

As the economy continues to recover both nationally and locally, both the excess supply of single-family houses and the number of foreclosures has decreased significantly, thus removing inventory from a previously oversupplied market. In addition, although tighter credit standards and a significant slowdown in population growth have reduced the size of the buyer pool, these problems appear to be slowly abating. As the sale of existing single-family homes continue to increase, the single-family housing market will return to a more normal equilibrium.

In the past, multi-family housing has been hit harder by recession than single-family housing. Permits declined from 1984 through 1990, but a recovery in multi-family housing began in 1991. The number of permits issued increased each year from 1991 through 1996. In 1997 the number of permits issued declined 7.1% to 7,930 units and remained just under 8,000 per year for 1998 and 1999. In 2000, 2001, 2002, 2003, 2004, 2005 and 2006 there were 8,009, 7,201, 5,134, 4,682, 4,997, 3,250 and 3,922 units permitted, respectively. Multi-family housing construction was hit hard during those years by low interest rates that made single-family housing more affordable. As a result, demand for single-family homes increased while demand for multi-family homes subsided. Permits increased to 6,676 in 2007, but decreased to 6,365 in 2008, 637 in 2009, and 408 in 2010.

Multi-family construction began to turn around as permits increased to 1,686 in 2011, 3,699 in 2012, 5,449 in 2013 and 8,503 in 2014. According to the Greater Phoenix Blue Chip Economic Forecast, multi-family permits are expected to increase to 6,900 in 2015, 6,700 in 2016 and 7,100 in 2017. Despite the fluctuation in demand, multi-family housing has enjoyed low levels of vacancy since 1993 due to modest levels of construction. More recently, vacancy rates were 5.0% in 2005 and 5.3% in 2006, but increased to 8.5% at year-end 2007, 10.8% at year-end 2008 and 14.2% at year-end 2009. The low vacancy rates, in 2005 and 2006, despite the fact that absorption was relatively modest in those years, was due to a decrease in the number of apartments in Greater Phoenix in 2005 and again in 2006. According to the Arizona State University Real Estate Center, more than 18,500 multi-family units were converted into condominiums in 2005 and 2006. Because of this tighter market, rents for apartments increased in 2005 and 2006 and continued to increase in 2007. This trend reversed in 2008 as condominiums were converted back to apartments, apartments experienced substantial competition from single-family rental homes and population inflows slowed. Multi-family vacancy rates were 10.8% in 2010, 7.3% in 2011, 6.3% in 2012, 6.6% in 2013 and 6.0% in 2014. The Greater Phoenix Blue Chip Economic Forecast projects multi-family vacancy rates to be 6.2% in 2015 and 6.3% in 2016 and 2017.

The commercial real estate market experienced the same supply and demand imbalance that exerted downward pressure on single-family housing prices and new housing permits from 2007 through 2009. The imbalance in the commercial market lagged the residential market due to the commercial market's long lead times between project conceptualization and project completion. Most of the commercial buildings that were completed in 2008 through 2010 were conceptualized and started when the market was still strong. The decrease in demand was a result of declines in employment growth, the general economic downturn and the inability of investors to access the credit markets due to the severe credit crunch.

The year 1996 was the first since 1991 that new office construction took place. Vacancy rates peaked in 1986 at just over 30%, but declined to 7.5% in 1997. In 2005, a total of 857,900 square feet of office space was added to the market, while 3.1 million square feet was absorbed. In addition, nearly 1.2 million square feet of office space was converted to office condominiums and residential condominiums. As a result, the office vacancy rate in 2005 was 12.6%. In 2006, a total of 2.2 million square feet of office space was added to the market, while 3.2 million square feet was absorbed. As of year-end 2006, the office vacancy rate declined to 11.1%. In 2007, a total of 4.9 million square feet of office space was added to the market, while 1.5 million square feet was absorbed. As of year-end 2007, the office vacancy rate increased to 13.9%. In 2008, 3.4 million square feet of office space was added to the market, while a net 603,000 square feet was vacated. As of year-end 2008, the office vacancy rate increased to 19.1%. In 2009, office vacancies began to approach levels not seen since the late-1980s. In 2009, a total of 1.8 million square feet of office space was added to the market, while absorption was a negative 667,300 square feet. In 2009, the office vacancy rate increased to 24.5%. In 2010, a total of 2.0 million square feet of office space was added to the market, while 233,670 square feet was absorbed. In 2010, the office vacancy rate increased to 26.2%. In 2011, a total of 439,070 square feet of office space was added to the market, while 1.9 million square feet was absorbed. In 2011, the office vacancy rate decreased to 25.5%. In 2012, a total of 1.0 million square feet of office space was added to the market, while 2.0 million square feet was absorbed. Vacancy rates in 2012 declined to 23.9% from 25.5% in 2011. In 2013, 35,566 square feet of office space was removed from the market, nearly 1.7 million square feet of office space was absorbed and vacancy rates decreased to 22.4%. In 2014, 725,623 square feet of office space was added to the market, while 2.0 million square feet was absorbed, slightly decreasing the vacancy rate to 21.1%. The office market continues to recover, albeit slowly. According to the Greater Phoenix Blue Chip Economic Forecast, office space absorption is expected to be approximately 1.88 million square feet in 2014, 2.8 million square feet in 2015, 3.0 million square feet in 2016 and 2.7 million in 2017. Absorption remains strong and is expected to outpace new construction. New office construction in Greater Phoenix is expected to be 1.8 million square feet in both 2015 and 2016. With absorption outpacing new construction, vacancy rates are expected to decrease to 19.8% in 2014, 18.7% in 2015 and 17.5% in 2016. While this is still higher than the 15% vacancy rate associated with previous periods of stronger development in the office market, it is still a significant recovery and shows promise for later in the decade.

Along with the rapid growth in single-family housing that occurred in the middle of the last decade, the corresponding demand for retail space was relatively strong. More recently, additional supply has slowed due to the slowdown in overall retail sales. Retail vacancy rates were 7.4% in 1997 but declined to 6.3%, 5.5% and 5.3% in 1998, 1999 and 2000, respectively. According to CB Richard Ellis, retail vacancy rates rose to 6.6% in 2001, 7.3% in 2002 and 7.4% in 2003, but dropped to 6.1% in 2004, 5.3% in 2005 and 5.1% in 2006 in response to the strengthening economy. In 2007, 11.1 million square feet of inventory was added, while 9.4 million square feet was absorbed. Therefore, the retail vacancy rate increased in 2007 to 6.2%. In 2008, 6.2 million square feet of inventory was added, while 3.4 million square feet was absorbed, increasing the retail vacancy rate to 7.5%. In 2009, 4.4 million square feet of inventory was added, while absorption was a negative 1.0 million square feet, increasing the retail vacancy rate to 11.4%. In 2010, 902,380 square feet of inventory was added, while absorption was a negative 75,352 square feet, increasing the retail vacancy rate to 12.2%. In 2011, 24,543 square feet of inventory was added, while absorption was a negative 152,647 square feet, keeping the retail vacancy rate at 12.2%. In 2012, 184,932 square feet of inventory was added, while absorption was 1.9 million square feet, decreasing the retail vacancy rate to 11.0%. In 2013, 325,959 square feet was removed from retail space inventory, while nearly 1.6 million square feet was absorbed, decreasing the vacancy rate to 10.2%. In 2014, 49,225 square feet was removed from the retail space inventory, while nearly 1.5 million square feet was absorbed, decreasing the vacancy rate to 9.6%. As of second quarter 2015, 66,134 square feet was added to the retail market, nearly 957,562 square feet was absorbed and the vacancy rate declined to 9.0%. Limited retail space construction and an anticipated increase in absorption activity is expected to push vacancy rates down. According to the Greater Phoenix Blue Chip Economic Forecast, retail vacancy rates are projected to be 9.3% at year-end 2015, 8.7% at year-end 2016 and 8.3% at year-end 2017, which would be the lowest vacancy rate since 2008.

The industrial space market experienced healthy absorption from 1991 through 2000. Vacancy rates declined from a peak of 14.8% in 1991 to 7.4% by the end of 2000. New construction increased in response to the low vacancy rates. According to CB Richard Ellis, approximately 5.1 million square feet of new industrial space was built in 2002, while only 3.4 million square feet was absorbed. Therefore, the vacancy rate increased to 10.3% in 2002 compared to 9.8% in 2001. In 2003, 3.4 million square feet was added and 4.4 million square feet was absorbed, pushing the vacancy rate down to 9.7%. In 2004, 4.5 million square feet was added while 6.3 million square feet was absorbed, reducing the vacancy rate to 8.5%. In 2005, 6.3 million square feet of industrial space was built and 12.3 million square feet was absorbed, reducing the vacancy rate to 5.6%. In 2006, 7.0 million square feet of industrial space was built and 6.0 million square feet was absorbed, increasing the vacancy rate to 6.7%. In 2007, 13.9 million square feet of industrial space was built and 8.4 million square feet was absorbed, increasing the vacancy rate to 8.4%. In 2008, 13.5 million square feet of industrial space was built and 629,838 square feet was absorbed, increasing the vacancy rate to 12.5%. In 2009, 4.8 million square feet of industrial space was built and absorption was a negative 4.6 million square feet, increasing the vacancy rate to 16.1%. In 2010, 2.5 million square feet of industrial space was built and 4.5 million square feet was absorbed, decreasing the vacancy rate to 14.7%. During 2011, an increasing number of companies looked to Greater Phoenix industrial space as an alternative to California. In 2011, 2.0 million square feet of industrial space was built and 7.8 million square feet was absorbed, decreasing the vacancy rate to 12.4%. In 2012, 3.4 million square feet of industrial space was built and 7.4 million square feet was absorbed, decreasing the vacancy rate to 10.9%. In 2013, 8.9 million square feet of space was added to the industrial space inventory while 8.8 million square feet was absorbed, increasing the vacancy rate to 11.4%. In 2014, 5.2 million square feet of industrial space was built and 6.2 million square feet was absorbed, decreasing the vacancy rate to 11.0%. As of the second quarter of 2015, the industrial space vacancy rate decreased to 10.9%. Absorption is expected to exceed construction in 2015, 2016 and 2017. According to the Greater Phoenix Blue Chip Economic Forecast, industrial vacancy rates are projected to be 11.1% at year-end 2015, 10.1% at year-end 2016 and 9.4% by year-end 2017.

Greater Phoenix has solid, long-term economic growth potential. There remain economic issues related to the single-family and commercial markets, however these issues should be resolved before the end of the decade. The long-term demographics of Greater Phoenix suggest that the housing market will perform well over time and that the recent slowdown is cyclical in nature. Nonetheless, commercial construction remains weak in response to tepid employment gains, a slowdown in population growth and higher vacancy rates. Following several years of growth, construction employment declined 5.9% in 2007, 17.7% in 2008, 31.1% in 2009 and 14.4% in 2010.

Construction employment then began to grow, increasing 0.8% in 2011, 6.0% in 2012, 5.4% in 2013 and 2.3% in 2014. As of August 2015, construction employment increased 5.4% over the same period in 2014. As the economy strengthens, construction will continue to expand and increase demand for more workers. According to the Greater Phoenix Blue Chip Economic Forecast, construction employment is expected to increase 7.3% in 2015 and 9.2% in 2016.

VALUE OF BUILDING PERMITS
CITY OF PHOENIX
($ in thousands)

Year	Residential	Commercial	Industrial	Other	Total
2015*	$ 552,267	$ 634,214	$103,519	$ 875,014	$2,165,014
2014	633,010	1,040,100	206,052	1,271,799	3,150,961
2013	578,547	374,888	208,293	1,348,127	2,509,855
2012	780,212	641,175	134,309	1,559,364	3,115,060
2011	410,471	312,988	22,201	2,089,013	2,834,673
2010	482,385	294,150	106,844	1,656,489	2,539,868
2009	479,978	180,266	111,477	1,548,876	2,320,597
2008	540,212	1,662,219	157,418	1,950,777	4,310,626
2007	1,213,859	1,860,839	169,311	2,030,506	5,274,515
2006	1,784,298	1,218,767	163,873	1,864,197	5,031,135

* Year-to-date data through August 2015.

Source: Raw data provided by City of Phoenix Planning and Development Department

NEW HOUSING STARTS(1)

Year	City of Phoenix	Maricopa County
2015(2)	2,081	12,178
2014	5,138	18,597
2013	3,131	16,593
2012	4,434	14,131
2011(3)	1,628	8,103
2010	2,401	7,335
2009	1,971	7,638
2008	5,046	18,366
2007	13,277	35,465
2006	12,413	40,294
2005	15,148	56,018
2004	16,664	58,822

(1) Reflects housing permits authorized, by units, including single-family, multi-family and mobile homes.

(2) Data through July 2015.

(3) Data source changed in 2011 from Arizona State University to the U.S. Census Bureau.

Source: Center for Real Estate Theory and Practice, College of Business Administration, Arizona State University, and the United States Census Bureau.

Outlook/Conclusion

Overall, it is expected that the Greater Phoenix economy will continue to recover and grow. The rates of growth expected are higher than the national average, but lower than previous Greater Phoenix recoveries. The differences in this cycle compared to previous cycles are primarily related to slower growth in the national economy and the slower rate of population growth in Greater Phoenix. Over time this will change as fewer people nationally find themselves with underwater mortages and thus become more mobile, jobs become more plentiful and the unemployment rate in Greater Phoenix continues to decline. Phoenix will continue to be an attractive place to live and work and it is expected to continue to grow at a rate greater than the U.S. as a whole.

Although the last economic recession negatively affected Greater Phoenix, the economy continues to recover. In 2010, employment growth was down 1.9% but increased 1.5% in 2011, 2.5% in 2012 and 2.9% in 2013. In 2014, employment growth increased 2.3% over 2013. According to the Greater Phoenix Blue Chip Economic Forecast, the rate of employment growth is forecasted to increase 2.8% in 2015 and 2.9% in 2016. According to the Arizona Department of Revenue, retail sales, which declined 10.6% in 2009, grew 0.7% in 2010, 10.1% in 2011, 5.0% in 2012, 9.4% in 2013 and 4.7% in 2014. Through July 2015, retail sales increased 10.3% over the same period in 2014. According to the Greater Phoenix Blue Chip Economic Forecast, retail sales are projected to increase 6.2% in 2015 and 6.0% in 2016. According to estimates by the Bureau of Economic Analysis, personal income in Greater Phoenix increased 1.1% in 2010, 6.3% in 2011 5.3% in 2012, and 2.3% in 2013. The Greater Phoenix Blue Chip Economic Forecast projects personal income growth of 4.8% in 2014, 4.9% in 2015 and 5.3% in 2016.

The outlook for the Greater Phoenix construction market is positive. Absorption of commercial property is exceeding new supply and vacancy rates are declining. However, vacancy rates, especially for office space, are still well above levels that justify substantial new construction. Retail development will continue to be slow, but vacancy rates should decline. Multi-family homes are expected to experience the most improvement in the market with single-family homes expected to show gains in 2015 and 2016 not seen since before the recession. Single-family home prices have been recovering as the demand for both new and existing homes increases. Although housing prices have increased, Phoenix housing remains very affordable compared to most other western cities.

The City of Phoenix along with the Greater Phoenix Economic Council and the Arizona Commerce Authority are working together to improve the City's economic competitiveness by designing economic development programs to attract wealth generating companies from outside the region to Phoenix. The City is seeking companies that provide quality jobs in industries such as advanced business services, bioscience, manufacturing and information technology. Employers that have recently relocated major operations to Phoenix include Asurion, Gigya, LeClerc, TJX Companies, Progrexion, Living Spaces and Winco Foods.

MARICOPA COUNTY RETAIL SALES
($ in millions)

Year	Amount	Percentage Change
2015*	$29,190	10.3%
2014	46,720	4.7
2013	44,611	9.4
2012	40,772	5.0
2011	38,821	10.1
2010	35,260	0.7
2009	35,028	–10.6
2008	39,199	–10.3
2007	43,712	0.1
2006	43,686	7.9
2005	40,500	14.2
2004	35,466	9.6
2003	32,371	5.5

*Data through July 2015.

Source: Arizona Department of Revenue.

SCHEDULED AIRLINES SERVING PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
(as of September 1, 2015)

Air Canada
Alaska Airlines
American Airlines
American Eagle (US Airways Express)
Boutique Air
British Airways
Compass Airlines (Delta Connection)
Delta Air Lines
Envoy Air (American Eagle)
ExpressJet (United Express)
Frontier Airlines
Great Lakes Airlines
Hawaiian Airlines
JetBlue Airways
Mesa Airlines (American Eagle)
SkyWest Airlines (Delta Connection, American Eagle and United Express)
Southwest Airlines
Spirit Airlines
Sun Country Airlines
United Airlines
Volaris
WestJet

Source: City of Phoenix Aviation Department.

PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
AIR PASSENGER TRAFFIC

AIR PASSENGER ARRIVALS

	2015-16	% Change Year Ago	2014-15	% Change Year Ago	2013-14	% Change Year Ago
July	1,972,313	6.0%	1,861,284	5.8%	1,759,971	-2.2%
August	1,854,590	6.4	1,742,668	4.9	1,662,003	-2.7
September			1,516,860	3.0	1,471,999	-1.4
October			1,775,304	6.5	1,667,147	-2.1
November			1,708,923	5.4	1,621,324	-2.0
December			1,881,189	6.2	1,771,137	1.1
January			1,765,923	4.2	1,695,286	3.9
February			1,609,017	0.9	1,594,380	3.5
March			2,129,099	5.6	2,015,571	2.9
April			1,834,717	3.6	1,770,350	7.0
May			1,831,691	4.0	1,761,459	3.4
June			1,863,709	4.5	1,784,022	3.1
Total	3,826,903		21,520,384	4.6%	20,574,649	1.2%

AIR PASSENGER DEPARTURES

July	1,939,256	6.6%	1,819,269	5.6%	1,722,332	-3.1%
August	1,813,658	5.6	1,717,939	4.3	1,647,622	-2.5
September			1,481,350	2.3	1,448,053	-0.8
October			1,729,647	5.2	1,644,108	-1.6
November			1,696,881	6.1	1,599,737	-3.0
December			1,856,100	5.5	1,759,533	7.1
January			1,687,083	1.1	1,668,526	3.7
February			1,673,989	7.0	1,564,694	3.0
March			2,102,794	4.4	2,014,290	3.6
April			1,927,066	6.1	1,816,268	3.8
May			1,904,625	4.3	1,825,925	3.3
June			1,891,826	4.7	1,807,660	3.0
Total	3,752,914		21,488,569	4.7%	20,518,748	1.4%

TOTAL AIR TRAFFIC

July	3,911,569	6.3%	3,680,553	5.7%	3,482,303	-2.6%
August	3,668,248	6.0	3,460,607	4.6	3,309,625	-2.6
September			2,998,210	2.7	2,920,052	-1.1
October			3,504,951	5.8	3,311,255	-1.9
November			3,405,804	5.7	3,221,061	-2.5
December			3,737,289	5.9	3,530,670	4.0
January			3,453,006	2.7	3,363,812	3.8
February			3,283,006	3.9	3,159,074	3.2
March			4,231,893	5.0	4,029,861	3.2
April			3,761,783	4.9	3,586,618	5.3
May			3,736,316	4.2	3,587,384	3.4
June			3,755,535	4.6	3,591,682	3.0
Total	7,579,817		43,008,953	4.7%	41,093,397	1.3%

Source: Monthly statistical reports provided by individual airlines and compiled by the City of Phoenix Aviation Department.

FINANCIAL INSTITUTIONS SERVING METRO PHOENIX
TOTAL ASSETS OVER $1 BILLION

Banks

JPMorgan Chase Bank, N.A.
Bank of America, N.A.
Wells Fargo Bank, N.A.
U.S. Bank N.A.
The Northern Trust Company
BMO Harris Bank N.A.
Compass Bank
Bank of the West
Comerica Bank
New York Community Bank
First-Citizens Bank & Trust Company
BOKF, N.A.
TCF National Bank
UMB Bank Arizona, N.A.
FirstBank
Washington Federal
Western Alliance Bank
MidFirst Bank
Great Western Bank
Mutual of Omaha Bank
Opus Bank
Beal Bank, SSB
National Bank of Arizona
Johnson Bank
Enterprise Bank & Trust
First American Trust, FSB
Bankers Trust Company
CoBiz Bank
Grandpoint Bank
Parkway Bank and Trust Company
Wilmington Trust, N.A.
First International Bank & Trust
Stearns Bank N.A.
Alerus Financial, N.A.
First Fidelity Bank, N.A.
Armed Forces Bank, N.A.
Nextier Bank, N.A.
FineMark National Bank & Trust
BNC National Bank

Savings Institutions

E* Trade Savings Bank

Source: Federal Deposit Insurance Corporation.
As of June 30, 2015.

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 2015-16 expenditure limit supplied by the Economic Estimates Commission was $1,386,799,159. The City increased this limit to $5,628,191,000 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 2011 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 2015-16. In August 2015, Phoenix voters approved the home rule option for another four-year period for fiscal years 2016-17 through 2019-20.

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 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 *(the "Plan")*, a single-employer defined benefit pension plan, covers all full-time general employees of the City, with the exception of sworn City police and fire personnel and elected officials. Periodic employer contributions to the Plan are determined on an actuarial basis using the "individual entry age normal cost method." Normal cost is funded on a current basis. The unfunded actuarial accrued liability is amortized over a closed twenty-four year period. Periodic contributions for both normal cost and the amortization of the actuarial accrued liability are based on the level percentage of payroll method and are required by City Charter to be made to the pension fund each year by the City. The funding strategy for normal cost and the actuarial liability should provide sufficient resources to pay employee pension benefits on a timely basis.

The City's required contribution and actual contribution percentage for the Plan for the last three fiscal years follows:

Contributions Required and Contributions Made

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/14	$115,244,331	100%
6/30/13	110,094,257	100
6/30/12	106,483,325	100

Accrued liabilities of the Plan as of June 30, 2014 were computed to be $3,614,784,000. The funding value of assets was $2,120,700,000. The ratio of the funding value of assets to accrued liabilities was 58.7%. The market value of the assets was $2,222,242,000. The ratio of the market value of assets to accrued liabilities was 61.5%.

Significant actuarial assumptions used to compute the pension contribution requirements are as follows: The rate of return on investments is assumed to be 7.5%. Mortality rates equal the RP 2000 Mortality Table Combined Healthy Annuitants. Salaries are expected to rise 3.0% due to inflation, 0.5% for other across-the-board factors, and from 0.0% to 3.8%, based on age, for merit and longevity. Probabilities of retirement at specific ages are based on past experience. Assumptions for separation from active employment and for disability are according to a table based on past experience.

At their September 19, 2013 meeting, the Plan's Board voted to make changes to certain methods and assumptions to be phased in over four years. The following changes are expected to accelerate the pay-down of the Unfunded Actuarial Liability (UAL):

- Reduced the expected rate of return on investments from 8.0% to 7.5%
- Closed the amortization period of the UAL. Phased in over four years, the closed amortization period will change from twenty-five to twenty years
- Changed the expected increase in salaries due to inflation from 5.0% to 3.5%
- Valued the pension equalization reserve

The actuarial accrued liability of the Plan is measured in accordance with the requirements of Governmental Accounting Standards Board Statement (GASB) No. 25 and No. 27. As of June 30, 2014, net assets available for benefits were less than the actuarial accrued liability by $1,494,084,000, compared with a shortfall of $1,093,677,000 at June 30, 2013 and $1,111,846,000 at June 30, 2012. The total actuarial accrued liability increased $186,456,000 from 2011 to 2012, $116,232,000 from 2012 to 2013, and $559,178,000 from 2013 to 2014. The following schedule shows the funding progress of the Plan at the end of the last three fiscal years for which data is available.

Schedule of Funding Progress
(Unaudited) (In thousands)

Actuarial Valuation Date	Funding Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
6/30/14	$2,120,700	$3,614,784	$1,494,084	58.7%	$509,267	293.4%
6/30/13	1,961,939	3,055,606	1,093,667	64.2	508,032	215.3
6/30/12	1,827,528	2,939,374	1,111,846	62.2	506,017	219.7

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 the Plan. 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 the Plan. Changes affect 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 the Plan will be updated to allow for investments that meet the Prudent Investor Rule

The City contributions for fiscal year 2012-13 were $110,094,257, equivalent to 20.15% of the estimated annual active member payroll, compared with 18.18% for fiscal year 2011-12. Prior to the effective date of the voter approved changes to the Plan all general employees contributed 5% of their compensation to the Plan. On July 1, 2013 as a result of the voter approved changes, a two tier system was created under the Plan. A Tier 1 employee is any employee hired by the City before July 1, 2013 and 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 continue to contribute 5% of their compensation to the Plan and Tier 2 employees will contribute one-half of the required actuarial percentage. The total contribution rate for fiscal year 2013-14

increased to 27.24%, with the City contributing 22.24% for Tier 1 employees and 13.62% for Tier 2 employees. City contributions for fiscal year 2013-14 were $115,244,331. Cheiron (the *"Actuary"*) recommended increasing the total rate for fiscal year 2014-15 to 29.60%, with the City contributing 24.60% for Tier 1 employees and 14.80% for Tier 2 employees. The most recent report of the Actuary and the Plan's annual financial reports are available at http://phoenix.gov/copers/pension-plan-reports.

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. 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 will continue the 50/50 split in the contribution rate for new hires, but create a ceiling in the employee rate of 11% of their compensation. This ceiling will apply 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 becomes 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 (the "Act") 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 the Plan 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 projected unit credit cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded over a closed period of 30 years, 22 years remaining as of June 30, 2014. 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.

Significant actuarial assumptions used to compute the pension contribution requirements are as follows: The rate of return on investments is assumed to be 7.85%. Non-disability mortality rates equal the RP2000 Mortality Table, projected to 2015 using Projection Scale AA (adjusted by 105.0% for males and females). Salaries are

expected to rise 4.0% due to inflation and from 0% to 4%, based on age, for merit and longevity. Probabilities of retirement at specific ages are based on past experience. Assumptions for separation from active employment and for disability are according to a table based on past experience.

In fiscal year 2010-11, members contributed 7.65% of compensation. However, on April 29, 2011, the Governor signed into law Senate Bill 1609 ("SB 1609") which gradually increases the member contribution rate to 11.65% in fiscal year 2015-16. In fiscal year 2014-15, members are contributing 11.05% of compensation; however, in accordance with SB 1609, member contributions greater than 7.65% were not used to reduce the employer contribution.

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 (COLA) 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 will require rate increases from employers, including the City. The APSPRS Board has 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 will increase 7.96% for fire and 9.31% for police due the phase-in. The City is unable to predict the rate increase for the remaining two years of the phase-in or any potential savings due to other provisions of SB 1609. Certain other aspects of SB 1609 continue to be challenged in other pending lawsuits.

The following is a summary of other changes to the APSPRS required by SB 1609:

- 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% of the five consecutive years' average

The City contributes normal cost less a credit (spread over an open period of twenty years) for the amount by which valuation assets exceed the actuarial accrued liability or plus a debit (spread over a closed period of twenty-two years) for the amount by which the actuarial accrued liability exceeds the valuation assets. The City's contribution rate for fiscal year 2012-13 was 30.15% for police and 31.43% for fire. The City's contribution rate for fiscal year 2013-14 was 34.50% for police and 34.95% for fire. The City's contribution rate increased to 37.62% for police and 37.05% for fire for fiscal year 2014-15. The City's contribution rate for fiscal year 2015-16 will increase to 50.02% for police and 47.51% for fire.

The City's required contribution and actual contribution percentage to APSPRS for the last three fiscal years follows:

	Contributions Required and Contributions Made		
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed
Police Pension	6/30/14	$79,177,731	100%
Police Health	6/30/14	2,611,742	100
Police Pension	6/30/13	70,902,266	100
Police Health	6/30/13	2,598,634	100
Police Pension	6/30/12	59,887,847	100
Police Health	6/30/12	2,624,897	100
Fire Pension	6/30/14	42,851,009	100
Fire Health	6/30/14	1,559,274	100
Fire Pension	6/30/13	37,492,864	100
Fire Health	6/30/13	1,879,028	100
Fire Pension	6/30/12	29,679,259	100
Fire Health	6/30/12	1,575,259	100

For the fiscal year ended June 30, 2014, covered payroll was $229,987,000 for police and $125,639,000 for fire.

The market value of plan assets for police and fire as of June 30, 2014 is $1,204,253,000 and $679,809,000, respectively, and the smoothed valuation of assets used to compute funded ratios is $1,221,186,000 for police and $689,368,000 for fire.

The actuarial accrued liability of the APSPRS is measured in accordance with the requirements of Governmental Accounting Standards Board Statement No. 25 and No. 27 for pensions and No. 45 for health subsidiaries. For police, net assets available for benefits were less than the actuarial accrued liability as of June 30, 2013 and June 30, 2014 by $996,399,000 and $1,310,559,000, respectively.

For fire, net assets available for benefits were less than the actuarial accrued liability as of June 30, 2013 and June 30, 2014 by $528,280,000 and $678,636,000 respectively.

The following schedule shows the funding progress of APSPRS at the end of the last three fiscal years.

Schedule of Funding Progress (Unaudited) (In thousands)

	Actuarial Valuation Date	Funding Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b -a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
APSPRS-Police Pension	6/30/2014	$1,221,186	$2,539,761	$1,318,575	48.1%	$229,987	573.3%
	6/30/2013	1,268,534	2,212,287	943,753	57.3	240,806	391.9
	6/30/2012	1,252,168	2,115,506	863,338	59.2	241,080	358.1
APSPRS-Police Health	6/30/2014	61,712	53,696	(8,016)	114.9	229,987	0.0
	6/30/2013	—	52,646	52,646	0.0	240,806	21.9
	6/30/2012	—	50,913	50,913	0.0	241,080	21.1
APSPRS-Fire Pension	6/30/2014	689,368	1,375,333	685,965	50.1	125,639	546.0
	6/30/2013	715,326	1,216,078	500,752	58.8	127,636	392.3
	6/30/2012	704,733	1,153,074	448,341	61.1	120,264	372.8
APSPRS-Fire Health	6/30/2014	35,064	27,735	(7,329)	126.4	125,639	0.0
	6/30/2013	—	27,528	27,528	0.0	127,636	21.6
	6/30/2012	—	26,643	26,643	0.0	120,264	22.2

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.

The City's required contribution and actual contribution percentage for the Elected Officials' cost-sharing multiple-employer retirement plan for the last three fiscal years follows:

	Contributions Required and Contributions Made		
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed
Pension	6/30/14	$171,073	100%
Health	6/30/14	7,012	100
Pension	6/30/13	191,039	100
Health	6/30/13	9,927	100
Pension	6/30/12	169,988	100
Health	6/30/12	9,753	100

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, including annual financial reports, actuary reports, trend information and detailed assumptions is available at http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm.

Additional information regarding the Elected Officials Retirement Plan, including annual financial reports, actuary reports, trend information and detailed assumptions is available at http://www.psprs.com/sys_eorp/AnnualReports/cato_annual_rpts_EORP.htm.

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APPENDIX E

HEALTH CARE BENEFITS FOR RETIRED EMPLOYEES

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. Annual OPEB costs typically will be based on actuarially determined amounts that, if paid on an ongoing basis, would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 do not require governments to fund their OPEB plans. GASB 45 establishes accounting standards, including disclosure requirements for the post employment plans, the funding policies, the actuarial valuation process and assumptions, and the extent to which the plans have been funded over time.

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, effective July 1, 2007, and is implementing these requirements prospectively. The City's annual OPEB expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. This calculation is used to determine the ARC for both the Medical Expense Reimbursement Plan and the Long-Term Disability Program.

Medical Expense Reimbursement Plan

The City provides certain post-employment health care benefits for its retired employees. Retired employees meeting certain qualifications are eligible to participate in the City's health insurance program along with the City's active employees. 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. Contributions by the City (plus earnings thereon) are the sole source of funding for the MERP. 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 has been delegated responsibility for fiduciary oversight of the MERP Trust, subject to oversight of the City Council.

The monthly subsidy reimburses retirees for qualified medical expenses, including hospital, doctor and prescription drug charges. The City's contribution varies with length of service or bargaining unit, from $117 to $202 per month for each retiree. Retirees may be eligible for additional City contributions depending on their bargaining unit, retirement date, or enrollment in the City's medical insurance program.

The following table shows the funding progress of the MERP as of July 1, 2013, the most recent actuarial valuation date:

Schedule of Funding Progress
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
7/1/2013	$113,665,785	$419,609,654	$305,943,869	27.1%	$461,156,377	66.3%

The City has established a trust for the MERP benefits and contributes the ARC each year to fund the OPEB liability. The City has developed an investment policy for the trust with the objective of achieving a long-term return on assets contributed to the trust of 7.0 percent. The City's Comprehensive Annual Financial Report (CAFR) reflects proper treatment and note disclosure of Health Care Benefits for Retired Employees in accordance with GASB 45 beginning with the fiscal year ended June 30, 2008.

The City's annual OPEB cost, employer contributions and the percentage of annual OPEB cost contributed to the MERP since implementation were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed
6/30/2014	$29,508	$29,508	100.0%
6/30/2013	34,021	34,021	100.0
6/30/2012	33,456	33,456	100.0
6/30/2011	38,007	38,007	100.0
6/30/2010	37,574	17,204	45.8
6/30/2009	37,967	43,579	114.8
6/30/2008	39,000	53,758	137.8

The number of participants as of July 1, 2013, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered by the MERP or the type of coverage since that date.

	General City	Public Safety	Total
Active employees	3,821	2,746	6,567
Retirees and Beneficiaries	5,006	2,276	7,282
Total	8,827	5,022	13,849

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

Long-term disability (LTD) 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 66⅔ percent of an employee's monthly base salary following a continuous three-month waiting period from the last day worked; provided all leave accruals have been exhausted, continuing to age 80. Employees receiving long-term disability benefits are entitled to continuation of group medical, dental and life insurance for a specified period. Contributions to the LTD Trust by the City (plus earnings thereon) are the sole source of funding for the LTD program. The City pays 100 percent of the cost for this benefit.

The City established the City of Phoenix Long-Term Disability 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. A five-member Board of Trustees has been delegated responsibility for fiduciary oversight of the LTD Trust, subject to oversight of 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.

The following table shows the funding progress of the LTD plan as of July 1, 2013, the most recent actuarial valuation date:

Schedule of Funding Progress
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
7/1/13	$69,463,028	$69,504,490	$41,462	99.9%	$816,086,000	0.01%

The City's annual OPEB cost, employer contributions and the percentage of annual OPEB cost contributed to the LTD plan since implementation were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed
6/30/2014	$2,795	$2,751	98.4%
6/30/2013	2,941	2,971	101.0
6/30/2012	2,486	2,018	81.2
6/30/2011	3,198	997	31.2
6/30/2010	2,456	848	34.5
6/30/2009	(323)	—	N/A
6/30/2008	—	—	N/A

The number of participants as of July 1, 2013, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number or category of employees covered under the LTD plan since that date.

