NEW ISSUES — BOOK-ENTRY-ONLY

RATINGS: Moody's: Aa3
Standard & Poor's: AA–

OFFICIAL STATEMENT DATED MAY 29, 2008

In the opinion of Bond Counsel, assuming compliance with certain tax covenants, interest on the 2008 Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, except for interest on any Series 2008B Improvement Bonds and Series 2008D Refunding Bonds (collectively, "Series 2008B&D Bonds") for any period during which such Series 2008B&D Bond is owned by a person who is a substantial user of the AMT Property (as defined herein) or any person considered to be related to such person (within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended). Interest on the Series 2008A Improvement Bonds and Series 2008C Refunding Bonds (collectively, "Series 2008A&C Bonds") is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2008B&D Bonds will be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that assuming interest is so excludable for federal income tax purposes, the interest on the 2008 Bonds is exempt from income taxation under the laws of the State of Arizona. See "TAX EXEMPTION," "ORIGINAL ISSUE DISCOUNT" and "BOND PREMIUM" herein.

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

$206,840,000	$43,160,000	$109,850,000	$68,520,000
Senior Lien Airport Revenue Bonds, Series 2008A (Non-AMT)	Senior Lien Airport Revenue Bonds, Series 2008B (AMT)	Senior Lien Airport Revenue Refunding Bonds, Series 2008C (Non-AMT)	Senior Lien Airport Revenue Refunding Bonds, Series 2008D (AMT)

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

Principal of and premium, if any, on the Senior Lien Airport Revenue Bonds, Series 2008A (the *"Series 2008A Improvement Bonds"*), the Senior Lien Airport Revenue Bonds, Series 2008B (the *"Series 2008B Improvement Bonds"* and, together with the Series 2008A Improvement Bonds, the *"Series 2008A&B Bonds"*), the Senior Lien Airport Revenue Refunding Bonds, Series 2008C (the *"Series 2008C Refunding Bonds"*) and the Senior Lien Airport Revenue Refunding Bonds, Series 2008D (the *"Series 2008D Refunding Bonds"* and, together with the Series 2008C Refunding Bonds, the *"Series 2008C&D 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,"* "*Paying Agent"* and "*Authenticating Agent"*). The Series 2008A&B Bonds and the Series 2008C&D Bonds (collectively, the *"2008 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 2008 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 2008 Bonds will be made to the ultimate purchasers thereof and all payments of principal of and premium, if any, and interest on the 2008 Bonds will be made to such purchasers through DTC. Interest on the 2008 Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2009, by the Trustee. The 2008 Bonds are being issued pursuant to a Bond Indenture, dated as of June 1, 2008, between the City of Phoenix Civic Improvement Corporation (the *"Corporation"*) and the Trustee.

The 2008 Bonds are subject to redemption prior to maturity as described herein.

The 2008 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 City Purchase Agreement, dated as of June 1, 2008 (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 Net Airport Revenues (as defined herein) to be derived from operation of the City's Airport, as described herein. The pledge of Net Airport Revenues to pay amounts due under the City Purchase Agreement and other Senior Lien Obligations (as defined herein) of the City represents a first lien pledge of such amounts. See "SECURITY AND SOURCE OF PAYMENT" herein.

This cover page contains only a brief description of the 2008 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 2008 Bonds or of investment risks involved with the purchase of the 2008 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 2008 Bonds are offered when, as and if issued and received by the Underwriters, and subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed upon for the Underwriters by Squire, Sanders & Dempsey L.L.P., Counsel to the Underwriters. It is expected that the 2008 Bonds will be available for delivery in book-entry-only form through the facilities of DTC on or about June 18, 2008.

Lehman Brothers

Banc of America Securities LLC **Citi**

Piper Jaffray **Siebert Brandford Shank & Co., LLC** **UBS Securities LLC**

Estrada Hinojosa & Company, Inc. **Peacock, Hislop, Staley & Given Inc.**

MATURITY SCHEDULES

$206,840,000
Senior Lien Airport Revenue Bonds, Series 2008A (Non-AMT)

Maturity July 1	Principal Amount	Interest Rate	Yield	Maturity July 1	Principal Amount	Interest Rate	Yield
2020	$6,775,000	5.000%	4.450%*	2025	$8,645,000	5.000%	4.770%*
2021	7,110,000	5.000	4.540*	2026	9,080,000	5.000	4.810*
2022	7,470,000	5.000	4.610*	2027	9,530,000	5.000	4.850*
2023	7,840,000	5.000	4.680*	2028	1,225,000	4.800	4.890
2024	8,235,000	5.000	4.730*	2028	8,785,000	5.000	4.890*

$58,050,000 5.000% Term Bonds Due July 1, 2033, Yield 5.020%
$74,095,000 5.000% Term Bonds Due July 1, 2038, Yield 5.070%

$43,160,000
Senior Lien Airport Revenue Bonds, Series 2008B (AMT)

Maturity July 1	Principal Amount	Interest Rate	Yield	Maturity July 1	Principal Amount	Interest Rate	Yield
2012	$4,505,000	5.000%	4.150%	2016	$5,490,000	5.250%	4.580%
2013	4,730,000	5.000	4.240	2017	5,775,000	5.250	4.660
2014	4,965,000	5.000	4.350	2018	6,080,000	5.250	4.760
2015	5,215,000	5.250	4.460	2019	6,400,000	5.250	4.870*

$109,850,000
Senior Lien Airport Revenue Refunding Bonds, Series 2008C (Non-AMT)

Maturity July 1	Principal Amount	Interest Rate	Yield	Maturity July 1	Principal Amount	Interest Rate	Yield
2009	$9,205,000	4.000%	2.540%	2016	$2,060,000	4.000%	3.980%
2010	4,045,000	3.000	2.730	2016	5,555,000	5.000	3.980
2010	1,615,000	5.000	2.730	2017	7,970,000	5.000	4.110
2011	5,860,000	3.250	3.120	2018	8,370,000	4.250	4.230
2012	6,055,000	5.000	3.390	2019	8,720,000	4.250	4.350
2013	1,410,000	3.500	3.550	2020	300,000	4.375	4.450
2013	5,660,000	5.000	3.550	2020	8,795,000	5.000	4.450*
2014	2,295,000	4.000	3.700	2021	9,550,000	5.000	4.540*
2014	5,110,000	5.000	3.700	2022	5,710,000	4.500	4.610
2015	7,250,000	5.000	3.840	2022	4,315,000	5.000	4.610*

$68,520,000
Senior Lien Airport Revenue Refunding Bonds, Series 2008D (AMT)

Maturity July 1	Principal Amount	Interest Rate	Yield	Maturity July 1	Principal Amount	Interest Rate	Yield
2009	$7,430,000	4.000%	3.250%	2015	$3,590,000	5.250%	4.460%
2010	8,780,000	5.000	3.600	2016	3,815,000	5.250	4.580
2011	9,170,000	5.250	3.970	2017	4,050,000	5.250	4.660
2012	9,580,000	5.500	4.150	2018	4,310,000	5.250	4.760
2013	4,005,000	5.500	4.240	2019	4,610,000	5.250	4.870*
2014	4,160,000	5.500	4.350	2020	5,020,000	5.000	4.970*

* Yield to July 1, 2018, the first optional redemption date.

CITY OF PHOENIX, ARIZONA

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

Wallace Estfan
President and Director

Harvey Saari
Vice President and Director

James H. Lundy
Secretary-Treasurer and Director

Barbara Barone
Director

Michael R. Davis
Director

CITY OF PHOENIX, ARIZONA
CITY COUNCIL

Phil Gordon, *Mayor*

Peggy Neely, *Vice Mayor*
District 2

Maria Baier, *Member*
District 3

Michael Johnson, *Member*
District 8

Claude Mattox, *Member*
District 5

Michael Nowakowski, *Member*
District 7

Tom Simplot, *Member*
District 4

Greg Stanton, *Member*
District 6

Thelda Williams, *Member*
District 1

ADMINISTRATIVE OFFICIALS

Frank A. Fairbanks
City Manager

Alton Washington
Assistant City Manager

David Krietor
Deputy City Manager

Bob Wingenroth
Finance Director

Danny Murphy
Aviation Director

Gary Verburg
City Attorney

Mario Paniagua
City Clerk

SPECIAL SERVICES

GREENBERG TRAURIG, LLP
Phoenix, Arizona
Bond Counsel

PUBLIC RESOURCES ADVISORY GROUP
New York, New York
Financial Advisor

JACOBS CONSULTANCY INC.
Burlingame, California
Airport Consultant

GRANT THORNTON LLP
Minneapolis, Minnesota
Escrow Verification Agent

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

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This Official Statement does not constitute an offering of any security other than the original offering of the 2008 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 2008 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."

Upon issuance, the 2008 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 2008 Bonds for sale.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2008 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.

TABLE OF CONTENTS

OFFICIAL STATEMENT
relating to
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

$206,840,000 Senior Lien Airport Revenue Bonds, Series 2008A (Non-AMT)	**$43,160,000 Senior Lien Airport Revenue Bonds, Series 2008B (AMT)**	**$109,850,000 Senior Lien Airport Revenue Refunding Bonds, Series 2008C (Non-AMT)**	**$68,520,000 Senior Lien Airport Revenue Refunding Bonds, Series 2008D (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 Corporation, the City and the captioned 2008 Bonds. The offering of the 2008 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 2008 Bonds. Accordingly, prospective 2008 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 in this Official Statement to "airport revenue bonds" or "Airport Revenue Bonds," unless the context otherwise requires, shall include both airport revenue bonds issued by the City and any other obligations secured by Net Airport Revenues (as defined herein), including the obligation of the City to make payments under the City Purchase Agreement (herein, the "Purchase Payments"). References in this Official Statement to "Senior Lien Obligations" unless the context otherwise requires, shall include both airport revenue bonds issued by the City and any other obligations secured by a first lien pledge of Net Airport Revenues, including the obligation of the City to make the Purchase Payments.

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 June 1, 2008 (the *"Indenture"*) between the Corporation and the Trustee, pursuant to which the 2008 Bonds are being issued, see "APPENDIX H — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

THE AIRPORT

The City owns and operates three airports: Phoenix Sky Harbor International Airport *("Sky Harbor")*, 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 area, was established in 1935. In fiscal year 2006-07, Sky Harbor served 20,763,000 enplaned passengers. Service at Sky Harbor is provided by AeroMéxico, Air Canada, AirTran, Alaska, American, Atlantic Southeast (dba Delta Connection), British Airways, Casino Express, Continental, Delta, ExpressJet (dba Continental Express), Frontier, Great Lakes, Hawaiian, JetBlue Airways, Mesa (dba US Airways Express), Midwest, Northwest, Skywest (dba Delta Connection and United Express), Southwest, Sun

Country, United, US Airways and WestJet. Sky Harbor served commercial, general aviation and military aircraft with 544,296 operations in fiscal year 2006-07.

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 585,435 general aviation operations in 2006-07. 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 Airport Revenue Bonds. Airport Revenue Bonds can be issued for improvements at Phoenix-Deer Valley Airport and Phoenix-Goodyear Airport. The net revenues of these two airports along with the net revenues of Sky Harbor are the Net Airport Revenues pledged for the payment of principal and interest on the Airport Revenue Bonds.

In fiscal year 2006-07, the City entered into an intergovernmental agreement with the City of Mesa, the Town of Queen Creek, the Town of Gilbert and the Gila River Indian Community and became a voting member of the Williams Gateway Airport Authority, which owns and operates Phoenix-Mesa Gateway Airport. The net revenues of Phoenix-Mesa Gateway Airport are not included in the definition of Net Airport Revenues and cannot be pledged for the payment of principal and interest on the Airport Revenue Bonds.

The City has engaged the firm of Jacobs Consultancy Inc. to prepare a traffic and earnings report in connection with the issuance of the 2008 Bonds. The report of Jacobs Consultancy Inc. is included as "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT."

PLAN OF FINANCE

Airport Improvements

Projects. The net proceeds of the Series 2008A&B Bonds will be deposited to the Construction Fund established under the Airport Revenue Bond Ordinance and used to pay costs of various improvements at the Airport.

Construction Fund. Earnings on Construction Fund investments will be held in the Construction Fund and used to pay project costs. Upon completion of the projects and payment of all project costs, any funds remaining in the Construction Fund shall be transferred to the Interest Account or Principal Account of the 2008 Bond Fund as directed by the City and used to pay debt service on 2008 Bonds. For a discussion of the Bond Fund, see "SECURITY AND SOURCES OF PAYMENT — FLOW OF FUNDS — General."

Moneys held in the Construction Fund are not pledged as security for the 2008 Bonds or any other Senior Lien Obligations.

For a more complete description of the Construction Fund, see "APPENDIX H — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE CITY PURCHASE AGREEMENT," and "— THE AIRPORT REVENUE BOND ORDINANCE."

Plan of Refunding

The net proceeds of the Series 2008C&D Bonds, together with certain other legally available funds, will be deposited in the respective debt service funds established with, and held irrevocably in trust by, the respective entities serving as bond registrar, paying agent or bond trustee, as applicable, with respect to the bonds described below (collectively, the *"Bonds Being Refunded"*). The amounts so deposited will be verified to be sufficient, without regard to interest earned on such funds, to pay when due, the maturing or 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 2008 Bonds. Such verification will be based upon information supplied to Grant Thornton LLP by the Underwriters.

Issue Date	Maturity Date	Principal Amount Outstanding	Principal Amount Refunded	Coupon	Expected Call Date	Call Premium as a Percentage of Principal
Non-AMT						
Series 1994 (Senior Excise Tax)						
05/01/94	7-1-2009	$ 4,250,000	$ 4,250,000	6.10%	07/01/08	0.0%
05/01/94	7-1-2010	415,000	415,000(1)	6.30	07/01/08	0.0
05/01/94	7-1-2011	445,000	445,000(1)	6.30	07/01/08	0.0
05/01/94	7-1-2012	470,000	470,000(1)	6.30	07/01/08	0.0
05/01/94	7-1-2013	500,000	500,000(1)	6.30	07/01/08	0.0
05/01/94	7-1-2014	535,000	535,000(1)	6.30	07/01/08	0.0
Series 1994B (Airport Revenue)						
05/01/94	7-1-2010	1,505,000	1,505,000	6.20	07/01/08	0.0
05/01/94	7-1-2011	360,000	360,000	6.25	07/01/08	0.0
05/01/94	7-1-2012	385,000	385,000	6.25	07/01/08	0.0
Series 1998A (Airport Revenue)						
08/01/98	7-1-2009	4,835,000	4,835,000	5.25	07/01/08	1.0
08/01/98	7-1-2010	3,585,000	3,585,000	5.25	07/01/08	1.0
08/01/98	7-1-2011	5,010,000	5,010,000	5.25	07/01/08	1.0
08/01/98	7-1-2012	5,270,000	5,270,000	5.25	07/01/08	1.0
08/01/98	7-1-2013	6,630,000	6,630,000	5.25	07/01/08	1.0
08/01/98	7-1-2014	6,975,000	6,975,000	5.25	07/01/08	1.0
08/01/98	7-1-2015	7,345,000	7,345,000	5.25	07/01/08	1.0
08/01/98	7-1-2016	7,730,000	7,730,000	5.00	07/01/08	1.0
08/01/98	7-1-2017	8,115,000	8,115,000	5.00	07/01/08	1.0
08/01/98	7-1-2018	8,520,000	8,520,000	5.00	07/01/08	1.0
08/01/98	7-1-2019	8,945,000	8,945,000(2)	5.00	07/01/08	1.0
08/01/98	7-1-2020	9,395,000	9,395,000(2)	5.00	07/01/08	1.0
08/01/98	7-1-2021	9,865,000	9,865,000(2)	5.00	07/01/08	1.0
08/01/98	7-1-2022	10,355,000	10,355,000(2)	5.00	07/01/08	1.0
AMT						
Series 1994C (Airport Revenue)						
05/01/94	7-1-2009	1,580,000	1,580,000	6.25	07/01/08	0.0
05/01/94	7-1-2010	1,680,000	1,680,000	6.30	07/01/08	0.0
05/01/94	7-1-2011	1,785,000	1,785,000	6.40	07/01/08	0.0
05/01/94	7-1-2012	1,900,000	1,900,000	6.40	07/01/08	0.0

(1) Represents sinking fund installment of term bond maturing July 1, 2014.

(2) Represents sinking fund installment of term bond maturing July 1, 2025.

Issue Date	Maturity Date	Principal Amount Outstanding	Principal Amount Refunded	Coupon	Expected Call Date	Call Premium as a Percentage of Principal
AMT (continued)						
Series 1994D (Airport Revenue)						
05/01/94	7-1-2009	$3,385,000	$3,385,000	6.25%	07/01/08	0.0%
05/01/94	7-1-2010	3,595,000	3,595,000	6.30	07/01/08	0.0
05/01/94	7-1-2011	3,825,000	3,825,000	6.40	07/01/08	0.0
05/01/94	7-1-2012	4,070,000	4,070,000	6.40	07/01/08	0.0
Series 1995 (Subordinated Excise Tax VRDOs)						
05/25/95	6-1-2010	1,000,000	1,000,000(3)	Variable	07/01/08	0.0
05/25/95	6-1-2011	1,000,000	1,000,000(3)	Variable	07/01/08	0.0
05/25/95	6-1-2012	1,000,000	1,000,000(3)	Variable	07/01/08	0.0
05/25/95	6-1-2013	1,000,000	1,000,000(3)	Variable	07/01/08	0.0
05/25/95	6-1-2014	1,000,000	1,000,000(3)	Variable	07/01/08	0.0
05/25/95	6-1-2015	3,725,000	3,725,000(3)	Variable	07/01/08	0.0
05/25/95	6-1-2016	3,950,000	3,950,000(3)	Variable	07/01/08	0.0
05/25/95	6-1-2017	4,190,000	4,190,000(3)	Variable	07/01/08	0.0
05/25/95	6-1-2018	4,440,000	4,440,000(3)	Variable	07/01/08	0.0
05/25/95	6-1-2019	4,705,000	4,705,000(3)	Variable	07/01/08	0.0
05/25/95	6-1-2020	4,990,000	4,990,000(3)	Variable	07/01/08	0.0
Series 1998 (Senior Excise Tax)						
02/01/98	7-1-2009	2,560,000	2,560,000	5.25	07/01/08	1.0
02/01/98	7-1-2010	2,695,000	2,695,000	4.70	07/01/08	1.0
02/01/98	7-1-2011	2,825,000	2,825,000	4.75	07/01/08	1.0
02/01/98	7-1-2012	2,955,000	2,955,000	4.75	07/01/08	1.0
02/01/98	7-1-2013	3,100,000	3,100,000	4.90	07/01/08	1.0
02/01/98	7-1-2014	3,245,000	3,245,000	5.00	07/01/08	1.0

(3) Represents sinking fund installment of term bond maturing June 1, 2020.

Sources and Application of Funds

	Senior Lien Airport Revenue Bonds, Series 2008A (Non-AMT)	Senior Lien Airport Revenue Bonds, Series 2008B (AMT)	Senior Lien Airport Revenue Refunding Bonds, Series 2008C (Non-AMT)	Senior Lien Airport Revenue Refunding Bonds, Series 2008D (AMT)
Sources:				
Par Amount of the Bonds	$206,840,000.00	$43,160,000.00	$109,850,000.00	$68,520,000.00
Original Issue Premium	669,942.15	1,638,321.75	3,559,211.50	2,412,006.20
City Contributions	—	—	2,683,873.75	691,878.75
Total	$207,509,942.15	$44,798,321.75	$116,093,085.25	$71,623,884.95
Applications:				
Construction Fund for Airport Improvements	$158,096,214.10	$22,132,880.65	$ —	$ —
Reimbursement for Prior Airport Improvement Expenditures	33,265,066.00	19,335,000.00	—	—
Trust Accounts for Bonds Being Refunded	—	—	115,149,623.75	71,065,678.75
Deposit to Debt Service Reserve Fund(1)	14,160,928.29	2,954,871.71	—	—
Cost of Issuance	641,563.62	138,504.08	355,247.89	220,870.61
Underwriters' Discount	1,346,170.14	237,065.31	588,213.61	337,335.59
Total	$207,509,942.15	$44,798,321.75	$116,093,085.25	$71,623,884.95

(1) Does not include City contribution of $13,670,832.55 to the 2008 Bond Reserve Fund from other lawfully available funds related to the Airport.

THE 2008 BONDS

Authorization and Purpose

The Series 2008A&B Bonds are being issued by the Corporation under the terms of the Indenture to provide funds for the financing of various improvements at the Airport and the Series 2008C&D Bonds are being issued to provide funds, together with certain other legally available funds, for the refunding of the Bonds Being Refunded as described under the caption "PLAN OF FINANCE — Plan of Refunding." The Purchase Payments pursuant to the City Purchase Agreement are scheduled to be sufficient to make payments on the 2008 Bonds and certain other expenses. The City has made a first lien pledge of its Net Airport Revenues to secure amounts due under the City Purchase Agreement. The City Purchase Agreement and the City's obligations thereunder constitute Parity Bonds under the Airport Revenue Bond Ordinance on a parity with other outstanding Senior Lien Obligations. See "SECURITY AND SOURCE OF PAYMENT."

General Description

The 2008 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 2008 BONDS, AS NOMINEE OF THE DEPOSITORY TRUST COMPANY ("*DTC*"), REFERENCES HEREIN TO THE OWNERS OF THE 2008 BONDS (OTHER THAN UNDER THE CAPTION "TAX EXEMPTION") WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2008 BONDS. PRINCIPAL, AND INTEREST PAYMENTS ON THE 2008 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 2008 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 January 1, 2009. The 2008 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 2008 Bonds will be delivered in fully registered form in amounts of $5,000 each or any whole multiple thereof (but no 2008 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 interest at maturity or redemption on each 2008 Bond will be payable upon presentation and surrender of such 2008 Bond at the designated corporate trust office of the Registrar. Interest on each 2008 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 2008 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 also provides that, with the approval of the Corporation, the Trustee may enter into an agreement with any Owner of $1,000,000 or more in aggregate principal amount of 2008 Bonds, as applicable, providing for making all payments to that Owner of principal of and interest on those 2008 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 2008 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 2008 Bonds may be made by wire transfer to any Owner of $1,000,000 aggregate principal of 2008 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 2008 Bonds has been supplied by DTC. None of the Corporation, the City, the Trustee 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 issues, 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 Standard & Poor's highest rating: AAA. 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 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2008 Bond *("Beneficial Owner")* is in turn to be recorded on the Direct Participants' and Indirect 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 2008 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 2008 Bonds, except in the event that use of the book-entry system for the 2008 Bonds is discontinued.

To facilitate subsequent transfers, all 2008 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 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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.

Redemption notices shall be sent to DTC. If less than all of the 2008 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 maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2008 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 City 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 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the 2008 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 2008 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, 2008 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, 2008 Bond certificates will be printed and delivered to DTC.

THE CORPORATION WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2008 BONDS UNDER THE INDENTURE; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2008 BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE 2008 BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2008 BONDS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the 2008 Bonds, as nominee for DTC, references herein to "Owner" or registered owners of the 2008 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2008 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Corporation or the Trustee to DTC only.

Redemption Provisions

Optional Redemption. The Series 2008 Bonds maturing on and before July 1, 2018 are not subject to optional redemption prior to maturity. The Series 2008 Bonds maturing on and after July 1, 2019 are subject to redemption at the option of the Corporation, as directed by the City, on July 1, 2018 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, and by lot within a maturity, by payment of the principal amount thereof, plus interest accrued to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2008A Improvement Bonds maturing on July 1, 2033 and July 1, 2038 (the *"Term Bonds"*) are subject to mandatory redemption and will be redeemed on July 1 of the respective years set forth below (the *"Sinking Fund Retirement Dates"*) and in the amounts set forth below (the *"Sinking Fund Requirements"*), by payment of a redemption price equal to the principal amount of such Term Bonds called for redemption plus the interest accrued to the applicable Sinking Fund Retirement Date, but without premium, as follows:

Series 2008A Improvement Bonds Maturing July 1, 2033

Sinking Fund Retirement Date	Sinking Fund Requirement
2029	$10,505,000
2030	11,030,000
2031	11,585,000
2032	12,160,000
2033*	12,770,000

* Maturity

Series 2008A Improvement Bonds Maturing July 1, 2038

Sinking Fund Retirement Date	Sinking Fund Requirement
2034	$13,410,000
2035	14,080,000
2036	14,785,000
2037	15,520,000
2038*	16,300,000

* Maturity

At the option of the Corporation, as directed by the City, whenever Term Bonds are purchased, redeemed (other than pursuant to the foregoing scheduled Sinking Fund Requirement) or delivered by the City or the Corporation to the Paying Agent for cancellation, the principal amount of such Term Bonds so retired will satisfy and be credited against the Sinking Fund Requirement (and the corresponding redemption requirements) relating to such Term Bonds of the same maturity as the Term Bond so purchased, redeemed or delivered in such manner as the City determines; *provided, however,* that following such reduction each Sinking Fund Requirement is an integral multiple of $5,000. Such option must be exercised on or before the 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 2008 Bonds to be redeemed notice of the redemption of such 2008 Bonds. Such notice will specify (a) that the whole or part of the 2008 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 2008 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 (a) the Trustee has on deposit sufficient funds to effect such redemption or (b) the redemption notice states that redemption is contingent upon receipt of such funds 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 2008 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 2008 Bonds with respect to which there is no such defect.

Notice having been given in the manner provided above, the 2008 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 2008 Bonds and portions thereof called for redemption is held by the Trustee or any paying agent on the redemption date, then the 2008 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 Net Airport Revenues

The 2008 Bonds are special revenue obligations of the Corporation payable solely from the Purchase Payments. Under the terms of the City Purchase Agreement, the City is to make Purchase Payments to the Trustee under the Indenture in amounts sufficient to pay when due, the principal of and interest on the 2008 Bonds, the fees of the Trustee and all other expenses enumerated in the City Purchase Agreement.

Net Airport Revenues. The Purchase Payments are secured by a first lien pledge of Net Airport Revenues. The term Net Airport Revenues is defined in the Airport Revenue Bond Ordinance to mean Airport Revenues, after provision for payment of the Cost of Maintenance and Operation. 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. Included within the definition of Airport Revenues are, 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 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, 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 Revenue 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 complete definitions of Airport Revenues and Cost of Maintenance and Operation see "APPENDIX H — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — CERTAIN DEFINITIONS."

The City Purchase Agreement and the City's obligations to make Purchase Payments thereunder constitute additional Parity Bonds under the Airport Revenue Bond Ordinance and such obligation is on a parity with the Senior Lien Obligations described under "OUTSTANDING SENIOR LIEN OBLIGATIONS" below.

Certain Covenants. Covenants and agreements of the City contained in the Airport Revenue Bond Ordinance have been incorporated by reference into the City Purchase Agreement and are applicable to the 2008 Bonds. Each of the Trustee and the Corporation, as its respective interests appear, has the right to enforce such 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")*. The City also may choose to irrevocably commit for one or more fiscal years any or all Passenger Facility Charges to the payment of the Senior Lien Obligations. Any use, pledge or irrevocable commitment of Passenger Facility Charges to pay a portion of the 2008 Bonds is subject to the approval of the Federal Aviation Administration (the "*FAA*"). For a discussion of certain financial covenants which the City has entered into with respect to the Airport, see "RATE COVENANT; AIRPORT RATES AND CHARGES," "ADDITIONAL SENIOR LIEN OBLIGATIONS," and "APPENDIX H — 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, 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 otherwise provided for.

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 2008 Bonds. The 2008 Bonds are special revenue obligations of the Corporation secured only by the Purchase Payments, which are to be paid from a first lien pledge of the Net Airport Revenues.

Rate Covenant; Airport Rates and Charges

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 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, including the 2008 Bond 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 Interest Requirements and/or Principal Requirements 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). See "APPENDIX H — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE AIRPORT REVENUE BOND ORDINANCE — Section 4.3 Rate Covenant" and "— THE CITY PURCHASE AGREEMENT."

Airport Rates and Charges. In 1981, the Mayor and Council of the City formally adopted a compensatory rate-setting policy, which requires City management to (1) charge aviation users on the basis of the cost to provide, maintain and operate the Airport and (2) limit the costs recovered from aviation users to an amount not to exceed its proportional use of the Airport. Under this 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 and middle 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 landing fees and rates for airline space within its terminal 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 month-to-month Letters of Authorization (the *"LOA"*) for airline space within its terminal facilities. Such LOA can be terminated by either party upon 30-days' notice and provide the City with the flexibility to maximize the use of its terminal facilities.

For a more detailed discussion of Airport Rates and Charges see "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT" — Page A-101.

Flow of Funds

General. The application of Airport Revenues is governed by the Airport Revenue Bond Ordinance and the City Purchase Agreement. Those documents provide that so long as any Senior 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. All moneys in the Revenue Fund shall 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 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, including the City Purchase Agreement, and (ii) into the Interest Account amounts equal to one-sixth of the next succeeding interest requirement, on all Senior Lien Obligations, including the City Purchase Agreement. Moneys in the Bond Fund shall be transferred by the City to the respective paying agents for Senior Lien Obligations, including the Trustee for the 2008 Bonds, at least one business day before each debt service payment is required to be made on the Senior Lien Obligations. Moneys transferred to the Trustee for payment of debt service on the 2008 Bonds are Purchase Payments and shall be deposited by the Trustee in the 2008 Bond Fund as described below under the heading "*2008 Bond Fund.*"

(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 "2008 BOND RESERVE FUND" for a discussion of the 2008 Bond Reserve Fund.

(d) From time to time to the Airport Improvement Fund such funds as the City shall determine. 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 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. 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, 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.

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

2008 Bond Fund. Pursuant to the Indenture, the Trustee will create the 2008 Bond Fund which will contain the 2008 Principal Account, the 2008 Interest Account and the 2008 Redemption Account. So long as any 2008 Bonds are outstanding, the Trustee will deposit the Purchase Payments transferred to it by the City from the Interest Account and Principal Account of the Bond Fund into the 2008 Interest Account and the 2008 Principal Account, respectively. The portion of the Purchase Payments deposited into the 2008 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 2008 Bonds and the portion of the Purchase Payments deposited in the 2008 Interest Account will be used by the Trustee to pay the next succeeding interest payment on the 2008 Bonds.

If all required deposits to the debt service funds for all Senior Lien Obligations have been made and the City makes an optional prepayment of its Purchase Payments to be used to purchase or redeem 2008 Bonds, such optional prepayment shall be deposited in the 2008 Redemption Account and promptly applied by the Trustee, to retire 2008 Bonds by purchase, redemption or both in accordance with the City's direction. Any balance remaining in the 2008 Redemption Account after the purchase or redemption of the 2008 Bonds in accordance with the City's direction shall be transferred to the 2008 Interest Account.

For a more complete description of the 2008 Bond Fund and the use thereof see "APPENDIX H — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE INDENTURE."

2008 Bond Reserve Fund

Pursuant to the Airport Revenue Bond Ordinance and the City Purchase Agreement, the City will establish with the Trustee, as assignee of the Corporation under the Indenture, a separate 2008 Bond Reserve Fund which shall be available to make payments on the 2008 Bonds and shall not be available to make payments on any other Senior Lien Obligations. The 2008 Bond Reserve Fund is required to be maintained in an amount equal to the lesser of Maximum Annual Debt Service for the 2008 Bonds or the highest amount permitted under the Code in order to be a reasonably required reserve fund (the *"2008 Debt Service Reserve Requirement"*). The 2008 Bond Reserve Fund may be funded with cash, Permitted Investments or a surety bond or other similar financial instrument meeting the requirements of the Airport Revenue Bond Ordinance. For a description of these requirements, see "APPENDIX H — SUMMARY OF CERTAIN PROVISION OF LEGAL DOCUMENTS — THE AIRPORT REVENUE BOND ORDINANCE." Initially, the 2008 Debt Service Reserve Requirement will be $30,786,632.55 and will be funded with cash deposits including bond proceeds as described under the caption "PLAN OF FINANCE — Sources and Application of Funds."

Additional Senior Lien Obligations

General. The Airport Revenue Bond Ordinance and the City Purchase Agreement provide 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 during such period, 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, as described below. Additionally, Senior Lien Obligations may be issued for refunding purposes without compliance with any of the foregoing financial tests if certain other conditions are met. See "RATE COVENANT; AIRPORT RATES AND CHARGES" and "APPENDIX H — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — THE AIRPORT REVENUE BOND ORDINANCE."

As a precondition to the delivery of the 2008 Bonds, the City will receive a certificate of an officer of the City responsive to condition (1) above in the preceding paragraph and a Consultant's report from Jacobs Consultancy responsive to condition (2) above in the preceding paragraph. See "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT."

Outstanding Senior Lien Obligations

As of April 1, 2008 there are $28,745,000 principal amount of the City's Airport Revenue Bonds outstanding as shown on the table below which are on a parity with the City's obligations under the City Purchase Agreement.

City of Phoenix, Arizona
Senior Lien Airport Revenue Bonds Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding as of 4-1-08
5/1/94	$63,990,000	Airport Revenue Refunding	07-01-95/12	5.97%	$10,685,000(1)
5/1/94	31,500,000	Airport Revenue	07-01-03/12	6.44	18,060,000(1)
Total Senior Lien Airport Revenue Bonds Outstanding					$28,745,000

(1) Represents bonds, a portion of which will be refunded by a portion of the Series 2008 C&D Bonds offered herein, see "PLAN OF FINANCE — Plan of Refunding".

As of April 1, 2008, there are $396,070,000 principal amount of the Corporation's Senior Lien Airport Revenue Bonds outstanding as shown on the table below, which are on a parity with the City's obligations under the City Purchase Agreement.

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 4-1-08
08/01/98	$150,000,000	Airport Improvements	07-01-06/25	5.14%	$141,455,000(1)
05/01/02	23,225,000	Airport Improvements Refunding	07-01-08/13	5.54	23,225,000
05/01/02	231,390,000	Airport Improvements	07-01-14/32	5.32	231,390,000
Total Senior Lien Airport Revenue Bonds of the Corporation Outstanding					$396,070,000

(1) Represents bonds, a portion of which will be refunded by a portion of the Series 2008 C&D Bonds offered herein, see "PLAN OF FINANCE — Plan of Refunding".

Junior Lien Obligations

There are currently no Junior Lien Obligations outstanding. The City has reserved the right to issue such obligations in the future under terms and conditions to be established at the time of such issuance.

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. See “FLOW OF FUNDS — General — Subparagraph (d).” As of April 1, 2008 there are $17,360,000 principal amount of airport general obligation bonds outstanding and $61,360,000 principal amount of airport excise tax revenue bonds outstanding (including Bonds Being Refunded). For a description of the Bonds Being Refunded, see “PLAN OF FINANCE — Plan of Refunding”.

SCHEDULE OF PAYMENTS
UNDER THE CITY PURCHASE AGREEMENT

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 2008 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 December 31, 2008 and ending June 30, 2038. The Indenture requires that the Trustee deposit the Purchase Payments received from the City from Net Airport Revenues under the caption "SECURITY AND SOURCES OF PAYMENT — General — Subparagraph (b)" in the 2008 Bond Fund and use such amounts to pay the principal of and interest on the 2008 Bonds due on the following day. Set forth below is a schedule of the annual Purchase Payments with respect to the 2008 Bonds:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	$ 16,635,000	$ 21,839,085	$ 38,474,085
2010	14,440,000	20,412,538	34,852,538
2011	15,030,000	19,771,438	34,801,438
2012	20,140,000	19,099,563	39,239,563
2013	15,805,000	18,044,663	33,849,663
2014	16,530,000	17,255,537	33,785,537
2015	16,055,000	16,431,187	32,486,187
2016	16,920,000	15,606,425	32,526,425
2017	17,795,000	14,757,762	32,552,762
2018	18,760,000	13,843,450	32,603,450
2019	19,730,000	12,942,250	32,672,250
2020	20,890,000	11,993,625	32,883,625
2021	16,660,000	10,951,000	27,611,000
2022	17,495,000	10,118,000	27,613,000
2023	7,840,000	9,271,800	17,111,800
2024	8,235,000	8,879,800	17,114,800
2025	8,645,000	8,468,050	17,113,050
2026	9,080,000	8,035,800	17,115,800
2027	9,530,000	7,581,800	17,111,800
2028	10,010,000	7,105,300	17,115,300
2029	10,505,000	6,607,250	17,112,250
2030	11,030,000	6,082,000	17,112,000
2031	11,585,000	5,530,500	17,115,500
2032	12,160,000	4,951,250	17,111,250
2033	12,770,000	4,343,250	17,113,250
2034	13,410,000	3,704,750	17,114,750
2035	14,080,000	3,034,250	17,114,250
2036	14,785,000	2,330,250	17,115,250
2037	15,520,000	1,591,000	17,111,000
2038	16,300,000	815,000	17,115,000
Total	$428,370,000	$311,398,573	$739,768,573

SCHEDULE OF FORECASTED NET AIRPORT REVENUES, DEBT SERVICE REQUIREMENTS, AND COVERAGE OF AIRPORT REVENUE BONDS OUTSTANDING

Fiscal Year	Forecasted Net Airport Revenues Available for Debt Service(1)	Outstanding Senior Lien Airport Revenue Bonds Debt Service	2008 Bonds Debt Service	Total Senior Lien Airport Revenue Bonds Debt Service	Coverage of Total Senior Lien Airport Revenue Bonds Debt Service by Forecasted Net Airport Revenues
2008	$ 92,445,000	$ 32,077,595	$ —	$ 32,077,595	2.88
2009	106,800,000	17,489,963	38,474,085	55,964,048	1.91
2010	111,421,000	19,735,462	34,852,538	54,588,000	2.04
2011	138,786,000	20,011,262	34,801,438	54,812,700	2.53
2012	144,940,000	20,293,462	39,239,563	59,533,025	2.43
2013	152,363,000	20,575,137	33,849,663	54,424,800	2.80
2014		21,324,388	33,785,537	55,109,925	
2015		21,325,388	32,486,187	53,811,575	
2016		21,327,525	32,526,425	53,853,950	
2017		21,324,363	32,552,762	53,877,125	
2018		21,324,750	32,603,450	53,928,200	
2019		21,326,962	32,672,250	53,999,212	
2020		21,324,275	32,883,625	54,207,900	
2021		21,328,012	27,611,000	48,939,012	
2022		21,325,725	27,613,000	48,938,725	
2023		32,199,300	17,111,800	49,311,100	
2024		32,203,412	17,114,800	49,318,212	
2025		32,202,725	17,113,050	49,315,775	
2026		19,614,413	17,115,800	36,730,213	
2027		19,614,637	17,111,800	36,726,437	
2028		19,612,063	17,115,300	36,727,363	
2029		19,609,850	17,112,250	36,722,100	
2030		19,610,900	17,112,000	36,722,900	
2031		19,612,850	17,115,500	36,728,350	
2032		19,613,338	17,111,250	36,724,588	
2033		—	17,113,250	17,113,250	
2034		—	17,114,750	17,114,750	
2035		—	17,114,250	17,114,250	
2036		—	17,115,250	17,115,250	
2037		—	17,111,000	17,111,000	
2038		—	17,115,000	17,115,000	
		$556,007,757	$739,768,573	$1,295,776,330	

(1) Forecasted Net Airport Revenues available for debt service in Fiscal Years 2008 through 2013 was prepared by Jacobs Consultancy Inc., Airport Consultant. See Exhibit H of "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT", for a breakdown of forecasted Airport Revenues, Cost of Maintenance and Operation and Net Airport Revenues.

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant (the *"Report"*) prepared by Jacobs Consultancy Inc. is included herein as Appendix A. The Report presents certain enplaned passenger and financial forecasts for Fiscal Years 2008 through 2013 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.

FY2008-13 AVIATION CAPITAL IMPROVEMENT PROGRAM

The FY2008-13 Aviation Capital Improvement Program (the "*Aviation CIP*") is presented as Exhibit A-1 in "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT." The Aviation CIP provides for $1,470,614,000 in capital improvements for the Airport. The Aviation CIP is funded from $277,797,000 in airport operating funds, $134,445,000 in pay-as-you-go Passenger Facility Charges, $315,230,000 in bonds and bond anticipation notes, $602,109,000 in Passenger Facility Charge bonds, $135,518,000 in capital and federal grants, and $5,516,000 in pay-as-you-go customer facility charges.

The Aviation CIP contains major expenditures for the Automated Train ($640,275,000), Land Acquisition ($279,831,000), Security ($93,547,000), Development Studies ($94,360,000), Runway and Taxiway Improvements ($90,990,000), and Terminal Improvements ($83,603,000). Also included in the Aviation CIP are modest amounts for general aviation related projects, roadways, parking and general airport infrastructure.

HISTORICAL AND FORECASTED REVENUES, EXPENDITURES AND FUND BALANCES

The schedule on page 17 under the caption "CITY OF PHOENIX AVIATION DEPARTMENT ENTERPRISE FUND COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE LAST THREE YEARS" presents historical results on a non-GAAP budgetary basis. This schedule varies from the City's Comprehensive Annual Financial Report (CAFR). In general, variances stem from treatment of unbudgeted transfers to or from the Aviation fund.

As shown in the schedule, from FY2005-07 airport revenues increased by approximately $65 million and O&M expenses increased by approximately $45 million. Revenue and expense growth are due to the construction and expansion of several facilities at Sky Harbor, including adding a seventh concourse to Terminal 4, building an additional parking garage in the East Economy Lot, and opening a consolidated rental car facility. Associated with the new facilities and with general passenger growth at Sky Harbor were an additional 59 staff and various contractual services, including a contract for a dedicated bus route between the terminals and the rental car facility at Sky Harbor.

The schedule on page 18 under the caption "CITY OF PHOENIX AVIATION DEPARTMENT ENTERPRISE FUND FORECASTED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FY2008-13" presents a six-year forecast prepared by Jacobs Consultancy Inc.

CITY OF PHOENIX AVIATION DEPARTMENT ENTERPRISE FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE LAST THREE YEARS(1)
(non-GAAP)
(In Expense Priority Established by the Airport Bond Ordinance)
(For the 12 months ended June 30; in thousands)

	2004-05	2005-06	2006-07
Revenues			
Operating Revenues			
Landing Area	$ 32,335	$ 34,011	$ 36,380
Terminal Area	89,615	93,019	97,005
Parking and Car Rentals	84,736	105,205	123,455
Other Revenues	15,941	17,352	18,157
Total Operating Revenues	222,627	249,587	274,997
Transportation O&M Expense Reimbursements	—	5,700	11,300
Interest	6,645	5,748	8,848
Total Revenues	229,272	261,035	295,145
Cost of Maintenance and Operation			
Personal Services	71,546	78,358	90,440
Contractual Services	60,505	74,991	80,670
Supplies	9,731	9,128	13,648
Equipment/Minor Improvements	2,361	3,159	4,247
Total Cost of Maintenance and Operation	144,144	165,636	189,006
Net Airport Revenue Available for Debt Service	85,128	95,399	106,139
Total Airport Revenue Bond Debt Service	33,297	31,958	31,955
Revenue Bond Debt Service Coverage	2.56	2.99	3.32
Revenues Available After Revenue Bond Debt Service	51,831	63,441	74,184
Net Airport Improvement Fund Expenditures			
Expenditures:			
Lease-Purchase Payments	8,996	9,013	9,310
Capital Improvements	16,472	33,575	47,853
General Obligation Bonds Debt Service	4,669	4,752	4,694
Central Services Staff and Administration	5,233	6,121	6,248
Total Airport Improvement Fund Expenditures	35,370	53,461	68,105
Deposits:			
Recovery of Prior Years Expenditures	2,747	2,133	13
Total Net Airport Improvement Fund Expenditures	32,623	51,328	68,092
Total Net Uses of Financial Resources	210,064	248,922	289,053
Net Increase (Decrease) in Fund Balance	19,208	12,113	6,092
Fund Balance, July 1	206,031	225,239	237,352
Fund Balance, June 30	$225,239	$237,352	$243,444

(1) Figures may not add to totals shown because of rounding.

Source: City of Phoenix Aviation Department.

CITY OF PHOENIX AVIATION DEPARTMENT ENTERPRISE FUND
FORECASTED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FY2008-13(1)
(non-GAAP)
(In Expense Priority Established by the Airport Bond Ordinance)
(For the 12 months ending June 30; in thousands)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Revenues						
Operating Revenues						
Landing Area	$ 35,296	$ 38,983	$ 41,250	$ 44,309	$ 47,638	$ 51,255
Terminal Area	105,506	109,597	116,242	123,130	130,619	138,654
Parking and Car Rentals	123,370	133,279	136,419	161,467	166,058	170,885
Other Revenues	18,668	19,238	19,845	20,484	21,151	21,842
Total Operating Revenues	282,839	301,097	313,756	349,390	365,467	382,636
Transportation O&M Expense Reimbursements	11,786	12,581	12,758	13,396	14,066	14,769
Interest	4,000	4,833	7,203	9,412	10,490	12,295
Total Revenues	298,626	318,511	333,717	372,198	390,022	409,700
Cost of Maintenance and Operation						
Personal Services	95,762	94,287	99,001	103,951	109,149	114,606
Contractual Services	93,805	102,206	107,316	112,682	118,316	124,232
Supplies	12,663	13,363	14,031	14,733	15,469	16,243
Equipment/Minor Improvements	3,951	1,856	1,949	2,046	2,148	2,256
Total Cost of Maintenance and Operation	206,181	211,711	222,297	233,411	245,082	257,336
Net Airport Revenue Available for Debt Service	92,445	106,800	111,421	138,786	144,940	152,363
Airport Revenue Bond Debt Service						
Existing	32,078	17,490	19,735	20,011	20,293	20,575
2008 A&B	—	13,024	12,570	12,570	17,075	17,075
2008 C&D(2)	—	25,450	22,283	22,231	22,165	16,775
Future	—	—	—	12,010	12,009	12,010
Total Airport Revenue Bond Debt Service	32,078	55,964	54,588	66,822	71,542	66,435
Revenue Bond Debt Service Coverage	2.88	1.91	2.04	2.08	2.03	2.29
Revenues Available After Revenue Bond Debt Service	60,367	50,836	56,833	71,964	73,398	85,928
Net Airport Improvement Fund Expenditures						
Expenditures:						
Lease-Purchase Payments(2)	8,667	311	311	645	—	—
Capital Improvements	38,500	53,126	45,149	50,147	67,319	23,556
General Obligation Bonds Debt Service	4,550	1,948	1,343	1,314	1,315	1,105
Commercial Paper Interest	366	5,909	—	—	—	—
Central Services Staff and Administration	6,388	6,452	6,581	6,713	6,847	6,984
Total Airport Improvement Fund Expenditures	58,471	67,746	53,384	58,819	75,481	31,646
Total Net Uses of Financial Resources	296,730	335,421	330,269	359,052	392,105	355,417
Net Increase (Decrease) in Fund Balance	1,896	(16,910)	3,448	13,146	(2,083)	54,283
Fund Balance, July 1	243,444	245,340	228,430	231,878	245,024	242,941
Fund Balance, June 30	$245,340	$228,430	$231,878	$245,024	$242,941	$297,224

(1) Schedule has been updated to reflect actual debt service on the 2008 Bonds, but does not include debt service on the Bonds Being Refunded and therefore, will not match the Report of the Airport Consultant.

(2) Includes debt service payments on excise tax bonds historically paid from Net Airport Revenues.

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

Source: City of Phoenix Aviation Department.

CERTAIN BONDHOLDERS' RISKS

Investment in the 2008 Bonds involves risk. The City's ability to obtain Net Airport Revenues from the operation of the Airport to pay the 2008 Bonds 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 2008 Bonds; however, prospective purchasers of the 2008 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 SARS, costs of compliance with new security regulations and requirements, threat of possible future terrorist attacks and increases in the requirements for and the cost of debt capital, have reduced profits and caused significant losses for all but a few air carriers.

Aviation Security Requirements and Related Costs. The terrorist attacks of September 11, 2001, severely affected the air transportation industry. As a result of the events of September 11, 2001, the FAA instituted numerous safety and security measures for all U.S. airports including the Airport and imposed a temporary suspension of commercial and general aviation air travel in the United States that adversely affected the air transportation system. The cost for and the provision 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, the Airport experienced increased operating costs due to compliance with security and operating requirements. The Aviation and Transportation Security Act requires that TSA-approved explosive detection systems ("EDS") be deployed at all U.S. airports to screen all checked baggage. EDS equipment and the facility modifications necessary to accommodate the equipment purchased were paid for by the federal government and installed at the Airport. The Airport is currently in compliance with all federally mandated security requirements.

International Conflict and the Threat of Terrorism. The conflicts in Iraq and Afghanistan and the threat of terrorism have had a negative effect on air travel. Uncertainty associated with war and the increased threats of future terrorist attacks, both domestically and internationally, may continue to have an adverse impact on air travel in the foreseeable future. The City cannot predict the likelihood of future extraordinary events, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines if such incidents or disruptions do occur.

Cost of Aviation Fuel. According to the Air Transportation Association, fuel had become the largest cost component of airline operations by late 2007, surpassing labor costs which had been the largest cost component, and continues to be an important and variable determinant of an air carrier's operating economics. Aviation fuel prices tend to fluctuate with crude oil prices. The median price of crude oil in the 10-year period from 1992 through 2001 was $19.90 per barrel. The average price of crude oil started increasing sharply in 2003, reaching an average of $66.02 per barrel in 2006, and reaching beyond $100 per barrel in 2008.

The significant and prolonged high levels of aviation fuel costs have had, and are likely to continue to have, an adverse impact on the air transportation industry by increasing airline operating costs, increasing fares, hampering airline recovery plans and reducing airline profitability.

Activity Level 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 will have an adverse impact, directly or indirectly on Net Airport Revenues or Airport operations. In some cases, that impact may be material.

The operating revenues from the landing and facility fees of US Airways and Southwest Airlines are especially important to the Airport. For the fiscal year ended June 30, 2007, US Airways and Southwest Airlines represented approximately 46.5% and 30.1%, respectively, of the total enplaned passengers at Sky Harbor. No other airline represented over 5% of Sky Harbor's enplaned passengers. No assurance can be given that US Airways will continue its hubbing operations at Sky Harbor or that Southwest will continue to allocate a significant portion of its system capacity to Sky Harbor. In the event US Airways discontinues or reduces its hubbing operations at Sky Harbor or Southwest 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 US Airways or Southwest could have a material adverse effect on the Airport.

In May 2008, there were reports that US Airways and United were engaged in merger discussions. More recent reports have indicated that such discussions have since ended. The City cannot predict what impact, if any, such a merger, or any other merger involving US Airways, would have on Airport operations or enplanements.

For additional information regarding airlines generally, including US Airways and Southwest Airlines, see "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT."

Bankruptcy and Financial Considerations

Since September 11, 2001, substantially all domestic airlines were downgraded by the rating agencies, and a number of them declared Chapter 11 bankruptcy, including United, US Airways, Delta, Northwest, ATA and Air Canada. Many airlines implemented service reductions and layoffs of employees in response to a reduction in passenger demand. By early 2007, all major airlines that had filed for Chapter 11 bankruptcy protection had emerged from bankruptcy. In early April 2008, ATA, Aloha, and Skybus had all ceased operations and sought bankruptcy protection; Champion Air had announced plans to cease operations at the end of May 2008; and Frontier filed for bankruptcy court protection, but is continuing to operate. Also in April 2008, Delta and Northwest stated that they intend to merge operations under the Delta flag. However, such merger is subject to regulatory and other approvals.

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. However, the City cannot make any assurance regarding how a bankruptcy court will interpret the LOA.

Passenger Facility Charges. Passenger Facility Charges are specifically excluded from the definition of Net Airport Revenues pledged for the payment of the 2008 Bonds. However, Passenger Facility Charge collections are important in the overall funding of the Airport capital improvement program ("CIP"). Pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508), the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) and the 2003 FAA Reauthorization Act (P.L. 108-176) (collectively, the "PFC Laws"), the FAA has approved the Airport's applications to require airlines to collect and remit to the Airport a $4.50 Passenger Facility Charge for each eligible enplaning revenue passengers at the Airport. 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.

Competition, Travel Alternatives and Other Issues

Sky Harbor has no significant competition in the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area. For a broader discussion of other airports in Arizona, including development of air service at Phoenix-Mesa Gateway Airport, see "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT", page A-17.

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. Events such as the terrorist attacks of September 11, 2001, may have accelerated this trend. While the effects cannot be quantified, it is possible that business travel to and from the Airport may be susceptible to such travel substitutes.

Cost of Capital Improvement Program

The Airport intends to carry out the Aviation CIP as outlined in "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT." The ability of the Airport to complete the Aviation CIP may be adversely affected by various factors including: (1) missed estimating assumptions, (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 majuere events, (8) contractor defaults, (9) labor disputes, (10) unanticipated levels of 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, thereby making the Airport less economically competitive.

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 2008 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 Net Airport 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 2008 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 Net Airport 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 Net Airport 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, City Purchase Agreement and the Indenture provide limited remedies for Owners if defaults occur and 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 can not 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 Net Airport Revenues sufficient to pay the 2008 Bonds may be adversely affected by future federal, state or local legislation that affects the Airport directly, or activities at the Airport. Legislation that could adversely affect the Net Airport 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 2008 Bonds includable in a bondholder's gross income for federal income tax purposes, and the Arizona Legislature could enact legislation subjecting 2008 Bond interest to State personal income taxation.

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.

Net Airport Revenues May be Required to Cover Failure by a Surety Bond Provider on Another Series of Senior Lien Obligations

The Airport Revenue Bond Ordinance provides that the Debt Service Reserve Requirement for a series of Senior Lien Obligations may be funded with either cash or a surety bond or similar financial instrument provided by a financial institution with a credit rating in one of the two top rating agencies of a nationally recognized rating service at the time of deposit (the "Rating Requirement"). Financial Security Assurance Inc. provided a reserve fund surety bond for the Corporation's Senior Lien Airport Revenue Bonds, Series 1998A and Series 1998B. Financial Guaranty Insurance Company ("FGIC") provided a reserve fund surety bond for the Corporation's Senior Lien Airport Revenue Refunding Bonds, Series 2002A and Senior Lien Airport Revenue Bonds, Series 2002B. FGIC has been downgraded by Fitch, by Moody's Investors Service ("Moody's") and by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies Inc. ("S&P"). The City is not obligated to provide a replacement surety or cash fund a Senior Lien Obligation Bond Reserve Fund in the event a surety provider which met the Rating Requirement at the time of issuance of its surety bond has been downgraded below the Rating Requirement. While the respective Senior Lien Obligation Reserve Funds secure only the series of Senior Lien Obligations to which they relate and the 2008 Bond Reserve Fund will be funded initially with cash including bond proceeds, a failure by a surety bond provider to honor its surety may require the application of Net Airport Revenues to cover such failure that would otherwise have been available to pay debt service on the 2008 Bonds once the 2008 Bond Reserve Fund is depleted. See "RATINGS" herein for additional information concerning ratings by Moody's and S&P, their significance and contact information for recent ratings on the respective surety providers.

AIRLINE INFORMATION

The major and national airlines serving the Airport 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 in the Public Reference Room of the Commission at 450 Fifth St., N.W., Washington, D.C. 20549, and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and 233 Broadway, New York, N.Y. 10279; and copies of such reports and statements can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates or from the Commission's EDGAR database on the internet at http://www.sec.gov. In addition, each airline is required to file periodic reports of financial and operating statistics with the Department of Transportation. Such reports of financial operating statistics can be obtained from the Office of Airline Statistics, Research and Special Programs Administration, Department of Transportation, Room 4201, 400 7th Street, S.W., Washington D.C. 20590. 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 or the Underwriters make any representation with respect to, and assumes no responsibility for, the accuracy or completeness of, any information filed or provided by the airlines.

THE CITY

The City is a municipal corporation organized and existing under the laws of the State of Arizona. The City will purchase the planned improvements to the Airport from the Corporation pursuant to the City Purchase Agreement. Detailed information on the City and the Airport is set forth in Appendices A through G.

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 financing of the improvements to the Airport described above. The Corporation is not financially liable for the payment of the principal of or interest on the 2008 Bonds and the Owners will have no right to look to the Corporation for payment of the 2008 Bonds except to the extent of the payments received from the City under the City Purchase Agreement.

LITIGATION

The City is 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 or seeks to restrain or enjoin the City from entering into the City Purchase Agreement, approving the issuance and delivery of the 2008 Bonds or collecting and applying the Net Revenues to the payment of the 2008 Bonds or (ii) contested or questioned the validity of the 2008 Bonds or the proceedings and authority under which the 2008 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 respective times of delivery of the 2008 Bonds.

On January 13, 2006, the Federal Aviation Administration notified the City it "disposed of" property purchased with FAA funds for noise compatibility purposes when the City entered into certain commercial ground leases. The FAA claims that since the City purchased the property with noise compatibility grants, the FAA is entitled to its share of the lease proceeds. The City and the FAA have entered into negotiations regarding how to characterize these leases under

Federal law. The City intends to pursue all avenues to establish that the City is not liable to reimburse the FAA. In the opinion of City Management, this claim will not have a materially adverse affect on the City's ability to pay principal of or interest on the Series 2008 Bonds.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the *"Code"*), includes requirements which the City and the Corporation must continue to meet with respect to the 2008 Bonds after the issuance thereof in order that interest on the 2008 Bonds not be included in gross income for federal income tax purposes. The City and the Corporation's failure to meet these requirements may cause interest on the 2008 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 exclusion from federal gross income of interest on the 2008 Bonds.

In the opinion of Bond Counsel, rendered with respect to the 2008 Bonds on the date of issuance of the 2008 Bonds, assuming continuing compliance by the City and the Corporation with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the 2008 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2008B&D Bond for any period during which such Series 2008B&D Bond is owned by a person who is a substantial user of the property financed or refinanced with proceeds of the Series 2008B&D Bonds (the *"AMT Property"*) or any person considered to be related to such person (within the meaning of Section 147(a) of the Code). Interest on the Series 2008B&D Bonds will be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2008A&C 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 Series 2008A&C Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion upon the date of issuance of the 2008 Bonds that assuming interest is excludable 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 2008 Bonds. Prospective purchasers of the 2008 Bonds should be aware that the ownership of the 2008 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 2008 Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a 2008 Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15 percent of certain items, including the interest on the 2008 Bonds; (iii) the inclusion of interest on the 2008 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 2008 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 2008 Bonds by recipients of certain Social Security and Railroad Retirement benefits.

ORIGINAL ISSUE DISCOUNT

The initial offering price of certain of the 2008 Bonds (referred to in this section as the *"Discount Bonds"*), is less than the principal amount payable at maturity. Under the Code, the difference between the principal amount of the Discount Bonds and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of the Discount Bonds of the same maturity was sold, is original issue discount. Original issue discount represents interest which is excluded from gross income; however, such interest is taken into account for purposes of determining the alternative minimum tax imposed on corporations and may result in the collateral federal tax consequences described above under "TAX EXEMPTION." Original issue discount will accrue actuarially over the term of a Discount Bond at a constant interest rate. A purchaser who acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof as set forth on the inside front cover page of this Official Statement will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bond and will increase its adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining a taxable gain or loss on the sale or other disposition of such Discount Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Prospective purchasers of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

BOND PREMIUM

The difference between the principal amount of certain of the 2008 Bonds (referred to in this section as the *"Premium Bonds"*), and the initial offering price to the public (excluding Bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

LEGAL MATTERS

Legal matters incident to the issuance of the 2008 Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX EXEMPTION") 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 2008 Bonds, will be delivered to the Underwriters. Certain legal matters will be passed upon for the Underwriters by Squire, Sanders & Dempsey L.L.P., as Counsel to the Underwriters.

The text of the proposed legal opinion is set forth as Appendix I. 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 ("Moody's") has assigned a rating of "Aa3" to the 2008 Bonds. Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, Inc. ("S&P") has assigned a rating of "AA–" to the 2008 Bonds. No application was made to any other rating service for the purpose of obtaining ratings on the 2008 Bonds. The City furnished these rating agencies with certain information and materials with respect to the 2008 Bonds. The ratings 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 2008 Bonds.

UNDERWRITING

The 2008 Bonds are being purchased for reoffering by Lehman Brothers Inc. and the other underwriters shown on the cover (the *"Underwriters"*). The Underwriters have agreed to purchase the 2008 Bonds, subject to certain conditions, at an aggregate purchase price of $434,140,696.95. If the 2008 Bonds are sold to produce the yields shown on the inside front cover hereof, the Underwriters' compensation will be $2,508,784.65.

The Underwriters are committed to purchase all of the 2008 Bonds if any are purchased. The 2008 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 2008 Bonds may be sold to certain dealers (including underwriters and dealers depositing the 2008 Bonds into investment trusts) at prices lower than the public offering price.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the *"Undertaking"*) with respect to the 2008 Bonds for the benefit of the beneficial owners of such 2008 Bonds to send certain information annually and to provide notice of certain events to certain information repositories 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 J — FORM OF CONTINUING DISCLOSURE UNDERTAKING."

The City has represented that it is in compliance with all undertakings that it has previously entered into 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 2008 Bonds are limited to the remedies described in the Undertaking. See "APPENDIX J — 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 2008 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2008 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, 2007 for its fiscal year then ended have been audited by Clifton Gunderson, 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 the Nationally Recognized Municipal Securities Information Repositories *("NRMSIRs")* listed below in accordance with such NRMSIRs' procedures and price, 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 Government-Financial Information-Financial Planning-Comprehensive Annual Financial Report. The CAFR so filed with the NRMSIRs as part of the City's continuing disclosure undertakings pursuant to the Rule is hereby incorporated by reference.

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
E-Mail: munis@bloomberg.com
Phone: (609) 279-3225
Fax: (609) 279-5962

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
E-Mail: nrmsir@dpcdata.com
Phone: (201) 346-0701
Fax: (201) 947-0107

Interactive Data Pricing and Reference Data, Inc.
Attention: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
E-Mail: nrmsir@interactivedata.com
Phone: (212) 771-6999
Fax: (212) 771-7390

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
E-Mail: nrmsir_repository@sandp.com
Phone: (212) 438-4595
Fax: (212) 438-3975

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 2008 Bonds.

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

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

By /s/ WALLACE ESTFAN
President

CITY OF PHOENIX, ARIZONA

By /s/ BOB WINGENROTH
Finance Director

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Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

SENIOR LIEN AIRPORT REVENUE BONDS,

SERIES 2008A AND SERIES 2008B

Prepared for

City of Phoenix Aviation Department,
Phoenix, Arizona

Prepared by

Jacobs Consultancy
San Francisco, California

May 13, 2008

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JACOBS
CONSULTANCY

555 Airport Boulevard, Suite 300
Burlingame, California 94010 U.S.A.
1.650.579.7722 Fax: 1.650.343.5220

May 13, 2008

Mr. Danny Murphy
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 Senior Lien Airport Revenue Bonds, Series 2008A and Series 2008B

Dear Mr. Murphy:

We are pleased to submit this Report of the Airport Consultant (Report) on certain aspects of the proposed issuance of Senior Lien Airport Revenue Bonds, Series 2008A and Series 2008B (collectively, the 2008 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 Department).*

The City owns and, through the Department, operates Phoenix Sky Harbor International Airport (Sky Harbor), which is the primary air carrier airport serving the Phoenix region and 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 Williams Gateway Airport Authority which owns and operates Phoenix-Mesa Gateway Airport.

The 2008 Bonds are being issued in the approximate amount of $250 million. Proceeds from the bonds, with interest earnings during construction, are expected to be used to:

- Pay the costs of certain planned projects (approximately $178 million);
- Reimburse the City for expenditures used to fund prior projects (approximately $53 million);
- Fund a deposit to the Bond Reserve Fund equal to the Maximum Annual Debt Service for the 2008 Bonds; and

* All terms not defined herein have the meaning assigned in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts."

- Pay the costs of issuing the 2008 Bonds, including underwriters' discount and financing, legal, and other costs.

AVIATION CAPITAL IMPROVEMENT PROGRAM

The City has a plan of capital improvements for the Airport to be constructed and implemented through FY2013 known as the FY2008-2013 Aviation Capital Improvement Program (the Aviation CIP). The Aviation CIP is part of a ten-year conceptual program of capital improvements for the Airport known as the Airport Development Program (the ADP).

The project costs of the Aviation CIP are estimated to be $1.5 billion (in escalated dollars). The Aviation CIP is being funded with a combination of pay-as-you-go revenues derived from the imposition of a passenger facility charge (PFC) paid by airline passengers (PFC Revenues), bonds and other obligations secured by and payable from PFC Revenues (PFC Obligations), Senior Bonds, internally generated funds of the Airport, federal grants, and revenues derived from the imposition of a customer facility charge (CFC) paid by Sky Harbor rental car customers (CFC Revenues).

The principal elements of the Aviation CIP include the first phase of the two phased Automated Train (AT), land acquisition, and various improvements to runway, taxiway, terminal, security, and roadway facilities at Sky Harbor and improvements to other facilities at Phoenix-Deer Valley and Phoenix-Goodyear airports. The project categories, their estimated costs, and the plan of finance are listed in Exhibit A. All financial exhibits are provided at the end of this Report.

The first phase of the AT will link the Valley Metro Light Rail Transit (LRT) station at 44th Street and Washington Street, east economy parking facilities, and Terminal 4. The land acquisition projects include property north of Sky Harbor, noise impacted land (Part 150 Land), property for employee parking, and property for the AT station adjacent to the LRT station.

This letter and the accompanying attachment and exhibits constitute our Report, which addresses the adequacy of Net Airport Revenues to pay the debt service requirements on all outstanding Airport Revenue Bonds including the 2008 Bonds, the Senior Lien Airport Revenue Refunding Bonds Series 2008C and Series 2008D (the 2008 Refunding Bonds) which may be issued concurrently with the 2008 Bonds to refund outstanding Airport Excise Tax Bonds and Airport Revenue Bonds, and planned future bonds (Senior Bonds and PFC Obligations) to be issued by the City to finance elements of the Aviation CIP.

The planned future bonds include Senior Bonds to be issued in FY2010 in the principal amount of $155 million. The issuance of the planned future bonds would be subject to, among other requirements, meeting the Additional Bonds Test requirements of City Ordinance No. S-21974, as amended (the Bond Ordinance).

This Report also addresses the adequacy of PFC Revenues to pay the debt service requirements on future PFC Obligations to be issued by the City including (1) an issuance in FY2010 in the par amount of $425 million, which is expected to refund the $100 million of commercial paper and fund planned expenditures in the Aviation CIP, and (2) another issuance in FY2012 for a par amount of $222 million to complete funding for portions of the Aviation CIP. The issuance of these PFC Obligations would be subject to requirements of a future ordinance and indenture.

BOND ORDINANCE

The 2008 Bonds are being issued under the Bond Ordinance. The 2008 Bonds are special revenue obligations of the CIC and are payable from payments to be paid to the CIC by the City pursuant to the City Purchase Agreement dated June 1, 2008. As required in the City Purchase Agreement, the City will make payments to the CIC in an amount that is sufficient to pay principal and interest on the 2008 Bonds and will pledge Net Airport Revenues to secure its obligations. The City's obligations 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 Net Airport Revenues.

The 2008 Bonds are considered Parity Bonds under the Bond Ordinance. The issuance of Parity Bonds is subject to the test for the issuance of additional bonds under Section 3.3 of the Bond Ordinance (the Additional Bonds Test). The Additional Bonds Test includes an historical test that is provided by an officer of the City, and a prospective test that is satisfied in this Report. The prospective test requires that projected Net Airport Revenues will be sufficient to satisfy the Rate Covenant (including any Parity Bonds to be issued) in each Fiscal Year after applying the Passenger Facility Charge Credit.* The test period is the period beginning with the first full Fiscal Year following the issuance of the proposed Senior Bonds through the later of (i) three Fiscal Years following the expected date of completion for any construction projects to be financed with the proposed Parity Bonds or (ii) five Fiscal Years following the issuance of the proposed Parity Bonds.

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

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* The Passenger Facility Charge Credit is defined in the Bond Ordinance 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."

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."

AIRLINE RATES AND CHARGES

The Phoenix City Code defines the terms and conditions by which airlines may use the airfield in common with other users and may occupy and use exclusive- and joint-use space in the terminal buildings. Sky Harbor does not have long term lease agreements with the airlines governing the use and occupancy of terminal space or the airfield. 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 or cost of services 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 and can be adjusted at the middle of each fiscal year. 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 rentals, fees, and charges include landing and terminal fees (Airline Revenues). Airline Revenues can be expressed on a per enplaned passenger basis. The staff report accompanying presentation of the ADP on February 20, 2007 as the basis for the policy discussion with City Council indicated that airline cost per enplaned passenger would annually increase an average of approximately 5% through FY2016. The annual cost per enplaned passenger growth assumption used in this Report is 5% as presented in Exhibit F-1 and in the following table. Using this assumption, the cost per enplaned passenger increases from a forecast amount of $4.39 in FY2008 to $5.60 in FY2013.

COST PER ENPLANED PASSENGER
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
(for the 12 months ending June 30; in thousands except CPE)

	Forecast					
	2008	2009	2010	2011	2012	2013
Total Airline Revenues	$ 91,785	$ 98,011	$105,139	$113,116	$121,841	$131,296
Enplaned Passengers	20,900	21,255	21,715	22,250	22,825	23,425
Cost Per Enplaned Passenger (CPE)	$ 4.39	$ 4.61	$ 4.84	$ 5.08	$ 5.34	$ 5.60

SCOPE OF REPORT

This Report was prepared to evaluate the ability of the City to generate sufficient Net Airport Revenues to meet the requirements of the Additional Bonds Test for the 2008 Bonds. In preparing the forecast of Net Airport Revenues, we considered the historical and forecast levels of activity at Sky Harbor and the factors related thereto, the framework for the ongoing financial operations of the Airport, and the known or expected changes that might occur in the financial operations.

The section entitled Aviation Demand and Airline Traffic, describes the existing facilities at Sky Harbor, the economic base for air transportation and outlines the assumptions supporting the traffic forecasts. The section entitled Financial Analysis, provides a general background pertaining to control of the Airport, the legal and contractual framework governing the financial operation of the Department, the Aviation CIP, and describes key assumptions underlying the financial forecast, which is presented in the financial exhibits.

In preparing this Report, we analyzed:

- Future 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 annual Debt Service Requirements for the proposed 2008 Bonds, commercial paper program, and future Senior Bond and PFC Obligations provided by the City's Financial Advisor, Public Resources Advisory Group (PRAG).

- 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 budgetary actual results from FY2005-2007, the City's current FY2008 estimates for budgetary actual results, and the City's preliminary budget of Expenses for FY2009.

- Historical trends in Airport Revenues from FY2005-2007 using the City's audited Comprehensive Annual Financial Report (CAFR), Schedule E-2, as adjusted to comply with the Bond Ordinance.

- 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 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 PFC Obligations.

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, Exhibit I, and the table on the following page summarize forecasts of Net Airport Revenues, Debt Service Requirements, and debt service coverage, taking into consideration estimated debt service on the proposed 2008 Bonds, and planned future Senior Bonds and PFC Obligations the City may issue during the forecast period.

The forecasts do not reflect any savings that may result from issuance of the 2008 Refunding Bonds. The forecasts are limited to capital spending identified in the Aviation CIP. The City intends to reevaluate the Aviation CIP annually and may modify scope and phasing for projects taking financial capacity, potential increases to the federally authorized PFC level above the current $4.50 limit, and other relevant factors into consideration.