	General City	Public Safety	Total
Current Active Employees	8,196	4,510	12,706
Currently Disabled Employees	325	17	342
Total Covered Participants	8,521	4,527	13,048

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 Airport Revenue Bond Ordinance, the City Purchase Agreement and the Indenture. 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 are definitions in summary form of certain terms used in the Airport Revenue Bond Ordinance, the City Purchase Agreement and the Indenture:

"*Airport*" 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.

"*Airport Improvement Fund*" means the fund of that name created in Article II of the Airport Revenue Bond Ordinance.

"*Airport Revenues*" or "*Revenues*" means all income and revenue received by the City directly or indirectly from the use and operation of the Airport, including but without limitation, revenues pledged, dedicated or allocated for the benefit of the Airport, rentals, landing fees, use charges, income from the sale of services, fuel, oil and other supplies or commodities, income from the use for agricultural purposes of portions of the Airport not currently used for Airport purposes, fees from concessions, amounts received from or in behalf of the Arizona National Guard, parking meter and parking lot receipts, storage locker and restroom income, income from communication services, fees or income from limousine, taxi and car rental services, bar and restaurant income, advertising revenues, receipts derived from the lease or any other contractual arrangement with respect to the use of the Airport, receipts from the sale of any property of the Airport, proceeds of any insurance covering business interruption loss. Airport Revenues and Revenues also includes income received from the investment of any moneys held in the funds and accounts (other than the Construction Fund and the Rebate Fund) created under the Airport Revenue Bond Ordinance. Airport Revenues and Revenues shall not include the following: (i) money received as grants or gifts from the United States of America or the State of Arizona, except to the extent that any such money shall be received as payments for use of the Airport or its facilities; (ii) proceeds received on insurance resulting from casualty damage to assets of the Airport to the extent such proceeds are used to repair or replace facilities or property of the Airport; (iii) rentals or other charges derived by the City under and pursuant to a lease or leases relating to Special Purpose Facilities; (iv) the proceeds of the sale of any Bonds or other obligations issued for Airport purposes; or (v) receipts from Passenger Facility Charges.

"*Bondholder*" means the registered owner of one or more Bonds.

"*Bond Fund*" means the fund of that name described in Article II of the Airport Revenue Bond Ordinance.

"*Bond Payment Date*" means the dates established for the payment of interest on any Bonds or Principal Requirement on any Bonds as set forth in the Series Ordinance authorizing such Bonds.

"*Bond Reserve Fund*" means a common reserve for the Bonds as may be secured thereby under their terms.

"*Bond Year*" means a twelve month period beginning July 2 of the calendar year and ending on the next succeeding July 1, or such other period as set forth in a Series Ordinance.

"*Bonds*" or "*Parity Bonds*" or "*Senior Lien Obligations*" means obligations payable from Net Airport Revenues.

"Bonds Being Refunded" means the Corporation's Junior Lien Airport Revenue Refunding Bonds, Series 2010A maturing July 1, 2034.

"*Chief Financial Officer*" means the official of the City performing the duties now performed by the actual, acting or interim Chief Financial Officer.

"*City*" means the City of Phoenix, Arizona.

"*City Manager*" means the official of the City performing the duties now performed by the City Manager.

"*City Purchase Agreement*" or "*Agreement*" means, the City Purchase Agreement dated as of December 1, 2015 between the City and the Corporation.

"*Clerk*" or "*City Clerk*" means the official of the City performing the duties now performed by the City Clerk.

"*Code*" means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, to the extent applicable to the Bonds for the use of proceeds of the Bonds or the Airport.

"*Commercial Paper*" means Senior Lien Obligations or Junior Lien Obligations, as applicable, with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time.

"*Commitment Period*" means (i) with respect to the 2010A/B Junior Bonds, the period beginning on the date of issuance of the Series 2010A/B Junior Bonds through and including June 30, 2021, (ii) with respect to the 2015 Junior Bonds, the period beginning on the date of issuance of the 2015 Junior Bonds through and including June 30, 2021 and (iii) with respect to other obligations, such other period as may be established. The City, in its discretion, by written direction to the Trustee may establish, extend or reestablish any Commitment Period.

"*Compound Interest Bonds*" means Bonds which for a stated period of time bear interest which interest is calculated based on regular compounding, payable only (i) at maturity or earlier redemption or (ii) on a specified date, from and after which such Bonds bear interest payable on a regularly scheduled basis. Bonds described in clause (ii), above, shall be deemed to be "*Compound Interest Bonds*" until the specified date on which the compounded interest ceases to accrue.

"*Construction Fund*" means the fund of that name referred to in Article II of the Airport Revenue Bond Ordinance.

"*Consultant*" means a firm of consultants or professionals experienced in the development, planning, financing, operation or management of airports or airport facilities.

"*Cost of Maintenance and Operation*" means all expenditures (exclusive of depreciation and interest on money borrowed) which are necessary to the efficient maintenance and operation of the Airport and its facilities, such expenditures to include the items normally included as essential expenditures in the operating budgets of municipally owned airports.

"*Council*" means the Mayor and Council of the City of Phoenix or such other body as may from time to time be acting as the body which governs said City.

"*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 Bond Reserve Fund as described in Article II, Section 2.6 of the Airport Revenue Bond Ordinance.

"*Debt Service Reserve Requirement*" means, with respect to the Senior Lien Obligations, Maximum Annual Debt Service, provided that if the Debt Service Reserve Requirement is satisfied with the proceeds of obligations the interest on which is excludible from gross income for federal income tax purposes, then the amount of proceeds used in order to satisfy the Debt Service Reserve Requirement shall not exceed any restrictions relating to the use of such funds for such purpose set forth in the Code. The Debt Service Reserve Requirement may be recalculated from time to time as Bonds are rendered no longer Outstanding.

"*Derivative Product*" means an agreement of the City entered into in accordance with Section 2.13 of the Airport Revenue Bond Ordinance.

"*Event of Default*" means one of the events defined as such in the City Purchase Agreement or Indenture as the case may be.

"*Fiscal Year*" means the 12-month period used by the City for its general accounting purposes as the same may be changed from time to time, said fiscal year currently extending from July 1 to June 30.

"*Indenture*" means, the Bond Indenture dated as December 1, 2015 between the Corporation and the Trustee.

"*Independent Certified Public Accountant*" means a firm of certified public accountants which is not in the regular employ of the City on a salary basis.

"*Interest Account*" means the account of that name established in Article II of the Airport Revenue Bond Ordinance.

"*Interest Requirement*" means the amount of interest falling due on the next Bond Payment Date, net of any amounts deposited in the Interest Account or Construction Fund which are available to pay interest on Bonds.

"*Investment Earnings*" means all interest received on and profits derived from investments made with any money held under the Indenture.

"*Junior Lien Bond Fund*" means the Junior Lien Bond Fund established pursuant to the Junior Lien Obligation Documents.

"*Junior Lien Compound Interest Bonds*" means Junior Lien Obligations which for a stated period of time bear interest which interest is calculated based on regular compounding, payable only (i) at maturity or earlier redemption or (ii) on a specified date, from and after which such Junior Lien Obligations bear interest payable on a regularly scheduled basis. Junior Lien Obligations described in clause (ii), above, shall be deemed to be "*Junior Lien Compound Interest Bonds*" until the specified date on which the compounded interest ceases to accrue.

"*Junior Lien Credit Facility*" means a Credit Facility with respect to the Junior Lien Obligations.

"*Junior Lien Derivative Product*" means a swap agreement, forward agreement, interest rate agreement or other similar agreement of the City entered into in accordance with the Junior Lien Obligation Documents.

"*Junior Lien Interest Account*" means the Junior Lien Interest Account of the Junior Lien Bond Fund established pursuant the Junior Lien Obligation Documents.

"*Junior Lien Interest Payment Date*" means the dates established for the payment of Junior Lien Interest Requirements.

"*Junior Lien Interest Requirement*" means the amount of interest due on Junior Lien Obligations.

"*Junior Lien Obligation Documents*" means any ordinance, indenture, contract or agreement of the City constituting or authorizing Junior Lien Obligations.

"*Junior Lien Obligations*" means obligations payable from Designated Revenues.

"*Junior Lien Parity Reserve Fund*" means the Junior Lien Parity Reserve Fund established pursuant to the City Purchase Agreement for the benefit of the Series 2015A Junior Bonds and assigned to the Trustee under the Indenture and as may be further assigned in the event such fund shall become a parity reserve fund for the benefit of additional Junior Obligations.

"*Junior Lien Passenger Facility Charge Credit*" means the amount of principal of and/or interest to come due on specified Junior Lien Obligations during any Fiscal Year to which Passenger Facility Charges, state and/or federal grants or other moneys have received all required governmental approvals and have been irrevocably committed or are held by the Trustee or another fiduciary and are to be set aside exclusively to be used to pay Junior Lien Interest Requirements and/or Junior Lien Principal Requirements on such specified Junior Lien Obligations during the period of such commitment (unless such Passenger Facility Charges, state and/or other moneys are subsequently included in the definition of Airport Revenues).

"*Junior Lien Principal Account*" means the Junior Lien Principal Account established pursuant to the Junior Lien Obligation Documents.

"*Junior Lien Principal Payment Date*" means the dates established for the payment of Principal Requirements on Junior Lien Obligations.

"*Junior Lien Principal Requirement*" means, as of any date of calculation, the sum of (a) the principal amount due on Junior Lien Obligations plus (b) the amount of principal of Junior Lien Obligations required to be redeemed pursuant to a mandatory redemption feature. In computing the Junior Lien Principal Requirement, an amount of Junior Lien Obligations 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 Junior Lien Obligations maturing on the scheduled maturity date. In the case of Junior Lien Obligations supported by a Junior Lien Credit Facility, the Junior Lien Principal Requirements for such Junior Lien Obligations shall be determined in accordance with the principal retirement schedule specified in the Junior Lien Obligation Documents authorizing the issuance or providing for the sale of Junior Lien Obligations, rather than any amortization schedule set forth in such Junior Lien Credit Facility. Junior Lien Obligation Documents authorizing Junior Lien Obligations which are Junior Lien Compound Interest Bonds may amend the definition of "*Junior Lien Principal Requirement.*"

"*Maximum Annual Debt Service*" means an amount of money equal to the highest aggregate Principal Requirement and Interest Requirements to fall due and payable in the current or any future Bond Year of all Outstanding Bonds, as adjusted for any Derivative Product entered into with a Qualified Counterparty in accordance with Section 2.13 of the Airport Revenue Bond Ordinance and less any applicable Passenger Facility Charge Credit. For purposes of the Senior Lien Obligation Documents, an adjustment for a Derivative Product with a Qualified Counterparty pursuant to Section 2.13 of the Airport Revenue Bond Ordinance means: (i) the City shall treat the amount or rate of interest payable with respect to the Parity Bonds to which such Derivative Product relates as the interest rate payable under such Derivative Product; and (ii) the City may disregard the notional principal amount of any such Derivative Product with a Qualified Counterparty. 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 Bonds issued as Commercial Paper 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 Series Ordinance 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.

"*Maximum Annual Junior Lien Debt Service*" means an amount equal to the highest aggregate Junior Lien Principal Requirements and Junior Lien Interest Requirements to fall due and payable in the current or any future Bond Year of all Outstanding Junior Lien Obligations, as adjusted pursuant to any Junior Lien Derivative Product with a Qualified Junior Lien Counterparty in accordance with the Junior Lien Obligation Documents and less any applicable Junior Lien Passenger Facility Charge Credit. In case any Junior Lien Obligations outstanding or proposed to be issued shall bear interest at a variable rate, the Junior Lien Interest Requirement of such Junior Lien Obligations in each Bond Year during which such variable rate applies shall be computed at the lesser of (i) the maximum rate which such Junior Lien Obligations 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 "*Junior Lien Variable Rate Assumption*"). With respect to any Commercial Paper issued or proposed to be issued, the Junior Lien Principal Requirement shall be calculated as if the entire amount of Commercial Paper authorized to be issued under the Junior Lien 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 Junior Lien Interest Requirement shall be computed using the Junior Lien Variable Rate Assumption.

"*Moody's*" means Moody's Investors Service, Inc. and its successors or assigns.

"*Net Airport Revenues*" or "*Net Revenues*" means the Revenues of the Airport, after provision for payment of all Cost of Maintenance and Operation.

"*Notes Being Refunded*" means, collectively, the Corporation's Airport Commercial Paper Program Notes, Series 2014A-1 and Series 2014A-2.

"*Operation and Maintenance Fund*" means the fund of that name established in Article II of the Airport Revenue Bond Ordinance.

"*Other Available Funds*" means passenger facility charges, unrestricted grant money and other moneys available to the Airport which are not included in the definition of Revenues or Airport Revenues.

"*Other Available Moneys*" means Other Available Funds which the City elects to make available for a particular purpose.

"*Outstanding*" means all obligations of the class concerned which shall have been issued and delivered with the exception of (a) obligations in lieu of which other obligations have been issued under agreement to replace lost, mutilated or destroyed obligations, (b) obligations surrendered by the holders in exchange for other obligations and (c) obligations for the payment of which provision has been made as provided in the Senior Lien Obligation Documents or Junior Lien Obligation Documents.

"*Passenger Facility Charge Credit*" means the amount of principal of and/or interest to come due on specified Bonds during any Fiscal Year to which Passenger Facility Charges, state and/or federal grants or other moneys have received all required governmental approvals and have been irrevocably committed or

are held in the Bond Fund or otherwise in trust by or on behalf of the Paying Agent and are to be set aside exclusively to be used to pay Interest Requirements and/or Principal Requirements on such specified Bonds during the period of such commitment (unless such Passenger Facility Charges, state and/or other moneys are subsequently included in the definition of Airport Revenues).

"*Passenger Facility Charges*" means charges collected by the City pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 and 14 CFR Part 158, as amended from time to time (collectively, "PFC Laws"), in respect of any component of the Airport and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

"*Paying Agent*" means the paying agent for each series of Bonds as set forth in the Series Ordinance authorizing such Bonds.

"*Permitted Investments*" means, to the extent from time to time permitted by law (including provisions of the City Charter) as investments for City money:

(a) Qualified Permitted Investments;

(b) obligations of, or obligations guaranteed as to the timely payment of principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America;

(c) Federal Housing Administration debentures which must not be redeemable prior to their stated maturity;

(d) obligations of the Federal Home Loan Mortgage Corporation (including only securities guaranteed as to timely payment of principal and interest);

(e) obligations of the Farm Credit System;

(f) obligations of Federal Home Loan Banks;

(g) obligations of the Federal National Mortgage Association (excluding interest-only stripped securities);

(h) obligations of the Student Loan Marketing Association ("*SLMA*") excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date;

(i) obligations of Resolution Funding Corporation ("*REFCORP*");

(j) federal funds, unsecured certificates of deposit, time deposits and banker's acceptances (in each case, having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated in one of the two highest applicable rating categories by the Rating Agency;

(k) deposits which are fully insured by the Federal Deposit Insurance Corporation ("*FDIC*");

(l) debt obligations rated in one of the two highest applicable rating categories by the Rating Agency (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(m) commercial paper having maturities not in excess of one year rated in one of the two highest applicable rating categories by the Rating Agency;

(n) investment in money market funds rated in one of the two highest applicable rating categories by the Rating Agency;

(o) repurchase agreements with any transferor with long-term unsecured debt rated in the highest applicable rating categories or commercial paper rated in one of the two highest applicable rating categories by the Rating Agency; and

(p) U.S. Treasury STRIPS, REFCORP STRIPS (stripped by the Federal Reserve Bank of New York) and any stripped securities assessed or rated in one of the two highest applicable rating categories by the Rating Agency.

"*PFC Revenue Fund*" means the PFC Revenue Fund established pursuant to the Junior Lien Obligation Documents.

"*PFC Revenues*" means Passenger Facility Charges, to the extent received by the City in each Fiscal Year, plus interest earnings on the PFC Revenue Fund.

"*Principal Account*" means the account of that name created in Article II of the Airport Revenue Bond Ordinance.

"*Principal Payment Date*" means the dates established for the payment of Principal Requirements on any Bonds as set forth in the Series Ordinance authorizing such 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. A Series Ordinance authorizing the issuance or providing for the sale of Parity Bonds which are Compound Interest Bonds may amend the definition of "*Principal Requirement*".

"*Purchase Price*" means the sum of the payments required by the City Purchase Agreement to be paid by the City to the Corporation.

"*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 the Rating Agency, or if none of the Bonds are then rated by Moody's or S&P, any other nationally recognized rating agency or (ii) the obligations of which are guaranteed by an entity described in clause (i).

"*Qualified Junior Lien Counterparty*" means a counterparty to a Junior Lien 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 the Rating Agency, or if none of the Junior Lien Obligations are then rated by Moody's or S&P, any other nationally recognized rating agency, (ii) the obligations of 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 Qualified 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 Permitted Investments*" means any one or more of the following classes of investments:

(i) direct obligations issued by the United States government or one of its agencies or obligations fully guaranteed by the United States government as to principal and interest;

(ii) any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause (i) above; and

(iii) to the extent permitted by law at the time of making such investment, 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 (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) or clause (ii) above, which fund may be applied only to the payment of interest when due, principal of 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 (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) or clause (ii) above, which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (iii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iii), as appropriate.

"*Rating Agency*" means Moody's if any of the Bonds are then rated by Moody's and S&P if the Bonds are then rated by S&P.

"*Refinanced Property*" means the property actually funded or refinanced with proceeds of the Notes Being Refunded and the Bonds Being Refunded.

"*Revenue Fund*" means the fund of that name created in Article II of the Airport Revenue Bond Ordinance.