DEBT SERVICE COVERAGE CALCULATION
(for the 12 months ending June 30; in thousands except coverage ratios)

		Forecast				
	2008	2009	2010	2011	2012	2013
Net Revenues and Other Available Funds	$ 92,445	$ 106,800	$ 111,421	$ 138,786	$ 144,940	$ 152,363
Debt Service Requirements						
Senior Lien Bonds						
Existing	$ 32,078	$ 34,041	$ 36,288	$ 36,565	$ 36,847	$ 31,451
Proposed						
2008 A&B Bonds	$ -	$ 15,542	$ 15,000	$ 15,000	$ 18,925	$ 18,925
2008 C&D Bonds	8,667	10,239	7,145	7,426	6,714	6,659
Subtotal Proposed Bonds	8,667	25,781	22,145	22,426	25,639	25,584
Subtotal Existing and Proposed	$ 40,745	$ 59,823	$ 58,433	$ 58,991	$ 62,487	$ 57,035
Future						
2010 Bonds	-	-	-	12,010	12,009	12,010
Total Senior Lien Debt Service	$ 40,745	$ 59,823	$ 58,433	$ 71,001	$ 74,496	$ 69,045
Senior Lien Debt Service Coverage Ratios						
Subtotal Existing and Proposed	2.27	1.79	1.91	2.35	2.32	2.67
Total Senior Lien Debt Service	2.27	1.79	1.91	1.95	1.95	2.21
Additional Bonds Test						
Net Revenues and Other Available Funds	$ 92,445	$ 106,800	$ 111,421	$ 138,786	$ 144,940	$ 152,363
Debt Service incl. 1.25 coverage						
Debt Service	$ 40,745	$ 59,823	$ 58,433	$ 71,001	$ 74,496	$ 69,045
Coverage	10,186	14,956	14,608	17,750	18,624	17,261
Debt Service incl. 1.25 coverage	$ 50,931	$ 74,778	$ 73,041	$ 88,751	$ 93,120	$ 86,307
Net Airport Revenue Requirements	$ 50,931	$ 74,778	$ 73,041	$ 88,751	$ 93,120	$ 86,307
Net Airport Revenues Excess Over Requirements	$ 41,513	$ 32,021	$ 38,379	$ 50,035	$ 51,820	$ 66,057
Future PFC Revenues and Obligations						
PFC Revenues	$ 88,920	$ 86,226	$ 89,331	$ 91,689	$ 95,184	$ 98,702
Future PFC Obligations	-	-	33,393	33,395	50,765	50,768
PFC Debt Service Coverage Ratio	n.a.	n.a.	2.68	2.75	1.88	1.94

The calculation of debt service coverage through the forecast period indicates compliance with the Rate Covenant of the Bond Ordinance in each year of the forecast for the 2008 Bonds as well as the prospective portion of the Additional Bonds Test.

ASSUMPTIONS

The accompanying financial forecasts are based on information and assumptions that were either provided by, or reviewed with and agreed to by, the City and Department (Management). Accordingly, the forecasts reflect Management's expected course of action during the forecast period and, in Management's judgment, present fairly the expected financial results of the Airport.

The 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 assumptions underlying the financial forecasts 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 are likely to be differences between the forecast and actual results, and those differences may be material. Neither Jacobs Consultancy 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 this Report. We have no responsibility to update this Report for 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,

Jacobs Consultancy

JACOBS CONSULTANCY

Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

City of Phoenix, Arizona

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TABLE OF CONTENTS

Table of Contents *(continued)*

Table of Contents *(continued)*

TABLES

Tables *(continued)*

EXHIBITS

FIGURES

AVIATION DEMAND AND AIRLINE TRAFFIC

SKY HARBOR FACILITIES

The City of Phoenix (the City or Phoenix) owns and operates, through its Aviation Department, Phoenix Sky Harbor International Airport (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 Federal Aviation Administration (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. The City is also a fifth member government (along with the City of Mesa, the Town of Queen Creek, the Town of Gilbert, and the Gila River Indian Community) in the Williams Gateway Airport Authority, which owns and operates the recently-renamed Phoenix-Mesa Gateway Airport (formerly Williams Air Force Base), located approximately 30 miles southeast of Sky Harbor.

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 (State Route (SR) 143) and the Red Mountain Freeway (SR 202) on the east. Sky Harbor provides approximately 25,000 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. In 2006, the City completed construction of a consolidated rental car center west of Sky Harbor terminal buildings.

Collectively, Terminals 2, 3, and 4 provide a total of 102 passenger holdrooms and associated aircraft parking positions (collectively, gates). Terminal 2 contains approximately 330,000 square feet and 10 gates. Terminal 3 contains approximately 880,000 square feet and 16 gates. Terminal 4 contains approximately 2.3 million square feet and 76 gates. Southwest Airlines, US Airways,** and all international airlines operate exclusively from Terminal 4. The consolidated rental car center is on a 141-acre site, with 5,651 ready/return garage spaces and a 113,000-square-foot customer service building.

Sky Harbor has three parallel air carrier runways supported by a network of taxiways, aprons, and hold areas. Together with the terminals, Sky Harbor facilities

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* Upon the opening of Terminal 4 in November 1990, Terminal 1 was vacated and then razed in the summer of 1991.

** All references in this report to "US Airways" mean the combined US Airways/America West Airlines entity, whether before or after their September 2005 merger, unless otherwise noted in context.

are capable of accommodating the operations of all commercial jet aircraft currently in use.

SKY HARBOR SERVICE REGION

The primary region served by Sky Harbor is the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (the MSA), a large population center in south-central Arizona, as shown on Figure 1. Arizona is located in the southwestern region of the continental United States, bordering Mexico.

The MSA comprises Maricopa and Pinal counties and contains 43 incorporated municipalities and towns, including the cities of Avondale, Chandler, Gilbert, Glendale, Mesa, Peoria, Phoenix, Scottsdale, and Tempe in Maricopa County and the cities of Apache Junction and Casa Grande in Pinal County. The MSA also includes Sun City, a major retirement community in unincorporated Maricopa County, as well as the Gila River and Salt River Pima-Maricopa Indian communities.

The MSA ranks as the 13th largest in the United States, with an estimated 2007 population of 4,179,427, accounting for almost two-thirds of Arizona's population.* The Bureau of the Census reports an estimated 2006 Phoenix population of 1,512,986, making it the fifth largest city in the United States, as well as the largest U.S. state capital in terms of population.** Its 517.44 square miles make Phoenix the 10th largest city in the United States in terms of land area. 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, the economic health of the MSA and its resulting strong airline travel market have been enhanced by its growing market size and competitive advantages, both as a business and leisure destination.

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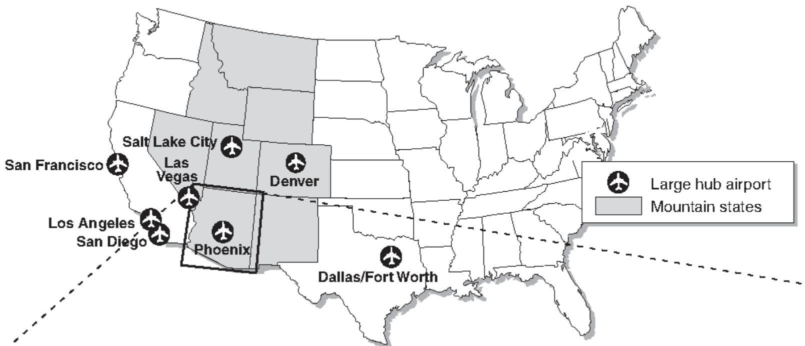
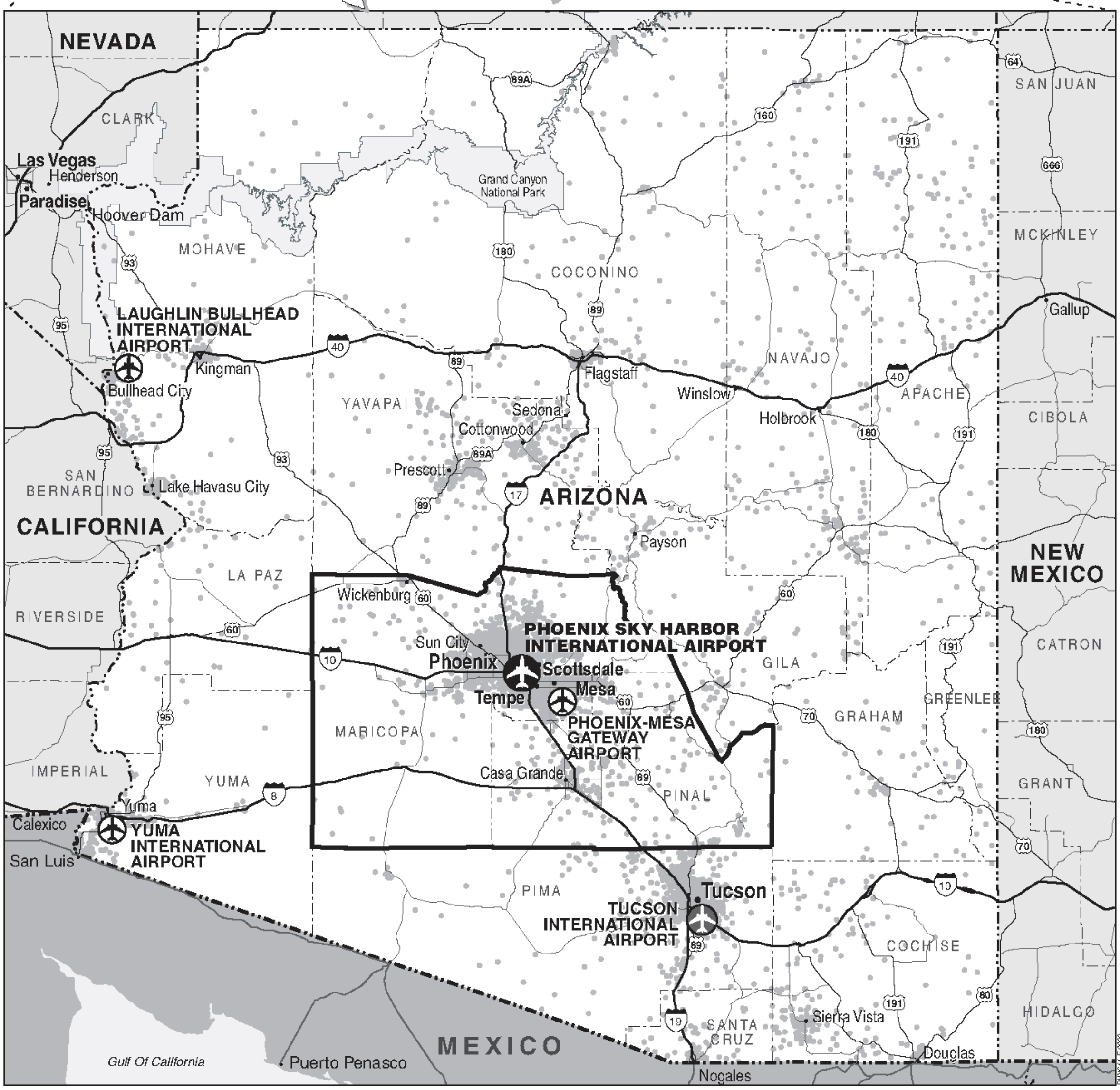
* U.S. Department of Commerce, Bureau of the Census website, accessed April 11, 2008.
** U.S. Department of Commerce, Bureau of the Census, *Population Estimates for the 25 Largest U.S. Cities* based on July 1, 2006 population estimates. City population estimates for July 1, 2007 will not be released until June 2008.



Road miles from Phoenix to:	
Dallas/Fort Worth	1,069
Denver	809
Las Vegas	292
Los Angeles	371
Salt Lake City	656
San Diego	354
San Francisco	752
Tucson	117



LEGEND

- Primary service region
- Population density: 1 dot equals 500 people
- Large hub airport
- Medium hub airport
- Other airports with jet service
- International boundary
- State boundary
- County boundary

Source: 2000 U.S. Census data.

Figure 1
AIRPORT SERVICE REGION
Phoenix Sky Harbor International Airport

JACOBS CONSULTANCY

ECONOMIC BASIS FOR PASSENGER DEMAND

This section profiles the MSA economy, including current conditions and trends. In particular, the following discussion focuses on economic factors that affect demand for airline service at Sky Harbor.

Overview

The level of air travel demand is highly correlated with the economic base of an airport's service region, particularly the demographic composition and tourist attractions. The demographic variables with the strongest influence on airline travel demand are the MSA population, employment, and per capita income. In addition to these key demographic factors, tourism can also have a significant role in generating airline travel demand, particularly for visitors to the MSA.

The strong growth in employment and income, along with an expanding population base and well-educated workforce, generate demand for domestic and international 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. As a result, the MSA's economic performance is expected to continue to support growth in airline travel demand at Sky Harbor.

Demographic and Economic Profile

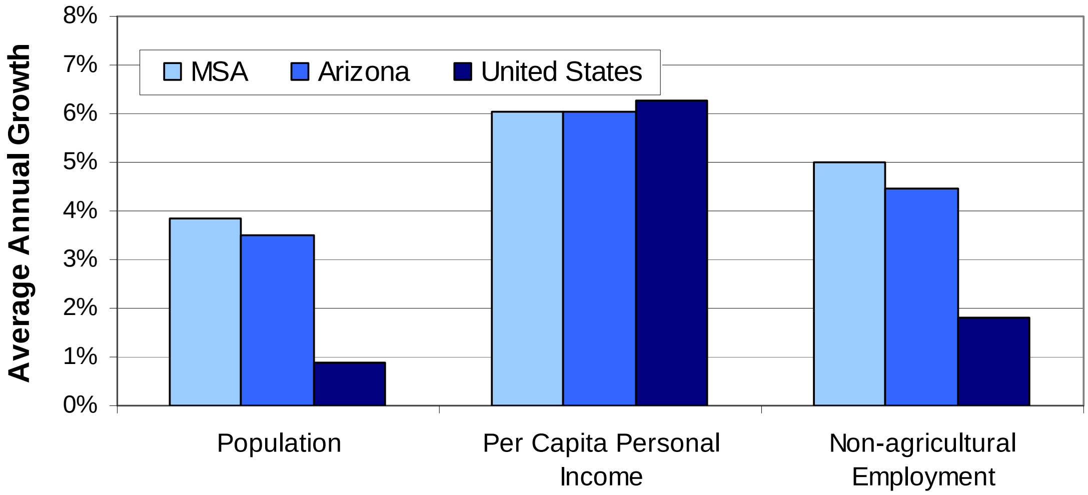
The continued growth in population, employment, and per capita personal income are good indicators of an area's overall economic vitality. Furthermore, there is generally a strong correlation between that vitality and demand for airline travel.

Over the past five decades, the MSA has consistently ranked as one of the fastest growing metropolitan areas in the United States. The region's warm, sunny climate and outstanding recreational opportunities enhance its quality of life—attracting both new residents and tourists. With a high level of domestic in-migration, a growing population, and growth in both per capita and per household incomes comparable to those in the nation, the MSA has a strong demographic base that supports demand for airline travel at Sky Harbor.

Population Growth

Population growth is a key factor influencing airline travel demand. As indicated on Figure 2, the populations of both Arizona and the MSA have grown since 1970 at annual rates three to four times that of the United States. Although the projected population growth rate for the MSA for the years 2007 through 2012, as shown in Table 1, is slightly below the average growth rate experienced from 1970 through 2006, it remains more than three times the national average.

Figure 2
SUMMARY OF ANNUAL ECONOMIC GROWTH, 1970-2006
MSA, Arizona, and United States



Sources: Population---U.S. Department of Commerce, Bureau of the Census.
Per capita personal income---U.S. Department of Commerce, Bureau of Economic Analysis.
Non-agricultural employment---U.S. Department of Labor, Bureau of Labor Statistics.

Table 1

POPULATION, PER CAPITA INCOME, AND NON-AGRICULTURAL EMPLOYMENT COMPARISONS

MSA, Arizona, and United States

		Population (thousands) *(a)*			Per capita income *(b)*			Non-agricultural employment (thousands) *(c)*		
		MSA	Arizona	U.S.	MSA	Arizona	U.S.	MSA	Arizona	U.S.
Historical										
	1970	1,040	1,775	203,302	$4,084	$3,835	$4,085	327	547	71,006
	1980	1,600	2,717	226,542	10,398	9,524	10,114	636	1,014	90,528
	1990	2,238	3,665	248,710	18,645	17,005	19,477	1,013	1,483	109,487
	2000	3,252	5,131	281,422	28,359	25,656	29,843	1,578	2,243	131,785
	2005	3,879	5,953	296,507	32,414	30,019	34,471	1,788	2,509	133,703
	2006	4,039	6,166	299,398	33,911	31,458	36,276	1,895	2,644	136,174
Projected	2012	4,975	7,701	315,454	$43,939	$39,612	$46,273	2,367	3,264	152,700
Compound Annual Growth Rate:										
Historical										
	1970-1980	4.4%	4.3%	1.1%	9.8%	9.5%	9.5%	6.9%	6.4%	2.5%
	1980-1990	3.4%	3.0%	0.9%	6.0%	6.0%	6.8%	4.8%	3.9%	1.9%
	1990-2000	3.8%	3.4%	1.2%	4.3%	4.2%	4.4%	4.5%	4.2%	1.9%
	2000-2006	3.7%	3.1%	1.0%	4.6%	4.8%	5.2%	3.1%	2.8%	0.5%
	1970-2006	3.8%	3.5%	1.1%	6.1%	6.0%	6.3%	5.0%	4.5%	1.8%
Projected	2006-2012	3.5%	3.8%	0.9%	4.4%	3.9%	4.1%	3.8%	3.6%	1.9%

Note: The Phoenix-Mesa-Scottsdale, AZ Metropolitan Statistical Area (MSA) consists of Maricopa and Pinal counties.

Sources:
(a) Historical: U.S. Census Bureau. Projections: AZ and MSA from University of Arizona, Eller College of Management, Economic & Business Research Center, U.S. population projection from U.S. Census Bureau.
(b) All income reported in nominal dollars. Historical: Bureau of Economic Analysis. Projections: AZ and MSA projections from University of Arizona, Eller College of Management, Economic & Business Research Center. U.S. income derived from growth rate projections developed by Woods & Poole, Inc. Washington, D.C.
(c) Historical and U.S. Employment projections: Bureau Labor Statistics. AZ and MSA projections from University of Arizona, Eller College of Management, Economic & Business Research Center.

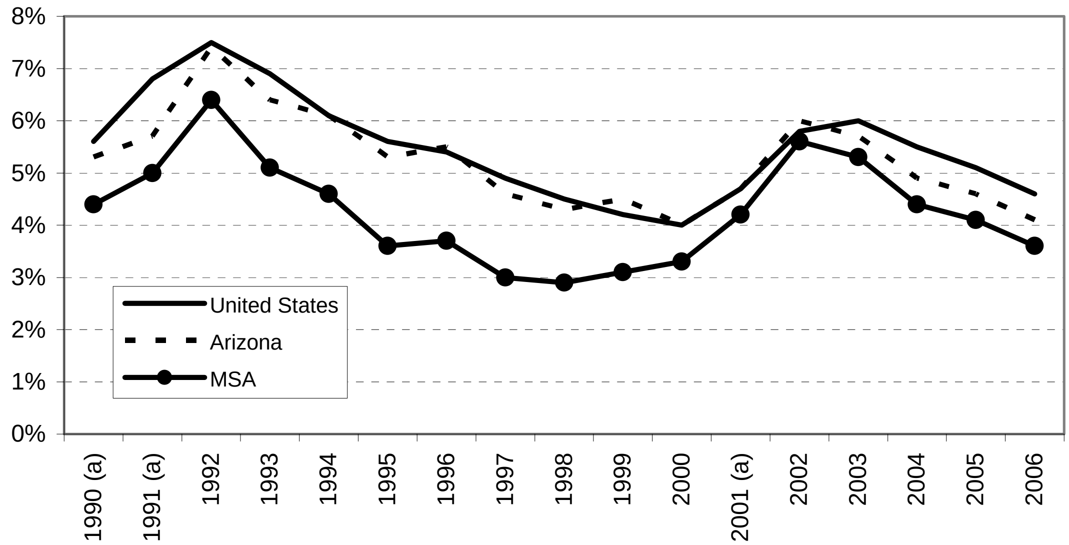
Per Capita Personal Income Growth

Growth in per capita personal income (PCPI) is another indicator, in general terms, as to whether the jobs created in the area are sufficient to maintain individual income levels of the population at or near national averages. Since 1970, the average annual increases in PCPI in the MSA (6.1%) and Arizona (6.0%) were approximately the same as that in the United States (6.3%), as shown on Figure 2 and in Table 1, meaning that job creation in the MSA has been both adequate to accommodate growth in population and sufficiently broad-based to maintain PCPI growth at the national rate. While PCPI growth rates for the MSA (4.6%) and Arizona (4.8%) were slightly lower than that for the United States (5.2%) from 2000 to 2006, the PCPI growth rate for the MSA is projected by Woods & Poole Economics to be slightly higher than that for the United States from 2006 to 2012 (4.4% for the MSA compared with 4.1% for the nation).

Employment Growth

Nonagricultural employment in the MSA and in Arizona also has grown at a substantially higher rate than in the United States, as shown on Figure 2 and in Table 1. Because of this robust job creation, unemployment in the MSA has been lower than in the United States or in Arizona overall in every year since 1990, as shown on Figure 3, except during the 2001 recession and during 2002 when the unemployment rates of Arizona and the MSA converged with that of the United States. Since 2002, the unemployment rates in both Arizona and the MSA have been lower than the national rate, by 0.5% and 1.0%, respectively.

Figure 3
CIVILIAN UNEMPLOYMENT RATE



Note: Excludes those in military service whose employment is not contingent on macroeconomic factors within the economy.

(a) National recession during all or part of year, according to the National Bureau of Economic Research.

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Local Area Unemployment Statistics*, 2007.

The major employment sectors are shown in Table 2. Employment growth in every sector of the MSA outpaced U.S. employment from 1997 through 2007. The MSA has a higher percentage of jobs in professional and business services, natural resources, mining, construction, and financial services than the United States overall, and a lower percentage in government, education, health services, and manufacturing. Although manufacturing jobs fell during this period, the decline in the MSA was less than the decline experienced nationally.

The 25 largest private employers in the MSA (based on the number of employees in the MSA) are listed in Table 3. Twelve of the 25 companies listed are ranked in the Fortune 500 list of largest U.S. companies, based upon revenues. Additionally, the MSA was the headquarters of four Fortune 500 companies (Allied Waste Industries, Avnet, Freeport McMoRan Copper & Gold (formerly Phelps Dodge), and the US Airways Group) and seven Fortune 1000 companies (PetSmart, Giant Industries, Insight Enterprises, Meritage Homes, Pinnacle West Capital, Swift Transportation, and Amkor Technology).

Table 2

AVERAGE ANNUAL NON-AGRICULTURAL EMPLOYMENT GROWTH 1997-2007 AND EMPLOYMENT SHARE BY INDUSTRY 2007

	CAGR 1997-2007			2007 Percent of Total		
Industry	MSA	Arizona	United States	MSA	Arizona	United States
Trade, Transportation, Utilities	3.2%	2.9%	0.7%	20.4%	19.7%	19.3%
Professional/ Business Services	4.3	4.2	2.3	17.0	15.1	13.1
Government	3.4	2.6	1.2	12.6	15.9	16.1
Education & Health Services	5.1	4.8	2.7	10.7	11.4	13.3
Leisure & Hospitality	3.2	2.6	2.0	9.8	10.2	9.8
Nat. Resources, Mining, Construction	4.9	4.4	2.6	9.0	8.8	6.1
Financial Activities	3.4	3.4	1.5	8.0	6.9	6.0
Manufacturing	-1.5	-1.2	-2.2	7.2	6.8	10.1
Other Services	4.5	4.1	1.3	3.7	3.6	4.0
Information	0.5	0.4	-0.2	1.6	1.6	2.2
TOTAL	3.3%	3.0%	1.1%	100.0%	100.0%	100.0%

Note: CAGR=Compound annual growth rate. Columns may not add to totals shown because of rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Corporate headquarters are important generators of airline travel demand due to trips to and from field offices and customer locations, as well as visits from vendors and suppliers. These large firms also serve as an economic catalyst for the region. Sky Harbor's central location in the MSA and its role as a commercial passenger hub make it an important asset for the MSA, and especially for the area's large private employers.

Several airlines have a significant corporate presence in the MSA, including US Airways and Mesa Airlines, which are both headquartered there. US Airways also employs 900 people at a call center in Phoenix. In addition, Southwest Airlines and DHL operate regional calling centers, each of which employs between 700 and 800 people.

Table 3

MAJOR PRIVATE-SECTOR EMPLOYERS IN THE MSA

(ranked by number of employees within the MSA)

Company	Employment	Type of Business
Diversified Human Resources, Inc.	39,600	Services
National PEO LLC	22,100	Services
Consolidated Personnel Service Inc.	21,000	Services
Wal-Mart Stores Inc. *(a)*	19,600 *(b)*	Retail Trade
AmCheck Payroll HR Benefits	18,500	Services
Banner Health Arizona	11,100 *(b)*	Health Services
PayTech Inc.	11,000	Services
Honeywell *(a)*	10,700	Manufacturing
US Airways (formerly America West Airlines) *(a)*	10,400	Services
Intel Corporation *(a)*	10,100	Manufacturing
Wells Fargo & Company *(a)*	9,100 *(b)*	Services
Basha's	9,100 *(b)*	Retail Trade
ADP TotalSource	8,000	Services
Fry's Food & Drug Stores	7,700 *(b)*	Retail Trade
Catholic Healthcare West	7,200	Health Services
JPMorgan Chase & Co. *(a)*	7,000 *(b)*	Services
United Parcel Service *(a)*	6,900	Services
Scottsdale Health Care	6,500	Health Services
Phelps Dodge *(a)*	6,300	Manufacturing
Home Depot *(a)*	6,200	Retail Trade
Safeway, Inc. *(a)*	6,200 *(b)*	Retail Trade
Apollo Group Inc.	5,800 *(b)*	Services
Target Corp. *(a)*	5,600 *(b)*	Retail Trade
American Express *(a)*	5,500	Services
ManageStaff Inc.	5,300	Services

(a) Ranked in 2007 Fortune 500 list of largest U.S. companies (based upon 2006 revenues).

(b) Estimated by Elliot D. Pollack & Co. based on percentage of Arizona population.

Source: Elliott D. Pollack & Co.

Favorable Business Climate

For the third year in a row, the MSA in 2007 was named as the "premier city for entrepreneurial business" by the research firm Cognetics, Inc. In its evaluation, Cognetics cited Sky Harbor as one of the principal advantages of the area. In the latest rankings (2007) of the "Top 20 Large Cities for Doing Business" by *Inc.* magazine, Phoenix ranked second in the nation. *Expansion Management* magazine listed the MSA as one of its top 50 "Hottest Cities" in 2007. The Hottest Cities poll attempts to measure the perceptions of professional site location consultants, whose business it is to help companies select the best locations for future facility expansions.

Bizjournals, the nation's largest publisher of metropolitan business newspapers, ranked Phoenix second in the nation in its April 2007 ranking of large metropolitan areas for "young adult job seekers." In February 2007, *Forbes* magazine ranked the MSA second in the nation in terms of "best US cities for continued job growth."

One highly favorable aspect influencing hiring and retention of employees in the MSA is that the MSA is rated as a highly desirable place to live and work (e.g., Scottsdale ranked seventh on *Money* magazine's 2006 "Best Places to Live" list). Also, Arizona State University (ASU), Thunderbird School of Global Management, and other higher-education institutions provide a large pool of highly educated employees and continuing education opportunities for the existing workforce.

High Technology

The MSA has been successful in attracting high-technology companies that seek to take advantage of the area's skilled workforce. Intel Corporation, SpeedFam-IPEC, EFTC Corporation, Avnet, and Motorola have large manufacturing facilities in the MSA. With the presence of highly skilled workers and with major universities as potential partners, high-technology manufacturing is being augmented with research and development in emerging industries. Demand for skilled workers in Arizona has produced an average annual high-technology salary of $54,000, 80% higher than the average annual private-sector salary of $30,000.

One of the newly emerging industries in the MSA is biotechnology research and development. ASU and the Mayo Clinic have formed a joint research center, which is working to develop a vaccine to prevent cancer; it is reported that the vaccine will be ready for clinical trial in about four years.

ASU has also partnered with the University of Arizona for pharmaceutical research through the Biodesign Institute, which was recently awarded a major grant from the National Institutes of Health for DNA sequencing research.

Another of the MSA's research assets is the Translational Genomics Research Institute. This nonprofit organization is focused on translational genomics research, a relatively new field that uses advances from the Human Genome Project and applies them to the development of diagnostics, prognostics, and therapies for cancer, neurological disorders, diabetes, and other complex diseases.

The global drug development services firm, Covance, recently purchased 50 acres of land in Chandler, Arizona for a 600,000-square-foot research facility designed to support up to 2,000 high-wage jobs. The company's expansion in the MSA will help pharmaceutical and biotechnology companies test the safety of newly developed drugs.

Agilent Technologies, a premier manufacturer of the atomic force microscope (AFM), is more than doubling the size of its AFM headquarters in Chandler.

W. L. Gore & Associates, developers of stents, catheters, and other medical devices, also intends to embark on an ambitious expansion in Phoenix. The company plans to initially add 150 jobs as part of a long-term plan to create up to 800 positions for the company's fast-growing medical device division.

In early summer 2007, the Phoenix Community and Economic Development Department announced an agreement with Plaza Companies to erect a multi-story tower complex with 270,000 square feet of office, laboratory, and incubator space for lease to researchers and medical laboratories. The site is adjacent to the City-owned 28-acre Phoenix Biomedical Campus in downtown Phoenix.

Aerospace and Defense

Aerospace and defense-related industries also find a favorable business environment in the MSA. The MSA is home to Luke Air Force Base and also to Phoenix-Mesa Gateway Airport in Mesa, which is positioned as an international aerospace center with aircraft manufacturing, maintenance, testing, and pilot training. The dry desert climate provides a favorable environment for aircraft testing and storage.

Other aerospace- and defense-related firms in the area include Honeywell's International Engine Systems and Services Division, the Ordinance Division of Mesa-based Boeing Helicopter Company, Motorola's Integrated Information Systems Group, and Aviation Communication and Surveillance Systems (ACSS). Direct military spending (payrolls and defense contracts) in the MSA was $12 billion in 2006, up 72% from 2001.

Tourism

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 MSA and the rest of Arizona as a tourism destination.

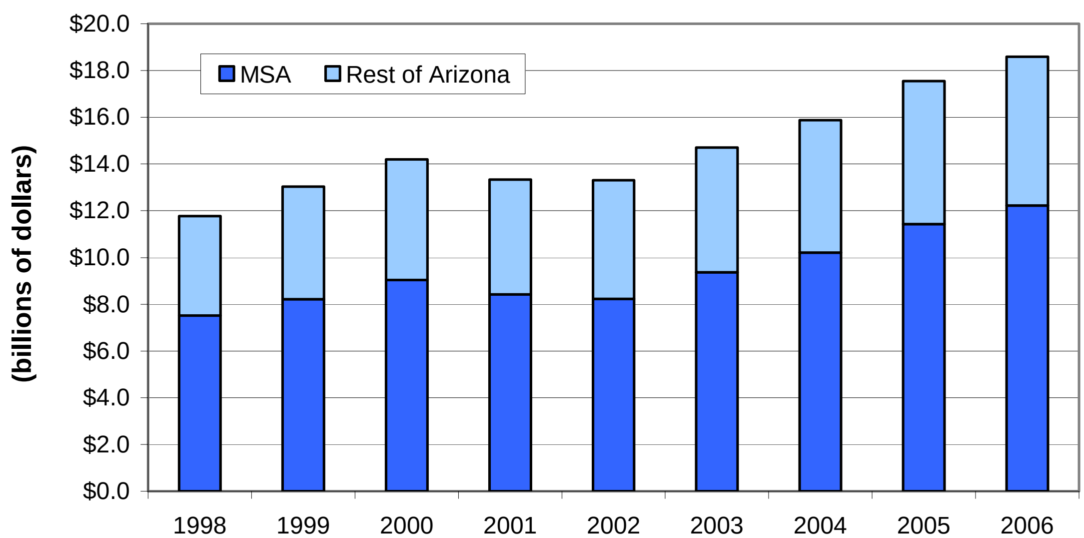
Tourism is driven by the great variety of resources and facilities in Arizona. In addition to the resorts and convention facilities in the MSA, the northern part of the State is home to Grand Canyon National Park, Red Rock Country of Sedona, the Painted Desert, the Petrified Forest, Meteor Crater, ancient Native American ruins, and the Navajo and Hopi reservations.

The MSA also offers museums and galleries, a wide variety of sporting events, Old West and Native American history, hiking and other outdoor activities facilitated by more than 300 days of sunshine in Arizona each year.

According to a Sky Harbor passenger survey conducted by O'Neil Associates in the latter half of 2007, the majority of passengers traveling through Sky Harbor were doing so for leisure rather than business purposes. Roughly two-thirds of domestic passengers identified themselves as leisure travelers, while approximately three-quarters of international passengers did so.

Total direct travel spending in Arizona was approximately $18.6 billion in 2006, up 5.7% from $17.6 billion in 2005 and up 40% from $13.3 billion in 2002, according to the Arizona Office of Tourism. See Figure 4. This represents a significant recovery from the decline experienced in the aftermath of the 2001 economic recession and the September 11, 2001, terrorist attacks. Moreover, travel spending in the MSA, as a proportion of statewide travel spending, has increased from 62% in 2002 to 66% in 2006.

Figure 4
TOTAL DIRECT TRAVEL SPENDING IN ARIZONA
(MSA vs. Rest of Arizona)



Sources: Arizona Office of Tourism; Arizona Travel Impacts; Dean Runyan Associates.

The Arizona Office of Tourism estimates that approximately 31.7 million domestic overnight visitors traveled to Arizona in 2006, with 28% of them (8.9 million) having arrived by air. International visitors to Arizona numbered approximately 1.1 million in 2006, with the vast majority of them (87%) arriving by air.

Conventions and Attractions

Convention visitors are another important component of tourism in the MSA. The Phoenix Convention Center is currently undergoing a $600 million expansion that will effectively triple the size of the center by the end of 2008. Construction is expected to be complete in October 2008 on a new City-owned 1,000-room Sheraton hotel located one block from the Phoenix Convention Center.

The Phoenix Convention Center calendar for February 2008 through January 2009 lists 181 events, including the Rock ’n’ Roll Marathon Health and Fitness Expo, the International Gem & Jewelry Show, the Arizona National Boat Show & Fishing Expo, the National Hispanic Women’s Conference, and the American Legion Annual Conference.

Phoenix and the surrounding cities of Chandler, Glendale, Mesa, Paradise Valley, Scottsdale, and Tempe are within the so-called Valley of the Sun, an area with many diverse attractions that range from world-class resorts, spas, shopping, and golf courses to restaurants and nightlife – all set against the backdrop of the Sonoran Desert. The MSA is home to many of the nation’s finest resorts, including several that have received the American Automobile Association’s highest award, the Five Diamond rating.

Many major sporting events also draw tourists to the MSA. For example, on February 3, 2008, Phoenix hosted Super Bowl XLII, the National Football League’s championship game, at the 73,000-seat University of Phoenix Stadium. On February 15, 2009, the 2009 National Basketball Association (NBA) All-Star game will be played at the US Airways Center in downtown Phoenix. The MSA is also home to professional sports teams from all four major U.S. professional sports leagues: the Phoenix Suns (National Basketball Association); the Arizona Diamondbacks (Major League Baseball), the Arizona Cardinals (National Football League); and the Phoenix Coyotes (National Hockey League). Other professional sports teams include the Arizona Sting of the National Lacrosse League, the Phoenix Mercury of the Women’s National Basketball Association, the Arizona Rattlers of the Arena Football League, and the Phoenix Flame of the International Basketball Association. The City is also home to a minor league hockey team, the Phoenix Roadrunners of the ECHL “AA” professional ice hockey league, making Phoenix one of the few U.S. cities where minor and major league teams in the same sport co-exist.

The MSA hosts three major annual professional golf tournaments. The PGA’s FBR Open is held in late January and early February at the TPC Scottsdale, which has hosted the event since 1987. The PGA’s Frys.com Open (formerly the Fry’s Electronics Open) is held at the Grayhawk Golf Club in October, which hosted the event for the first time in 2007. The LPGA Safeway International presented by Coca-Cola is held in March at the Superstition Mountain Golf and Country Club, which has hosted the event since 2004.

The favorable Arizona climate brings 12 Major League Baseball teams, known as the Cactus League, to the MSA and nearby Tucson each February and March for spring training and preseason play. The teams include the Arizona Diamondbacks, Chicago Cubs, Chicago White Sox, Colorado Rockies, Kansas City Royals, Los Angeles Angels of Anaheim, Milwaukee Brewers, Oakland Athletics, San Diego Padres, San

Francisco Giants, Seattle Mariners, and Texas Rangers. The Cleveland Indians and Los Angeles Dodgers will be moving their spring training to the MSA in the spring of 2009, and the Cincinnati Reds are completing arrangements to do the same in the spring of 2010.

The Phoenix International Raceway is a major venue for NASCAR auto racing events. The Raceway hosts five NASCAR events annually, two of which are "500" events: the Subway Fresh Fit 500, held in April, and the Checker Auto Parts 500 presented by Pennzoil, held in November.

The great variety of tourist attractions include the Phoenix Art Museum, which is the largest museum in the southwestern United States; the Heard Museum, which showcases Native American art; the Arizona Biltmore Resort, famous for its architecture inspired by Frank Lloyd Wright; and Taliesin West (Scottsdale), the former home of Frank Lloyd Wright.

Economic Outlook and Future Prospects for Airline Travel Demand

The U.S. economy slowed in 2007, following a surge in global energy prices, some reduction of consumer purchasing power, a correction in the housing market, and problems in the home mortgage and consumer credit markets. By early 2008, a growing number of economic experts were predicting a greater-than-50% chance of a recession occurring during the year, and in April, Federal Reserve Chairman Ben Bernanke told a congressional panel that a recession during the year is a possibility. By 2009, economic growth is expected to resume.

The University of Arizona, in its *Economic Outlook 2008-2009,* states that the U.S. economy is on the brink of a recession and that there is evidence that Arizona's economy is already in a recession which could last well into 2008. Particular weaknesses in the Arizona economy vis-a-vis other states include a high concentration of employment in growth-driven sectors of the economy (e.g., construction) and relatively heavy exposure to subprime mortgage lending and real estate speculation.

An additional near-term concern is tourism, a major driver of airline travel demand at Sky Harbor. Tourism is vulnerable to recession and increases in oil prices. Consumer spending has declined and retail sales have slowed in response to increases in energy prices and erosion in home values. The last time that retail sales declined nationally was during the 2001 recession. While the exact duration of falling housing prices and reduced consumer spending cannot be predicted, these problems are typically short-term phenomena that will not affect longer-term demand for tourism travel.

Two factors make Arizona's economy more resilient than that of the nation: high growth in population and employment. Due to the high rate of population growth in the MSA, new residents generate housing demand that is above the national average. Additionally, the rapid rate of increase in nonagricultural employment has made Arizona the fastest-growing job market in the United States. Employment and personal income growth in the MSA are projected to continue higher than national rates of growth through 2012.

The long-term economic outlook for the MSA, therefore, is strong. Projected growth in population, employment, and per capita personal income in the MSA compares favorably to U.S. growth. Unemployment in the MSA is consistently below national levels. Employment is well diversified. Furthermore, the number and the significance of tourist attractions in Arizona, as well as the resorts and amenities in the MSA, represent substantial tourism resources.

SKY HARBOR RANKINGS AND ROLES

Sky Harbor is a major connecting hub airport in the route network of US Airways 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 circuitous routings between the southwestern United States and points eastward. Additionally, Sky Harbor is a growing international gateway for destinations in Mexico and Canada.

Primary Commercial Service Airport in Arizona

Sky Harbor is by far the largest of the 15 commercial service airports in Arizona, accounting for nearly 90% of the passengers enplaned in the state, as shown in Table 4. Phoenix-Mesa Gateway Airport saw the introduction of scheduled passenger service by Allegiant Airlines in October 2007. Service began with flights to 7 destinations and, by December 2007, the airline operated scheduled flights to 13 destinations.* At Tucson International Airport, a medium-hub airport approximately 120 miles southeast of Sky Harbor, approximately 2.1 million passengers were enplaned and 82 scheduled daily aircraft departures were provided in 2007, compared to 20.7 million passengers enplaned and 678 scheduled daily aircraft departures at Sky Harbor. There are no other medium- or large-hub commercial service U.S. airports within a four-hour driving distance from Phoenix, with the next closest being Las Vegas' McCarran International Airport (290 miles to the northwest).

* The 13 destinations were: Bellingham, WA; Billings, MT; Cedar Rapids, IA; Fargo, ND; Ft. Wayne, IN; Green Bay, WI; Missoula, MT; Peoria, IL; Rapid City, SD; Rockford, IL; Santa Maria, CA; Sioux Falls, SD; Stockton, CA; and Santa Maria, CA.

Table 4

ARIZONA COMMERCIAL SERVICE AIRPORTS

(for the 12 months ended June 30, 2007)

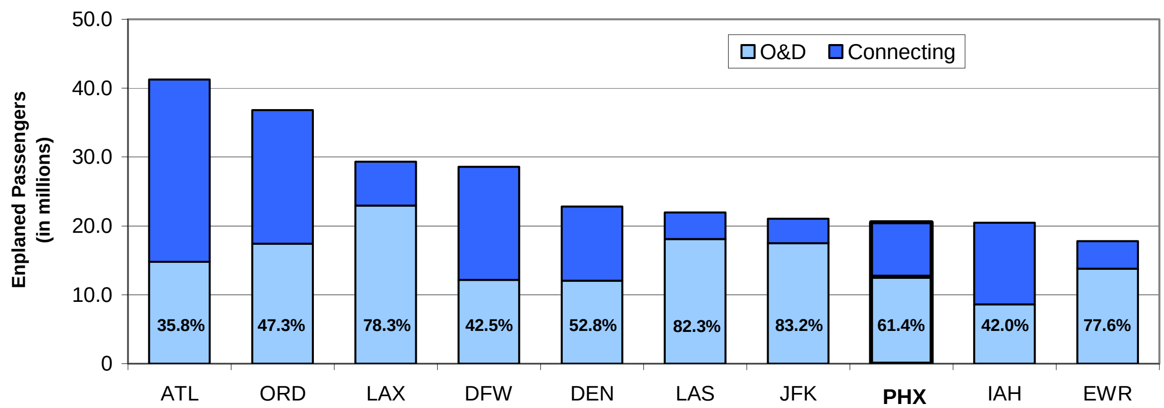
Airport	Types of Aircraft Serving the Airport	Total Enplaned Passengers	% of State Total
Phoenix Sky Harbor Intl.	Mainline Jet/ Regional Jet/ Turboprop	20,748,792	89.5%
Tucson International	Mainline Jet/ Regional Jet/ Turboprop	2,120,372	9.1
Laughlin Bullhead Intl.	Mainline Jet	96,522	0.4
Grand Canyon National Park	Turboprop	83,330	0.4
Yuma International	Regional Jet/ Turboprop	70,408	0.3
Flagstaff Pulliam	Turboprop	43,129	0.2
Phoenix-Mesa Gateway	Mainline Jet	10,696	0.0
All Other		22,498	0.1
Total		**23,195,747**	**100.0%**

Sources: *Official Airline Guide*; U.S. DOT, Schedule T100.

Sky Harbor Ranks among Top Airports

According to Airports Council International (ACI) statistics for 2006, Sky Harbor was the 18th largest in the world, as measured by total passengers. U.S. Department of Transportation (DOT) statistics show that, in 2006, Sky Harbor was the eighth largest airport in the nation in terms of enplaned passengers, as illustrated on Figure 5. The 10 largest U.S. passenger airlines and most of the large U.S. all-cargo airlines provide regular service at Sky Harbor. In October 2007, airlines at Sky Harbor provided scheduled nonstop passenger service to 107 airports, including 86 within the continental United States, 1 in Alaska, 4 in Hawaii, and 16 international airports located primarily in Mexico and Canada.

Figure 5
TOTAL ENPLANED PASSENGERS, BY ORIGIN-DESTINATION AND CONNECTING
Top 10 U.S. Airports
(calendar year 2006)



Note: Percentages reflect O&D passengers as a percent of total enplaned passengers.
Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1; U.S. DOT, Schedule T100; City of Phoenix Aviation Department.

Among the 10 largest U.S. airports (ranked by enplaned passengers), Sky Harbor had the seventh largest number of origin and destination (O&D) passengers, as can be seen on Figure 5. O&D passengers are those who use the subject airport as their initial point of departure or their final destination. This position reflects the size and strength of the Phoenix market and Sky Harbor's role as the primary commercial service airport in Arizona.

A total of 12.7 million passengers originated their outbound or return airline trips at Sky Harbor in 2006 (i.e., these passengers did not connect from another flight). This large base of O&D passengers also supports the US Airways and Southwest Airlines connecting operations by allowing those airlines to maintain high frequencies for accommodating passenger connections efficiently.

Passenger Segmentation at Sky Harbor

Table 5 presents a segmentation of enplaned passengers at Sky Harbor in Fiscal Year* (FY) 2007, profiling the types of traffic accommodated by the primary carrier groups at Sky Harbor. US Airways accommodates most of the connecting traffic at Sky Harbor; the airline accounted for 47% of total enplaned passengers but carried 74% of total connecting passengers. Southwest Airlines, by comparison, accounted for 30% of total enplaned passengers and 23% of total connecting passengers. The other airlines together accommodated the remaining 23% of total enplaned passengers but only 3% of Sky Harbor's connecting passengers.

* The Airport's fiscal year ends June 30.

Table 5

COMPOSITION OF ENPLANED PASSENGERS, BY CARRIER GROUP

Phoenix Sky Harbor International Airport

(for the 12 months ended June 30, 2007; passengers in thousands)

	US Airways		Southwest		All Other Carriers		Total---All Carriers	
	Psgrs.	% of Total	Psgrs.	% of Total	Psgrs.	% of Total	Psgrs.	% of Total
Total	**9,666**	**100.0%**	**6,241**	**100.0%**	**4,856**	**100.0%**	**20,763**	**100.0%**
By Sector:								
Domestic	9,029	93.4	6,241	100.0	4,622	95.2	19,892	95.8
International	638	6.6	0	0.0	234	4.8	871	4.2
By Type of Passenger:								
O&D	3,751	38.8%	4,430	71.0%	4,634	95.4%	12,815	61.7%
Resident	*1,976*	*20.4*	*2,171*	*34.8*	*1,740*	*35.8*	*5,887*	*28.4*
Visitor	*1,775*	*18.4*	*2,259*	*36.2*	*2,894*	*59.6*	*6,928*	*33.4*
Connecting	5,909	61.1	1,811	29.0	228	4.7	7,948	38.3

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

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

Sky Harbor Role as a Connecting Hub

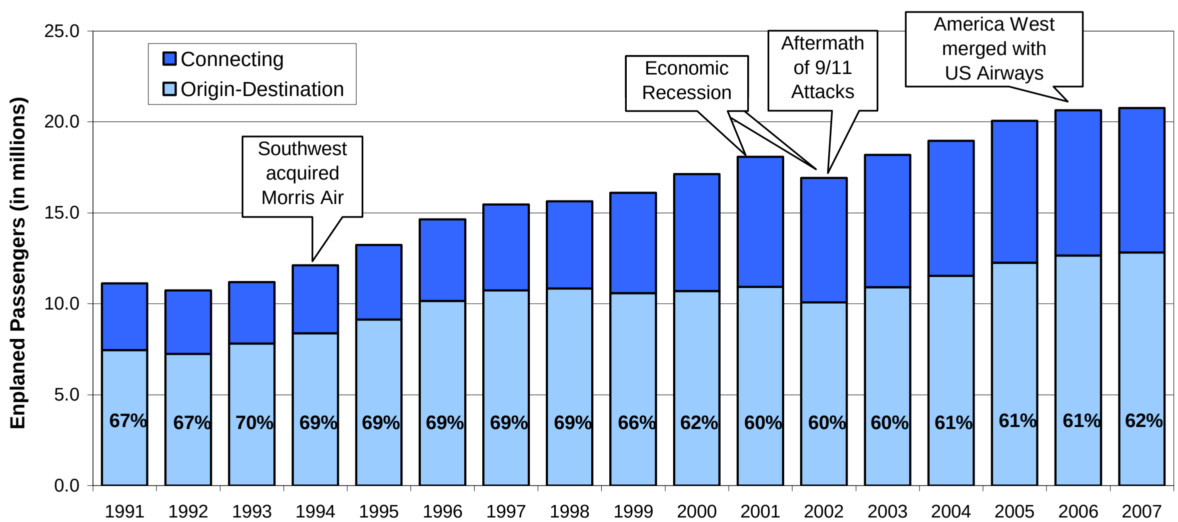
The level of connecting traffic is often related to the use of the airport by one or more airlines as a connecting hub to transport passengers to their final destinations. The use of an airport as an airline hub is a decision an airline makes based on its routing and pricing strategies, airport capacity, airport geographic location, relative costs at competing hub airports, and other factors.

In FY 2007, 38.3% (7.9 million) of the 20.8 million passengers enplaned at Sky Harbor connected from one flight to another, as shown in Table 5. Sky Harbor serves as an important connecting hub in the route system of US Airways—a hub that the airline acquired through its September 2005 merger with America West Airlines. In FY 2007, US Airways accounted for roughly three-quarters of all connecting passengers at Sky Harbor. Phoenix is also one of the major "focus cities" in Southwest Airlines' system. Although some regard Southwest's route network to be generally a point-to-point network rather than a hub-and-spoke network, Southwest connects a larger proportion of its passengers at Sky Harbor than at most other airports in its system. Nearly 30% of its enplaned passengers at Sky Harbor connected from other

Southwest flights in FY 2007.* US Airways and Southwest, together, account for roughly 97% of connecting passengers at Sky Harbor.

The rate of growth in the number of connecting passengers exceeded the rate of growth in numbers of O&D passengers between 1991 and 2007. The most notable period of connecting traffic growth was in FY 1999 through FY 2001, a period during which O&D traffic plateaued, as illustrated on Figure 6. Since the nationwide downturn in airline traffic in FY 2002, connecting and O&D traffic at Sky Harbor have increased at roughly similar rates. (Table 14, presented later, provides further detail.)

Figure 6
HISTORICAL ENPLANED PASSENGERS
Phoenix Sky Harbor International Airport
(for the 12 months ended June 30)



Note: Percentages reflect O&D passengers as a percent of total enplaned passengers.
Sources: City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Sky Harbor Role in US Airways' System

America West built its headquarters in Tempe, began commercial service in 1983, and established a major hub at Sky Harbor. In September 2005, America West merged with US Airways and, although the merged airline retained the US Airways

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* Unlike many other airlines, Southwest "interlined" passengers with only one other airline (ATA Airlines). (On April 3, 2008, a day after filing for bankruptcy, ATA Airlines ceased flight operations.) Passengers flying on Southwest must use separate tickets to make connections with all other airlines. These passengers are reported by Southwest as O&D passengers. Consequently, the airline tends to understate its actual number of connecting passengers.

name, it kept the Phoenix-area corporate headquarters. Table 6 shows that, in March 2008, Sky Harbor was the third largest US Airways hub in terms of departing seats (11.3% of its total systemwide capacity), behind Charlotte and Philadelphia, and offered more than twice as many seats as the next-ranking airport (Washington-Reagan) in the US Airways system.

Table 6

SCHEDULED DEPARTING SEATS ON US AIRWAYS

Top U.S. Airports in the US Airways System
(for the first week of March, 2008)

Rank	Airport	Departing Seats	% of Total
1	Charlotte	385,202	17.9%
2	Philadelphia	262,632	12.2
3	**Phoenix**	**242,893**	**11.3**
4	Washington-Reagan	112,884	5.2
5	Las Vegas	99,360	4.6
6	New York-LaGuardia	76,921	3.6
7	Boston	64,427	3.0
8	Pittsburgh	38,968	1.8
9	Orlando	34,122	1.6
10	Tampa	27,205	1.3
	All Other	808,362	37.5
	Total---U.S. System	2,152,976	100.0%

Note: Represents domestic and international seats and includes code-sharing affiliates.
Source: *Official Airline Guide*.

US Airways and its code-sharing affiliates accounted for 46.5% of enplaned passengers at Sky Harbor in FY 2007—the largest share of any airline at Sky Harbor. US Airways is also affiliated with Air Canada and United Airlines at Sky Harbor through its membership in the global Star Alliance. Over the past 10 years, the number of Sky Harbor passengers enplaned by US Airways grew an average of 3.3% per year compared to an average growth of 3.0% per year for Sky Harbor enplaned passengers overall. The airline's top five markets from Sky Harbor (ranked by FY 2007 domestic O&D passengers) were: the Los Angeles area, the San Francisco Bay area, the New York-New Jersey metroplex, the Chicago area, and Las Vegas. These five markets accounted for nearly one-third (31.2%) of all US Airways' domestic O&D passengers at Sky Harbor.

Sky Harbor Role in Southwest's System

Headquartered in Dallas, Southwest began commercial service in 1971. Southwest has typically focused on providing high-frequency service, primarily in short- and medium-haul markets. Southwest's average passenger trip length was 837 miles on flights to and from Sky Harbor in FY 2007, versus average trip lengths of 1,162 miles for US Airways' passengers at Sky Harbor, and 1,543 miles for passengers on all other airlines at Sky Harbor.

Southwest initiated service at Sky Harbor in 1982; in March 2008, the airline offered more departing seats at Sky Harbor than at all but two airports in its system—Las Vegas' McCarran International Airport and Chicago's Midway International Airport, as shown in Table 7.

Table 7

SCHEDULED DEPARTING SEATS ON SOUTHWEST AIRLINES

Top U.S. Airports in the Southwest System
(for the first week in March, 2008)

Rank	Airport	Departing Seats	% of Total
1	Las Vegas	221,960	7.2%
2	Chicago-Midway	208,068	6.7
3	**Phoenix**	**181,376**	**5.9**
4	Baltimore	155,176	5.0
5	Oakland	127,681	4.1
6	Houston-Hobby	127,284	4.1
7	Dallas-Love Field	116,677	3.8
8	Los Angeles	109,032	3.5
9	Orlando	108,459	3.5
10	San Diego	93,151	3.0
	All Others	1,649,094	53.2
	Total---U.S. System	3,097,958	100.0%

Source: *Official Airline Guide.*

Southwest accounted for 30.1% of enplaned passengers at Sky Harbor in FY 2007, ranking second to US Airways. Over the past 10 years, the number of passengers enplaned on Southwest at Sky Harbor grew an average of 4.6% per year compared to an average of 3.0% per year for Sky Harbor enplaned passengers overall. Southwest's top five markets for Sky Harbor (ranked by FY 2007 O&D passengers) were: the Los Angeles area, Las Vegas, the San Francisco Bay area, San Diego, and the Chicago area. These five markets accounted for nearly half (46.6%) of all of Southwest's O&D passengers at Sky Harbor.

Sky Harbor Role as an International Gateway

An airport with international service gains international gateway status when the international service attracts a flow of passengers from elsewhere in the country, and from outside the country, that connect at the airport. In 2006, Sky Harbor ranked 17th among U.S. airports in terms of passengers connecting to international flights, as shown in Table 8. Approximately 45% of international passengers at Sky Harbor are connecting to other flights, while the remaining 55% are O&D passengers. The majority of international passengers at Sky Harbor board flights bound for Mexico, while most of the remainder are bound for Canada, the United Kingdom, or Costa Rica.

Table 8

PASSENGERS ENPLANED ON INTERNATIONAL FLIGHTS

Top 20 U.S. Airports

(for the 12 months ended June 30, 2007; ranked by connecting passengers)

		Enplaned Passengers		
Rank	Airport	Connecting *(a)*	O&D	Total
1	Atlanta	2,739,380	1,552,595	4,291,975
2	Chicago-O'Hare	2,729,580	2,947,848	5,677,428
3	Miami	2,393,150	5,021,751	7,414,901
4	Houston-Bush	1,982,080	1,726,403	3,708,483
5	New York-Newark	1,431,000	3,681,087	5,112,087
6	Dallas/ Fort Worth	1,416,600	1,106,141	2,522,741
7	Los Angeles	1,387,580	6,667,003	8,054,583
8	New York-Kennedy	1,189,540	8,961,380	10,150,920
9	Detroit	1,082,710	745,664	1,828,374
10	San Francisco	995,820	3,141,803	4,137,623
11	Washington DC-Dulles	968,530	1,701,183	2,669,713
12	Philadelphia	854,750	880,397	1,735,147
13	Charlotte	740,360	263,776	1,004,136
14	Minneapolis/ St. Paul	676,630	571,868	1,248,498
15	San Juan	508,110	455,961	964,071
16	Denver	447,480	571,316	1,018,796
17	**Phoenix**	**395,490**	**476,796**	**872,286**
18	Seattle	381,580	781,378	1,162,958
19	Cincinnati	240,490	161,181	401,671
20	Honolulu	200,710	1,633,396	1,834,106

(a) Includes passengers connecting from a domestic flight to an international flight, but excludes passengers connecting from one international flight to another international flight due to unavailability of data.

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

While about 872,000 passengers boarded international flights at Sky Harbor in FY 2007, these were not, in fact, the only international travelers enplaning at Sky Harbor. Roughly 400,000 passengers at Sky Harbor boarded domestic flights bound for other U.S. gateway airports, where they connected with flights to their international destinations. These passengers represent potential users of increased international air service at Sky Harbor in the future.

AIRLINE SERVICE

Table 9 lists the passenger airlines that provided service at Sky Harbor in FY 2007. Several all-cargo carriers, including FedEx, UPS, ABX Air, Ameriflight, Air Transport International, and Kitty Hawk Air Cargo, also provided service at Sky Harbor.

Table 9

PASSENGER CARRIERS REPORTING ENPLANED PASSENGERS

Phoenix Sky Harbor International Airport

(for the 12 months ended June 30, 2007)

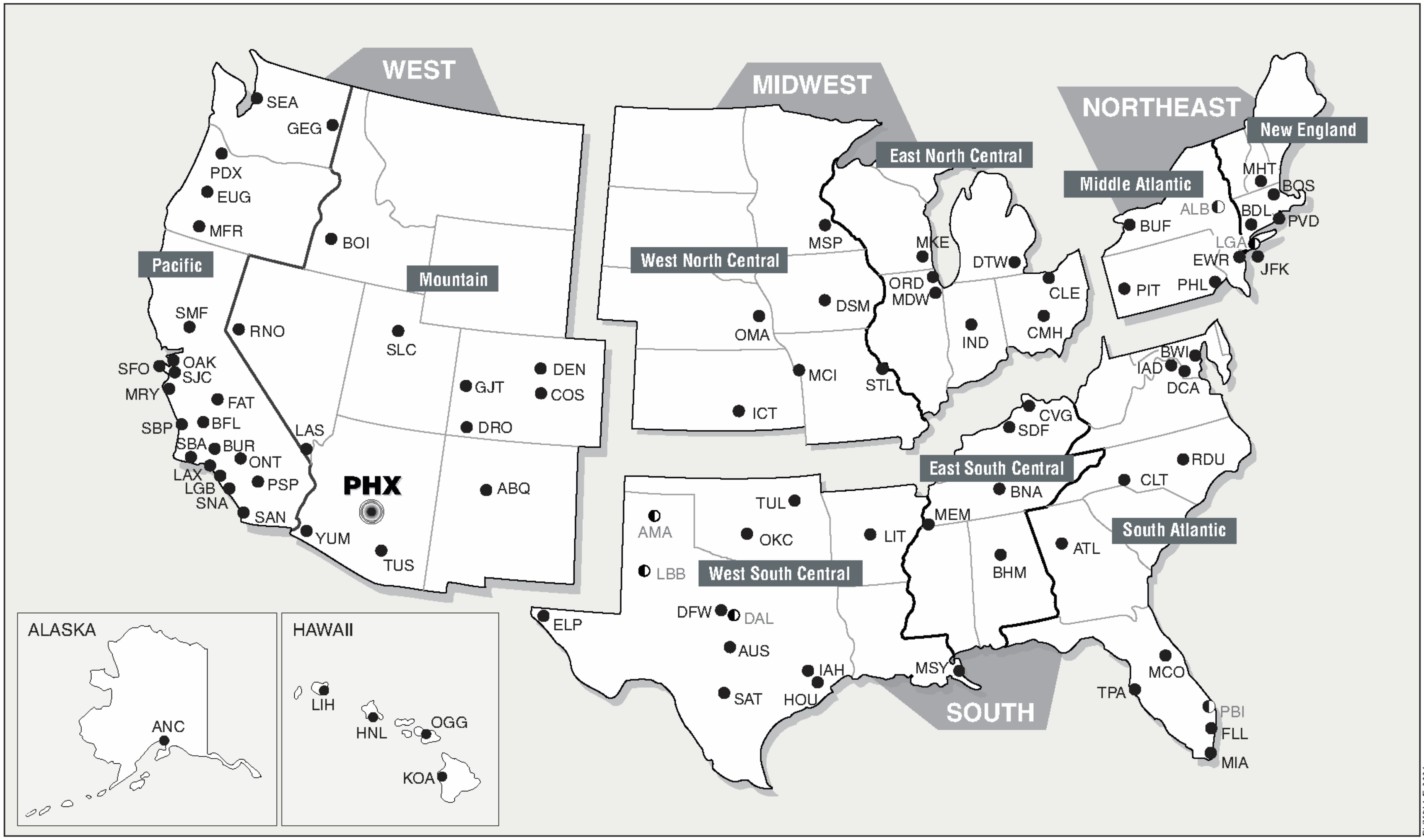
Major/ National	*Regional/ Commuter*
AirTran	Atlantic Southeast (Delta Connection)
Alaska	ExpressJet (Continental Express)
American	Great Lakes
ATA	Mesa (US Airways Express)
Continental	Skywest (Delta Connection and United Express)
Delta	
Frontier	***Foreign-Flag***
Hawaiian	Aeromexico
JetBlue	Air Canada
Midwest	British Airways
Northwest	WestJet
Southwest	
Sun Country	***Charter***
United	Casino Express
US Airways	

Source: City of Phoenix Aviation Department.

Domestic Service

Figure 7 shows the locations of the U.S. airports served by scheduled daily nonstop or one-stop same-plane jet flights from Sky Harbor in the first week of March 2008.*

* Depicted on Figure 7 are the geographic regions established by U.S. Department of Commerce, Bureau of the Census. These regional divisions are referenced later in this document.



LEGEND

- ● Daily scheduled nonstop service
- ◐ Daily scheduled one-stop same-plane service

Source: Official Airline Guides, Inc.

Figure 7

U.S. AIRPORTS SERVED BY DAILY SCHEDULED ROUND TRIP JET FLIGHTS

Phoenix Sky Harbor International Airport

First Week of March, 2008

JACOBS CONSULTANCY

In order to examine airline service trends, published flight schedules for March 1998, 2003, 2007, and 2008 were selected to compare current service with service offered at Sky Harbor 10 years, 5 years, and 1 year ago, respectively.

The number of cities served nonstop at Sky Harbor increased between 1998 and 2003 but plateaued in the subsequent five years, as shown in Table 10. Over the 10-year period, the number of daily departing flights and scheduled seats on short-haul routes declined but increased on medium- and long-haul routes.

From 1998 to 2008, increases in the number of regional jet flights more than offset the decline in turboprop flights, while the number of seats on mainline jet flights remained essentially unchanged. Most recently, from 2007 to 2008, the number of departing flights and seats declined somewhat at Sky Harbor, reflecting a broader national trend.

The comparison of nonstop jet service presented in Table 11 reveals how airline service at Sky Harbor has changed over the past 10 years in the top 20 domestic O&D city-pair markets for Sky Harbor. The number of flights on the top 20 routes increased only slightly over the past five years. In March 2008, there was competing nonstop service in all of the top 20 markets, with four markets served by four airlines and another nine markets served by three airlines.

In March 2008, daily nonstop service was provided on all of Sky Harbor's top 20 routes by US Airways, and on 16 of the top 20 routes by Southwest. (See Table 12 for the average weekly number of departing seats on Sky Harbor's top 20 routes, as well as each carrier's share of those seats.) The top 20 routes accounted for about 72% of all scheduled departing seats at Sky Harbor.

Table 10

DAILY SCHEDULED DOMESTIC PASSENGER SERVICE

Phoenix Sky Harbor International Airport

(for the first week in March)

	1998	2003	2007	2008	Change 1998-2003	Change 2003-2007	Change 2007-2008	Change 1998-2008
NUMBER OF CITIES SERVED NONSTOP	**67**	**82**	**81**	**81**	**+15**	**-1**	**+0**	**+14**
By Aircraft Type:								
Total Jet	52	69	71	73	+17	+2	+2	+21
Mainline Jet	*49*	*57*	*58*	*59*	*+8*	*+1*	*+1*	*+10*
Regional Jet	*3*	*27*	*28*	*31*	*+24*	*+1*	*+3*	*+28*
Turboprop	16	14	14	13	-2	+0	-1	-3
By Stage Length:								
Short-haul (<600 mi.)	27	29	27	26	+2	-2	-1	-1
Medium-short haul (600-1200 mi.)	16	22	20	20	+6	-2	+0	+4
Medium-long haul (1200-1800 mi.)	15	17	17	17	+2	+0	+0	+2
Long-haul (>1800 mi.)	9	14	17	18	+5	+3	+1	+9
AVERAGE DAILY DEPARTING FLIGHTS	**555**	**604**	**616**	**592**	**+49**	**+12**	**-24**	**+37**
By Aircraft Type:								
Total Jet	499	567	586	569	+68	+19	-17	+70
Mainline Jet	*491*	*472*	*500*	*478*	*-19*	*+28*	*-22*	*-12*
Regional Jet	*8*	*95*	*86*	*91*	*+87*	*-9*	*+4*	*+82*
Turboprop	56	37	30	23	-19	-7	-7	-33
By Stage Length:								
Short-haul (<600 mi.)	277	275	265	253	-2	-10	-12	-24
Medium-short haul (600-1200 mi.)	167	181	181	173	+14	-0	-8	+6
Medium-long haul (1200-1800 mi.)	84	97	108	105	+12	+12	-3	+21
Long-haul (>1800 mi.)	27	52	61	61	+24	+10	-0	+34
AVERAGE DAILY SCHEDULED SEATS	**70,135**	**72,733**	**78,479**	**75,202**	**+2,598**	**+5,746**	**-3,277**	**+5,066**
By Aircraft Type:								
Total Jet	69,032	71,591	77,593	74,512	+2,558	+6,003	-3,082	+5,480
Mainline Jet	*68,611*	*66,341*	*71,955*	*68,261*	*-2,270*	*+5,614*	*-3,695*	*-350*
Regional Jet	*421*	*5,250*	*5,638*	*6,251*	*+4,828*	*+388*	*+613*	*+5,830*
Turboprop	1,103	1,142	885	690	+39	-257	-195	-413
By Stage Length:								
Short-haul (<600 mi.)	30,845	27,775	28,705	27,740	-3,069	+930	-965	-3,104
Medium-short haul (600-1200 mi.)	21,764	22,665	24,159	22,439	+901	+1,495	-1,720	+675
Medium-long haul (1200-1800 mi.)	13,346	14,611	16,318	15,658	+1,264	+1,707	-660	+2,311
Long-haul (>1800 mi.)	4,180	7,682	9,296	9,364	+3,502	+1,614	+68	+5,184

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

Source: *Official Airline Guide*.

Table 11
COMPARISON OF NONSTOP JET SERVICE
IN THE TOP 20 DOMESTIC O&D PASSENGER MARKETS
Phoenix Sky Harbor International Airport
(for the first week in March)

	City Market	Nonstop	Airlines Offering Nonstop	Number of Carriers Serving *(c)*				Weekly Scheduled Jet Flight Departures			
Rank *(a)*	*Airport*	Mileage	Service *(b)*	1998	2003	2007	2008	1998	2003	2007	2008
1	Los Angeles	351	DL,UA,US,WN	4	4	3	4	590	599	601	558
	Los Angeles		*DL,UA,US,WN*	*4*	*3*	*3*	*4*	*284*	*249*	*233*	*198*
	Orange County		*US,WN*	*1*	*3*	*2*	*2*	*53*	*112*	*117*	*106*
	Burbank		*US,WN*	*2*	*2*	*2*	*2*	*81*	*79*	*100*	*101*
	Ontario		*US,WN*	*2*	*2*	*2*	*2*	*145*	*125*	*117*	*120*
	Long Beach		*US*	*1*	*1*	*1*	*1*	*27*	*34*	*34*	*33*
2	Chicago *(d)*	1,442	AA,UA,US,WN	4	5	4	4	114	156	175	159
3	San Francisco *(e)*	639	UA,US,WN	3	3	3	3	253	232	238	231
4	Denver	603	F9,UA,US,WN	4	3	4	4	186	137	202	167
5	Las Vegas	255	US,WN	3	2	2	2	235	202	227	215
6	New York *(f)*	2,143	B6,CO,DL,US	3	3	4	4	63	82	95	102
7	Seattle	1,106	AS,US,WN	2	3	3	3	76	113	105	104
8	San Diego	302	US,WN	4	2	2	2	157	167	173	158
9	Minneapolis/ St. Paul	1,276	NW,SY,US	2	3	3	3	71	90	109	95
10	Washington DC/ Baltimore *(g)*	1,973	UA,US,WN	2	3	3	3	28	85	83	82
11	Dallas/ Ft. Worth *(h)*	868	AA,US	3	3	2	2	160	121	111	104
12	Salt Lake City	507	DL,US,WN	3	3	3	3	110	155	138	149
13	Detroit	1,668	NW,US,WN	2	3	3	3	63	57	77	63
14	Portland	1,008	AS,US,WN	2	3	3	3	48	74	76	76
15	Albuquerque	330	US,WN	2	2	2	2	125	124	107	106
16	Sacramento	646	US,WN	2	2	2	2	47	80	82	81
17	Philadelphia	2,071	US,WN	1	1	2	2	40	49	56	54
18	Houston *(i)*	1,015	CO,US,WN	3	3	3	3	114	114	130	121
19	Atlanta	1,584	DL,FL,US	2	2	3	3	70	70	86	104
20	Kansas City	1,041	US,WN	2	2	2	2	62	54	46	45
	Total---Top 20 Markets			12	12	12	12	2,612	2,761	2,917	2,774
	All Other Markets							881	1,209	1,187	1,209
	Total---All Markets			14	16	16	16	3,493	3,970	4,104	3,983

(a) Top 20 city markets ranked by domestic outbound O&D passengers for the 12 months ended June 30, 2007.
(b) For the 1st week of March, 2008. Carrier legend: AA=American, AS=Alaska, B6=JetBlue, CO=Continental, DL=Delta, F9=Frontier, FL=AirTran, NW=Northwest, SY=Sun Country, UA=United, US=US Airways, WN=Southwest.
(c) Each mainline carrier and its code-sharing affiliates were counted as one airline.
(d) Market includes O'Hare and Midway airports.
(e) Market includes San Francisco, Oakland, and San Jose airports.
(f) Market includes LaGuardia, Newark, and Kennedy airports.
(g) Market includes Dulles, Reagan, and Baltimore airports.
(h) Market includes Dallas/ Ft. Worth Airport and Love Field.
(i) Market includes Bush and Hobby airports.
Source: *Official Airline Guide.*

Table 12

CARRIER SHARES OF WEEKLY SCHEDULED NONSTOP DOMESTIC DEPARTING SEATS

Phoenix Sky Harbor International Airport

(for the first week of March 2008)

Rank *(b)*	City Market / *Airport*	Departing Seats *(c)*	US	WN	DL	UA	AA	NW	CO	AS	F9	FL	YX	TZ	B6	HA	SY	ZK
			Published Carrier Share (see legend below) *(a)*															
1	Los Angeles	67,622	38.5%	57.2%	1.6%	2.8%	-	-	-	-	-	-	-	-	-	-	-	-
	Los Angeles	*22,169*	*33.8*	*53.1*	*4.7*	*8.4*	-	-	-	-	-	-	-	-	-	-	-	-
	Orange County	*14,268*	*49.1*	*50.9*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Burbank	*12,370*	*26.9*	*73.1*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ontario	*16,193*	*34.5*	*65.5*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Long Beach	*2,622*	*100.0*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Chicago *(d)*	22,982	22.7	32.2	-	18.8	26.3	-	-	-	-	-	-	-	-	-	-	-
3	San Francisco *(e)*	31,515	50.2	36.5	-	13.3	-	-	-	-	-	-	-	-	-	-	-	-
4	Denver	22,318	18.9	24.6	-	32.3	-	-	-	-	24.3	-	-	-	-	-	-	-
5	Las Vegas	29,395	42.7	57.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	New York *(f)*	15,690	38.0	-	13.8	-	-	-	34.7	-	-	-	-	-	13.4	-	-	-
7	Seattle	14,704	35.0	18.6	-	-	-	-	-	46.4	-	-	-	-	-	-	-	-
8	San Diego	22,100	42.2	57.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Minneapolis/ St. Paul	15,348	26.6	-	-	-	-	61.8	-	-	-	-	-	-	-	-	11.6	-
10	Washington DC/ Baltimore *(g)*	11,499	51.4	33.4	-	15.3	-	-	-	-	-	-	-	-	-	-	-	-
11	Dallas/ Fort Worth *(h)*	14,498	33.4	-	-	-	66.6	-	-	-	-	-	-	-	-	-	-	-
12	Salt Lake City	19,148	29.9	38.6	31.5	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Detroit	10,085	29.7	9.5	-	-	-	60.8	-	-	-	-	-	-	-	-	-	-
14	Portland	10,363	45.8	26.4	-	-	-	-	-	27.7	-	-	-	-	-	-	-	-
15	Albuquerque	14,047	30.8	69.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Sacramento	10,665	43.3	56.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Philadelphia	8,224	76.7	23.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Houston *(i)*	15,146	27.0	28.4	-	-	-	-	44.7	-	-	-	-	-	-	-	-	-
19	Atlanta	16,802	22.7	-	54.5	-	-	-	-	-	-	22.8	-	-	-	-	-	-
20	Kansas City	6,030	44.9	55.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total---Top 20 Markets	378,181	36.6%	35.9%	4.9%	5.1%	4.2%	4.1%	3.2%	2.6%	1.4%	1.0%	-	-	0.6%	-	0.5%	-
	All Other Markets	148,231	58.7	30.9	1.3	-	0.7	0.6	2.1	-	-	0.7	1.8	1.5	-	1.2	-	0.5
	Total---All Markets	526,412	42.8%	34.5%	3.9%	3.7%	3.2%	3.1%	2.9%	1.8%	1.0%	0.9%	0.5%	0.4%	0.4%	0.4%	0.3%	0.1%

(a) Includes code-sharing affiliates, if any. Carrier legend: US=US Airways, WN=Southwest, UA=United, DL=Delta, AA=American, CO=Continental, NW=Northwest, AS=Alaska, F9=Frontier; FL=AirTran; B6=JetBlue; YX=Midwest; HA=Hawaiian; TZ=ATA; SY=Sun Country; ZK=Great Lakes.