"*S&P*" means Standard & Poor's Rating Group and its successors or assigns.

"*Senior Lien Obligations*" means Bonds or Parity Bonds.

"*Senior Lien Obligation Documents*" means any ordinance, indenture, contract or agreement of the City constituting or authorizing Senior Lien Obligations.

"*Series Ordinance*" means an ordinance or ordinances (which may be supplemented by one or more ordinances) to be adopted prior to the delivery of any series of Parity Bonds; said ordinance as supplemented shall establish the date or dates of the pertinent series of Parity Bonds, the schedule of maturities thereof, whether any will be Compound Interest Bonds, the name of the purchaser of each series of Parity Bonds, the purchase price thereof, the rate or rates of interest to be borne thereby and the method by which interest is to be calculated, and the terms and conditions, if any, under which such Bonds may be made subject to redemption (mandatory or optional) prior to maturity and such other details as the City may determine.

"*Special Purpose Facilities*" means (1) hangars, aircraft overhaul, maintenance or repair shops, reservation centers, motels, hotels, storage facilities, garages, cargo handling buildings and necessary ramp areas incidental thereto, and other similar facilities, (2) projects as now or hereafter provided in the Industrial Development Financing Act (Title 35, Chapter 5 of the Arizona Revised Statutes), and (3) such other facilities or projects as the City shall designate as a Special Purpose Facility, and the cost of construction and acquisition of which facilities are financed with the proceeds of bonds, notes, leases, purchase agreements or other obligations which are payable solely from revenues of the Special Purpose Facility or revenues of the user of the Special Purpose Facilities.

"Series 2015A Junior Bonds" means the Corporation's Junior Lien Airport Revenue Bonds, Series 2015A.

"Series 2015B Junior Bonds" means the Corporation's Junior Lien Airport Revenue Refunding Bonds, Series 2015B.

"Series 2010B Interest Subaccount" means the Series 2010B Interest Subaccount of the PFC Interest Account of the PFC Revenue Fund.

"Series 2010A Junior Bonds" means the Corporation's Junior Lien Airport Revenue Bonds, Series 2010A.

"Series 2010A/B Bonds" means, collectively the Series 2010A Junior Bonds and the Series 2010B Junior Bonds.

"Series 2010A/B Junior Bonds Debt Service" means the principal of and interest on the Series 2010A/B Junior Bonds coming due in any Fiscal Year.

"Series 2015A Junior Bonds Debt Service" means the principal of and interest on the Series 2015A Junior Bonds coming due in any Fiscal Year.

"Series 2015B Junior Bonds Debt Service" means the principal of and interest on the Series 2015B Junior Bonds coming due in any Fiscal Year.

"Series 2010B Junior Bonds" means the Corporation's Junior Lien Airport Revenue Bonds, Taxable Series 2010B (Recovery Zone Economic Development Bonds—Direct Payment).

"*Series 2010C Junior Bonds*" means the Corporation's Junior Lien Airport Revenue Refunding Bonds, Series 2010C.

"*Tax Exemption Certificate*" means the Tax Exemption Certificate and Agreement relating to the 2015 Bonds.

"*Trustee*" means U.S. Bank National Association in its capacity as trustee under the Indenture, or any successor thereto.

"2010 Junior Bonds" means, collectively, the Series 2010A Junior Bonds, the Series 2010B Junior Bonds and the Series 2010C Junior Bonds.

"2010 Junior Lien Bond Reserve Fund" means the 2010 Junior Lien Bond Reserve Fund established pursuant to Section 2.8 of the 2010 Junior Lien City Purchase Agreement.

"2010 Junior Lien City Purchase Agreement" means the Junior Lien City Purchase Agreement dated as of August 1, 2010 between the City and the Corporation, as the same may be supplemented or amended from time to time.

"*2010 Junior Lien Debt Service Reserve Requirement*" means the least of: (i) Maximum Annual Junior Lien Debt Service without regard to any applicable Junior Lien Passenger Facility Charge Credit, (ii) 10% of the stated principal amount of the 2010 Junior Bonds and (iii) 125% of the average annual Junior Lien Principal Requirements and Junior Lien Interest Requirements with respect to the 2010 Junior Bonds. The 2010 Junior Lien Debt Service Reserve Requirement may be recalculated from time to time as 2010 Junior Lien Obligations are rendered no longer Outstanding.

"2010 Junior Lien Interest Account" means the Junior Lien Interest Account of the 2010 Junior Lien Bond Fund.

"2010 Junior Lien Interest Requirement" means the Junior Lien Interest Requirement for the 2010 Junior Bonds.

"2010 Junior Lien Principal Account" means the 2010 Junior Lien Principal Account of the 2010 Junior Lien Bond Fund.

"2010 Junior Lien Principal Requirement" means the Junior Lien Principal Requirement for the 2010 Junior Bonds.

"2010 RZEDB Subsidy Payments" means cash subsidy payments from the U.S. Treasury rebating a portion of the interest on the Series 2010B Junior Bonds pursuant to the American Recovery and Reinvestment Act of 2009.

"2015 Junior Bonds" means, collectively, the Series 2015A Junior Bonds and the Series 2015B Junior Bonds.

"2015 Junior Bonds Debt Service" means the principal of and interest on the 2015 Junior Bonds coming due in any Fiscal Year.

"2015 Junior Lien Bond Fund" means the Junior Lien Bond Fund established pursuant to the Indenture.

"2015 Junior Lien Bond Payment Date" means a date on which principal or interest shall be payable on the 2015 Junior Bonds in accordance with their respective terms as long as any 2015 Junior Bonds are Outstanding.

"*2015A Junior Lien Debt Service Reserve Requirement*" means the least of: (i) Maximum Annual Junior Lien Debt Service for the Series 2015A Junior Bonds without regard to any applicable Junior Lien Passenger Facility Charge Credit, (ii) 10% of the stated principal amount of the Series 2015A Junior Bonds and (iii) 125% of the average annual Junior Lien Principal Requirements and Junior Lien Interest Requirements with respect to the Series 2015A Junior Bonds. The 2015A Junior Lien Debt Service Reserve Requirement may be recalculated from time to time as Junior Lien Obligations secured by the Junior Lien Parity Reserve Fund are rendered no longer Outstanding or in the event the City elects to make the Junior Lien Parity Reserve Fund a parity reserve fund for the benefit of additional Junior Obligations. In that event, as set forth in the City Purchase Agreement, the requirements set forth above shall be determined on an aggregate basis according to the Junior Obligations secured by the Junior Lien Parity Reserve Fund.

"2015B Junior Lien Debt Service Reserve Requirement" means the least of: (i) Maximum Annual Junior Lien Debt Service with respect to the Series 2015B Junior Bonds without regard to any applicable Junior Lien Passenger Facility Charge Credit, (ii) 10% of the stated principal amount of the Series 2015B Junior Bonds and (iii) 125% of the average annual Junior Lien Principal Requirements and Junior Lien Interest Requirements with respect to the Series 2015B Junior Bonds. The 2015B Junior Lien Debt Service Reserve Requirement may be recalculated from time to time as Series 2015B Junior Bonds are rendered no longer Outstanding.

"2015 Junior Lien Interest Account" means the Junior Lien Interest Account of the 2015 Junior Lien Bond Fund.

"2015 Junior Lien Interest Requirement" means the Junior Lien Interest Requirement for the 2015 Junior Bonds.

"2015 Junior Lien Principal Account" means the 2015 Junior Lien Principal Account of the 2015 Junior Lien Bond Fund.

"2015 Junior Lien Principal Requirement" means the Junior Lien Principal Requirement for the 2015 Junior Bonds.

"2015 Junior Lien Redemption Account" means the 2015 Junior Lien Redemption Account of the 2015 Junior Lien Bond Fund.

THE AIRPORT REVENUE BOND ORDINANCE

SECTION 2.1. *Pledge*. All Bonds are special obligations of the City payable from and secured by the Net Airport Revenues and moneys, securities and funds pledged therefore. There are hereby pledged for the payment of Principal Requirement, Interest Requirement and redemption premium on the Bonds in accordance with their terms and the provisions of the Airport Revenue Bond Ordinance and any Series Ordinance, subject to the provisions of any Series Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Series Ordinance, (1) the Net Airport Revenues, and (2) moneys held in the Bond Fund established or confirmed by the Airport Revenue Bond Ordinance or any Series Ordinance.

SECTION 2.2. *Establishment of Funds*. For a description of Section 2.2, as modified by the City Purchase Agreement and the Junior Lien Obligation Documents, see "*SECURITY AND SOURCE OF PAYMENT —Flow of Funds*."

SECTION 2.3. *Operation and Maintenance Fund*. Amounts deposited in the Operation and Maintenance Fund shall be used to pay Cost of Maintenance and Operation.

SECTION 2.4. *Bond Fund*. Amounts deposited in the Bond Fund shall be deposited into either the Principal Account or the Interest Account. Amounts deposited in the Principal Account shall be used to pay Principal Requirements and amounts held in the Interest Account shall be used to pay Interest Requirements on Bonds. Moneys in the Principal Account and Interest Account shall be transferred at least one business day before each Principal Payment Date or Bond Payment Date, as applicable, to the appropriate Paying Agent for each series of Bonds.

SECTION 2.5. *Bond Reserve Fund*. Amounts held in the Bond Reserve Fund shall be used to make payments on any Bonds secured by the Bond Reserve Fund to the extent there are insufficient funds in the Bond Fund to make such payment. The City hereby agrees to fund the Bond Reserve Fund in an amount equal to the Debt Service Reserve Requirement provided that the initial funding of the Bond Reserve Fund and any subsequent increase in the Bond Reserve Fund due to the issuance of Parity Bonds secured thereby shall be made in equal monthly deposits over not more than a twenty-four (24) month period from the date of issuance of the Parity Bonds. In the event amounts are withdrawn from the Bond Reserve Fund in order to make payments on any Bonds secured thereby or in the event amounts in the Bond Reserve Fund are valued and the value thereof is less than the Debt Service Reserve Requirement, the City agrees to replenish the Bond Reserve Fund to the Debt Service Reserve Requirement by payment under the method described above, commencing on the first day of the month following such withdrawal from the Bond Reserve Fund or valuation of the Bond Reserve Fund. The City reserves the right to establish a separate bond reserve fund for any Parity Bonds which pursuant to the terms of the Series Ordinance authorizing such Parity Bonds is not secured by the Bond Reserve Fund.

The funding of any separate bond reserve fund for a series of the Refunding Bonds may be made by depositing a surety bond or similar financial instrument into such separate bond reserve fund provided that the surety bond or similar financial instrument meets the requirements set forth below with regard to funding the Bond Reserve Fund with a surety bond or similar financial instrument. The funding of any separate bond reserve fund and the replenishment of the separate bond reserve fund shall be set forth in the Series Ordinance establishing such separate bond reserve fund, provided that the funding and replenishment of such separate bond reserve fund may be made pro rata with any funding or replenishment of the Bond Reserve Fund.

The City reserves the right at any time to deposit a surety bond or similar financial instrument into the Bond Reserve Fund in order to fund the Bond Reserve Fund to the required level. If the City chooses to deposit a surety bond or similar financial instrument into the Bond Reserve Fund, then the City shall receive a certificate or opinion to the effect that the surety bond or financial instrument is a binding obligation of the issuer thereof and shall receive evidence that the issuer thereof has a credit rating in one of the top two rating categories of a nationally recognized credit rating service, and, if the surety bond or similar financial instrument is replacing proceeds of obligations the interest on which is excludible from gross income for federal income tax purposes, then the City shall also receive an opinion of a firm of attorneys experienced in the practice of municipal bond law which opinion is to the effect that replacing such proceeds with a surety bond or similar financial instrument will not adversely affect the exclusion from gross income of the interest on such obligations for federal income tax purposes. Each such surety bond or similar financial instrument shall be unconditional and irrevocable and shall provide such security as is described in this section with respect to which the surety bond or similar financial instrument is purchased. Notwithstanding Article VIII, the City reserves the right, if it deems it necessary in order to acquire such surety bond or other financial instrument, to amend the Airport Revenue Bond Ordinance without the consent of any of the holders of the Bonds in order to provide for the repayment of amounts drawn under such surety bond or other financial instrument, in order to secure the amounts to be repaid which security may be subordinate only to payments of Cost of Maintenance and Operation and payments into the Bond Fund, or to grant the provider of such surety bond or other financial instrument such additional rights as the City deems necessary. Further, in lieu of making deposits to the Bond Reserve Fund or any separate bond reserve fund pursuant to this Section 2.5, the City may transfer the amounts which would have been deposited to

the Bond Reserve Fund or any separate bond reserve fund to a Credit Facility as reimbursement for amounts paid under any insurance policy, surety bond or other similar financial instrument.

In the event the Bond Reserve Fund contains both cash or Permitted Investments and a surety bond or other financial instrument, then the cash and Permitted Investments shall be liquidated prior to drawing upon the surety bond or financial instrument. Further, replenishment of the Bond Reserve Fund shall be made first to the reinstatement of such surety bond or other financial instrument and then, at the option of the City, to cash or Permitted Investments.

SECTION 2.6. *Airport Improvement Fund*. Amounts held in the Airport Improvement Fund may be used for any lawful airport purpose including but not limited to the payment of obligations of the City relating to the Airport including general obligation bonds issued for airport purposes and any obligations owed by the City pursuant to leases or installment purchase agreements or other obligations relating to the Airport.

SECTION 2.7. *Construction Fund*. A special fund is hereby created and designated "*City of Phoenix Airport Construction Fund*" (the "*Construction Fund*") into which the City shall deposit proceeds of Parity Bonds hereafter issued for the purpose of improving and extending the Airport. The money in said fund shall be applied to the payment of the cost of adding to, extending, improving, bettering and reconstructing the Airport and related facilities, or for the repayment of advances made for that purpose in accordance with and subject to the provisions and restrictions set forth in this Section or may be transferred to the Bond Fund if necessary to pay Principal Requirements or Interest Requirements on Bonds or if funds have been deposited therein to pay capitalized interest on Bonds. Any monies in said fund not presently needed for the payment of current obligations during the course of construction may be invested in Permitted Investments which provide funds in a manner expected to meet the needs of the project being financed. Any such investments shall be held for the account of the Construction Fund until maturity or until sold, and at maturity or upon such sale the proceeds received therefrom including accrued interest and premium, if any, shall be immediately deposited in said fund and shall be disposed of in the manner and for the purposes herein provided. Moneys may be transferred from the Construction Fund in accordance with policies of the City relating to the expenditure of City moneys.

* * *

SECTION 2.9. *Investment of Funds and Accounts*. Money in the aforementioned funds and accounts shall be invested and reinvested in Permitted Investments at the highest rates reasonably available (except to the extent that a restricted yield is required or advisable under the Code). Money in the Interest Account and the Principal Account may be invested by the City in Permitted Investments maturing or redeemable at the option of the holder prior to the next succeeding Bond Payment Date or Principal Payment Date, as applicable, but whenever the aggregate of the money in said accounts exceeds the amount necessary to pay interest and principal falling due on the next Bond Payment Date, such excess may be invested in Permitted Investments maturing or redeemable at the option of the holder prior to the next following Bond Payment Date. Whenever any money in the Bond Reserve Fund invested as above provided is needed for the payment of Principal Requirements of or Interest Requirements on the Bonds the City shall cause such investments to be liquidated at current market prices, to the amount required, without further instructions and shall cause the proceeds of such liquidation to be applied to the payment of Principal Requirements and Interest Requirements. Money in each of said funds shall be accounted for as a separate and special fund apart from all other City funds, provided that investments of money therein may be made in a pool of investments together with other money of the City of Phoenix so long as sufficient Permitted Investments in said pool, not allocated to other investments of contractually or legally limited duration, are available to meet the requirements of the foregoing provisions hereof.

* * *

SECTION 2.13. *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 Net Airport 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 Section 2.2 of the Airport Revenue Bond Ordinance 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 Net Airport 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 Bonds test set forth in Article III subject to the provisions set forth below in this Section 2.13. In determining whether the Parity Bonds test is satisfied in connection with any such agreements, the City is permitted to treat the amount or rate of interest on the Parity Bonds to which the applicable agreement applies as the amount payable under such agreement, provided that any agreement is with a Qualified Counterparty, thus the City is permitted to include the interest rate payable under such agreements in calculating the additional bonds test established in Article III. Further, the City is permitted to disregard the notional principal amount of any such agreement provided that such agreement is with a Qualified Counterparty. The City agrees to give written notice to the Rating Agency not less than thirty (30) days prior to entering into a Derivative Product payable from Net Airport Revenues.

* * *

SECTION 3.1. *No Prior Lien Bonds nor Parity Bonds Except as Herein Permitted.* The Bonds shall enjoy complete parity of lien on the Net Airport Revenues despite the fact that any of the Bonds may be delivered at an earlier date than any other of the Bonds. The City shall not (i) issue other obligations of any kind or nature or (ii) assume any additional obligations in connection with the acquisition by the City of other Airport facilities, payable from or enjoying a lien on the Net Airport Revenues or any part thereof having priority over or (except as hereinafter permitted) parity with the Bonds.

SECTION 3.2. *Additional Bonds for Refunding Purposes.* Any or all of the Bonds may be refunded at maturity, upon redemption in accordance with their terms or with the consent of the holders thereof, and the refunding bonds so issued shall constitute Parity Bonds; *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 3.3. *Parity Bonds Generally.* For a description of Section 3.3, as modified by the City Purchase Agreement, see *"THE CITY PURCHASE AGREEMENT—Section 4.5. Additional Senior Lien Obligations Generally."*

* * *

SECTION 4.1. *In General.* The City hereby makes the following covenants, in addition to all other covenants in this Bond Ordinance, with each and every successive holder of any of the Bonds (including Parity Bonds) so long as any of said Bonds remain Outstanding.