(b) Top 20 city markets ranked by total domestic outbound O&D passengers for the 12 months ended June 30, 2007.

(c) Departing seats on nonstop flights.

(d-i) Refer to notes for Table 11.

Source: *Official Airline Guide.*

International Service

Scheduled international service at Sky Harbor grew substantially, from 163 to 198 weekly flights, between March 2003 and March 2007, as shown in Table 13. The number of flights from Sky Harbor to Canada nearly doubled, along with new service to Costa Rica, more than offsetting service reductions which included Lufthansa's termination of its service to Germany, a reduction in British Airways' frequency of service to the United Kingdom, and a slight drop in the number of flights to Mexico. Scheduled international service in March 2008 showed little change from the previous year.

Destinations in Mexico account for more than half of the international flights at Sky Harbor. Of the 106 flights operated to Mexico in the first week of March 2008, 92 were operated by US Airways and 14 were operated by Aeromexico. Of the 90 other weekly international flights from Sky Harbor, 77 were destined for Canada, 6 to London's Heathrow Airport, and 7 to Costa Rica. US Airways operated 141 of the 196 international weekly flights from Sky Harbor in March 2008.

Aircraft Capacity and Seat Occupancy

The total number of seats scheduled to be provided from Sky Harbor increased between FY 2004 and FY 2007, as shown on Figure 8. In FY 2007, the number of departing seats was 8.4% higher than it was three years earlier. The number of departing passengers increased more than seat capacity, resulting in an increase in overall seat occupancy, from 74.2% in FY 2004 to 76.1% in FY 2007.

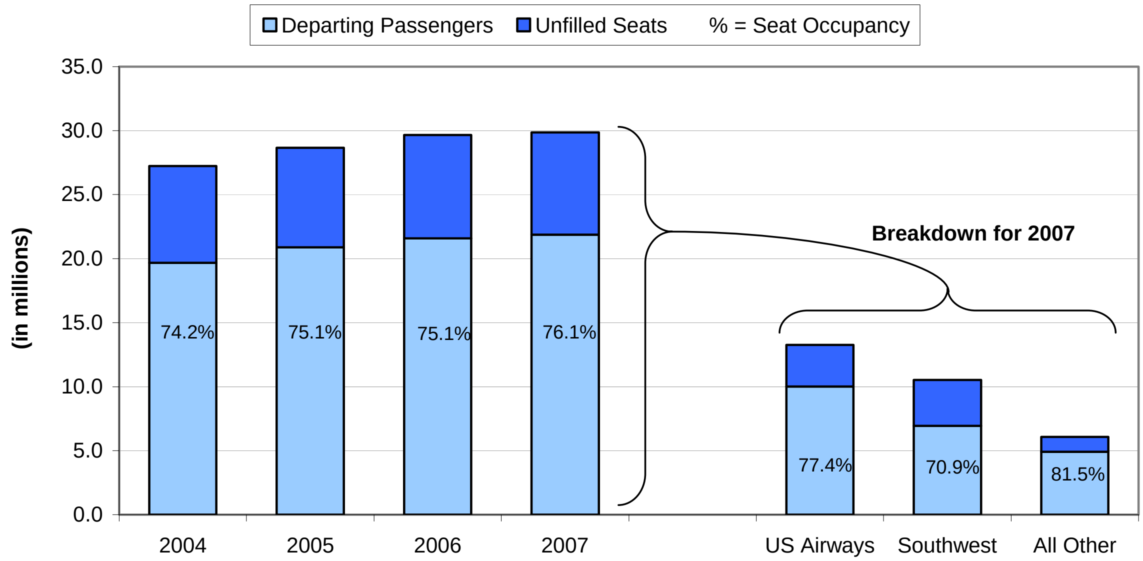
Seat occupancy varies significantly among the airlines serving Sky Harbor. In FY 2007, Southwest operated with the lowest seat occupancy (70.9%), substantially lower than that for US Airways (77.4%) and all other airlines serving Sky Harbor (81.5%). It is also worth noting that Southwest tends to rely more on "through traffic" at Sky Harbor than US Airways; through passengers (i.e., those who neither deplaned nor enplaned at Sky Harbor) accounted for 10.2% of Southwest's departing passenger load at Sky Harbor in FY 2007 compared to only 3.4% for US Airways.

Table 13
WEEKLY SCHEDULED INTERNATIONAL PASSENGER FLIGHTS
Phoenix Sky Harbor International Airport
(for the first week of March)

Destination Country Airport	Carrier *(a)*	Flight Departures per Week 2003	2007	2008
Total		**163**	**198**	**196**
Mexico		**112**	**109**	**106**
Los Cabos		26	23	24
	US Airways	*22*	*23*	*24*
	Alaska	*4*	-	-
Puerto Vallarta		19	21	21
	US Airways	*15*	*21*	*21*
	Alaska	*4*	-	-
Mexico City		14	14	14
	US Airways	*14*	*7*	*7*
	Aeromexico	-	*7*	*7*
Hermosillo		14	14	14
	US Airways	*7*	*7*	*7*
	Aeromexico	*7*	*7*	*7*
Guadalajara		15	10	7
	US Airways	*14*	*7*	*7*
	Aeromexico	*1*	*3*	-
Mazatlan	US Airways	11	10	9
Guaymas	US Airways	7	7	7
Cancun	US Airways	-	7	7
Acapulco	US Airways	1	1	1
Ixtapa/ Zihuatanejo	US Airways	3	1	1
Manzanillo	US Airways	2	1	1
Canada		**39**	**76**	**77**
Calgary		14	28	32
	US Airways	*7*	*14*	*14*
	Air Canada	*7*	*7*	*7*
	WestJet	-	*7*	*11*
Toronto		14	21	18
	Air Canada	*7*	*14*	*11*
	US Airways	*7*	*7*	*7*
Vancouver		11	14	14
	US Airways	*7*	*14*	*14*
	Air Canada	*2*	-	-
	Alaska	*2*	-	-
Edmonton		-	10	10
	US Airways	-	*7*	*7*
	Air Canada	-	*3*	*3*
Winnipeg	WestJet	-	3	3
Costa Rica		**-**	**7**	**7**
San Jose	US Airways	-	7	7
United Kingdom		**7**	**6**	**6**
London-Heathrow	British Airways	7	6	6
Germany		**5**	**-**	**-**
Frankfurt	Lufthansa	5	-	-

(a) Includes code-sharing affiliates, if any.
Source: *Official Airline Guide* .

Figure 8
SEAT CAPACITY OCCUPIED ON DEPARTING SCHEDULED FLIGHTS
Phoenix Sky Harbor International Airport
(for fiscal years ended June 30)



Note: Percentages reflect percent of departing seats occupied.
Source: City of Phoenix Aviation Department; U.S. DOT, Schedule T100; *Official Airline Guide*.

PASSENGER TRAFFIC

Trends in passenger traffic were analyzed in several ways. Enplaned passengers were examined by traffic segment (O&D vs. connecting, with various sub-categories) and by airline (usually grouped with affiliated regional carriers). Both O&D and connecting passengers were examined by market area. Passengers were also categorized by their eligibility to pay a passenger facility charge (PFC).

Passenger Traffic by Segment

The total number of enplaned passengers at Sky Harbor increased an average of 4.0% per year from FY 1997 through FY 2001, and then slowed to an average increase of 2.3% per year from FY 2001 through FY 2007, as shown in Table 14. The number of international passengers increased at a higher rate than domestic passengers over the 10-year period, albeit from a much smaller base. In FY 2007, international enplaned passengers accounted for 4.2% of total enplaned passengers, up from 1.4% in FY 1997. Connecting passengers drove virtually all of the growth between FY 1997 and FY 2001, increasing an average of 10.9% per year compared to 0.5% per year for O&D passengers. From FY 2001 through FY 2007, however, growth in the number of connecting passengers slowed to 1.8% per year, on average, in large part due to the maturing of US Airways' hub at Sky Harbor. Over the same period, O&D passengers increased an average of 2.7% per year.

Table 14

PASSENGER TRENDS, BY FLIGHT DESTINATION AND TYPE OF PASSENGER

Phoenix Sky Harbor International Airport

(for the 12 months ended June 30; enplaned passengers, in thousands)

	By Flight Destination		By Type of Passenger		
Year	Domestic	International	O&D	Connecting	**TOTAL**
1997	15,237	220	10,729	4,728	**15,457**
2001	17,521	555	10,927	7,149	**18,076**
2002	16,368	548	10,072	6,844	**16,916**
2003	17,530	652	10,911	7,271	**18,182**
2004	18,221	735	11,546	7,411	**18,956**
2005	19,258	811	12,256	7,813	**20,070**
2006	19,750	893	12,656	7,986	**20,642**
2007	19,892	871	12,815	7,948	**20,763**
FYTD2007	12,788	558	n.a.	n.a.	**13,346**
FYTD2008	12,935	578	n.a.	n.a.	**13,513**
Compound Annual Growth Rate					
1997-2001	3.6%	26.1%	0.5%	10.9%	**4.0%**
2001-2007	2.1	7.8	2.7	1.8	**2.3**
1997-2007	2.7	14.8	1.8	5.3	**3.0**
FYTD2007-2008	1.2	3.5	n.c.	n.c.	**1.3**
Percent of Total					
1997	98.6%	1.4%	69.4%	30.6%	**100.0%**
2001	96.9	3.1	60.4	39.6	**100.0**
2007	95.8	4.2	61.7	38.3	**100.0**

Note: FYTD=fiscal year-to-date, July through February.
n.a.=not available; n.c.=not calculated. Rows may not add to totals shown because of rounding.

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

The great majority of annual O&D passengers from FY 1997 through FY 2007 were domestic passengers, as shown in Table 15. The number of domestic O&D enplaned passengers increased 2.0% per year, on average, over this period.

The remainder are international O&D passengers that can be divided into two categories. The first category consists of passengers bound for international destinations who board international flights at Sky Harbor; these passenger numbers increased rapidly from a relatively low base in FY 1997 through FY 2001, but at a slower rate thereafter. The second category consists of travelers bound for international destinations who board domestic flights (and are counted as domestic passengers) at Sky Harbor and exit the United States via other gateway airports.* The total number of international O&D passengers at Sky Harbor increased 9.8% per year, on average, from FY 1997 through FY 2007—nearly five times the rate of growth of domestic O&D passengers.

Table 15

ORIGIN-DESTINATION PASSENGER TRENDS

Phoenix Sky Harbor International Airport

(for the 12 months ended June 30; enplaned passengers, in thousands)

		International O&D Passengers			**Total**
Year	Domestic O&D Passengers	on International Flights *(a)*	on Domestic Flights *(b)*	Total	**O&D Passengers *(c)***
1997	9,871	68	279	347	**10,729**
2001	10,542	338	351	689	**10,927**
2002	9,425	320	270	590	**10,072**
2003	10,023	366	262	627	**10,911**
2004	10,675	371	309	680	**11,546**
2005	11,410	380	350	729	**12,256**
2006	11,878	455	391	845	**12,656**
2007	12,091	476	404	880	**12,815**
Compound Annual Growth Rate					
1997-2001	1.7%	49.6%	5.9%	18.7%	**0.5%**
2001-2007	2.3	5.9	2.4	4.2	**2.7**
1997-2007	2.0	21.6	3.8	9.8	**1.8**

(a) Includes international O&D passengers on scheduled flights, along with small numbers of passengers on charter flights, non-revenue passengers, and international-to-international connections, if any.

(b) Passengers who boarded domestic flights to other U.S. gateway airports where they connected with flights to their international destinations.

(c) Domestic O&D Passengers and International O&D Passengers may not add to Total O&D Passengers because of i) passengers on charter flights, ii) inconsistencies in reporting by carriers to the airport, and iii) sampling errors in the U.S. DOT Air Passenger Origin Destination Survey.

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

Connecting passengers represent a substantial passenger segment at Sky Harbor—approximately 38% of total enplaned passengers in FY 2007. Connecting passengers are categorized into two groups: (1) connections from one domestic flight to another and (2) connections from a domestic flight to an international flight, or vice versa

* For this reason, it is important to note that the category of "international passengers" is a broader segment of traffic than the subset of "international enplaned passengers." The reader is cautioned, therefore, to be attentive to this subtlety in this section of the Report.

(gateway connections), as shown in Table 16.* In FY 2007, domestic-to-domestic connections accounted for roughly 90% of all connecting passengers at Sky Harbor, while gateway connections accounted for the remaining 10%. Between FY 1997 and FY 2001, all segments of connecting traffic at Sky Harbor grew rapidly (10.9% per year, on average), as then-America West expanded its hubbing operation at Sky Harbor. Between FY 2001 and FY 2007, growth in domestic-to-domestic connections slowed (to 1.1% per year, on average), while gateway connections continued to grow about 10% per year.

Table 16
CONNECTING PASSENGER TRENDS
Phoenix Sky Harbor International Airport
(for the 12 months ended June 30; enplaned passengers, in thousands)

Year	Connections Between Dom. Flights	Connections Between Dom. and Intl. Flights	**Total Connecting Passengers**
1997	4,433	296	**4,728**
2001	6,716	433	**7,149**
2002	6,387	456	**6,844**
2003	6,703	568	**7,271**
2004	6,690	721	**7,411**
2005	6,940	873	**7,813**
2006	7,114	872	**7,986**
2007	7,176	773	**7,948**
Compound Annual Growth Rate			
1997-2001	10.9%	10.0%	**10.9%**
2001-2007	1.1	10.1	**1.8**
1997-2007	4.9	10.1	**5.3**
Percent of Total			
1997	93.8%	6.2%	**100.0%**
2001	93.9	6.1	**100.0**
2007	90.3	9.7	**100.0**

Notes: Rows may not add to totals shown because of rounding.
Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

The total number of passengers at Sky Harbor that were bound for international destinations increased substantially from FY 1997 through FY 2007, as shown in

*A third type of connecting passenger, international-to international connections, is not reported by the airlines, but the volume of these connections at Sky Harbor is believed to be immaterial.

Table 17. Total international passenger traffic at Sky Harbor includes all airline travelers who originated international trips, whether they boarded a domestic or an international flight, and those who made a connection to an international flight. Originating international travelers have tended to represent about 70% of the total at Sky Harbor, with connections accounting for the remainder (30%). Overall, the number of passengers making international trips at Sky Harbor more than doubled during the 10-year period.

Of all passengers originating international trips at Sky Harbor, the proportion that boarded international flights at Sky Harbor increased significantly over the past 10 years. In FY 2007, 54% began their international trips from Sky Harbor on international flights, compared to just 19% in FY 1997. This was due, in large part, to an increase in Sky Harbor's offering of nonstop scheduled flights to international destinations.

Table 17
INTERNATIONAL ENPLANED PASSENGER TRENDS
Phoenix Sky Harbor International Airport
(for the 12 months ended June 30; passengers in thousands)

	1997		2007		
Category	Enplaned Passengers	% of Total	Enplaned Passengers	% of Total	CAGR 1997-2007
Originating					
On international flights	68	13.5%	476	37.3%	21.6%
On domestic flights *(a)*	279	56.0	404	31.7	3.8
Total	347	69.5%	880	69.0%	9.8%
Connecting *(b)*	152	30.5	395	31.0	10.0
Total	499	100.0%	1,275	100.0%	9.8%

Notes: The above figures may differ from the passenger statistics reported by the airlines to the Airport.
CAGR=Compound annual growth rate.
Tables 18 and 19 present different segments of traffic derived from different data sources.

(a) Passengers who originated international trips on domestic flights at the Airport and exited the country via other U.S. gateway airports.

(b) Passengers connecting at the Airport from domestic to international scheduled flights.
The above figures may overstate international O&D passengers at the Airport, and understate international connecting passengers, due to international-to-international connections being reported to the DOT as O&D.

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

Over the past 10 years, the volume of passengers departing Sky Harbor on international flights to three countries, namely, Mexico, Canada, and the United Kingdom, increased significantly, as shown in Table 18. Between FY 1997 and FY 2006, the number of enplaned passengers to all three countries increased strongly. In FY 2007, however, this growth leveled off (to Canada) or was negative (to Mexico and the United Kingdom), primarily as a result of service reductions by Mesa Airlines (US Airways Express) to Canada and Mexico, and by British Airways to London.

Table 18
DEPARTING PASSENGERS, BY MAJOR INTERNATIONAL PASSENGER MARKET
Phoenix Sky Harbor International Airport
(for the 12 months ended June 30; gateway passengers, in thousands)

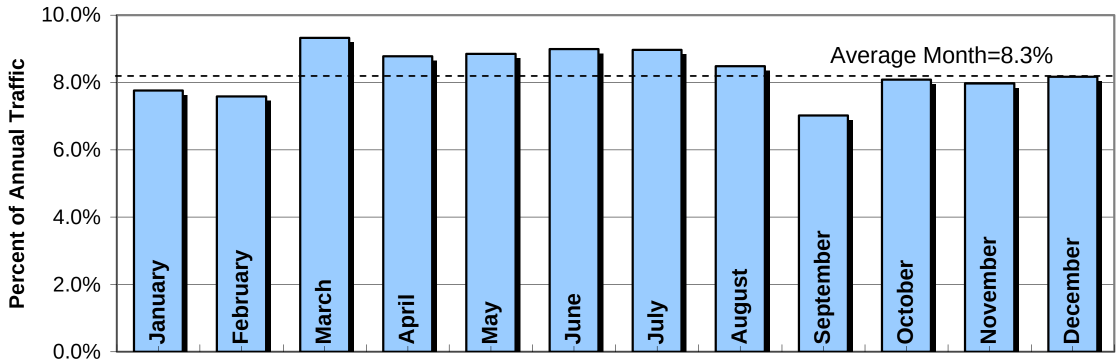
International Market Area	1997	2003	2004	2005	2006	2007	CAGR 1997-2007
Mexico	254	364	401	449	507	487	6.7%
Canada	78	162	207	271	291	297	14.3%
United Kingdom	51	68	72	83	91	81	4.7%
Europe (excluding U.K.)	6	50	25	-	-	-	n.c.
Other *(a)*	-	-	18	33	22	16	n.c.
Total	389	644	724	837	910	880	8.5%
Percent Change from Previous Year			12.5%	15.5%	8.8%	-3.3%	

Notes: Columns may not add to totals shown because of rounding.
CAGR=Compound annual growth rate; n.c.=not calculated.
Tables 18 and 19 present different segments of traffic derived from different data sources.
Includes both O&D and connecting passengers departing from the Airport on scheduled and non-scheduled international flights.
(a) Mostly passengers on flights to Costa Rica.
Sources: U.S. DOT, Schedules T100 and 298C T1.

Seasonality

Passenger traffic at Sky Harbor is fairly stable throughout the year and tends to fluctuate only slightly above and below the monthly average, as shown on Figure 9. Above-average passenger traffic tends to occur from March through August.

Figure 9
MONTHLY VARIATION OF ENPLANED PASSENGERS
Phoenix Sky Harbor International Airport
(fiscal years 2003 through 2007)



Note: Based on 5-year monthly average, from July 2002 through June 2007.
Source: City of Phoenix Aviation Department.

Passenger Traffic by Airline

The concentration of passenger traffic on flights operated by Sky Harbor's top two airlines—US Airways and Southwest—has increased over the past 10 years, as shown in Table 19. More than three-quarters (76.6%) of all passengers enplaned at Sky Harbor in FY 2007 boarded flights operated by either US Airways (and its affiliated carrier, Mesa Airlines) or Southwest, up from 70.8% in FY 1997.

Over the 10-year period, US Airways increased its share of total enplaned passengers by 1.5 percentage points to 46.5%, while Southwest's share increased by 4.3 percentage points to 30.1%.

US Airways and Southwest together accounted for 93% of the increase in enplaned passengers over the 10-year period. Increases in enplaned passengers between FY 1997 and FY 2007 were also reported by Continental, Alaska, Frontier, and JetBlue (which began service at Sky Harbor in October 2004), while declines were reported by United, American, Delta, and Northwest.

Table 19

CARRIER SHARES OF TOTAL ENPLANED PASSENGERS

Phoenix Sky Harbor International Airport

(for fiscal years ended June 30, except as noted; in descending order by FY2007)

Published Carrier	1997	2001	2002	2006	2007	FYTD2007	FYTD2008
Total	**15,457,019**	**18,076,059**	**16,915,967**	**20,642,263**	**20,762,870**	**13,345,822**	**13,512,833**
US Airways *(a)*	6,962,061	8,426,482	8,021,126	9,915,159	9,660,048	6,281,558	6,405,384
Southwest	3,992,666	4,797,159	4,729,726	6,105,629	6,240,937	3,990,777	3,975,624
United *(b)*	1,158,025	1,017,128	725,418	945,299	913,608	594,056	503,709
American *(c)*	944,438	987,337	791,857	654,570	752,317	496,285	474,949
Delta *(d)*	906,552	797,225	730,226	604,127	669,630	401,220	495,394
Continental *(e)*	339,316	452,740	404,947	581,153	619,682	386,648	383,929
Northwest	571,251	597,688	560,562	580,837	511,368	337,783	371,830
Alaska	285,128	385,733	378,919	366,229	376,946	233,351	244,012
Frontier	53,604	113,960	98,108	209,926	238,723	151,952	135,615
JetBlue	-	-	-	60,926	120,435	76,018	56,639
ATA *(f)*	72,672	168,962	171,135	132,812	112,872	72,520	67,785
British Airways	39,294	80,572	68,231	92,908	87,104	54,365	54,717
Hawaiian	-	-	-	87,615	84,820	54,805	56,396
Midwest Express	4,371	51,986	51,435	78,601	83,434	50,795	55,514
Sun Country	12,384	40,954	22,405	79,857	75,989	49,361	35,771
Aeromexico	14,352	67,624	42,430	62,956	59,330	40,172	37,296
Air Canada	4,233	42,920	68,644	48,690	55,432	35,106	34,479
AirTran	-	-	-	-	44,467	3,332	85,807
All Other	96,672	47,589	50,798	34,969	55,728	35,718	37,983
Carrier Share of Total:							
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
US Airways *(a)*	45.0%	46.6%	47.4%	48.0%	46.5%	47.1%	47.4%
Southwest	25.8	26.5	28.0	29.6	30.1	29.9	29.4
United *(b)*	7.5	5.6	4.3	4.6	4.4	4.5	3.7
American *(c)*	6.1	5.5	4.7	3.2	3.6	3.7	3.5
Delta *(d)*	5.9	4.4	4.3	2.9	3.2	3.0	3.7
Continental *(e)*	2.2	2.5	2.4	2.8	3.0	2.9	2.8
Northwest	3.7	3.3	3.3	2.8	2.5	2.5	2.8
Alaska	1.8	2.1	2.2	1.8	1.8	1.7	1.8
Frontier	0.3	0.6	0.6	1.0	1.1	1.1	1.0
JetBlue	-	-	-	0.3	0.6	0.6	0.4
ATA *(f)*	0.5	0.9	1.0	0.6	0.5	0.5	0.5
British Airways	0.3	0.4	0.4	0.5	0.4	0.4	0.4
Hawaiian	-	-	-	0.4	0.4	0.4	0.4
Midwest Express	0.0	0.3	0.3	0.4	0.4	0.4	0.4
Sun Country	0.1	0.2	0.1	0.4	0.4	0.4	0.3
Aeromexico	0.1	0.4	0.3	0.3	0.3	0.3	0.3
Air Canada	0.0	0.2	0.4	0.2	0.3	0.3	0.3
AirTran	-	-	-	-	0.2	0.0	0.6
All Other	0.6	0.3	0.3	0.2	0.3	0.3	0.3

Note: Columns may not add to totals shown because of rounding.
FYTD=fiscal year-to-date, July through February.

(a) Includes US Airways Express (Mesa). America West is included here as an affiliate of US Airways for all years shown, despite the fact the merger with US Airways occurred in October 2005.

(b) Includes United Express (Skywest) and Ted.

(c) Includes American Eagle. TWA is included here as an affiliate of American Airlines, despite the fact that American did not start reporting TWA passengers with its own until December 2001.

(d) Includes Delta Connection (Atlantic Southeast, ExpressJet, and Skywest).

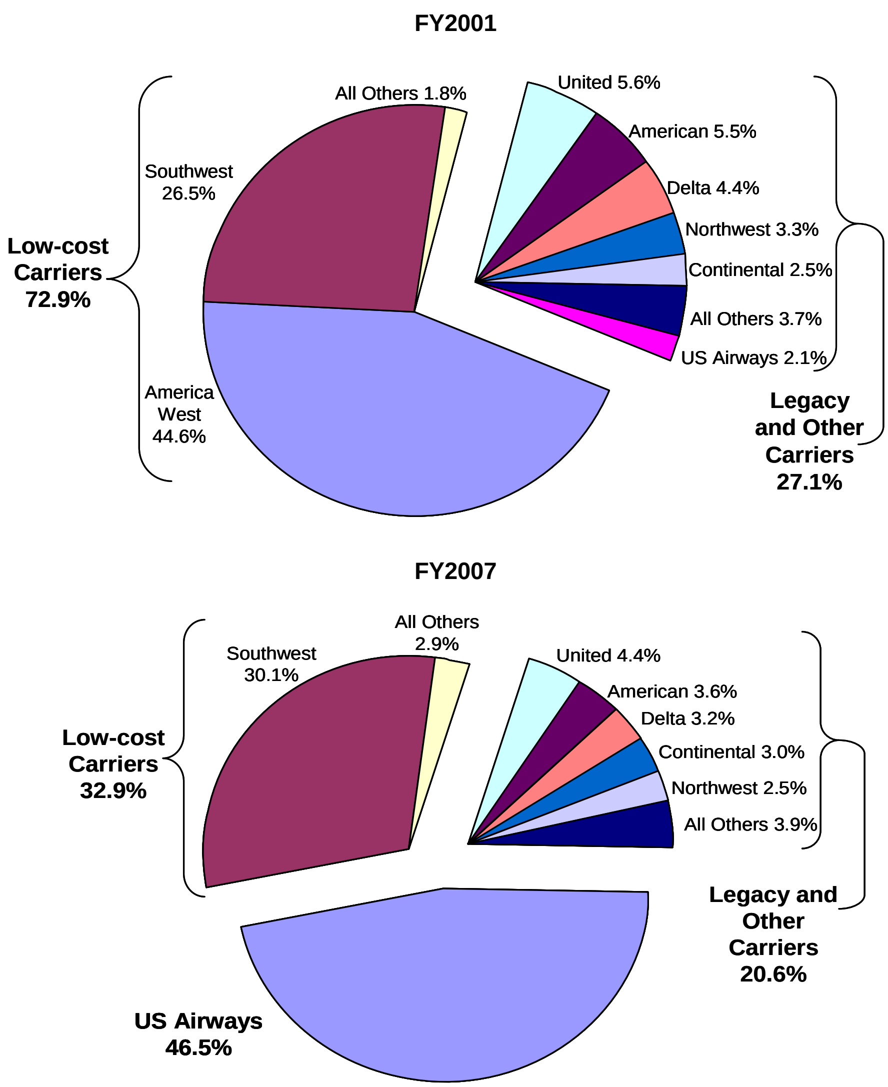
(e) Includes Continental Connection (ExpressJet).

(f) ATA ceased all operations on April 3, 2008.

Source: City of Phoenix Aviation Department.

The charts on Figure 10 show changes in carrier shares of enplaned passengers at Sky Harbor between FY 2001 and FY 2007. The current and future categorization of the merged US Airways/America West Airlines entity (i.e., whether as a legacy carrier or as a low-cost carrier [LCC]) remains uncertain, and it is shown on Figure 10 as a separate category. If the new entity were grouped with Southwest and the other LCCs, that category would have accounted for 79.4% of enplaned passengers at Sky Harbor in FY 2007.

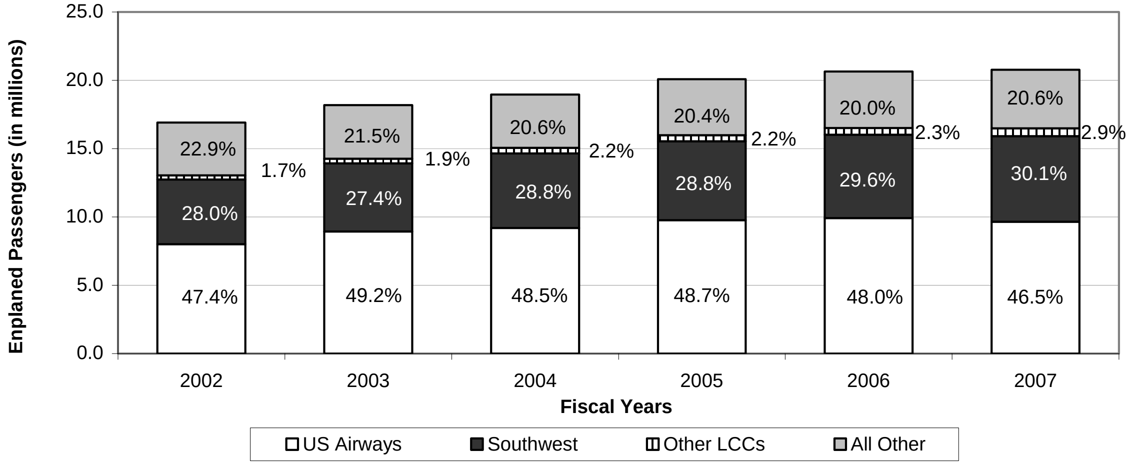
Figure 10
CHANGES IN CARRIER SHARES OF ENPLANED PASSENGERS
Phoenix Sky Harbor International Airport
(for the 12 months ended June 30)



Notes: Carriers shown include code-sharing affiliates, if any.
Figures may not add to totals shown because of rounding.
Source: City of Phoenix Aviation Department.

Between 2002 and 2007, the shares of total enplaned passengers at Sky Harbor accounted for by the various carrier groupings have changed. As shown on Figure 11, the combined share of passengers enplaned on Southwest and the other LCCs increased over the period (from 29.7% to 33.0%). US Airways enplaned a slightly lower share of passengers in FY 2007 (46.5%) than US Airways and America West together enplaned five years earlier (47.4%) when they were separate airlines. The share of passengers on all other carriers combined (i.e., the legacy airlines and non-LCCs) also declined, from 22.9% to 20.6%, over the five-year period.

Figure 11
TOTAL ENPLANED PASSENGERS BY CARRIER GROUPING
Phoenix Sky Harbor International Airport
(fiscal years ended June 30)



Source: City of Phoenix Aviation Department.

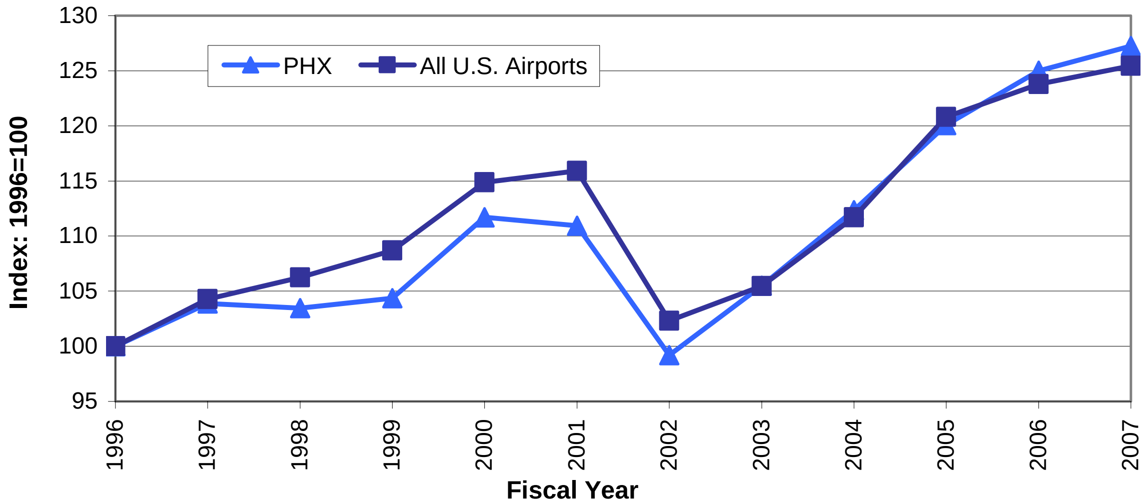
Between 1997 and 2001, the number of connecting passengers on US Airways at Sky Harbor increased 60%, compared to a 9% decline in O&D passengers. By 2001, connections accounted for nearly two-thirds of US Airways passengers at Sky Harbor. After 2001, by contrast, O&D passengers accounted for more of US Airways' growth at Sky Harbor, increasing 5.0% per year, on average, from 2001 to 2007, compared to 1.6% annual growth in connecting traffic.

Whereas connecting passengers have accounted for the majority of US Airways' enplaned passengers at Sky Harbor, Southwest has relied primarily on O&D passengers. The relative composition of Southwest's passenger traffic at Sky Harbor was relatively consistent from 1990 to 2006: O&D passengers accounted for 71% in 2006, compared with 72% in 1990. All other airlines, collectively, serve mostly O&D traffic; connections have accounted for only 3% to 5% of their annual enplaned passengers since 1998.

Domestic O&D Passengers

The trend in domestic O&D passengers at Sky Harbor resembles the nationwide pattern of domestic O&D passenger growth, as shown on Figure 12. Between FY 1997 and FY 2001, growth in numbers of passengers at Sky Harbor was somewhat less robust than for the nation. A quicker recovery at Sky Harbor in FY 2003 relative to the nation, however, realigned the two traffic trends. Since FY 2003, growth in numbers of domestic O&D passengers at Sky Harbor has closely tracked national growth.

Figure 12
INDEX OF OUTBOUND DOMESTIC O&D 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.

Domestic O&D passenger traffic grew more quickly at Sky Harbor from FY 2001 to FY 2007 (2.3% per year, on average) than between FY 1997 and FY 2001 (1.7% per year), as shown in Table 20. The net increase over the 10-year period was driven by strong growth in the long-haul traffic segment (1,800+ miles) and moderate growth in the medium-haul traffic segments (600-1,800 miles), which more than offset the decline in short-haul traffic (<600 miles).

Of the domestic O&D passengers using Sky Harbor, visitors have historically outnumbered area residents. The gap has narrowed somewhat over the past 10 years, as resident travelers have been increasing at a faster pace than visitors.

Table 20

DOMESTIC O&D PASSENGERS, BY PASSENGER TRIP DISTANCE AND TYPE OF PASSENGER

Phoenix Sky Harbor International Airport

(fiscal years ended June 30)

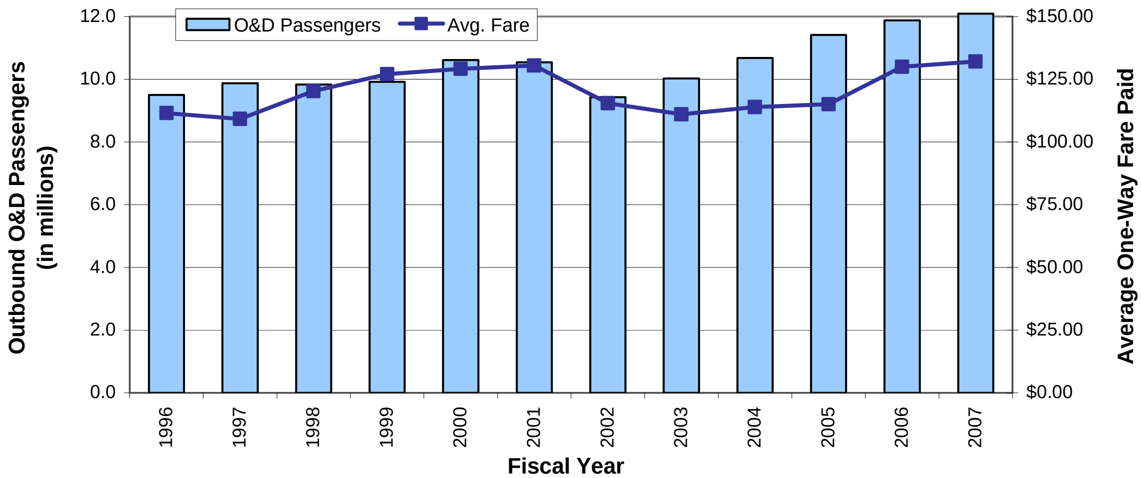
	Domestic O&D Passengers			CAGR	
	1997	2001	2007	1997-2001	2001-2007
Total	**9,870,940**	**10,542,070**	**12,091,190**	**1.7%**	**2.3%**
By Passenger Trip Distance:					
Short haul (<600 mi)	3,192,760	3,026,520	2,986,770	-1.3	-0.2
Medium-short haul (600-1,200 mi)	2,952,540	3,118,690	3,740,370	1.4	3.1
Medium-long haul (1,201-1,800 mi)	2,257,340	2,545,190	2,962,850	3.0	2.6
Long haul (>1,800 mi)	1,468,300	1,851,670	2,401,200	6.0	4.4
By Type of Passenger:					
Resident	4,280,040	4,705,980	5,491,818	2.4	2.6
Visitor	5,590,900	5,836,090	6,599,372	1.1	2.1

Note: CAGR=Compound annual growth rate.

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

A comparison of domestic O&D passengers and average domestic airfares at Sky Harbor from FY 1996 to FY 2007 is shown on Figure 13. In general, fare increases dampen traffic while fare decreases (or, at least, stability) tend to stimulate traffic. At Sky Harbor, for example, the number of O&D passengers was relatively flat between FY 1997 and FY 1999 as fares increased, but O&D passenger numbers increased between FY 1999 and FY 2001 when fare increases slowed. FY 2002 was an exception. When passenger numbers dropped precipitously in the aftermath of the September 11, 2001, terrorist attacks, the airlines lowered fares in an effort to re-ignite demand; demand responded to the stimulus, and traffic at Sky Harbor grew significantly between FY 2002 and FY 2005, while fares were relatively stable. In the two most recent years, a marked increase in average airfares, to a level above the previous high in FY 2001, coincided with a deceleration in growth in domestic O&D traffic at Sky Harbor.

Figure 13
DOMESTIC O&D PASSENGERS AND AVERAGE FARE PAID
Phoenix Sky Harbor International Airport
(fiscal years ended June 30)



Note: Average one-way fares shown are net of all taxes, fees, and PFCs.
Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Top 20 Domestic O&D Markets

Enplaned passengers and average airfares in Sky Harbor's top 20 domestic O&D passenger markets are shown in Table 21. This table illustrates the stimulative effect of lower airfares on passenger traffic and, conversely, the dampening effect of higher airfares. The 1.7% average annual growth in the number of domestic O&D passengers from FY 1997 to FY 2001 was associated with a 19.0% increase in average fares paid at Sky Harbor. Conversely, a more rapid increase (2.3% per year) in the number of passengers from FY 2001 to FY 2007 occurred over a period when the average airfare increased only 1.2%.

The inverse relationship between airfares and passenger traffic is even more evident in an examination of individual city-pair markets. For example, the four Sky Harbor markets with the most pronounced declines in average airfares between FY 2001 and FY 2007, namely Denver, New York, Dallas-Fort Worth, and Philadelphia, had the highest rates of traffic growth among the top 20 markets. By contrast, the average airfares for the two Sky Harbor markets that showed traffic declines over the six-year period, namely the San Francisco Bay Area and Albuquerque, increased significantly.

Table 21

COMPARISON OF PASSENGERS AND FARES PAID IN THE TOP 20 DOMESTIC O&D MARKETS

Phoenix Sky Harbor International Airport

(fiscal years ended June 30; ranked by 2007 passengers)

		Domestic Outbound O&D Passengers						Average One-way Fare Paid *(a)*				
	City Market				as % of	CAGR					% Change	
Rank	*Airport*	1997	2001	2007	2007 Total	1997-2001	2001-2007	1997	2001	2007	1997-2001	2001-2007
1	Los Angeles	1,332,640	1,247,530	1,271,620	10.5%	-1.6%	0.3%	$55.38	$64.36	$76.82	16.2%	19.4%
	Los Angeles	*649,020*	*598,140*	*428,150*	*3.5*	*-2.0*	*-5.4*	*48.90*	*56.81*	*77.44*	*16.2*	*36.3*
	Orange County	*121,980*	*83,170*	*325,750*	*2.7*	*-9.1*	*25.6*	*108.31*	*145.40*	*77.58*	*34.2*	*-46.6*
	Burbank	*205,500*	*219,230*	*264,870*	*2.2*	*1.6*	*3.2*	*51.33*	*57.74*	*75.40*	*12.5*	*30.6*
	Ontario	*273,890*	*266,780*	*208,050*	*1.7*	*-0.7*	*-4.1*	*49.98*	*58.47*	*75.57*	*17.0*	*29.3*
	Long Beach	*82,250*	*80,210*	*44,800*	*0.4*	*-0.6*	*-9.3*	*56.06*	*74.33*	*79.58*	*32.6*	*7.1*
2	Chicago *(b)*	504,260	571,360	689,800	5.7	3.2	3.2	133.13	138.89	133.78	4.3	-3.7
3	San Francisco *(c)*	712,130	721,390	675,740	5.6	0.3	-1.1	76.36	99.72	121.39	30.6	21.7
4	Denver	296,230	300,660	575,920	4.8	0.4	11.4	98.73	169.21	75.46	71.4	-55.4
5	Las Vegas	467,510	513,270	519,650	4.3	2.4	0.2	51.31	56.96	73.07	11.0	28.3
6	New York *(d)*	356,910	342,100	496,820	4.1	-1.1	6.4	208.97	275.96	181.09	32.1	-34.4
7	Seattle	287,280	331,230	399,000	3.3	3.6	3.2	106.31	116.55	130.28	9.6	11.8
8	San Diego	401,150	384,150	384,980	3.2	-1.1	0.0	48.17	58.24	73.76	20.9	26.7
9	Minneapolis/ St. Paul	254,410	315,450	359,030	3.0	5.5	2.2	137.57	149.26	136.68	8.5	-8.4
10	Washington DC/ Baltimore *(e)*	235,230	307,800	318,900	2.6	7.0	0.6	175.20	175.44	187.12	0.1	6.7
11	Dallas/ Ft. Worth *(f)*	176,710	210,370	296,960	2.5	4.5	5.9	184.83	215.81	151.76	16.8	-29.7
12	Salt Lake City	262,510	260,640	293,250	2.4	-0.2	2.0	65.29	83.63	105.15	28.1	25.7
13	Detroit	204,320	210,660	267,030	2.2	0.8	4.0	138.41	154.41	140.33	11.6	-9.1
14	Portland	180,880	224,030	254,990	2.1	5.5	2.2	108.38	116.00	125.64	7.0	8.3
15	Albuquerque	270,100	262,390	223,530	1.8	-0.7	-2.6	53.69	57.42	71.50	6.9	24.5
16	Sacramento	143,700	163,340	207,670	1.7	3.3	4.1	76.81	100.10	120.54	30.3	20.4
17	Philadelphia	100,860	130,670	199,060	1.6	6.7	7.3	210.61	234.43	165.82	11.3	-29.3
18	Houston *(g)*	129,980	145,400	193,390	1.6	2.8	4.9	132.27	155.05	140.56	17.2	-9.3
19	Atlanta	123,450	140,260	175,810	1.5	3.2	3.8	181.13	242.49	202.83	33.9	-16.4
20	Kansas City	152,190	143,440	157,800	1.3	-1.5	1.6	89.73	124.48	132.20	38.7	6.2
	Total---Top 20 Markets	6,592,450	6,926,140	7,960,950	65.8%	1.2%	2.3%	$98.12	$119.88	$117.53	22.2%	-2.0%
	All Other Markets	3,278,490	3,615,930	4,130,240	34.2	2.5	2.2	132.77	150.79	160.18	13.6	6.2
	Total---All Markets	9,870,940	10,542,070	12,091,190	100.0%	1.7%	2.3%	$109.63	$130.48	$132.10	19.0%	1.2%

Note: CAGR=Compound annual growth rate. Figures may not add to totals shown because of rounding.

(a) Average one-way fares shown are net of all taxes, fees, and PFCs.

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

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

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

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

(f) Market includes Dallas/ Ft. Worth Airport and Love Field.

(g) Market includes Bush and Hobby airports.

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

Regional Trends in Domestic O&D Passengers

Domestic O&D traffic growth at Sky Harbor has varied in recent years by geographic region. While the overall number of O&D passengers at Sky Harbor increased about 14% (2.3% per year, on average) between FY 2001 and FY 2007, traffic to and from certain regions of the United States increased at somewhat higher rates than others, as shown in Table 22.

Passengers traveling to and from the Middle Atlantic and South Atlantic regions accounted for roughly 18% of Sky Harbor's domestic O&D traffic and grew at higher growth rates over the six-year period. This growth relates, in part, to actions taken by US Airways and Southwest to extend their networks to include more cities in the eastern United States. This improved service to longer-haul O&D travelers has also attracted other travelers to make connections at Sky Harbor.

Table 22
REGIONAL TRENDS IN DOMESTIC O&D PASSENGER TRAFFIC
Phoenix Sky Harbor International Airport
(for the 12 months ended June 30)

		Outbound O&D Passengers		
Region	Sub Region	2001	2007	CAGR
Total---All Regions		**10,542,070**	**12,091,190**	**2.3%**
Higher-growth Markets		**1,728,150**	**2,202,100**	**4.1%**
Northeast	Middle Atlantic	722,710	967,390	5.0
South	South Atlantic	1,005,440	1,234,710	3.5
Mid-growth Markets		**4,206,190**	**4,876,290**	**2.5%**
West	Mountain	1,657,370	1,927,430	2.5
Midwest	East North Central	1,406,410	1,635,260	2.5
South	West South Central	894,540	1,029,200	2.4
South	East South Central	247,870	284,400	2.3
Lower-growth Markets		**4,591,170**	**4,992,820**	**1.4%**
Midwest	West North Central	882,490	964,210	1.5
West	Pacific	3,391,580	3,684,250	1.4
Northeast	New England	317,100	344,360	1.4
Other *(a)*		16,560	19,980	3.2

Note: Regions and sub-regions are defined in Figure 7.
CAGR=Compound annual growth rate.
(a) Includes Puerto Rico, Virgin Islands, and islands of the Pacific Trust.
Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

O&D traffic in all other regions, on the other hand, grew at mid- or lower-growth rates between FY 2001 and FY 2007. These regions, which account for the majority of domestic O&D traffic at Sky Harbor, are more-mature markets; most of the major cities in these regions have been well served from Sky Harbor, in terms of both nonstop flights and lower airfares, for many years.

Domestic Connections by Market

During 2006, US Airways and Southwest accommodated 5.1 million and 1.8 million domestic connecting passengers, respectively, at Sky Harbor. The breakdown of these connecting passengers by geographic regions of origin and destination, as defined on Figure 7, is presented in Table 23. The primary difference between connecting patterns at Sky Harbor on the two airlines is a heavier concentration on West-South connections by Southwest, given that airline's traditional focus on the south-central region of the country, versus a greater diversification of geographical connecting flows for US Airways, including greater proportions of transcontinental (West-Northeast) and intra-West connections.

Table 23

DOMESTIC-TO-DOMESTIC CONNECTING PASSENGERS, BY U.S. GEOGRAPHIC REGION

US Airways and Southwest Airlines

Phoenix Sky Harbor International Airport

(calendar year 2006)

	US Airways *(a)*		Southwest *(b)*	
Category of Passengers, by Region *(a)*	Passengers	Composition	Passengers	Composition
Total	**5,052,750**	**100.0%**	**1,804,760**	**100.0%**
Between the West and the South	2,127,930	42.1	1,094,610	60.7
Between the West and the Midwest	1,244,910	24.6	388,020	21.5
Between points within the West	975,380	19.3	177,080	9.8
Between the West and the Northeast	675,940	13.4	142,320	7.9
All Other	28,590	0.6	2,730	0.2

Note: Regions are defined in Figure 7. Figures may not add to totals shown because of rounding.

(a) Includes only those connections made from one US Airways flight to another US Airways flight. Includes code-sharing affiliates.

(b) Includes only those connections made from one Southwest flight to another Southwest flight.

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

PFC-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. PFCs were established by Title 49 U.S.C. §40117, and the PFC level was limited to no more than $3.00 per eligible enplaning passenger. The Wendell H. Ford Aviation Investment and Reform

Act for the 21st Century (AIR-21) increased the maximum PFC level that airport sponsors could impose to $4.50 per eligible enplaning passenger.

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. 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.*

Since FY 2005, approximately 92% to 95% of enplaning passengers at Sky Harbor have paid a PFC, as shown in Table 24. In FY 2007, an estimated 6.5% of O&D passengers were flying on frequent-flyer awards and were, therefore, exempt from paying the PFC.

Table 24
PFC-ELIGIBLE ENPLANED PASSENGERS
Phoenix Sky Harbor International Airport
(for fiscal years ended June 30; passengers and PFC collections in thousands)

Fiscal Year	Enplaned Passengers	PFC Collections	Net PFC Rate *(a)*	Estim. PFC Eligible Passengers	Estim. PFC Eligible Percentage
2005	20,070	$83,878	$4.39	19,107	95.2%
2006	20,642	84,705	4.39	19,295	93.5
2007	20,763	84,212	4.39	19,183	92.4

(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

Air cargo activity at Sky Harbor has not increased over the past 10 years. Total cargo tonnage at Sky Harbor in FY 2005 was about the same as in FY 1997, as shown in Table 25. Cargo tonnage declined significantly in FY 2006 and FY 2007, however, with both passenger and all-cargo airlines experiencing declines.

* Sky Harbor exclusions include passengers traveling on: (1) nonscheduled/on-demand air carriers filing FAA Form 1800-31; (2) commuters or small certificated air carriers filing U.S. DOT Form 298-C T1 or E1 with less than 7,500 annual enplaning passengers at Sky Harbor; and (3) large certificated air carriers filing RSPA Form T-100 with less than 7,500 annual enplaning passengers at Sky Harbor.

The share of cargo tonnage handled at Sky Harbor by the all-cargo airlines increased over the past 10 years, from about 64% in FY 1997 to nearly 77% in FY 2007. The top four carriers of cargo at Sky Harbor in FY 2007 represented 87% of all cargo handled; three were all-cargo carriers.

Table 25
TOTAL AIR CARGO TONNAGE, BY TYPE OF CARRIER
Phoenix Sky Harbor International Airport
(fiscal years ended June 30, except as noted)

	Passenger Carriers		All-Cargo Carriers		Total	% Change from Previous
Year	Tons	% of Total	Tons	% of Total	Cargo	Year
1997	123,224	36.4%	214,901	63.6%	338,125	
2002	67,594	21.8	243,180	78.2	310,774	-11.8%
2003	65,109	20.0	259,891	80.0	325,000	4.6
2004	69,148	21.2	257,332	78.8	326,480	0.5
2005	80,243	24.0	253,559	76.0	333,802	2.2
2006	72,959	22.6	249,870	77.4	322,830	-3.3
2007	68,835	23.4	225,050	76.6	293,886	-9.0
FYTD2007	50,613	24.5	155,684	75.5	206,297	
FYTD2008	35,669	18.7	154,750	81.3	190,419	-7.7
Compound Annual Growth Rate						
1997-2002	-11.3%		2.5%		-1.7%	
2002-2007	0.4		-1.5		-1.1	
1997-2007	-5.7		0.5		-1.4	
FYTD2007-2008	-29.5		-0.6		-7.7	

Note: FYTD=fiscal year-to-date, July through February.
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.

Virtually all of the FY 2007 decline in cargo at Sky Harbor was accounted for by the top two cargo carriers (FedEx and UPS), as shown in Table 26. Several carriers, notably ABX Air and American, increased their cargo tonnage and shares in FY 2007, but such gains were offset by declines among the other carriers.

FedEx, the leading cargo carrier at Sky Harbor, doubled its share of cargo tonnage over the past 10 years, from 21.4% in FY 1997 to 42.6% in FY 2007. UPS and US Airways experienced declining shares over the period.

Table 26

CARRIER SHARES OF TOTAL AIR CARGO TONNAGE

Phoenix Sky Harbor International Airport

(fiscal years ended June 30, except as noted; ranked on 2007)

Rank	Carrier *(a)*	1997	2002	2005	2006	2007	FYTD2007	FYTD2008
1	FedEx	72,483	117,945	136,404	139,136	125,089	87,897	89,875
2	UPS/ Emery *(b)*	85,949	73,943	70,160	70,707	56,482	38,836	36,590
3	US Airways	63,267	31,205	49,242	46,955	45,252	33,638	22,725
4	ABX Air *(c)*	31,006	29,490	28,636	22,690	28,117	18,510	18,819
5	Southwest	16,757	10,441	14,312	13,363	9,524	6,154	6,381
6	Ameriflight	3,249	5,850	6,133	5,751	5,359	3,570	4,092
7	American	8,860	3,677	1,957	1,768	5,339	4,817	790
8	Air Transport Intl.	11,438	5,315	4,985	4,977	5,297	3,602	3,406
9	Kitty Hawk	2,527	4,310	4,069	4,215	2,949	2,064	833
10	Continental	3,124	2,586	2,075	1,700	2,595	1,818	1,096
11	Empire	2,309	1,473	1,365	1,521	1,573	1,038	1,104
12	Delta	9,368	7,469	4,400	2,809	1,571	891	1,288
13	Northwest	6,120	3,744	1,896	1,139	1,066	724	551
	All Others	21,668	13,326	8,166	6,099	3,673	2,739	2,870
	Total	**338,125**	**310,774**	**333,802**	**322,830**	**293,886**	**206,297**	**190,419**
1	FedEx	21.4%	38.0%	40.9%	43.1%	42.6%	42.6%	47.2%
2	UPS/ Emery *(b)*	25.4	23.8	21.0	21.9	19.2	18.8	19.2
3	US Airways	18.7	10.0	14.8	14.5	15.4	16.3	11.9
4	ABX Air *(c)*	9.2	9.5	8.6	7.0	9.6	9.0	9.9
5	Southwest	5.0	3.4	4.3	4.1	3.2	3.0	3.4
6	Ameriflight	1.0	1.9	1.8	1.8	1.8	1.7	2.1
7	American	2.6	1.2	0.6	0.5	1.8	2.3	0.4
8	Air Transport Intl.	3.4	1.7	1.5	1.5	1.8	1.7	1.8
9	Kitty Hawk	0.7	1.4	1.2	1.3	1.0	1.0	0.4
10	Continental	0.9	0.8	0.6	0.5	0.9	0.9	0.6
11	Empire	0.7	0.5	0.4	0.5	0.5	0.5	0.6
12	Delta	2.8	2.4	1.3	0.9	0.5	0.4	0.7
13	Northwest	1.8	1.2	0.6	0.4	0.4	0.4	0.3
	All Others	6.4	4.3	2.4	1.9	1.2	1.3	1.5
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: Columns may not add to totals shown because of rounding.
Enplaned and deplaned freight and mail shown in tons.
FYTD=fiscal year-to-date, July through February.

(a) Includes code-sharing affiliates, if any.

(b) UPS acquired Emery in December 2004.

(c) DHL acquired Airborne on October 1, 2005, ABX Air currently operates these flights on behalf of DHL.

Source: City of Phoenix Aviation Department.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Besides development of the MSA economy, as discussed earlier, key factors that will affect future airline traffic at Sky Harbor include:

- Economic and market conditions
- Aviation security
- U.S. airline industry financial condition
- The two major airlines at Sky Harbor
- Airline competition and airfares
- U.S. airline industry consolidation and alliances
- Availability and price of aviation fuel
- Capacity of the national air traffic control system
- Capacity of Sky Harbor
- Environmental concerns
- Phoenix-Mesa Gateway Airport

Economic and Market Conditions

The demand for airline travel is cyclical and seasonal. It is affected by actual or potential changes in international, national, regional, and local economic conditions including economic output, disposable income, inflation, interest rates, exchange rates, and other factors. Demand is also affected by changes in consumer preferences, perceptions, spending patterns, and demographic trends.

Extraordinary events—such as war, terrorism, natural disasters, severe weather, and outbreaks of disease—can also affect airline travel demand. Historically, the negative effects of such events have been transitory, dissipating within a relatively short time. The 1981 air traffic controller strike, the 1991 Gulf War, and the severe acute respiratory syndrome (SARS) epidemic are now generally regarded as transitory events. The negative effects of some events may be persistent, either dissipating over a relatively long period of time or potentially resulting in a structural change in demand. The effects of the terrorist attacks of September 11, 2001, have been more persistent, largely in the form of the increased "hassle factor" related to more stringent security measures and a decline in short-haul traffic.

The factors affecting market conditions are outside the control of airlines and airport operators, and because of their volatility, they can produce rapid, unexpected, and material changes in airline travel demand. Sustained future increases in domestic and international passenger traffic will depend on stable and peaceful market conditions and economic growth.

Aviation Security

Since the terrorist attacks of September 11, 2001, the federal government has mandated security measures to guard against future attacks and to alleviate concerns about the safety of commercial airline travel. The measures include, among others, increased limits on carry-on baggage, more intensive screening of passengers and baggage, and more stringent reviews of traveler documentation. These measures, sometimes in combination with inadequate security staffing, have resulted in longer wait times for travelers. Tighter security and tougher visa and entry requirements contributed significantly, between 2000 and 2003, to a 31% decline in overseas travel to the United States, according to Department of Commerce data released by the Travel Industry Association. Overseas visitors increased nearly 33% over the four subsequent years (up 10% in 2007 alone), but there were still 2 million fewer in 2007 than in 2000.

The various security-related measures, as well as fears of terrorism, may have a long-term effect on demand by deterring some travel, diverting some travel to other travel modes, and diverting overseas travelers to other destinations. Travel substitutes, such as video- and Internet conferencing, are increasingly cost-effective. Moreover, alternative air transportation services are also improving. Travelers can also use air taxis, air charters, corporate jets, fractionally owned aircraft, and very light jets (VLJs) as alternatives to commercial airline service.

Historically, airline travel demand has recovered from temporary declines stemming from terrorist attacks, hijackings, aircraft crashes, and international hostilities. Provided that intensified security precautions serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for travelers, it can be expected that future demand for airline travel at Sky Harbor will depend primarily on economic and other factors, and not security factors.

U.S. Airline Industry Financial Condition

Airline service levels are, among other things, related to the financial condition of the airline industry and individual airlines. For instance, airlines in weak financial condition are unable to invest capital in additional capacity needed to respond to market opportunities. Although the legacy airlines (the large, pre-deregulation hub-and-spoke carriers) had generally been reporting profits during 2007, a precipitous rise in fuel prices in early 2008 left many reporting losses in the first quarter of 2008. The legacy airlines' highly leveraged financial condition leaves them particularly vulnerable. LCCs are finding that most of the larger markets are now served, and each is increasingly finding that it is competing not only against the legacy airlines, but also against other LCCs.

Since 2001, the U.S. airline industry has undergone fundamental changes driven by (1) increasing fare competition as the LCC presence has increased, (2) pricing transparency of the Internet, which has further intensified fare competition within the industry, (3) decline in high-yield business travel and the willingness of such passengers to use LCC services, (4) escalating fuel costs driven by prices for crude oil and by refining costs, and (5) a return to the 1999-2000 period of increasing congestion, both in the airways and at airports, with accompanying higher costs of operation.

In the weakened airline revenue environment following 2001, the legacy airlines in particular were subject to extreme downward pressures on their profitability. Several—US Airways, United, Delta, and Northwest—were unable to reduce costs and enhance productivity quickly enough to avoid bankruptcy. All have now emerged from bankruptcy into a new and challenging competitive environment.

In April 2008, two airlines serving Sky Harbor filed for Chapter 11 bankruptcy protection: ATA, which ceased all operations on April 3, and Frontier, which has proposed to keep operating while it restructures. Financial losses, arising from the current economic downturn, could force one or more of the large network airlines to retrench, seek bankruptcy protection, discontinue marginal operations, consolidate, or liquidate. Such restructuring or liquidation could drastically affect service at connecting hub airports, present business opportunities for competing airlines, and change travel patterns throughout the U.S. aviation system.

The Two Major Airlines at Sky Harbor

US Airways was profitable in 2006 and 2007, the two years since its September 2005 merger with America West Airlines. It has reduced capacity since the merger, both at Sky Harbor and systemwide, in order to increase yields and load factors. While the FAA has recently granted permission for US Airways to operate under a single operating certificate, the company finds itself continuing to struggle with the integration of its labor groups (though it reached tentative contract agreement with its maintenance employees in April 2008) and with striking a balance in its strategic network development plans vis-à-vis its traditional east (US Airways)-west (America West) geographic bases, and its international growth aspirations. In Sky Harbor’s favor, US Airways identifies only three primary hubs in its route network: Charlotte, Philadelphia, and Phoenix. In May 2008, there were reports that US Airways and United were engaged in merger discussions. If such a merger was to occur, these three hubs would compete for connecting traffic within a larger, merged, network.

Southwest continues to be profitable, but it is experiencing increasing financial pressure as its long-standing fuel hedging agreements expire and other costs increase. In response, the airline is reducing capacity at some airports in its system, including Sky Harbor. On the other hand, Southwest plans to begin offering international service for the first time in 2009 and, given the scale of its operations at Sky Harbor, Sky Harbor is a possible candidate for such service.

O&D passengers account for approximately 62% of all enplaned passengers at Sky Harbor, and US Airways and Southwest together enplane roughly 64% of those passengers. By contrast, connecting passengers account for the remaining 38% of enplaned passengers at Sky Harbor, and US Airways and Southwest together account for 97% of those passengers. Unlike O&D traffic, connecting traffic is subject to certain vulnerabilities, including: the strategic and tactical decisions on pricing and scheduling made by US Airways and Southwest, designed to flow traffic through Sky Harbor; the ability of competing airlines to convince passengers to connect via their own hub airports; and the flight decisions made by the traveling public. It is unclear how a potential merger involving US Airways would affect the level of connecting traffic at Sky Harbor.

Airline Competition and Airfares

Airfares have an important effect on passenger demand, particularly for relatively short trips where the automobile and other travel modes are alternatives and for price-sensitive "discretionary" travel. Airfare levels are influenced by labor, fuel, and other airline operating costs; debt burden; passenger demand; capacity and yield management; market presence; strategic plans; competitive factors; and taxes, fees, and other charges assessed by governmental and airport agencies. Increases in passenger traffic at Sky Harbor depend on the continued availability of competitive airfares and service.

Airfare levels are significantly related to the revenue environment, that is, the competitive structure of the industry and service and fare competition in individual markets served from a given airport. Airlines, given the fare sensitivity of consumers, will typically respond to the lower fares of a competitor. While competition determines how low an airline must actually price its fares to attract passengers, costs determine how low an airline can price its fares and still make a profit. Thus, if fare reductions are not offset by increases in revenue from additional passengers and possibly from improved operating efficiencies, then operating results will suffer, and service in such markets may be reduced. In this context, airport charges can be relevant.

Industry over-capacity, the ability of consumers to book flights easily via the Internet, and competition, among other factors, drove a reduction in average airfares nationwide between 2000 and 2005. In 2005, according to the Air Transport Association, the average domestic yield for the major U.S. airlines was 11.7 cents per passenger-mile, down substantially from 14.5 cents in 2000. In 2006, the average domestic yield increased to 12.8 cents, as the legacy airlines reduced capacity systemwide and, hence, were able to impose fare increases. In 2007, domestic yield showed a minimal increase to 12.9 cents per passenger mile. Over these two years, growth in passenger traffic slowed, coincident with widespread fare increases.

Industry analysts have questioned the sustainability of the historical "revenue model" of the legacy network airlines, which involved charging uneconomically low discount fares to some travelers and high "walk-up" fares to others. The network airlines have introduced simplified fare structures in recent years designed to rationalize this model. Widespread adoption of such rationalized fare structures along with controls on airline seat capacity are seen as keys to the industry increasing and sustaining profitability.

U.S. Airline Industry Consolidation and Alliances

In response to competitive and financial pressures, some airlines have sought to consolidate. In April 2001, American Airlines completed an acquisition of failing Trans World Airlines. In August 2001, merger plans for United Airlines and US Airways were proposed, but rejected by the U.S. DOT as a result of concerns about reduced airline competition. In September 2005, US Airways and America West merged. In November 2006, the new US Airways proposed a merger with Delta Air Lines while the latter was in bankruptcy, but the merger was rejected by Delta's management and creditors.

On April 14, 2008, Delta and Northwest announced that they had reached agreement on a merger arrangement. Since that date, other airlines have been reported to be engaged in similar merger talks, most notably United and US Airways. If either of these mergers are consummated, many airline analysts believe that the U.S. airline industry will consolidate further in order to rationalize capacity and improve pricing power. Any merger could change airline service patterns, particularly at some of the connecting hub airports of the merging airlines.

The purchase of Midwest Airlines by private-equity group TPG Capital and Northwest Airlines represents an alliance, at a minimum, and a form of industry consolidation.

Availability and Price of Aviation Fuel

Oil prices influence economic conditions, airline travel demand, and airline financial results. Crude oil prices ranged around $20 per barrel during most of the 1990s, even falling into the $10 range for a short time in 1998. From mid-2003, oil prices rose steeply, peaking at $77 per barrel in July 2006. After abating somewhat, the price of crude oil increased to $126 per barrel in May 2008. The outlook is for continued volatility and relatively high prices in the foreseeable future. Oil futures prices on the New York Mercantile Exchange remain above $115 per barrel through 2016.*

Two factors that significantly influence the price of oil are the increasing world demand for oil and the reduced value of the U.S. dollar relative to other currencies. The demand for oil in China and India, currently the two fastest-growing world economies, for example, is expected to double by 2025, according to estimates by the U.S. Energy Information Agency. The declining value of the U.S. dollar also produces higher oil prices because, on the world market, oil is priced in U.S. dollars;

*New York Mercantile Exchange website, accessed May 9, 2008.

as the value of the U.S. dollar declines against other currencies, oil producers increase their price for oil in U.S. dollars to offset the decline.

The price of aviation fuel, currently the largest item of airline expense, is directly related to the price of oil and the cost of refining. Escalating fuel prices have significantly contributed to the financial challenges faced by the airline industry since 2001. The airline revenue environment will determine whether airlines can pass on higher fuel costs through increased fares. Similarly, the potential benefits of lower fuel prices may be offset by increased fare competition and lower airline revenues.

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 that affected airline schedules and passenger traffic. Even as disagreements regarding the funding of improvements continue, the FAA is gradually automating and enhancing the computer, radar, and communications equipment of the air traffic control system and enhancing the use of runways through improved air navigation aids. Aircraft delays decreased after 2001 as a result of the reduction in aircraft operations. However, as airline traffic exceeds 2001 levels, as it did notably in summer 2007, flight delays and system congestion once again pose challenges.

Capacity of Sky Harbor

In addition to any future constraints that may be imposed by the national air traffic control system, future growth in airline traffic at Sky Harbor will depend on the capacity at Sky Harbor itself. The Aviation Department believes airfield and terminal capacity at Sky Harbor are sufficient to accommodate future growth over the forecast period (through FY 2013). To address growing landside capacity constraints, the Aviation Department intends to implement improvements to accommodate projected growth over the forecast period.

Environmental Concerns

By mid-2007, the airline industry was facing increasing pressure to address and mitigate the environmental impact of carbon emissions from both aircraft and ground support equipment. The measures the industry may take, voluntary or legislated, are not yet known and, therefore, any estimate of an effect on future airline traffic would be speculative at this time. Such measures could have a negative effect on the financial condition of the airline industry.

Phoenix-Mesa Gateway Airport

Phoenix-Mesa Gateway Airport is the only other commercial service airport in the MSA. It has three parallel runways (with lengths of 10,401 feet; 10,201 feet; and 9,301 feet) and a newly remodeled passenger terminal. The airport is located approximately 30 miles southeast of Sky Harbor.

In 2006, the City of Phoenix became the fifth member government in the Williams Gateway Airport Authority, which owns and operates Phoenix-Mesa Gateway Airport. The four other members of the Authority are the City of Mesa, the Town of Gilbert, the Town of Queen Creek, and the Gila River Indian Community. Under the terms of membership, the City has committed to make certain operating and capital investments in this airport in exchange for membership in the Authority and shared control over the airport. The investments are to be made from the Airport Improvement Fund; however, Phoenix-Mesa Gateway Airport is not included in the Airport, and associated net revenues from that airport are not dedicated to obligations of the City.

Notwithstanding the City's membership in the Authority, the airport's proximity, facilities, and air service initiatives could make it a competitor to Sky Harbor. In July 2007, Allegiant Air, LLC, a subsidiary of Allegiant Travel Company, announced a new base for operations at Phoenix-Mesa Gateway Airport. According to company press releases, Allegiant Travel Company offers: "bundled travel solutions (e.g., flight, hotel, rental car) linking small cities with world class destinations."* Allegiant Air received an incentive package from the Authority that waives landing and terminal-use fees for two years and exempts jet fuel flowage fees from pump prices. An airport official estimated that the agreement with Allegiant Air would bring 405,600 visitors to the Mesa area over a five-year period.**

The expected effect of Allegiant Air at Phoenix-Mesa Gateway Airport is modest compared to Sky Harbor, where 20.8 million passengers were enplaned in FY 2007. Although Phoenix-Mesa Gateway Airport now offers an alternative for one or more airlines currently serving Sky Harbor, it is unlikely, for cost reasons, that any airline serving Sky Harbor would split its operation between the two airports, and it is not envisioned that any airline would transfer all of its Sky Harbor operations to Phoenix-Mesa Gateway Airport during the forecast period. Phoenix-Mesa Gateway Airport also offers an alternative for a new entrant airline wanting to serve the Phoenix area. Not only does the current economic and industry environment make the creation of a new entrant airline unlikely in the near term, but, even if a new entrant airline did choose to serve Phoenix-Mesa Gateway Airport, the impact on traffic at Sky Harbor would likely be negligible.