SECTION 4.2. *Maintenance of the Airport in Good Condition.* The City shall maintain the Airport in good condition and operate the same in a proper and economical manner.

SECTION 4.3. *Rate Covenant.* The City covenants that it will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (i) sufficient to produce Net Airport

Revenues at least equal to 125% of the amount required to be paid into the Bond Fund from the Revenue Fund, after subtracting Other Available Funds deposited in the Bond Fund, in such Fiscal Year and subtracting any Passenger Facility Charge Credit applicable to such Fiscal Year, provided that for purposes of this Section, the Principal Requirement and Interest Requirement for a series of Bonds to which a Derivative Product with a Qualified Counterparty applies may be determined after giving effect to the amount of interest paid on the Bonds plus/minus the amount due to/from the Qualified Counterparty with regard to the interest it has paid on the Derivative Product and exclusive of any payment which may be owed by the City upon termination prior to maturity of such Derivative Product and (ii) sufficient to produce amounts required to be deposited in the Bond Reserve Fund and any separate bond reserve fund for such Fiscal Year.

SECTION 4.4. *Books and Records.* The City shall maintain proper books and records accounting for the operation of the Airport. Such books and records shall be kept in accordance with standard accounting practices and procedures customarily used for airports of similar nature to the Airport. The City will cause such books to be audited annually by an Independent Certified Public Accountant.

SECTION 4.5. *Insurance.* The City will cause to be procured and maintained insurance (which may take the form of or include an adequately-funded program of self-insurance) covering the Airport properties and operations, of such kind and in the amounts normally carried by airports of comparable size, location and operations, including, but without limitation, fidelity insurance, public liability insurance, property damage insurance, fire and extended coverage insurance, use and occupancy or rental value insurance, product liability insurance, workmen's compensation insurance and hanger keeper's liability insurance. To the extent the City accumulates and maintains a fund for self-insurance, such insurance may be substituted for all or part of the insurance otherwise required to be carried under the provisions of this paragraph. All policies providing use and occupancy or rental value insurance shall be made payable to and deposited with the City and the City shall have the sole right to receive any proceeds of such policies and to collect any receipt for claims thereunder; provided, however, that any and all proceeds of use and occupancy or rental value insurance paid to the City shall be deposited by it forthwith to the credit of the Revenue Fund.

SECTION 4.6. *Sale or Lease of Airport.* The City covenants not to sell essential Airport property, whether real or personal, unless an officer of the City certifies that the City will be able to continue to meet the rate covenant set forth in Section 4.3 hereof in each of the five years after the sale or certifies that the value of the property to be sold and sold within the last twelve months does not exceed five percent (5%) of the total fair market value of the assets of the Airport as determined by an officer of the City.

Notwithstanding any of the foregoing provisions of this section, leases and other agreements and contracts for use of any services or facilities of the airport in effect at the time of delivery of the Bonds shall not be subject to revision except by agreement between the parties, with the concurrence of the Consultants, and the city may enter into new leases, or other agreements or contracts for the use of services or facilities of the airport on such terms and for such periods of times as the City shall determine to be proper; provided, however, that no such new lease, agreement or contract shall provide for the payments of rents, fees or charges at a rate less than the rate prevailing at the airport for similar services or facilities at the time of delivery of the Bonds unless such rents, fees or charges shall be approved by the Consultants; and provided further that no such new lease agreement or contract (except land leases and except those which provide for a fixed minimum rental or a percentage of gross income, whichever is larger) shall be for a term exceeding 3 years unless:

1. It be negotiated on a net rent basis, or

2. It contains provisions for renegotiation of the amount of the required payments without limit of intervals of not more than 3 years beginning with the date thereof;

and providing further that no new lease, agreement or contract which provides for a fixed minimum rental or a percentage of gross income, whichever is larger, shall be for a term exceeding 10 years unless it contains provision for renegotiation of the fixed minimum rental and of the percentage of gross income without limit at the end of the initial 10 years, and at the end of each 5-year period thereafter.

SECTION 4.7. *Satisfaction of Liens.* The City will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments and other governmental charges, if any, lawfully imposed upon the Airport or any part thereof or upon the Net Airport Revenues, as well as any lawful claims for labor, materials or supplies which if unpaid might by law become a lien or charge upon the Airport or the Revenues or any part thereof or which might impair the security of the Bonds, except when the City in good faith contests its liability to pay the same.

* * *

SECTION 7.1. *Provision for Payment.* Bonds for the payment or redemption of which sufficient moneys or sufficient Qualified Permitted Investments (as evidenced by the report of an Independent Certified Public Accountant) shall have been deposited with a bank or trust company doing business in the State of Arizona (whether upon or prior to the maturity or the redemption date of such Bonds) shall be deemed to be paid and no longer Outstanding under this Ordinance; *provided, however,* that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or firm arrangements shall have been made for the giving thereof. Qualified Permitted Investments shall be considered sufficient for purposes of this Article VII only if said investments fall due and bear interest in such amounts and at such times as will assure sufficient cash (whether or not such Qualified Permitted Investments are redeemed by the City thereof pursuant to any right of redemption) to pay currently maturing interest and to pay principal and redemption premiums if any when due on the Bonds without rendering the interest on any Bonds taxable under the Code.

The City may at any time surrender to the Bond Registrar for cancellation by it any Bonds previously authenticated and delivered hereunder which the City may have acquired in any manner whatsoever. All such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

* * *

SECTION 8.1. *Supplemental Ordinances and Resolutions Not Requiring Consent of Bondholders.* The City, from time to time and at any time, subject to the conditions and restrictions in this Ordinance contained, may enact one or more ordinances or resolutions or both which thereafter shall form a part hereof, for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City (including but not limited to the right to issue Parity Bonds under Article III);

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Ordinance, to permit the issuance of coupon Bonds, capital appreciation bonds or cross over refunding bonds, or in regard to matters or questions arising under this Ordinance, as the City may deem necessary or desirable and not inconsistent with this Ordinance but only if such modifications do not result in materially diminishing the security hereby granted to the owners of any Bonds at the time Outstanding.

(c) To increase the size or scope of the Airport.

(d) To make amendments with respect to the use of an insurance policy, surety bond or other form of security in the Bond Reserve Fund and of the type referred to in Section 2.12 with respect to changes in the City's accounting system.

Any supplemental ordinance or resolution authorized by the provisions of this Section 8.1 may be enacted by the City without the consent of or notice to the owners of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of Section 8.2.

SECTION 8.2. *Supplemental Ordinances Requiring Consent of Bondholders.* With the consent (evidenced as provided in Article VI) of the owners of not less than 51% in principal amount of the Bonds, the City may from time to time and at any time adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Ordinance or of any supplemental ordinance; *provided, however,* that no such supplemental ordinance shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce or extend the time for payment of any premium payable on the redemption thereof, without the consent of the owner of each Bond so effected, or (2) reduce the aforesaid percentage of owners of the Bonds required to approve any such supplemental ordinance without the consent of the owners of all Bonds, or (3) deprive the owner of a Bond of the right to payment of the Bond or from the Net Revenues, in each case, without the consent of the owners of all Bonds so effected. For purposes of determining whether the 51% test of the preceding sentence shall have been met, the principal amount of any Compound Interest Bonds from time to time Outstanding shall be determined by reference to the accreted value of such Compound Interest Bonds on the date of such determination. No amendment may be made under this Section 8.2 which affects the rights or duties of the insurer of any of the Bonds or any Credit Facility (including the issuer of any insurance policy or surety bond deposited in the Bond Reserve Fund or any separate bond reserve fund) without its consent.

It shall not be necessary for the consent of the Bondholders under this Section 8.2 to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the enactment by the City of any supplemental ordinance pursuant to the provisions of this Section 8.2, the City shall cause the Bond Registrar to mail a notice by registered or certified mail to the registered owners of all Bonds Outstanding at their addresses shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar setting forth in general terms the substance of such supplemental ordinance.

* * *

THE CITY PURCHASE AGREEMENT

SECTION 2.1. *Agreement to Issue 2015 Junior Bonds; Application of Bond Proceeds.* (a) In order to provide funds for the refunding of the Notes Being Refunded, to provide a deposit to the Junior Lien Parity Reserve Fund and to pay for costs of issuance of the Series 2015A Junior Bonds, the Corporation will cause to be issued under the Indenture $ aggregate principal amount of Series 2015A Junior Bonds, maturing and bearing interest as provided in the Indenture, as executed and delivered on the date of issuance of the Series 2015A Junior Bonds.

(b) In order to provide for the refunding of the Bonds Being Refunded to provide a deposit to the 2015B Junior Bond Reserve Fund and to pay for the costs of issuance of the Series 2015B Junior Bonds, the Corporation will cause to be issued under the Indenture $ aggregate principal amount of Series 2015B Junior Bonds, maturing and bearing interest as provided in the Indenture, as executed and delivered on the date of issuance of the Series 2015B Junior Bonds. A portion of the proceeds of the Series 2015B Junior Bonds shall be deposited with U.S. Bank National Association, as trustee for deposit to the debt service fund under the bond indenture pursuant to which the Bonds Being Refunded were issued.

* * *

SECTION 2.3. *Establishment of Junior Lien Bond Fund.* As authorized by Section 2.2 of the Airport Revenue Bond Ordinance and pursuant to Section 2.4 of the 2010 Junior Lien City Purchase Agreement, the City established for the payment of Junior Lien Obligations a Junior Lien Bond Fund, which contains the Junior Lien

Interest Account and the Junior Lien Principal Account. Amounts deposited in the Junior Lien Bond Fund shall be deposited into either the Junior Lien Principal Account or the Junior Lien Interest Account. Amounts deposited in the Junior Lien Principal Account shall be used to pay Junior Lien Principal Requirements and amounts held in the Junior Lien Interest Account shall be used to pay Junior Lien Interest Requirements. Moneys in the Junior Lien Principal Account and Junior Lien Interest Account shall be transferred at least one Business Day before each Junior Lien Principal Payment Date or Junior Lien Interest Payment Date, as applicable, to the appropriate paying agent for each series of Junior Lien Obligations to be applied as required under the Junior Lien Obligation Documents.

SECTION 2.4. *Establishment of PFC Revenue Fund*. As authorized by Section 2.2 of the Airport Revenue Bond Ordinance and pursuant to Section 2.5 of the 2010 Junior Lien City Purchase Agreement, the City has established the PFC Revenue Fund, which contains the PFC Interest Account (including a Series 2010B Interest Subaccount thereof, which may be held by a trustee on behalf of the City) and the PFC Principal Account. The City may establish additional similar accounts for other obligations payable in whole or in part from the PFC Revenues. The City shall deposit all PFC Revenues into the PFC Revenue Fund for application in the following order of priority during any applicable Commitment Period:

(a) Monthly to the PFC Interest Account until the amount on deposit therein, including the amount on deposit in the Series 2010B Interest Subaccount, is equal to 100% of the 2010 Junior Lien Interest Requirements with respect to the Series 2010A/B Junior Bonds, 30% of the Junior Lien Interest Requirements of the Series 2015A Junior Bonds and 100% of the 2015 Junior Lien Interest Requirements of the Series 2015B Junior Bonds for the then current Bond Year for transfer from the PFC Interest Account, including the Series 2010B Interest Subaccount, to the applicable accounts of the Junior Lien Bond Fund at least two Business Days prior to a Junior Lien Interest Payment Date.

(b) Monthly to the PFC Principal Account until the amount on deposit therein is equal to (i) the 2010 Junior Lien Principal Requirement with respect to the Series 2010A/B Junior Bonds for the then current Bond Year and (ii) 30% of the 2015 Junior Lien Principal Requirement of the Series 2015A Junior Bonds and 100% of the 2015 Junior Lien Principal Requirement of the Series 2015B Junior Bonds in each case, for transfer from the PFC Principal Account to the applicable accounts of the Junior Lien Bond Fund at least two Business Days prior to a Junior Lien Principal Payment Date,

(c) Monthly to (i) the 2010 Junior Lien Bond Reserve Fund the amount necessary to maintain the amount on deposit therein at the 2010 Junior Lien Debt Service Reserve Requirement to the extent amounts have been withdrawn to pay debt service on the 2010A/B Junior Bonds, (ii) to the Junior Lien Parity Reserve Fund the amount necessary to maintain the amount on deposit therein at the 2015A Junior Lien Debt Service Reserve Requirement to the extent amounts have been withdrawn to pay debt service on the Series 2015A Junior Bonds or other Junior Obligations secured thereby and (iii) to the 2015B Junior Lien Bond Reserve Fund the amount necessary to maintain the amount on deposit therein at the 2015B Junior Lien Debt Service Reserve Requirement to the extent amounts have been withdrawn to pay debt service on the Series 2015B Junior Bonds.

(d) The City shall take such steps as are under its control to assure that the application of PFC Revenues to the payment of debt service as contemplated by this Purchase Agreement is limited to allowable costs of approved PFC projects as permitted under the PFC Laws. To the extent PFC Revenues in any month or the amounts on deposit in the PFC Interest Account or PFC Principal Account exceed the requirements set forth in (a), (b) and (c) above, such PFC Revenues or excess amounts may be transferred to any other fund or account established by the City under the Airport Revenue Bond Ordinance or used for any other lawful purpose, in each case consistent with applicable PFC Laws.

Notwithstanding the foregoing, the requirements set forth in (a), (b) and (c) above shall not apply with respect to any PFC Revenues received after any applicable Commitment Period. Furthermore, the City reserves the right to modify the flow of funds set forth herein in connection with the issuance of obligations payable in whole or in part on a parity with, or subordinate to, the irrevocable commitment of the PFC Revenues for the benefit of the owners of the 2015 Junior Bonds.

Investment earnings on amounts on deposit in the PFC Revenue Fund shall be applied in the same manner as all other PFC Revenues. To the extent that Designated Revenues are credited to any fund or account to provide for payment of the 2015 Junior Bonds and PFC Revenues subsequently become available prior to the expenditure of such Designated Revenues, such Designated Revenues shall be applied as otherwise provided in Section 2.5 of the City Purchase Agreement.

Amounts in the Series 2010B Interest Subaccount shall continue to be applied to pay interest due with respect to the Series 2010C Junior Bonds.

SECTION 2.5. *Revised Flow of Funds Under Airport Revenue Bond Ordinance*. As authorized by Section 2.2 of the Airport Revenue Bond Ordinance, Revenues deposited to the Revenue Fund shall be transferred to the following funds in the following order of priority:

(a) From time to time into the Operation and Maintenance Fund sufficient moneys to pay Cost of Maintenance and Operations;

(b) Monthly into the Bond Fund, which shall contain the Principal Account and the Interest Account, deposits equal to one-twelfth of the Principal Requirement of Senior Lien Obligations which mature or are subject to mandatory sinking fund redemption on the following Principal Payment Date and one-sixth of the Interest Requirement of Senior Lien Obligations, provided that such one-twelfth and one-sixth fractions may be revised if the Principal Requirement and Interest Requirement are not due annually and semiannually, respectively, in a manner to provide for equal monthly payments into the Bond Fund to pay Principal Requirements and Interest Requirements to become due on the next Principal Payment Date or Bond Payment Date, respectively;

(c) From time to time into the Bond Reserve Fund and every separate bond reserve fund established for Parity Bonds not secured by the Bond Reserve Fund pursuant to Section 2.5 of the Airport Revenue Bond Ordinance, amounts then required to be deposited to the Bond Reserve Fund or any separate bond reserve fund pursuant to Section 2.5 of the Airport Revenue Bond Ordinance, provided that such deposits may be transferred to a Credit Facility in order to reimburse such Credit Facility for amounts paid out under any insurance policy or surety bond securing any of the Bonds;

(d) Monthly to the Junior Lien Bond Fund, (i) into the Junior Lien Principal Account amounts equal to one-twelfth of the next succeeding Junior Lien Principal Requirement of Junior Lien Obligations for the next succeeding Junior Lien Principal Payment Date and (ii) into the Junior Lien Interest Account amounts equal to one-sixth of the Junior Lien Interest Requirement for the next succeeding Junior Lien Interest Payment Date, in each case less any amounts which are to be paid from an irrevocable commitment from another funding source, including those provided in Sections 3.5(b) of the City Purchase Agreement, provided that such one-twelfth and one-sixth fractions may be revised if the Junior Lien Principal Requirement and Junior Lien Interest Requirement are not due annually and semiannually, respectively, in a manner to provide for equal monthly payments into the Junior Lien Bond Fund to pay Junior Lien Principal Requirements and Junior Lien Interest Requirements to become due on the next succeeding Junior Lien Principal Payment Date or Junior Lien Interest Payment Date, respectively.

(e) From time to time into any reserve fund established for Junior Lien Obligations including the 2010 Junior Lien Bond Reserve Fund, the Junior Lien Parity Reserve Fund and the 2015B Junior Lien Bond Reserve Fund (to the extent PFC Revenues are not available as required pursuant to Section 2.5(c) of the City Purchase Agreement), amounts then required to be deposited therein under the terms of the Junior Lien Obligation Documents, provided that such deposits may be transferred to a Junior Lien Credit Facility in order to reimburse such Junior Lien Credit Facility for amounts paid out under any insurance policy or surety bond securing any of the Junior Lien Obligations and related costs.

(f) From time to time into the Airport Improvement Fund such funds as the City chooses to deposit therein.