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* Allegiant Air also operates bases at Las Vegas McCarran, Orlando Sanford, and St. Petersburg-Clearwater international airports. Allegiant operates 130 seat MD-80 series jet aircraft.

** *The Arizona Republic*, August 21, 2007.

AIRLINE TRAFFIC FORECASTS

The forecasts of airline traffic at Sky Harbor were developed taking into account analyses of (1) historical long-term trends in passenger traffic at Sky Harbor, (2) recent trends in monthly passenger traffic at Sky Harbor, (3) historical and projected economic indicators for the MSA and national economic trends, and (4) flight schedules filed with Official Airline Guides, Inc. and published in the *Official Airline Guide*.

Assumptions

Specifically, the airline traffic forecasts for Sky Harbor through FY 2013 were based on the following assumptions:

1. National and global economic growth will sustain future increases in passenger traffic, and the general economy of the MSA will continue to increase faster over the long-term than that of the nation, consistent with the forecast growth in key economic indicators presented in the earlier section "Economic Basis for Passenger Demand."

2. Demand for domestic passenger travel to/from Phoenix will remain strong based on the strength of the local economy and the area's population growth and relative attractiveness as a tourist and convention destination.

3. Given that (a) the major O&D markets for Sky Harbor have long been served by LCCs and, therefore, have already been stimulated by lower fares, (b) the connecting hub operations at Sky Harbor are mature and highly developed, and (c) many other air travel markets across the country have not yet been subject to the same degree of development by LCCs, domestic airline traffic at Sky Harbor will grow at rates lower than traffic growth nationwide. In March 2008, the FAA released its latest forecast of U.S. domestic enplaned passengers which are envisioned to increase 2.8% per year, on average, from 2007 to 2013.

4. Notwithstanding the foregoing assumption, the level and quality of airline service will continue to improve at Sky Harbor, particularly in long-haul domestic markets and in international markets, thereby stimulating traffic in those markets and attracting more passengers to connect between flights at Sky Harbor.

5. Sky Harbor will continue primarily to serve domestic O&D passengers and, secondarily, to serve as an important connecting hub for the operations of US Airways and as one of the key airports in the route system of Southwest Airlines.

6. The rapid growth in domestic airline service at Sky Harbor in the past decade will not continue during the forecast period. Airline service patterns, the

overall number of scheduled flight departures, and the level of service quality will continue to improve at a more moderate rate throughout the forecast period.

7. Regional airlines linked with the major airlines by code-sharing arrangements will continue to provide most of the airline service between Sky Harbor and airports within 250 miles.

8. US Airways and Southwest Airlines will continue to compete aggressively in markets that they serve in common from Sky Harbor. Both airlines will direct their service focus increasingly on longer-haul routes from Sky Harbor.

9. Domestic airfares at Sky Harbor, on average, will increase no faster than the overall rate of domestic inflation. Factors that would moderate domestic airfares include the following: (a) there is a relatively high level of competition in Sky Harbor's major domestic O&D markets; (b) the sources of this competition are, in many instances, US Airways and Southwest Airlines, both of which tend to price aggressively; (c) in a tourism market such as Phoenix, reduced fares are often used to stimulate leisure travel; (d) airline revenue management systems include fare discounting to fill "perishable" seats, which would otherwise produce no revenue; and (e) airlines periodically discount fares heavily to generate cash flow.

10. With US Airways operating nonstop service in all of Sky Harbor's top 20 city-pair O&D markets, and Southwest operating nonstop service in 16 of those top 20 markets, fare competition has already reduced the cost of travel. It was assumed that fare competition will continue.

11. The technology supporting travel substitutes is developing rapidly and is already providing an increasingly viable alternative to domestic business travel. A gradual decline in the proportion of domestic travel to and from Phoenix for business purposes was assumed.

12. No major act of terrorism, war, disease, or other extraordinary unforeseen event will materially affect airline travel in the United States during the forecast period.

13. Current and future fluctuations in fuel prices will not affect the ability of the airlines to serve Sky Harbor or offer competitive airfares.

14. The North American Free Trade Agreement (NAFTA) will continue to enhance transborder travel potential with Mexico and Canada.

15. Nonscheduled (i.e., charter) passengers will continue to be a minor component of total passengers at Sky Harbor.

16. No additional regulations will be promulgated during the forecast period that will materially limit the realization of airline travel potential at Sky Harbor.
17. The national air traffic control system will have sufficient capacity to accommodate airline traffic through the forecast period.
18. The capacity of Sky Harbor's airfield, terminals, and landside facilities will not constrain the realization of airline travel potential during the forecast period.

Enplaned Passenger Forecast

In the short term, growth in passenger volume at Sky Harbor is expected to be modest, given the uncertain recessionary trends in the economy, the ongoing post-merger adjustments being made by US Airways management, and the measures being taken by Southwest management in response to financial challenges. In the longer term, however, stronger passenger growth is expected, tempered somewhat by such considerations as a mature airline travel market at Sky Harbor, high levels of competitive service, high LCC presence, and high jet fuel prices. The forecast presented herein is not constrained by any facility capacity considerations.

Table 27 presents historical and forecast numbers of enplaned passengers at Sky Harbor through FY 2013, and Figure 14 presents the data graphically. Following a year of slow growth in the number of enplaned passengers in FY 2007 (up 0.6%), passenger traffic at Sky Harbor is forecast to continue to grow slowly (up 0.7%) in FY 2008. A substantial increase in passenger load factors in FY 2008 is expected to more than offset a forecast 2% decline in the number of departing seats at Sky Harbor.

Thereafter, the number of enplaned passengers at Sky Harbor is expected to accelerate toward a longer-term growth rate of 2.6% per year. While the domestic and international components are forecast to grow at similar rates, growth in numbers of O&D passengers is forecast to slightly outpace connecting passengers. In FY 2013, total enplaned passengers are forecast to number 23.4 million, reflecting an average growth rate of 2.0% per year from FY2007.

The FY 2013 passenger forecast for Sky Harbor is significantly (1.4 million) lower than the 24.8 million enplaned passengers forecast in Federal Fiscal Year (FFY) 2013 by the FAA in its Terminal Area Forecast. The reason is that, whereas the FAA forecasts a passenger increase of only 0.4% in FFY 2008, it calls for very strong annual increases in subsequent years: 3.5% in FFY 2009 and 3.6% in each year thereafter.

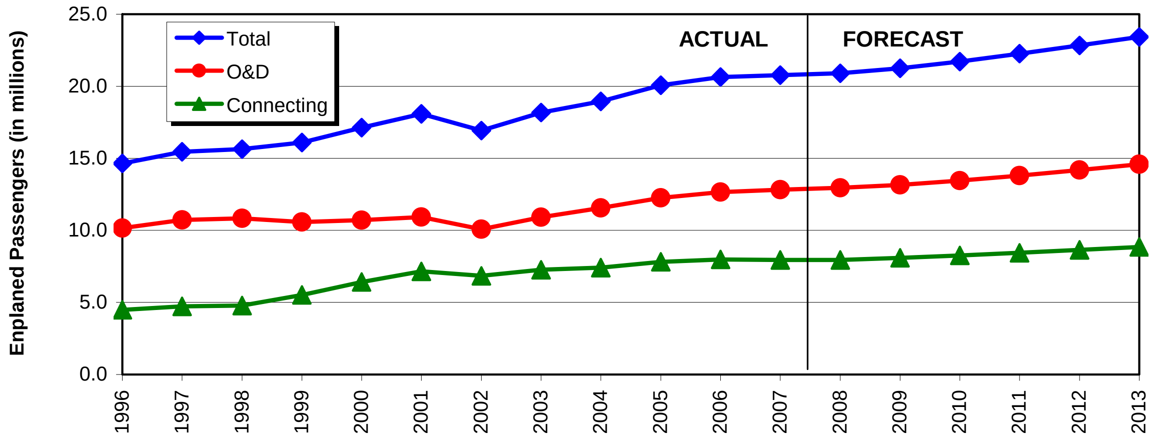
Table 27
HISTORICAL AND FORECAST ENPLANED PASSENGERS
BY SECTOR AND BY TYPE OF PASSENGER
Phoenix Sky Harbor International Airport
(for fiscal years ended June 30)

	By Flight Destination		By Type of Passenger				
			Origin-Destination (O&D)				
Year	Domestic	International	Resident	Visitor	Total O&D	Connecting	TOTAL
2001	17,521,031	555,028	n.c.	n.c.	10,926,739	7,149,320	**18,076,059**
2002	16,368,415	547,552	n.c.	n.c.	10,072,452	6,843,515	**16,915,967**
2003	17,530,164	651,983	n.c.	n.c.	10,911,007	7,271,140	**18,182,147**
2004	18,220,965	735,433	5,179,576	6,366,217	11,545,793	7,410,605	**18,956,398**
2005	19,258,385	811,301	5,503,864	6,752,627	12,256,491	7,813,195	**20,069,686**
2006	19,749,643	892,620	5,774,407	6,881,781	12,656,188	7,986,075	**20,642,263**
2007A	19,891,566	871,304	5,886,832	6,927,873	12,814,705	7,948,165	**20,762,870**
2008F	20,010,014	890,038	5,952,000	7,003,912	12,955,912	7,944,140	**20,900,052**
2009	20,345,000	910,000	6,046,000	7,115,000	13,161,000	8,094,000	**21,255,000**
2010	20,785,000	930,000	6,180,000	7,272,700	13,452,700	8,262,300	**21,715,000**
2011	21,295,000	955,000	6,341,000	7,462,000	13,803,000	8,447,000	**22,250,000**
2012	21,845,000	980,000	6,515,000	7,667,300	14,182,300	8,642,700	**22,825,000**
2013	22,420,000	1,005,000	6,699,000	7,883,900	14,582,900	8,842,100	**23,425,000**
CAGR:							
Historical:							
2001-2002	-6.6%	-1.3%	n.a.	n.a.	-7.8%	-4.3%	**-6.4%**
2002-2003	7.1	19.1	n.a.	n.a.	8.3	6.2	**7.5**
2003-2004	3.9	12.8	n.a.	n.a.	5.8	1.9	**4.3**
2004-2005	5.7	10.3	6.3%	6.1%	6.2	5.4	**5.9**
2005-2006	2.6	10.0	4.9	1.9	3.3	2.2	**2.9**
2006-2007	0.7	-2.4	1.9	0.7	1.3	-0.5	**0.6**
2001-2007	2.1	7.8	n.a.	n.a.	2.7	1.8	**2.3**
Forecast:							
2007-2008	0.6%	2.2%	1.1%	1.1%	1.1%	-0.1%	**0.7%**
2008-2009	1.7	2.2	1.6	1.6	1.6	1.9	**1.7**
2009-2010	2.2	2.2	2.2	2.2	2.2	2.1	**2.2**
2010-2011	2.5	2.7	2.6	2.6	2.6	2.2	**2.5**
2011-2012	2.6	2.6	2.7	2.8	2.7	2.3	**2.6**
2012-2013	2.6	2.6	2.8	2.8	2.8	2.3	**2.6**
2007-2013	2.0	2.4	2.2	2.2	2.2	1.8	**2.0**

Notes: n.c.=not calculated; CAGR=Compound annual growth rate; n.a.=not applicable.
A=Actual; F=Forecast.
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.

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

Figure 14
ENPLANED PASSENGER FORECAST
Phoenix Sky Harbor International Airport
(for the 12 months ended June 30)



Notes: 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.

Sources: Actual---U.S. DOT, Schedule T100 and *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1; Forecast---Jacobs Consultancy.

It was assumed that the ratio of PFC–eligible passengers to total enplaned passengers would remain at 92% throughout the forecast period. Table 28 presents the PFC-eligible passenger forecast derived from the enplaned passenger forecast.

Table 28
ACTUAL AND FORECAST PFC-ELIGIBLE ENPLANED PASSENGERS
Phoenix Sky Harbor International Airport
(for fiscal years ended June 30)

Year	Enplaned Passengers	Estimated PFC-Eligible Percentage	Estimated PFC-Eligible Passengers
2007A	20,762,870	92.4%	19,185,000
2008F	20,900,052	92.0	19,230,000
2009	21,255,000	92.0	19,555,000
2010	21,715,000	92.0	19,980,000
2011	22,250,000	92.0	20,470,000
2012	22,825,000	92.0	21,000,000
2013	23,425,000	92.0	21,550,000

Notes: A=Actual; F=Forecast.
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.
Sources: Actual---City of Phoenix Aviation Department.
Forecast---Jacobs Consultancy.

Aircraft Operations and Landed Weight Forecasts

Tables 29 and 30 present historical and forecast aircraft departures and aircraft landed weight, respectively, at Sky Harbor for FY 2004 through FY 2013. The forecasts were derived from the enplaned passenger forecasts and analysis of historical trends in aircraft operations at Sky Harbor. Key metrics, such as average seat occupancy, aircraft seat capacity, and aircraft size, were used in developing these forecasts. In developing the forecasts, no constraints on operations growth were assumed. These forecasts exclude general aviation and military flights.

Table 29

FORECAST TRENDS IN PASSENGER FLIGHT DEPARTURES

Phoenix Sky Harbor International Airport

(for the 12 months ended June 30; enplaned passengers and departing seats in thousands)

Year	Enpl. Passengers	Enpl. Psgr. Load Factor *(a)*	Departing Seats	Average Seats per Flight	Departing Passenger Flights	**TOTAL PSGR. FLIGHT OPS. *(b)***
2004	18,956	71.5%	26,514	121	219,090	**438,180**
2005	20,070	72.1	27,832	123	225,530	**451,060**
2006	20,642	71.9	28,721	124	230,854	**461,708**
2007A	20,763	72.2	28,753	126	227,908	**455,816**
2008F	20,900	73.7	28,375	127	224,300	**448,600**
2009	21,255	73.4	28,958	127	228,500	**457,000**
2010	21,715	73.6	29,504	127	232,300	**464,600**
2011	22,250	73.8	30,149	127	236,800	**473,600**
2012	22,825	74.0	30,845	128	241,600	**483,200**
2013	23,425	74.2	31,570	128	246,600	**493,200**
Compound Annual Growth Rate						
Historical:						
2004-2005	5.9%		5.0%		2.9%	**2.9%**
2005-2006	2.9		3.2		2.4	**2.4**
2006-2007	0.6		0.1		-1.3	**-1.3**
Forecast:						
2007-2008	0.7%		-1.3%		-1.6%	**-1.6%**
2008-2009	1.7		2.1		1.9	**1.9**
2009-2010	2.2		1.9		1.7	**1.7**
2010-2011	2.5		2.2		1.9	**1.9**
2011-2012	2.6		2.3		2.0	**2.0**
2012-2013	2.6		2.4		2.1	**2.1**
2007-2013	2.0		1.6		1.3	**1.3**

Notes: A=Actual; F=Forecast.
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.

(a) Load factor calculation based on enplanements and excludes "through " passengers.

(b) Sum of flight arrivals and departures.

Sources: Historical---City of Phoenix Aviation Department; U.S. DOT, Schedule T100; *Official Airline Guide.* Forecast---Jacobs Consultancy.

From FY 2007 through FY 2013, passenger aircraft operations and aircraft landed weight are both forecast to increase an average of 1.3% per year, compared with forecast average annual increases in enplaned passengers of 2.0%. The difference between forecast operations and enplaned passengers results from anticipated increases in both enplaned passenger load factors and average seats per flight.

Table 30
AIRCRAFT LANDED WEIGHT FORECAST TRENDS
Phoenix Sky Harbor International Airport
(for the 12 months ended June 30)

Year	Total Flight Arrivals	Avg. Landed Weight per Flight (pounds)	**Total Landed Weight (millions of pounds)**
2004	232,843	113,912	**26,523.7**
2005	239,118	115,553	**27,630.8**
2006	243,109	116,478	**28,316.9**
2007A	239,117	119,443	**28,560.9**
2008F	235,300	118,364	**27,851.1**
2009	239,500	118,580	**28,400.0**
2010	243,300	118,797	**28,903.4**
2011	247,800	119,085	**29,509.3**
2012	252,600	119,382	**30,156.0**
2013	257,600	119,671	**30,827.3**
Compound Annual Growth Rate			
Historical:			
2004-2005	2.7%	1.4%	**4.2%**
2005-2006	1.7	0.8	**2.5**
2006-2007	-1.6	2.5	**0.9**
Forecast:			
2007-2008	-1.6%	-0.9%	**-2.5%**
2008-2009	1.8	0.2	**2.0**
2009-2010	1.6	0.2	**1.8**
2010-2011	1.8	0.2	**2.1**
2011-2012	1.9	0.2	**2.2**
2012-2013	2.0	0.2	**2.2**
2007-2013	1.2	0.0	**1.3**

Notes: A=Actual; F=Forecast.
Includes flights and landed weight for passenger and all-cargo carriers.
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 results may vary from the forecast, and the variance could be material.

Sources: Historical---City of Phoenix Aviation Department.
Forecast---Jacobs Consultancy.

FINANCIAL ANALYSIS

The purpose of this Financial Analysis is to evaluate the ability of the City to generate Net Airport Revenues sufficient to meet the prospective requirements of the Additional Bonds Test in connection with the 2008 Senior Bonds Series A and Series B (2008 Bonds). The forecast period extends through FY2013, which encompasses the required period for the Additional Bonds Test; that is, FY2009 through FY2013, inclusive.

This Financial Analysis, including Exhibits A through I, provides the basis for the certificate required of the Airport Consultant, and presents our forecast of Net Airport Revenues for 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, 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 four 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 regular members appointed by the City Council to four-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.

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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 Williams Gateway Airport Authority, which owns and operates the nearby Phoenix-Mesa Gateway Airport (IWA), however IWA is excluded from the definition of Airport.

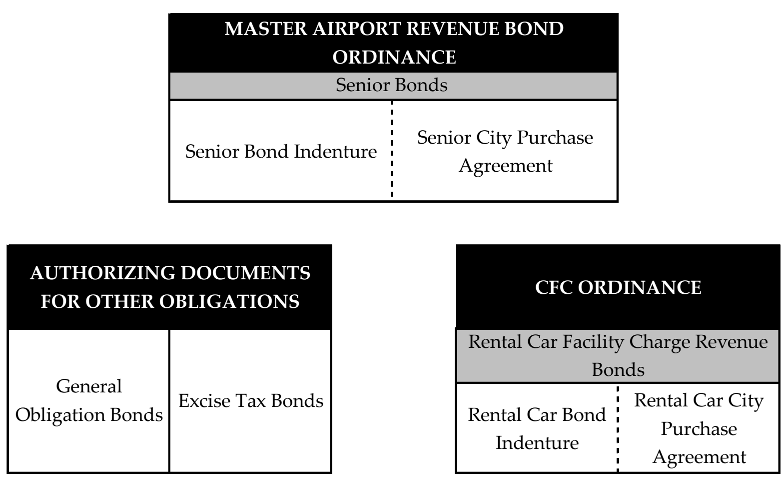
The Aviation Department (the Department) is headed by an Aviation Director who reports to a Deputy City Manager. The Aviation Director is responsible for executing the aviation policies of the City Council and administering the operations of the Airport. Reporting to the Aviation Director are three Assistant Aviation Directors. The Aviation Director and Assistant Aviation Directors head the Department staff.

Bonds and Other Obligations

Airport Bonds consist of Senior Bonds and Other Airport Bond Obligations. The Airport also has Rental Car Facility Charge Revenue Bonds (CFC Bonds) that are special revenue obligations as described below.

In recent years, 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 certain available Net Airport Revenues (with respect to Senior Bonds) as specified in the respective City Purchase Agreements and 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 summarized in the figure below.

Figure 15
AUTHORIZING BOND DOCUMENTS
City of Phoenix Aviation Department



Source: City of Phoenix Aviation Department

Senior Bonds

The City issues Senior Bonds pursuant to City Ordinance No. S-21974, as amended (the Bond Ordinance). The term "Bonds" (or Senior Lien Obligations) means (i) the Refunding Bonds, which are the Series 1994 Bonds that were issued in connection with the adoption of the Bond Ordinance and the Series 1995 Bonds issued thereafter, and (ii) Parity Bonds. The term Parity Bonds means "obligations, which may be bonds, lease obligations, purchase agreements or other obligations…which are issued subsequent to, and are to rank on a parity with, the Refunding Bonds." The City's obligations under the Senior Lien City Purchase Agreement constitute Parity Bonds under the Bond Ordinance related to the CIC Senior Lien Airport Revenue Bonds, Series 1998, Series 2002, and Series 2008. Obligations under the Senior Lien City Purchase Agreement are secured by a pledge of Net Airport Revenues.*

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."

In order to issue additional Parity Bonds, 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):

- Historical test. An officer of the City shall certify that either the Net [Airport] Revenues for 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 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 proposed to be issued.

- Prospective test. A Consultant provides a report which projects that Net [Airport] Revenues will be sufficient to satisfy the Rate Covenant (including any Parity Bonds to be issued) in each Fiscal Year after applying the

* 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 Reports (CAFR).

*** 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.

> Passenger Facility Charge Credit.* The required period is the period beginning with the first full fiscal year following the issuance of the proposed Senior Lien Obligations through the later of (i) three fiscal years following the expected date of completion…for any construction projects to be financed with the proposed Senior Lien Obligations or (ii) five fiscal years following the issuance of the proposed Senior Lien Obligations.

Parity Bonds 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 Parity Bonds (e.g., Junior Bonds 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.

Junior Bonds

The first issuance of junior lien bonds was in 2002; however, the junior lien bonds were defeased prior to the issuance of the 2008 Bonds with the result that there are no junior lien bonds outstanding. The City may issue Junior Bonds in the future under terms and conditions to be established at the time such obligations are issued.

Other Airport Obligations

Other airport obligations currently consist of general obligation bonds, excise tax bonds, and commercial paper.

- 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.

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* 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."

- Airport excise tax bonds are special revenue obligations of the CIC and are payable by the CIC from amounts received under leases and purchase agreements between the City, as obligor, and the CIC, as obligee. Although the City's payment obligations under airport excise tax bond leases and Purchase Agreements are secured solely by excise tax receipts, the City has historically paid such lease and payment 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 may refund certain or all series of the airport excise tax bonds using Senior Bonds as described later.*

- The City has a $122 million commercial paper program in place with Bank of America (CP Program). The CP Program is currently used for certain eligible expenditures related to the installation of the Inline Explosive Detection System (Inline EDS). The eligible expenditures represent the Transportation Security Administration (TSA) share of the Inline EDS costs that are to be reimbursed pursuant to a TSA Letter of Intent (LOI) issued to the City. While the CP Program is supported by Net Airport Revenues on a basis subordinate to the Senior Bonds and, formerly, the Junior Bonds, consistent with the provisions of the Bond Ordinance pertaining to the priority of payments from Net Airport Revenues, current payment obligations under the CP Program are expected to be satisfied from TSA LOI reimbursements. As of April 1, 2008 the City had an outstanding balance of $4 million on the CP program.

In the future, other Airport obligations may consist of PFC Obligations, as described in the Plan of Finance below. However, the terms and conditions related to issuance and security for payment will be established at the time such obligations are issued.

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* All references in this report to 2008 Bonds are to the 2008 Bonds Series A and Series B and exclude references to the 2008 Refunding Bonds (i.e., Series C and Series D) unless otherwise noted.

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. Such bonds are special revenue obligations of the CIC and are payable by the CIC from certain Pledged Revenues.* These obligations are not secured by Net Airport Revenues and are payable solely from specified revenues of the Special Purpose Facility. Debt service relating to Special Revenue Obligations is excluded from this Report.

PASSENGER FACILITY CHARGES

As discussed in the previous section under the caption "AIRLINE SERVICE-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.

PFC Approvals

The City imposes a $4.50 PFC per eligible enplaned passenger at Sky Harbor. Under five FAA approvals, the City has the authority to collect and use $946.3 million for PFC eligible projects. The City's most recently approved application was for PFC #5 for $202.2 million, and was approved September 27, 2007. Through December 31, 2007 the City had collected $762.4 million of the $946.3 million in PFC revenue collection authorized by the FAA. (See Table 31.)

* Pledged Revenues are defined in the City Purchase Agreement for the Rental Car Facility Charge Revenue Bonds and includes CFCs on deposit in the Revenue Fund, the 2004 Bond Fund, the 2004 Debt Service Reserve Fund, the Debt Service Coverage Fund, and the Improvement Reserve/Surplus Fund, (all defined in the CFC Bond Documents – See "RENTAL CAR CENTER" described later) and the income derived from investments in these funds.

Table 31

PFC AUTHORITY AND COLLECTIONS
City of Phoenix Aviation Department
Sky Harbor International Airport
(as of December 31, 2007, dollars in millions)

	Application #	Collect and Use Authority
PFC 1	95-03-C-00-PHX	$105.1
	95-03-C-01-PHX	1.9
	Total PFC 1	$107.0
PFC 2	98-05-C-00-PHX	193.4
PFC 3	02-06-C-00-PHX	221.4
PFC 4	04-07-C-00-PHX	177.8
	04-07-C-01-PHX	44.5
	Total PFC 4	$ 222.3
PFC 5	07-08-C-00-PHX	202.2
Total All PFC Applications		$946.3
Less: PFC Collections through December 31, 2007		$762.4
PFC Collection Authority as of January 1, 2008		$183.9

Source: City of Phoenix Aviation Department.

PFC Framework

Under the Bond Ordinance, Passenger Facility Charges are excluded from the definition of Airport Revenues. For the purpose of calculating debt service coverage, the Bond Ordinance permits the City to exclude any principal and interest due on specified Bonds to which PFCs have been irrevocably committed or held in the Bond Fund or otherwise in trust and set aside to pay debt service (the Passenger Facility Charge Credit).

Historically junior lien bonds were the only airport obligations that relied upon PFCs, among other airport revenue sources, as a source and security for payment. In the future it is assumed that PFC Obligations will rely upon PFCs as a sole source and security for repayment; however, the City may also pledge other airport revenue sources at the time such obligations are issued.

PFC Forecast Assumptions

The Debt Service Requirements to be paid from 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. For the purposes of this Report we assumed the City could continue to collect a maximum of $4.50 per enplaning passenger (or net fee of $4.39 after airline compensation), and that specifically the City would continue to collect a net $4.39 PFC with no lapse in collection authority. Exhibit D-1 contains the Application and Use of PFC Revenues.

PFC Revenues are to be used in the following manner during the forecast period:

- On existing approved projects contained in PFC 3, PFC 4, or PFC 5.
- To pay Debt Service on the PFC Obligations, which as described below are expected to be first issued in FY2010 and are expected to be used to reimburse approximately $100 million of expenditures prior to issuance and fund expected cash flows of the Aviation CIP.

Project eligibility was estimated by the Department for all projects and includes an assumption of 80% eligibility for the Automated Train. Actual eligibility for the Automated Train and other projects will be estimated by the City when the PFC application is prepared. Final eligibility will be determined by the FAA in the Final Agency Decision (FAD) relating to such projects.

FY2008-13 AVIATION CAPITAL IMPROVEMENT PROGRAM

On February 20, 2007 the City Council provided policy guidance to pursue a 10-year Airport Development Program (ADP). Before any portion of the ADP is implemented, it is incorporated into the City's capital improvement program. The February 2007 ADP included the first of two phases of the Automated Train linking Valley Metro Light Rail Transit (LRT) with Terminal 4, and a new West Terminal. The final concourse on Terminal 4 and other capital projects comprise the balance of the ADP.

The City refined elements of the ADP and in 2008 defined a program of capital improvements to the Airport that it expects to undertake during the 6-year period 2008 through 2013 called the FY2008-13 Aviation Capital Improvement Program (Aviation CIP). Estimated project costs and funding sources for the Aviation CIP total $1.5 billion.

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 Exhibit A-2. Major categories of projects include:

<u>Automated Train (AT).</u> The AT will be completed in two phases. Phase 1 will link the LRT station at 44th Street and Washington Street with Terminal 4 via the east

economy parking facilities. Phase 2 will link Terminal 4 to Terminal 3, a new west terminal, a new west ground transportation center, and the rental car center. Phase 1 of the AT is included in the Aviation CIP, and is expected to be completed in 2013. Phase 2 is not included in the Aviation CIP and is not addressed in this Report. When the AT Phase 1 is complete riders will still be able to connect from Terminal 4 to Terminal 3 and Terminal 2 via the inter-terminal bus system. Projects related to AT Phase 1 include the relocation of the east economy toll plaza from the current location to the western edge of the lot and the purchase of buses to carry users between the LRT station and the Sky Harbor terminals (once the LRT is in operation and prior to completion of Phase 1 of the AT).

Land acquisition. The major projects in this category are the acquisition of property north of Sky Harbor; noise impacted land (Part 150 Land); property for employee parking; and property for the AT station adjacent to the LRT station.

Noise Mitigation (Community Noise Reduction Program or CNRP). Projects completed under the Residential Sound Mitigation Services (RSMS) program that offers soundproofing of buildings in the noise-impacted area near Sky Harbor, or alternatively, relocation assistance under the Voluntary Acquisition and Relocation Services (VARS) - collectively known as Phase 4 of the CNRP.

The City has accepted grants funds from the FAA to purchase land for noise compatibility purposes, which the City subsequently developed and leased. The FAA determined that leasing the land the City purchased constituted a disposal of the property. The City is currently in discussions with the FAA to determine (i) if the City will be required to reimburse the FAA for some of the grants, (ii) whether the leases can be treated as an exchange of land rather than a disposal of land; or (iii) whether other grant eligible projects can be used to offset any monies the City owes the FAA. The City intends to pursue all avenues with the FAA to establish that the City is not liable to reimburse the FAA. We have made no adjustment in this Report for any potential liability.

Development Studies. Projects in this category include studies for several environmental projects, noise projects, program management studies, ADA Transition Plan Improvements, and other projects.

Security. Projects are related to Sky Harbor security including projects for an Inline EDS and an intruder alarm-perimeter fence.

Runway & Taxiway Improvements. Projects include taxiway pavement rehabilitation; east end runway 7R/25L runway safety area (RSA) compliance; Taxiway C West fill-in; Taxiway A reconstruction; replacement of the asphalt surface of Taxiway R with concrete; and a pavement preservation program designed to lengthen pavement life, and ensure the safety of aircraft operations by preserving the structural integrity of existing airside pavements.

Terminals:

Terminal 3. Projects in this category include improving the north passenger checkpoint, upgrading the terminal electrical system, and baggage carousel replacement.

Terminal 4. Projects in this category include remodeling Levels 1 and 2, remodeling restrooms, and sidewalk rehabilitation.

General Aviation Airports:

Phoenix-Deer Valley. Projects include reconstructing the south and northwest ramps, installing apron security lighting and signage, and making improvements to the runway safety areas.

Phoenix-Goodyear. Projects include realigning the runway to bring the runway safety area into compliance, addressing dust, and undertaking several studies including a master utilities study, a water system study, and an environmental study.

Roadways. The projects related to roadways include Terminal 4 roadway improvement, Terminal 3 road repairs and lane expansions, and Sky Harbor roadway improvements, landside rubberized asphalt overlay, North Mohave rehabilitation, crosswalk safety improvements, design and construction of new pavement intersections on Sky Harbor Blvd., and signage improvements.

Phoenix-Mesa Gateway Airport. The City is providing limited capital funding as part of its investment in this airport.

PLAN OF FINANCE

The major sources of funds for projects in the Aviation CIP are shown in Exhibits A-2 and B. The Aviation CIP is being funded with a combination of pay-as-you-go revenues derived from the imposition of a passenger facility charge (PFC) paid by airline passengers (PFC Revenues), bonds and other obligations secured by and payable from PFC Revenues (PFC Obligations), Senior Bonds, internally generated funds of the Airport, federal grants, and revenues derived from the imposition of a customer facility charge (CFC) paid by Sky Harbor rental car customers (CFC Revenues).

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.

FAA authorization and AIP funding expired on September 30, 2007; however, the FAA has continued operating under continuing resolutions. For the purposes of the financial forecasts in this Report, it was assumed that an FAA reauthorization bill or additional extensions of the current authorization will become law such that no lapse in AIP funding authority will occur. Therefore entitlement grants are assumed according to the existing program funding and allocation formulas for the Airport. Discretionary grants are assumed including $60 million for noise projects (e.g., Part 150 Land) and $25 million for various airfield projects. To the extent that discretionary funding is not available in the near term the City is able to defer spending for these projects.

As stated previously, the City currently imposes a $4.50 PFC and for the purposes of this Report, it was assumed the City would continue to collect a PFC at the $4.50 level with no lapse in collections.

2008 Bonds

The 2008 Bonds are to be issued under the Bond Ordinance on parity with other outstanding Senior Bonds and are payable from and secured by a pledge of and first lien on the Net Airport Revenues.

The City intends to issue the 2008 Bonds in the par amount of $250 million. Proceeds from the bonds, with interest earnings during construction, are expected to be used for the following purposes:

- Pay the costs of certain planned projects in the Aviation CIP;
- Reimburse the City for expenditures used to fund prior projects;
- Fund a deposit to the Bond Reserve Fund equal to the Maximum Annual Debt Service for the 2008 Bonds; and
- Pay the costs of issuing the 2008 Bonds, including underwriters' discount and financing, legal, and other costs.

Future PFC Obligations

The City intends to issue future long-term PFC Obligations to fund portions of the Aviation CIP. Prior to issuance of the PFC Obligations, the City plans to use the CP Program to provide interim financing for certain projects.

The City is seeking to expand the permitted use of the CP Program to fund ongoing expenditures for the AT and certain other projects pending PFC approval. For the purposes of this Report we have assumed Bank of America, or another commercial bank if necessary, will provide temporary funding through a CP Program.

The City intends to repay the CP Program with proceeds from long-term PFC Obligations issued in 2010 described below. Cash expenditures and therefore CP

Program draws for the AT and other projects prior to a formal PFC approval will be limited to no more than $100 million.

In FY2010 the City may issue long-term PFC Obligations to pay off the principal of the CP Program and fund other expenditures in the Aviation CIP, however before doing so the City must apply for and obtain PFC approval for the AT project and the various other capital projects. The City intends to submit an application to the FAA in calendar year 2008, such that a formal approval for the additional PFC collections will be obtained before the PFC Obligations are issued in FY2010.

The PFC Obligations may rely substantially (and perhaps solely) upon PFCs as an assumed source for repayment. PFCs must be approved by the FAA for use before they can be used as a source for repayment on bonds or for pay-as-you-go project expenditures. For the purposes of this Report it was assumed that such PFC approval will be in place in advance of the planned issuance in FY2010. For the purposes of this Report we assume that PFC Obligations rely solely upon PFCs as a security and source for repayment.

For the purposes of this Report the City has assumed an issuance of PFC Obligations in FY2010 in the par amount of $425 million, which is expected to refund the $100 million of draws using the CP Program and fund planned expenditures in the Aviation CIP, and another issuance in FY2012 for a par amount of $222 million to complete funding portions of the Aviation CIP.

Future Senior Bonds

In the future the City may issue additional Bonds under the Bond Ordinance on parity with other outstanding Senior Bonds. For the purposes of this Report the City has assumed an issuance in FY2010 in the par amount of $155 million to fund a portion of Aviation CIP. No other senior lien bonds are assumed to be needed to fund the Aviation CIP.

Refunding of Airport Excise Tax Bonds

In addition to issuing the 2008 Bonds, the City also may refund all or a portion of the remaining outstanding airport excise tax bonds. For the purpose of this Report, it was assumed that Senior Bonds would be issued to refund all of the airport excise tax bonds We have included the airport excise tax bonds with Senior Bonds in Exhibit C, Exhibit G, Exhibit H, and Exhibit I of the Report, but have conservatively not reduced the amount of Airport Excise Tax Bonds debt service requirement to account for any savings derived from the refinancing.

DEBT SERVICE REQUIREMENTS

Exhibit C presents estimated debt service requirements on the outstanding Senior Bonds and the proposed 2008 Bonds. The City has issued Senior Lien Obligations in the total aggregate principal amount of $651.4 million under the Bond Ordinance.

Outstanding principal on the Senior Lien Obligations as of June 30, 2007 was $424.8 million. Upon the issuance of the 2008 Bonds, principal on outstanding Senior Lien Obligations will be $674.8 million, which is equivalent to $32.50 per enplaned passenger based on FY2007 passenger levels.

The requirements of the Senior Bond Reserve Funds for outstanding Senior Lien Obligations were technically satisfied using sureties; however, the City expects to satisfy the reserve requirements related to the 2008 Bonds by establishing a Debt Service Reserve Fund and funding it with proceeds from the 2008 Bonds.

Exhibit C also presents estimated debt service requirements on the outstanding airport general obligation bonds and airport excise tax bonds. Outstanding principal on these obligations as of June 30, 2007 was $78.7 million ($17.4 million general obligation and $61.4 million excise tax bonds).

2008 Bonds Debt Service

Debt Service for the 2008 Bonds was estimated by PRAG based on the following assumptions: a delivery date in June 2008, final maturity in 2038, a 1-year debt service reserve equal to maximum annual debt service, an interest rate of 6.0%, and a 3-year interest only/27-year amortization period.

Debt Service on Future Bonds

Debt Service for bonds planned to be issued as Senior Bonds in FY2010 (the 2010 Senior Bonds) was estimated by PRAG based on the following assumptions: a delivery date in July 2009, final maturity in July 2039, a 1-year debt service reserve equal to maximum annual debt service, an interest rate of 6.5%, and a 1-year capitalized interest/29-year amortization period.

Debt Service on future PFC Obligations is based on the following assumptions: a delivery date of July 2009 for the first series and July, 2011 for the second series, final maturity in July 2039 and July 2041 respectively, a 1-year debt service reserve equal to maximum annual debt service, an interest rate of 6.75% for each series, and a 30-year amortization period for each series.

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.” Consistent with the Bond Ordinance budgetary definition we rely upon the City’s actual expenditures on a budgetary basis as reported in the City’s Operating Budget for the best representation of historical Cost of Maintenance and Operation (See caption “ACCOUNTING BASES” for more information).

Recent Historical Trends

Between FY2002 and FY2005 expenses increased 4.5% per year on average. In FY2006 and FY2007 expenses increased 14.9% and 14.1%, respectively. In FY2008 expenses are estimated to increase 9.1%.

Recent growth between FY2006 and FY2008 was due in part to new facilities and/or new contracts and services. New facilities placed in service include: 1) consolidated rental car facility (January 2006), 2) a new east economy parking garage (December 2005), 3) a new concourse in Terminal 4 (March 2005), and 4) 44th Street (formerly State Road 153, which was transferred to the Airport).

Additionally there were significant changes to contractual services. The City began a rental car bus service (January 2006) to serve the consolidated rental car facility, which represented a new cost for the City as this expense was previously born by the rental car companies. Expenses related to the consolidated rental car facility and the common transportation costs such as busing are included in the definition of Cost of Maintenance and Operation and are reimbursable expenses for which the City expects to be fully reimbursed, as described in Figure 17 and under the caption "RENTAL CAR CENTER-Treatment in Report." The City also implemented a custodial services transition plan switching out City staff for contractors. In the short term this plan has created additional expenses; however in the long term this plan should result in overall expense savings.

FY2009 Preliminary Budget

Expenses in the FY2009 preliminary budget increase 2.7% over FY2008 estimates. Certain expenses that have historically been included in the operating budget are now capitalized and included in the capital budget, resulting in a $4.3 million reduction. This change impacted both personal services and contractual services expenses in FY2009. Additionally in FY2009 equipment/minor improvements was reduced $2.2 million. The City does not expect material changes as a result of new facilities and/or new contracts and services in FY2009. Categories are discussed below according to the FY2009 major budgetary grouping or character.

Table 32

Expenses by Character
2008 Estimated and 2009 Preliminary Budget
City of Phoenix Aviation Department
(for the 12 months ending June 30; in thousands)

	Estimated 2008	Budget* 2009	% Change
Personal Services	$ 95,762	$ 94,287	-1.5%
Contractual Services	93,805	102,206	9.0%
Supplies	12,663	13,363	5.5%
Equipment/Minor Improvements	3,951	1,856	-53.0%
Total Budgeted Operating Expenditures	$ 206,181	$211,711	2.7%

	% Total	
	2008E	2009B
Personal Services	46%	45%
Contractual Services	45%	48%
Supplies	6%	6%
Equipment/Minor Improvements	2%	1%
Total Budgeted Operating Expenditures	100%	100%

Note: *Preliminary budget as of April 2008.
Source: City of Phoenix Aviation Department.

Personal Services and Interdepartmental Charges/Credits

Personal services are budgeted at $94.3 million in FY2009, or 45% of total expenses. Personal services expenses are directly related to salaries and employee benefits. The authorized number of positions in the FY2008 budget was 854; however, as of June 30, 2007 only 665 positions were filled. In the FY2009 preliminary budget, Management budgeted for a small increase in the number of filled positions. Overall, personal services expense is budgeted to decline $1.5 million compared to FY2008, primarily due to a change in the treatment of expenses in three divisions. Beginning in FY2009, capital expenses in the Planning & Environment, Design & Construction Services, and the Capital Management divisions, which historically have been included in the operating budget, are classified as capital expenses and included in the capital budget.

Interdepartmental charges/credits, which are included in personal services, are budgeted at $32.1 million in FY2009, or 15.2% of total expenses. Interdepartmental charges/credits include the cost of City services related to the Airport. Major services include: police ($17.8 million, including $4.8 million for security checkpoint charges), fire ($10.7 million), direct City administrative services (including internal audit, information technology, finance, others), City parks services ($1.7 million including Barrios Unidos), and City legal services ($1.4 million).

Table 33

PERSONAL SERVICES EXPENSE BY DIVISION
2008 ESTIMATED AND 2009 PRELIMINARY BUDGET
City of Phoenix Aviation Department
(for the 12 months ending June 30; in thousands)

	Estimated 2008	Budget 2009	% Change
Operations	$ 40,569	$ 41,661	2.7%
Facilities and Services	29,318	28,972	-1.2%
Technology	6,854	7,341	7.1%
Administration	5,793	5,906	1.9%
Fiscal Management	3,896	4,033	3.5%
General Aviation	2,047	2,081	1.7%
Business and Properties	2,029	2,030	0.0%
Community Relations	1,074	1,061	-1.2%
Planning & Environmental	1,960	639	-67.4%
Design and Construction Services	1,870	561	-70.0%
Capital Management	352	1	-99.7%
	$ 95,762	$ 94,287	-1.5%

	% Total 2008E	% Total 2009B
Operations	42.4%	44.2%
Facilities and Services	30.6%	30.7%
Technology	7.2%	7.8%
Administration	6.0%	6.3%
Fiscal Management	4.1%	4.3%
General Aviation	2.1%	2.2%
Business and Properties	2.1%	2.2%
Community Relations	1.1%	1.1%
Planning & Environmental	2.0%	0.7%
Design and Construction Services	2.0%	0.6%
Capital Management	0.4%	0.0%
	100.0%	100.0%

Source: City of Phoenix Aviation Department.

Contractual Services

In FY2009 contractual services are budgeted at $102.2 million, or 48% of total operating expenses, making it the largest expense category. Major elements of the contractual services category are described below.

Utilities. For budgeting purposes, contractual services include electricity, water, solid waste disposal, gas, telephone, and sewer services. Utilities are $17.7 million in the FY2009 budget, an increase of $0.1 million over FY2008. Electricity is the largest component budgeted at $15.1 million.

Public Parking. The City selected Ace Parking Management on August 10, 2000 for a five year parking management contract. The contract was renewed at the City's option for an additional five years (expiring December 2010). The City retains all revenues from the public parking operations, reimburses the operating expenses of the operator and pays an annual fee for management services. Ace Parking Management also provides cleaning, maintenance and security monitoring. The budgeted contract amount for FY2009 is $8.3 million. Additionally, Ace Parking Management provides dispatch services for various ground transportation activities at a budgeted cost of $2.4 million in FY2009.

Rental Car Bus. The City selected Shuttleport Arizona Joint Venture (Shuttleport JV) to operate the bus service between the terminal buildings and the new consolidated rental car facility. The agreement has a term of three years dated from the date of beneficial occupancy (DBO) of the rental car center (January 19, 2006). Additionally the City has an option to renew annually for the succeeding three contract years. The agreement provides for a management fee that includes all of Shuttleport JV's fixed costs and profit under the agreement ($2.8 million in FY2009). In addition, the agreement provides for the City to pay a fixed hourly bus rate of $26.15 per hour for all variable costs of operation.* The maximum annual bus hours of operation were 222,500 under the original agreement; however, the City approved an increase to 255,500 hours soon after DBO for operational reasons. The Aviation Director has sole discretion in responding to petitions from Shuttleport JV to increase the management fee, hourly bus rate, or total hours approved for operation. In FY2009 the total fees to Shuttleport JV are budgeted at $9.5 million. The City expects to be fully reimbursed for these expenditures. For a description of the funds available to pay such expenses, the City's obligations with respect thereto and reimbursement to the City of amounts advanced, see caption "RENTAL CAR CENTER-Treatment in the Report."

Parking/Inter-terminal and Employee Busing. In June 1997, the City selected ShuttlePort Services Arizona (ShuttlePort) for a five-year term for parking/inter-

*The original rate for the contract was $25.52, however Shuttleport Arizona petitioned the City for an increase in the rate due to increased services and upgrades to its existing fleet and the rate was subsequently increased to $26.15 on July 2, 2007, effective retroactively from January 19, 2007.

terminal and employee busing services at Sky Harbor, with an optional five-year extension. The agreement was set to expire on July 31, 2007, however Shuttleport has agreed to a two-year extension while the Department evaluates future ground transportation demands in light of the introduction of the LRT in late 2008 and other factors.

Similar to the structure of the rental car bus agreement, the parking/inter-terminal and employee busing agreement includes a fixed management fee component and an hourly rate component for all variable costs. During the extension period, the current management fee of $2.8 million does not increase although the hourly rate increases with inflation. The budgeted contract amount for FY2009 is $12.1 million.

LRT Bus. The City plans to provide transportation between the LRT station and the terminals when the LRT system opens (anticipated in late 2008). An initial order of ten buses is included in the Aviation CIP. The City has not selected a contractor to operate the LRT bus service.

Custodial Services. The City relies upon a mix of City staff and contractors for custodial services. The budgeted amount for contractual custodial services in FY2009 is $7.1 million, which includes certain terminals, the bus maintenance facility, and public areas of the rental car center. This contractual expense item represented only $1.5 million in FY2007, before it increased to $6.9 million in FY2008. The increase in FY2008 was a result of the City shifting certain responsibilities from City staff to contractors which has enabled the City to reduce personal services.

Supplies and Equipment/Minor Improvements

Remaining expenses are primarily related to supplies and equipment/minor improvements. In FY2009, these two expense categories are collectively budgeted at $15.2 million, or 7% of total expenses.

FY2010-2013 Forecast

Cost of Maintenance and Operation expenses are forecast to increase at an annual rate of 5% in FY2010-13 from the FY2009 preliminary budget base year. The City believes this rate of expense growth is reasonable to assume based upon 1) historical trends – which averaged 4.5% between the FY2002 and FY2005 period before new facilities and/or new contracts and services impacted growth between FY2006 and FY2008, 2) the projects expected to be completed in the Aviation CIP do not require significant incremental expenses and AT costs are expected to be offset by savings from bus service reductions, and 3) management objectives relative to future growth and expectations regarding internal staffing, the use of contracted services, and changes in key contractual relationships (the Department is currently undergoing a comprehensive review of all contractual costs). The Department committed to constraining overall growth in the operations and maintenance (O&M) budget to 3% (not including incremental O&M costs for new projects) per year as part of the City's policy guidance to pursue the ADP. The 5% rate of growth incorporates the 3% target for continuing operations plus a factor to allow incremental O&M costs for new projects.

Exhibit E depicts historical, estimated, budget, and forecast Cost of Maintenance and Operation expenses by budget category.

Central Service Cost Allocation

Central service cost allocation expenses are charges for certain City services provided to the Department. These charges are not otherwise directly charged. The amount of allocation is determined on an annual basis by the City Finance Department and is assessed through a transfer of funds and not through a direct departmental charge. The 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 City has been advised by bond counsel that the central service cost allocation is not included in the Cost of Maintenance and Operation as defined in the Bond Ordinance and that advice is followed in this Report. As such the forecast of Net Airport 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 FY2007 the allocation amounted to $6.2 million. In FY2008 the allocation is expected to grow to $6.4 million. In FY2009 the allocation is expected to grow to $6.5 million. Thereafter the allocation is forecast to increase at an annual rate of 2%.

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. 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 and the Rebate Fund.* We rely upon the City's Comprehensive Annual Financial Report, Exhibit E-2, Comparative Statements of Revenues, Expenses, and Changes in Net Assets, as the best representation of actual historical Revenues (as adjusted as required by the Bond Ordinance).

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, receipts from PFCs, 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 Parity Bonds 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 34

TOTAL REVENUES
City of Phoenix Aviation Department
(for the 12 months ending June 30, dollars in thousands)

	2006		2007		Forecast 2013	
	Revenues	% of Ttl	Revenues	% of Ttl	Revenues	% of Ttl
Landing and terminal revenues						
Airline Revenues						
Landing fees	$ 31,878	12%	$ 34,289	12%	$ 48,759	12%
Terminal rentals	52,155	20%	52,147	18%	82,537	20%
Total Airline Revenues	$ 84,034	32%	$ 86,436	29%	$ 131,296	32%
Nonairline Terminal Revenues						
Food & Beverage	$ 19,378	7%	$ 20,165	7%	$ 26,027	6%
Retail	10,300	4%	11,703	4%	14,437	4%
Advertising	3,027	1%	3,569	1%	4,403	1%
Total Nonairline Terminal Revenues	$ 32,705	13%	$ 35,438	12%	$ 44,868	11%
Miscellaneous Landing and Terminal Fees	10,292	4%	11,511	4%	13,745	3%
Total Landing and Terminal Revenues	$ 127,030	49%	$ 133,385	45%	$ 189,908	46%
Parking and Car Rentals						
Parking	$ 67,161	26%	$ 79,793	27%	$ 122,056	30%
Car rentals	37,037	14%	42,733	14%	47,998	12%
Refueling Fees	1,007	0%	929	0%	831	0%
	$ 105,205	40%	$ 123,455	42%	$ 170,885	42%
Other revenues						
Hangars	$ 3,198	1%	$ 2,214	1%	$ 2,644	1%
Land Rental	8,427	3%	9,372	3%	11,191	3%
Building and Facility Rentals	2,622	1%	2,496	1%	2,981	1%
Ground Transportation and Other	3,106	1%	4,075	1%	5,027	1%
Total Other Revenues	$ 17,352	7%	$ 18,157	6%	$ 21,842	5%
Total Operating Revenues	$ 249,587	96%	$ 274,997	93%	$ 382,636	93%
Trans. O&M Expense Reimbursement /1	$ 5,700	2%	$ 11,300	4%	$ 14,769	4%
Interest Income	5,748	2%	8,848	3%	12,295	3%
Total Revenues	$ 261,035	100%	$ 295,145	100%	$ 409,700	100%

Source: City of Phoenix Aviation Department.
Note: 1. Includes reimbursement of Transportation O&M Expenses as defined in the CFC Bond Documents for the CFC Bonds. See Financial Analysis, Rental Car Center.

Landing and Terminal Fees

Airline Rentals, Fees, and Charges

The Phoenix City Code defines the terms and conditions by which airlines may use the airfield in common with other users and may occupy and use exclusive- and joint-use space in the terminal buildings. Sky Harbor does not have long-term lease agreements with airline tenants governing the use and occupancy of terminal space or the airfield. The terms for an airline tenant are formalized in a letter 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. Phoenix City Code provides that airline rents, fees and charges be calculated pursuant to a compensatory or cost of services 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.

The costs on which airline charges are calculated include (1) direct operating expenses, (2) allocated indirect operating expenses, (3) interest expense on assets financed with bond proceeds, (4) imputed interest expense on assets financed with internally generated funds, and (5) depreciation expense on assets except depreciation on assets financed with PFCs or grants. Airline cost centers include Terminals 2, 3, and 4; the west and south air cargo areas; and the landing area cost center, which is comprised of two sub-cost centers for the airfield and the airline apron areas.

For each of the three terminal cost centers and for the two air cargo cost centers, a separate rental rate is computed based on budgeted costs and estimated revenue-producing square footage for such terminal or facility. The airlines' share of the costs for each of the terminal areas and for the air cargo facility is the ratio (on a weighted average basis) of occupied airline space to total revenue-producing space, which includes exclusive, joint-use and vacant airline space, as well as concession space.

The landing fee rate is based upon the airlines' share of budgeted costs in the landing area cost center. The rate base consists of 100% of costs in the airline aprons sub-cost center plus the airlines' share of costs in the airfield sub-cost center, which share is determined by dividing the landed weight of scheduled airlines by the total landed weight for all users. The landing fee rate is computed by dividing the rate base by the estimated gross landed weight in thousand pound units for the scheduled airlines. For each aircraft landed by an scheduled airline, a fee is assessed equal to the landing fee rate times the FAA certified maximum gross landed weight of the aircraft in thousand pound units.

Customarily, rates are adjusted at the beginning and may be adjusted at the middle of each fiscal year. 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.

Another aspect of securing the City’s policy guidance to pursue the ADP was the Department’s commitment to hold growth in airline cost per enplaned passenger to an average of approximately 5% through FY 2016. As the City moves forward with the Aviation CIP, the annual cost per enplaned passenger growth assumption used in this Report is 5% as presented in Exhibit F-1.

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 their 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 generally 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 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 4 (continuing from May 2008 expiration on a month-to-month basis while the City is evaluating options), (2) Host International, Inc. covering food and beverage operations in Terminal 3 (expires in March 2011), and (3) CA One Services, Inc. covering food and beverage operations in Terminal 2 (expires in February 2014). 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.

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 60 contracts with different vendors including Paradies, HMS Host, Inc., Delstar Group, Casa Fenix, and others. Nearly all of the agreements expire in 2011 and have substantially similar terms providing for concession fees equal to scheduled percentages of gross sales subject to a minimum annual guarantee.

Advertising. The City has entered into a non-exclusive services contract with Clear Channel Airports covering the operation of advertising displays in Terminal 2, Terminal 3, Terminal 4, and the Executive Terminal, and Clear Channel Outdoor for outdoor billboard advertising. The term of the terminal contract extends through February 2009 and provides for a concession fee equal to the greater of a 60% percent of gross receipts or a minimum annual guarantee. The term of the outdoor contract extends through July 2021 and provides for a concession fee equal to the greater of a 50% percent of gross receipts or a minimum annual guarantee.

Miscellaneous Other Landing and Terminal Fees

This revenue category comprised around $11.9 million of annual revenues in FY2008. This category generally relates to non-signatory airlines and includes tenant office rent, commercial use permit fees, air cargo fees, and common facility charges.

Parking and Car Rentals

Parking

Public parking at Sky Harbor is accommodated in three types of facilities: terminal garages, economy garages, and economy lots. Recent expansion of parking facilities has been in the east due to the proximity to Terminal 4; approximately 4,034 garage spaces were added with the completion of the second east economy garage in 2006.

The City believes parking capacity at Sky Harbor is adequate overall to accommodate the forecast period demands of the traveling public; however, capacity is not ideally balanced by location. The Terminal 4 garage comprises only 30% of Sky Harbor's parking capacity, however, approximately 80% of passengers rely upon Terminal 4 airlines, which is home to the largest two carriers, US Airways and Southwest Airlines. For this reason, historically the Terminal 4 garage has closed to additional entrances periodically and is typically at full utilization.

Over the last 3 years the City has closely monitored parking capacity and, in an effort to maintain customer service levels and manage capacity in the facilities, the City increased parking rates in January 2006 and again in January 2008. The current rates and capacity are presented in the following table.

Table 35

PARKING FACILITIES AND RATES
Phoenix Sky Harbor International Airport

	Current Capacity	Rates /1 Dec-05 Daily	Dec-05 Hourly	Jan-06 Daily	Jan-06 Hourly	Jan-08 Daily	Jan-08 Hourly
Parking Facilities							
Terminal Garages							
T-2 Covered	1,170	$ 16	$ 2	$ 20	$ 3	$ 25	$ 3
T-2 Upper	1,184	5	2	8	3	8	3
T-3	1,875	16	2	20	3	25	3
T-4	6,890	16	2	20	3	25	3
Subtotal Terminal Garages	11,119						
Economy Garages							
East Economy Garages	5,926	7	2	10	3	10	3
Economy Surface Lots							
West Economy	1,555	5	2	8	3	8	3
East Economy	4,610	5	2	8	3	8	3
Subtotal Economy Surface Lots	6,165						
Total Parking Spaces	23,210						

Source: City of Phoenix Aviation Department.
Note: 1. Rate increases took effect January 10, 2006 and January 1, 2008.

In a continued commitment to manage parking capacity and revenues and to keep pace with future inflation, the Department closely monitors use patterns of all parking facilities. The Department requested and received City Council approval on April 16, 2008 of a five year parking rate increase schedule, which outlines the Department's plan for future rate increases to 1) increase parking rates to $4 per hour for all parking facilities, charged in 15 minute increments, effective in the fall of 2008, and 2) increase the daily maximum rate, not to exceed $35 in the terminal garages, $22 in the economy garages, and $20 in the economy surface lots and overflow lots. The Department expects to increase the terminal garages daily maximum rates by $5 every three years and the economy garages and surface lots daily maximum rates by $3 every three years beginning July 1, 2010, unless parking demand requires an earlier increase.

Parking customers are divided into two distinct groups determined by their duration of stay. Hourly customers stay for less time than required to reach the daily maximums per parking structure. Hourly customers comprise the bulk of the parking transactions, but only 13% of the overall parking revenues. Hourly customers stay from 0.78 hours (Terminal 2) to 1.31 hours (Terminal 4) on average. Daily customers stay for more time than needed to reach the daily maximum per parking structure. Daily customers comprise a minority of the parking transactions, however they produce 87% of the overall parking revenue. Daily customers stay from 2.54 days (Terminal 4) to 4.55 days (economy parking lots) on average.

Table 36

HOURLY AND DAILY PARKING ACTIVITY
Phoenix Sky Harbor International Airport
(average of four days in 2007)

	Duration /1		% of Total Parking Revenue	
	Hourly (hours)	Daily (days)	Hourly	Daily
Terminal Garages				
T-2 Covered	0.94	3.36	1%	2%
T-2 Upper	0.78	3.91	0%	4%
T-3	1.10	3.49	2%	6%
T-4	1.31	2.54	9%	39%
Subtotal Revenue for Terminal Garages			13%	51%
All Other Parking	1.03	4.55	0%	36%
% of Total			13%	87%

Source: City of Phoenix Aviation Department.
Note: 1. 2007 durations are estimated based on parking data from two week days and two weekend days in both peak and non-peak seasons (January 3, 2007, January 28, 2007, July 11, 2007 and July 22, 2007).

The City's ability to capture potential Terminal 4 garage patrons in the newly constructed capacity in the east economy facilities (as opposed to patrons going to off-airport parking operations) and manage demand through timely rate increases is an important factor if the City intends to sustain parking revenue growth in the forecast.

Six nearby off-airport operators provide additional parking facilities with published daily rates ranging from $5 (uncovered) to $10 (covered). The City does not currently assess an airport privilege fee on private off-airport parking operations. It does, however, assess a commercial ground transportation fee that applies to the courtesy vehicles from off-airport parking operators.

Future parking revenues are generally forecast on the basis of (a) historical trends in parking revenue per originating passenger and per transaction broken into two duration types (hourly and daily customers), (b) planned future increases in hourly and daily parking rates, and (c) forecast increases in the number of originating passengers. Furthermore, with regard to the planned rate increases and parking demand, the following assumptions were made:

- Close monitoring of demand will continue and planned rate increases to manage capacity in the terminal garages will minimize diversion of parkers to off-airport parking and offset the effect of diversion to lower priced on-airport parking.

- The recently implemented cell phone lot will continue to have no material impact on parking demand.
- The development of the AT or the connection to the LRT will have no material impact on parking demand.

Car Rentals

In January 2006, the City opened the consolidated rental car center located west of the terminal buildings. The consolidated rental car center is on a 141 acre site within the Sky Harbor boundary and has 5,651 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.

The City has on-airport rental car concession agreements with the following eight companies or their franchisees: Advantage, Alamo/National, Avis, Budget, Dollar, Enterprise, Hertz, and Thrifty. The agreements expire in January 2016. The 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 is subject to automatic adjustment to the greater of 75% of the previous year's airport concession fees or the current minimum annual guarantee. During FY2008, the sum of the minimum annual guarantees is approximately $33 million. In FY2006 and FY2007, rental car revenues accounted for 14% and 13% of total operating revenues, respectively.

On August 1, 2007, Enterprise acquired Vanguard (operator of Alamo and National brands). Together these brands comprised 25% of Sky Harbor rental car market, slightly less than the largest brand, Hertz, with 26%. The acquisition of Vanguard is not expected to have a material effect on concession fees paid to the City and the agreements do not allow assignment.

Off-airport rental car companies and vehicle rental car companies subleasing space from a fixed base operator are subject to a 7% fee on the share of gross revenues received from receipts derived from persons transported between Sky Harbor and the consolidated rental car facility.

In January 2006, the same month the consolidated rental car facility opened, the City passed Ordinance G-4764 which established a more comprehensive definition of gross receipts used for calculation of concession fees.* Also during calendar year

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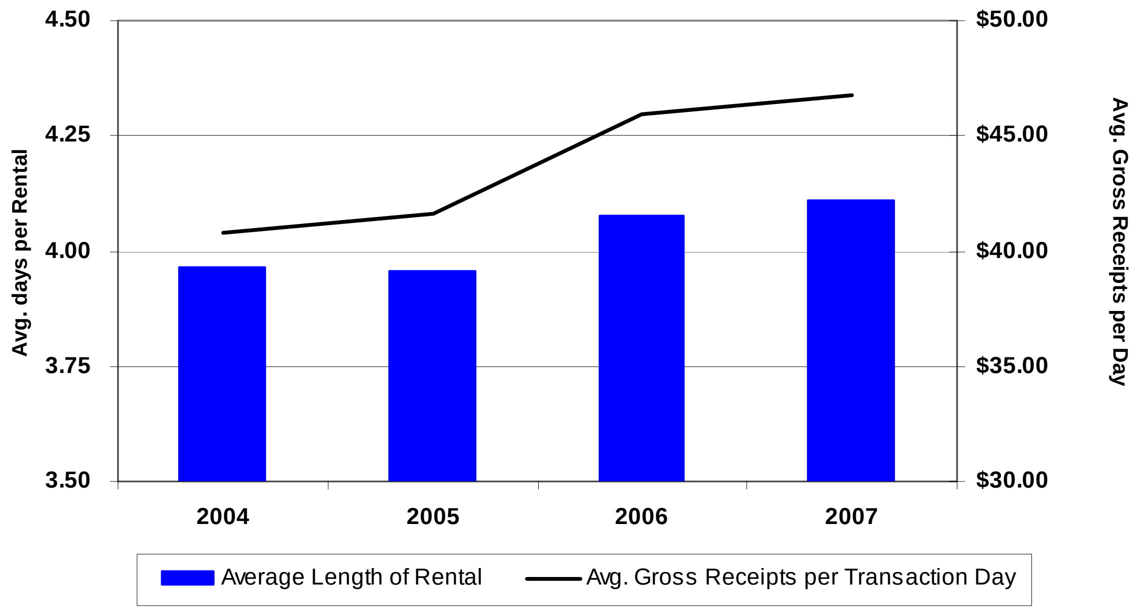
*Comprehensive in that it includes a broader definition of rental car revenues including, for example, revenues realized as reimbursement for refueling a vehicle where the customer is obligated to return the vehicle with a full tank, amounts received as insurance proceeds to the extent proceeds exceed losses, proceeds recovered from the sales of vehicles, and revenues received from local customers.

2006, the average length of rental and average gross receipts per transaction day increased. As shown in the figure below, on average, customers rented cars for three hours longer after the rental car center opened compared to the two year period prior to opening, and paid on average $5.00 more per transaction day.

The Department is considering recommending to the City an increase in the CFC from the current $4.50 rate per transaction day, in part, to respond to a recently triggered obligation to fulfill the Debt Service Reserve Requirement (see the caption "RENTAL CAR CENTER—Debt Service Reserve Fund for CFC Bonds" below for more information). Although the City has not set a course of action to meet this requirement, for the purposes of the Report, an increase to $5.50 per transaction day is assumed to become effective September 1, 2008. Currently the $4.50 CFC rate per transaction day, together with facility O&M recovery charges and taxes, make Sky Harbor among the highest "add-on" fee markets in the U.S. However an incremental $1.00 CFC rate increase would only add an estimated 1-2% to an average rental contract. The City does not believe an additional $1.00 CFC increase, if it occurs, will dampen rental car demand or unfavorably impact the forecast of rental car revenues contained in this Report.

Figure 16
RENTAL CAR AVERAGE DAYS PER RENTAL / GROSS RECEIPTS PER TRANSACTION DAY
Phoenix Sky Harbor International Airport
(calendar year)



Rental car 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 when applicable. The forecast assumes that rental car rates per transaction day will continue at $46 and that the average length of rental will remain steady at 4.1 days.

Refueling Fees

The City collects refueling fees from rental car companies refueling rental cars. In FY2007 this item accounted for $930,000 in revenues.

Other Revenues

Hangars. As noted the City owns two general aviation airports that, together with Sky Harbor, contribute to this revenue category.

Land Rentals. The City has entered into various ground leases for areas on airport property, most notably in Sky Harbor Center. Most of these are long-term development leases whose rentals are subject to annual adjustment based upon inflation.

Building and Facility Rentals. The City has entered into various leases for areas on airport property, most notably in Sky Harbor Center.

Ground Transportation. Pursuant to Article IV of Chapter 4 of the Phoenix City Code, commercial vehicles are subject to fees for the privilege of picking up and dropping off passengers at Sky Harbor. The fees include an access fee, which varies depending upon the class of vehicle, and in certain instances, a trip fee.

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

Other revenues include interest income and, in relation to the rental car center, Transportation O&M Expense reimbursements. Interest income is forecast based upon available fund balances at earnings rates of 2% in FY2008 and FY2009, 3% in FY2010, and 4% thereafter. Transportation O&M Expense reimbursements are forecast based upon forecast cost increases that are eligible for reimbursement using available CFCs.

RENTAL CAR CENTER

Background and Legal Framework

In 2004, the CIC issued on behalf of the City $260 million in Rental Car Facility Charge Revenue Bonds (CFC Bonds) for the rental car center project. The obligation of the City to make certain payments under the City Purchase Agreement (such agreement, together with the Bond Indenture for the CFC Bonds, the CFC Bond Documents) is secured by a first priority pledge of Pledged Revenues derived primarily from CFCs which are imposed by City Council, paid by rental car customers, and remitted by rental car companies obtaining customers at Sky Harbor. Both on-airport and off-airport rental car companies are currently required to collect and remit a $4.50 CFC per transaction day.

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 expenses, generally related to the rental car buses (described earlier) defined as Transportation O&M Expenses in the CFC Bond Documents, and related O&M 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 and rate covenant calculations in this Report. Additional 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.

The CFC Bonds are issued pursuant to the CFC Bond Documents. Although the CFC Bonds are Special Revenue Obligations of the CIC (as described earlier), certain aspects of the facility operations impact the Bond Ordinance and the treatment of those aspects is described in the immediately following section.

Treatment in Report

Under the Rental Car Bond Indenture, CFCs are deposited on a monthly basis to the Transportation O&M Fund established thereunder after the required deposits described in items (1) and (2) in the second preceding paragraph above. Amounts in the Transportation O&M Fund are used either to pay Transportation O&M Expenses incurred or to reimburse the City for such expenses.

The Rental Car Bond Indenture requires that Transportation O&M Expenses be paid from the following sources in the following order: (i) from amounts on deposit in the Transportation O&M Fund, (ii) amounts on deposit in the Improvement Reserve/Surplus Fund, (iii) amounts on deposit in the Transportation O&M Reserve Fund (required to be maintained at one-half of the following fiscal year's projected Transportation O&M Expenses) and (iv) at the City's option, from amounts on deposit in the City Transportation O&M Reserve Fund (required to be maintained at one and one-half of the following fiscal year's projected Transportation O&M Expenses) or the Airport Improvement Fund.

The City is obligated to maintain the Transportation O&M Reserve Fund at the required level from amounts in the Airport Improvement Fund, to the extent such funds are available, within 60 days to the extent CFC's are not available under the priority of funds established under the Rental Car Bond Indenture. The City is not obligated to maintain the City Transportation O&M Reserve Fund at the required level from any source other than CFC's.

Transportation O&M Expenses are counted as a Cost of Maintenance and Operation under the Bond Ordinance. CFCs that are available and used to pay such Transportation O&M Expenses are included as Airport Revenues or Revenues as defined in the Bond Ordinance.

For the purposes of this Report it was assumed that (1) CFCs, to the extent used to pay Transportation O&M Expenses (2) facility O&M reimbursements, and (3) concessions lease and/or minimum annual guarantee payments (since they relate to a separate lease not directly related to the Special Purpose Facility), are all included in the definition of Airport Revenues.

Debt Service Reserve Fund for CFC Bonds

The 2004 Debt Service Reserve Requirement (Maximum Annual Debt Service) for the CFC Bonds was satisfied through the purchase of a surety bond issued by a Financial Guaranty Insurance Company (FGIC). Under the terms of the Bond Indenture, Section 5.14 (e), Additional Requirements for Qualified Surety Bond, if the rating of the issuer of the surety bond or insurance policy falls below S&P AAA or Moody's Aaa, the City will either deposit into the Reserve Fund an amount equal to the Debt Service Reserve Requirement (paid over the ensuing five years in equal payments at least semi-annually), or replace the surety provider within a 6 month period. Further, if the rating falls below A, the City is required to deposit funds to meet the reserve requirement over the ensuing year in equal payments on a monthly basis, or replace the surety provider within a 6 month period.

Recently all three of the rating agencies have revised their ratings for FGIC downward and on March 28, 2008 S&P lowered the rating from A to BB with negative outlook. The City is now required to deposit funds to meet the reserve requirement over the ensuing year in equal payments on a monthly basis, or replace the surety bond with a Qualified Surety Bond within a 6 month period. The Debt Service Reserve Requirement is equal to Maximum Annual Debt Service, or $21.3 million.

According to the Rental Car Bond Indenture (Section 5.3, Flow of Funds Revenue Fund, and Section 5.7, 2004 Debt Service Reserve Fund) the City has an obligation to fund the Debt Service Reserve Fund with available CFCs after funding (a) administrative costs, (b) bond interest payments, and (c) bond principal payments. Therefore using available CFCs to fund the Debt Service Reserve Requirement, all other things equal, would limit remaining funds to pay Transportation O&M Expenses and make required deposits in the Transportation O&M Reserve Fund and the City Transportation O&M Reserve Fund. As described above, because the City is obligated to maintain the City Transportation O&M Reserve Fund at the required level from amounts in the Airport Improvement Fund if CFC's are not available, funding the Debt Service Reserve Requirement from CFC's could indirectly result in a reduction of funds available in the Airport Improvement Fund.

At the time this Report was issued, the City had not yet committed to a course of action for funding the Debt Service Reserve Requirement. The City is evaluating options to fulfill the Debt Service Reserve Requirement, reducing operating expenses paid with CFCs (particularly Transportation O&M Expenses), transferring available reserves in other CFC funds or the Airport Improvement Fund to fund the Debt Service Reserve Requirement, and increasing the CFC rate.

The assumption used in this Report is the City funds the Debt Service Reserve Requirement over a 12 month period. More specifically, it is assumed that the CFC increases to $5.50 per transaction day effective September 1, 2008, generating approximately an additional $9 million of CFCs annually.

Application and Use of CFC Revenues

If the CFC is increased as described (or the City successfully implements other of its options with an equivalent outcome) then the Improvement Reserve / Surplus Fund remains positive in the forecast, including the funding of the Debt Service Reserve Requirement over a 12 month period. If for some reason the CFC is not increased (all other things equal) the City would have a projected deficiency in the Improvement Reserve / Surplus Fund of $6.2 million in FY2009, however the fund would gradually recover near the end of the forecast period. A potential deficiency in the Improvement Reserve / Surplus Fund could indirectly impact the Airport Improvement Fund. As described in the preceding paragraph the City may take other actions to fulfill the Debt Service Reserve Requirement and the City as a matter of policy is committed to insuring all of the various funds established under the CFC Bond Documents do not unfavorably impact the Airport Improvement Fund. The Application and Use of CFC Revenues is presented in Exhibit D-2.

ACCOUNTING BASES

The 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. And 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, which 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. Other Available Funds may, for example, include grant funds which are not typically included as a revenue under GAAP.

Additionally, Revenues may include certain items that are excluded under GAAP, such as, for example, CFCs. CFCs which, under the terms of the Rental Car Bond Indenture 1) are available and 2) are used to reimburse the City for Transportation O&M Expenses are counted as a Cost of Maintenance and Operation under the Bond Ordinance, are no longer considered Pledged Revenues under the CFC Bond Documents for the rental car special purpose facility. Rather, when used in this manner to reimburse the City they are included as Airport Revenues or Revenues as defined in the Bond Ordinance.

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

APPLICATION OF REVENUES

The Bond Ordinance in Section 2.2 defines the application of Revenues with respect to priority and amount. As depicted on Figure 17, it requires that all Revenues be deposited into the Revenue Fund and applied 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.

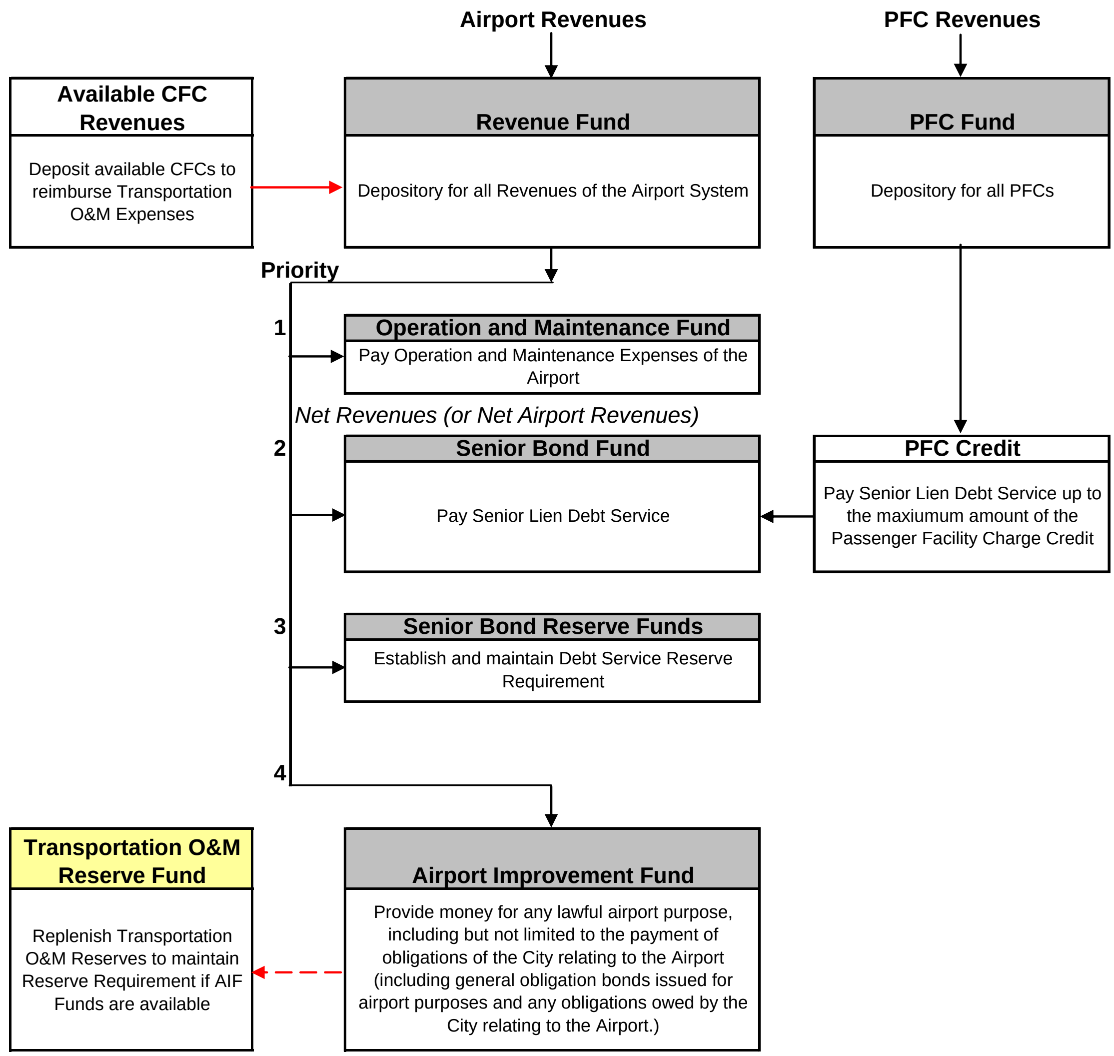
2. Senior Bond Fund. The City shall deposit monthly into the Principal Account and the Interest Account of the Bond Fund amounts equal to the Principal Requirement and the Interest Requirement, respectively.

3. Senior Bond Reserve Funds. The City shall deposit in equal monthly deposits over a 24-month period until the balance in one or more Senior Bond Reserve Funds is at least equal to Maximum Annual Debt Service as defined in the Bond Ordinance. Moneys in the Senior Bond Reserve Fund are reserved to pay any deficiencies in the Senior Bond Fund. A separate bond reserve fund may be established for any series of Senior Lien Obligations. (This fund may also be funded with a surety bond or similar financial instrument.)

4. 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. As noted above, to the extent funds are available the Airport Improvement Fund may be the funding source to provide for Transportation O&M Expenses and required deposits to the Transportation O&M Reserve Fund and the City Transportation O&M Reserve Fund to the extent that CFCs are not adequate. 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).

Exhibit G presents the application of Revenues.

FIGURE 17
APPLICATION OF REVENUES
BOND ORDINANCE



DEBT SERVICE COVERAGE AND RATE COVENANT COMPLIANCE

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."

In Section 3.3 of the Bond Ordinance the City is required to meet an Additional Bonds Test which includes a historical test and prospective test. The prospective test requires a Consultant provides a report which projects that Net Airport Revenues will be sufficient to satisfy the Rate Covenant (including any Parity Bonds to be issued) in each Fiscal Year after applying the Passenger Facility Charge Credit.* The required period is the period beginning with the first full fiscal year following the issuance of the proposed Senior Lien Obligations through the later of (i) three fiscal years following the expected date of completion…for any construction projects to be financed with the proposed Senior Lien Obligations or (ii) five fiscal years following the issuance of the proposed Senior Lien Obligations.

Exhibit H demonstrates satisfaction of the Rate Covenant for the 2008 Bonds and Future Senior Bonds. Exhibit I demonstrates satisfaction of the prospective portion of the Additional Bonds for the 2008 Bonds.

Future PFC Obligations

Although the debt service coverage and rate covenant compliance for the PFC obligations will be determined at the time of issuance, Exhibit H demonstrates PFC revenues are forecast to be sufficient to make required debt service payments and also demonstrate a margin for debt service coverage.

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* 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."

Exhibit A-1

ESTIMATED COSTS AND CASHFLOW
FY2008-13 AVIATION CAPITAL IMPROVEMENT PROGRAM
CITY OF PHOENIX AVIATION DEPARTMENT
(for the 12 months ending June 30; in thousands)

Category	Total Cost	Costs by Year 2008	2009	2010	2011	2012	2013
Automated Train (AT)	$ 640,275	$ 21,917	$ 53,377	$ 149,700	$ 188,400	$ 161,625	$ 65,256
Land Acquisition /1	279,831	61,553	49,610	36,718	48,080	48,018	35,852
Development Studies	94,360	11,014	22,236	12,983	17,523	15,875	14,730
Security Facilities	93,547	9,046	31,251	24,500	8,750	10,000	10,000
Runway & Taxiway Improvements	90,990	16,098	47,314	3,007	20,057	2,857	1,657
Terminal 3	57,360	34,876	19,174	2,850	190	135	135
Roadways	41,244	4,754	6,240	5,100	3,000	19,150	3,000
Infrastructure	40,167	19,039	9,056	4,670	2,600	2,500	2,302
Deer Valley	37,351	8,003	24,848	4,125	125	125	125
Terminal 4	22,726	6,178	12,141	1,207	400	2,650	150
Parking Facilities	11,292	9,091	351	150	-	1,200	500
Art Programs	11,276	2,677	8,599	-	-	-	-
General Aviation	9,583	503	2,030	2,030	2,030	1,495	1,495
Goodyear	9,336	1,566	4,539	2,361	140	590	140
Maintenance Facilities	8,712	697	1,861	1,654	1,500	1,500	1,500
Phoenix-Mesa Gateway	8,000	1,300	1,300	1,300	1,300	1,400	1,400
CNRP	5,802	2,207	719	719	719	719	719
West Terminal	2,640	515	500	500	375	375	375
Other	1,632	1,632	-	-	-	-	-
Fire Department	1,604	104	-	1,500	-	-	-
Terminal 2	877	417	300	160	-	-	-
Other SHIA	780	130	130	130	130	130	130
Salt River Channel	680	225	155	75	75	75	75
Air Cargo	346	46	-	-	300	-	-
Sky Harbor	203	203	-	-	-	-	-
Total	$1,470,614	$ 213,791	$ 295,731	$ 255,439	$ 295,694	$ 270,419	$ 139,541

Source: City of Phoenix Aviation Department.
Notes: 1. Land acquisition includes $195.8 million to acquire land in the Part 150 land and noise impact area.

Exhibit A-2

ESTIMATED COSTS AND SOURCES OF FUNDS
FY2008-13 AVIATION CAPITAL IMPROVEMENT PROGRAM
CITY OF PHOENIX AVIATION DEPARTMENT
(in thousands)

		Funding Sources						
	Total		CFC	PFC	2008 Senior	Future Obligations		Operating Revenues
Category	Cost	AIP	Paygo	Paygo	A&B Bonds	Senior	PFC /2	(Improvement Fund)
Automated Train (AT)	$ 640,275	$ -	$ -	$ -	$ 25,188	$ 30,000	$ 465,835	$ 119,252
Land Acquisition /1	279,831	60,000	-	34,366	65,078	57,810	61,155	1,422
Development Studies	94,360	-	-	-	29,234	14,359	33,000	17,767
Security Facilities	93,547	-	-	54,344	-	-	37,300	1,903
Runway & Taxiway Improvements	90,990	46,988	-	19,950	9,668	6,275	-	8,109
Terminal 3	57,360	-	-	25,100	16,915	-	4,819	10,526
Roadways	41,244	-	-	-	6,249	7,718	-	27,277
Infrastructure	40,167	-	-	-	5,256	9,802	-	25,109
Deer Valley	37,351	26,757	-	-	4,978	961	-	4,655
Terminal 4	22,726	-	-	175	6,112	1,299	-	15,140
Parking Facilities	11,292	-	5,516	-	3,479	1,200	-	1,097
Art Programs	11,276	-	-	-	1,207	-	-	10,069
General Aviation	9,583	-	-	-	1,573	4,383	-	3,627
Goodyear	9,336	1,772	-	-	32	281	-	7,251
Maintenance Facilities	8,712	-	-	-	135	36	-	8,541
Phoenix-Mesa Gateway	8,000	-	-	-	-	-	-	8,000
CNRP	5,802	-	-	-	-	-	-	5,802
West Terminal	2,640	-	-	-	1,000	1,625	-	15
Other	1,632	-	-	-	1,632	-	-	-
Fire Department	1,604	-	-	100	-	1,500	-	4
Terminal 2	877	-	-	410	-	-	-	467
Other SHIA	780	-	-	-	-	-	-	780
Salt River Channel	680	-	-	-	-	-	-	680
Air Cargo	346	-	-	-	45	-	-	301
Sky Harbor	203	-	-	-	200	-	-	3
Total	$ 1,470,614	$ 135,518	$ 5,516	$ 134,445	$ 177,980	$ 137,250	$ 602,109	$ 277,797

Source: City of Phoenix Aviation Department.
Notes: 1. Land acquisition includes $195.8 million to acquire land in the Part 150 land and noise impact area.
2. Future PFC Obligations represents funding for future PFC projects that have not yet received PFC approval.

Exhibit B

ESTIMATED PLAN OF FINANCE FOR 2008 SENIOR A&B BONDS
CITY OF PHOENIX AVIATION DEPARTMENT
(in thousands)

		2008 Senior A&B Bonds /1
SOURCES OF FUNDS		
Par Amount of Bonds	$	250,000
Bond Construction Account Interest income		3,261
Total All Sources	$	253,261
USES OF FUNDS		
FY2008-09 CIP Costs	$	177,980
Prior Fund Commitments		52,600
Other Costs of Issuance		3,754
Debt Service Reserve Fund		18,927
Total Uses of Funds	$	253,261

Source: Public Resources Advisory Group.

Notes: 1. The City may refund the outstanding Airport Excise Tax Bonds and Airport Revenue Bonds, partially using 2008 Senior Bonds Series C and Series D. Amounts above include 2008 Senior Bonds Series A and Series B only and exclude potential refundings.

Exhibit C

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

	Historical 2005	2006	2007	Forecast 2008	2009	2010	2011	2012	2013
Outstanding Bond Obligations									
Outstanding Revenue Bonds									
Senior Lien Obligations									
City of Phoenix Airport Revenue Bonds	$ 6,489	$ 6,492	$ 6,492	$ 6,488	$ 6,489	$ 7,993	$ 6,758	$ 6,761	$ -
CIC Airport Revenue Bonds	26,808	25,466	25,462	25,589	27,553	28,295	29,807	30,086	31,451
Total Outstanding Senior Lien Obligations	$ 33,297	$ 31,958	$ 31,955	$ 32,078	$ 34,041	$ 36,288	$ 36,565	$ 36,847	$ 31,451
Junior Lien Obligations									
CIC Airport Revenue Bonds	11,863	11,860	11,860	-	-	-	-	-	-
Total Outstanding Revenue Bonds	$ 45,159	$ 43,818	$ 43,815	$ 32,078	$ 34,041	$ 36,288	$ 36,565	$ 36,847	$ 31,451
Other Airport Bond Obligations									
General Obligation Bonds	$ 4,669	$ 4,752	$ 4,694	$ 4,550	$ 1,948	$ 1,343	$ 1,314	$ 1,315	$ 1,105
Excise Tax Bonds	8,996	9,013	9,310	8,667	10,239	7,145	7,426	6,714	6,659
Total Other Airport Bond Obligations	$ 13,666	$ 13,765	$ 14,004	$ 13,217	$ 12,188	$ 8,488	$ 8,740	$ 8,029	$ 7,764
Total Outstanding Bond Obligations	$ 58,825	$ 57,584	$ 57,819	$ 45,295	$ 46,229	$ 44,776	$ 45,305	$ 44,877	$ 39,215
2008 Senior A&B Bonds									
Principal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,925	$ 4,160
Interest	-	-	-	-	15,542	15,000	15,000	15,000	14,765
Total 2008 Senior A&B Bonds	$ -	$ -	$ -	$ -	$ 15,542	$ 15,000	$ 15,000	$ 18,925	$ 18,925
Future Obligations									
Senior Bonds (Principal and Interest)	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,010	$ 12,009	$ 12,010
PFC Obligations (Principal and Interest)	-	-	-	-	-	33,393	33,395	50,765	50,768
Total Future Obligations	$ -	$ -	$ -	$ -	$ -	$ 33,393	$ 45,405	$ 62,774	$ 62,778
Total Bond Obligations	$ 58,825	$ 57,584	$ 57,819	$ 45,295	$ 61,771	$ 93,168	$ 105,710	$ 126,576	$ 120,918
Summary									
Senior Lien	$ 33,297	$ 31,958	$ 31,955	$ 32,078	$ 49,583	$ 51,288	$ 63,575	$ 67,782	$ 62,386
Excise Tax Bonds	8,996	9,013	9,310	8,667	10,239	7,145	7,426	6,714	6,659
Subtotal Senior Lien incl. Excise Tax Bonds /1	$ 42,293	$ 40,971	$ 41,264	$ 40,745	$ 59,823	$ 58,433	$ 71,001	$ 74,496	$ 69,045
Junior Lien Obligations	11,863	11,860	11,860	-	-	-	-	-	-
PFC Obligations	-	-	-	-	-	33,393	33,395	50,765	50,768
General Obligation Bonds	4,669	4,752	4,694	4,550	1,948	1,343	1,314	1,315	1,105
Total Obligations	$ 58,825	$ 57,584	$ 57,819	$ 45,295	$ 61,771	$ 93,168	$ 105,710	$ 126,576	$ 120,918

Source: Outstanding Bond Obligations: City of Phoenix Aviation Department; 2008 Senior A&B Bonds and Future Obligations: Public Resources Advisory Group.

Note: 1. The City may refund the outstanding Airport Excise Tax Bonds and Airport Revenue Bonds, partially using 2008 Refunding Bonds. For the purposes of this Report we include the existing excise tax bonds debt service in the Senior Lien for Exhibits G, H, and I. No adjustment is made for potential savings that may result from any potential refunding.

Exhibit D-1

APPLICATION AND USE OF PFC 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 2005	2006	2007	Forecast 2008	2009	2010	2011	2012	2013
PFC collections									
Enplaned passengers	20,070	20,642	20,763	20,900	21,255	21,715	22,250	22,825	23,425
Multiplied by: Percent of PFC eligible passengers	95.2%	93.5%	92.4%	92.0%	92.0%	92.0%	92.0%	92.0%	92.0%
PFC eligible enplaned passengers	19,107	19,295	19,185	19,230	19,555	19,980	20,470	21,000	21,550
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 passenger fees (not including int. earnings)	$ 83,878	$ 84,705	$ 84,212	$ 84,420	$ 85,845	$ 87,712	$ 89,863	$ 92,190	$ 94,605
Less Debt Service paid on:									
2002 Junior Bonds	(11,863)	(11,860)	(11,860)	-	-	-	-	-	-
PFC Obligations	-	-	-	-	-	(33,393)	(33,395)	(50,765)	(50,768)
PFC passenger fees net of Debt Service	$ 72,015	$ 72,845	$ 72,352	$ 84,420	$ 85,845	$ 54,320	$ 56,468	$ 41,425	$ 43,837
PFC Cash Flow									
PFC Fund beginning balance				$ (17,964)	$ (4,926)	$ 6,526	$ 18,394	$ 61,007	$ 94,982
Deposits									
PFC passenger fees net of Debt Service				$ 84,420	$ 85,845	$ 54,320	$ 56,468	$ 41,425	$ 43,837
Interest Income				4,500	381	1,618	1,825	2,994	4,097
Net annual PFC revenues available for pay-as-you-go expenditures				$ 88,920	$ 86,226	$ 55,938	$ 58,294	$ 44,420	$ 47,934
Annual Use of PFC revenues pay-as-you-go expenditures									
Prior Year Commitments									
PFC Commitments				$ (37,913)	$ (9,478)	$ -	$ -	$ -	$ -
Transfer for Inline EDS Project				(9,079)	(15,578)	(23,367)	-	-	-
CIP Projects									
Approved PFC 4				(3,222)	(6,047)	(4,648)	(14,679)	(9,295)	(8,258)
Approved PFC 5				(25,667)	(43,671)	(16,055)	(1,002)	(1,149)	(752)
PFC Fund ending balance				$ (4,926)	$ 6,526	$ 18,394	$ 61,007	$ 94,982	$ 133,906

Source: City of Phoenix Aviation Department and Jacobs Consultancy.

Exhibit D-2

APPLICATION AND USE OF CFC 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 2005	2006	2007	Forecast 2008	2009	2010	2011	2012	2013
CFC Cash Flow									
Annual Revenue									
Annual Receipts:									
CFC level /1	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 5.33	$ 5.50	$ 5.50	$ 5.50	$ 5.50
Transaction Days (in thousands)	6,823	7,218	7,541	7,594	7,716	7,886	8,090	8,312	8,545
Total Annual Receipts	30,705	32,480	33,935	34,171	41,150	43,374	44,496	45,715	46,996
Interest earned			$ 1,599	$ 614	$ 466	$ 658	$ 660	$ 666	$ 673
Total Annual Revenue	$ 30,705	$ 32,480	$ 35,534	$ 34,785	$ 41,616	$ 44,032	$ 45,156	$ 46,380	$ 47,669
Application of CFCs /2									
Annual Receipts	$ 30,705	$ 32,480	$ 35,534	$ 34,785	$ 41,616	$ 44,032	$ 45,156	$ 46,380	$ 47,669
Less deposits to:									
1. Administrative Costs Fund	$ 100	$ 113	$ 115	$ 115	$ 118	$ 122	$ 128	$ 135	$ 141
2. 2004 Bond Fund (annual debt service)	16,615	15,440	21,278	21,278	21,278	21,277	21,274	21,273	21,276
3. 2004 Debt Service Reserve Fund	-	-	-	5,320	15,959	-	-	-	-
4. Debt Service Coverage Fund	-	-	-	-	-	-	-	-	-
Subtotal	$ 16,715	$ 15,553	$ 21,393	$ 26,713	$ 37,355	$ 21,399	$ 21,402	$ 21,408	$ 21,418
Annual Receipts remaining for Transportation O&M Expenses	$ 13,991	$ 16,927	$ 14,141	$ 8,072	$ 4,260	$ 22,633	$ 23,754	$ 24,973	$ 26,251
5. Transportation O&M Fund /3		5,700	11,300	11,786	12,581	12,758	13,396	14,066	14,769
= CFC cash flow		$ 11,227	$ 2,841	$ (3,714)	$ (8,320)	$ 9,875	$ 10,358	$ 10,907	$ 11,482
Transfer from Improvement Reserve/Surplus Fund		-	-	3,714	8,320	-	-	-	-
Deposit to Improvement Reserve/Surplus Fund		$ 11,227	$ 2,841	$ -	$ -	$ 9,875	$ 10,358	$ 10,907	$ 11,482
Ending Reserve Fund Balances									
2004 Debt Service Reserve Fund				$ 5,320	$ 21,278	$ 21,278	$ 21,278	$ 21,278	$ 21,278
Transportation O&M Reserve Fund				6,307	6,379	6,698	7,033	7,384	7,754
City Transportation O&M Reserve Fund				19,137	19,549	20,094	21,098	22,153	23,261
Improvement/Reserve Surplus Fund									
Beginning balance				$ 6,768	$ 8,725	$ 240	$ 9,728	$ 19,241	$ 29,437
Deposits									
CFC cash flow + transfers				$ -	$ -	$ 9,875	$ 10,358	$ 10,907	$ 11,482
Interest earned				271	173	90	100	290	487
Total Annual CFC revenues				$ 271	$ 173	$ 9,965	$ 10,457	$ 11,197	$ 11,969
Total annual deposits plus beginning balance				$ 7,039	$ 8,898	$ 10,205	$ 20,186	$ 30,438	$ 41,406
Transfers and Withdrawals									
Transfers to:									
Transportation O&M Expense Fund				$ (3,714)	$ (8,320)	$ -	$ -	$ -	$ -
Transportation O&M Reserve Fund				(310)	(72)	(319)	(335)	(352)	(369)
City Transportation O&M Reserve Fund				-	-	(158)	(610)	(649)	(682)
Transfers from:									
2004 CFC Bonds Construction Fund				8,582	-	-	-	-	-
City Transportation O&M Reserve Fund				1,878	-	-	-	-	-
Airport Improvement Fund				-	-	-	-	-	-
Total Transfers				$ 6,436	$ (8,392)	$ (477)	$ (945)	$ (1,001)	$ (1,051)
Pay as you go for CIP (-)				(4,750)	(266)	-	-	-	(500)
Ending balance				$ 8,725	$ 240	$ 9,728	$ 19,241	$ 29,437	$ 39,855

Source: City of Phoenix Aviation Department and Jacobs Consultancy.

Notes:
1. A $1.00 increase to the CFC, from $4.50 to $5.50, is assumed to occur September 1, 2008. The CFC rate shown for FY2009 is prorated.
2. Funds are numbered by order of priority as described in Article V of the Bond Indenture for the Rental Car Facility Charge Revenue Bonds.
3. Transportation O&M Expense includes personnel expenses, operating expenses, amortization and capital equipment costs, bus maintenance facility O&M expense, contingency, and management fees.

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 2005	2006	2007	Estimated 2008	Budget /2 2009	Forecast 2010	2011	2012	2013
Cost of Maintenance and Operation /1									
Expenditures by Character									
Personal Services	$ 71,546	$ 78,358	$ 90,440	$ 95,762	$ 94,287	$ 99,001	$ 103,951	$ 109,149	$ 114,606
Contractual Services	60,505	74,991	80,670	93,805	102,206	107,316	112,682	118,316	124,232
Supplies	9,731	9,128	13,648	12,663	13,363	14,031	14,733	15,469	16,243
Equipment/Minor Improvements	2,361	3,159	4,247	3,951	1,856	1,949	2,046	2,148	2,256
Total by Character	$ 144,144	$ 165,636	$ 189,006	$ 206,181	$ 211,711	$ 222,297	$ 233,411	$ 245,082	$ 257,336
Expenditures by Organizational Detail									
Facilities and Services	$ 52,234	$ 56,185	$ 66,850	$ 71,713	$ 72,887	$ 76,531	$ 80,358	$ 84,376	$ 88,595
Operations	37,207	47,153	50,994	56,269	59,564	62,542	65,669	68,953	72,401
Technology	8,297	10,818	10,803	12,244	16,478	17,302	18,168	19,076	20,030
Business and Properties	4,678	4,349	7,018	7,604	5,787	6,077	6,381	6,700	7,035
Aviation Administration	4,736	5,967	5,523	6,256	6,372	6,690	7,025	7,376	7,745
Communication and Community Relations/CMD	1,990	2,707	5,053	5,410	5,519	5,795	6,085	6,389	6,709
Design and Construction Services	2,407	2,451	2,825	3,439	3,905	4,100	4,305	4,521	4,747
Fiscal Management	2,035	2,081	2,164	3,186	3,095	3,250	3,413	3,583	3,762
General Aviation	2,608	2,540	2,759	2,980	3,213	3,373	3,542	3,719	3,905
Planning & Environmental	-	-	1,751	2,661	2,769	2,907	3,053	3,205	3,366
Aviation Marketing	4,314	5,211	(18)	-	-	-	-	-	-
Inter-Department Charges	23,636	26,175	33,284	34,419	32,121	33,727	35,413	37,184	39,043
Total by Organizational Detail	$ 144,144	$ 165,636	$ 189,006	$ 206,181	$ 211,711	$ 222,297	$ 233,411	$ 245,082	$ 257,336

Source: City of Phoenix Aviation Department and Jacobs Consultancy.
Notes: 1. Includes Transportation O&M Expenses as defined in the CFC Bond Documents for the CFC Bonds. See Financial Analysis, Rental Car Center.
2 Amounts represent the Aviation Department's preliminary budget for FY2009.

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 2005	2006	2007	Forecast 2008	2009	2010	2011	2012	2013
Operating Revenues									
Landing and Terminal Fees									
Airline Landing Fees	$ 30,128	$ 31,878	$ 34,289	$ 33,143	$ 36,766	$ 38,967	$ 41,955	$ 45,215	$ 48,759
Airline Terminal Fees									
Exclusive Space	$ 39,548	$ 37,163	$ 36,789	$ 41,372	$ 43,208	$ 46,684	$ 50,203	$ 54,058	$ 58,229
Joint Use Fees	14,539	14,992	15,358	17,271	18,037	19,488	20,957	22,567	24,308
Subtotal Airline Terminal Fees	$ 54,087	$ 52,155	$ 52,147	$ 58,642	$ 61,245	$ 66,172	$ 71,160	$ 76,625	$ 82,537
Total Airline Revenues	$ 84,215	$ 84,034	$ 86,436	$ 91,785	$ 98,011	$ 105,139	$ 113,116	$ 121,841	$ 131,296
Nonairline Terminal Revenues									
Food & Beverage	$ 17,570	$ 19,378	$ 20,165	$ 21,556	$ 22,250	$ 23,073	$ 23,996	$ 24,985	$ 26,027
Retail	9,058	10,300	11,703	11,957	12,343	12,799	13,311	13,860	14,437
Advertising	2,717	3,027	3,569	3,647	3,764	3,904	4,060	4,227	4,403
Total Nonairline Terminal Revenues	$ 29,346	$ 32,705	$ 35,438	$ 37,160	$ 38,357	$ 39,775	$ 41,367	$ 43,072	$ 44,868
Misc. Other Landing and Terminal Fees									
Commercial Tenant Office Rent	$ 607	$ 918	$ 1,084	$ 1,116	$ 1,150	$ 1,184	$ 1,220	$ 1,256	$ 1,294
Commercial Use Permits	3,213	3,347	3,748	3,860	3,976	4,095	4,218	4,344	4,475
Common Facility Charges	2,081	2,364	2,953	3,041	3,133	3,227	3,323	3,423	3,526
Air Cargo Fees	2,207	2,133	2,090	2,153	2,217	2,284	2,352	2,423	2,496
Other	281	1,530	1,637	1,686	1,737	1,789	1,843	1,898	1,955
Misc. Other Landing and Terminal Fees	$ 8,390	$ 10,292	$ 11,511	$ 11,857	$ 12,212	$ 12,579	$ 12,956	$ 13,345	$ 13,745
Total Landing and Terminal Fees	$ 121,951	$ 127,030	$ 133,385	$ 140,801	$ 148,581	$ 157,493	$ 167,438	$ 178,258	$ 189,908
Parking and Car Rentals									
Parking	$ 54,101	$ 67,161	$ 79,793	$ 80,842	$ 89,855	$ 91,842	$ 115,564	$ 118,728	$ 122,056
Car Rentals									
Facility Lease Reimbursement	$ -	$ 2,882	$ 6,088	$ 6,393	$ 6,713	$ 7,048	$ 7,401	$ 7,771	$ 8,159
Minimum Annual Guarantee (MAG)	26,698	30,147	32,853	32,771	32,928	32,945	32,969	32,998	33,037
Percentage Rents above MAG	2,812	4,008	3,792	2,647	3,045	3,823	4,751	5,755	6,802
Total Car Rentals	$ 29,510	$ 37,037	$ 42,733	$ 41,811	$ 42,685	$ 43,816	$ 45,120	$ 46,523	$ 47,998
Refueling Fees	1,125	1,007	929	717	739	761	783	807	831
Total Parking and Car Rentals	$ 84,736	$ 105,205	$ 123,455	$ 123,370	$ 133,279	$ 136,419	$ 161,467	$ 166,058	$ 170,885
Other Revenues									
Hangars	$ 3,155	$ 3,198	$ 2,214	$ 2,280	$ 2,349	$ 2,419	$ 2,492	$ 2,567	$ 2,644
Land Rental	6,628	8,427	9,372	9,653	9,943	10,241	10,548	10,865	11,191
Building and Facility Rentals	2,758	2,622	2,496	2,571	2,648	2,728	2,810	2,894	2,981
Ground Transportation	1,067	1,157	1,610	1,645	1,698	1,761	1,831	1,907	1,986
Other	2,334	1,949	2,465	2,518	2,599	2,695	2,803	2,919	3,040
Total Other Revenues	$ 15,941	$ 17,352	$ 18,157	$ 18,668	$ 19,238	$ 19,845	$ 20,484	$ 21,151	$ 21,842
Total Operating Revenues	$ 222,627	$ 249,587	$ 274,997	$ 282,839	$ 301,097	$ 313,756	$ 349,390	$ 365,467	$ 382,636
Transportation O&M Expense Reimbursements /1	-	5,700	11,300	11,786	12,581	12,758	13,396	14,066	14,769
Interest Income	6,645	5,748	8,848	4,000	4,833	7,203	9,412	10,490	12,295
Total Revenues	$ 229,272	$ 261,035	$ 295,145	$ 298,626	$ 318,511	$ 333,717	$ 372,198	$ 390,022	$ 409,700

Source: City of Phoenix Aviation Department and Jacobs Consultancy.

1. Includes reimbursement of Transportation O&M Expenses as defined in the CFC Bond Documents for the CFC Bonds. See Financial Analysis, Rental Car Center.

Exhibit F-1

COST PER ENPLANED PASSENGER
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
(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 2005	2006	2007	Forecast 2008	2009	2010	2011	2012	2013
Airline Revenues									
Airline Landing Fees /1	$ 30,128	$ 31,878	$ 34,289	$ 33,143	$ 36,766	$ 38,967	$ 41,955	$ 45,215	$ 48,759
Airline Terminal Fees									
Exclusive Space	$ 39,548	$ 37,163	$ 36,789	$ 41,372	$ 43,208	$ 46,684	$ 50,203	$ 54,058	$ 58,229
Joint Use Fees	14,539	14,992	15,358	17,271	18,037	19,488	20,957	22,567	24,308
Subtotal Airline Terminal Fees	$ 54,087	$ 52,155	$ 52,147	$ 58,642	$ 61,245	$ 66,172	$ 71,160	$ 76,625	$ 82,537
Total Airline Revenues	$ 84,215	$ 84,034	$ 86,436	$ 91,785	$ 98,011	$ 105,139	$ 113,116	$ 121,841	$ 131,296
% Growth		-0.2%	2.9%	6.2%	6.8%	7.3%	7.6%	7.7%	7.8%
Enplaned Passengers	20,070	20,642	20,763	20,900	21,255	21,715	22,250	22,825	23,425
% Growth		2.9%	0.6%	0.7%	1.7%	2.2%	2.5%	2.6%	2.6%
Cost Per Enplaned Passenger (CPE)	$ 4.20	$ 4.07	$ 4.16	$ 4.39	$ 4.61	$ 4.84	$ 5.08	$ 5.34	$ 5.60
% Growth		-3.0%	2.3%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%

Source: City of Phoenix Aviation Department and Jacobs Consultancy.
Note: 1. 2009 landing fees include $2.1M in prior year recovery resulting from variances between 2008 budgeted and estimated landed weight.

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.

		2008	2009	2010	2011	2012	2013
APPLICATION OF REVENUES -- BOND ORDINANCE							
Revenues	[A]	$ 298,626	$ 318,511	$ 333,717	$ 372,198	$ 390,022	$ 409,700
Application of Revenues							
Operation and Maintenance Fund		$ 206,181	$ 211,711	$ 222,297	$ 233,411	$ 245,082	$ 257,336
Senior Lien Bond Fund /1		40,745	59,823	58,433	71,001	74,496	69,045
Senior Bond Reserve Fund		-	-	-	-	-	-
Subtotal	[B]	$ 246,926	$ 271,534	$ 280,730	$ 304,413	$ 319,578	$ 326,382
Deposit to Airport Improvement Fund	[C=A-B]	$ 51,700	$ 46,977	$ 52,988	$ 67,785	$ 70,444	$ 83,318
Total Application of Revenues -- Bond Ordinance	[=B+C]	$ 298,626	$ 318,511	$ 333,717	$ 372,198	$ 390,022	$ 409,700
APPLICATION OF REVENUES -- PFC OBLIGATIONS							
PFC Revenues							
PFC Collections		$ 84,420	$ 85,845	$ 87,712	$ 89,863	$ 92,190	$ 94,605
Interest Income		4,500	381	1,618	1,825	2,994	4,097
Total PFC Revenues		$ 88,920	$ 86,226	$ 89,331	$ 91,689	$ 95,184	$ 98,702
Application of Revenues Available for PFC Obligations							
PFC Obligations		$ -	$ -	$ 33,393	$ 33,395	$ 50,765	$ 50,768
Deposit to PFC Fund		$ 88,920	$ 86,226	$ 55,938	$ 58,294	$ 44,420	$ 47,934
Total Application of Revenues -- PFC Obligations		$ 88,920	$ 86,226	$ 89,331	$ 91,689	$ 95,184	$ 98,702
AIRPORT IMPROVEMENT FUND ACTIVITY -- BOND ORDINANCE							
Beginning balance		$ 243,444	$ 245,340	$ 224,881	$ 224,796	$ 234,408	$ 229,371
Deposit after Revenues Applied	[=C]	51,700	46,977	52,988	67,785	70,444	83,318
Uses of Funds:							
Debt Service Payments							
General Obligation Bonds Debt Service		(4,550)	(1,948)	(1,343)	(1,314)	(1,315)	(1,105)
Commercial Paper Interest		(366)	(5,909)	-	-	-	-
Central Services Staff and Administration		(6,388)	(6,452)	(6,581)	(6,713)	(6,847)	(6,984)
Pay as you go Funding for CIP		(38,500)	(53,126)	(45,149)	(50,147)	(67,319)	(23,556)
Ending balance		$ 245,340	$ 224,881	$ 224,796	$ 234,408	$ 229,371	$ 281,044

Source: City of Phoenix Aviation Department and Jacobs Consultancy.

Notes: 1. The City may refund the outstanding Airport Excise Tax Bonds and Airport Revenue Bonds, partially using 2008 Refunding Bonds. For the purposes of this Report we include the existing excise tax bonds debt service in the Senior Lien debt service. No adjustment is made for potential savings that may result from any potential refunding.

Exhibit H

FORECAST NET REVENUES AND DEBT SERVICE COVERAGE
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.

		2008	2009	2010	2011	2012	2013
FORECAST OF REVENUES AND DEBT SERVICE COVERAGE -- SENIOR LIEN OBLIGATIONS							
Net Airport Revenues							
Revenues		$ 298,626	$ 318,511	$ 333,717	$ 372,198	$ 390,022	$ 409,700
Less: Cost of Maintenance and Operation		206,181	211,711	222,297	233,411	245,082	257,336
Net Airport Revenues	[A]	$ 92,445	$ 106,800	$ 111,421	$ 138,786	$ 144,940	$ 152,363
Senior Lien Obligations							
Principal and Interest Requirements /1		$ 40,745	$ 59,823	$ 58,433	$ 71,001	$ 74,496	$ 69,045
Less: Other Available Funds		-	-	-	-	-	-
Net Principal and Interest Requirements	[B]	$ 40,745	$ 59,823	$ 58,433	$ 71,001	$ 74,496	$ 69,045
Debt Service Coverage Ratio	[A/B]	**2.27**	**1.79**	**1.91**	**1.95**	**1.95**	**2.21**
FORECAST OF REVENUES AND DEBT SERVICE COVERAGE -- PFC OBLIGATIONS							
PFC Revenues	[C]	$ 88,920	$ 86,226	$ 89,331	$ 91,689	$ 95,184	$ 98,702
PFC Obligations	[D]	-	-	33,393	33,395	50,765	50,768
Debt Service Coverage Ratio	[C/D]	n.a.	n.a.	2.68	2.75	1.88	1.94
DEBT SERVICE ON OTHER AIRPORT OBLIGATIONS -- PAID FROM AIRPORT IMPROVEMENT FUND							
General Obligation Bonds /2		$ 4,550	$ 1,948	$ 1,343	$ 1,314	$ 1,315	$ 1,105

Source: City of Phoenix Aviation Department and Jacobs Consultancy.

Notes:
1. The City may refund the outstanding Airport Excise Tax Bonds and Airport Revenue Bonds, partially using 2008 Refunding Bonds. For the purposes of this Report we include the existing excise tax bonds debt service in the Senior Lien debt service. No adjustment is made for potential savings that may result from any potential refunding.
2. The City has no legal obligation to pay debt service on General Obligation Bonds which are currently paid using available Airport Improvement Funds from any source other than ad valorem property taxes.

Exhibit I

ADDITIONAL BONDS TEST - SENIOR LIEN OBLIGATIONS
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.

		Forecast 2008	2009	2010	2011	2012	2013
Net Airport Revenues:							
Revenues		$ 298,626	$ 318,511	$ 333,717	$ 372,198	$ 390,022	$ 409,700
Less: Cost of Maintenance and Operation		206,181	211,711	222,297	233,411	245,082	257,336
Net Airport Revenues:	[A]	$ 92,445	$ 106,800	$ 111,421	$ 138,786	$ 144,940	$ 152,363
Senior Lien Obligations /1							
Principal and Interest Requirements		$ 40,745	$ 59,823	$ 58,433	$ 71,001	$ 74,496	$ 69,045
Coverage		10,186	14,956	14,608	17,750	18,624	17,261
125 percent of Principal and Interest Requirements	[B]	$ 50,931	$ 74,778	$ 73,041	$ 88,751	$ 93,120	$ 86,307
Required Deposits:							
Senior Bond Reserve Fund		-	-	-	-	-	-
Any separate bond reserve fund		-	-	-	-	-	-
Total Deposits	[C]	-	-	-	-	-	-
Net Airport Revenue Requirements	[D=B+C]	$ 50,931	$ 74,778	$ 73,041	$ 88,751	$ 93,120	$ 86,307
Amount by which Net Airport Revenues Exceed Requirements (Must NOT be Less Than Zero)	[A-D]	$ 41,513	$ 32,021	$ 38,379	$ 50,035	$ 51,820	$ 66,057

Source: City of Phoenix Aviation Department and Jacobs Consultancy.

Note: 1. The City may refund the outstanding Airport Excise Tax Bonds and Airport Revenue Bonds, partially using 2008 Refunding Bonds. For the purposes of this Report we include the existing excise tax bonds debt service in the Senior Lien debt service. No adjustment is made for potential savings that may result from any potential refunding.

APPENDIX B

CITY OF PHOENIX, ARIZONA — DESCRIPTION

OVERVIEW

Phoenix is the fifth largest city in the United States, the state capital of Arizona and the center of the metropolitan area encompassed by Maricopa County. This metropolitan area also includes the cities of Mesa, Glendale, Tempe, Scottsdale, Chandler, Peoria, Goodyear, Tolleson, El Mirage, Surprise, Litchfield Park and Avondale; the towns of Buckeye and Gilbert as well as 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 7.66 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 1990 census recorded Phoenix's population at 983,403 and the 2005 census recorded Phoenix's population at 1,475,834. As of April 1, 2008 the City encompasses 517.44 square miles, with the City of Phoenix Planning Department estimating the City's population at 1,618,680.

Population Statistics
Phoenix, Maricopa County and Arizona

								Percent Change	
Area	**1950**	**1960**	**1970**	**1980**	**1990**	**2000**	**2008(1)**	**1950-08**	**1990-08**
Phoenix	106,818	439,170	584,303	789,704	983,403	1,321,045	1,618,680	1,415.4%	64.6%
Maricopa County	331,770	663,510	971,228	1,509,175	2,122,101	3,072,149	3,907,492	1,077.8	84.1
State of Arizona	749,587	1,301,161	1,775,399	2,716,546	3,665,228	5,130,632	6,500,194	767.2	77.3

(1) Population figures for Maricopa County and the State of Arizona are as of July 1, 2007 (latest available data). Population figures for the City of Phoenix are as of April 1, 2008.

Source: Population figures prior to 2004 are from the U.S. Department of Commerce, Bureau of Census. The 2007 estimated population figures for Maricopa County and the State of Arizona are from the Arizona Department of Economic Security. The April 1, 2008 estimated population figure for the City of Phoenix is from the City of Phoenix Planning Department.

Phoenix is served by main lines of the Union Pacific and Burlington Northern Santa Fe Railroads, a transcontinental 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: Aeromexico, Air Canada, AirTran, Alaska, American, Atlantic Southeast (dba Delta Connection), British Airways, Casino Express Continental, Delta, ExpressJet (dba Continental Express), Frontier, Great Lakes, Hawaiian, JetBlue, Mesa (dba US Airways Express), Midwest, Northwest, SkyWest (dba Delta Connection and United Express), Southwest, Sun Country, United, US Airways, and WestJet. Interstate 10, Interstate 17, U.S. Highways 60, 70, 80, 89, State Highways 51, 85, 93 and State Routes 101, 202, and 303 all traverse the City.

The metropolitan area is presently served by 34 elementary school districts, 6 high school districts, 16 unified school districts and 2 technical institutes, operating over 700 schools. Education is also provided by private and parochial schools located throughout the metropolitan area. Maricopa County Community College District serves the educational needs of the Phoenix area through ten institutions. Arizona State University (ASU) houses 14 colleges and has a total enrollment of more than 64,000 undergraduate, graduate, and professional students on four campuses in Metro Phoenix. 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 nearly 8,000 students. The Arizona State University Polytechnic campus opened in 1996, is located in southeast Metro Phoenix in the city of Mesa, and has an enrollment of more than 9,000 students. The Arizona State University Downtown Phoenix campus opened August 21, 2006 and has an enrollment of approximately 6,000 students. The City also contains a private graduate school and a number of private universities, colleges, and technical institutions. The 2000 Census indicated that 59% of the adult residents of Maricopa County are college educated.

SIGNIFICANT DEVELOPMENTS

Downtown Development

In 1979, the City formally initiated a 25-year comprehensive downtown redevelopment program, which was administered by the Downtown Development Office. Redevelopment efforts resulted in the construction of numerous public/private development projects.

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 are currently focusing their attention on bringing increased housing, especially ownership housing, to downtown.

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

General Plan

In 1985, the Phoenix 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 Planning Commission, are comprised of 15-21 citizens, most of whom live in their respective village. 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.

As required by the State of Arizona Growing Smarter Legislation passed in 1998, and the Growing Smarter Plus Legislation passed in 2000, the City undertook a rewrite of the existing 11 elements in the General Plan and preparation of 5 new elements as required by the two new laws. The updated 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 legislation will not adversely affect development in the City of Phoenix in the future, and provides processes and tools that can contribute to better planned, coordinated and balanced future development.

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 Phoenix City Council authorized the first expansion of the Phoenix Convention Center, adding approximately 306,000 square feet of space in a new structure connected directly to the existing facility. 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 will effectively triple the size of the current facility by adding approximately 600,000 square feet of meeting and exhibition space. Once completed, the new Phoenix Convention Center will provide approximately 900,000 square feet of rentable convention space and will be one of the top 20 facilities in the country in terms of size.

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 include 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.

Phase two construction on the new North Building continues to progress at a rapid pace. Crews continue to hit key construction milestones, most recently with the Topping Out ceremony held on February 25, 2008. The four-level North Building will be three times the size of the new West Building and will feature amenities such as a 45,000 square foot street-level ballroom, a food court with five themed eateries and 56 meeting rooms. The project is expected to be completed in December 2008 as the fully expanded convention center welcomes its first guests in January 2009.

The Phoenix Convention Center expansion has had a significant impact on Arizona during the five-year construction period with 94 percent of the work performed by Arizona residents, 9,442 people employed on the project, $56.6 million paid in wages and $20.8 million paid in state construction taxes.

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, image and promotion arm for all of its participants. 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 eight appointments to the GPEC Board with no other city having more than three appointments.

GPEC strives to adapt to the continually changing needs of the region's business decision makers, while staying abreast of U.S. and world competitors. The City's Community and Economic Development Department (CEDD) works closely with GPEC to attract new wealth-generating employers to Phoenix. GPEC has recently expanded its focus by developing and implementing "GPEC Next", a collaborative regional economic model that includes several initiatives aimed at achieving a competitive and sustainable regional economy. These initiatives include competitor market prospecting, emerging technology, international economic development, a community building consortium and a university-led technology strategy.

Since 1999, CEDD has directly assisted in the attraction of 194 new employers to the City of Phoenix. These new companies are projected to employ over 45,000 individuals and invest over $2.85 billion in new capital investment.

Arts, Cultural and Sports Facilities

The City purchased the Orpheum Theatre building in 1984. In 1985, the building was placed on the National Register of Historic Places. Citizens approved partial funding of a $14 million renovation in 1988. The Orpheum Theatre Foundation provided the balance of the funding. The theatre has been returned to its original splendor and was reopened on January 28, 1997.

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.

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 Phoenix Museum of History and the Arizona Science Center are 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 Iwerks Theater. The City contributed land and $20 million to the project, with the balance funded by private contributions. The Phoenix Museum of History is approximately 24,000 square feet and cost $3.5 million. The Phoenix Museum of History opened to the public in January 1996 and the Arizona Science Center opened in April 1997. In addition to the museums, an 800-space parking garage was developed. The parking garage was completed in November 1995.

An agreement between the City and a private company was reached for development of a 4,801-seat entertainment facility on a City owned site at the northwest corner of Washington Street and Fourth Avenue. The 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 US Airways Center) opened in June 1992.

A multi-phased renovation of US Airways Center 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 wrap around 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.

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 Wyndham properties combine to provide 1,242 of the 1,850 hotel rooms in downtown Phoenix. As an outgrowth of the many downtown development and redevelopment projects, there has been a rapid increase in hotel room demand from business, leisure and convention travelers visiting the area. To meet this demand, the City of Phoenix is constructing 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 will contain 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 Phoenix Sheraton is expected to open in late 2008 to coincide with the completion of the second phase of construction at the Phoenix Convention Center.

The Trammell Crow Company completed construction of an $80 million, 26-story, 450,000 square foot high-rise office building, 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 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 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. Half of the building houses the world headquarters for Freeport-McMoRan Copper & Gold Inc. (formerly Phelps Dodge Corporation). Construction was completed in November 2001.

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 City will provide 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 591 parking spaces. Construction began in October 2007 and is expected to be completed in November 2009.

CityScape is a 5-acre, mixed-use development that blends urban living with work, shopping and entertainment and will include restaurants, a grocery store, offices, condominiums, and outdoor event space. The project encompasses three blocks in the Copper Square district of downtown Phoenix and is adjacent to the USAirways Center and within two blocks of Chase Field. Construction on CityScape began in the fall of 2007 with the first phase expected to open in 2009. The project will be built out over several years based on market demand, with the majority of construction planned to be completed by 2011.

Renovations are underway to transform the 1931 Professional Building, located on Central Avenue and Monroe Street in downtown Phoenix, into a luxury boutique hotel called Hotel Monroe. Previously the home of Valley National Bank, the $75 million renovation will restore the 1931 Art Deco building into a 150-room hotel. Renovations will include transforming the basement bank vault into a wine bar, constructing a nightclub on the roof, restoring the original marble flooring and replacing the windows. Hotel Monroe will also include a diner and a 3,400-square-foot restaurant that will seat 100. The renovations are expected to be completed in October 2008.

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. The Phoenix Biomedical Center at Copper Square is expected to employ approximately 350 employees earning average salaries of $70,000 annually. Build-out of the 28-acre biotechnology campus is planned over the next ten years to achieve approximately two million square feet of new research and academic space.

In August 2004, the Arizona Board of Regents, the University of Arizona (U of A) and Arizona State University (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 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 Phoenix Biomedical Campus 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 will focus on several areas including cancer, diabetes, neurological and cardiovascular diseases. The $30 million facility will include 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. Comprehensive development planning efforts for the next two facilities and the remaining 28-acre campus is ongoing pending programming needs.

In February 2004, ASU announced plans to expand its downtown Phoenix campus. Development of the ASU Downtown Phoenix campus is expected to occur over the next 10-12 years and include three million square feet of development. When fully developed the campus is expected to serve 15,000 students with 1,800 faculty and staff and 4,000 student housing beds. The campus will offer a wide range of undergraduate and graduate programs from the College of Public Programs, Walter Cronkite School of Journalism and Mass Communications, KAET/Channel 8, College of Nursing, School of Global Health and the University College. ASU Downtown Phoenix is expected to eventually create 7,700 jobs and generate more than $500 million per year in spending and $7 million per year in revenues for the City. The first phase of the ASU Downtown Phoenix campus opened in August 2006 to 600 faculty and staff and 6,000 registered students. By August 2008, the campus is expected to grow to 7,500 students.

New student housing is being constructed on the ASU Downtown Phoenix Campus between First and Second streets on Taylor Street. The first tower is expected to open in fall 2008 and will be 13 stories high and accommodate 750 beds. The second tower is expected to open in fall 2009 and will accommodate an additional 550 beds.

The ASU Downtown Phoenix campus will also include a student union facility. The U.S. Post Office building at Central Avenue and Fillmore Street will eventually house the student union. Retail postal services will remain in the building, and a veranda will be 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 is expected to be completed in 2010.

In 2005, the City exchanged the City-owned historic Hanny's Building located at First and Adams Streets for the 424 North Central building. The North Central parcel will become part of the ASU Downtown Phoenix Campus. The 30,000 square foot Hanny's Building is currently being renovated into a restaurant. The Historic Preservation Commission and the City will assist with approximately $400,000 of the estimated $4 million renovation costs. The project is expected to be completed in fall 2008.

Neighborhood Revitalization and Downtown Housing

The City's downtown redevelopment program is complemented by the Neighborhood Services Department's (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 supports and aggressively works to revitalize targeted neighborhoods. City projects are complemented by neighborhood-based programs such as clean-ups, crime prevention and graffiti prevention that are run by neighborhood stakeholders, including businesses, residents and schools.

Targeted neighborhood strategies are more comprehensive and concentrated in approach, involving proactive code enforcement, housing rehabilitation and economic development. Targeted neighborhoods include Neighborhood Initiative Areas, Redevelopment Areas and Rental Renaissance Neighborhoods.

Through initiatives and partnerships, NSD is developing over 1,250 new homes, several commercial projects, a learning center, has cleared over 25 blighted properties and constructed neighborhood sidewalks, street improvements, trails, loop streets and other critical projects that sustain neighborhood health and vitality. A 2004 Housing Condition Study has documented a 41% improvement in housing conditions citywide and a 55% improvement in housing conditions in targeted neighborhoods over the past ten years.

Construction of The Metropolitan Apartments, a project sponsored by the City and the Alliance constituting the first new market rate rental housing in downtown Phoenix in nearly a decade, was completed in January 1997. The complex has 140 units with a pool and a clubhouse, all set in a contemporary urban design. The complex is located northwest of the Arizona Center between Fillmore and McKinley Streets and Second and Third Streets.

In November 1997, the City reached an agreement with Post Properties, Inc. (formerly Columbus Realty Trust) for the construction of 400 urban residential rental units in downtown Phoenix. The project was built on an approximately seven-acre site bounded by First Avenue, Third Avenue, Portland Street and Roosevelt Street. Total project cost was $68 million. The development is characterized by a high-density urban design with extensive streetscape treatments, street level retail, private courtyards, structured parking and extensive landscape improvements to historic Portland Parkway. The project included $1.6 million in direct City financial assistance plus property tax abatement and the inclusion of 45,000 square feet of City-owned land.

In 1999, Camden Property Trust began construction of a 332 unit multi-family, urban-gated community featuring three-story residential buildings, a two-story clubhouse, landscaped interior courtyards and structured parking. The project is located in downtown Phoenix on Van Buren Street east of Seventh Street and began leasing in November 1999.

In July 2000, the City Council approved the selection of the Tom Hom Group to build Campaige Place, a 300-unit workforce housing project located at Jackson Street and Second Avenue. Construction on the $12 million project began in January 2002 and was ready for occupancy in March 2003.

In October 2000, the City Council approved the selection of Artisan Homes to build approximately 35 condominium units on 69,000 square feet of City-owned property located on the northeast corner of Seventh Street and Washington Street. The units vary in size from 1,000 to 1,750 square feet with original prices ranging from $135,000 to $235,000. Construction began in summer of 2002 and was completed in November 2003.

In an effort to assist ownership housing projects in the downtown area, in June 2001 the City approved reimbursing Artisan Homes, Inc. up to $100,000 for public infrastructure and offsite improvements in connection with a 75-unit loft style condominium project called Artisan on Central, located on Central Avenue and Willetta Street. Construction began in early 2002 and the condominiums were available for occupancy in the winter of 2003.

In November 2001, the City entered into an agreement for the development of 31 loft-style homes ranging in size from 1,300 to 1,900 square feet with sale prices starting at $285,000. The Stadium Lofts at Copper Square are located at the northwest corner of Second and Buchanan Streets. Construction began in December 2001 and the homes were ready for occupancy in October 2004.

On July 3, 2002, the City Council approved a disposition and development agreement with TASB, L.L.C. to provide for the restoration of 114 West Adams Street, the historic Title and Trust Building, for the development of Orpheum Lofts, including 90 luxury lofts, associated parking and ancillary commercial space. The City assisted with the historic rehabilitation of the building and upgrades to the public infrastructure and off-site improvements. The renovations began in 2002, and the work was completed in the spring of 2005.

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 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 being built in three phases. Phase I was completed in July 2007 and consists of 54 units in a six-story condominium tower and brownstones. Phase II will consist of a 10-story condominium tower with 87 units and is scheduled to open in the fall of 2010. Phase III will follow with a 12-story condominium tower, brownstones and 8,500 square feet of retail.

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 will consist of approximately 325 market-rate rental residential units in a 6 to 8 story building with up to 10,000 square feet of street level commercial space, live/work units and a 450-space parking structure. The project is valued at approximately $32 million and is expected to be ready for occupancy in the spring of 2009.

W Developments, LLC is constructing a 22-story residential project on the southwest corner of Fourth Street and Jackson Street. The Summit at Copper Square consists of 167 ownership loft, studio, and luxury condominium units and approximately 10,000 square feet of commercial development. The $32 million project was completed in late 2007.

Grace Communities completed demolition of an office building located at the northeast corner of First Avenue and Monroe Street in June 2005 and is constructing what will be the tallest residential tower in Arizona. 44 Monroe will consist of a 34-story mixed-use high-rise with 175 to 200 ownership condominium units, a recreation area, fitness center, theater, parking and approximately 3,300 square feet of commercial development. The $140 million project is under construction and is estimated to be complete by the fall of 2008.

The City entered into an agreement with Guiding Star, LLC to rehabilitate the historic Guiding Star Lodge and develop a vacant parcel into a four-story, 27-unit condominium to be known as GS3. Both projects are north of Portland Street on the west and east side of Third Avenue, respectively. The rehabilitated historic structure was completed in September 2007 and will be sold as a single-family home. The condominium project is currently under design.

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 will result in a concentrated, mixed-income development of 611 affordable housing units with a community resource center, youth activity center, two-acre park, community gardens and swimming pools. The demolition and reconstruction phase began in December 2003. The return of eligible residents began in December 2005 with final occupancy expected to occur by the fall of 2008.

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.

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, US Airways Center, 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.

Transit/Light Rail

Construction of Central Station, a new downtown transit center located on the northeast corner of Central Avenue and Van Buren Street was completed in May 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, a children's area, push cart vending, seating and shade; and bus loading and circulation areas for 12 bus routes, Dial-a-Ride and DASH (Downtown Area Shuttle). 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. A rail station is being constructed on the site, and the facility will undergo renovation in the future.

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 starter segment connecting north central Phoenix (19th Avenue and Bethany Home Road) with Tempe and Mesa (Main and Sycamore Road) began in the fall of 2004 and is planned to be completed in December 2008. The total cost of the project will be funded with Federal grant funds and City sales tax revenues.

The City has entered into an intergovernmental agreement with Valley Metro Rail, Inc. (METRO) to design, build, operate and maintain a 4.6 mile extension to the initial light rail system. The Northwest Extension will extend the original light rail system northwest from 19th Avenue and Bethany Home Road to 25th Avenue and Mountain View Road. The first phase of the extension will be 3.2 miles and is expected to be completed in 2012. Phase two will be 1.4 miles and is expected to be completed in 2017.

Renovation of the Sunnyslope Transit Center was completed in June 2007. As part of the renovation, a security and customer information building was constructed for customer service and security staff, enabling the City to sell fare media and provide customer information. Staff began working at the transit center in July 2007. The Paradise Valley Mall Transit Center will undergo renovation beginning in the second quarter of 2008 to enhance security and customer shading. The renovation is expected to be completed in June 2009.

Construction of a new West Transit Facility was completed November 2007. 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.

Renovation of the North Transit Facility began in January 2008. The refurbishment will target safety, mechanical and electrical needs to extend the life of the facility. Completion of the project is expected in January 2011.

An additional RAPID bus service park-and-ride facility is under design near the intersection of I-17 and Happy Valley Road. RAPID bus routes provide non-stop bus service to downtown Phoenix and are very popular. Amenities will include a security building, closed circuit television monitoring, shaded parking and passenger loading areas. The park-and-ride facility is expected to be completed in August 2010.

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 located immediately to the west of Phoenix Sky Harbor International Airport into a business/commerce park. The acquisition phase and the second phase of infrastructure development was completed in 1993. Sky Chefs Inc. (formerly Cater Air International) occupies over 120,000 square feet on the site. In the third quarter of 1990, Honeywell Inc. (formerly AlliedSignal, Inc.) began development of a 545,000 square-foot facility on a 28-acre site with the project completed in July 1991.

Bank of America 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 22 acres. In November 1995, Bank of America completed construction of an additional 150,000 square- foot structure for credit card operations, which employs approximately 1,100 employees.

Miller Brands of Phoenix, a beverage distributor, developed a 300,000 square-foot facility on 22 acres in Sky Harbor Center. The facility consists of 172,000 square feet of distribution space and 128,000 square feet of office and building space.

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 November 1995, construction was completed on Arrow Electronics' (formerly Wyle Laboratories) 200,000 square-foot facility on 12 acres. The facility employs approximately 250 individuals.

In April 2002, America West Airlines (now USAirways) completed construction of a new $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 1,500 additional employees.

Other sizeable tenants at Phoenix Sky Harbor Center include Cabot Industrial Trust, Greyhound, Allred, Community Tire (formerly Knudson Tire), Level 3 Communications, Lincoln Sky Harbor LLC, the City of Phoenix and Horseheads Industrial Capital II, LLC.

In July 2001, the Phoenix 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. The RCC is located on approximately 143 acres located 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 the Barry M. Goldwater Terminal 4 at Phoenix Sky Harbor International Airport at a cost of $276 million. The original facility included 4 domestic concourses housing 44 gates, one international concourse with 4 gates, and a 3,400-space parking facility. In July 1994, the City Council approved expansion of Terminal 4 to add 10 domestic gates to the international concourse. Construction of the new facilities was completed in February 1996. In September 1995, America West Airlines (now USAirways) 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 USAirways, and additional parking facilities at Terminal 4. All of these projects have been completed.

In April 2000, the City Council approved a $640 million airport expansion program funded by airport revenue bonds. This program included funds to design a new terminal complex at the west end of the airport and to construct the infrastructure necessary to support the terminal. Also included were funds for land acquisition, a residential sound assistance program, an airport automated train system, additional public parking garages, and improvements for the reliever airports. Many of the projects in this program were postponed due to the reduction of airline travel after the events of September 11, 2001. Passenger traffic at Phoenix Sky Harbor International Airport has recovered to pre-September 2001 levels and continues to grow. As a result, all projects have been resumed.

In February 2007, the City Council approved a $2.9 billion, ten-year airport capital improvement program. The program includes an automated train at Phoenix Sky Harbor International Airport, development of a new 33-gate West Terminal building and airport facility rehabilitation and maintenance, including development of the last concourse at Terminal 4.

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.

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 Phoenix 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, an Executive Assistant to the City Manager, a Special Assistant to the City Manager, a Transportation Manager, a Public Safety Manager, the City Auditor, and five Deputy City Managers, each responsible for directing a set of City departments and functions.

The City government is responsible for furnishing basic municipal services. Primary services delivered by the City's 27 departments, 25 functions and 16,518 employees include police, Municipal courts, 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 2007-08 through an adopted operating budget of $3,563.7 million. Of this, the general purpose funds budget totals $1,199.3 million, which is for general municipal services and excludes enterprise activities such as water, sewer, refuse and airports. On March 11, 2008, due to the recent decline in local and state sales tax revenues, the City Council approved budget reductions for 2007-08 and 2008-09 of $90.1 million and approximately 512 positions to go into effect April 14, 2008. The City will cut non-public safety general fund departments by 12.1% and the Police, Fire, Municipal Court, Law and City Prosecutor departments by 3.0%.

Elected Officials

Phil Gordon, Mayor

Mayor Gordon began his second term as Mayor in January 2008. Prior to being elected mayor, Mr. Gordon served since 1998 as the Councilmember representing District 4. Mr. Gordon has served as a member of the Madison School Board and chairman of the Phoenix Planning Commission, Neighborhood Block Watch Committee and Downtown Village Planning Committee. Mr. Gordon holds a bachelor's degree in education from the University of Arizona and a law degree from Arizona State University.

Peggy Neely, Vice Mayor, District 2

Vice Mayor Neely began her second consecutive term on the City Council in January 2006. Ms. Neely is a real estate broker and owner of Arizona Home Team, which is affiliated with the Phoenix Association of Realtors, Arizona Association of Realtors, National Association of Realtors and the Women's Council of Realtors. She has been active in the community for many years and has served as chair of the Paradise Valley Planning Committee and the Phoenix Water and Sewer Rate Advisory Committee.

Maria Baier, Councilmember, District 3

Councilmember Baier began her first term on the City Council in January 2008. Ms. Baier is currently consulting in the area of sustainability through her own LLC. From 2004 through 2006, she served as president and CEO of Valley Partnership, an organization with nearly 600 member businesses and organizations founded to "advocate responsible development" in the Phoenix metropolitan area. Prior to her tenure with Valley Partnership, she served as the Conservation Finance and Marketing Director for the Arizona Field Office of the Trust for Public Land where she assisted in the research, development and implementation of several land conservation ballot measures. Ms. Baier serves on a number of public committees such as the Agricultural Protection Commission, the

Growing Smarter Oversight Council and the Conservation Acquisition Board, to name a few. Ms. Baier holds a bachelor's degree from Arizona State University and a law degree from the University of Arizona.

Michael Johnson, Councilmember, District 8

Councilmember Johnson began his second consecutive term on the City Council in January 2006. Mr. Johnson has served on the South Mountain Village Planning Committee and the Rio Salado Advisory Committee. Mr. Johnson is president and CEO of Nkosi Inc., a security service. Mr. Johnson retired from the Police Department in 1995 after serving 21 years as a police officer, community relations officer and detective.

Claude Mattox, Councilmember, District 5

Councilmember Mattox began his third consecutive term on the City Council in January 2008. Mr. Mattox has been active in the community for many years and has served as chairman of the Maryvale Village Planning Committee, Desert West Park Planning Committee, West Phoenix Cactus League Spring Baseball Coalition, Phoenix Surface Transportation Advisory Committee and Maricopa Neighbors Airport Noise and Safety Committee. Mr. Mattox is vice president and associate broker for National Western Real Estate.

Michael Nowakowski, Councilmember, District 7

Councilmember Nowakowski began his first term on the City Council in January 2008. Mr. Nowakowski is currently the General Manager 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 and chairman of Santa Rosa Neighborhood Council. Mr. Nowakowski holds a bachelor's degree in liberal arts in religious studies from Arizona State University.

Tom Simplot, Councilmember, District 4

Councilmember Simplot began his first full term on the City Council in January 2006 after being elected to the City Council in September 2003 to serve the remaining term left vacant upon the resignation of Phil Gordon, who announced his candidacy for the Mayor of Phoenix. Mr. Simplot has been active in the community for many years, serving as the past-president of the Maricopa County Board of Health, former chairman of the Phoenix Historic Preservation Commission, and former vice chairman of the Phoenix Encanto Village Planning Committee. Mr. Simplot is also the founding president of the Arizona State University Dean's Board of Excellence; is a former member of the Phoenix Housing Commission, and has served on the Maricopa County Downtown Advisory Committee and is a past president of the Maricopa County Industrial Development Authority. Additionally, Mr. Simplot has been an active member of the state and county bar associations and served on the board of directors of the Arizona Bar Foundation. Mr. Simplot holds a bachelor's degree in political science from Arizona State University and a law degree from the University of Iowa College of Law.

Greg Stanton, Councilmember, District 6

Councilmember Stanton began his second full term on the City Council in January 2006. Mr. Stanton has been active in the community and has served on the Camelback East and Ahwatukee Foothills Village Planning Committees. Mr. Stanton is an attorney and holds a bachelor's degree in political science and history from Marquette University and a law degree from the University of Michigan Law School.

Thelda Williams, Councilmember, District 1

Councilmember Williams rejoined the City Council in January 2008, having previously served on the Council from 1989 to 1996 and as interim mayor in 1994. Before joining 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.

Administrative Staff

FRANK A. FAIRBANKS
City Manager

Mr. Fairbanks was appointed City Manager in April 1990. Prior to his appointment as City Manager, Mr. Fairbanks served as Assistant City Manager. He joined the City in 1972 as a Management Assistant and subsequently was appointed to the positions of Assistant to the City Manager and Executive Assistant to the City Manager before being appointed Assistant City Manager in 1988. Prior to joining the City, he served as Assistant Disaster Branch Manager for the Small Business Administration and as a consultant to the Peace Corps in Costa Rica. In October 1994, he was named the nation's top local government official by *American City & County* magazine. Mr. Fairbanks graduated from Loyola University of Los Angeles with a degree in finance and holds a master's degree in business administration from the University of California Los Angeles.

ALTON WASHINGTON
Assistant City Manager

Mr. Washington was appointed Assistant City Manager in October 2005 after serving as Special Assistant City Manager since December 2001. Mr. Washington also served as Deputy City Manager for more than three years. In his current capacity, Mr. Washington has several departments and functions reporting directly to him, as well as overseeing the Executive Assistant to the City Manager, the Public Safety Manager, and five Deputy City Managers and their respective departments. During his tenure as Deputy City Manager, he managed strategies and activities for various City departments, including Parks, Recreation and Library, Planning, Development Services and Environmental Programs. Prior to being named Deputy City Manager, Mr. Washington served as director of Human Services and deputy director of Public Works. Prior to joining the City, he worked for the State of Arizona in several director and deputy director capacities. He holds a master's degree in public administration and a bachelor's degree in political science from Arizona State University.

DAVID KRIETOR
Deputy City Manager

Mr. Krietor was appointed Deputy City Manager in June 2006. Prior to his appointment as Deputy City Manager, Mr. Krietor served as Chief of Staff for Mayor Phil Gordon's Office, Aviation Director and Community and Economic Development Director. In his current capacity, Mr. Krietor oversees the Aviation Department, Community and Economic Development Department, Convention Center, Downtown Development Office, International Economic Development, Public Information Office, State Fairground Relocation and Youth and Education Programs office. He holds a master's degree in public administration and a bachelor's degree in business management from Syracuse University.

GARY VERBURG
City Attorney

Mr. Verburg was appointed City Attorney in August 2005. Previously he worked nearly twenty years in private practice specializing in negotiations, litigation and prosecutions for Tribal Governments and municipalities. From 1997 to 2000, he was Deputy City Attorney, Assistant City Attorney, and City Attorney for the city of Glendale, Arizona. He began working for the City of Phoenix as the Chief Assistant City Attorney in 2000. He received his bachelor's degree in political science and economics from the University of Utah and his law degree from the Antioch School of Law in Washington, D.C.