The City may establish one or more additional funds, accounts or subaccounts including funds, accounts or subaccounts for the payment of obligations subordinate in lien to the payment of the Junior Lien Obligations. In the event the City establishes additional funds, accounts or subaccounts for the payment of obligations subordinate in lien to the payment of the Junior Lien Obligations, the City reserves the right to provide that deposits into such funds, accounts or subaccounts may be made in a manner which is prior to deposits to be made into the Airport Improvement Fund. The City further reserves the right to provide that any moneys held in such additional funds, accounts or subaccounts may not be used to pay amounts due on any Junior Lien Obligations.

SECTION 2.6. *Derivative Products.* The City reserves the right to enter into Derivative Products pursuant to Section 2.13 of the Airport Revenue Bond Ordinance. The City also reserves the right to enter into a Junior Lien Derivative Product, to the extent permitted by law, and make payments on such agreements from Designated 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 Section 2.2 of the Airport Revenue Bond Ordinance and in Section 2.5 of the City Purchase Agreement provided that such revisions, except as permitted pursuant to Section 2.13 of the Airport Revenue Bond Ordinance, do not result in payments under such agreements being made on a basis which is senior to the payment of any Junior Lien Obligations. To the extent the City enters into such agreements and pledges Designated Revenues to the payment of such agreements on a parity with the Junior Lien Obligations, such agreements may only be incurred if the City satisfies the relevant additional obligations test set forth in Article IV hereof subject to the provisions set forth below in this Section 2.6. In determining whether the additional obligations test is satisfied in connection with any such agreements, the City is permitted to treat the amount or rate of interest on the Junior Lien Obligations to which the applicable agreement applies as the amount payable under such agreement, provided that any agreement is with a Qualified Junior Lien Counterparty, thus the City is permitted to include the net payment due under such agreements in calculating the additional obligations test established in Article IV. Further, the City is permitted to disregard the notional principal amount of any such agreement provided that such agreement is with a Qualified Junior Lien Counterparty. The City agrees to give written notice to the Rating Agency not less than thirty (30) days prior to entering into a Junior Lien Derivative Product payable from Designated Revenues.

SECTION 2.7. *Junior Lien Parity Reserve Fund and 2015B Junior Lien Bond Reserve Fund.* (a) As permitted by Section 2.2 of the Airport Revenue Bond Ordinance, the City hereby establishes with the Trustee, as assignee of the Corporation under the Indenture, a separate Junior Lien Parity Reserve Fund which shall be used to make payments on the Series 2015A Junior Bonds and except as otherwise provided in Section 2.7(d) hereof shall not be available to make payments on any other Junior Lien Obligations or Senior Lien Obligations or any of the City's obligations hereunder other than pursuant to Section 3.3(a), (b) and (c) hereof with respect to the Series 2015A Junior Bonds.

(b) The Junior Lien Parity Reserve Fund shall be funded in an amount equal to the 2015A Junior Lien Debt Service Reserve Requirement. The Junior Lien Parity Reserve Fund may be funded with cash, Permitted Investments (as defined in the Airport Revenue Bond Ordinance) or a surety bond or other similar financial instrument meeting the requirements of Section 2.5 of the Airport Revenue Bond Ordinance but with a rating of "Aaa" by Moody's and "AAA" by S&P if in the form of a surety bond or insurance policy (a *"Qualified Surety Bond"*). In the event the City chooses to provide Qualified Surety Bond in substitution for the initial cash deposit or 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 the required credit ratings. Any substitution of a Qualified Surety Bond for a cash deposit funded from Series 2015A Junior Bond proceeds shall be subject to receipt by the City of an opinion of nationally recognized bond counsel that such substitution will not cause interest or any of the Series 2015A Junior Bonds to become includible in gross income for federal income tax purposes. Each such Qualified Surety Bond shall be unconditional and irrevocable and shall provide such security as is described in Section 2.5 of the Airport Revenue Bond Ordinance. In the event the Junior Lien Parity Reserve Fund contains both cash or Permitted Investments and a surety bond or other financial instrument, then the cash and Permitted Investments shall be liquidated prior to drawing upon the surety bond or financial instrument. Further, replenishment of the Junior

Lien Parity Reserve Fund shall be made, subject to the flow of funds established in Sections 2.4 and 2.5 of the City Purchase Agreement, first to the reinstatement of such Qualified Surety Bond and then, at the option of the City, to cash or Permitted Investments. In the event the amount on deposit in the Junior Lien Parity Reserve Fund consists of cash or Permitted Investments with a value in excess of the 2015A Junior Lien Debt Service Reserve Requirement, the Bond Trustee shall, at the direction of the City, transfer such excess to the City.

(c) In the event amounts are withdrawn from the Junior Lien Parity Reserve Fund to pay principal of or interest on the Series 2015A Junior Bonds or any other Junior Lien Obligations to the extent permitted under Section 2.7(d) hereof, the City shall replenish the Junior Lien Parity Reserve Fund as required by Sections 2.4 and 2.5 of the City Purchase Agreement and/or reimburse the provider of a Qualified Surety Bond on a pro rata basis with amounts to be used to reimburse a Junior Lien Credit Facility for Junior Lien Obligations other than the Series 2015A Junior Bonds or other Junior Obligations secured thereby, and/or replenish any other reserve funds established for Junior Lien Obligations on a basis subordinate to payment of Junior Lien Obligations.

(d) At the direction of the City, upon notice to the Trustee, Sections 2.4 and 2.5 and Section 2.7 of the City Purchase Agreement may be amended without notice to, or consent of the owners of the Series 2015A Junior Bonds to provide that the Junior Lien Parity Reserve Fund shall be a parity reserve fund for the benefit of one or more series of Junior Obligations. In connection with any such amendment, the 2015A Junior Lien Debt Service Reserve Requirement shall be modified only to the extent necessary to reflect on an aggregate basis the principal amount and annual debt service requirements of the Junior Obligations to be secured by the Junior Lien Parity Reserve Fund. The Trustee is authorized to enter into an intercreditor agreement with the trustee for any Junior Lien Obligations to be secured by the Junior Lien Parity Reserve Fund to acknowledge the parity nature of the Junior Lien Parity Reserve Fund.

(e) As permitted by Section 2.2 of the Airport Revenue Bond Ordinance, the City hereby establishes with the Trustee, as assignee of the Corporation under the Indenture, a separate 2015B Junior Lien Bond Reserve Fund which shall be used to make payments on the Series 2015B Junior Bonds and shall not be available to make payments on any other Junior Lien Obligations or Senior Lien Obligations or any of the City's obligations hereunder other than pursuant to Section 3.3(a), (b) and (c) of the City Purchase Agreement with respect to the Series 2015B Junior Bonds.

(f) The 2015B Junior Lien Bond Reserve Fund shall be funded in an amount equal to the 2015B Junior Lien Debt Service Reserve Requirement. The 2015B Junior Lien Bond Reserve Fund may be funded with cash, Permitted Investments (as defined in the Airport Revenue Bond Ordinance) or a surety bond or other similar financial instrument meeting the requirements of Section 2.5 of the Airport Revenue Bond Ordinance but with a rating of "Aaa" by Moody's and "AAA" by S&P if in the form of a surety bond or insurance policy (a *"Qualified Surety Bond"*). In the event the City chooses to provide Qualified Surety Bond in substitution for the initial cash deposit or 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 the required credit ratings. Any substitution of a Qualified Surety Bond for a cash deposit funded from Series 2015B Junior Bond proceeds shall be subject to receipt by the City of an opinion of nationally recognized bond counsel that such substitution will not cause interest or any of the Series 2015B Junior Bonds to become includible in gross income for federal income tax purposes. Each such Qualified Surety Bond shall be unconditional and irrevocable and shall provide such security as is described in Section 2.5 of the Airport Revenue Bond Ordinance. In the event the 2015B Junior Lien Bond Reserve Fund contains both cash or Permitted Investments and a surety bond or other financial instrument, then the cash and Permitted Investments shall be liquidated prior to drawing upon the surety bond or financial instrument. Further, replenishment of the 2015B Junior Lien Bond Reserve Fund shall be made, subject to the flow of funds established in Sections 2.4 and 2.5 of the City Purchase Agreement, first to the reinstatement of such Qualified Surety Bond and then, at the option of the City, to cash or Permitted Investments. In the event the amount on deposit in the 2015B Junior Lien Bond Reserve Fund consists of cash or Permitted Investments with a value in excess of the 2015B Junior Lien Debt Service Reserve Requirement, the Bond Trustee shall, at the direction of the City, transfer such excess to the City.

(g) In the event amounts are withdrawn from the 2015B Junior Lien Bond Reserve Fund to pay principal of or interest on the Series 2015B Junior Bonds or any other Junior Lien Obligations to the extent permitted under Section 2.7(d) of the City Purchase Agreement, the City shall replenish the 2015B Junior Lien Bond Reserve Fund as required by Sections 2.4 and 2.5 f the City Purchase Agreement and/or reimburse the provider of a Qualified Surety Bond on a pro rata basis with amounts to be used to reimburse a Junior Lien Credit Facility for Junior Lien Obligations other than the Series 2015B Junior Bonds, and/or replenish any other reserve funds established for Junior Lien Obligations on a basis subordinate to payment of Junior Lien Obligations.

SECTION 2.8. *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 applicable series of 2015 Junior Lien 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 City and the Trustee, not later than three 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 City shall deposit in the Junior Lien Parity Reserve Fund or 2015B Junior Lien Bond Reserve Fund, as applicable, an amount sufficient to cause the cash or Permitted Investments on deposit in the Junior Lien Parity Reserve Fund or 2015B Junior Lien Bond Reserve Fund, as applicable, together with any other qualifying credit instruments, to equal the 2015A Junior Lien Debt Service Reserve Fund Requirement or 2015B Junior Lien Debt Service Reserve Requirement, as applicable, 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 Junior Lien Parity Reserve Fund or 2015B Junior Lien Bond Reserve Fund, as applicable, is fully funded in its required amount.

(c) 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 applicable series of 2015 Junior Lien Bonds. The right of the issuer of a Qualified Surety Bond to payment or reimbursement of its fees and expenses shall be subordinate to cash replenishment of the Junior Lien Parity Reserve Fund or 2015B Junior Lien Debt Service Reserve Requirement, as applicable, and, subject to the second and third succeeding sentences, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Junior Lien Parity Reserve Fund or 2015B Junior Lien Debt Service Reserve Requirement, as applicable. 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 Junior Lien Parity Reserve Fund or 2015B Junior Lien Bond Reserve Fund, as applicable, to an amount equal to the difference between the full original amount available under the Junior Lien Parity Reserve Fund or 2015 Junior Lien Bond 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 "AA" or Moody's "Aa" (in each case without regard to "+"s or "-"s or numerical distinctions within a rating category), the obligation to reimburse the issuer of the Qualified Surety Bond shall be subordinate to the cash replenishment of the Junior Lien Parity Reserve Fund or 2015B Junior Lien Bond Reserve Fund, as applicable.

(d) 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" or Moody's "Aa" (in each case without regard to "+"s or "-"s or numerical distinctions within a rating category), the City shall either (i) deposit into the Junior Lien Parity Reserve Fund or 2015B Junior Lien Bond Reserve Fund, as applicable, an amount sufficient to cause the cash or permitted investments on deposit in the Junior Lien Parity Reserve Fund or 2015B Junior Lien Bond Reserve Fund, as applicable, to equal the 2015A Junior Lien Debt Service Reserve Requirement or 2015B Junior Lien Debt Service Reserve Requirement, as applicable, 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" (in each case without regard to "+"s or "-"s or numerical distinctions within a rating category), 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 Junior Lien Parity Reserve Fund or 2015B Junior Lien Bond Reserve Fund, as applicable, in an amount equal to the 2015A Junior Lien Debt Service Reserve Requirement or 2015B Junior Lien Debt Service Reserve Requirement, as applicable, such amount to be paid over the ensuing year in equal installments on at least a semi-annual basis or (B) replace such instrument with a Qualified Surety Bond within six months of such occurrence.

(e) 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 Junior Lien Parity Reserve Fund or 2015B Junior Lien Bond Reserve Fund pursuant to subparagraph (c).

(f) If the City chooses the above described alternatives to a cash-funded Junior Lien Parity Reserve Fund or 2015B Junior Lien Bond Reserve Fund, any amounts owed by the City 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 4.2, 4.3 and 4.6(b) of the City Purchase Agreement.

SECTION 2.9. *Reserve Funds for Additional Junior Lien Obligations*. The City reserves the right to establish and maintain additional separate reserve funds required in connection with the issuance, and for the benefit of, additional Junior Lien Obligations. The funding of such reserve funds shall be subject to Section 2.5 f the City Purchase Agreement.

* * *

SECTION 3.1. *Agreement of Sale*. The Corporation has sold to the City the Refinanced Property pursuant to the Junior Lien Obligations Documents. In consideration for the reduction in purchase payments owed under the Prior City Purchase Agreement as a result of the refunding of the Bonds Being Refunded, the City hereby agrees that it will pay to the account of the Corporation at the designated office of the Trustee, as the Purchase Price of the Refinanced Property, but only from the sources hereinafter prescribed, an amount equal to the aggregate of the sums prescribed by Section 3.3 of the City Purchase Agreement and elsewhere in this City Purchase Agreement, to be paid at or before the respective dates called for in said Section 3.3 or elsewhere in the City Purchase Agreement.

* * *

SECTION 3.3. *Amounts of Purchase Price Payable Upon Issuance of 2015 Junior Bonds*. The City agrees that it will pay, solely from the Designated Revenues, Other Available Moneys and funds committed pursuant to Section 3.5(b) of the City Purchase Agreement, as the Purchase Price of the Refinanced Property, the aggregate of the amounts for which provision is made in this Section and elsewhere in this City Purchase Agreement.

(a) On or before the last Business Day of each December and June, commencing June 30, 2016, until principal of and interest on the 2015 Junior Bonds shall have been fully paid or provision for the payment thereof

shall have been made in accordance with the Indenture, the City shall pay into the 2015 Junior Lien Interest Account, solely from the Designated Revenues, Other Available Moneys and funds committed pursuant to Section 3.5(b) of the City Purchase Agreement, a sum equal to the interest on the 2015 Junior Bonds falling due on the next succeeding 2015 Junior Lien Bond Payment Date.

(b) On or before the last Business Day of June, 2045 and the last Business Day of each June thereafter, until principal of and interest on the Junior Lien Bonds has been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the City shall pay into the 2015 Junior Lien Principal Account, solely from the Designated Revenues, Other Available Moneys and funds committed pursuant to Section 3.5(b) of the City Purchase Agreement, a sum equal to the 2015 Junior Lien Principal Requirement for the then current Bond Year.

(c) If at any 2015 Junior Lien Bond Payment Date following delivery of the 2015 Junior Bonds the balance available in the 2015 Junior Lien Bond Fund is insufficient to make required payments of principal and interest due on such date, the City will pay solely from the Designated Revenues, Other Available Moneys and funds committed pursuant to Section 3.5(b) of the City Purchase Agreement, any such deficiency in sufficient time to prevent default in the payment of principal of or interest on the 2015 Junior Bonds falling due on such 2015 Junior Lien Bond Payment Date; provided however, that any amount at any time held by the Trustee in the 2015 Junior Lien Bond Interest Account shall be credited against the aforesaid obligations next thereafter required to be met by the City, but only to the extent such amount is in excess of the amount required for payment of past due interest on any Junior Lien Obligations, whether or not such Junior Lien Obligations shall have been presented for payment.

(d) The City shall pay to the Trustee its fees and expenses in accordance with the provisions of the Indenture.

(e) In the event the City should fail to pay when due any of the amounts required in this Section, the item or installment so in default shall continue as an obligation of the City payable, solely from the Designated Revenues, Other Available Moneys and funds committed pursuant to Section 3.5(b) of the City Purchase Agreement, until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon at the rate applicable to the corresponding maturities of 2015 Junior Bonds, from the date said payment was to be made to the date of payment by the City until paid.

(f) The City shall pay to the official entitled to collect the same, when due, all taxes of whatever nature, if any, that may be imposed upon the Refinanced Property, the Corporation, its property, operations or income, whether by state, local or federal government, and including every governmental charge whether for services rendered or not, which the Corporation is required or may be required by law to pay with respect to the Refinanced Property.

(g) To the extent not paid from proceeds of the 2015 Junior Bonds, the City shall pay to the Corporation amounts sufficient to reimburse the Corporation for all its expenses in connection with the issuance of the 2015 Junior Bonds and this City Purchase Agreement if and when paid by the Corporation. Such amounts shall be paid from the Designated Revenues to the Corporation or its order upon receipt by the City Representative of requisitions therefor.

* * *

SECTION 3.5. *Limitation on Source of City Payments; Passenger Facility Charges.*

(a) Except to the extent the City determines to make payments from Other Available Moneys and funds committed pursuant to Section 3.5(b) of the City Purchase Agreement, all amounts to be paid by the City under any section of this City Purchase Agreement shall be payable solely from the Designated Revenues. Under no

circumstances shall amounts paid under this City Purchase Agreement from Other Available Moneys constitute a pledge of such Other Available Moneys and 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 hereby irrevocably commits PFC Revenues received during each Fiscal Year of the Commitment Period to 2015 Junior Bonds Debt Service in an amount equal to 30% of Series 2015A Junior Bonds Debt Service and 100% of Series 2015B Junior Bonds Debt Service during such Fiscal Year and covenants that it will take all action reasonably necessary to cause the collection and remittance to the City of all PFC Revenues and to apply such amounts, during the Commitment Period, as provided in Section 2.4 hereof.