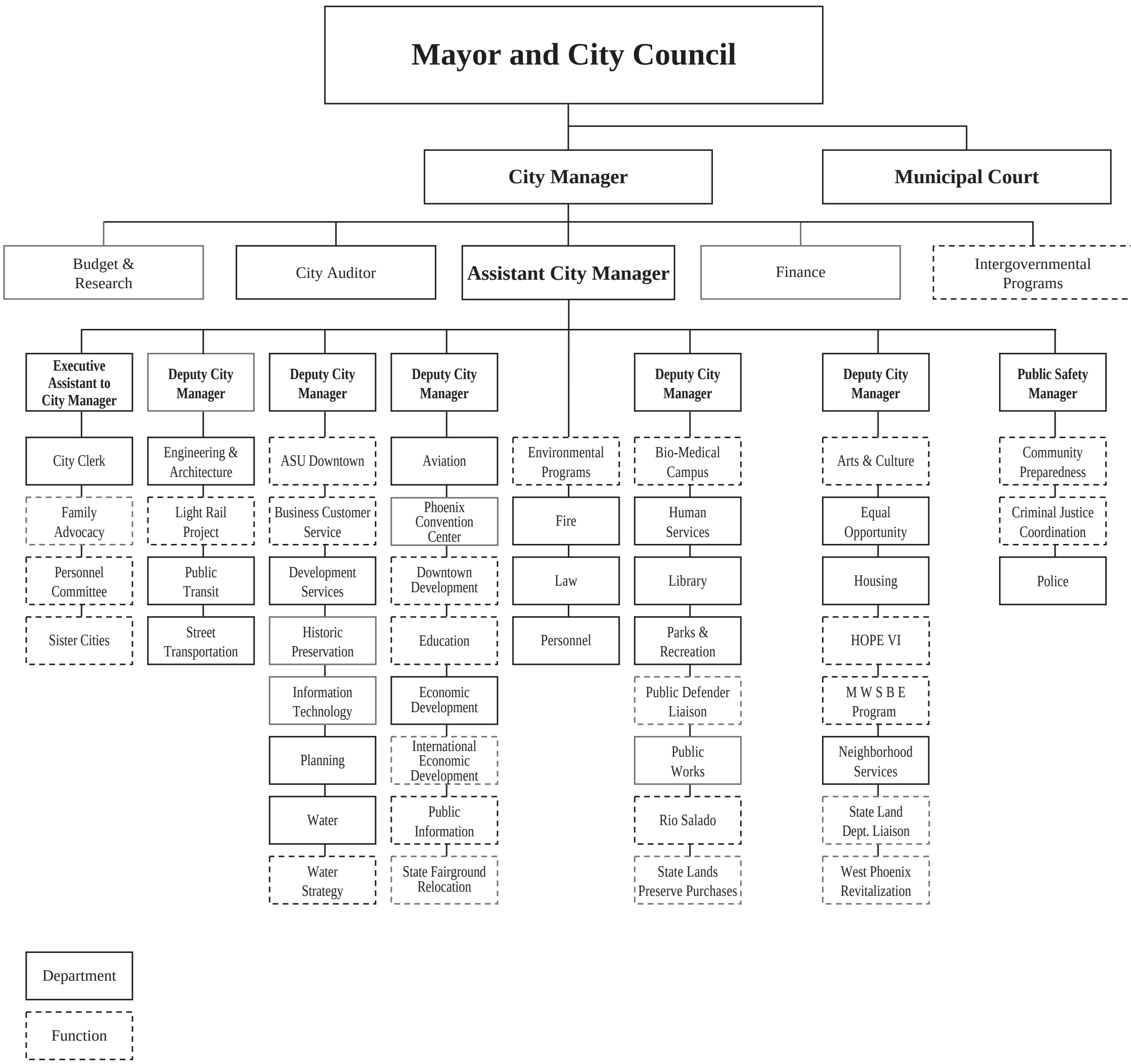
DANNY MURPHY
Aviation Director

Mr. Murphy was appointed Aviation Director in June 2007. His management experience with the City of Phoenix includes Acting Water Services Director, Chief Information Officer, Assistant Information Technology Department Director, Chief Information Technology Manager and Deputy City Clerk. Mr. Murphy is a graduate of the Harvard University Program for Senior Executives in State and Local Government and holds a master's degree in business administration and a bachelor's of science degree from Northeast Louisiana University.

BOB WINGENROTH
Finance Director

Mr. Wingenroth was appointed Finance Director in July 2006 after serving as Interim Finance Director since January 2005. He leads the team responsible for maintaining a fiscally sound organization. Mr. Wingenroth joined the City in 1980, and has spent his career in the Finance and City Auditor Departments. He worked as a Deputy City Auditor for ten years before being named City Auditor in 1999, a position he held for five years. He received an undergraduate degree in Accounting and a master's degree in Business Administration from Arizona State University. He has been a Certified Public Accountant in Arizona since 1985. He is a member of several professional organizations including the National Association of Government Auditors, where he serves on the Board of Directors.

CITY OF PHOENIX



Revised May 8, 2008

Awards

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

- **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.

- **ASPA National Public Service Award**

In April 2005, City Manager Frank Fairbanks was awarded the National Public Service Award, the highest public service award given by the American Society for Public Administration and the National Public Academy of Public Administration for distinction in public service. Mr. Fairbanks was recognized for his work in developing e-government, achieving a "AAA" excise tax revenue bond rating from Standard & Poor's and his membership on local business and community boards.

- **2003 Presidential Citation of Merit**

In May 2003, City Manager Frank Fairbanks was awarded the Presidential Citation of Merit from the Arizona Chapter of the American Society for Public Administration at its 33rd Annual Superior Service Award ceremony. Part of the award citation noted that his achievements as city manager "are nothing short of remarkable, and they have been realized by focusing on the belief that excellence is not an end, but a dynamic process in which both citizens and employees have vital roles."

- **Government Performance Project**

In January 2000, the Maxwell School of Citizenship and Public Affairs at Syracuse University announced the results of a year long, in-depth study of management efficiency among the nations 35 largest urban centers. The City of Phoenix earned the highest grade with an overall grade of "A". The study looked at five key areas of municipal management: capital management, financial management, information technology management, human resource management and managing for results.

- **1994 Municipal Leader of the Year Award**

Awarded to Frank Fairbanks, City Manager, by *American City & County* magazine in October 1994 naming him the nation's top local government official. Mr. Fairbanks was the first city manager to win the honor.

- **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.

- **1998 Technology Leadership Award**

Awarded to Frank Fairbanks, City Manager, by Public Technology, Inc. Mr. Fairbanks was recognized for the City's creative use of technology including, "Phoenix at Your Fingertips" a system that links the citizenry with information about the City and allows access to government functions through the internet; the City's use of computers to manage electric lights, cooling systems, and traffic lights; the training of firefighters with interactive videos; and putting remote control computers in the laps of police officers.

- **2006 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 scalehouse transactions for residential collection commercial vehicles.

- **2005 Technology Achievement Awards**

The City of Phoenix was the recipient of three Public Technology, Inc. awards. The Neighborhood Services Department received an achievement award for its use of a mobile technology system that allows code enforcement inspectors to use laptops to access databases via wireless connection from anywhere in the City of Phoenix. Implementation of the mobile technology improves customer service and increases employee efficiency. An achievement award was also received by the Aviation Department for implementing a "Stage 'n Go" Waiting Lot. A software-driven system combines airline flight arrival information from twenty-four airlines serving three terminals into a single data stream. The data is transferred via the airport's new gigabit fiber-optic data communications system to a parking lot established near the airport entrance, where flight information is presented on a large electronic display board. An honorable mention was received by the Water Services Department for using a web-based system for monitoring, tracking and reporting Joint Exercise of Powers Agreement (JEPA) regulations.

- **2004 Technology Achievement Awards**

The City of Phoenix was the recipient of four Public Technology, Inc. awards. The Police Department received an achievement award for its use of a programmable, motion or voice activated camera as a graffiti deterrent and an honorable mention for the internet posting of calibration records for the City's Intoxylizer breath testing instruments. An honorable mention was received for the use of Personal Digital Assistants (PDA) in a housing conditions study partnership with Arizona State University. Use of PDAs increase data collection accuracy, productivity and efficiency. An achievement award was also received for "Master Plan Park/Cross-Country Track" which demonstrated the collaborative process between city agencies in the creation of a 688 acre park.

- **2003 Technology Achievement Award**

The City of Phoenix was the recipient of a Public Technology, Inc. award for the City Clerk Department's "Automated Petition Signature Verification" solution. The automated system eliminated a cumbersome manual process that previously had taken over 400 staff hours to verify the validity of signatures contained on petition sheets, resulting in a streamlined, more efficient process.

- **NBC-LEO 2002 City Cultural Diversity Award**

In April 2002, 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 Minority, Woman and Small Business Enterprise Participation Program.

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

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.

In July 2004, the City received the Award of Merit for its redevelopment accomplishments achieved in the North Village Center Neighborhood Initiative Area. The award represents the culmination of numerous projects including the Sunnyslope Village Shopping Center, three in-fill developments, two revitalization projects, public art and comprehensive streetscape improvements.

In September 1997, the City received the Award of Merit for its Longview Neighborhood Initiative Area due to the positive economic impact on the neighborhood and City, including neighborhood preservation activities, creative financing, public/private partnerships, and economic development.

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

The City of Phoenix and the Subregional 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.

- **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.

In August 2003, the City of Phoenix was selected as one of 100 organizations worldwide to receive the 2003 CIO-100 award. The 2003 award focused on proven excellence in the resourceful use of IT Systems, staff and budgets in a tough economic climate.

In October 2002, Phoenix City Manager Frank Fairbanks was awarded *CIO Magazine's* 2002 CIO 20/20 Vision award. The 20/20 Vision award honors leaders whose vision and execution of technology have made important changes for business and society. Mr. Fairbanks joins business leaders such as Bill Gates, Microsoft Corp., Jeff Bezos, Amazon.com Inc. and Michael Dell, Dell Computer Corp. in earning this award.

In August 2002, Phoenix was selected as one of 100 organizations worldwide to receive the 2002 CIO-100 award. This prestigious award was presented to the City for demonstrating excellence in integrated technologies and procedures to improve customer services.

- **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.

- **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. The Phoenix airport received the honor for its innovative solutions and partnerships that have resulted in enhanced airport safety.

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 a consistent example of this trend as the Phoenix area has been one of the most rapidly growing metropolitan statistical areas (MSA)[(2)] in the country in recent decades in terms of population, employment and personal income growth.

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. The median housing price of an existing single-family home in the Greater Phoenix area increased significantly between 2003 and mid-2005; however, prices plateaued in mid-2005 and 2006 and declined by approximately 15% in 2007. While the decrease in home values has negative repercussions, the decline increased affordability of housing and again made the median housing price in Greater Phoenix low relative to most major western cities such as Los Angeles, San Diego, Las Vegas and Seattle. According to the National Association of Realtors, as of the fourth quarter of 2007, the U.S. median price for an existing single-family home was $206,200 and the median price for a similar home in Greater Phoenix was $241,700. The Greater Phoenix labor force is relatively young and well-educated. The median age in Maricopa County is 33.0 years compared to 35.3 years for the U.S. as a whole. According to the 2000 census, 82.5% of the adults in Maricopa County are high school graduates compared to the U.S. average of 80.4%. More than 59% of the high school graduates in Maricopa County have gone on to college, compared with 52% nationally.

As of year-end 2007, the Phoenix-Mesa-Scottsdale MSA accounts for approximately 66.7% of Arizona's population and more than 70.0% of Arizona's employment and personal income. Over the last five years from 2002 through 2007, the Phoenix-Mesa-Scottsdale MSA has accounted for approximately 72.7% of the increase in Arizona's population and 79.0% of the state's employment growth. From 1950 to 2007, U.S. population grew 98.1% while Greater Phoenix grew 1,029.5% from 374,961 in 1950 to approximately 4,235,162 people in 2007. From 1997 to 2007, population growth was 46.0% in Greater Phoenix compared to 10.6% for the U.S. as a whole. According to the U.S. Bureau of the Census, as of 2006 the Greater Phoenix area was the 13th largest metropolitan statistical area. According to the University of Arizona, the population of Greater Phoenix is expected to grow to 4.6 million by 2010 and 6.2 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.

(2) Beginning in 1994, the U.S. Office of Management and Budget redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal Counties. The Arizona Department of Economic Security has released historical employment data on the new Phoenix-Mesa-Scottsdale MSA from 1990 forward. 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 metro area employment and 95% of the area's population. "Greater Phoenix" refers to the Phoenix-Mesa-Scottsdale MSA, unless otherwise noted.

POPULATION
Metropolitan Statistical Areas
(in thousands)

	1980	1990	2000	2006(3)	Percent Growth 1980-90	1990-00	2000-06
Phoenix-Mesa-Scottsdale, AZ(1)	1,600.1	2,238.5	3,251.9	4,039.2	39.9%	45.3%	24.2%
Albuquerque, NM	485.4	589.1	729.6	816.8	21.4	23.8	12.0
Atlanta, GA	2,233.2	2,960.0	4,112.2	5,138.2	32.5	38.9	25.0
Austin — San Marcos, TX	585.1	846.2	1,249.8	1,513.6	44.6	47.7	21.1
Dallas, TX	2,055.3	2,676.3	3,519.2	4,019.5	30.2	31.5	14.2
Denver — Boulder, CO	1,618.5	1,848.3	2,400.6	2,408.8	14.2	29.9	.3
El Paso, TX	479.9	591.6	679.6	736.3	23.3	14.9	8.3
Fort Worth — Arlington, TX	990.9	1,361.0	1,702.6	1,984.5	37.3	25.1	16.6
Houston, TX	2,753.2	3,322.0	4,117.6	5,539.9	20.7	23.9	34.5
Jacksonville, FL	737.5	906.7	1,100.5	1,278.0	22.9	21.4	16.1
Las Vegas, NV	528.0	852.7	1,563.9	1,777.5	61.5	83.4	13.7
Los Angeles — Long Beach, CA	7,477.2	8,863.2	9,519.3	9,948.1	18.5	7.4	4.5
Oakland, CA	1,761.7	2,082.9	2,392.6	2,481.7	18.2	14.9	3.7
Orange County, CA	1,932.9	2,410.6	2,846.3	3,002.0	24.7	18.1	5.5
Orlando, FL	700.1	1,224.8	1,644.6	1,984.9	74.9	34.3	20.7
Riverside — San Bernardino, CA	1,558.2	2,588.8	3,254.8	4,026.1	66.1	25.7	23.7
Sacramento, CA	986.4	1,340.0	1,796.9	2,067.1	35.8	34.1	15.0
Salt Lake City — Ogden — UT(2)	910.2	1,072.2	972.5	1,067.7	17.8	−9.3	9.8
San Antonio, TX	1,088.9	1,324.7	1,592.4	1,942.2	21.7	20.2	22.0
San Diego, CA	1,861.8	2,498.0	2,813.8	2,941.5	34.2	12.6	4.5
San Francisco, CA	1,488.9	1,603.7	1,731.2	1,698.3	7.7	8.0	−1.9
San Jose, CA	1,295.1	1,497.6	1,682.6	1,787.1	15.6	12.4	6.2
Seattle — Bellevue — Everett, WA	1,651.7	2,033.2	2,343.1	2,496.6	23.1	15.2	6.6
Tampa, FL	1,569.1	2,067.9	2,396.0	2,697.7	31.8	15.9	12.6
Tucson, AZ	531.4	666.9	843.7	946.4	25.5	26.5	12.2

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

(2) In 2006, the U.S. Office of Management and Budget redefined the Salt Lake City — Ogden Metropolitan Statistical Area (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.

(3) The 2006 numbers are July 1 estimates, as opposed to the Census date of April 1 in each of the other columns.

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

The rapid population growth has been accompanied by even greater employment growth. Non-agriculture wage and salary employment from 1950 through December 2007 in the Phoenix-Mesa-Scottsdale MSA was up over 2,567.3% to 1,984,500 jobs, while the U.S. as a whole grew 204.5%.

Employment growth has also yielded gains in personal income. In 1999, personal income increased by 7.0%, while in 2000, 2001, 2002, 2003, 2004, 2005 and 2006 (the latest available data), personal income increased 10.9%, 4.5%, 4.4%, 5.5%, 8.9%, 9.4% and 8.4%, respectively. The Greater Phoenix Blue Chip Economic Forecast, a consensus forecast of a number of local economists, estimates personal income increases of 7.2%, 6.0% and 6.1% in 2007, 2008 and 2009, respectively.

Business Climate

The Greater Phoenix area enjoys a very positive business climate as evidenced by statistics from the U.S. Bureau of the Census on the number of business establishments in Maricopa County. From 1982 to 2005, the latest available data, total business establishments increased by 142.9%. Growth was strong in all categories: firms with employees of 100 to 499 increased 213.2% over the twenty-three year period; while employers with 500 or more employees increased 312.1% and employers with fewer than 100 employees increased 141.0%.

Employment

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. This pattern is likely to continue if the U.S. experiences a recession in 2008. Employment growth in Greater Phoenix has recently slowed dramatically in a fashion similar to the slowing seen during previous periods of national slowdown; however, the slowdown is expected to be transitory. The phenomenon where one sector of the economy has pulled an entire area into recession has occurred in other metropolitan areas in the country, but has not occurred in Greater Phoenix. The diversity of the employment mix is the primary reason why one sector alone has not caused the Greater Phoenix economy as a whole to deteriorate as rapidly as other areas of the U.S. during recessionary periods.

Over the last thirty-two years, Greater Phoenix has become economically healthier and more diversified. During the 1975 to 1980 recovery, the Phoenix-Mesa-Scottsdale MSA grew 47.1% in employment. This exceeded the expansion in other growth areas such as San Diego, Denver and Seattle. During the expansion that began in November 1982, Phoenix-Mesa-Scottsdale MSA growth again outpaced that of comparable fast growth areas. From November 1982 to July 1990, Phoenix-Mesa-Scottsdale MSA employment was up 49.4% compared to 22.4% nationally. During the recovery from March 1991 to March 2001, employment in the Phoenix-Mesa-Scottsdale MSA grew 58.4% versus 22.3% nationally. Employment in the Phoenix-Mesa-Scottsdale MSA has grown 23.9% since the most recent recession ended in November 2001 through December 2007 compared to 5.6% percent growth nationally. During the recession of March 2001 through November 2001, employment in the Phoenix-Mesa-Scottsdale MSA declined 1.0% versus a national increase of 0.1%. During the recession between July 1990 and March 1991, Phoenix-Mesa-Scottsdale MSA employment increased 3.0% compared to a decrease of 1.7% nationally. During the 1980 to 1982 recession, employment increased 6.0% in the Phoenix-Mesa-Scottsdale MSA and declined 0.2% nationally, as compared to the 1973 to 1975 recession where U.S. employment declined 3.7%, while the Phoenix-Mesa-Scottsdale MSA dropped 5.6%. See the table on the following page for historical percentage changes in wage and salary growth for Greater Phoenix and other peer MSAs during recessionary and growth 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 1.2% 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 0.1% 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, 6.0% in 2006 and 3.2% in 2007. The Greater Phoenix Blue Chip Economic Forecast estimates that Greater Phoenix employment will increase 1.9% in 2008 and 2.3% in 2009. Despite a slower rate of employment growth projected for Greater Phoenix in 2008 due mainly to a slower rate of growth in the U.S. as a whole and the ripple effects from a decline in the housing market and credit conditions, the long-term employment outlook in Greater Phoenix remains excellent. There is no evidence to suggest that the underlying dynamics of the Greater Phoenix area have changed significantly.

NON-AGRICULTURAL WAGE & SALARY EMPLOYMENT
Metropolitan Statistical Areas
Not Seasonally Adjusted

	RECESSION PERIODS					GROWTH PERIODS				
	Jan. 1970 to Nov. 1970	Nov. 1973 to Mar. 1975	Jan. 1980 to Nov. 1982	July 1990 to Mar. 1991	Mar. 2001 to Nov. 2001	Nov. 1970 to Nov. 1973	Mar. 1975 to Jan. 1980	Nov. 1982 to July 1990	Mar. 1991 to Mar. 2001	Nov. 2001 to Dec. 2007
U.S. Average	1.1%	(3.7)%	(0.2)%	(1.7)%	0.1%	10.9%	18.2%	22.4%	22.3%	5.6%
Phoenix, AZ(1)	2.1	(5.6)	6.0	3.0	(1.0)	35.3	47.1	49.4	58.4	23.9
Tucson, AZ	4.6	0.7	6.4	8.0	(0.7)	33.0	27.1	24.3	35.3	13.7
Albuquerque, NM(2)	6.5	(3.0)	4.6	(1.1)	0.2	26.0	30.2	43.7	34.9	10.3
Atlanta, GA(2)	2.1	(7.3)	7.7	(2.7)	(0.1)	19.2	35.3	52.7	46.5	8.1
Austin, TX	5.9	6.1	18.3	4.4	(2.0)	26.4	31.9	37.8	70.4	14.1
Dallas, TX(2)	(1.6)	N/A	9.6	(1.0)	(2.1)	16.4	32.7	28.1	43.1	8.6
Denver-Boulder, CO(2)	6.5	(2.7)	8.9	0.7	(1.5)	22.5	30.6	11.5	44.6	4.7
El Paso, TX	4.4	1.2	3.7	(0.9)	(1.1)	19.7	21.9	27.5	23.9	7.4
Los Angeles-Long Beach, CA	(2.6)	(3.1)	(2.6)	(2.5)	(1.4)	9.5	20.5	17.4	2.8	3.0
Oakland, CA	—	(1.5)	0.7	0.0	(1.7)	—	16.9	29.6	21.2	1.8
Portland, OR(2)	0.5	(2.0)	(5.6)	(0.9)	(1.4)	15.0	27.6	39.6	35.2	9.9
San Antonio, TX(2)	2.1	0.1	8.9	1.3	(0.3)	14.3	25.6	26.3	38.3	11.9
San Diego, CA	2.1	1.7	2.8	(0.3)	1.4	18.7	37.0	44.9	25.7	7.9
San Francisco, CA(3)	(0.4)	0.5	1.5	(1.4)	(6.1)	N/A	17.0	8.8	16.2	(2.3)
San Jose, CA(2)	0.6	(0.7)	7.4	(1.5)	(8.8)	22.6	44.3	17.6	30.0	(4.7)
Seattle, WA(2)	(8.1)	2.6	(1.1)	(1.2)	(1.6)	10.3	37.1	45.6	26.9	8.4

— = Data not available.

(1) In 1994, the U.S. Office of Management and Budget redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal counties. Historical data for the new Phoenix-Mesa-Scottsdale MSA is unavailable prior to 1974. 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) Prior to 1982, the San Francisco MSA included Oakland, CA.

Source: Labor Market Information from various states.

NON-FARM WAGE & SALARY EMPLOYMENT
Percent Distribution
Annual Averages through December 2007

Sector	Phoenix-Mesa-Scottsdale MSA	United States
Manufacturing	7.1%	10.1%
Natural Resources & Mining	0.2	0.5
Construction	9.3	5.5
Total Goods Producing	16.6	16.1
Transportation, Warehousing, Utilities	3.3	3.7
Trade	16.8	15.6
Information	1.6	2.2
Financial Activities	8.1	6.0
Services	41.5	40.3
Government	12.1	16.1
Total Service Producing	83.4	83.9
Non-Farm Wage & Salary	100.0%	100.0%

Note: Annual averages may not add due to rounding.

Source: Arizona Department of Economic Security, U.S. Department of Labor.

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 somewhat over-represented in construction and financial employment when compared to the U.S. as a whole, due to the rapid population and employment growth. It is under-represented in manufacturing, but its manufacturing mix is much more concentrated in high technology than that of the United States. High technology manufacturing represents 39.4% of the manufacturing jobs in Greater Phoenix versus 12.6% 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.

A breakdown of Greater Phoenix's manufacturing employment is reflective of the area's high-technology base: 29.1% of total manufacturing employment is in computers and electronic components, 10.3% is in aerospace products and the remainder is in other durable or non-durable manufacturing. Arizona's manufacturing industry is concentrated in the Phoenix metropolitan area. According to the Arizona Department of Economic Security, the Phoenix-Mesa-Scottsdale MSA has approximately 3,557 manufacturing firms employing approximately 139,400 workers as of the fourth quarter of 2006 (latest available data). This represents 74.5% of the State's total manufacturing employment. Major manufacturers located in Greater Phoenix include Honeywell, Intel, Boeing, Phelps Dodge, Freescale, General Dynamics, Insight Enterprises and Motorola. Employment in manufacturing accounts for 7.1% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. In 2005, manufacturing employment in Greater Phoenix grew 3.5% compared to a 0.6% decrease nationally. In 2006, manufacturing employment in Greater Phoenix grew 2.7% compared to a 0.5% decrease nationally. Through December 2007, manufacturing employment in Greater Phoenix declined by 1.0% over the same year-to-date period in 2006 compared to a 1.9% decrease nationally. The Greater Phoenix Blue Chip Economic Forecast estimates that total manufacturing employment in Greater Phoenix will decrease 0.3% in 2008 and will increase 0.2% in 2009.

NON-FARM WAGE AND SALARY EMPLOYMENT
Phoenix-Mesa-Scottsdale
Metropolitan Statistical Area

(Yearly Average in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
National Resources and Mining	5.1	3.6	2.4	2.4	2.2	2.0	2.1	2.2	2.7	3.1
Construction	110.1	118.3	123.3	128.3	126.1	129.3	141.6	163.9	184.7	182.5
Manufacturing	165.7	161.4	161.1	153.2	137.5	130.9	131.9	136.5	140.3	138.8
Trade, Transportation, and Utilities										
Wholesale Trade	73.3	75.9	78.5	79.6	78.4	77.5	79.2	82.9	87.1	90.7
Retail Trade	170.2	177.7	185.5	186.2	188.0	192.1	201.0	216.5	228.0	238.3
Transp., Warehousing, and Utilities	53.4	57.2	57.4	58.6	59.1	59.3	60.5	62.6	64.4	64.3
Information	31.7	35.2	42.0	41.6	39.4	37.4	34.6	33.3	32.9	31.8
Financial Activities	118.5	124.3	126.3	129.6	131.2	134.5	138.7	147.0	154.2	157.9
Professional and Business Services	226.0	248.0	264.1	259.4	253.5	258.6	273.8	296.8	320.6	339.0
Education and Health Services	130.3	135.3	137.5	143.7	153.0	163.3	173.6	184.1	195.3	202.9
Leisure and Hospitality	143.1	146.8	149.7	152.5	153.5	156.0	161.9	170.4	180.7	190.8
Other Services	48.2	52.1	54.9	59.3	61.6	62.5	64.2	66.0	73.0	77.6
Government	182.7	189.3	195.7	203.4	212.7	216.5	220.8	225.5	230.7	237.5
Total	1,458.1	1,525.0	1,578.4	1,597.7	1,596.1	1,619.8	1,683.8	1,787.8	1,894.6	1,955.2

Note: Annual averages may not add due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics; Arizona Department of Economic Security.

Employment in trade, accounting for 16.8% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA, is a function of both the outlook for retail sales and construction of new retail space. According to the Arizona Department of Revenue, retail sales were up 14.2% in 2005, 7.9% in 2006 and 0.1% in 2007. Greater Phoenix trade employment was up 6.0% in 2005, 4.9% in 2006 and 3.7% in 2007.

The continued expansion of the Greater Phoenix economy over the last year has generated employment in the financial activities category. This sector includes finance and insurance employment and real estate, rental and leasing employment. Employment in financial activities accounts for 8.1% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. Employment in this sector increased 6.0% in 2005, 4.9% in 2006 and 2.4% in 2007.

The services industry, particularly business services, has also contributed to the sustained growth in 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 41.5% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. Since the previous recession ended in November 2001 through December 2007, services employment has increased 32.7% in Greater Phoenix compared to 13.6% nationally. Employment in this sector increased 6.5% in 2005, 7.3% in 2006 and 5.3% in 2007.

Professional and business services employment, 41.8% of total services industry employment, is a strong contributor to services growth. Since the recession ended in November 2001 through December 2007, professional and business services employment has increased 36.6% in Greater Phoenix. Employment in this service industry sub-category increased 8.4% in 2005, 8.0% in 2006 and 5.8% in 2007.

A significant portion of services industry employment is related to tourism. Leisure and hospitality employment, 23.5% of total services employment, has been strong due to the continued national expansion and the weakness in the dollar that makes domestic travel more affordable relative to foreign travel. Since the recession ended in November 2001 through December 2007, leisure and hospitality services employment has increased 28.1% in Greater Phoenix. 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 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. A number of hotels are under construction or planned in Greater Phoenix. The downtown Phoenix area will be the recipient of a new 1,000-room Phoenix Sheraton hotel that is due to open in late 2008 and a new 150-room hotel called Hotel Monroe to open in October 2008. Other hotels under construction or planned in Greater Phoenix include Radisson Fort McDowell (247 rooms), Renaissance Club Chandler (250 rooms), Ritz Carlton in Scottsdale (225 rooms), a new 100-room hotel near ASU in Tempe and the renovation of the 292-room Valley Ho. The opening of these new hotels is expected to continue to have a positive impact on the Greater Phoenix tourism market. Employment in this services industry sub-category increased 5.3% in 2005, 6.1% in 2006 and 5.6% in 2007. Employment in this sub-sector is expected to slow as the national economy slows and fewer people travel.

Educational and health services employment is related to population flows and the aging of the population and should continue to grow in Greater Phoenix. Since the recession ended in November 2001 through December 2007, educational and health services employment has increased 41.2% in Greater Phoenix. Employment in this services industry sub-category increased 6.0% in 2005, 6.1% in 2006 and 3.9% in 2007.

The government sector includes employment in federal, state and local governments as well as state and local education categories. Employment in government accounts for 12.1% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. In 2006, total public sector employment advanced 2.3% over 2005 compared to an increase of 6.0% for all industries combined. In 2007, total public sector employment advanced 3.0% over 2006 compared to an increase of 3.2% for all industries combined. The majority of these increases have been related to increases in local public sector education. See the table on the following page for major employers in Greater Phoenix within each main employment sector.

2008 GREATER PHOENIX MAJOR EMPLOYERS

SERVICES
(Excluding Resorts and Health Services)

Employer	Number of Employees
Diversified Human Resources Inc.	39,600
National PEO LLC	22,100
Consolidated Personnel Service Inc.	21,000
AmCheck Payroll HR Benefits	18,500
PayTech Inc.	11,000
USAirways (formerly America West Airlines)	10,400
Wells Fargo & Company	9,100*
ADP TotalSource	8,000
JPMorgan Chase & Co.	7,000*
United Parcel Service	6,900
Apollo Group Inc.	5,800*
American Express	5,500
ManageStaff Inc.	5,300
Salt River Project	4,500
HEALTH SERVICES	
Banner Health Arizona	11,100*
Catholic Healthcare West	7,200
Scottsdale Health Care	6,500
St. Joseph's Hospital	5,100
Mayo Clinic	4,700
Sun Health	4,200
Vanguard Health System	4,100
Caremark	3,500*
John C. Lincoln Health Network	3,400
RESORTS	
JW Marriott Desert Ridge Resort	1,300
Pointe Hilton	1,300
The Phoenician	1,300
Arizona Biltmore Resort	1,200
Fairmount Scottsdale Princess	1,200
RETAIL TRADE	
Wal-Mart Stores Inc.	19,600*
Basha's	9,100*
Fry's Food & Drug Stores	7,700*
Home Depot	6,200
Safeway, Inc.	6,200*
Target Corp.	5,600*
Walgreens	4,500*
Petsmart	1,300
IKON Office Solutions	1,100
MANUFACTURING	
Honeywell	10,700
Intel Corporation	10,100
Phelps Dodge	6,300
Freeport-McMoran Copper & Gold, Inc. (Formerly Phelps Dodge)	
Boeing	4,600
General Dynamics	3,500
IBM	3,500
Freescale	3,000
GOVERNMENT/SCHOOLS	
State of Arizona	32,600*
City of Phoenix	16,006
Maricopa County	14,100
Arizona State University	12,700
Mesa Public Schools	9,000
U.S. Postal Service	7,200*
Luke Airforce Base	7,000
Maricopa County Community College District	4,400
City of Mesa	4,100

* Estimate based on total employees in the State of Arizona.

Source: Elliott D. Pollack & Co.

Unemployment

The Phoenix-Mesa-Scottsdale MSA average unemployment rate has generally been consistently below the State and national average. In 2005, the average unemployment rate in the Phoenix-Mesa-Scottsdale MSA was 4.1% compared to 4.6% for Arizona and 5.1% for the U.S. In 2006, the average unemployment rate in the Phoenix-Mesa-Scottsdale MSA was 3.6% compared to 4.1% for Arizona and 4.6% for the U.S. The average unemployment rate in the Phoenix-Mesa-Scottsdale MSA in 2007 was 3.3% compared to 3.8% for Arizona and 4.6% for the U.S. The table below shows comparative employment statistics for Greater Phoenix in comparison to Arizona and the nation.

COMPARATIVE EMPLOYMENT STATISTICS
Phoenix-Mesa-Scottsdale
Metropolitan Statistical Area
(Annual Average, Seasonally Adjusted)

			Unemployment Rate		
Year	Employed Phoenix-Mesa-Scottsdale MSA	Unemployed Phoenix-Mesa-Scottsdale MSA	Phoenix-Mesa-Scottsdale MSA	Arizona	U.S.
2007	1,996,700	67,600	3.3%	3.8%	4.6%
2006	1,945,900	71,700	3.6	4.1	4.6
2005	1,848,400	78,600	4.1	4.6	5.1
2004	1,782,400	82,500	4.4	4.9	5.5
2003	1,721,900	95,500	5.3	5.7	6.0
2002	1,686,600	100,650	5.6	6.1	5.8
2001	1,648,600	72,300	4.2	4.7	4.8
2000	1,609,100	55,700	3.3	4.0	4.0
1999	1,591,100	51,200	3.1	4.5	4.2
1998	1,534,500	45,100	2.9	4.3	4.5
1997	1,465,800	45,500	3.0	4.6	4.9
1996	1,421,200	55,300	3.8	5.5	5.4
1995	1,362,400	51,600	3.7	5.3	5.6
1994	1,273,900	60,900	4.6	6.1	6.1
1993	1,181,500	63,500	5.1	6.4	6.9

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.

In addition to a decline in single-family permits, the City of Phoenix had also experienced a decline in market share for residential permits within the Greater Phoenix area in the late-1990s and early-2000s. This was a result of the final build-out of certain major master planned communities within the City of Phoenix and the opening or expansion of new planned communities outside of the City's boundary. However, this trend has reversed itself in recent years with strong growth in a number of new communities within the City of Phoenix. Likewise, many communities outside the City's boundary have reached build-out. The City of Phoenix captured 23.5% of the market in 2003, 28.3% of the market in 2004, 27.0% of the market in 2005, 30.8% of the market in 2006 and 36.2% of the market through September 2007. These are the highest percentages the City has attained since 1990. Similar to market share, single-family permits issued increased 1.1% to 32,869 in 2001 and 4.4% to 34,315 permits in 2002. Both 2003 and 2004 were record years for single-family construction with permit issuance up 15.6% and 21.4% to 39,652 and 48,136 permits, respectively.

Single-family housing prices in Greater Phoenix increased significantly between mid-2004 and mid-2005. According to the Multiple Listing Service (MLS), housing prices jumped 44.6% to a median price of $359,900 in May 2005. This record increase in 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 entitlements in a timely manner due to high workloads and labor bottlenecks.

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 10.1% to 43,256 permits in 2005 and 35.3% to 27,976 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. 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 and that the market began to return to a more sustainable level. As further evidence of the market's return to a more sustainable level, in 2007, permits were down 21.8% to 21,882 permits compared to 2006.

Housing price increases also began to level in 2006 as a result of slowing demand, which has increased the number of units listed in the MLS, and lessened investor activity. In fact, housing prices have declined recently in Greater Phoenix as they have nationally. While the increase in housing prices in 2004 and 2005 lowered Greater Phoenix's regional affordability ranking, Greater Phoenix remains more affordable than many major metropolitan areas in the west, with the exceptions of Albuquerque, Salt Lake City and Denver. 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 slowed to 0.3% growth in 2006 and declined 15.3% in 2007. As of fourth quarter 2007, the median price of an existing single-family home in Greater Phoenix was $241,700.

At the present time, it appears that there is an excess supply of 25,000 housing units in the MLS, approximately 7,000 units in the hands of homebuilders and a number of units in the hands of investors. In addition, the number of homes in the foreclosure process in Greater Phoenix has grown in excess of 13,000. As the economy weakens in 2008, this number is expected to grow, thus, adding more inventory to an already oversupplied market. The total excess supply in Greater Phoenix is estimated to be between 30,000 and 40,000 units. In addition, tighter credit standards have likely reduced the size of the buyer pool by approximately 20%, at least temporarily. Also, as the economy slows, population flows are likely to diminish, further curtailing demand. Overall, the current supply/demand imbalance will result in continued downward pressure on both housing prices and new housing permits. A full recovery could be three to five years away even though the bottom of this housing cycle is expected in 2008 or 2009.

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. The Greater Phoenix Blue Chip Economic Forecast projects multi-family permits to increase by 0.6% in 2008 and 9.0% in 2009. Despite the fluctuation in demand, multi-family housing has enjoyed low levels of vacancy since 1993 due to modest levels of construction. Vacancy rates peaked in second quarter 1988 at 14.1% but backed down to 4.5% by the end of 1996. The vacancy rate was 9.4% in 2002, 9.6% in 2003, and 7.9% in 2004. Vacancy rates declined to 5.0% in 2005 and 5.3% in 2006. However, vacancy rates turned upward again to 8.5% at year-end 2007. The dramatic drop in vacancy rates, despite the fact that absorption was relatively modest in 2005 and 2006, is 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 has started to reverse as condominiums are being converted back to apartments, apartments experience substantial competition from single-family rental homes and population inflows slow.

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 declined to 12.6% versus 16.4% at year-end 2004. 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 a result, the office vacancy rate in 2006 declined to 11.1% versus 12.6% at year-end 2005. In 2007, 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% versus 11.1% at year-end 2006.

Given the rapid growth in single-family housing over the last decade, the corresponding demand for retail space has remained relatively strong. More recently, additional supply has slowed due to the slowdown in overall retail sales. 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, 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. The retail vacancy rate was up as of fourth quarter 2007 to 6.2%. In addition there is substantial construction in the pipeline relative to expected absorption, which suggests higher vacancy rates in 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%.

The long-term demographics of Greater Phoenix suggest that the housing market will perform well over time and that the current slowdown is cyclical in nature. The strong commercial markets offset some of the impact on construction employment from the slowdown in single-family construction. After growing by 4.2% in 2000 and 4.1% in 2001, construction employment declined 1.7% in 2002, but increased 2.5% in 2003, 9.5% in 2004, 15.7% in 2005 and 12.7% in 2006. Construction employment declined 1.2% in 2007. According to the Greater Phoenix Blue Chip Economic Forecast, construction employment is expected to decline by 5.6% in 2008 and an additional 0.3% in 2009.

VALUE OF BUILDING PERMITS
CITY OF PHOENIX
($ in thousands)

Year	Residential	Commercial	Industrial	Other	Total
2007*	$1,224,501	$ 926,068	$109,888	$1,122,027	$3,382,484
2006	1,958,189	1,105,289	145,799	1,061,248	4,270,525
2005	2,613,500	841,115	151,348	740,718	4,346,681
2004	2,424,526	521,307	47,951	898,179	3,891,963
2003	1,633,586	401,306	41,803	692,690	2,769,385
2002	1,233,033	429,049	47,250	526,263	2,235,595
2001	931,463	1,105,088	50,292	946,859	3,033,702
2000	752,495	967,373	157,826	580,794	2,458,488
1999	803,018	829,901	92,881	401,848	2,127,648
1998	801,955	816,664	124,313	479,879	2,222,811
1997	799,148	594,355	98,989	508,898	2,001,390
1996	742,743	550,152	205,329	635,751	2,133,975

*Year-to-date through September 2007.

Source: Center for Real Estate, College of Business Administration, Arizona State University.

VALUE OF BUILDING PERMITS
MARICOPA COUNTY
($ in thousands)

Year	Residential	Commercial	Industrial	Other	Total
2007*	$4,281,112	$3,420,392	$206,786	$1,812,349	$ 9,720,639
2006	6,512,139	3,397,828	286,877	2,085,842	12,282,686
2005	9,125,736	3,143,475	267,259	1,470,131	14,006,601
2004	9,165,871	2,057,732	139,029	1,622,472	12,985,104
2003	7,039,184	1,541,602	87,682	1,399,822	10,068,290
2002	5,750,850	1,620,722	86,044	1,231,003	8,688,619
2001	5,088,241	2,256,850	345,985	1,641,521	9,332,597
2000	4,774,188	2,144,767	253,472	1,493,186	8,665,613
1999	5,142,869	1,878,629	210,676	1,092,337	8,324,511
1998	4,778,571	2,230,445	378,141	1,101,269	8,488,426
1997	3,903,540	1,840,324	233,598	1,133,849	7,111,311
1996	3,508,416	1,422,384	788,083	1,079,458	6,798,341

*Year-to-date through September 2007.

Source: Center for Real Estate, College of Business Administration, Arizona State University.

NEW HOUSING STARTS (1)

Year	City of Phoenix	Maricopa County
2007*	10,511	28,997
2006	12,413	40,294
2005	15,148	56,117
2004	16,664	58,822
2003	11,257	47,808
2002	9,154	43,737
2001	9,754	43,732
2000	8,052	43,908
1999	9,836	47,406
1998	11,212	47,801
1997	8,253	42,568
1996	10,548	39,628

(1) Reflects housing units authorized, including single-family, multi-family and mobile homes.

*Year-to-date through September 2007.

Source: Arizona Real Estate Center, College of Business Administration, Arizona State University.

Outlook/Conclusion

The Greater Phoenix area continues to enjoy employment growth, albeit at a slower rate than experienced earlier in this expansion. Employment growth is expected to slow from a rate of 3.2% in 2007 to forecasted growth rates of 1.9% and 2.3% in 2008 and 2009, respectively. While employment growth in the Phoenix area continues to perform well vis-à-vis other metropolitan areas, Greater Phoenix is at a point in the economic cycle where the rate of employment growth is likely to slow until the next expansionary period.

Difficulties in the national economy related to the housing market and tight credit conditions have made it possible that the national economy will go into a recession in 2008. The national Blue Chip Economic Indicators forecasts gross domestic product (GDP) growth of 1.7% in 2008 and 2.6% in 2009, with just under one-half of the respondents forecasting a recession.

The weak housing market in the Greater Phoenix area is expected to continue through 2008 and 2009 and dampen the overall economy. A significant inventory of new and existing houses combined with soft demand due to tighter credit standards and slower population growth are expected to exert downward pressure on housing prices and new housing permits. Commercial construction could also weaken in response to employment declines and a slowdown in population growth.

According to the Arizona Department of Economic Security, population in Greater Phoenix increased 5.1% in 2006 and 3.5% in 2007. According to the Greater Phoenix Blue Chip Economic Forecast, retail sales, which increased 14.2% in 2005, 7.9% in 2006, and 0.1% in 2007, are expected to increase by 4.1% in 2008 and 4.2% in 2009. In addition, personal income grew by 8.4% in 2006 and is expected to grow by 7.2% in 2007, 6.0% in 2008 and 6.1% in 2009. In light of continued weakness in the overall economy, it is likely that these forecasts will be revised downward. Overall, 2008 will be a difficult year for both the national and Greater Phoenix economies.

MARICOPA COUNTY RETAIL SALES
($ in millions)

Year	Amount	Percentage Change
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
2002	30,690	0.3
2001	30,606	1.5
2000	30,168	8.4
1999	27,825	10.4
1998	25,207	7.9
1997	23,360	7.8
1996	21,664	8.2

Source: Arizona Department of Revenue.

SCHEDULED AIRLINES SERVING PHOENIX SKY HARBOR INTERNATIONAL AIRPORT

Aeromexico
Air Canada
AirTran Airways
Alaska Airlines
American Airlines
Atlantic Southeast (dba Delta Connection)
British Airways
Casino Express
Continental Airlines
Delta Airlines
ExpressJet (dba Continental Express)
Frontier Airlines
Great Lakes Airlines
Hawaiian Airlines
JetBlue Airways
Mesa Airlines (dba US Airways Express)
Midwest Airlines
Northwest/KLM Airlines
SkyWest Airlines (dba Delta Connection and United Express)
Southwest Airlines
Sun Country
United Airlines
US Airways
WestJet

Source: City of Phoenix Aviation Department.

PHOENIX SKY HARBOR INTERNATIONAL AIRPORT TRAFFIC

AIR PASSENGER ARRIVALS

	2007/2008	% Change Year Ago	2006/2007	% Change Year Ago	2005/2006	% Change Year Ago
February	1,656,763	4.0%	1,592,943	3.5%	1,538,660	2.1%
March	1,979,640	2.4	1,934,149	−0.1	1,935,470	7.3
April	1,780,858	0.3	1,775,978	4.6	1,697,830	2.0
May	1,809,750	2.1	1,771,835	0.5	1,763,666	8.5
June	1,823,099	1.6	1,794,308	0.7	1,781,933	3.7
July	1,894,069	0.5	1,884,959	−0.3	1,891,554	3.9
August	1,825,818	3.0	1,772,320	−1.1	1,792,885	3.9
September	1,648,236	7.0	1,540,840	−2.7	1,583,147	3.2
October	1,769,457	3.6	1,708,114	−2.7	1,755,501	1.6
November	1,706,961	−1.0	1,723,370	0.3	1,718,943	5.2
December	1,627,891	−5.4	1,719,935	−1.1	1,738,588	2.3
January	1,686,201	−1.8	1,717,699	2.4	1,677,019	5.0
Total	21,208,743	1.3%	20,936,450	0.3%	20,875,196	4.1%

AIR PASSENGER DEPARTURES

	2007/2008	% Change Year Ago	2006/2007	% Change Year Ago	2005/2006	% Change Year Ago
February	1,619,858	4.3%	1,553,143	3.6%	1,499,522	1.4%
March	1,915,064	2.1	1,876,193	0.6	1,864,290	5.2
April	1,825,490	1.3	1,802,265	3.2	1,746,583	3.9
May	1,839,401	2.1	1,801,896	0.9	1,786,502	9.4
June	1,837,093	1.2	1,814,468	1.5	1,788,090	4.4
July	1,831,731	0.4	1,824,814	−0.5	1,834,477	3.5
August	1,776,777	4.4	1,701,567	−0.4	1,709,213	3.7
September	1,597,970	6.5	1,500,693	−3.0	1,547,093	3.9
October	1,732,157	4.4	1,658,906	−2.2	1,695,532	1.9
November	1,692,331	0.2	1,689,182	0.2	1,685,587	5.0
December	1,618,250	−4.1	1,687,578	−0.4	1,694,539	2.9
January	1,634,106	−1.4	1,657,811	1.5	1,633,344	4.9
Total	20,920,228	1.7%	20,568,516	0.4%	20,484,772	4.2%

TOTAL AIR TRAFFIC

	2007/2008	% Change Year Ago	2006/2007	% Change Year Ago	2005/2006	% Change Year Ago
February	3,276,621	4.1%	3,146,086	3.6%	3,038,182	1.8%
March	3,894,704	2.2	3,810,342	0.3	3,799,760	6.2
April	3,606,348	0.8	3,578,243	3.9	3,444,413	3.0
May	3,649,151	2.1	3,573,731	0.7	3,550,168	9.0
June	3,660,192	1.4	3,608,776	1.1	3,570,023	4.1
July	3,725,800	0.4	3,709,773	−0.4	3,726,031	3.7
August	3,602,595	3.7	3,473,887	−0.8	3,502,098	3.8
September	3,246,206	6.7	3,041,533	−2.8	3,130,240	3.6
October	3,501,614	4.0	3,367,020	−2.4	3,451,033	1.8
November	3,399,292	−0.4	3,412,552	0.2	3,404,530	5.1
December	3,246,141	−4.7	3,407,513	−0.7	3,433,127	2.6
January	3,320,307	−1.6	3,375,510	2.0	3,310,363	4.9
Total	42,128,971	1.5%	41,504,966	0.4%	41,359,968	4.1%

Source: Monthly statistical reports provided by individual airlines and compiled by City of Phoenix Aviation Department staff.

FINANCIAL INSTITUTIONS SERVING METRO PHOENIX
TOTAL ASSETS OVER $20 MILLION

Banks
JPMorgan Chase, N.A.
Bank of America, N.A.
Wells Fargo Bank of Arizona, N.A.
National Bank of Arizona
First National Bank of Arizona
Meridian Bank, N.A.
Alliance Bank of Arizona
BNC National Bank
Desert Hills Bank
Harris Trust Bank N.A.
Arizona Bank & Trust
Copper Star Community Bank
The Biltmore Bank of Arizona
Mesa Bank
Choice Bank
Stearns Bank Arizona, N.A.
Towne Bank of Arizona
Bank of Arizona, N.A.
Legacy Bank
Western National Bank
Heritage Bank, N.A.
Union Bank of Arizona, N.A.
Bank USA, N.A.
Country Bank
Sunrise Bank of Arizona
Community Bank of Arizona
Camelback Community Bank
Arrowhead Community Bank
Parkway Bank of Arizona
Summit Bank
Valley First Community Bank
Pinnacle Bank

Savings Institutions
First Arizona Savings FSB
Nordstrom FSB

Source: Federal Deposit Insurance Corporation.

APPENDIX C

CITY OF PHOENIX, ARIZONA — FINANCIAL DATA

VALUATIONS

2007-08 Fiscal Year

Secondary Assessed Valuation	$ 16,068,816,499(1)
Primary Assessed Valuation	12,890,386,440(2)
Full Cash Value	140,052,671,158(3)

(1) Secondary assessed valuation represents the amount used in determining property tax levies for the payment of principal and interest on certain bonds and the calculation of the maximum permissible bonded indebtedness.

(2) Primary assessed valuation represents the amount used in determining property tax levies for the payment of current operation and maintenance expenses.

(3) Full cash value represents total market value and is calculated by the Maricopa County Assessor's Office and the Arizona Department of Revenue, Division of Property and Special Taxes.

Arizona Property Tax System

Arizona's property tax system was substantially revised by 1980 amendments to the Arizona Constitution and implementing legislation. Two separate tax systems were created: a Primary system for taxes levied to pay current operation and maintenance expenses; and a Secondary system for taxes levied to pay principal and interest on bonded indebtedness, special district assessments and tax overrides, as well as for the determination of the maximum permissible bonded indebtedness. There are specific provisions under each system governing determination of the Primary limited property value, the Secondary full cash value of property, the basis of assessment and the maximum annual tax levies on certain types of property and by certain taxing authorities.

Under the Primary system, the limited property value is the basis for determining primary property taxes of locally assessed real property (residential, commercial, industrial, agricultural and unimproved property) and may increase by more than 10% per year only under certain circumstances. This limitation does not apply to mines, utilities and railroads which are assessed by the State. Under the Secondary system, there is no limitation on annual increases in full cash value of any property. This is comparable to Arizona's prior system of property taxation.

The basis of assessment for all property classifications is shown below. The percentage assessment factor for each property classification is applied to the Primary limited property value and Secondary full cash value of each property to determine Primary and Secondary assessed valuation for tax levy purposes.

Basis of Property Assessments (1)

Tax Years	Mines	Utilities	Railroads	Commercial and Industrial(2)	Residential(3)	Agriculture
1980-82	52%	44%	34%	25.0%	10%	16%
1983	38	38	30	25.0	10	16
1984	36	36	23	25.0	10	16
1985	34	34	(4)	25.0	10	16
1986	32	32	(4)	25.0	10	16
1987-94	30	30	(4)	25.0	10	16
1995	29(5)	29(5)	(4)	25.0(6)	10	16(6)
1996	28(5)	28(5)	(4)	25.0(6)	10	16(6)
1997	27(5)	27(5)	(4)	25.0(6)	10	16(6)
1998	26(5)	26(5)	(4)	25.0(6)	10	16(6)
1999-05	25(5)	25(5)	(4)	25.0(6)	10	16(6)
2006	25(5)	25(5)	(4)	24.5(6)	10	16(6)
2007	25(5)	25(5)	(4)	24.0(6)	10	16(6)

(1) Additional classes of property exist, but do not amount to a significant portion of total valuation for the City of Phoenix. These classes consist of historic property; aerospace manufacturing property in a reuse zone; property in a foreign trade zone; environmental technology property for the first twenty years from the date placed in service and leasehold or other possessory interest in certain public property.

(2) Legislation passed in 2006 reduces the assessment factor for these properties by 1.0% each year beginning with tax year 2007 through tax year 2011, with a 20% factor in effect for tax years 2011 and thereafter.

(3) Does not include residential properties leased or rented. The assessment factor for these properties was 18% in tax year 1984 and was to be reduced 1% per year until 1992. Legislation passed in 1988, however, froze the assessment factor for leased or rented residential properties for 1988 and 1989 at the 1987 level of 15%. Legislation passed in 1990 set the assessment ratio for these properties at 14% for 1990, 13% for 1991 and 12% for 1992. Legislation passed in 1993 set the assessment ratio at 11% for 1993, and 10% for 1994 and each year thereafter.

(4) For years after 1984, the percentage assessment factor for Primary tax purposes is to be determined annually equal to the ratio of the total assessed valuation for Primary tax purposes of mining, utilities, commercial and industrial properties to the total limited property value of such properties. The percentage assessment factor for Secondary tax purposes is to equal the ratio of the total assessed valuation for Secondary tax purposes of such properties to the total full cash value of such properties.

(5) Legislation passed in 1994 reduced the assessment factor to 29% in 1995, 28% in 1996, 27% in 1997, 26% in 1998 and 25% in 1999 and each year thereafter.

(6) Legislation authorized by an amendment to the Constitution of Arizona by vote at the November 5, 1996 general election provided for a reduced assessment factor of 1% on commercial and industrial and agricultural personal property for full cash values up to $3,000 in tax year 1995 and $50,000 in tax year 1996. Thereafter, up to $50,000 shall be exempt from taxation. The exemption amount shall be adjusted annually for inflation by the Arizona Department of Revenue. Any portion of the full cash value in excess of those amounts will be assessed at the applicable assessment factor.

Under the Primary system, annual tax levies are limited based on the nature of the property being taxed, and the nature of the taxing authority. Taxes levied for Primary purposes on residential property only are limited to 1% of the full cash value of such property. In addition, taxes levied for Primary purposes on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy, plus any amount directly attributable to new construction and annexation and involuntary tort judgments. On November 2006, voters of the State passed Proposition 101 which adjusts the base for the maximum allowable Primary property tax levy limit to the actual 2005 property taxes levied. The 2% limitation does not apply to taxes levied for Primary purposes on behalf of local school districts. Under the Secondary system, annual tax levies for bonded indebtedness and special district assessments are unlimited.

Tax Procedures

The Arizona Legislature revised the property tax valuation system effective with the tax year beginning January 1, 1997. Under this system, a valuation date is established as of January 1 of the year preceding the tax year, or January 1, 1997 for tax year 1998. A new, simplified system for sending notices of valuation, correction of errors and filing of appeals for locally assessed property was implemented. To ease implementation, real property on the tax rolls in 1995 remained at the 1995 values for tax year 1996. In July 1996, the Legislature revised the property valuation and appeal processes of centrally valued properties to conform to the changes made for locally assessed property. To allow for the change to the new system, the legislation provided that for the 1998 tax year, centrally valued property remained at 1997 values.

The new valuation system was intended to improve upon prior law by simplifying and streamlining the appeals process and increasing the length of time for preparing the assessment roll while still taking into account any corrections made as a result of appeals.

Legislation passed in 1997 permits county assessors, upon meeting certain conditions, to assess residential, agricultural and vacant land at the same assessed valuation for up to three consecutive tax years. The Maricopa County Assessor began reassessing existing properties within these classes on a two-year cycle, with assessments for tax year 2000 the same as tax year 1999. As a result, existing properties within these classes were reassessed for tax year 2001, remained the same for tax year 2002, were reassessed for tax year 2003 and will be reassessed every other year thereafter.

Legislation passed in 2001 calls for each county assessor to complete the assessment roll by the December 20 preceding the beginning of the tax year. As under prior law, a tax lien attaches to the property on January 1 of the tax year (January 1, 2001 for tax year 2001) and the County Board of Supervisors sets the tax rates on the third Monday in August each year.

Additional legislation passed in 2001 established a joint legislative oversight committee to monitor the current property tax assessment and appeals systems. The committee meets periodically to review the administrative structure and procedures utilized for assessing taxes and handling appeals, and identify and suggest solutions to potential problems.

Delinquent Tax Procedures

The property taxes due the City, along with State and other property taxes are billed by Maricopa County in September of the calendar tax year and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the treasurer of the county prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the treasurer of the county to deliver a Treasurer's Deed to the certificate holder as prescribed by law.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code, the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post bankruptcy petition tax collections becomes uncertain.

Full Cash Value History

Fiscal Year	City of Phoenix	Maricopa County	State of Arizona
2007-08	$140,052,671,158	$431,682,163,259	$620,858,275,155
2006-07	100,948,090,933	301,474,323,450	452,456,989,697
2005-06	92,214,844,914	273,817,028,101	404,018,871,420
2004-05	83,439,807,440	245,835,671,707	346,671,753,858
2003-04	79,124,594,645	226,293,568,605	335,149,188,693
2002-03	67,638,014,420	194,235,322,146	294,684,679,137
2001-02	63,269,038,936	180,653,045,937	273,788,719,647
2000-01	56,520,869,237	149,395,798,645	249,615,904,375
1999-00	51,170,108,692	134,709,854,002	218,663,627,946
1998-99	46,338,897,513	128,171,304,453	210,603,641,756

Source: Arizona Department of Revenue, Division of Property and Special Taxes and Maricopa County Finance Department.

Secondary Assessed Valuation History

Fiscal Year	City of Phoenix	Maricopa County	State of Arizona
2007-08	$16,068,816,499	$49,534,573,826	$71,852,630,420
2006-07	12,261,133,763	36,294,693,601	54,436,547,031
2005-06	11,419,619,072	33,197,218,398	48,938,261,134
2004-05	10,489,921,645	30,066,986,670	44,480,893,202
2003-04	9,792,188,415	27,477,987,528	40,861,415,479
2002-03	8,802,883,478	24,457,047,282	36,825,660,973
2001-02	8,232,133,776	22,913,134,480	34,468,574,240
2000-01	7,573,211,016	20,877,715,546	32,071,738,214
1999-00	6,915,960,312	18,676,830,848	28,184,077,278
1998-99	6,202,274,718	16,813,017,261	26,793,103,101

Source: Arizona Department of Revenue, Division of Property and Special Taxes and Maricopa County Finance Department.

Net Secondary Assessed Valuation by Classification, City of Phoenix

Fiscal Year	Commercial/ Utilities/ Industrial(1)	Residential	Rural & Other	Total
2007-08	$6,466,328,588	$8,915,253,350	$687,234,561	$16,068,816,499
2006-07	5,902,715,308	5,770,797,928	587,620,527	12,261,133,763
2005-06	5,409,748,435	5,523,958,014	485,912,623	11,419,619,072
2004-05	5,279,810,811	4,768,483,562	441,627,272	10,489,921,645
2003-04	4,818,034,587	4,617,599,480	356,554,348	9,792,188,415
2002-03	4,604,780,196	3,817,331,864	380,771,418	8,802,883,478
2001-02	4,178,526,093	3,739,298,266	314,309,417	8,232,133,776
2000-01	3,868,110,167	3,392,356,918	312,743,931	7,573,211,016
1999-00	3,612,822,875	3,031,538,192	271,599,245	6,915,960,312
1998-99	3,156,227,184	2,783,188,474	262,859,060	6,202,274,718

(1) In 2000-01, Maricopa County began utilizing new legal class codes for the classification of property as required by legislation passed by the Arizona Legislature. Due to the change in legal class codes, Utilities have been combined with Commercial and Industrial property. Fiscal year 1999-00 has been restated to conform with the new classification.

Source: Maricopa County Finance Department.

Primary Assessed Valuation History

Fiscal Year	City of Phoenix	Maricopa County	State of Arizona
2007-08	$12,890,386,440	$38,930,267,545	$58,327,805,577
2006-07	11,430,545,989	33,807,465,267	50,663,763,292
2005-06	10,637,360,762	31,010,284,705	46,046,096,197
2004-05	9,800,420,933	28,070,870,413	41,886,818,760
2003-04	9,048,850,849	25,447,850,971	38,311,495,654
2002-03	8,268,924,766	22,955,864,882	34,868,616,692
2001-02	7,689,379,400	21,355,326,477	32,518,431,391
2000-01	7,024,054,018	19,362,298,255	30,144,285,019
1999-00	6,425,131,594	17,463,875,533	26,593,673,070
1998-99	5,899,905,701	16,017,265,623	25,682,910,177

Source: Arizona Department of Revenue, Division of Property and Special Taxes and Maricopa County Finance Department.

City of Phoenix, Arizona
Major Taxpayers
2007-08

Taxpayer	2007-08 Secondary Assessed Valuation	As % of City Total Secondary Assessed Valuation
Arizona Public Service Company	$ 380,570,228	2.37%
Qwest Communications	195,349,481	1.22
Southwest Gas Corporation	74,226,435	0.46
Pulte Homes	55,826,116	0.35
Pointe South Mountain Resort LLC	54,979,290	0.34
Cox Communications	54,934,976	0.34
United Services Automobile Association	53,370,952	0.33
Teachers Insurance & Annuity Association of America	52,220,138	0.32
Metropolitan Life Insurance Company	51,354,792	0.32
Starwood Hotels and Resorts	50,141,064	0.31
The Westcor Company	50,035,687	0.31
Wells Fargo Bank	48,165,979	0.30
Catholic Healthcare West	43,910,183	0.27
Host Kierland LLC	42,505,667	0.26
Safeway Inc.	40,318,859	0.25
Target Corporation	37,609,236	0.23
Honeywell International Inc.	37,403,076	0.23
Phoenix Plaza PT LLC	34,500,001	0.21
East Camelback Road Inc.	30,295,833	0.19
Riverpoint Lots LLC	28,236,450	0.18
Total	$1,415,954,443	8.79%

Source: Maricopa County Assessor's Office and the City of Phoenix Finance Department.

TAX DATA

Maricopa County assesses and collects all City property taxes. Property taxes are payable in two installments. The first installment is due on the first business day of October and becomes delinquent on the first business day of November. The second installment is due on the first business day of March and becomes delinquent on the first business day of May. Interest at the rate of 16% per annum attaches on first and second installments following delinquent dates. The following table sets forth the City's tax levy for 2007-08 and for the past ten fiscal years, as well as the tax collection record of the City's levy for the 2007-08 fiscal year and for the previous ten fiscal years. It should be noted that the total collection figures for each fiscal year reflect amounts collected on such year's levy and amounts collected during such year on prior years' levies, but do not include penalties for delinquent payments.

Fiscal Year	Tax Rate Per $100 Assessed	Tax Levy	Current Collection(1)		Total Collection(2)	
			Amount	% of Levy	Amount	% of Levy
2007-08	$1.82	$266,891,526	$150,036,691	56.2%	$154,627,460	57.9%
2006-07	1.82	216,131,676	211,510,896	97.9	212,563,481	98.4
2005-06	1.82	201,122,162	195,836,381	97.4	197,761,387	98.3
2004-05	1.82	185,055,818	180,951,426	97.8	183,449,718	99.1
2003-04	1.82	171,899,460	167,281,374	97.3	170,593,456	99.2
2002-03	1.82	155,950,420	151,011,797	96.8	153,599,250	98.5
2001-02	1.82	145,395,416	140,187,238	96.4	142,896,627	98.3
2000-01	1.82	133,109,691	129,187,927	97.1	130,917,435	98.4
1999-00	1.82	121,581,798	118,826,076	97.7	121,038,518	99.6
1998-99	1.82	110,130,882	108,068,788	98.1	110,291,021	100.1
1997-98	1.82	104,716,452	102,552,294	97.9	104,373,897	99.7

(1) Reflects amounts collected on each year's levy through June 30, the end of the fiscal year, and the current fiscal year through March 2008.

(2) Reflects amounts collected on each year's levy and amounts collected during such year on prior years' levies.

Source: Maricopa County Treasurer's Office.

Total Direct and Overlapping Tax Rates
Per $100 Assessed Valuation (1)
For Fiscal Year 2007-08

Overlapping Municipality	Total Tax Rate Inside City of Phoenix
Inside Agua Fria Union High School District No. 216	
Inside Litchfield Elementary School District No. 79(3)	$ 9.6963
Inside Glendale Union High School District No. 205	
Inside Washington Elementary School District No. 6(3)	11.2136
Inside Glendale Elementary School District No. 40(3)	12.7517
Inside Phoenix Union High School District No. 210	
Inside Phoenix Elementary School District No. 1	13.0318
Inside Riverside Elementary School District No. 2	10.1409
Inside Isaac Elementary School District No. 5	15.3214
Inside Wilson Elementary School District No. 7	14.0303
Inside Osborn Elementary School District No. 8	10.7947
Inside Creighton Elementary School District No. 14	11.4422
Inside Murphy Elementary School District No. 21	12.6434
Inside Balsz Elementary School District No. 31	10.2174
Inside Madison Elementary School District No. 38	10.6939
Inside Laveen Elementary School District No. 59	11.1934
Inside Roosevelt Elementary School District No. 66	11.3365
Inside Alhambra Elementary School District No. 68	11.5934
Inside Cartwright Elementary School District No. 83(3)	12.6551
Inside Tempe Union High School District No. 213	
Inside Tempe Elementary School District No. 3(2)	10.6683
Inside Kyrene Elementary School District No. 28(2)	10.3412
Inside Tolleson Union High School District No. 214	
Inside Tolleson Elementary School District No. 17	11.3649
Inside Fowler Elementary School District No. 45(3)	12.9777
Inside Union Elementary School District No. 62	14.2611
Inside Littleton Elementary School District No. 65	11.0996
Inside Pendergast Elementary School District No. 92(3)	12.5226
Inside Scottsdale Unified School District No. 48(2)	9.0262
Inside Paradise Valley Unified School District No. 69(3)	9.6184
Inside Cave Creek Unified School District No. 93	6.6929
Inside Deer Valley Unified School District No. 97(3)	9.6553

(1) Included in the computation for each of the overlapping municipalities is the Maricopa County tax rate of $1.1046, the Maricopa County Community College tax rate of $0.9760, the City of Phoenix tax rate of $1.8200, the Maricopa County Flood Control District tax rate of $0.1533, the Central Arizona Water Conservation District tax rate of $0.1000, the Maricopa Special Health Care District tax rate of $0.0935, the Volunteer Fire District Assistance tax rate of $0.0053 and the County Library District tax rate of $0.0391.

(2) Includes the East Valley Institute of Technology tax rate of $0.0500.

(3) Includes the West Maricopa Education Center tax rate of $0.0500.

Source: Maricopa County Finance Department.

STATEMENT OF BONDED INDEBTEDNESS (1)

	General Obligation Bonds				
Purpose	Non-Enterprise General Obligation Bonds	Revenue Supported General Obligation Bonds (2)	Total General Obligation Bonds	Revenue Bonds	Total Bonds
Various	$1,262,652,571	$ —	$1,262,652,571	$ —	$1,262,652,571
Airport	—	17,360,000	17,360,000	4,675,000(3)	22,035,000
Sanitary Sewer	—	57,073,360	57,073,360	—	57,073,360
Solid Waste	—	30,655,000	30,655,000	—	30,655,000
Water	—	101,060,521	101,060,521	—	101,060,521
Public Housing	—	—	—	805,000	805,000
Street & Highway	—	—	—	123,010,920	123,010,920
Subtotal	1,262,652,571	206,148,881	1,468,801,452	128,490,920	1,597,292,372
Less: Restricted Funds	149,943,049	—	149,943,049	—	149,943,049
Direct Debt	1,112,709,522	206,148,881	1,318,858,403	128,490,920	1,447,349,323
Less: Revenue Supported	—	206,148,881	206,148,881	128,490,920	334,639,801
Net Debt	$1,112,709,522	$ —	$1,112,709,522	$ —	$1,112,709,522

(1) Represents general obligation bonds outstanding as of April 1, 2008. Such figures do not include the outstanding principal amounts of certain general obligation bonds, certain water revenue bonds and street and highway user revenue bonds which have been refunded or the payment of which has been provided for in advance of maturity. The payment of the debt service requirements on such bonds (including redemption premiums where applicable) is secured by federal securities which were purchased with proceeds of the refunding issues and other available moneys and are held in irrevocable trusts and special investment funds held by the City.

(2) Revenues remaining after payment of operation and maintenance expenses and revenue bond debt service requirements of the Phoenix aviation operations since 1967 and the Phoenix water system since 1942 have been paying the general obligation bond debt service requirements of each respective system. In addition, the debt service requirements on the City's sanitary sewer general obligation bonds are supported from revenues of the City's sanitary sewer system. This enterprise system was established in the 1980-81 fiscal year through the City's imposition of a sewer user charge beginning June 1, 1980. Also, beginning in 1990-91, all solid waste bonds are being paid from the revenues of the solid waste enterprise fund.

(3) Schedule is net of the City of Phoenix Airport Revenue Bonds refunded by a portion of the Series 2008C&D Bonds offered herein.

Annual Debt Service Requirements
General Obligation Bonded Debt Outstanding

Fiscal Year Ending June 30,	Total Debt Service Requirements (1)	Less: Enterprise Supported	Net Debt Service Requirements
2008	$ 133,617,177	$ 44,106,150	$ 89,511,027
2009	123,741,250	34,973,355	88,767,895
2010	139,641,341	35,657,418	103,983,923
2011	143,926,814	32,847,265	111,079,549
2012	129,733,841	15,324,068	114,409,773
2013	119,111,658	15,194,867	103,916,791
2014	104,254,473	10,881,668	93,372,805
2015	113,170,954	14,556,395	98,614,559
2016	144,179,847	29,638,994	114,540,853
2017	118,919,628	9,316,457	109,603,171
2018	119,397,373	9,385,320	110,012,053
2019	110,876,673	3,465,758	107,410,915
2020	107,114,122	2,945,545	104,168,577
2021	93,600,797	1,553,720	92,047,077
2022	93,230,888	715,825	92,515,063
2023	87,471,413	—	87,471,413
2024	84,151,825	—	84,151,825
2025	84,495,900	—	84,495,900
2026	55,053,575	—	55,053,575
2027	55,355,450	—	55,355,450
2028	15,161,600	—	15,161,600
Totals	$2,176,206,599	$260,562,805	$1,915,643,794

(1) Represents debt service requirements on bonds outstanding as of April 1, 2008. Schedule does not include debt service requirements of previously refunded general obligation bonds. The payment of the refunded debt service requirements is secured by obligations issued or fully guaranteed by the United States of America which are held in irrevocable trusts and are scheduled to mature at such times and in sufficient amounts to pay when due all principal, interest and redemption premiums where applicable, on the refunded bonds.

Direct General Obligation Bonded Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Bonds Outstanding As of 4-1-08(1)
12-01-89	$ 12,241,589	Various Improvements — Minibonds	7-1-00/10	$ 1,150,330
12-06-91	30,000,000	Sanitary Sewer Improvements	7-1-95/11	13,190,441
04-15-93	335,165,000	Refunding	7-1-95/10	50,735,000
09-15-93	70,550,000	Refunding	7-1-94/09	2,555,000
12-01-93	17,229,249	Various Improvements — Minibonds	7-1-04/14	8,712,762
07-01-95	85,000,000	Refunding	7-1-10/17	31,195,000
02-01-96	35,280,000	Refunding	7-1-96/08	295,000
01-15-98	75,000,000	Various Improvements	7-1-01/22	25,025,000
01-15-99	163,820,000	Refunding	7-1-99/20	100,905,000
02-01-99	58,000,000	Various Improvements	7-1-01/23	12,020,000
07-15-00	50,000,000	Various Improvements	7-1-03/10	1,225,000
12-12-01	6,075,000	Sanitary Sewer Improvements	7-1-03/21	4,857,919
06-01-02	10,000,000	Various Improvements (Taxable)	7-1-10	2,000,000
06-01-02	89,970,000	Various Improvements	7-1-15/27	41,465,000
06-01-02	144,495,000	Refunding	7-1-03/18	83,195,000
06-01-02	14,680,000	Refunding	7-1-14/15	8,525,000
06-01-03	83,320,000	Refunding	7-1-05/16	81,565,000
03-01-04	200,000,000	Various Improvements	7-1-10/28	157,230,000
03-01-04	50,870,000	Refunding	7-1-11/19	39,165,000
07-01-05	257,000,000	Various Improvements	7-1-11/25	231,820,000
06-13-07	342,700,000	Various Improvements	7-1-13/27	342,700,000
06-13-07	151,720,000	Refunding	7-1-09/27	151,720,000
06-13-07	77,550,000	Various Improvements (Taxable)	7-1-08/13	77,550,000
Total Direct General Obligation Debt Outstanding				1,468,801,452
Less: Principal Redemption Funds held in Restricted Fund				149,943,049
Total Direct General Obligation Debt Outstanding				1,318,858,403
Less: General Obligation Bonded Debt Supported from Enterprise Revenues				206,148,881(2)
Net Direct General Obligation Bonded Debt Outstanding				$1,112,709,522

(1) Represents general obligation bonds outstanding as of April 1, 2008.

(2) Revenues remaining after payment of operation and maintenance expenses and revenue bond debt service requirements of the Phoenix aviation operations since 1967 and the Phoenix water system since 1942 have been paying the general obligation bond debt service requirements of each respective system. In addition, the debt service requirements on the City's sanitary sewer general obligation bonds are supported from revenues of the City's sanitary sewer system. This enterprise system was established in the 1980-81 fiscal year through the City's imposition of a sewer user charge beginning June 1, 1980. Also, beginning in 1990-91, all solid waste bonds are being paid from refuse user fee revenues. In the event the revenues of any of these systems should prove insufficient to pay the general obligation bond debt service requirements, or should the City decide not to pay the debt service from revenues of the systems, this debt service would then be paid from ad valorem taxes or other available sources.

City of Phoenix
Airport Revenue Bonds Outstanding (1)

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
05-01-94	$63,990,000	Airport Refunding	7-1-08	5.97%	$1,490,000(2)
05-01-94	31,500,000	Airport Improvements	7-1-08	6.44	3,185,000(2)
Total Airport Revenue Bonds Outstanding					$4,675,000

(1) Schedule does not include the City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds which are on a parity with the bonds shown above. See page C-28 for a schedule of outstanding City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds.

(2) Schedule is net of the City of Phoenix Airport Revenue Bonds refunded by a portion of the Series 2008C&D Bonds offered herein.

City of Phoenix
Street and Highway User Revenue Bonds Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
03-15-92	$117,880,000	Street & Highway Refunding (Junior Lien)	7-1-93/11	6.50%	$ 6,535,000
12-15-92	58,225,920	Street & Highway Refunding (Junior Lien)	7-1-94/13	7.96	14,605,920
01-01-99	10,375,000	Street & Highway Refunding (Junior Lien)	7-1-99/11	4.36	5,805,000
05-01-02	123,125,000	Street & Highway Refunding (Junior Lien)	7-1-03/11	4.77	55,225,000
06-01-03	47,360,000	Street & Highway Refunding	7-1-05/11	4.59	40,840,000
Total Street & Highway User Revenue Bonds Outstanding					$123,010,920

City of Phoenix
Municipal Housing Revenue Bonds Outstanding (1)

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
08-01-95	$4,960,000	Public Housing Refunding	12-1-95/09	6.06%	$805,000
Total Municipal Housing Revenue Bonds Outstanding					$805,000

(1) The housing bonds are secured primarily by payments received by the City from the U.S. Department of Housing and Urban Development in accordance with contracts entered into pursuant to Sections 8 and 23 of the United States Housing Act of 1937, as amended. In addition, these bonds are also secured by a first lien on and pledge of the gross tenant rental revenues derived from the projects financed with the proceeds of the refunded issues.

DEBT LIMITATION

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks, open space preserves, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, streets and transportation may not exceed 20% of a city's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a city's net secondary assessed valuation. Unused borrowing capacity as of April 1, 2008 is shown below, based upon 2007-08 assessed valuation.

Water, Sewer, Light, Parks, Open Spaces, Playgrounds, Recreational Facilities, Public Safety, Law Enforcement, Fire Emergency, Streets and Transportation Purpose Bonds

20% Constitutional Limitation	$3,213,763,300
Direct General Obligation Bonds Outstanding	1,122,561,452(1)
Unused 20% Limitation Borrowing Capacity	$2,091,201,848

All Other General Obligation Bonds

6% Constitutional Limitation		$964,128,990
Direct General Obligation Bonds Outstanding	$346,240,000(1)	
Less: Principal Redemption Funds held in Restricted Fund as of April 1, 2008	149,943,049	
Direct General Obligation Bonds Outstanding		196,296,951
Unused 6% Limitation Borrowing Capacity		$767,832,039

(1) Represents general obligation bonds outstanding as of April 1, 2008.

NET DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT AND DEBT RATIOS

	As of April 1, 2008(1)
City of Phoenix	$1,112,709,522
Maricopa County Community College District	187,735,000
Various Elementary School Districts	450,019,000
Various High School Districts	463,587,000
Various Unified School Districts	349,712,000
Net Direct and Overlapping General Obligation Bonded Debt	$2,563,762,522

(1) Represents the net direct debt of the City of Phoenix as of April 1, 2008. The direct debt for the various school districts is as of July 1, 2007, the latest available data.

Excludes $593,000 principal amount of City Improvement Districts' bonded debt. This indebtedness is presently being paid from special assessments levied against property owners residing within the improvement districts. Excludes $4,540,000 principal of Tatum Ranch Community Facilities District bonded debt. This indebtedness is presently being paid from Special Taxing District property tax revenues.

Also does not include the obligation of the Central Arizona Water Conservation District (CAWCD) to the United States of America, Department of the Interior for repayment of capital costs for construction of the Central Arizona Project (CAP), a major reclamation project constructed by the Department of the Interior. The obligation is evidenced by a master contract between the CAWCD and the Department of the Interior. The repayment will take place over a period of 50 years. Interest will be payable at the rate of 3.342% per annum on the unpaid balance. The City of Phoenix portion is estimated to be $77.5 million, including interest, and will be paid over a fifty year period. The cost for 1997 was $4.4 million, decreasing to $3.4 million in 2005, $2.7 million in 2006, $2.6 million in 2007 and dropping to $610,600 in 2010 and remaining constant through the final payment in 2044. The United States and CAWCD recently announced an agreement to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payments of the operation, maintenance and replacement costs and the application of certain revenues and credits for amounts paid by CAWCD to the United States against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.65 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of the CAP at no additional cost to CAWCD. Of the $1.65 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50 year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State of Arizona legislation. If the conditions are not met by May 9, 2012, the parties could extend such deadline or the agreement will terminate and either party may petition U.S. District Court to resume litigation. It is not possible to predict whether the agreement will be effective or if the litigation will be resumed or the outcome of any such litigation.

The CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the District and to assist in repayment of the Central Arizona Project capital costs to the United States. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of Central Arizona Project water) and a tax levy against all taxable property in the District. Currently, the tax levy is limited by Arizona Revised Statutes to fourteen cents per $100 of assessed valuation. There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract. The CAWCD has levied a tax of $0.10 per $100 of assessed valuation for the 2007-08 fiscal year.

Net Direct And Overlapping General Obligation Bonded Debt Ratios

	Per Capita Debt (Pop. Est. @ 4-1-08 1,618,680	As Percent of City's 2007-08 Secondary Assessed Valuation	As Percent of City's 2007-08 Full Cash Valuation
Direct General Obligation Bonded Debt Outstanding as of April 1, 2008	$ 814.77	8.21%	0.94%
Net Direct General Obligation Bonded Debt Outstanding as of April 1, 2008	687.42	6.92	0.79
Net Direct and Overlapping General Obligation Bonded Debt Outstanding as of April 1, 2008	1,583.86	15.95	1.83

Overlapping General Obligation Bonded Debt, Net Assessed Valuations and Tax Rates
As of July 1, 2007
(in thousands)

Overlapping Municipality	2007-08 Net Secondary Assessed Valuation	Net Bonded Debt	Approximate Applicable Percent	Net Overlapping Bonded Debt	2007-08 Tax Rate Per $100 Assessed
State of Arizona	$71,852,630	$ —	22.4%	$ —	$ —
Maricopa County	49,534,574	—	32.4	—	1.1046
Maricopa County Community College District	49,534,574	579,430	32.4	187,735	0.9760
Elementary School Districts:					
Phoenix S.D. No. 1	854,847	56,990	100.0	56,990	5.3227
Riverside S.D. No. 2	362,707	10,260	96.7	9,921	2.4318
Tempe S.D. No. 3	1,947,869	92,350	16.0	14,776	3.8191
Isaac S.D. No. 5	236,774	3,890	100.0	3,890	7.6123
Washington S.D. No. 6	1,925,409	113,070	97.0	109,678	3.8415
Wilson S.D. No. 7	148,496	9,340	100.0	9,340	6.3212
Osborn S.D. No. 8	608,380	48,125	100.0	48,125	3.0856
Creighton S.D. No. 14	569,090	10,035	89.1	8,941	3.7331
Tolleson S.D. No. 17	194,657	8,365	28.9	2,417	4.2094
Murphy S.D. No. 21	141,626	3,350	100.0	3,350	4.9343
Kyrene S.D. No. 28	2,596,108	76,240	42.2	32,173	3.4920
Balsz S.D. No. 31	419,665	12,035	94.0	11,313	2.5083
Madison S.D. No. 38	1,359,074	66,485	99.9	66,419	2.9848
Fowler S.D. No. 45	268,308	11,650	89.0	10,369	5.7722
Laveen S.D. No. 59	292,973	8,755	73.8	6,461	3.4843
Union S.D. No. 62	87,164	1,040	96.1	999	7.1056
Littleton S.D. No. 65	310,786	9,270	12.1	1,122	3.9441
Roosevelt S.D. No. 66	863,614	20,720	98.6	20,430	3.6274
Alhambra S.D. No. 68	522,638	30,125	82.3	24,793	3.8843
Litchfield S.D. No. 79	870,875	21,525	0.2	43	2.7224
Cartwright S.D. No. 83	464,166	—	100.0	—	4.8960
Pendergast S.D. No. 92	434,854	18,020	47.0	8,469	5.3171
High School Districts:					
Glendale Union No. 205	2,422,636	116,090	77.1	89,505	3.0303
Phoenix Union No. 210	6,844,051	319,995	95.9	306,875	3.4173
Tempe Union No. 213	4,543,977	117,540	30.9	36,320	2.5074
Tolleson Union No. 214	1,295,769	64,355	47.9	30,826	2.8637
Agua Fria Union No. 216	1,286,732	60,555	0.1	61	2.6321
Unified School Districts:					
Scottsdale No. 48	6,183,080	388,660	14.0	54,412	4.6844
Paradise Valley No. 69	4,097,281	285,660	68.0	194,249	5.2766
Cave Creek No. 93	2,374,268	33,075	11.6	3,837	2.4011
Deer Valley No. 97	3,224,835	189,500	51.3	97,214	5.3135
Total Overlapping General Obligation Bonded Debt				$1,451,053	

Source: Maricopa County Finance Department.

Authorized and Unissued Bonds of Overlapping Municipalities

The following municipalities which overlap the City of Phoenix have unissued bond authorizations as indicated:

Municipality	Authorized and Unissued Bonds
Maricopa County Community College District	$521,093,000
Deer Valley Unified Elementary School District No. 97	38,000,000
Fowler Elementary School District No. 45	23,210,000
Kyrene Elementary School District No. 28	77,350,000
Litchfield Elementary School District No. 79	10,500,000
Littleton Elementary School District No. 65	7,830,000
Osborn Elementary School District No. 8	10,700,000
Paradise Valley Unified Elementary School District No. 69	40,625,000
Pendergast Elementary School District No. 92	38,800,000
Phoenix Elementary School District No. 1	19,125,000
Riverside Elementary School District No. 2	10,970,000
Roosevelt Elementary School District No. 66	60,000,000
Tolleson Elementary School District No. 17	17,605,000
Union Elementary School District No. 62	12,360,000
Tolleson Union High School District No. 214	31,000,000
Wilson Elementary School District No. 7	2,930,000

OTHER LONG-TERM OBLIGATIONS

The City executed purchase and lease agreements with the City of Phoenix Civic Improvement Corporation for the construction of a new municipal building, airport terminal facilities at Phoenix Sky Harbor International Airport, a new Phoenix municipal courthouse building and a new city parking garage. In keeping with the City's policy of maintaining Phoenix Sky Harbor International Airport as a self-supporting enterprise, airport revenues are used to pay the debt service on bonds issued by the Corporation for airport improvements.

Under the terms of these agreements, the City has agreed to make lease and purchase payments in amounts sufficient to pay principal and interest on bonds issued by the Corporation to finance the facilities, and has pledged its excise tax collections for these payments. The City's excise tax collections in 2002-03 totaled $630,418,000, in 2003-04 totaled $638,598,000, in 2004-05 totaled $689,130,000, in 2005-06 totaled $801,402,000 and in 2006-07 totaled $864,381,000. These amounts do not include revenues from various privilege license (sales) tax rate increases approved by voters and are not part of the pledge for lease and purchase payments on bonds of the Corporation. These excluded voter approved tax rate increases are as follows: on October 5, 1993, voters approved a 0.1% increase in the City's privilege license tax rate. The revenues produced by the increase must be used to add police officers and firefighters and to expand neighborhood programs designed to deter crime. On September 7, 1999, voters approved a 0.1% increase in the City's privilege license tax rate to be levied for a 10-year period. The revenues produced by the increase will be used for the acquisition of desert preserve open space and the development and improvement of regional and neighborhood parks located within the City. On March 14, 2000, voters approved a 0.4% increase in the City's privilege license tax rate to be levied for a period of 20 years. The revenues produced by the increase will be used for expanded bus service, the construction of a light rail system and other transportation improvements. On September 11, 2007, voters approved a 0.2% increase in the City's privilege license tax rate. Eighty percent of the revenues produced by the increase will be used by the Phoenix Police Department to recruit, hire, train and equip at least 500 police officers and police personnel; hire crime scene investigation (CSI) forensic teams; and to make service calls more efficient. Twenty percent of the revenues produced by the increase will be used by the Phoenix Fire Department to recruit, hire, train and equip at least 100 firefighters and fire personnel to improve fire protection services. On May 20, 2008, City of Phoenix voters approved a 30-year extension of the 0.1% tax for the acquisition of desert preserve open space and the development and improvement of regional and neighborhood parks in Phoenix. This extension will also increase the possible uses of these funds to include operational expenses such as salaries for park rangers and maintenance workers. Forty percent of the revenues produced by the extension will be used to acquire land for Phoenix's Sonoran Preserve. The remaining sixty percent will be used to finance improvements to parks throughout the City. The extension will become effective July 1, 2008.

City of Phoenix Civic Improvement Corporation
Senior Lien Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
05-01-94	$ 33,705,000	Airport Improvements Refunding(1)	7-1-08	6.09%	$ 2,770,000
02-01-98	38,355,000	Airport Terminal 4 Refunding(1)	7-1-08	4.92	2,435,000
06-01-99	79,000,000	Phoenix Municipal Courthouse	7-1-05/10	5.34	3,965,000
06-01-99	15,000,000	Adams Street Garage	7-1-05/11	5.35	1,170,000
05-01-03	47,600,000	New City Hall Refunding	7-1-04/29	4.73	23,010,000
06-01-07	103,605,000	Municipal Facilities Refunding(2)	7-1-09/29	4.85	103,605,000
Total City of Phoenix Improvement Corporation Senior Lien Debt Outstanding					$136,955,000

(1) Debt service requirements on these obligations are supported by airport revenues. Schedule is net of the City of Phoenix Civic Improvement Corporation Senior Lien Excise Tax Revenue Bonds refunded by a portion of the Series 2008C&D Bonds offered herein.

(2) Debt service requirements on $1,160,000 of these obligations are supported by airport revenues.

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Senior Lien Debt Outstanding (1)

Fiscal Year	Principal	Interest	Total
2007-08	$ 5,205,000	$ 8,293,543	$ 13,498,543
2008-09	3,840,000	6,324,650	10,164,650
2009-10	4,025,000	6,146,412	10,171,412
2010-11	4,225,000	5,942,825	10,167,825
2011-12	4,415,000	5,755,825	10,170,825
2012-13	4,605,000	5,553,625	10,158,625
2013-14	4,845,000	5,323,375	10,168,375
2014-15	5,065,000	5,099,225	10,164,225
2015-16	5,295,000	4,869,550	10,164,550
2016-17	5,565,000	4,604,800	10,169,800
2017-18	5,840,000	4,326,550	10,166,550
2018-19	6,135,000	4,034,550	10,169,550
2019-20	6,435,000	3,727,800	10,162,800
2020-21	6,760,000	3,406,050	10,166,050
2021-22	7,095,000	3,068,050	10,163,050
2022-23	7,455,000	2,713,300	10,168,300
2023-24	7,805,000	2,365,312	10,170,312
2024-25	8,175,000	1,994,575	10,169,575
2025-26	8,560,000	1,606,263	10,166,263
2026-27	8,975,000	1,199,663	10,174,663
2027-28	9,385,000	780,763	10,165,763
2028-29	7,250,000	342,712	7,592,712
	$136,955,000	$87,479,418	$224,434,418

(1) Schedule is net of the City of Phoenix Civic Improvement Corporation Senior Lien Excise Tax Revenue Bonds refunded by a portion of the Series 2008C&D Bonds offered herein.

The City also entered into leases with the City of Phoenix Civic Improvement Corporation to finance the acquisition of certain municipal facilities, consisting of real property and equipment. The Corporation issued bonds for payment of the acquisition costs, and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with all other outstanding subordinated excise tax obligations and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

The City entered into lease and leaseback agreements with the City of Phoenix Civic Improvement Corporation for the purpose of acquiring and constructing a downtown multipurpose arena. The Corporation issued bonds for the payment of the City's portion of land acquisition and construction costs and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with all other outstanding subordinated excise tax obligations and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

The City entered into a lease agreement with the City of Phoenix Civic Improvement Corporation for the purpose of financing the acquisition and construction of improvements to Terminal 4 at Phoenix Sky Harbor International Airport. The Corporation issued bonds for the payment of acquisition and construction costs, and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with all other outstanding subordinated excise tax obligations and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations. In keeping with the City's policy of maintaining Sky Harbor International Airport as a self-supporting enterprise, airport revenues are used to pay the debt service on bonds issued by the Corporation for airport improvements.

The City entered into a leaseback agreement with the Phoenix Civic Plaza Building Corporation for the purpose of acquiring the site for and constructing and equipping a multi-level parking structure to serve the downtown area of the City. The Corporation issued bonds for the payment of acquisition and construction costs and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with all other outstanding subordinated excise tax obligations and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations. These bonds have been refunded through the City of Phoenix Civic Improvement Corporation.

The City entered into a leaseback agreement with the City of Phoenix Civic Improvement Corporation for the purpose of financing the acquisition of certain real property as well as the construction of certain improvements to the City's solid waste system. The Corporation issued bonds for the payment of acquisition and construction costs and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with all other outstanding subordinated excise tax obligations and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations. In keeping with the City's policy of maintaining the City's solid waste system as a self-supporting enterprise, solid waste revenues are used to pay the debt service on bonds issued by the Corporation for solid waste improvements.

The City entered into a loan agreement with the City of Phoenix Civic Improvement Corporation to finance a portion of the costs to construct, expand, modify and improve the Phoenix Convention Center. The Corporation issued bonds to fund a portion of the costs of the Phoenix Convention Center expansion project and the City pledged its excise taxes to make loan payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with all other outstanding subordinated excise tax obligations and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

City of Phoenix Civic Improvement Corporation
Subordinated Junior Lien Debt Outstanding (1)

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
01-15-98	48,740,000	Municipal Multipurpose Arena Refunding (Taxable)	7-1-98/19	6.12	36,625,000
08-01-00	65,000,000	Municipal Facilities(2)	7-1-01/11	5.35	10,010,000
05-01-03	80,000,000	Solid Waste Improvements(3)	7-1-04/14	4.93	23,935,000
05-01-03	25,000,000	Municipal Facilities	7-1-05/25	4.37	21,680,000
05-01-03	25,000,000	Municipal Facilities (Taxable)	7-1-09/33	5.59	25,000,000
05-01-03	10,000,000	Municipal Facilities (Taxable)	7-1-09/33	5.60	10,000,000
06-01-04	22,000,000	Municipal Facilities	7-1-06/25	5.09	18,930,000
06-01-04	5,700,000	Municipal Facilities Refunding	7-1-15/25	5.00	5,700,000
09-13-05	300,000,000	Convention Center Expansion	7-1-17/41	4.98	300,000,000
06-01-06	84,265,000	Solid Waste Improvements(3)	7-1-07/26	4.68	82,205,000
06-01-06	28,230,000	Municipal Facilities	7-1-07/13	4.47	24,110,000
06-01-06	41,920,000	Municipal Facilities (Taxable)	7-1-07/35	6.10	41,525,000
06-01-07	21,115,000	Municipal Facilities	7-1-08/27	4.74	21,115,000
06-01-07	71,820,000	Municipal Facilities Refunding(4)	7-1-09/23	4.93	71,820,000
06-01-07	35,670,000	Convention Center East Garage Refunding (Taxable)	7-1-08/22	5.73	35,670,000
Total City of Phoenix Civic Improvement Corporation Subordinated Junior Lien Debt Outstanding					$728,325,000

(1) Schedule includes subordinated junior lien debt issued by the City of Phoenix Civic Improvement Corporation, but does not include subordinated junior lien debt incurred by the City of Phoenix or State of Arizona Distribution Revenue Bonds issued by the City of Phoenix Civic Improvement Corporation. See page C-21 for a schedule of outstanding subordinated junior lien debt issued by the City of Phoenix and page C-24 for a description of the State of Arizona Distribution Revenue Bonds issued by the City of Phoenix Civic Improvement Corporation. Schedule also does not include bonds issued by the Downtown Phoenix Hotel Corporation for which a portion of excise taxes have been pledged in the event hotel revenues are insufficient to make debt service payments on the bonds. See page C-22 for additional information and a schedule of outstanding debt issued by the Downtown Phoenix Hotel Corporation. Schedule is net of the City of Phoenix Civic Improvement Corporation Subordinated Excise Tax Variable Rate Demand Revenue Bonds refunded by a portion of the Series 2008C&D Bonds offered herein.

(2) Debt service requirements on $943,000 of these obligations are supported by solid waste revenues.

(3) Debt service requirements on these obligations are supported by solid waste revenues.

(4) Debt service requirements on $45,865,000 of these obligations are supported by solid waste revenues.

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Subordinated Junior Lien Debt Outstanding (1)

Fiscal Year	Principal	Interest	Total
2007-08	$ 18,760,000	$ 39,246,345	$ 58,006,345
2008-09	23,205,000	35,996,511	59,201,511
2009-10	23,610,000	34,865,798	58,475,798
2010-11	25,620,000	33,666,433	59,286,433
2011-12	23,580,000	32,353,003	55,933,003
2012-13	24,580,000	31,194,995	55,774,995
2013-14	22,980,000	29,981,505	52,961,505
2014-15	23,375,000	28,848,560	52,223,560
2015-16	23,440,000	27,687,116	51,127,116
2016-17	27,625,000	26,517,642	54,142,642
2017-18	28,905,000	25,141,413	54,046,413
2018-19	30,445,000	23,625,320	54,070,320
2019-20	27,215,000	22,024,738	49,239,738
2020-21	27,515,000	20,623,850	48,138,850
2021-22	28,725,000	19,205,272	47,930,272
2022-23	26,585,000	17,722,360	44,307,360
2023-24	21,520,000	16,389,648	37,909,648
2024-25	21,365,000	15,288,537	36,653,537
2025-26	21,405,000	14,188,600	35,593,600
2026-27	15,455,000	13,134,275	28,589,275
2027-28	14,580,000	12,352,725	26,932,725
2028-29	15,330,000	11,609,138	26,939,138
2029-30	16,115,000	10,826,025	26,941,025
2030-31	16,930,000	10,001,600	26,931,600
2031-32	17,825,000	9,115,512	26,940,512
2032-33	18,755,000	8,182,313	26,937,313
2033-34	17,100,000	7,200,150	24,300,150
2034-35	17,985,000	6,317,900	24,302,900
2035-36	15,850,000	5,389,750	21,239,750
2036-37	16,640,000	4,597,250	21,237,250
2037-38	17,470,000	3,765,250	21,235,250
2038-39	18,345,000	2,891,750	21,236,750
2039-40	19,265,000	1,974,500	21,239,500
2040-41	20,225,000	1,011,250	21,236,250
	$728,325,000	$602,937,034	$1,331,262,034

(1) Schedule includes debt service on subordinated junior lien debt issued by the City of Phoenix Civic Improvement Corporation, net of the City of Phoenix Civic Improvement Corporation Subordinated Excise Tax Variable Rate Demand Revenue Bonds refunded by a portion of the Series 2008C&D Bonds offered herein. Schedule does not include debt service on subordinated junior lien debt incurred by the City of Phoenix or debt service on State of Arizona Distribution Revenue Bonds issued by the City of Phoenix Civic Improvement Corporation. See page C-21 for a schedule of subordinated junior lien debt issued by the City of Phoenix and page C-24 for a description of the State of Arizona Distribution Revenue Bonds issued by the City of Phoenix Civic Improvement Corporation. Schedule also does not include debt service on bonds issued by the Downtown Phoenix Hotel Corporation for which a portion of Excise Taxes have been pledged in the event hotel revenues are insufficient to make debt service payments on the bonds. See page C-23 for a schedule of debt service on outstanding debt issued by the Downtown Phoenix Hotel Corporation.

The City entered into a financing agreement to be used for refinancing the costs of acquiring property for the Arizona Center, an 8-block mixed use development in downtown Phoenix, acquiring land and constructing an amphitheater, purchasing a multi-family housing facility and various other City projects. The City pledged excise taxes for payments which are due under the financing agreement. The pledge for payments under this agreement is on a parity with the pledge of such taxes for City of Phoenix Civic Improvement Corporation subordinated junior lien debt outstanding, and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

City of Phoenix
Subordinated Junior Lien Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
07-01-04	$35,465,000	Refunding	8-1-05/24	4.68%	$32,870,000
Total Subordinated Junior Lien Debt Outstanding					$32,870,000

City of Phoenix
Schedule of Annual Debt Service Requirements
Subordinated Junior Lien Debt Outstanding

Fiscal Year	Principal	Interest	Total
2007-08	$ 1,110,000	$ 1,500,203	$ 2,610,203
2008-09	1,135,000	1,465,515	2,600,515
2009-10	1,175,000	1,425,790	2,600,790
2010-11	1,230,000	1,381,727	2,611,727
2011-12	1,275,000	1,332,528	2,607,528
2012-13	1,315,000	1,281,527	2,596,527
2013-14	1,365,000	1,228,928	2,593,928
2014-15	1,420,000	1,174,327	2,594,327
2015-16	1,230,000	1,114,688	2,344,688
2016-17	1,295,000	1,053,187	2,348,187
2017-18	1,355,000	988,438	2,343,438
2018-19	1,420,000	920,687	2,340,687
2019-20	3,180,000	849,688	4,029,688
2020-21	3,340,000	690,687	4,030,687
2021-22	3,505,000	523,688	4,028,688
2022-23	3,675,000	357,200	4,032,200
2023-24	3,845,000	182,637	4,027,637
	$32,870,000	$17,471,445	$50,341,445

The Downtown Phoenix Hotel Corporation issued senior revenue bonds and subordinate revenue bonds to finance the planning, design, engineering, development, construction, equipping, furnishing and opening of a hotel located in downtown Phoenix. The bonds are special revenue obligations of the corporation, payable solely, except as further described below, from gross operating revenues derived by the corporation from operation of the hotel, subject only to the payment of certain operation and maintenance expenses, and from certain funds and accounts created under an indenture. The bonds are further secured by senior and subordinate leasehold deeds of trust granted to the trustee by the corporation with respect to the corporation's leasehold interest in the site and the hotel. The subordinate bonds are payable and secured on a basis junior and subordinate to the senior bonds with respect to the revenues of the hotel and the corporation's leasehold interest in the site and the hotel.

The subordinate bonds are also secured by amounts received from the City under a room block leaseback agreement in the event hotel revenues are insufficient to make debt service payments on the subordinate bonds. Pursuant to the room block leaseback agreement, the obligation of the City to make lease payments is secured by a pledge of certain sports facilities taxes. Under the room block leaseback agreement, the City pledges all right, title and interest of the City, whether now owned or hereafter acquired, in and to the sports facilities taxes on deposit in or credited to the sports facilities fund for the payment of lease payments and the performance of the obligations under the room block leaseback agreement.

Sports facilities taxes are one component of excise taxes and include (1) an incremental three percent tax levied on the gross income from the business activity of any hotel or motel engaging within the City in the business of charging for lodging and/or lodging space furnished to any person who, for a period of not more than thirty consecutive days, obtains lodging or lodging space in any hotel or motel, and (2) an incremental two percent tax levied on the gross income from the business activity of any person engaging in the business of leasing, licensing for use, or renting any motor vehicle with a gross vehicle weight of less than twelve thousand pounds for a term of not more than thirty-one calendar days.

The City has covenanted in the room block leaseback agreement to first apply excise taxes (other than sports facilities taxes) to the payment of senior excise tax obligations before applying sports facilities taxes. The City's pledge of sports facilities taxes under the room block leaseback agreement is a second priority pledge of the sports facilities taxes and therefore is subordinate and junior to the City's first priority pledge of excise taxes (which includes sports facilities taxes) with respect to the City's senior excise tax obligations.

Downtown Phoenix Hotel Corporation
Hotel Revenue Bonds Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
12-20-05	$156,710,000	Hotel — Senior Revenue	7-1-12/40	4.99%	$156,710,000
12-20-05	164,425,000	Hotel — Subordinate Revenue	7-1-19/40	4.95	164,425,000
12-20-05	28,865,000	Hotel — Subordinate Revenue (Taxable)	7-1-12/19	5.24	28,865,000
Total Hotel Revenue Debt Outstanding					$350,000,000

Downtown Phoenix Hotel Corporation
Schedule of Annual Debt Service Requirements

Fiscal Year	Senior Revenue Bonds			Subordinate Revenue Bonds			Combined Annual Debt Service Requirements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest(1)	Total
2007-08	$ —	$ 7,800,075.00	$ 7,800,075.00	$ —	$ 9,611,553.76	$ 9,611,553.76	$ —	$ 17,411,628.76	$ 17,411,628.26
2008-09	—	7,800,075.00	7,800,075.00	—	9,611,553.76	9,611,553.76	—	17,411,628.76	17,411,628.76
2009-10	—	7,800,075.00	7,800,075.00	—	9,611,553.76	9,611,553.76	—	17,411,628.76	17,411,628.76
2010-11	—	7,800,075.00	7,800,075.00	—	9,611,553.76	9,611,553.76	—	17,411,628.76	17,411,628.76
2011-12	1,470,000	7,800,075.00	9,270,075.00	3,095,000	9,611,553.76	12,706,553.76	4,565,000	17,411,628.76	21,976,628.76
2012-13	1,635,000	7,726,575.00	9,361,575.00	3,255,000	9,452,780.26	12,707,780.26	4,890,000	17,179,355.26	22,069,355.26
2013-14	1,810,000	7,644,825.00	9,454,825.00	3,420,000	9,284,822.26	12,704,822.26	5,230,000	16,929,647.26	22,159,647.26
2014-15	1,995,000	7,554,325.00	9,549,325.00	3,600,000	9,107,324.26	12,707,324.26	5,595,000	16,661,649.26	22,256,649.26
2015-16	2,190,000	7,454,575.00	9,644,575.00	3,790,000	8,919,764.26	12,709,764.26	5,980,000	16,374,339.26	22,354,339.26
2016-17	2,400,000	7,339,600.00	9,739,600.00	3,990,000	8,721,168.26	12,711,168.26	6,390,000	16,060,768.26	22,450,768.26
2017-18	2,625,000	7,213,600.00	9,838,600.00	4,200,000	8,510,895.26	12,710,895.26	6,825,000	15,724,495.26	22,549,495.26
2018-19	2,830,000	7,108,600.00	9,938,600.00	4,420,000	8,288,715.26	12,708,715.26	7,250,000	15,397,315.26	22,647,315.26
2019-20	3,045,000	6,991,862.50	10,036,862.50	4,645,000	8,064,737.50	12,709,737.50	7,690,000	15,056,600.00	22,746,600.00
2020-21	3,275,000	6,862,450.00	10,137,450.00	4,840,000	7,867,325.00	12,707,325.00	8,115,000	14,729,775.00	22,844,775.00
2021-22	3,515,000	6,723,262.50	10,238,262.50	5,085,000	7,625,325.00	12,710,325.00	8,600,000	14,348,587.50	22,948,587.50
2022-23	3,800,000	6,538,725.00	10,338,725.00	5,340,000	7,371,075.00	12,711,075.00	9,140,000	13,909,800.00	23,049,800.00
2023-24	4,105,000	6,339,225.00	10,444,225.00	5,605,000	7,104,075.00	12,709,075.00	9,710,000	13,443,300.00	23,153,300.00
2024-25	4,425,000	6,123,712.50	10,548,712.50	5,885,000	6,823,825.00	12,708,825.00	10,310,000	12,947,537.50	23,257,537.50
2025-26	4,760,000	5,891,400.00	10,651,400.00	6,180,000	6,529,575.00	12,709,575.00	10,940,000	12,420,975.00	23,360,975.00
2026-27	5,120,000	5,641,500.00	10,761,500.00	6,490,000	6,220,575.00	12,710,575.00	11,610,000	11,862,075.00	23,472,075.00
2027-28	5,480,000	5,385,500.00	10,865,500.00	6,790,000	5,920,412.50	12,710,412.50	12,270,000	11,305,912.50	23,575,912.50
2028-29	5,865,000	5,111,500.00	10,976,500.00	7,100,000	5,606,375.00	12,706,375.00	12,965,000	10,717,875.00	23,682,875.00
2029-30	6,265,000	4,818,250.00	11,083,250.00	7,430,000	5,278,000.00	12,708,000.00	13,695,000	10,096,250.00	23,791,250.00
2030-31	6,690,000	4,505,000.00	11,195,000.00	7,800,000	4,906,500.00	12,706,500.00	14,490,000	9,411,500.00	23,901,500.00
2031-32	7,140,000	4,170,500.00	11,310,500.00	8,190,000	4,516,500.00	12,706,500.00	15,330,000	8,687,000.00	24,017,000.00
2032-33	7,610,000	3,813,500.00	11,423,500.00	8,600,000	4,107,000.00	12,707,000.00	16,210,000	7,920,500.00	24,130,500.00
2033-34	8,105,000	3,433,000.00	11,538,000.00	9,030,000	3,677,000.00	12,707,000.00	17,135,000	7,110,000.00	24,245,000.00
2034-35	8,625,000	3,027,750.00	11,652,750.00	9,485,000	3,225,500.00	12,710,500.00	18,110,000	6,253,250.00	24,363,250.00
2035-36	9,170,000	2,596,500.00	11,766,500.00	9,960,000	2,751,250.00	12,711,250.00	19,130,000	5,347,750.00	24,477,750.00
2036-37	9,750,000	2,138,000.00	11,888,000.00	10,455,000	2,253,250.00	12,708,250.00	20,205,000	4,391,250.00	24,596,250.00
2037-38	10,355,000	1,650,500.00	12,005,500.00	10,980,000	1,730,500.00	12,710,500.00	21,335,000	3,381,000.00	24,716,000.00
2038-39	10,990,000	1,132,750.00	12,122,750.00	11,525,000	1,181,500.00	12,706,500.00	22,515,000	2,314,250.00	24,829,250.00
2039-40	11,665,000	583,250.00	12,248,250.00	12,105,000	605,250.00	12,710,250.00	23,770,000	1,188,500.00	24,958,500.00
	$156,710,000	$184,520,612.50	$341,230,612.50	$193,290,000	$213,708,788.62	$406,998,788.62	$350,000,000	$398,229,401.12	$748,229,401.12

(1) Interest is capitalized through April 1, 2009.

The City entered into a loan agreement with the City of Phoenix Civic Improvement Corporation to finance a portion of the costs to construct, expand, modify and improve the Phoenix Convention Center to create additional rentable convention space. The Corporation issued bonds to fund a portion of the costs of the Phoenix Convention Center expansion project. The primary source of revenue for the City's payments under the loan agreement is State distributions the City is to receive pursuant to legislation passed in 2003 authorizing up to fifty percent State funding for certain convention center developments in the State. The ability of the City to make the loan payments required to pay debt service on the bonds when due solely from the State distributions is dependent upon timely completion of the project to permit the first State distribution to occur on or before August 1, 2009 and on total non-city costs of the project being equal to $300 million. If the completion of construction is delayed and the City is not able to certify construction completion by July 31, 2009, all State distributions will be delayed with the result that State distributions may not be sufficient to permit the City to make the loan payments in full during certain years. Likewise, if the total costs of the project backed by State distributions are less than $300 million, under the legislation, the distributions are reduced proportionately with the result that funds from the State distributions may not be sufficient to permit the City to make the loan payments. If either such event were to occur, the City has agreed to advance the amount of any shortfall. The City's obligation to make loan payments from other than State distributions shall terminate when, in any year, the State distributions projected to be received by the City in each succeeding year meet or exceed scheduled debt service on the bonds in each succeeding year. The City has agreed to make such advances under the loan agreement in anticipation of reimbursement of such advances, with interest, from the State distributions. To secure its obligation to make loan payments from other than State distributions, if needed, the City has pledged its excise taxes on a parity with all other outstanding subordinated excise tax obligations and subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

City of Phoenix Civic Improvement Corporation
State of Arizona Distribution Revenue Bonded Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
10-06-05	$275,362,351.75	Convention Center Expansion	7-1-12/44	4.72%	$275,362,351.75
Total State of Arizona Distribution Revenue Bonded Debt					$275,362,351.75

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
State of Arizona Distribution Revenue Bonded Debt Outstanding

Fiscal Year	Principal	Interest	Compounded Interest	Total Debt Service
2011-12	$ 460,208.70	$ —	$ 134,791.30	$ 595,000
2012-13	14,777,800.00	—	5,222,200.00	20,000,000
2013-14	—	20,449,000	—	20,449,000
2014-15	—	20,449,000	—	20,449,000
2015-16	—	20,449,000	—	20,449,000
2016-17	—	20,449,000	—	20,449,000
2017-18	1,484,036.00	20,449,000	565,964.00	22,499,000
2018-19	1,915,439.40	20,336,250	744,560.60	22,996,250
2019-20	2,374,494.70	20,189,950	935,505.30	23,499,950
2020-21	2,851,493.40	20,007,900	1,138,506.60	23,997,900
2021-22	3,353,331.60	19,788,450	1,356,668.40	24,498,450
2022-23	3,882,660.70	19,529,400	1,587,339.30	24,999,400
2023-24	4,443,799.80	19,228,550	1,826,200.20	25,498,550
2024-25	5,027,387.85	18,883,700	2,087,612.15	25,998,700
2025-26	5,639,202.30	18,492,375	2,365,797.70	26,497,375
2026-27	6,287,082.70	18,052,100	2,657,917.30	26,997,100
2027-28	6,972,383.00	17,560,125	2,962,617.00	27,495,125
2028-29	7,697,628.90	17,013,700	3,287,371.10	27,998,700
2029-30	8,465,538.90	16,409,525	3,624,461.10	28,499,525
2030-31	9,274,258.40	15,744,575	3,980,741.60	28,999,575
2031-32	10,123,692.00	15,015,550	4,356,308.00	29,495,550
2032-33	11,032,587.00	14,219,150	4,747,413.00	29,999,150
2033-34	11,637,351.75	13,351,250	5,007,648.25	29,996,250
2034-35	12,267,767.20	12,435,775	5,292,232.80	29,995,775
2035-36	12,935,793.00	11,469,975	5,594,207.00	29,999,975
2036-37	13,634,005.65	10,450,825	5,910,994.35	29,995,825
2037-38	14,372,964.80	9,375,850	6,247,035.20	29,995,850
2038-39	15,164,105.20	8,241,750	6,590,894.80	29,996,750
2039-40	15,997,068.00	7,045,225	6,952,932.00	29,995,225
2040-41	16,878,823.60	5,782,975	7,336,176.40	29,997,975
2041-42	17,805,886.80	4,451,150	7,739,113.20	29,996,150
2042-43	18,785,228.00	3,046,175	8,164,772.00	29,996,175
2043-44	19,820,332.40	1,563,925	8,614,667.60	29,998,925
Total	$275,362,351.75	$459,931,175	$117,032,648.25	$852,326,175

The City entered into a loan agreement with the City of Phoenix Civic Improvement Corporation to finance a portion of the costs of designing, acquiring, constructing and equipping the City's light rail transit system. The Corporation issued bonds to provide the funds for the loan to the City, and the City pledged its excise tax collections from the 0.4% increase in the City's privilege license tax rate approved by City voters on March 14, 2000, to make loan payments sufficient to pay principal and interest on the bonds. This pledge secures only the loan agreement and the corresponding payment of debt service on the bonds.

City of Phoenix Civic Improvement Corporation
Transit Excise Tax Revenue Bonded Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
12-10-04	$500,000,000	Light Rail Project	7-1-06/20	5.01%	$486,010,000
Total Transit Excise Tax Revenue Bonded Debt					$486,010,000

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Transit Excise Tax Revenue Bonded Debt Outstanding

Fiscal Year	Principal	Interest	Total
2007-08	$ 14,910,000	$ 24,368,537	$ 39,278,537
2008-09	17,620,000	23,623,038	41,243,038
2009-10	20,560,000	22,742,037	43,302,037
2010-11	23,755,000	21,714,038	45,469,038
2011-12	27,215,000	20,526,287	47,741,287
2012-13	31,035,000	19,097,500	50,132,500
2013-14	35,090,000	17,545,750	52,635,750
2014-15	39,480,000	15,791,250	55,271,250
2015-16	44,215,000	13,817,250	58,032,250
2016-17	49,330,000	11,606,500	60,936,500
2017-18	54,840,000	9,140,000	63,980,000
2018-19	60,780,000	6,398,000	67,178,000
2019-20	67,180,000	3,359,000	70,539,000
	$486,010,000	$209,729,187	$695,739,187

The City entered into a loan agreement with the City of Phoenix Civic Improvement Corporation for the purpose of reimbursing the City for the acquisition costs of 55 passenger buses. The City of Phoenix Civic Improvement Corporation issued bonds for the payment of the reimbursement and the City is making loan payments sufficient to pay principal and interest on the bonds. Loan payments of the City are payable solely from certain federal grants received from the Federal Transit Administration pursuant to 49 U.S.C. Section 5307 and the Fixed Guideway Modernization Program under 49 U.S.C. Section 5309 as well as matching funds of the City.

City of Phoenix Civic Improvement Corporation
Bus Acquisition Special Revenue Bonded Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
02-1-00	$18,320,000	Bus Acquisition	7-1-00/12	5.34%	$8,240,000
Total Bus Acquisition Special Revenue Bonded Debt					$8,240,000

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Bus Acquisition Special Revenue Bonded Debt Outstanding

Fiscal Year	Principal	Interest	Total
2007-08	$1,475,000	$ 441,593	$1,916,593
2008-09	1,560,000	360,467	1,920,467
2009-10	1,640,000	278,568	1,918,568
2010-11	1,725,000	191,647	1,916,647
2011-12	1,840,000	99,360	1,939,360
	$8,240,000	$1,371,635	$9,611,635

The City entered into city purchase agreements with the City of Phoenix Civic Improvement Corporation for the purchase of certain improvements and expansion projects at the City's airports. The City of Phoenix Civic Improvement Corporation issued bonds for the improvements and expansion projects and the City made a senior lien pledge of net airport revenues to make payments sufficient to pay principal of and interest on the bonds. Amounts due on the bonds and pursuant to the city purchase agreements are as follows:

City of Phoenix Civic Improvement Corporation
Senior Lien Airport Revenue Bonded Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
08-01-98	$150,000,000	Airport Improvements	7-1-06/25	5.14%	$ 38,880,000(1)
05-01-02	23,225,000	Airport Improvements	7-1-08/13	5.54	23,225,000
05-01-02	231,390,000	Airport Improvements	7-1-14/32	5.32	231,390,000
06-18-08	206,840,000	Airport Improvements	7-1-20/28	5.00	206,840,000
06-18-08	43,160,000	Airport Improvements	7-1-12/19	5.20	43,160,000
06-18-08	109,850,000	Airport Improvements Refunding	7-1-09/22	4.69	109,850,000
06-18-08	68,520,000	Airport Improvements Refunding	7-1-09/20	5.23	68,520,000
Total Senior Lien Airport Revenue Bonded Debt Outstanding					$721,865,000

(1) Schedule is net of the City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds refunded by a portion of the Series 2008C&D Bonds offered herein.

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Senior Lien Airport Revenue Bonded Debt Outstanding (1)

Fiscal Year	Principal	Interest	Total
2007-08	$ 4,715,000	$ 20,874,115	$ 25,589,115
2008-09	18,725,000	37,239,048	55,964,048
2009-10	18,880,000	35,708,000	54,588,000
2010-11	19,990,000	34,822,700	54,812,700
2011-12	25,655,000	33,878,025	59,533,025
2012-13	21,905,000	32,519,800	54,424,800
2013-14	23,730,000	31,379,925	55,109,925
2014-15	23,670,000	30,141,575	53,811,575
2015-16	24,975,000	28,878,950	53,853,950
2016-17	26,310,000	27,567,125	53,877,125
2017-18	27,765,000	26,163,200	53,928,200
2018-19	29,255,000	24,744,212	53,999,212
2019-20	30,960,000	23,247,900	54,207,900
2020-21	27,275,000	21,664,012	48,939,012
2021-22	28,665,000	20,273,725	48,938,725
2022-23	30,470,000	18,841,100	49,311,100
2023-24	32,030,000	17,288,212	49,318,212
2024-25	33,660,000	15,655,775	49,315,775
2025-26	22,790,000	13,940,213	36,730,213
2026-27	23,960,000	12,766,437	36,726,437
2027-28	25,195,000	11,532,363	36,727,363
2028-29	26,485,000	10,237,100	36,722,100
2029-30	27,850,000	8,872,900	36,722,900
2030-31	29,290,000	7,438,350	36,728,350
2031-32	30,795,000	5,929,588	36,724,588
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
	$721,865,000	$567,422,850	$1,289,287,850

(1) Schedule is net of the City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds refunded by a portion of the Series 2008C&D Bonds offered herein.

The City entered into a city purchase agreement with the City of Phoenix Civic Improvement Corporation to design, acquire, construct, and equip certain facilities, infrastructure, site development, and equipment necessary for the operation of a consolidated rental car center at Phoenix Sky Harbor International Airport. The City of Phoenix Civic Improvement Corporation issued bonds to fund a portion of the costs of the rental car center and the City has made a first priority pledge of pledged revenues to be derived primarily from daily usage fees to be paid by rental car customers arriving at the Airport.

City of Phoenix Civic Improvement Corporation
Rental Car Facility Charge Bonded Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
06-02-04	$260,000,000	Rental Car Facility	7-1-07/29	6.08%	$254,040,000
Total Rental Car Facility Charge Bonded Debt Outstanding					$254,040,000

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Rental Car Facility Charge Bonded Debt Outstanding

Fiscal Year	Principal	Interest	Total
2007-08	$ 6,180,000	$ 15,098,207	$ 21,278,207
2008-09	6,440,000	14,838,028	21,278,028
2009-10	6,735,000	14,541,789	21,276,789
2010-11	7,065,000	14,209,079	21,274,079
2011-12	7,435,000	13,838,167	21,273,167
2012-13	7,845,000	13,431,473	21,276,473
2013-14	8,285,000	12,992,152	21,277,152
2014-15	8,750,000	12,526,536	21,276,536
2015-16	9,255,000	12,021,660	21,276,660
2016-17	9,795,000	11,478,392	21,273,392
2017-18	10,370,000	10,903,426	21,273,426
2018-19	10,990,000	10,284,336	21,274,336
2019-20	11,645,000	9,628,234	21,273,234
2020-21	12,365,000	8,909,737	21,274,737
2021-22	13,130,000	8,146,816	21,276,816
2022-23	13,940,000	7,336,696	21,276,696
2023-24	14,800,000	6,476,597	21,276,597
2024-25	15,710,000	5,563,438	21,273,438
2025-26	16,695,000	4,581,562	21,276,562
2026-27	17,740,000	3,538,125	21,278,125
2027-28	18,845,000	2,429,375	21,274,375
2028-29	20,025,000	1,251,563	21,276,563
	$254,040,000	$214,025,388	$468,065,388

The City entered into a city purchase agreement with the City of Phoenix Civic Improvement Corporation for the acquisition, installation and/or relocation of baggage screening equipment at Phoenix Sky Harbor International Airport. The Corporation is currently authorized to issue up to an aggregate principal amount of $122,000,000 of its Airport Revenue Bond Anticipation Notes, Series 2004. The notes are issued as commercial paper in varying maturities up to 270 days and are currently outstanding in an aggregate principal amount of $4,000,000. The notes are secured by an irrevocable, direct pay letter of credit issued by Bank of America N.A. While the City has not granted any lien on revenues of the airport to the owners of the notes, under the purchase agreement, the City has granted the bank a lien of junior subordinate lien revenues of the airport to secure its obligation to satisfy the Corporation's payment obligations under a reimbursement agreement.

City of Phoenix Civic Improvement Corporation
Airport Revenue Bond Anticipation Notes Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Notes Outstanding As of 4-1-08
08-23-04	$4,000,000	Airport Improvements	Up to 270 days	Various	$4,000,000
Total Junior Subordinate Airport Revenue Debt Outstanding					$4,000,000

The City entered into city purchase agreements with the City of Phoenix Civic Improvement Corporation for the acquisition of approximately 13,000 acres of agricultural land and associated water rights in McMullen Valley, as well as for certain modifications and expansions at various water treatment plants throughout the City. The City of Phoenix Civic Improvement Corporation issued bonds for the acquisition of the property and the water treatment plant modifications and expansions, and the City pledged designated water system revenues to make payments sufficient to pay principal and interest on the bonds. This pledge is junior to the pledge of the net operating revenues of the water system for the payment of any City water revenue bonds, of which there are none currently outstanding. Amounts due on the bonds and pursuant to the city purchase agreements are as follows:

City of Phoenix Civic Improvement Corporation
Junior Lien Water System Revenue Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
05-01-98	$109,155,000	Water System Refunding	7-1-99/19	4.94%	$ 105,725,000
08-01-01	99,980,000	Water System Refunding	7-1-02/24	5.24	84,740,000
04-01-02	220,000,000	Water System Improvements	7-1-07/26	5.14	213,420,000
10-01-03	11,325,000	Water System Refunding	7-1-05/22	4.29	11,115,000
07-01-04	27,775,000	McMullen Valley & Water Rights Refunding	8-1-06/17	4.06	25,975,000
06-01-05	600,000,000	Water System Improvements	7-1-10/29	4.90	600,000,000
Total Junior Lien Water Revenue Bonded Debt					$1,040,975,000

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Junior Lien Water System Revenue Debt Outstanding

Fiscal Year	Principal	Interest	Total
2007-08	$ 19,580,000	$ 51,681,386	$ 71,261,386
2008-09	18,310,000	50,816,824	69,126,824
2009-10	37,570,000	49,949,271	87,519,271
2010-11	39,415,000	48,101,196	87,516,196
2011-12	41,385,000	46,130,671	87,515,671
2012-13	43,380,000	44,135,494	87,515,494
2013-14	45,565,000	41,953,244	87,518,244
2014-15	47,865,000	39,654,263	87,519,263
2015-16	50,290,000	37,227,263	87,517,263
2016-17	52,845,000	34,671,600	87,516,600
2017-18	55,530,000	31,985,175	87,515,175
2018-19	58,310,000	29,209,869	87,519,869
2019-20	51,330,000	26,233,406	77,563,406
2020-21	53,965,000	23,600,300	77,565,300
2021-22	56,685,000	20,881,025	77,566,025
2022-23	57,455,000	18,110,475	75,565,475
2023-24	60,365,000	15,204,124	75,569,124
2024-25	55,840,000	12,245,000	68,085,000
2025-26	58,535,000	9,552,050	68,087,050
2026-27	43,475,000	6,729,063	50,204,063
2027-28	45,540,000	4,664,000	50,204,000
2028-29	47,740,000	2,387,000	50,127,000
	$1,040,975,000	$645,122,699	$1,686,097,699

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 water system of the City. The Corporation is currently authorized to issue up to an aggregate principal amount of $100,000,000 of its Water System Revenue Bond Anticipation Notes, Series 2007A and $100,000,000 of its Water System Revenue Bond Anticipation Notes, Series 2007B (collectively, the "Notes"). The notes are issued as commercial paper in varying maturities up to 270 days and are currently outstanding in an aggregate principal amount of $100,000,000. The notes are secured by irrevocable, direct pay letters of credit issued by Dexia Public Finance Bank, acting through its New York Agency (the "Bank"). While the City has not granted any lien on net operating revenues of the water system to the owners of the notes, under the purchase agreement, the City has granted the Bank a lien of junior subordinate lien revenues to secure its obligation to satisfy the Corporation's payment obligations under a reimbursement agreement.

City of Phoenix Civic Improvement Corporation
Water System Revenue Bond Anticipation Notes Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Notes Outstanding As of 4-1-08
02-14-07	$100,000,000	Water System Improvements	Up to 270 days	Various	$100,000,000
Total Junior Subordinate Water System Revenue Debt Outstanding					$100,000,000

The City entered into city purchase agreements with the City of Phoenix Civic Improvement Corporation for the purpose of acquiring and constructing additional wastewater treatment facilities at the 23rd Avenue Wastewater Treatment Plant and wastewater system improvements at various locations in the City. The City of Phoenix Civic Improvement Corporation issued bonds for acquiring and constructing additional facilities and various other improvements and the City made a senior lien pledge of net wastewater system operating revenues. Amounts due on the bonds and pursuant to the city purchase agreements are as follows:

City of Phoenix Civic Improvement Corporation
Senior Lien Wastewater System Revenue Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
01-11-05	$130,260,000	Wastewater System Refunding	7-1-16/23	Variable	$130,260,000
01-11-05	102,020,000	Wastewater System Refunding	7-1-06/15	4.92%	93,140,000
Total Senior Lien Wastewater System Revenue Bonded Debt					$223,400,000

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Senior Lien Wastewater System Revenue Debt Outstanding

Fiscal Year	Principal	Interest(1)	Total
2007-08	$ 9,870,000	$ 9,132,205	$ 19,002,205
2008-09	10,415,000	8,638,704	19,053,704
2009-10	10,760,000	8,162,955	18,922,955
2010-11	11,245,000	7,678,354	18,923,354
2011-12	11,805,000	7,123,655	18,928,655
2012-13	12,385,000	6,538,704	18,923,704
2013-14	13,005,000	5,919,455	18,924,455
2014-15	13,655,000	5,269,204	18,924,204
2015-16	14,210,000	4,586,455	18,796,455
2016-17	14,755,000	4,086,120	18,841,120
2017-18	15,325,000	3,566,597	18,891,597
2018-19	15,915,000	3,027,004	18,942,004
2019-20	16,530,000	2,466,637	18,996,637
2020-21	17,170,000	1,884,615	19,054,615
2021-22	17,835,000	1,280,060	19,115,060
2022-23	18,520,000	652,089	19,172,089
	$223,400,000	$80,012,813	$303,412,813

(1) Interest requirements on the $130,260,000 variable rate wastewater system revenue bonds are based on an average rate of 3.521%. The City entered into a derivative product with respect to these bonds with a qualified counterparty under which the City pays a fixed interest rate of 3.521% and receives in return payments at 72% of one month LIBOR.

The City entered into city purchase agreements with the City of Phoenix Civic Improvement Corporation for improvements to the City's wastewater system. The City of Phoenix Civic Improvement Corporation issued the bonds for odor control facilities, process improvements and capacity expansions of the 91st Avenue Wastewater Treatment Plant, laboratory building improvements at the 23rd Avenue Wastewater Treatment Plant, purchase of land and construction of water reclamation facilities in the northern service area, new sewers and lift stations in growth areas and rehabilitation and replacement of sewers throughout the wastewater system. The City made a junior lien pledge of designated revenues of the wastewater system to make payments sufficient to pay principal of and interest on the bonds. Amounts due on the bonds and pursuant to the city purchase agreements are as follows:

City of Phoenix Civic Improvement Corporation
Junior Lien Wastewater System Revenue Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 4-1-08
06-01-00	135,000,000	Wastewater System Improvements	7-1-05/10	6.01	13,905,000
07-01-01	166,260,000	Wastewater System Refunding	7-1-02/24	5.14	155,680,000
12-01-04	180,000,000	Wastewater System Improvements	7-1-10/29	4.97	175,040,000
11-27-07	300,000,000	Wastewater System Improvements	7-1-12/37	4.98	300,000,000
Total Junior Lien Wastewater System Revenue Bonded Debt					$644,625,000

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Junior Lien Wastewater System Revenue Debt Outstanding

Fiscal Year	Principal	Interest	Total
2007-08	$ 6,460,000	$ 27,824,880	$ 34,284,880
2008-09	8,225,000	31,962,601	40,187,601
2009-10	14,185,000	31,509,953	45,694,953
2010-11	14,940,000	30,754,528	45,694,528
2011-12	21,170,000	29,984,628	51,154,628
2012-13	22,195,000	29,041,601	51,236,601
2013-14	19,500,000	27,878,063	47,378,063
2014-15	8,400,000	26,901,825	35,301,825
2015-16	21,630,000	26,518,575	48,148,575
2016-17	22,780,000	25,408,669	48,188,669
2017-18	28,745,000	24,275,225	53,020,225
2018-19	30,240,000	22,818,387	53,058,387
2019-20	31,790,000	21,306,387	53,096,387
2020-21	33,425,000	19,716,887	53,141,887
2021-22	35,165,000	18,026,525	53,191,525
2022-23	30,775,000	16,272,063	47,047,063
2023-24	32,360,000	14,733,312	47,093,312
2024-25	22,245,000	13,115,313	35,360,313
2025-26	23,415,000	12,003,063	35,418,063
2026-27	24,645,000	10,832,313	35,477,313
2027-28	25,940,000	9,603,188	35,543,188
2028-29	27,300,000	8,306,188	35,606,188
2029-30	14,310,000	6,954,750	21,264,750
2030-31	15,095,000	6,239,250	21,334,250
2031-32	15,925,000	5,484,500	21,409,500
2032-33	16,800,000	4,688,250	21,488,250
2033-34	17,725,000	3,848,250	21,573,250
2034-35	18,700,000	2,962,000	21,662,000
2035-36	19,730,000	2,027,000	21,757,000
2036-37	20,810,000	1,040,500	21,850,500
	$644,625,000	$512,038,674	$1,156,663,674

SHORT-TERM DEBT

The City has no short-term indebtedness outstanding other than that normally occurring such as accounts payable, accrued payroll and other related expenses which have current revenues for their payment.

CONTRACTUAL COMMITMENTS

The City provides public transit service through contracts with Veolia Transportation Inc, MV Transportation, First Transit Inc. and the Regional Public Transportation Authority. The actual costs for all contracts through June 30, 2007 was $111,777,288, of which 11.1% was reimbursed by other local government entities that have contracted for service. The estimated liability for all contracts for 2007-08 is $112,995,072, of which approximately 13.2% is to be reimbursed by other local governmental entities that have contracted for service.

The City annually applies for a Federal Transit Formula Grant from the Department of Transportation, Federal Transit Administration. The grant provides from 80% to 94.3% federal funding for capital projects in the approved program of projects. The City has been the recipient of Federal Transit grants since 1975. The City has also been receiving State of Arizona aid since 1981-82 for transportation projects under the provisions of the Local Transportation Assistance Fund (LTAF) funded from a portion of the State lottery receipts. Continuation of the State lottery through July 2012 was approved by the voters in November 2002. The State aid, along with the City's general revenues and transit sales tax, will be the source of required local funds to match the awarded grants.

In addition, on August 31, 1998, then-Governor Jane Hull signed into law a transit funding bill (LTAF II) which provides communities in Arizona additional transportation funds. Initially, LTAF II funds could be used for any transportation purpose in communities outside Maricopa County, as well as communities within Maricopa County with populations less than 50,000. In 2000, additional legislation limited the use of LTAF II funds to public transportation only. Prior to 2003, the Vehicle License Tax (VLT) and the State General Fund were the primary contributors to the LTAF II fund. Since 2003, the Power Ball lottery earnings are the single contributor to the LTAF II fund. The overall fund must exceed $31 million annually in order to distribute funding, and distributions are capped at $18 million for any fiscal year.

On March 14, 2000, City of Phoenix residents approved a 0.4% 20-year sales tax dedicated to transit improvements. Transit improvements include expanded local bus and Dial-A-Ride service, bus rapid transit service, neighborhood circulators, and the construction and operation of a light rail system. In addition, the tax will provide funding for 500 bus pull-outs, 100 miles of bike lanes and left-turn arrows at all major intersections. Voters approved the tax by a 2 to 1 margin providing an estimated $2.9 billion in funding through May 31, 2020.

SUMMARY OF AUTHORIZED, ISSUED AND UNISSUED BONDS

Purpose	Original Authorization (1)	Bonds Issued	Remaining Authorization
GENERAL OBLIGATION BONDS:			
Affordable Housing and Neighborhood Revitalization	$ 81,000,000	$ 8,845,000	$ 72,155,000
Computer Technology	136,400,000	119,700,000	16,700,000
Education Facilities	198,700,000	186,600,000	12,100,000
Environmental Cleanup	37,600,000	22,700,000	14,900,000
Family, Senior and Youth Cultural Facilities	170,922,000	78,075,000	92,847,000
Fire Protection	136,205,000	64,200,000	72,005,000
Freeway Mitigation, Neighborhood Stabilization and Slum and Blight Elimination	29,285,000	28,285,000	1,000,000
Historic Preservation	12,000,000	9,925,000	2,075,000
Library Facilities	62,178,000	33,200,000	28,978,000
Neighborhood Protection and Senior Centers	74,000,000	68,345,000	5,655,000
Parks, Open Space and Recreational Facilities	192,500,000	123,700,000	68,800,000
Police Protection	186,095,000	86,925,000	99,170,000
Street Improvements	169,700,000	90,300,000	79,400,000
Storm Sewer Systems and Flood Protection	131,400,000	74,830,000	56,570,000
Total General Obligation Bonds	$1,617,985,000	$995,630,000	$622,355,000

(1) This is the original authorization of those 1988, 2001 and 2006 authorizations which still have a portion unissued.

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2007-12 CAPITAL IMPROVEMENT PROGRAM SUMMARY

The City Charter requires a Capital Improvement Program (CIP) be prepared in conjunction with the annual budget. The CIP is a multi-year plan for capital expenditures needed to replace and expand public infrastructure. The program is updated annually to reflect the latest priorities, cost estimates, and funding sources. The first year of the multi-year plan is appropriated as the annual capital budget.

Formal City Council adoption of the Capital Improvement Program indicates the City's commitment to the five-year plan, but does not in itself authorize expenditures. The necessary funding mechanisms must be adopted each year to pay for the improvements. The City Council authorized two sets of appropriations for the 2007-08 capital budget, which is the first year of the CIP: (1) authorization for the 2007-08 capital projects financed with bonds and bond-related funds; and (2) authorization for all 2007-08 pay-as-you-go projects financed with operating funds.

The 2007-12 CIP, which is summarized on pages C-38 and C-39, totals $7.04 billion, and will be funded by 1988, 1989, 2001 and 2006 bond authorizations, operating funds, Federal aid and other long-term financings. The CIP was adopted by the Phoenix City Council in June of 2007.

Summary of 2007-12 Capital Improvement Program
All Sources of Funds

Program	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Arts and Cultural Facilities	$ 26,188,000	$ 10,327,000	$ 28,000	$ 238,000	$ —	$ 36,781,000
Aviation(1)	245,054,000	553,321,000	341,993,000	254,692,000	295,168,000	1,690,228,000
Economic Development	27,490,000	39,920,000	12,830,000	10,230,000	2,000,000	92,470,000
Energy Conservation	1,575,000	1,250,000	1,388,000	1,450,000	1,450,000	7,113,000
Facilities Management	27,384,000	13,446,000	13,863,000	14,978,000	5,352,000	75,023,000
Fire Protection	29,074,000	14,800,000	20,103,000	19,197,000	—	83,174,000
Freeway Mitigation	5,157,000	—	—	—	—	5,157,000
Historic Preservation	5,618,000	3,085,000	1,730,000	3,054,000	—	13,487,000
HOPE VI	11,122,000	2,017,000	3,363,000	858,000	—	17,360,000
Housing	23,973,000	8,281,000	11,909,000	12,330,000	3,150,000	59,643,000
Human Services	13,568,000	5,400,000	6,000,000	5,900,000	—	30,868,000
Information Technology	13,706,000	9,551,000	9,927,000	6,233,000	—	39,417,000
Libraries	21,844,000	7,500,000	3,487,000	8,931,000	200,000	41,962,000
Neighborhood Services	15,300,000	7,850,000	7,850,000	8,119,000	—	39,119,000
Parks, Recreation and Mountain Preserves	243,056,000	57,908,000	35,210,000	20,145,000	—	356,319,000
Phoenix Convention Center	61,910,000	12,386,000	13,379,000	10,262,000	4,349,000	102,286,000
Police Protection	36,407,000	22,725,000	35,210,000	18,619,000	—	112,961,000
Public Transit	268,211,000	92,257,000	118,393,000	94,697,000	89,282,000	662,840,000
Solid Waste Disposal	36,802,000	17,340,000	20,746,000	20,999,000	9,383,000	105,270,000
Street Transportation and Drainage	196,014,000	155,105,000	135,335,000	158,035,000	128,960,000	773,449,000
Wastewater	388,374,000	114,330,000	159,737,000	87,534,000	164,214,000	914,189,000
Water	368,958,000	289,214,000	242,589,000	142,724,000	201,220,000	1,244,705,000
Total CIP Costs	$2,066,785,000	$1,438,013,000	$1,195,070,000	$899,225,000	$904,728,000	$6,503,821,000

(1) Revised to reflect updated Aviation CIP. Includes an additional $335,000,000 of projects that would be funded by an increase in Passenger Facility Charges from $4.50 to $6.00 beginning in 2010 if approved by the Federal Aviation Administration.

Program	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Operating Funds:						
General Funds	$ 15,106,000	$ 6,932,000	$ 5,675,000	$ 4,302,000	$ 3,302,000	$ 35,317,000
Parks and Preserves	119,116,000	36,984,000	13,301,000	—	—	169,401,000
Transit 2000	42,920,000	42,386,000	50,488,000	54,054,000	28,139,000	217,987,000
Development Services	25,000	89,000	250,000	134,000	—	498,000
Capital Construction	28,415,000	20,175,000	22,135,000	22,556,000	22,919,000	116,200,000
Arizona Highway Users	96,358,000	71,868,000	77,901,000	82,467,000	84,747,000	413,341,000
Public Transit	15,428,000	3,037,000	8,675,000	8,488,000	34,249,000	69,877,000
Community Reinvestment	6,547,000	1,130,000	2,000,000	2,000,000	2,000,000	13,677,000
Community Development Block Grants (CDBG)	3,672,000	600,000	600,000	600,000	200,000	5,672,000
HOPE VI Grant	8,325,000	1,347,000	—	—	—	9,672,000
Other Restricted	1,363,000	—	—	—	—	1,363,000
Grant Funds	9,485,000	—	—	—	—	9,485,000
Enterprise Funds:						
Aviation(1)	48,315,000	95,131,000	41,350,000	25,679,000	52,696,000	263,171,000
Convention Center	39,830,000	5,848,000	4,728,000	4,600,000	4,550,000	59,556,000
Solid Waste	5,674,000	3,073,000	3,643,000	3,680,000	3,214,000	19,284,000
Wastewater	45,652,000	39,190,000	40,391,000	56,779,000	42,276,000	224,288,000
Water	68,678,000	93,827,000	78,993,000	113,286,000	98,518,000	453,302,000
Total Operating Funds	$ 554,909,000	$ 421,617,000	$ 350,130,000	$378,625,000	$376,810,000	$2,082,091,000
Bond Funds:						
Property Tax Supported Bonds:						
2006 Various Purpose	$ 160,727,000	$ 191,080,000	$ 168,273,000	$158,728,000	$ —	$ 678,808,000
2001 Various Purpose	78,742,000	—	817,000	—	—	79,559,000
1989 Historic Preservation	217,000	—	—	—	—	217,000
1988 Various Purpose	2,684,000	—	—	—	—	2,684,000
Non-Profit Corporation Bonds:						
Aviation(1)	156,070,000	362,449,000	156,282,000	73,514,000	98,522,000	846,837,000
Convention Center	19,727,000	—	—	—	—	19,727,000
Solid Waste	32,465,000	13,090,000	15,695,000	16,224,000	4,500,000	81,974,000
Transit 2000	176,591,000	33,500,000	14,000,000	—	—	224,091,000
Wastewater	239,417,000	48,560,000	98,726,000	15,152,000	93,304,000	495,159,000
Water	267,304,000	163,784,000	162,310,000	23,332,000	99,455,000	716,185,000
Other	28,222,000	1,268,000	792,000	—	—	30,282,000
Total Bond Funds	$1,162,166,000	$ 813,731,000	$ 616,895,000	$286,950,000	$295,781,000	$3,175,523,000
Other Capital Sources:						
Impact Fees	$ 138,088,000	$ 17,145,000	$ 500,000	5,000,000	$ —	$ 160,733,000
Passenger Facility Charge(1)	28,889,000	49,718,000	130,703,000	125,680,000	125,444,000	460,434,000
Other Cities' Share: SROG and Val Vista	95,942,000	46,822,000	23,361,000	17,719,000	32,381,000	216,225,000
Sold Waste Remediation	3,023,000	1,218,000	1,520,000	1,156,000	1,668,000	8,585,000
Capital Grants(1)	41,876,000	62,789,000	63,204,000	65,641,000	48,349,000	281,859,000
Federal, State and Other Participation	19,788,000	2,535,000	7,881,000	18,454,000	24,295,000	72,953,000
Parks Capital Gifts	1,068,000	—	—	—	—	1,068,000
Private Participation	3,750,000	2,000,000	876,000	—	—	6,626,000
Capital Reserves	15,064,000	20,438,000	—	—	—	35,502,000
Other Capital	2,222,000	—	—	—	—	2,222,000
Total Other Capital Sources	$ 349,710,000	$ 202,665,000	$ 228,045,000	$233,650,000	$232,137,000	$1,246,207,000
TOTAL CIP SOURCES	$2,066,785,000	$1,438,013,000	$1,195,070,000	$899,225,000	$904,728,000	$6,503,821,000

(1) Revised to reflect updated Aviation CIP. Includes an additional $335,000,000 of projects that would be funded by an increase in Passenger Facility Charges from $4.50 to $6.00 beginning in 2010 if approved by the Federal Aviation Administration.

COMBINED FINANCIAL SCHEDULES

The schedules summarized on pages C-41 through C-49 present the revenues, expenditures and encumbrances, fund balances and transfers of all City operating funds on a non-GAAP budgetary basis. The schedules reflect actual results for fiscal years 2004-05 through 2006-07 and estimated amounts for fiscal year 2007-08. The schedules are presented on a budgetary basis to provide a meaningful comparison of actual results with the City's budget for all City operating funds.