(c) The City expressly reserves the right, to the extent permitted by federal law, to irrevocably commit Passenger Facility Charges received during any Fiscal Year or portion thereof to the payment of the Junior Lien Interest Requirements and/or Junior Lien Principal Requirements for one or more subsequent series of Junior Lien Obligations or Principal Requirements or Interest Requirements on Senior Lien Obligations or to expand any such commitments subsequent to issuance of such obligations. Such irrevocable commitment may be on a parity with or on a basis subordinate to, the irrevocable commitment with respect to Series 2015A Junior Bonds Debt Service and Series 2015B Junior Bonds Debt Service. Such declaration shall be made in writing by the City Representative and delivered to the trustee or paying agent as applicable for the Junior Lien Obligations or Senior Lien Obligations receiving the benefit of such irrevocable commitment on or before the beginning of the period of the irrevocable commitment.

* * *

SECTION 4.1. *Prior Lien Airport Revenue Obligations*. The City shall not incur any obligations payable from the Net Revenues except for (a) additional Senior Lien Obligations issued for the purpose of refunding other Senior Lien Obligations upon meeting the conditions specified in the Senior Lien Obligation Documents and upon meeting the conditions specified in Section 4.4 of the City Purchase Agreement, (b) additional Senior Lien Obligations issued for other than refunding purposes upon meeting the conditions specified in the Senior Lien Obligation Documents and upon meeting the conditions specified in Section 4.5 of the City Purchase Agreement and (c) Derivative Products meeting the requirements of the Airport Revenue Bond Ordinance.

The City shall not incur any obligations payable from the Designated Revenues in the future on a parity with its obligations under this City Purchase Agreement except for (i) additional Junior Lien Obligations entered into or issued for the purpose of refunding the Junior Lien Obligations or Senior Lien Obligations if upon the incurring of such Junior Lien Obligations, the conditions specified in Section 4.2 of the City Purchase Agreement are met, or (ii) additional Junior Lien Obligations entered into or issued for purposes other than refunding the other Junior Lien Obligations or Senior Lien Obligations if, upon the incurring of such Junior Lien Obligations, the conditions specified in Section 4.3 of the City Purchase Agreement are met.

Subject to the foregoing, the City reserves the right to incur additional Senior Lien Obligations and Junior Lien Obligations.

SECTION 4.2. *Additional Junior Lien Obligations for Refunding Purposes*. Any or all of the Junior Lien Obligations or Senior Lien Obligations may be refunded at 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 Junior Lien Obligations *provided, however*, that:

(a) An officer of the City shall certify that the Maximum Annual Junior Lien Debt Service becoming due and payable from the date of such determination to maturity or earlier redemption on the Junior Lien Obligations 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 Junior Lien Debt Service becoming due and payable from the date of such determination to maturity or earlier redemption on the Junior Lien Obligations 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. *Junior Lien Obligations Generally*. Additional Junior Lien Obligations may also be issued if the following conditions are satisfied:

(a) An officer of the City shall certify that either the Designated Revenues for the most recently completed Fiscal Year for which audited financial statements are available or the Designated Revenues for any 12 consecutive months out of the most recent 24 calendar months were sufficient to satisfy the rate covenant set forth in Section 4.6(b) of the City Purchase Agreement and would have been at least equal to 110% of the Maximum Annual Junior Lien Debt Service for all Junior Lien Obligations to be Outstanding, including the Junior Lien Obligations proposed to be issued; or

(b) A Consultant provides a report which projects that Designated Revenues will be sufficient to satisfy the rate covenant set forth in Section 4.6(b) City Purchase Agreement (including any Junior Lien Obligations to be issued) in each Fiscal Year after subtracting from the amount required to be paid into the Junior Lien Bond Fund from the Revenue Fund any applicable Junior Lien Passenger Facility Charge Credit, which report addresses the period of time beginning with the first full Fiscal Year following the issuance of the Junior Lien Obligations through the later of (i) three Fiscal Years following the expected date of completion (as provided to the Consultant by an officer of the City) of any construction projects to be financed at the Airport with the proceeds of the relevant Junior Lien Obligations or (ii) five Fiscal Years following the issuance of the Junior Lien Obligations.

SECTION 4.4. *Additional Senior Lien Obligations for Refunding Purposes*. Any or all of the Senior Lien Obligations or Junior Lien Obligations may be refunded at maturity, upon redemption in accordance with their terms or with the consent of the holders thereof, and, if so designated by the City, the refunding bonds so issued shall constitute Parity Bonds; *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 4.5. *Additional Senior Lien Obligations Generally*. Senior Lien Obligations may also be issued if the following conditions are satisfied:

(a) An officer of the City shall certify that either the Net Revenues for the most recently completed Fiscal Year for which audited financial statements are available or the Net Revenues for any 12 consecutive months out of the most recent 18 calendar months (i) were sufficient to satisfy the rate covenant set forth in Section 4.6(a) of the City Purchase Agreement and (ii) would have been at least equal to 120% of Maximum Annual Debt Service for all Bonds to be Outstanding, including the Parity Bonds proposed to be issued; and

(b) A Consultant provides a report which projects that Net Revenues will be sufficient to satisfy the rate covenant set forth in Section 4.6(a) (including any Parity Bonds to be issued) in each Fiscal Year after subtracting from the amount required to be paid into the Bond Fund from the Revenue Fund any applicable Passenger Facility Charge Credit, which report addresses the period of time beginning with the first full Fiscal Year following the issuance of the Parity Bonds through the later of (i) three Fiscal Years following the expected date of completion (as provided to the Consultant by an officer of the City) of any construction projects to be financed at the Airport with the proceeds of the relevant Parity Bonds or (ii) five Fiscal Years following the issuance of the Parity Bonds.

SECTION 4.6. *Rate Covenant*. (a) The City covenants that it will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (i) sufficient to produce Net Revenues at least equal to 125% of the amount required to be paid into the Bond Fund from the Revenue Fund, after subtracting Other Available Funds deposited in the Bond Fund in such Fiscal Year and after subtracting any Passenger Facility Charge Credit applicable to such Fiscal Year, provided that for purposes of this Section, the Principal Requirement and Interest Requirement for a series of Bonds to which a Derivative Product with a Qualified Counterparty applies may be determined after giving effect to the netting provisions of Section 2.13 of the Airport Revenue Bond Ordinance and exclusive of any payment which may be owed by the City upon termination prior to maturity of such Derivative Product and (ii) sufficient to produce amounts required to be deposited in the Bond Reserve Fund and any separate bond reserve fund for such Fiscal Year.

(b) The City further covenants that it will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (i) sufficient to produce Designated Revenues at least equal to 110% of the amount required to be paid into the Junior Lien Bond Fund from the Revenue Fund, net of Other Available Funds deposited in the Junior Lien Bond Fund in such Fiscal Year after subtracting any Junior Lien Passenger Facility Charge Credit applicable to such Fiscal Year, provided that for purposes of this Section, the Junior Lien Principal Requirement and Junior Lien Interest Requirement for a series of Junior Lien Obligations to which a Junior Lien Derivative Product with a Qualified Junior Lien Counterparty applies may be determined after giving effect to the netting provisions of Section 2.6 of the City Purchase Agreement and exclusive of any payment which may be owed by the City upon termination prior to maturity of such Derivative Product and (ii) sufficient to produce amounts required to be deposited in the Junior Lien Parity Reserve Fund and any separate bond reserve fund for Junior Lien Obligations for such Fiscal Year.

SECTION 4.7. *Subordinate Junior Lien Obligations.* The City reserves the right to issue or enter into obligations payable from Designated Revenues after payment of Junior Lien Obligations, which are subordinate to the City's obligation to pay the Purchase Price hereunder.

* * *

SECTION 5.1. *In General*. The City hereby makes the following covenants, in addition to those contained in the Airport Revenue Bond Ordinance (which are incorporated by reference herein) and in Article IV hereof, so long as any of the 2015 Junior Bonds remain Outstanding under the Indenture. The Corporation, or the Trustee, as their respective interests appear, shall have the right to enforce all of the covenants and agreements of the City contained in the Airport Revenue Bond Ordinance.

* * *

SECTION 5.3. *Maintenance and Utilities*. All maintenance and repair of the Refinanced Property and utilities therefor shall be the responsibility of the City. In exchange for the payment of the Purchase Price hereunder, the Corporation agrees to provide nothing more than the Refinanced Property and the discharge of amounts prepaid on City Purchase Agreement relating to the Bonds Being Refunded.

* * *

SECTION 7.1. *Events of Default*. Any one or more of the following events (herein called *"Events of Default"*) shall constitute a default hereunder:

(a) An Event of Default under Section 5.1 of the Airport Revenue Bond Ordinance; or the City shall fail to make any payment of the Purchase Price under Section 3.3(a) or (b) of the City Purchase Agreement or

(b) The City shall fail to make any payment of the Purchase Price under Section 3.3(c) or (d) of the City Purchase Agreement 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, however, under no circumstances may amounts due hereunder be accelerated. The Corporation may assign any or all of its rights and privileges under this Section to the Trustee, and upon furnishing evidence of such assignment to the City, the Trustee may, subject to Section 7.12 of the Indenture, exercise any or all of such rights or privileges as it may deem advisable.

SECTION 7.3. *Default by Corporation*. The Corporation shall in no event be in default in the performance of any of its obligations hereunder unless and until the Corporation shall have failed to perform such obligation within 30 days or such additional time as is reasonably required to correct any such default after notice by the City to the Corporation properly specifying wherein the Corporation has failed to perform any such obligation. No default by the Corporation shall relieve the City of its obligations to make the various payments herein required, so long as any of the 2015 Junior Bonds remain outstanding; however, the City may exercise any other remedy available at law or in equity to require the Corporation to remedy such default so long as such remedy does not interfere with or endanger the payments required to be made to the Trustee under the Indenture.

THE INDENTURE

The information set forth below summarizes or paraphrases certain provisions of the Indenture.

SECTION 1.3. All *2015 Bonds Not General Obligations of the Corporation*. The 2015 Junior Bonds herein authorized and the payments to be made by the Corporation thereon and into the various funds established under this Indenture are not general obligations of the Corporation but are limited obligations payable solely from payments under the City Purchase Agreement.

* * *

SECTION 5.3. *Flow of Funds*. So long as any 2015 Junior Bonds are Outstanding, in each Bond Year, payments received by the Bond Trustee shall be applied in the following manner and order of priority:

(a) *2015 Junior Lien Interest Account*. The Bond Trustee shall deposit to the 2015 Junior Lien Interest Account on or before the last Business Day of each December and June an amount equal to the amount of interest to be paid on Outstanding 2015 Junior Bonds on the next 2015 Bond Payment Date. Moneys in the 2015 Junior Lien Interest Account shall be used to pay interest on the 2015 Junior Bonds as it becomes due.

(b) *2015 Junior Lien Principal Account.* The Bond Trustee shall deposit to the 2015 Junior Lien Principal Account on or before the last Business Day of each June (in each Bond Year ending on a date on which 2015 Junior Bonds mature or are subject to mandatory redemption), an amount equal to the principal amount at maturity plus an amount equal to any mandatory sinking fund redemption requirement of Section 3.2(e) of the Indenture of 2015 Junior Bonds Outstanding which will mature or be subject to mandatory redemption on the last day of such Bond Year. Moneys in the 2015 Junior Lien Principal Account shall be used to retire 2015 Junior Bonds by payment at their scheduled maturity or their mandatory sinking fund retirement date.

(c) *2015 Junior Lien Redemption Account*. If the City makes an optional prepayment of any installment of principal which is to be applied to redeem 2015 Junior Bonds in accordance with Section 3.2(a) of the Indenture and specifying the amount and maturities of 2015 Junior Bonds to be redeemed and the optional redemption date,

the amount so paid shall be credited to the 2015 Junior Lien Redemption Account and applied promptly by the Bond Trustee, first, to cause the amounts credited to the 2015 Junior Lien Interest Account or the 2015 Junior Lien Principal Account of the 2015 Junior Bond Fund, in that order, to be not less than the amounts then required to be credited thereto, and, second, to retire 2015 Junior 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 2015 Junior 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 2015 Junior Bond could be redeemed on the date of purchase or on the next succeeding date upon which such 2015 Junior Bond is subject to redemption, plus accrued interest, to the date of purchase. Any such redemption shall be of 2015 Junior Bonds then subject to redemption at the redemption price then applicable for redemption of such 2015 Junior Bonds.

Any balance remaining in the 2015 Junior Lien Redemption Account after the purchase or redemption of 2015 Junior Bonds in accordance with the City's directions shall be transferred to the 2015 Junior Lien Interest Account.

SECTION 5.4. *Junior Lien Parity Reserve Fund and 2015B Junior Lien Bond Reserve Fund.*

(a) In accordance with Section 2.2 of the Airport Revenue Bond Ordinance and Section 2.4 of the City Purchase Agreement, the Corporation has assigned to the Bond Trustee the separate Junior Lien Parity Reserve Fund which shall be used to make payments on the Series 2015A Junior Bonds and shall not be available to make payments on any Bonds (as defined in the Airport Revenue Bond Ordinance) or other Junior Lien Obligations (except as otherwise provided in Section 2.7(d) of the City Purchase Agreement and Section 5.4(c) of the Indenture) or any of the City's obligations under the Purchase Agreement other than pursuant to Section 3.3(a), (b) and (c) thereof. In the event there is not on deposit the amounts at the times in the respective accounts described in Section 5.3(a), (b) or (c) of the Indenture, the amount of such deficiency shall be paid directly from the Junior Lien Parity Reserve Fund.

(b) The Junior Lien Parity Reserve Fund may be funded with cash, Permitted Investments or a Qualified Surety Bond meeting the requirements of Sections 2.7 and 2.8 of the City Purchase Agreement and Section 2.5 of the Airport Revenue Bond Ordinance. As described in Section 5.2 hereof, the City has caused to be deposited with the Bond Trustee cash in an amount equal to the 2015A Junior Lien Debt Service Reserve Requirement (as defined in the Purchase Agreement). In the event the City chooses to provide a Qualified Surety Bond in substitution for the initial cash deposit or 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 the required credit ratings. Any substitution of a Qualified Surety Bond for a cash deposit funded from Series 2015A Junior Bond proceeds shall be subject to receipt by the City of an opinion of nationally recognized bond counsel that such substitution will not cause interest or any of the Series 2015A Junior Bonds to become includible in gross income for federal income tax purposes. Each such Qualified Surety Bond shall be unconditional and irrevocable and shall provide such security as is described in Section 2.5 of the Airport Revenue Bond Ordinance. In the event the Junior Lien Parity Reserve Fund contains both cash or Permitted Investments and a surety bond or other financial instrument, then the cash and Permitted Investments shall be liquidated prior to drawing upon the surety bond or financial instrument. Further, replenishment of the Junior Lien Parity Reserve Fund shall be made, subject to the flow of funds established in Sections 2.4 and 2.5 of the City Purchase Agreement, first to the reinstatement of such Qualified Surety Bond and then, at the option of the City, to cash or Permitted Investments. In the event the amount on deposit in the Junior Lien Parity Reserve Fund consists of cash or Permitted Investments with a value in excess of the 2015A Junior Lien Debt Service Reserve Requirement, the Bond Trustee shall, at the direction of the City, transfer such excess to the City.

(c) At the direction of the City, upon notice to the Trustee, this Section and Sections 2.4 and 2.5 and this Section 2.7 may be amended without notice to, or consent of the owners of the Series 2015A Junior Bonds to

provide that the Junior Lien Parity Reserve Fund shall be a parity reserve fund for the benefit of one or more series of Junior Obligations. In connection with any such amendment, the 2015A Junior Lien Debt Service Reserve Requirement shall be modified only to the extent necessary to reflect on an aggregate basis the principal amount and annual debt service requirements of the Junior Obligations to be secured by the Junior Lien Parity Reserve Fund. The Bond Trustee is authorized to enter into an intercreditor agreement with the trustee for any Junior Lien Obligations to be secured by the Junior Lien Parity Reserve Fund to acknowledge the parity nature of the Junior Lien Parity Reserve Fund.

(d) In accordance with Section 2.2 of the Airport Revenue Bond Ordinance and Section 2.4 of the City Purchase Agreement, the Corporation has assigned to the Bond Trustee the separate 2015B Junior Lien Bond Reserve Fund which shall be used to make payments on the Series 2015B Junior Bonds and shall not be available to make payments on any Bonds (as defined in the Airport Revenue Bond Ordinance) or other Junior Lien Obligations other than pursuant to Section 3.3(a), (b) and (c) thereof. In the event there is not on deposit the amounts at the times in the respective accounts described in Section 5.3(a), (b) or (c) of the Indenture, the amount of such deficiency shall be paid directly from the 2015B Junior Lien Bond Reserve Fund.

(e) The 2015B Junior Lien Bond Reserve Fund may be funded with cash, Permitted Investments or a Qualified Surety Bond meeting the requirements of Sections 2.7 and 2.8 of the City Purchase Agreement and Section 2.5 of the Airport Revenue Bond Ordinance. As described in Section 5.2 hereof, the City has caused to be deposited with the Bond Trustee cash in an amount equal to the 2015B Junior Lien Debt Service Reserve Requirement (as defined in the Purchase Agreement). In the event the City chooses to provide a Qualified Surety Bond in substitution for the initial cash deposit or 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 the required credit ratings. Any substitution of a Qualified Surety Bond for a cash deposit funded from Series 2015B Junior Bond proceeds shall be subject to receipt by the City of an opinion of nationally recognized bond counsel that such substitution will not cause interest or any of the Series 2015B Junior Bonds to become includible in gross income for federal income tax purposes. Each such Qualified Surety Bond shall be unconditional and irrevocable and shall provide such security as is described in Section 2.5 of the Airport Revenue Bond Ordinance. In the event the 2015B Junior Lien Bond Reserve Fund contains both cash or Permitted Investments and a surety bond or other financial instrument, then the cash and Permitted Investments shall be liquidated prior to drawing upon the surety bond or financial instrument. Further, replenishment of the 2015B Junior Lien Bond Reserve Fund shall be made, subject to the flow of funds established in Sections 2.4 and 2.5 of the City Purchase Agreement, first to the reinstatement of such Qualified Surety Bond and then, at the option of the City, to cash or Permitted Investments. In the event the amount on deposit in the 2015B Junior Lien Bond Reserve Fund consists of cash or Permitted Investments with a value in excess of the 2015B Junior Lien Debt Service Reserve Requirement, the Bond Trustee shall, at the direction of the City, transfer such excess to the City.

* * *

SECTION 6.1. *Payment of Principal and Interest*. Subject to the limited liability and sources of payment specified herein, the Corporation covenants that it will promptly cause to be paid amounts due on the 2015 Junior Bonds at the place, on the dates and in the manner provided herein and in said 2015 Junior Bonds according to the terms thereof. The amounts due on the 2015 Junior Bonds are payable solely from moneys held or received by the Trustee hereunder or under the Purchase Agreement, all of which are hereby specifically assigned and pledged to such payment in the manner and to the extent specified herein and nothing herein or in the 2015 Junior Bonds shall be construed as assigning or pledging any other funds or assets of the Corporation.

* * *

SECTION 6.4. *Rights under Purchase Agreement*. The Corporation agrees that the Trustee in its own name or in the name of the Corporation upon notice to the Corporation may enforce all rights of the Corporation and all

obligations of the City (except with respect to the Corporation's rights to indemnity and to reimbursement or payment of expenses and fees and certain other rights that are not assigned hereunder) under the Purchase Agreement for and on behalf of the Holders, whether or not the Corporation is then in default hereunder.

* * *

SECTION 7.1. *Events of Default*. Each of the following is hereby declared an "Event of Default" under the Indenture:

(a) If payment of any installment of interest on any 2015 Junior 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 2015 Junior 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 as provided herein or in the 2015 Junior Bonds 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 2015 Junior Bonds then Outstanding;

(e) Any "*Event of Default*" under the City Purchase Agreement; or

(f) The City fails to comply with any applicable provision of the Tax Exemption Certificate with the result that interest on any of the 2015 Junior becomes includible in gross income for purposes of federal income taxes.

SECTION 7.2. *Remedies and Enforcement of Remedies*. (a) Upon the occurrence and continuance of any Event of Default and in accordance with Article VII hereof and Article VII of the Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the 2015 Junior 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 2015 Junior Bondholders hereunder and the 2015 Junior 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 this 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 Article VII of the City Purchase Agreement, subject to any limitations on such remedies set forth in Article VII.

(b) Regardless of the happening of an Event of Default and subject to Section 7.7 of the Indenture, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the 2015 Junior 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 hereof, 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 2015 Junior 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 Indenture and then only to the extent of the amount to be so redeemed and only pursuant to Article III of the Indenture, amounts due hereunder.

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 2015 Junior Bond Fund, and all amounts held by the Trustee hereunder shall be applied as follows:

First: To the payment of amounts, if any, payable pursuant to the Tax Exemption Certificate;

Second: To the payment to the Persons entitled thereto of all installments of interest (including interest on amounts unpaid when due on the 2015 Junior 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

Third: To the payment to the Persons entitled thereto of the unpaid Principal Installments or redemption price of any 2015 Junior 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 2015 Junior 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 2015 Junior 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 2015 Junior Bond until such 2015 Junior 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 2015 Junior 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 2015 Junior Bond Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the City.

SECTION 7.5. *Remedies Not Exclusive.* No remedy by the terms hereof conferred upon or reserved to the Trustee or the 2015 Junior Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

SECTION 7.6. *Remedies Vested in Trustee.* All rights of action (including the right to file proof of claims) hereunder or under any of the 2015 Junior Bonds may be enforced by the Trustee, without the possession of any of the 2015 Junior Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding may be brought without the necessity of joining as plaintiffs or defendants any Holders of the 2015 Junior Bonds. Subject to the provisions of Section 7.4 of the Indenture, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding 2015 Junior Bonds.

SECTION 7.7. *Individual 2015 Junior Bondholder Action Restricted.* (a) No Holder of any 2015 Junior 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 2015 Junior Bonds Outstanding, shall have made written request to the Trustee to proceed to exercise the powers granted herein; and

(ii) Such 2015 Junior Bondholders shall have offered the Trustee reasonable security or indemnity as provided in Section 8.2(e) of the Indenture; 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 2015 Junior Bonds then Outstanding.

(b) No one or more Holders of 2015 Junior Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all 2015 Junior Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any 2015 Junior Bond (i) to receive payment of the principal of or interest on such 2015 Junior 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 2015 Junior 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 2015 Junior Bonds.

SECTION 7.8. *Termination of Proceedings*. In case any proceeding taken on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the 2015 Junior Bondholders, then the Corporation, the Trustee and the 2015 Junior Bondholders shall be restored to their former positions and rights hereunder, and all rights and powers of the Trustee and the 2015 Junior Bondholders shall continue as if no such proceeding had been taken.

* * *

SECTION 9.1. *Supplements not Requiring Consent of 2015 Junior 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 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 herein 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 2015 Junior Bonds;

(d) To comply with the requirements of any state or federal securities laws or the Trust 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 pursuant to the terms of Section 8.6 and Section 8.11 of the Indenture;

(f) To permit 2015 Junior Bonds in bearer form if, in the opinion of Bond Counsel received by the Corporation and the Trustee, such action will not cause the interest on any 2015 Junior Bonds to become includible in gross income for purposes of federal income taxes;

(g) To preserve the exclusion of the interest on the 2015 Junior 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 2015 Junior Bonds authorized hereby) the interest on which is likewise exempt from federal and State income taxes;

(h) To adopt procedures for the disclosure of information to 2015 Junior 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 the Indenture by agreement of the Trustee, the Corporation and the City; and

(i) To provide for the Junior Lien Parity Reserve Fund to be a parity reserve fund for the benefit of one or more series of Junior Lien Obligations as set forth in Section 5.4(c) of the Indenture.

* * *

SECTION 9.3. *Execution and Effect of Supplements.* (a) In executing any Supplement, the Trustee and Corporation shall be entitled to receive and to rely upon an opinion of counsel stating that the execution of such Supplement is authorized or permitted hereby. The Trustee may but shall not be obligated to enter into any such Supplement which affects the Trustee's own rights, duties or immunities.

(b) Any Supplement under this Article which adversely affects the rights of the City shall not become effective unless and until the City shall have consented in writing to the execution and delivery of such Supplement. In this regard the Trustee shall cause notice of the proposed execution and delivery of any such Supplement together with a copy of the proposed Supplement to be delivered to the City at least ten days prior to the date of its proposed execution and delivery in the case of a Supplement referred to in Section 9.1 of the Indenture and at least ten days prior to the date of mailing of the notice of the proposed execution and delivery in the case of a Supplement referred to in Section 9.2.

(c) Upon the execution and delivery of any Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of a 2015 Junior Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(d) Any 2015 Junior Bond authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the Corporation or the Trustee shall, bear a notation in form approved by the Corporation and Trustee as to any matter provided for in such Supplement. If the Corporation shall so determine, upon advice of Bond Counsel, new 2015 Junior Bonds so modified as to conform in the opinion of the Trustee and the Corporation to any such Supplement may be executed by the Corporation and authenticated and delivered by the Trustee in exchange for and upon surrender of 2015 Junior Bonds then Outstanding.

SECTION 9.4. *Amendments to City Purchase Agreement Not Requiring Consent of 2015 Junior 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; (iii) to provide for the Junior Lien Parity Reserve Fund to be a parity reserve fund for the benefit of one or more series of Junior Lien Obligation as set forth in Section 2.7(d) thereof; (iv) to preserve the exclusion of the interest on the 2015 Junior 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 2015 Junior Bonds authorized hereby) the interest on which is likewise exempt from federal and State income taxes and (v) 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 Refinanced Property Exhibit A to the City Purchase Agreement at any time without notice to or consent of the Trustee or the Holders.

SECTION 9.5. *Amendments to Purchase Agreement Requiring Consent of 2015 Junior Bondholders.* (a) Except for amendments, changes or modification to the Purchase Agreement referred to in Section 9.4 of the Indenture and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Trustee may consent to and join with the City in the execution and delivery of any amendment, change or modification to the Purchase Agreement only upon the consent of not less than a majority in principal amount of 2015 Junior Bonds then Outstanding, given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the City to make payments under the Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all 2015 Junior Bonds then Outstanding.

(b) If at any time the Corporation and the City shall request the consent of the Trustee to any such amendment, change or modification to the Purchase Agreement the Trustee shall, upon being satisfactorily indemnified by the City with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the same manner as provided in Section 9.2 of the Indenture with respect to Supplements hereto. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the office of the Trustee for inspection by all 2015 Junior Bondholders.

(c) If the consent to and approval of the execution of such amendment, change or modification is given by the Holders of not less than the aggregate principal amount or number of 2015 Junior Bonds specified in subsection (a) within the time and in the manner provided by Section 9.2 of the Indenture with respect to Supplements hereto, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Holders as provided in Sections 9.2 and 9.3 of the Indenture with respect to Supplements hereto.

* * *

SECTION 10.1. *Discharge.* If payment of all principal of, premium, if any, and interest on all of the 2015 Junior Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article, and if all other sums, if any, payable by the Corporation hereunder shall be paid, then the liens, estates and security interests granted hereby 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 hereof 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 2015 Junior 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 2013 Bonds previously authenticated and delivered which the Corporation or the City may have acquired in any manner whatsoever and such 2015 Junior Bonds upon such surrender and cancellation shall be deemed to be paid and retired.

SECTION 10.2. *Providing for Payment of 2015 Junior Bonds.* Payment of all or any part of the 2015 Junior Bonds in authorized denominations may be provided for by the deposit with the Trustee or a qualified institution under Article VII of the Airport Revenue Bond Ordinance as agent for the Trustee (the "*Depository Trustee*") of moneys or Qualified Permitted Investments which are not redeemable in advance of their maturity dates, or which are redeemable in advance of their maturity dates only at the option of the Holder thereof, or both. The moneys and the maturing principal and interest income on such Qualified Permitted Investments, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants acceptable to the Trustee, to pay when due the principal or redemption price of and interest on such 2015 Junior Bonds. The moneys and Defeasance Obligations shall be held by the Trustee irrevocably in trust for the Holders of such 2015 Junior Bonds solely for the purpose of paying the principal, or redemption price of and interest on such 2015 Junior Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee and the Depository Trustee as to the dates upon which any such 2015 Junior Bonds are to be redeemed prior to their respective maturities.

If payment of 2015 Junior Bonds is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to each Holder of a 2015 Junior Bond so provided for 2015 Junior Bonds, the payment of which has been provided for in accordance with this Section, shall no longer be deemed Outstanding hereunder or secured hereby. The obligation of the Corporation in respect of such 2015 Junior Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys or Qualified Permitted Investments deposited with the Trustee or the Depository Trustee to provide for the payment of such 2015 Junior Bonds.

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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 Junior Lien Airport Revenue Bonds, Series 2015A in the amount of $ (the *"Series 2015A Junior Bonds"*) and Junior Lien Airport Revenue Refunding Bonds, Series 2015B in the amount of $ (the *"Series 2015B Junior Bonds"* and together with the Series 2015A Junior Bonds, the *"2015 Junior Bonds"*) in fully registered form, dated the date of initial authentication and delivery thereof. The Bonds are being issued to refund certain obligations (the *"Notes Being Refunded"* and the *"Bonds Being Refunded,"* respectively) previously issued to finance improvements to the airport facilities of the City of Phoenix, Arizona (the *"City"*).

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 2015 Junior 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 2015 Junior Bonds are being issued pursuant to a Bond Indenture, dated as of December 1, 2015* (the *"Indenture"*) between the Corporation and U.S. Bank National Association, as trustee (the *"Trustee"*). The 2015 Junior Bonds are payable solely, as to both principal and interest, from payments made by the City under the Junior Lien City Purchase Agreement, dated as of December 1, 2015* (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 2015 Junior 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 2015 Junior Bonds constitute special obligations of the Corporation, and the principal of and interest and any premium on the 2015 Junior 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 pledge of Designated Revenues (as defined in the City Purchase Agreement) received from the City's airport facilities. Debt service on the 2015 Junior Bonds is further secured by an irrevocable commitment of PFC Revenues (as defined in the City Purchase Agreement) received in each fiscal year in amount equal to 30% debt service on the Series 2015A Junior Bonds and 100% of the debt service on the Series 2015B Junior Bonds due in each fiscal year on or before July 1, 2021. 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 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

* Subject to change.

and held by the Trustee. The 2015 Junior Bonds and the payment of debt service are not secured by an obligation or pledge of any moneys raised by taxation; the 2015 Junior 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 2015 Junior Bonds in order that interest on the 2015 Junior Bonds be excludible from gross income for federal income tax purposes. The failure of the City and the Corporation to meet these requirements may cause interest on the 2015 Junior Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City and the Corporation have covenanted to take the actions required by the Code in order to maintain the excludibility from gross income for federal income tax purposes of interest on the 2015 Junior 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 2015 Junior 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 2015 Junior Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the 2015 Junior Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2015 Junior Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the 2015 Junior 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 2015 Junior Bonds in order that interest on the 2015 Junior Bonds not be included in gross income for federal tax purposes.

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 Notes Being Refunded, the Bonds Being Refunded and the 2015 Junior Bonds, respectively, 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 2015 Junior 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 2015 Junior Bonds could cause interest on the 2015 Junior Bonds to be included in gross income for federal and State income tax purposes retroactively to the date of issuance of the 2015 Junior Bonds. We have also relied upon the parity test certificate and certain other calculations of LeighFisher Inc. as to the ratio of Designated Revenues to Maximum Annual Junior Lien Debt Service for the period identified therein (as such terms are defined in the City Purchase Agreement) and the amount of debt service on the Series 2015A Junior Bonds eligible to be paid from PFC Revenues.

The rights of the owners of the 2015 Junior Bonds and the enforceability of those rights under the 2015 Junior 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 (the *"Undertaking"*), dated December , 2015, is executed and delivered by the City of Phoenix, Arizona (the *"City"*), in connection with the issuance of $ City of Phoenix Civic Improvement Corporation Junior Lien Airport Revenue Bonds, Series 2015A (the *"Series 2015A Junior Bonds"*) and $ City of Phoenix Civic Improvement Junior Lien Airport Revenue Bonds, Series 2015B (the *"Series 2015B Junior Bonds"* and together with the Series 2015A Junior Bonds, the *"2015 Junior Bonds"*). The 2015 Junior Bonds are being issued pursuant to Bond Trust Indenture, dated as of December 1, 2015 (the *"Indenture"*), by and 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 below, for the benefit of the beneficial owners of the 2015 Junior 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 2015 Junior Bonds at the time the 2015 Junior 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 2015 Junior 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 Junior Lien City Purchase Agreement dated as of December 1, 2015, and by and 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 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.

Listed Event means the occurrence of material events set forth in *Exhibit II*, provided that with respect to any Event qualified by the phrase "if material," materiality 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 Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the 2015 Junior 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 2015 Junior Bonds are as follows:

Series 2015A Junior Bonds

Maturity Date	CUSIP No.	Coupon	Maturity Date	CUSIP No.	Coupon

Series 2015B Junior Bonds

Maturity Date	CUSIP No.	Coupon	Maturity Date	CUSIP No.	Coupon

The Official Statement relating to the 2015 Junior Bonds is dated November , 2015 (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 (in the form and by the dates set forth in *Exhibit I*) to the MSRB through EMMA in an electronic format. 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 Undertaking, 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 2015 Junior Bonds or defeasance of any 2015 Junior Bonds need not be given under this Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the holders of the 2015 Junior Bonds 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 to the MSRB through EMMA, of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the Beneficial Owner of any 2015 Junior 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 holders of the 2015 Junior Bonds 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 Undertaking, 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 2015 Junior Bonds, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the holders of the 2015 Junior Bonds pursuant to 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 the 2015 Junior 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 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 Listed Events Disclosure, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or Listed Events Disclosure 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 2015 Junior 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 Undertaking 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
Acting Chief Financial Officer

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means financial information and operating data of the type contained in the Final Official Statement under the following tables or captions:

(1) Table 3 — "City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds Outstanding";

(2) Table 4 — "City of Phoenix Civic Improvement Corporation Junior Lien Airport Revenue Bonds Outstanding";

(3) Table 5 — "City of Phoenix, Aviation Department Enterprise Fund Comparative Schedule of Revenues, Expenditures, Historical Debt Service Coverage and Changes in Fund Balances" (most recently completed Fiscal Year);

(4) Table 6 — "Airlines Reporting Enplaned Passengers and Air Cargo" (most recently completed Fiscal Year);

(5) Table 7 — "Total Enplaned Passengers by Airline" (most recently completed Fiscal Year);

(6) "Aviation Capital Improvement Program" (most recent capital improvement program as of the most recently completed Fiscal Year, but excluding Table 9;

(7) Table 10 — "Historical Average Cost Per Enplanement" (most recently completed Fiscal Year);

(8) Table 11 — "Historical PFC Collections" (most recently completed Fiscal Year); and

(9) Table 12 — "PFC Approvals and Revenues".

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 by February 1 of each year, commencing February 1, 2016. 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. Audited Financial Statements will be provided to the MSRB through EMMA within 30 days after availability to the City.

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 2015 Junior Bonds, or other material events affecting the tax status of the 2015 Junior Bonds
7. Modifications to the rights of Bondholders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the 2015 Junior 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

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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.

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