COMBINED SCHEDULES OF REVENUES, EXPENDITURES AND ENCUMBRANCES, FUND BALANCES AND TRANSFERS — ALL OPERATING FUNDS

City of Phoenix, Arizona
Schedules of Revenues, Expenditures and Encumbrances
All Operating Funds
(Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)

	Actual			Estimated
	2005	2006	2007	2008(1)
REVENUES				
City Taxes				
Sales, Use and Franchise	$ 593,605	$ 697,213	$ 739,467	$ 786,607
Property-Primary-Operating	82,547	89,721	95,060	102,317
-Secondary-Debt Service	100,761	107,763	117,337	163,227
Other City Taxes	2,554	2,857	2,785	2,705
Other				
Licenses and Permits	13,650	14,206	15,786	12,754
Charges for Services	158,767	136,861	141,454	137,831
Fines and Forfeitures	18,401	19,908	19,143	21,987
Parks, Recreation and Library	6,610	8,696	9,870	7,026
Dwelling Rentals	5,993	7,630	7,998	7,107
Interest	18,495	20,046	27,330	21,695
Other	37,650	33,202	31,020	89,644
State-Shared Revenues				
Highway User Tax	117,464	124,791	130,223	130,217
State Sales Tax	123,788	141,194	141,466	141,806
State Income Tax	121,440	138,313	167,560	207,702
Vehicle License Tax	56,552	63,108	61,158	61,740
Local Transportation Assistance	7,136	7,034	6,969	6,910
Federal Revenues				
Human Resources Federal Trust	47,560	43,919	34,215	34,189
Federal Transit Administration	6,704	7,839	12,024	10,176
Community Development	21,098	17,764	16,000	37,289
Public Housing Grants	62,364	59,127	50,138	63,548
HOPE VI Grants	6,622	9,212	9,190	8,276
Other Grants	34,205	39,614	66,213	37,210
Federal Administrative Cost Recovery	75	75	75	75
Enterprise Funds				
Aviation	228,879	287,026	322,870	332,513
Phoenix Convention Center	9,411	10,894	13,341	13,592
Water System and Val Vista	252,644	297,711	311,935	324,234
Wastewater and SROG	157,806	173,133	198,083	209,194
Solid Waste	108,525	118,670	127,411	132,021
Golf Courses	5,833	6,793	7,629	7,983
Total Revenues	2,407,139	2,684,320	2,883,750	3,111,575
RECOVERIES				
Prior Year Expenditures	12,812	14,231	10,295	2,650
TRANSFERS (TO) FROM OTHER FUNDS				
Special Risk Fund	—	—	(1,077)	—
Capital Projects Funds	(9,064)	(20,276)	(17,320)	9,778
Early Redemption Fund	(2,560)	—	—	(3,540)
Street and Highway Debt Service Fund	—	—	20	—
Infrastructure Repayment Agreement Trust	(6,055)	(6,292)	(6,549)	(9,225)
GO Net Premium Debt Service	—	4,177	—	—
Net Deposit to Refunding Escrow	215	—	4,416	—
FUND BALANCES, BEGINNING OF YEAR	661,165	732,555	888,832	990,380
Total Resources Available for Expenditures	3,063,652	3,408,715	3,762,367	4,101,618

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Schedules of Revenues, Expenditures and Encumbrances
All Operating Funds
(Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

	Actual			Estimated
	2005	2006	2007	2008(1)
EXPENDITURES AND ENCUMBRANCES				
Operating Expenditures				
General Government	$ 85,743	$ 87,144	$ 95,626	$ 82,914
Criminal Justice	32,794	34,224	36,643	57,403
Public Safety	580,329	636,192	692,203	783,290
Transportation				
Streets and Traffic	55,999	58,557	63,928	67,157
Transit	126,500	131,103	142,994	177,194
Community and Economic Development				
Development Services	42,391	47,865	52,878	50,813
Neighborhood Services and Housing	99,781	89,664	103,767	132,304
Other Economic Development	16,355	25,846	17,470	27,808
Community Enrichment				
Parks and Recreation	90,388	98,229	108,006	116,052
Libraries	30,694	32,884	36,235	38,131
Other Community Enrichment	6,733	7,960	10,255	4,649
Human Services	72,111	61,861	60,766	63,800
Environmental Services	19,667	21,944	22,507	23,115
Total Governmental Expenditures	1,259,485	1,333,473	1,443,278	1,624,630
Enterprise Funds				
Aviation	144,490	158,194	189,388	206,249
Phoenix Convention Center	29,972	32,037	35,584	45,005
Water System and Val Vista	128,482	135,275	147,283	167,522
Wastewater and SROG	70,849	75,343	82,278	88,831
Solid Waste	78,010	82,832	99,988	112,294
Golf Courses	5,931	6,505	7,733	8,865
Total Operating Expenditures	1,717,219	1,823,659	2,005,532	2,253,396
Capital Improvement				
Governmental Funds				
General Government	5,172	4,588	724	24,848
Public Safety	1,239	—	—	—
Transportation	108,233	119,489	102,734	183,121
Public Works	6,114	7,820	3,577	—
Community and Economic Development	10,977	15,217	13,007	18,569
Community Enrichment	26,624	23,872	9,474	119,116
Enterprise Funds				
Aviation	15,581	33,546	47,855	34,320
Phoenix Convention Center	1,057	14,150	34,983	39,830
Water System and Val Vista	52,883	33,949	46,076	68,678
Wastewater and SROG	23,110	27,025	28,984	45,652
Solid Waste	7,918	2,375	6,865	5,674
Total Capital Improvement	258,908	282,031	294,279	539,808

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Schedules of Revenues, Expenditures and Encumbrances
All Operating Funds
(Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

	Actual 2005	Actual 2006	Actual 2007	Estimated 2008(1)
EXPENDITURES AND ENCUMBRANCES (Continued)				
Debt Service				
General Obligation Bonds				
Various Purpose				
Principal	$ 31,566	$ 42,920	$ 23,690	$ 29,695
Interest	41,866	50,690	39,386	59,816
Early Redemption	28,027	19,214	55,506	73,711
Arbitrage Rebate and Fees	7	5	664	5
Airport				
Principal	3,230	3,535	3,590	3,780
Interest	1,439	1,217	1,104	770
Water				
Principal	9,673	11,260	8,975	19,655
Interest	7,303	6,213	5,722	5,188
Solid Waste				
Principal	4,685	4,945	4,365	5,515
Interest	2,221	1,994	2,596	1,499
Sanitary Sewer				
Principal	7,232	4,678	4,733	5,200
Interest	3,956	2,979	2,937	2,498
Revenue Bonds				
Street & Highway User				
Principal	20,540	23,385	24,375	25,840
Interest	8,667	7,862	6,867	5,405
Public Housing				
Principal	420	440	480	500
Interest	128	102	74	43
Airport				
Principal	9,170	8,325	14,750	9,390
Interest	24,127	23,633	38,483	30,663
Water				
Principal	8,815	9,720	17,815	19,580
Interest	23,966	53,675	52,409	51,681
Sanitary Sewer				
Principal	6,810	7,300	13,380	16,330
Interest	20,658	29,156	28,604	36,957
Total Debt Service	264,506	313,248	350,505	403,721
Lease-Purchase Payments	90,464	100,945	121,671	156,300
Total Expenditures	2,331,097	2,519,883	2,771,987	3,353,225
FUND BALANCES, END OF YEAR	$ 732,555	$ 888,832	$ 990,380	$ 748,393

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Fund Balances
All Operating Funds
(Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)

Funds	Actual 2005	Actual 2006	Actual 2007	Estimated 2008(1)
GENERAL FUND	$ 38,903	$ 68,761	$ 68,689	$ 33,062
SPECIAL REVENUE FUNDS				
Highway User Revenue	30,918	27,222	34,341	3,758
Parks and Recreation	49,707	60,624	89,016	3,841
Development Services	26,375	31,970	28,056	17,874
Community Reinvestment	6,199	6,239	8,498	4,597
Local Transportation Assistance	—	—	3	30
Grants	—	(585)	—	—
Transit	162,495	164,005	198,923	188,533
Public Housing	32,683	36,153	32,348	22,100
Court Awards	—	286	1,198	1,198
Sports Facilities	9,732	16,563	22,957	29,906
Capital Construction	7,026	7,716	9,310	1,527
Other Restricted	15,542	24,076	27,261	23,282
Neighborhood Protection	670	2,083	2,953	1,598
Public Safety Enhancement	(245)	4,323	7,277	6,407
Public Safety Expansion	—	—	—	14,487
DEBT SERVICE FUNDS				
Secondary Property Tax	100	100	3,640	100
City Improvement	—	—	163	163
ENTERPRISE FUNDS				
Aviation	55,246	100,394	113,463	133,047
Phoenix Convention Center	61,701	60,843	43,807	14,726
Water System and Val Vista	143,785	166,155	177,479	148,473
Wastewater and SROG	61,692	72,761	89,136	81,473
Solid Waste	30,707	40,711	34,777	23,026
Golf Courses	(681)	(1,568)	(2,915)	(4,815)
Total Operating Funds	$732,555	$888,832	$990,380	$748,393

The fund balances shown above are net of interfund transfers, which include transfers to the General Fund of staff and administrative costs from the Aviation, Phoenix Convention Center, Water System, Wastewater and Solid Waste Enterprise Funds, as well as in-lieu taxes from the Water System, Wastewater and Solid Waste Enterprise Funds and the Public Housing Special Revenue Fund. A schedule detailing all operating fund transfers is shown on the following pages.

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Transfers
All Operating Funds
(Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)

	Actual			Estimated
	2005	**2006**	**2007**	**2008(1)**
GENERAL FUND				
Transfers From				
Excise Tax	$584,889	$ 663,124	$ 715,340	$ 765,135
Development Services	3,566	3,664	4,258	3,869
Public Housing	260	301	325	—
Sports Facilities	191	230	197	184
Aviation	5,233	6,121	6,188	6,388
Phoenix Convention Center	2,000	2,095	2,194	2,331
Water System and Val Vista	15,127	16,032	16,694	16,504
Wastewater and SROG	8,563	9,033	9,528	9,856
Solid Waste	4,664	5,019	5,608	5,798
Golf Courses	337	366	397	264
Total	624,830	705,985	760,729	810,329
Transfers To				
Neighborhood Protection	(148)	—	—	—
Infrastructure Repayment Agreement Trust	—	—	3,550	5,355
Special Risk	—	—	781	—
Total	(148)	—	4,331	5,355
HIGHWAY USER REVENUE				
Transfers From				
Capital Projects	—	—	882	2,288
Street and Highway Debt Service	—	—	20	—
Total	—	—	902	2,288
Transfers To				
Aviation	—	—	—	1,843
PARKS AND RECREATION				
Transfers From				
Excise Tax	24,809	29,205	31,106	31,194
Transfers To				
Infrastructure Repayment Agreement Trust	—	—	333	313
EXCISE TAX				
Transfers To				
General	584,889	663,124	715,340	765,135
Parks and Recreation	24,809	29,205	31,106	31,194
Transit	98,941	117,442	124,432	124,776
Sports Facilities	13,428	14,561	15,992	16,877
Capital Construction	17,673	18,868	18,975	20,284
Neighborhood Protection	25,337	29,317	31,105	31,196
Public Safety Enhancement	3,136	20,330	23,656	25,119
Public Safety Expansion	—	—	—	37,934
City Improvement	20,765	23,778	28,770	24,586
Phoenix Convention Center	46,261	56,288	61,648	61,533
Infrastructure Repayment Agreement Trust	6,055	6,292	—	—
Total	841,294	979,205	1,051,024	1,138,634
DEVELOPMENT SERVICES				
Transfers To				
General	3,566	3,664	4,258	3,869
Special Risk	—	—	37	—
Total	3,566	3,664	4,295	3,869

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Transfers
All Operating Funds
(Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

	Actual			Estimated
	2005	2006	2007	2008(1)
TRANSIT				
Transfers From				
Excise Tax	$ 98,941	$ 117,442	$ 124,432	$ 124,776
Capital Construction	—	—	1,203	—
Capital Project	—	127	—	1,726
Total	98,941	117,569	125,635	126,502
Transfers To				
Infrastructure Repayment Agreement Trust	—	—	1,334	1,232
City Improvement	14,811	27,348	38,126	39,996
Special Risk	—	—	7	—
Total	14,811	27,348	39,467	41,228
PUBLIC HOUSING				
Transfers From				
Capital Projects	1,330	534	—	—
Transfers To				
General	260	301	325	—
City Improvement	76	72	71	—
Capital Projects	192	—	238	—
Special Risk	—	—	11	—
Total	528	373	645	—
GRANTS				
Transfers To				
Capital Projects	—	1,300	—	—
SPORTS FACILITIES				
Transfers From				
Excise Tax	13,428	14,561	15,992	16,877
Transfers To				
General	191	230	197	184
Early Redemption	2,560	—	—	—
Infrastructure Repayment Agreement Trust	—	—	240	416
Capital Projects	500	204	—	—
Total	3,251	434	437	600
CAPITAL CONSTRUCTION				
Transfers From				
Excise Tax	17,673	18,868	18,975	20,284
Transfer To				
Transit	—	—	1,203	—
Capital Projects	—	—	91	—
Aviation	—	—	—	741
Infrastructure Repayment Agreement Trust	—	—	1	—
Total	—	—	1,295	741
NEIGHBORHOOD PROTECTION				
Transfers From				
General Fund	(148)	—	—	—
Excise Tax	25,337	29,317	31,105	31,196
Total	25,189	29,317	31,105	31,196

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Transfers
All Operating Funds
(Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

	Actual			Estimated
	2005	2006	2007	2008(1)
NEIGHBORHOOD PROTECTION (continued)				
Transfers To				
Infrastructure Repayment Agreement Trust	$ —	$ —	$ 382	$ 396
Special Risk	—	—	13	—
Total	—	—	395	396
PUBLIC SAFETY ENHANCEMENT				
Transfers From				
Excise Tax	3,136	20,330	23,656	25,119
Transfers To				
Special Risk	—	—	5	—
PUBLIC SAFETY EXPANSION				
Transfer from				
Excise Tax	—	—	—	37,934
Transfer to				
Infrastructure Repayment Agreement Trust	—	—	—	381
CITY IMPROVEMENT				
Transfers From				
Excise Tax	20,765	23,778	28,770	24,586
Transit	14,811	27,348	38,126	39,996
Public Housing	76	72	71	—
Capital Projects	—	—	—	7,000
Total	35,652	51,198	66,967	71,582
SECONDARY PROPERTY TAX				
Transfer To				
Early Redemption	—	—	—	3,540
CAPITAL PROJECTS				
Transfers From				
Capital Construction	—	—	91	—
Sports Facilities	500	204	—	—
Grants	—	1,300	—	—
Public Housing	192	—	238	—
Solid Waste	1,138	1,178	—	1,236
Water System and Val Vista	—	10,799	20,000	—
Wastewater and SROG	8,800	9,300	11,900	—
Total	10,630	22,781	32,229	1,236
Transfers To				
Transit	—	127	—	1,726
Highway User	—	—	882	2,288
City Improvement	—	—	—	7,000
Public Housing	1,330	534	—	—
Aviation	—	—	1,254	—
Phoenix Convention Center	—	2,080	—	—
Water System and Val Vista	—	—	12,628	—
Solid Waste	—	—	145	—
Golf Courses	236	(236)	—	—
Total	1,566	2,505	14,909	11,014

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Transfers
All Operating Funds
(Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

	Actual 2005	Actual 2006	Actual 2007	Estimated 2008(1)
AVIATION				
Transfers From				
Capital Projects	$ —	$ —	$ 1,254	$ —
Highway User	—	—	—	1,843
Capital Construction	—	—	—	741
Total	—	—	1,254	2,584
Transfers To				
General	5,233	6,121	6,188	6,388
Special Risk	—	—	60	—
Total	5,233	6,121	6,248	6,388
PHOENIX CONVENTION CENTER				
Transfers From				
Excise Tax	46,261	56,288	61,648	61,533
Capital Projects	—	2,080	—	—
Total	46,261	58,368	61,648	61,533
Transfers To				
General	2,000	2,095	2,194	2,331
Infrastructure Repayment Agreement Trust	—	—	709	1,132
Special Risk	—	—	14	—
Total	2,000	2,095	2,917	3,463
WATER SYSTEM AND VAL VISTA				
Transfer From				
Capital Projects	—	—	12,628	—
Transfers To				
General	15,127	16,032	16,694	16,504
Capital Projects	—	10,799	20,000	—
Special Risk	—	—	78	—
Total	15,127	26,831	36,772	16,504
WASTEWATER AND SROG				
Transfers To				
General	8,563	9,033	9,528	9,856
Capital Projects	8,800	9,300	11,900	—
Special Risk	—	—	26	—
Total	17,363	18,333	21,454	9,856
SOLID WASTE				
Transfer From				
Capital Projects	—	—	145	—
Transfers To				
General	4,664	5,019	5,608	5,798
Capital Projects	1,138	1,178	—	1,236
Special Risk	—	—	39	—
Total	5,802	6,197	5,647	7,034

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Transfers
All Operating Funds
(Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

	Actual			Estimated
	2005	2006	2007	2008(1)
GOLF COURSES				
Transfer From				
Capital Projects	$ 236	$ (236)	$ —	$ —
Transfers To				
General	337	366	397	264
Special Risk	—	—	6	—
Total	337	366	403	264
SPECIAL RISK				
Transfer From				
General	—	—	781	—
Transit	—	—	7	—
Public Housing	—	—	11	—
Development Services	—	—	37	—
Public Safety Enhancement	—	—	5	—
Neighborhood Protection	—	—	13	—
Aviation	—	—	60	—
Phoenix Convention Center	—	—	14	—
Water System and Val Vista	—	—	78	—
Wastewater and SROG	—	—	26	—
Solid Waste	—	—	39	—
Golf Courses	—	—	6	—
Total	—	—	1,077	—
STREET AND HIGHWAY DEBT SERVICE				
Transfers To				
Highway User Revenue	—	—	20	—
EARLY REDEMPTION				
Transfers From				
Sports Facilities	2,560	—	—	—
Secondary Property Tax	—	—	—	3,540
Total	2,560	—	—	3,540
INFRASTRUCTURE REPAYMENT AGREEMENT TRUST				
Transfers From				
Excise Tax	6,055	6,292	—	—
General Fund	—	—	3,550	5,355
Parks and Recreation	—	—	333	313
Transit	—	—	1,334	1,232
Sports Facilities	—	—	240	416
Capital Construction	—	—	1	—
Neighborhood Protection	—	—	382	396
Public Safety Expansion	—	—	—	381
Phoenix Convention Center	—	—	709	1,132
Total	6,055	6,292	6,549	9,225
Total Transfers From	$910,730	$1,074,772	$1,190,597	$1,251,423
Total Transfers To	$910,730	$1,074,772	$1,190,597	$1,251,423

(1) Based on seven months' actual data, with balance of year estimated.

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APPENDIX D

CITY SALES AND STATE SHARED REVENUES

The following information was compiled from annual financial reports of the City and from information provided by the City's Finance Department.

City Privilege License (Sales) Taxes

The City's privilege license (sales) tax rate for most business activity categories is 2.0%, while the rate for utilities is 2.7%, advertising is 0.5%, transient room rental is 5.0%, short-term car rental is 4.0%, telecommunications is 4.7% and commercial real estate rental is 2.1%. The City collected $514,570,000 from all privilege license tax categories in fiscal year 2002-03, $543,709,000 in fiscal year 2003-04, $593,605,000 in fiscal year 2004-05, $697,213,000 in fiscal year 2005-06 and $739,467,000 in fiscal year 2006-07. The estimate for 2007-08 is $786,607,000.

Privilege License Tax Rates by Category

Category	Rate(1)
Mining	0.1%
Advertising	0.5
Amusement	2.0
Contracting	2.0
Leasing/Rental of Tangible Personal Property	2.0
Printing	2.0
Publishing	2.0
Residential Real Estate Rentals	2.0
Restaurants and Bars	2.0
Retail	2.0(2)
Transportation	2.0
Commercial Real Estate Rentals	2.1
Utilities	2.7
Short-term Car Rental	4.0
Telecommunications	4.7
Hotel/Motel	5.0
Jet Fuel	$0.00732/gallon

(1) On October 5, 1993, City of Phoenix voters approved a 0.1% increase in the City's privilege license (sales) tax rate. The revenues produced by the increase must be used to add police officers and firefighters and to expand neighborhood programs designed to deter crime. The increase affects all privilege license tax categories except advertising, utilities, cable television, jet fuel, telecommunications and mining and became effective December 1, 1993. The increase generated $21.8 million in 2002-03, $23.1 million in 2003-04, $25.3 million in 2004-05, $29.6 million in 2005-06 and $31.1 million in 2006-07. The estimate for 2007-08 is $31.2 million.

On September 7, 1999, City of Phoenix voters approved a 0.1% increase in the City's privilege license (sales) tax rate to be levied for a 10-year period. The revenues produced by the increase will be used for the acquisition of desert preserve open space and the development and improvement of regional and neighborhood parks located within the City. The increase affects all privilege license tax categories except advertising, utilities, cable television, jet fuel, telecommunications, and mining and became effective November 1, 1999. The increase generated $21.8 million in 2002-03, $23.1 million in 2003-04, $25.4 million in 2004-05, $29.6 million in 2005-06 and $31.1 million in 2006-07. The estimate for 2007-08 is $31.2 million. On

May 20, 2008, City of Phoenix voters approved a 30-year extension of this tax. This extension also increases the possible uses of these funds to include operational expenses such as salaries for park rangers and maintenance workers. Forty percent of the revenues produced by the extension will be used to acquire land for Phoenix's Sonoran Preserve. The remaining sixty percent will be used to finance improvements to parks throughout the City. The extension will become effective July 1, 2008.

On March 14, 2000, City of Phoenix voters approved a 0.4% increase in the City's privilege license (sales) tax rate to be levied for a 20-year period. The revenues produced by the increase will be used for expanded bus service, the construction of a light rail system and other transportation improvements. The increase affects all privilege license tax categories except advertising, utilities, cable television, jet fuel, telecommunications, and mining and became effective June 1, 2000. The increase generated $87.1 million in 2002-03, $92.3 million in 2003-04, $101.5 million in 2004-05, $118.5 million in 2005-06 and $124.4 million in 2006-07. The estimate for 2007-08 is $124.8 million.

On September 11, 2007, City of Phoenix voters approved a 0.2% increase in the City's privilege license (sales) tax rate. Eighty percent of the revenues produced by the increase will be used by the Phoenix Police Department to recruit, hire, train and equip at least 500 police officers and police personnel; hire crime scene investigation (CSI) forensic teams; and to make service calls more efficient. Twenty percent of the revenues produced by the increase will be used by the Phoenix Fire Department to recruit, hire, train and equip at least 100 firefighters and fire personnel to improve fire protection services. Effective December 1, 2007, the increase will affect all privilege license tax categories except advertising, utilities, cable television, jet fuel, telecommunications and mining, and is reflected in the rates listed in the table. The increase is estimated to generate $37.9 million in 2007-08.

(2) Sales of food are exempt from the 2.0% tax.

State Shared Revenues

The City received a total of $403,705,000 in State-shared revenues in fiscal year 2002-03, $403,237,000 in fiscal year 2003-04, $426,380,000 in fiscal year 2004-05, $474,440,000 in fiscal year 2005-06 and $507,376,000 in fiscal year 2006-07. The estimate for 2007-08 is $548,375,000.

State Sales Tax

Effective July 1, 1986, the State sales tax became a combined tax, including the previous transaction privilege tax, education excise tax, special education excise tax and business excise tax. Cities throughout Arizona share 25% of the "distribution share" of such combined tax revenues in relation to their population as shown by the latest census.

State Sales Tax
Taxable Activities, Tax Rates and Distribution Share

Taxable Activities	Combined Tax Rate	Distribution Share
Mining — Severance	2.5%	80%
Mining, Oil & Gas	3.125	32
Transportation & Towing	5.6	20
Utilities	5.6	20
Communications	5.6	20
Railroads & Aircraft	5.6	20
Publishing	5.6	20
Printing	5.6	20
Private Car/Pipelines	5.6	20
Contracting	5.6	20
Restaurants and Bars	5.6	40
Amusements	5.6	40
Rentals/Personal Property	5.6	40
Retail(1)	5.6	40
Hotel/Motel	5.5	50
Membership Camping	5.6	40
Rental Occupancy	3.0	66.67
Use	5.6	0
Jet Fuel (1st 10 million Gallons)	$0.0305/gallon	40
Timbering — Ponderosa Pine	$2.13/1,000 board ft.	80
Timbering — Severance — Other	$1.51/1,000 board ft.	80

(1) Effective July 1, 1980, sales of food were exempted from the tax.

State Sales Tax Receipts

Fiscal Year	Amount
2007-08 (Estimated)	$141,806,000
2006-07	141,466,000
2005-06	141,194,000
2004-05	123,788,000
2003-04	111,594,000
2002-03	103,408,000
2001-02	102,211,000
2000-01	105,331,000
1999-00	101,708,000
1998-99	92,459,000
1997-98	86,169,000

State Income Tax Receipts

For fiscal years 2002-03 and 2003-04, cities throughout Arizona shared in 14.8% of the State personal and corporate income taxes collected two years previously in relation to their population as determined by the latest census. This reduction from 15.0% was made in the 2002 legislative session and was approved for two fiscal years. Cities again shared 15% of collections beginning in fiscal year 2004-05. For fiscal year 1999-2000, the applicable percentage had been increased to 15.8% in order to hold cities harmless for cuts made in prior years that went into effect in 1997-98. However, the 1999 legislative session resulted in the approval of a reduction in the portion of income taxes shared with cities and towns from 15.8% to 15.0%. This resulted in an estimated reduction for Phoenix in 2000-01 of $7.1 million and each year thereafter.

Reductions in state income tax rates enacted in the 1998 legislative session resulted in future reductions in the City's state income tax distribution. Because distributions are based on amounts collected for the fiscal year two years prior to the current fiscal year, the first decrease occurred in fiscal year 2000-01. The distribution to the City was estimated to decrease $1.9 million in 2000-01 and $3.5 million each year thereafter.

State Income Tax Receipts

Fiscal Year	Amount
2007-08 (Estimated)	$207,702,000
2006-07	167,560,000
2005-06	138,313,000
2004-05	121,440,000
2003-04	119,118,000
2002-03	140,600,000
2001-02	137,787,000
2000-01	133,684,000
1999-00	127,374,000
1998-99	114,788,000
1997-98	98,326,000

HIGHWAY USER REVENUES

In 1981, the Arizona Legislature concluded a special session on transportation by enacting a 10-year highway and transportation financing program. All provisions of this legislation, except for the legislated increase in motor vehicle fuel and use fuel taxes, became effective in October 1981. The 1981 legislation had increased the motor vehicle fuel and use fuel taxes from $0.08 per gallon to 8% of the average retail price of gasoline, converted to a cents-per-gallon tax rate.

In February 1982, the Legislature repealed the 1981 fuel tax increase by adopting a new bill which reinstated the $0.08 per gallon fuel tax and added an additional $0.02 per gallon on July 1, 1982, with an additional $0.02 increase effective July 1, 1983 and a final $0.01 increase effective July 1, 1984, for a total motor vehicle fuel and use fuel tax rate of $0.13 per gallon.

The 1981 legislation increased other highway user tax revenue sources. Revenues from the vehicle license (in lieu) tax were increased due to an alteration in the method of determining the depreciated value of a vehicle to which the vehicle license tax applies. The rates of the motor carrier ton-mile tax and other commercial fees were also increased. In addition, the legislation provided for a redistribution of certain "auto related" revenue from the State's general fund to the highway user revenue fund.

In 1985, the Arizona Legislature enacted transportation finance legislation providing potential funding for controlled access highways and regional public transportation, raising additional Highway User Tax Revenues and providing additional funding sources for the state highway system. Additional Highway User Tax Revenues were provided through an increase in the motor vehicle fuel and use fuel taxes of $0.03, from $0.13 to $0.16 per gallon, effective January 1, 1986, and by an additional $0.01 to $0.17 per gallon effective August 31, 1988. Effective October 1, 1990, the tax on motor vehicle fuel and use fuel was increased by an additional $0.01 to $0.18 per gallon for vehicles under 26,001 pounds and other qualifying vehicles. The use fuel tax rate for all other vehicles is $0.26 per gallon (decreased from $0.27 per gallon on July 1, 2000). Effective September 1, 2005 through December 31, 2010, the use fuel tax rate for vehicles transporting forest products was reduced $0.13 per gallon from $0.26 to $0.13 per gallon.

The highway user revenue fund distribution formula has been changed several times, with the last change made in the 1997 regular session of the Legislature. Under the revised formula, the Arizona Department of Transportation

(ADOT) receives 50.5%, counties receive 19%, cities receive 27.5%, and cities with a population over 300,000 receive 3%. The distribution of revenues to cities and towns (the 27.5% portion) is made on the following basis:

> One-half of the highway user tax revenues is distributed to each incorporated city and town in the proportion that the population of each bears to the population of all cities and towns within the State, and;
>
> One-half is distributed first on the basis of the county origin of sales of motor vehicle fuels within the State. This amount is then apportioned among the incorporated cities and towns within each county in the proportion that the population of each city or town bears to the total population of all cities and towns within the county.

The most recent regular or special United States census of population is used as the basis of apportionments of Highway User Tax Revenues.

The 1981 legislation phased the Arizona Department of Public Safety (DPS) out of the Highway User Revenue Fund. However, in 1991, the Legislature amended the law to require that moneys be distributed each year from the Highway User Revenue Fund and the State Highway Fund to DPS for funding a portion of highway patrol costs in any amount required by legislative appropriation. The State Legislature enacted legislation in 1995 that reduced the transfer of Highway User Revenues to DPS by $2.5 million each year for four years beginning in 1996-97 and ending in 1999-00. However, legislation enacted in 1999 kept the distribution from the Highway User Revenue Fund at the then current $12.5 million. In 1998-99, 1999-00, and 2000-01, the total distributions to DPS were approximately $25 million, consisting of the $12.5 million directly distributed from the Highway User Revenue Fund and $12.5 million from the State Highway Fund. For 2001-02, the distribution to DPS totaled approximately $65 million ($52 million from the Highway User Revenue Fund and $13 million from the State Highway Fund). The distribution from the Highway User Revenue Fund included approximately $30 million in additional distributions authorized in 2001-02 by the Arizona Legislature from the Highway User Revenue Fund to be made prior to the distribution to local governments. For 2002-03, the distribution to DPS totaled approximately $83 million ($55 million from the Highway User Revenue Fund and $28 million from the State Highway Fund), including an estimated $42 million in additional distributions from the Highway User Revenue Fund authorized by the Arizona legislature. For 2003-04, the distribution to DPS was approximately $79 million ($49 million from the Highway User Revenue Fund and $30 million from the State Highway Fund). For 2004-05, the distribution to DPS was approximately $81 million ($51 million from the Highway User Revenue Fund and $30 million from the State Highway Fund. For 2005-06, the distribution to DPS was approximately $106 million ($64 million from the Highway User Revenue Fund and $42 million from the State Highway Fund). For 2006-07, the distribution totaled $20 million ($10 million from the Highway User Revenue Fund and $10 million from the State Highway Fund). The projected distribution to DPS for 2007-08 is $20 million ($10 million from the Highway User Revenue Fund and $10 million from the State Highway Fund).

As noted above, the latest distribution formula for highway user revenue funds provides for the distribution of a 3% portion to incorporated cities with a population of 300,000 or more. This funding can be used for the acquisition of rights-of-way or construction of streets or highways. The 1997 legislation removed language that had previously restricted this distribution of funds from being used for controlled-access purposes. Based on the 1995 special census, effective July 1, 1996, the city of Mesa became eligible to share in this distribution, along with Phoenix and Tucson. The inclusion of Mesa in the special distribution of the 3% portion resulted in an estimated reduction to the City of Phoenix of approximately $3.0 million annually beginning in 1996-97.

City of Phoenix, Arizona

Highway User Tax Revenues		Vehicle License Tax Receipts	
Fiscal Year	Amount	Fiscal Year	Amount
2007-08 (Estimated)	$130,217,000	2007-08 (Estimated)	$61,740,000
2006-07	130,223,000	2006-07	61,158,000
2005-06	124,791,000	2005-06	63,108,000
2004-05	117,464,000	2004-05	56,552,000
2003-04	111,757,000	2003-04	53,522,000
2002-03	104,597,000	2002-03	47,757,000
2001-02	100,405,000	2001-02	45,844,000
2000-01	102,598,000	2000-01	43,221,000
1999-00	100,348,000	1999-00	41,243,000
1998-99	97,729,000	1998-99	37,802,000
1997-98	88,302,000	1997-98	32,583,000

LOCAL TRANSPORTATION ASSISTANCE

The 1981 State transportation financing program also provided for the creation of a Local Transportation Assistance Fund (LTAF) for local city transportation purposes (transit, streets, airports, etc.). The 1981 bill was amended in February 1982, restricting the use of these funds by cities with a population greater than 300,000 to mass transit operating costs and related capital purposes. The LTAF is funded from a portion of the receipts of the State Lottery. It is to provide up to $23 million (maximum) to be allocated to incorporated cities and towns in proportion to the population each bears to the total population of all cities and towns. The City received $7,343,000 in 2002-03, $7,246,000 in 2003-04, $7,136,000 in 2004-05, $7,034,000 in 2005-06 and $6,969,000 in 2006-07. The estimate for 2007-08 is $6,910,000. Cities may spend up to 10% of their allocation for recreational, cultural and historic purposes if matched by non-public funds, provided that the annual allocation to cities is $23,000,000.

In addition, on August 31, 1998, then-Governor Jane Hull signed into law a transit funding bill that provided additional state funding for public transit through fiscal year 2003. The bill also changed the distribution of Power Ball lottery funds from the Regional Public Transportation Authority (RPTA) directly to the cities and towns in Maricopa County based on population. As a result of this bill, the City received $1,778,000 in 1998-99, $4,612,000 in 1999-00 and $3,880,000 in 2000-01. In 2001, the major funding portion of this transit-funding bill was repealed. Although the Power Ball distribution remains, the City did not receive any funding in 2001-02 or 2002-03. The City received $1,796,695 for 2003-04, $3,327,527 for 2004-05, $1,286,510 for 2005-06 and $4,356,918 for 2006-07. The estimate for 2007-08 is $2,411,209.

TRANSPORTATION PROGRAM PASSED BY MARICOPA COUNTY VOTERS

In 1985, the Arizona Legislature enacted transportation finance legislation which, among its provisions, provided potential funding for controlled access highways and regional public transportation.

As a result, Maricopa County held a special election on October 8, 1985 to levy a one-half percent transportation excise tax (sales tax) within the County. The measure was passed by the voters by more than a 2 to 1 margin. The transportation excise tax became effective January 1, 1986 for a period not to exceed twenty years.

With passage of the transportation excise tax in Maricopa County in 1985, the Regional Public Transportation Authority was created within the boundaries of the County on January 1, 1986. The Authority is headed by a Board of Directors consisting of one elected official appointed from each participating municipality and the County. The Board is responsible for the development of a regional public transportation system plan for a regional rapid transit system. The Board is also responsible for establishing and operating a regional bus system and may contract with the City of Phoenix to provide the service. Each city in the Authority area and the County has the option to participate in the Authority. Each city that participates must use a portion of its Local Transportation Assistance Fund monies for public transportation, with Phoenix and Mesa required to use all of its LTA funds for this purpose.

On November 2, 2004 Maricopa County voters approved Proposition 400, which basically extended the County's one-half percent sales tax for transportation funding for an additional 20 years. The countywide one-half percent sales tax will provide funding for freeways, streets, bus transit, rural transit, dial-a-ride and light rail. Combined with projected federal matching funds, the tax is expected to provide $5 billion for transit improvements over the life of the tax. It will support the creation of an integrated "supergrid" bus and dial-a-ride network that offers consistent service levels across the region; an expanded Express bus and bus rapid transit network that addresses both suburb-to-central-city and suburb-to-suburb commute trips; expansion of light rail transit; and associated capital investments, including new buses and Intelligent Transportation System improvements, as well as passenger and operations facilities. For 2005-06, the tax generated $51.1 million with the funding being split $29.0 million for bus operating and bus capital and $22.1 million for light rail/high capacity transit capital. For 2006-07, the tax generated $130.2 million with funding being split $73.9 million for bus operating and capital and $56.3 million for light rail/high capacity transit capital. For 2007-08, the tax is expected to generate $136.1 million with funding being split $77.3 million for bus operating and capital and $58.8 million for light rail/high capacity transit capital.

On March 14, 2000, City of Phoenix residents approved a 0.4% 20-year sales tax dedicated to transit improvements. Transit improvements include expanded local bus and Dial-A-Ride service, bus rapid transit service, neighborhood circulators, and the construction and operation of a light rail system. In addition, the tax will provide funding for 500 bus pull-outs, 100 miles of bike lanes and left-turn arrows at all major intersections. Voters approved the tax by a 2 to 1 margin providing an estimated $3.1 billion in funding through May 31, 2020.

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APPENDIX E

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 2006-07 expenditure limit supplied by the Economic Estimates Commission was $1,138,794,154. The City increased this limit to $7,566,095,000 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 2003 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 will be in effect through 2007-08. Previously established exclusions for pay-as-you-go capital projects continue to apply. On September 11, 2007, the voters approved a similar home rule option to be in effect for the four-year period of fiscal year 2008-09 through 2011-12.

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 F

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, Arizona Employees' Retirement Plan, the State of Arizona Public Safety Personnel Retirement System or the Elected Officials' Retirement Plan.

City of Phoenix, Arizona Employees' Retirement Plan

The City of Phoenix, Arizona Employees' Retirement 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. Periodic employer contributions to the pension 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 an open twenty-year period from June 30, 2007. Periodic contributions for both normal cost and the amortization of the actuarial accrued liability are based on the level percentage of payroll method. The funding strategy for normal cost and the actuarial liability should provide sufficient resources to pay employee pension benefits on a timely basis.

The general employees contribute 5% of their compensation to the plan. City of Phoenix contributions for 2006-07 were $58,151,324, equivalent to 11.66% of the estimated annual active member payroll, compared with 11.20% in 2005-06. The annual active member covered payroll for the year ended June 30, 2007 was $535,079,000.

Significant actuarial assumptions used to compute the pension contribution requirements are as follows: The rate of return on investments is assumed to be 8.0%. Mortality rates equal the RP 2000 Mortality Table Combined Healthy Annuitants. Salaries are expected to rise 4.5% due to inflation, 0.5% for other across-the-board factors, 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.

The actuarial accrued liability of the Plan is measured in accordance with the requirements of Governmental Accounting Standards Board Statement No. 25 and No. 27. As of June 30, 2007, net assets available for benefits were less than the actuarial accrued liability by $349,611,000, compared with a lack of $373,605,000 at June 30, 2006. The total actuarial accrued liability increased $166,000,000 from 2006 to 2007.

Rodwan Consulting Company, Actuaries & Consultants commented in their June 30, 2007 valuation report of the Plan:

> The overall experience of the Retirement Plan during the year ended June 30, 2007 was more favorable than expected based on long-term assumptions. The recognized rate of return on the smoothed market value of assets exceeded the long-term assumed rate and was the primary source of the favorable experience.

State of Arizona Public Safety Personnel Retirement System

The City of Phoenix also contributes to an agent multiple-employer retirement plan, the Arizona Public Safety Personnel Retirement System (APSPRS), for sworn police officers and fire fighters. The APSPRS functions as an investment and administrative agent for the City of Phoenix with respect to the plans for police officers and fire fighters.

Periodic employer contributions to the pension 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 twenty-nine year period. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the projected unit credit 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 8.5%. Non-disability mortality rates equal the RP2000 Healthy Annuitant Mortality Table, male table with no adjustment, female table with one-year set forward. Salaries are expected to rise 5.5% due to inflation and from 0% to 3%, 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.

Members contribute 7.65% of compensation. The City contributes normal cost less a credit (spread over twenty years) for the amount by which valuation assets exceed the actuarial accrued liability or plus a debit (spread over twenty-nine years) for the amount by which the actuarial accrued liability exceeds the valuation assets. In 2006-07 the City's contribution amounted to 15.63% for police and 15.87% for fire.

For the year ended June 30, 2007, covered payroll was $211,112,000 for police and $104,118,000 for fire.

The actuarial accrued liability of the Plan is measured in accordance with the requirements of Governmental Accounting Standards Board Statement No. 25 and No. 27. For police, net assets available for benefits were less than the actuarial accrued liability as of June 30, 2007 and June 30, 2006 by $522,337,000 and $323,173,000, respectively.

For fire, net assets available for benefits were less than the actuarial accrued liability as of June 30, 2007 and June 30, 2006 by $280,883,000 and $183,611,000, respectively.

Elected Officials' Retirement Plan

This 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 7% of compensation.

The City contributes an actuarially determined rate, 18.55% for the year ended June 30, 2007, to fully fund benefits for active members. Total contributions for the fiscal year ended June 30, 2007 were $148,000, which consisted of $108,000 from the City and $40,000 from members.

APPENDIX G

HEALTH CARE BENEFITS FOR RETIRED EMPLOYEES

The City provides certain health care benefits for its retired employees. Retired employees meeting certain qualifications are eligible to participate in the City Health Insurance Program along with the City's active employees. In addition, retirees receive a direct subsidy to offset health care costs during retirement. This subsidy, known as the Medical Expense Reimbursement Plan (MERP), generally ranges from $117 to $202 per month for each retiree. City subsidies for the current, pay-as-you-go benefits were estimated at $16 million for the fiscal year ended June 30, 2006.

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.

In May 2006, the City contracted with an actuarial firm to determine its preliminary liability assuming no changes to the benefit package in place at the time. The preliminary results yielded a funded actuarial accrued liability (AAL) of $516 million with an annual required contribution (ARC) of $55 million. Over half of the AAL related to the implicit subsidy arising from the blending of active employee and retiree health insurance premiums.

Using the preliminary actuarial data as a starting point, the City embarked on a comprehensive review of its health care benefits for retired employees to assure that the City maintains quality benefits for its retirees for the long term. A team made up of employee unions and associations, the City's Health Care Task Force, and City staff worked collaboratively for several months to craft a new program. The program, which went into effect on August 1, 2007, has the following key components:

- Establishment of separate rates for active employee and retiree health insurance. This approach eliminates the "implicit subsidy" component of the preliminary AAL.
- Current retirees will continue to receive MERP.
- Active employees with 15 years or less until retirement eligibility will receive MERP once they retire.
- Current and future retirees who are eligible to receive MERP and choose to purchase health insurance through the City's plan during retirement will receive a City contribution to minimize the initial impact of unblending health insurance rates.
- Employees with more than 15 years until retirement eligibility will not be eligible for MERP or the monthly City contribution, but will instead receive $150 per month while employed by the City as a defined contribution to a Post Employment Health Plan (PEHP).

In March 2007, the City contracted with an actuarial firm to value the revised post employment medical plan. Results of the valuation are as follows:

Actuarial Accrued Liability (AAL)	**$345 million**
Annual Required Contribution (ARC)	**$39 million**
Amortization Period	**28 years**

The ARC is made up of two components — the Normal Cost and the Amortization Amount. The Normal Cost, which is the present value of the benefits deemed to accrue in the plan year, is $10.5 million. The Amortized Amount, which is the present value of the accrued benefit, is $28.5 million. The Amortized Amount has been calculated on a level dollar basis over a 28 year amortization period. The City will establish a trust for the MERP benefits and fully intends to contribute the ARC each year to fund the OPEB liability. The City will develop 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) will reflect proper treatment and note disclosure of Health Care Benefit for Retired Employees in accordance with GASB 45 beginning with the fiscal year ended June 30, 2008.

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APPENDIX H

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 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.

"Airport Improvement Fund" means the fund of that name created in Article II of the Airport Revenue Bond Ordinance.

"Aviation Director" means the official of the City performing the duties now performed by the Aviation Director.

"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 l, or such other period as set forth in a Series Ordinance.

"Bonds" means Senior Lien Obligations consisting of: the Pre-2008 Bonds, (ii) the 1998 Bonds, (iii) the 2002 Bonds, (iv) the 2008 Bonds and (v) Parity Bonds.

"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 June 1, 2008 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.

"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.

"Finance Director" means the official of the City performing the duties now performed by the Finance Director.

"*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 of June 1, 2008 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.

"*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 hereof and less any applicable Passenger Facility Charge Credit. For purposes of this Ordinance, an adjustment for a Derivative Product with a Qualified Counterparty pursuant to Section 2.13 hereof means: (i) the City shall treat the interest rate 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 Finance Director 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 with a maturity of 270 days or less ("Commercial Paper") issued or proposed to be issued, the Principal Requirement shall be calculated as if the entire amount of Commercial Paper authorized to be issued under the 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.

"*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.

"*Operation and Maintenance Fund*" means the fund of that name established in Article II of the Airport Revenue Bond Ordinance.

"*Opinion of Bond Counsel*" means a written opinion of an attorney or firm of attorneys experienced in matters relating to bonds the interest on which is excludible from gross income for purposes of federal income taxes. The attorney or firm of attorneys to render the Opinion of Bond Counsel shall be selected by the City Manager or the Finance Director of the City.

"*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 Article VII of the Airport Revenue Bond Ordinance.

"Parity Bonds" means obligations, which may be bonds, lease obligations, purchase agreements or other obligations other than Derivative Products, which are issued subsequent to, and are to rank on a parity with, the Refunding Bonds under Article III of the Airport Revenue Bond Ordinance and, if secured by the Bond Reserve Fund, then also share in the Bond Reserve Fund in the manner and to the extent provided in Article III of the Airport Revenue Bond Ordinance.

"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, 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.

"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*".

"Property" means any or all of the components of the project actually funded with proceeds of the Series 2008A&B Bonds.

"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 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.

"Revenue Fund" means the fund of that name created in Article II of the Airport Revenue Bond Ordinance.

"S&P" means Standard & Poor's Ratings 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 Parity Bonds may be made subject to redemption (mandatory or optional) prior to maturity and such other details as the City may determine.

"Series 2008A Improvement Bonds" means the Corporation's Senior Lien Airport Revenue Bonds, Series 2008A.

"Series 2008B Improvement Bonds" means the Corporation's Senior Lien Airport Revenue Bonds, Series 2008B.

"Series 2008C Refunding Bonds" means the Corporation's Senior Lien Airport Revenue Refunding Bonds, Series 2008C.

"Series 2008D Refunding Bonds" means the Corporation's Senior Lien Airport Revenue Refunding Bonds, Series 2008D.

"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.

"2008 Bonds" means, collectively the Series 2008A Improvement Bonds, the Series 2008B Improvement Bonds, the Series 2008C Refunding Bonds and the Series 2008D Refunding Bonds.

"2008 Bond Fund" means the 2008 Bond Fund established pursuant to the Indenture.

"2008 Bond Payment Date" means a date on which principal or interest shall be payable on the 2008 Bonds according to their respective terms so long as any 2008 Bonds are Outstanding.

"2008 Bond Reserve Fund" means the 2008 Bond Reserve Fund established pursuant to the City Purchase Agreement and assigned to the Trustee under the Indenture.

"2008 Debt Service Reserve Requirement" means the Debt Service Reserve Requirement for the 2008 Bonds, which shall be $30,786,632.55 initially.

"2008 Interest Account" means the 2008 Interest Account of the 2008 Bond Fund.

"2008 Interest Requirement" means the Interest Requirement for the 2008 Bonds.

"2008 Ordinance" means, collectively, the ordinances adopted by the Mayor and Council of the City authorizing the issuance of the 2008 Bonds.

"2008 Principal Account" means the 2008 Principal Account of the 2008 Bond Fund.

"2008 Principal Requirement" means the Principal Requirement for the 2008 Bonds.

"2008 Redemption Account" means the 2008 Redemption Account of the 2008 Bond Fund.

"Tax Exemption Certificate" means the Tax Exemption Certificate of the Corporation and the City executed in connection with the issuance and delivery of the 2008 Bonds.

"Trustee" means U.S. Bank National Association in its capacity as trustee under the Indenture, or any successor thereto.

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.* There is hereby established the Revenue Fund into which all Revenues shall be deposited and shall be transferred to the following funds in the following priority:

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

(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 Bonds which mature or are subject to mandatory sinking fund redemption on the following Principal Payment Date and one-sixth of the Interest Requirement, 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 hereof, amounts then required to be deposited to the Bond Reserve Fund or any separate bond reserve fund pursuant to Section 2.5 hereof, 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) From time to time into the Airport Improvement Fund such funds as the City chooses to deposit therein.

Each of the above-referenced funds shall be created as a separate fund and all moneys deposited into such funds shall be used as provided herein, and in any case shall be used for purposes relating to the Airport.

The City may by subsequent ordinance 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 Bonds. In the event the City establishes additional funds, accounts or subaccounts for the payment of obligations subordinate in lien to the payment of the Bonds, 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 Bonds.

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 Parity 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 this 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.

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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.

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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 hereof 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.

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SECTION 3.3. *Parity Bonds Generally.* Parity Bonds may also be issued pursuant to a Series Ordinance if the following conditions are satisfied:

(a) An officer of the City shall certify that either the Net Airport Revenues for 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 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 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 4.3 (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.l. *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 Consultant; 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.

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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 certain changes referenced herein 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.

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The City Purchase Agreement

Section 2.3. *Construction Fund.* The Construction Fund established for deposit of the net proceeds of the Series 2008 Improvement Bonds pursuant to Section 2.7 of the Airport Revenue Bond Ordinance shall be maintained and invested by the City or the Corporation on behalf of and at the direction of, the City. The Construction Fund shall contain a Series 2008A Account and a Series 2008B Account. The net proceeds of the Series 2008A&B Bonds shall be deposited in the applicable accounts of the Construction Fund upon transfer by the initial purchaser of the Series 2008A&B Bonds in accordance with the Indenture. In addition, the City may, but shall not be required to deposit additional funds in the Construction Fund.

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Section 2.4. *2008 Bond Reserve Fund.* In accordance with Section 2.5 of the Airport Revenue Bond Ordinance, the City hereby establishes with the Trustee, as assignee of the Corporation under the Indenture, a separate 2008 Bond Reserve Fund which shall be used to make payments on the 2008 Bonds and shall not be available to make payments on any other Bonds or any of the City's obligations hereunder other than pursuant to Section 3.3(a), (b) and (c) hereof.

The 2008 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. The City will, concurrently herewith, cause to be deposited with the Trustee a combination of proceeds of the 2008 Bonds and other lawfully available funds in an amount equal to the 2008 Debt Service Reserve Requirement. In the event the City chooses to provide a surety bond or other similar financial instrument, the City shall receive a certificate or an 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 the top rating category of a nationally recognized credit rating service, and if the surety bond or other instrument replaces proceeds of the 2008 Bonds, the City shall provide the legal opinion required in Section 2.5 of the Airport Revenue Bond Ordinance. Each such surety bond or similar financial instrument 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 2008 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 2008 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. In the event the amount on deposit in the 2008 Bond Reserve Fund consists of cash or

Permitted Investments with a value in excess of the 2008 Debt Service Reserve Requirement, the Trustee shall, at the direction of the City, transfer such excess to the 2008 Bond Fund.

In the event amounts are withdrawn from the 2008 Bond Reserve Fund to pay principal of or interest on the 2008 Bonds, the City shall replenish the 2008 Bond Reserve Fund as required by the Airport Revenue Bond Ordinance on a pro rata basis with amounts to be used to reimburse a Credit Facility (as defined in the Airport Revenue Bond Ordinance) for Bonds other than the 2008 Bonds, and/or replenish the Bond Reserve Fund, in accordance with the flow of funds under the Airport Revenue Bond Ordinance.

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SECTION 3.3. *Amounts of Purchase Price Payable Upon Issuance of 2008 Bonds.* The City agrees that it will pay, solely from the Net Airport Revenues or amounts available in the 2008 Bond Reserve Fund, as the Purchase Price of the 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, until principal of and interest on the 2008 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 2008 Interest Account (but solely from the Net Airport Revenues or Other Available Moneys) a sum equal to the interest on the Bonds falling due on the next succeeding 2008 Bond Payment Date.

(b) On or before the last Business Day of June 30, 2009 and the last Business Day of each June thereafter, until principal of and interest on the 2008 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 2008 Principal Account (but solely from the Net Airport Revenues or Other Available Moneys) a sum equal to the 2008 Principal Requirement for the then current Bond Year.

(c) If at any 2008 Bond Payment Date following delivery of the 2008 Bonds the balance available in the 2008 Bond Fund is insufficient to make required payments of principal and interest due on such date, subject to the limitations provided herein, the City will pay any such deficiency in sufficient time to prevent default in the payment of principal of or interest on the 2008 Bonds falling due on such 2008 Bond Payment Date; provided however, that any amount at any time held by the Trustee in the 2008 Interest Account or the 2008 Principal 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 or principal, respectively, on any Parity Bonds, whether or not such Parity Bonds 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 make 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 Net Airport Revenue and amounts available in the 2008 Bond Reserve Fund, 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 2008 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 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 Property.

(g) To the extent not paid from proceeds of the 2008 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 2008 Bonds if and when paid by the Corporation. Such amounts shall be paid from the Net Airport Revenues to the Corporation or its order upon receipt by the City Representative of requisitions therefor.

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SECTION 3.5. *Limitation on Source of City Payments.* Except to the extent the City determines to make payments from Other Available Moneys, all amounts to be paid by the City under any section of this City Purchase Agreement shall be payable solely from the Net Airport Revenues as provided in Article IV hereof and amounts available in the 2008 Bond Reserve Fund. Under no circumstances shall amounts paid hereunder 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.

SECTION 4.2. *City's Obligations Constituting Parity Bonds.* The City's obligations to make payments under Section 3.3 hereof constitute "Parity Bonds" under the Airport Revenue Bond Ordinance. The 2008 Ordinance and this City Purchase Agreement constitute a Series Ordinance under the Airport Revenue Bond Ordinance. The Corporation, or the Trustee, as their respective interests appear, shall have the right to enforce all the covenants and agreements of the City in the Airport Revenue Bond Ordinance (which are incorporated by reference herein).

SECTION 4.3. *Subordinate Obligations.* The City reserves the right to issue or enter into obligations payable from Net Airport Revenues after payment of all Senior Lien Obligations, which are subordinate to the City's obligations hereunder.

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SECTION 5.1. *In General.* The City hereby makes the following covenants, in addition to those contained in the Airport Revenue Bond Ordinance and in Article IV hereof, so long as any of the 2008 Bonds remain Outstanding under the Indenture.

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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

(b) The City shall fail to make any payment of the Purchase Price under Section 3.3(c) or (d) hereof 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 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 thirty (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 2008 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. *2008 Bonds Not General Obligations of the Corporation.* The 2008 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.

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Section 5.3. *Flow of Funds.* So long as any 2008 Bonds are Outstanding, in each Bond Year, payments received by the Trustee shall be applied in the following manner and order of priority:

(a) *2008 Interest Account.* The Trustee shall deposit to the 2008 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 2008 Bonds on the next Bond Payment Date. Moneys in the 2008 Interest Account shall be used to pay interest on the 2008 Bonds as it becomes due.

(b) *2008 Principal Account.* The Trustee shall deposit to the 2008 Principal Account on or before the last Business Day of each June (in each Bond Year ending on a date on which 2008 Bonds mature), an amount equal to the principal amount at maturity plus an amount equal to any mandatory sinking fund redemption requirement of Section 3.2(b) hereof of 2008 Bonds Outstanding which will mature or be subject to mandatory redemption on the last day of such Bond Year. Moneys in the 2008 Principal Account shall be used to retire 2008 Bonds by payment at their scheduled maturity or their mandatory sinking fund retirement date.

(c) *2008 Redemption Account.* If the City makes an optional prepayment of any installment of principal which is to be applied to redeem 2008 Bonds in accordance with Section 3.2(a) hereof and specifying the amount and maturities of 2008 Bonds to be redeemed and the optional redemption date, the amount so paid shall be credited to the 2008 Redemption Account and applied promptly by the Trustee, first, to cause the amounts credited to the 2008 Interest Account or the 2008 Principal Account of the 2008 Bond Fund, in that order, to be not less than the amounts then required to be credited thereto, and, second, to retire 2008 Bonds by purchase, redemption or both purchase and redemption in accordance with the City's directions.

Section 5.4. *2008 Bond Reserve Fund.*

(a) In accordance with Section 2.5 of the Airport Revenue Bond Ordinance, the Corporation has assigned to the Trustee the separate 2008 Bond Reserve Fund which shall be used to make payments on the 2008 Bonds and shall not be available to make payments on any other Parity Bonds (as defined in the Airport Revenue Bond Ordinance) 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) hereof, the amount of such deficiency shall be paid directly from the 2008 Bond Reserve Fund.

(b) The 2008 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. The City has caused to be deposited with the Trustee a combination of proceeds of the 2008 Bonds and other lawfully available funds in satisfaction of the 2008 Debt Service Reserve Requirement. In the event the City chooses to provide a surety bond or other similar financial instrument, the City shall receive a certificate or an 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 the top rating category of a nationally recognized credit rating service, and if the surety bond or other instrument replaces proceeds of the 2008 Bonds, the City shall provide the legal opinion required in Section 2.5 of the Airport Revenue Bond Ordinance. Each such surety bond or similar financial instrument 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 2008 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 2008 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. In the event the amount on deposit in the 2008 Bond Reserve Fund consists of cash or Permitted Investment with a value in excess of the 2008 Debt Service Reserve Requirement, the Trustee shall, at the direction of the City, transfer such excess to the City.

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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 2008 Bonds at the place, on the dates and in the manner provided herein and in said 2008 Bonds according to the terms thereof. The amounts due on the 2008 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 2008 Bonds shall be construed as assigning or pledging any other funds or assets of the Corporation.

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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.

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SECTION 7.1. *Events of Default.* Each of the following is hereby declared an *"Event of Default"* hereunder:

(a) If payment of any installment of interest on any 2008 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 2008 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 2008 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 2008 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 2008 Bonds 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 2008 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 2008 Bondholders hereunder and the 2008 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 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 hereof, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 Bond until such 2008 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 2008 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 2008 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 2008 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 2008 Bonds may be enforced by the Trustee, without the possession of any of the 2008 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 2008 Bonds. Subject to the provisions of Section 7.4 hereof, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding 2008 Bonds.

SECTION 7.7. *Individual 2008 Bondholder Action Restricted.*

(a) No Holder of any 2008 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 2008 Bonds Outstanding, shall have made written request to the Trustee to proceed to exercise the powers granted herein; and

(ii) Such 2008 Bondholders shall have offered the Trustee reasonable security or indemnity as provided herein; 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 2008 Bonds then Outstanding.

(b) No one or more Holders of 2008 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 2008 Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any 2008 Bond (i) to receive payment of the principal of or interest on such 2008 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 2008 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 2008 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 2008 Bondholders, then the Corporation, the Trustee and the 2008 Bondholders shall be restored to their former positions and rights hereunder, and all rights and powers of the Trustee and the 2008 Bondholders shall continue as if no such proceeding had been taken.

* * *

SECTION 9.1. *Supplements not Requiring Consent of 2008 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 2008 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 hereof;

(f) To permit 2008 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 2008 Bonds to become includible in gross income for purposes of federal income taxes;

(g) To preserve the exclusion of the interest on the 2008 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 2008 Bonds authorized hereby) the interest on which is likewise exempt from federal and State income taxes; and

(h) To adopt procedures for the disclosure of information to 2008 Bondholders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to this Bond Indenture by agreement of the Trustee, the Corporation and the City.

SECTION 9.2. *Supplements Requiring Consent of 2008 Bondholders.*

(a) Other than Supplements referred to in Section 9.1 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in principal amount of the 2008 Bonds then Outstanding, shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the Corporation acting through the Corporation Representative and the Bond Trustee of such Supplement as shall be deemed necessary and desirable by the Corporation and the Bond Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular respect, any of the terms or provisions contained herein; provided, however, nothing in this Section or Section 9.1 shall permit or be construed as permitting a Supplement which would:

(i) extend the stated maturity of or time for paying interest on any 2008 Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any 2008 Bond without the consent of the Holder of such 2008 Bond;

(ii) prefer or give a priority to any 2008 Bond over any other 2008 Bond without the consent of the Holder of each 2008 Bond then Outstanding not receiving such preference or priority;

(iii) reduce the principal amount of 2008 Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all 2008 Bonds then Outstanding;

(iv) increase the principal amount of 2008 Bonds then Outstanding, the request of the Holders of which is required by Section 7.1(d) hereof, without the consent of the Holders of all 2008 Bonds then Outstanding; or

(v) reduce the redemption price of any 2008 Bond upon optional redemption or reduce any period of time prior to commencement of any optional redemption period set forth in Section 3.2 without the consent of the Holder of such 2008 Bond.

SECTION 9.3. *Execution and Effect of Supplements.*

(a) In executing any Supplement permitted by this Article, 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 hereof 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 2008 Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(d) Any 2008 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 2008 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 2008 Bonds then Outstanding.

SECTION 9.4. *Amendments to Purchase Agreement Not Requiring Consent of 2008 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 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 preserve the exclusion of the interest on the 2008 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 2008 Bonds authorized hereby) the interest on which is likewise exempt from federal and State income taxes in connection with any other change therein which in the opinion of the Trustee will not materially adversely affect the interests of the Holders or the Trustee. In addition, the Corporation and the City may amend Exhibit A to the 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 2008 Bondholders.*

(a) Except for amendments, changes or modification to the Purchase Agreement referred to in Section 9.4 hereof 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 2008 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 2008 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 hereof 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 2008 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 2008 Bonds specified in subsection (a) within the time and in the manner provided by Section 9.2 hereof 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 hereof with respect to Supplements hereto.

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SECTION 10.1. *Discharge.* If payment of all principal of, premium, if any, and interest on all of the 2008 Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article and Article VII of the Airport Revenue Bond Ordinance, 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 2008 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 2008 Bonds previously authenticated and delivered which the Corporation or the City may have acquired in any manner whatsoever and such 2008 Bonds upon such surrender and cancellation shall be deemed to be paid and retired.

SECTION 10.2. *Providing for Payment of 2008 Bonds.* Payment of all or any part of the 2008 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 2008 Bonds. The moneys and Defeasance Obligations shall be held by the Trustee irrevocably in trust for the Holders of such 2008 Bonds solely for the purpose of paying the principal, or redemption price of and interest on such 2008 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 2008 Bonds are to be redeemed prior to their respective maturities.

If payment of 2008 Bonds is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to each Holder of a 2008 Bond so provided for 2008 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 2008 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 2008 Bonds.

APPENDIX I

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 Senior Lien Airport Revenue Bonds, Series 2008A (the *"Series 2008A Improvement Bonds"*) in the amount of $206,840,000, Senior Lien Airport Revenue Bonds, Series 2008B (the *"Series 2008B Improvement Bonds"*) in the initial principal amount of $43,160,000; Senior Lien Airport Revenue Refunding Bonds, Series 2008C (the *"Series 2008C Refunding Bonds")* in the initial principal amount of $109,850,000 and Senior Lien Airport Revenue Refunding Bonds, Series 2008D (the "*Series 2008D Refunding Bonds"* and, together with the Series 2008A Improvement Bonds, the Series 2008B Improvement Bonds and the Series 2008C Refunding Bonds, the *"2008 Bonds"*) in the initial principal amount of $68,520,000, in fully registered form, dated as of the date of initial delivery. The 2008 Bonds are being issued to refund obligations previously issued for airport purposes and to pay for certain 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 Indentures (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 2008 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.

Said 2008 Bonds are being issued pursuant to a Bond Indenture, dated as of June 1, 2008 (the *"Indenture"*), between the Corporation and U.S. Bank National Association, as trustee. The 2008 Bonds are payable solely, as to both principal and interest, from payments made by the City under the City Purchase Agreement, dated as of June 1, 2008 (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 2008 Bonds against payment therefor, that:

1. The Indenture, the City Purchase Agreement and the 2008 Bonds have been duly authorized, executed and delivered by the Corporation and are valid and binding upon and enforceable against the Corporation.

2. The 2008 Bonds constitute special obligations of the Corporation, and the principal of and interest and any premium on the 2008 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 net revenues received from the City's airport facilities. 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 of net revenues will be perfected only as to the revenues and other moneys on deposit in the funds and accounts created by the Indenture. The 2008 Bonds and the payment of debt service are not secured by an obligation or pledge of any moneys raised by taxation; the 2008 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 2008 Bonds in order that interest on the 2008 Bonds not be included in gross income for federal income tax purposes. The failure of the City and the Corporation to meet these requirements may cause interest on the 2008 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 exclusion from gross income for federal income tax purposes of interest on the 2008 Bonds. (Subject to the limitations in the 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 2008 Bonds is excludible from the gross income of the owners thereof for federal income tax purposes (except for interest on any Series 2008B Improvement Bonds and Series 2008D Refunding Bonds (collectively, "Series 2008B&D Bonds") for any period during which such Series 2008B&D Bond is owned by a person who is a substantial user of the AMT Property (as defined in the City Purchase Agreement) or any person considered to be related to such person (within the meaning of Section 147(a) of the Code), and, if the foregoing is the case, the interest on the 2008 Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Series 2008B&D Bonds will be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but interest on the Series 2008A Improvement Bonds and Series 2008C Refunding Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the 2008 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 2008 Bonds in order that interest on the 2008 Bonds not be included in gross income for federal tax purposes.

This opinion is written upon reliance upon (i) certifications of the Corporation and the City with respect to certain material facts solely within the Corporation's knowledge relating to application of the proceeds of the 2008 Bonds and the bonds being refunded, (ii) the report of Jacobs Consultancy with respect to projected net airport revenues and (iii) the verification report of Grant Thornton LLP as to the sufficency of the amounts deposited with the bond registrar, paying agent or bond trustee, as applicable, for certain of the bonds being refunded, to pay the maturing or redeemed principal amounts and interest on such bonds. 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.

The rights of the owners of the 2008 Bonds and the enforceability of those rights under the 2008 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.

Respectfully submitted,

APPENDIX J

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the *"Undertaking"*), dated June 18, 2008, is executed and delivered by the City of Phoenix, Arizona (the *"City"*), in connection with the issuance of $206,840,000 City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds, Series 2008A (the *"Series 2008A Improvement Bonds"*), $43,160,000 City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds, Series 2008B (the *"Series 2008B Improvement Bonds"*), $109,850,000 City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Refunding Bonds, Series 2008C (the *"Series 2008C Refunding Bonds"*) and $68,520,000 Senior Lien Airport Revenue Refunding Bonds, Series 2008D (the *"Series 2008D Refunding Bonds"* and, together with the Series 2008A Improvement Bonds, the Series 2008B Improvement Bonds and the Series 2008C Refunding Bonds, the *"2008 Bonds"*). The 2008 Bonds are being issued pursuant to a Trust Indenture, dated as of June 1, 2008 (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 2008 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 2008 Bonds at the time the 2008 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 2008 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*.

Central Post Office means as of any date, an entity then recognized by the Commission as eligible to receive filings and submit such filing to the NRMSIRs and any applicable SID. As of the date of this Undertaking, the Central Post Office is:

Disclosure USA
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
http://www.DisclosureUSA.org

City Purchase Agreement means the City Purchase Agreement dated as of June 1, 2008, 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.

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.

Material Event means the occurrence of events set forth in *Exhibit II* that are material, as materiality is interpreted under the Exchange Act.

Material Events Disclosure means dissemination of disclosure concerning a Material Event as set forth in Section 5.

MSRB means the Municipal Securities Rulemaking Board.

NRMSIRs means, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Securities and Exchange Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999; 800-689-8466
Fax: (212) 771-7390
E-Mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the 2008 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.

SID means any public or private repository designated by the State as the state repository and recognized as such by the Securities and Exchange Commission for purposes of the Rule. As of the date of this Undertaking, no SID exists within the State. The name and address of the SID, if any, should be verified each time information is delivered pursuant to this Undertaking.

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 2008 Bonds are as follows:

Series 2008A Improvement Bonds

CUSIP No.	Maturity Date	CUSIP No.	Maturity Date
71883MDQ4	07/01/20	71883MDW1	07/01/26
71883MDR2	07/01/21	71883MDX9	07/01/27
71883MDS0	07/01/22	71883MDY7	07/01/28 (1)
71883MDT8	07/01/23	71883MDZ4	07/01/28 (2)
71883MDU5	07/01/24	71883MEA8	07/01/33
71883MDV3	07/01/25	71883MEB6	07/01/38

Series 2008B Improvement Bonds

CUSIP No.	Maturity Date	CUSIP No.	Maturity Date
71883MEC4	07/01/12	71883MEG5	07/01/16
71883MED2	07/01/13	71883MEH3	07/01/17
71883MEE0	07/01/14	71883MEJ9	07/01/18
71883MEF7	07/01/15	71883MEK6	07/01/19

Series 2008C Refunding Bonds

CUSIP No.	Maturity Date	CUSIP No.	Maturity Date
71883MEL4	07/01/09	71883MEW0	07/01/16 (5)
71883MEM2	07/01/10 (3)	71883MEX8	07/01/16 (2)
71883MEN0	07/01/10 (2)	71883MEY6	07/01/17
71883MEP5	07/01/11	71883MEZ3	07/01/18
71883MEQ3	07/01/12	71883MFA7	07/01/19
71883MER1	07/01/13 (4)	71883MFB5	07/01/20 (6)
71883MES9	07/01/13 (2)	71883MFC3	07/01/20 (2)
71883MET7	07/01/14 (5)	71883MFD1	07/01/21
71883MEU4	07/01/14 (2)	71883MFE9	07/01/22 (7)
71883MEV2	07/01/15	71883MFF6	07/01/22 (2)

Series 2008D Refunding Bonds

CUSIP No.	Maturity Date	CUSIP No.	Maturity Date
71883MFG4	07/01/09	71883MFN9	07/01/15
71883MFH2	07/01/10	71883MFP4	07/01/16
71883MFJ8	07/01/11	71883MFQ2	07/01/17
71883MFK5	07/01/12	71883MFR0	07/01/18
71883MFL3	07/01/13	71883MFS8	07/01/19
71883MFM1	07/01/14	71883MFT6	07/01/20

(1) 4.800% interest rate.

(2) 5.000% interest rate.

(3) 3.000% interest rate.

(4) 3.500% interest rate.

(5) 4.000% interest rate.

(6) 4.375% interest rate.

(7) 4.500% interest rate.

The Final Official Statement relating to the 2008 Bonds is dated May 29, 2008 (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 (or in the alternative, to a Central Post Office), if any, (in the form and by the dates set forth in *Exhibit I*) to all NRMSIRs and to the SID, if any. 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. Material Events Disclosure. Subject to Section 9 of this Undertaking, the City hereby covenants that it will disseminate in a timely manner Material Events Disclosure to each NRMSIR or the MSRB, and to the SID (or in the alternative, to a Central Post Office), if any. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any of the 2008 Bonds or defeasance of any 2008 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 2008 Bonds pursuant to the Indenture.

6. Duty to Update NRMSIRs/SID/Central Post Office. The City shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID (or at its election, the Central Post Office) 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 each NRMSIR or to the MSRB, and to the SID, if any, 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 2008 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 2008 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 2008 Bonds, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the holders of the 2008 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 material 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 2008 Bonds under the City Purchase Agreement. The City shall give notice in a timely manner if such event occurs, to each NRMSIR or to the MSRB, and to the SID (or in the alternative, to a Central Post Office), if any.

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 notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Material 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 2008 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 Material 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 Frank Fairbanks
Its City Manager

By: ______________________________
Bob Wingenroth
Finance Director

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 captions: "SECURITY AND SOURCE OF PAYMENT — CITY OF PHOENIX, ARIZONA SENIOR LIEN AIRPORT REVENUE BONDS OUTSTANDING" and "CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION SENIOR LIEN AIRPORT REVENUE BONDS OUTSTANDING," "JUNIOR LIEN OBLIGATIONS," and "FY2008-13 AVIATION CAPITAL IMPROVEMENT PROGRAM" (excluding the table referred to therein set forth as Exhibit A-1 in "APPENDIX A — REPORT OF THE AIRPORT CONSULTANT") AND "CITY OF PHOENIX AVIATION DEPARTMENT ENTERPRISE FUND COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES LAST THREE YEARS").

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 each NRMSIR and to the SID, if any, 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; the Final Official Statement need not be available from each NRMSIR, the SID 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 each NRMSIR and to the SID, if any, by February 1 of each year, commencing February 1, 2009, 210 days after the last day of the City's fiscal year. 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 each NRMSIR and to the SID, if any 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 MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
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 or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes