

City of Phoenix

Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2017



City of Phoenix
Finance Department
251 W. Washington St., 9th Floor
Phoenix, AZ 85003

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

This report is based on the City of Phoenix Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This report contains more detailed information and focuses on the primary government and excludes the discretely presented component units of the City. The CAFR may be viewed in its entirety online at: phoenix.gov/finance.

COMMUNITY PROFILE

Phoenix Population	1,579,253
Maricopa County Population	4,221,684
Phoenix Area (in square miles)	519.5
Per Capita Income	\$42,092
Feet Above Sea Level	1,086
Average Annual Temperature (F)	75.1

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Ed Zuercher, City Manager

Message from the City Manager



City of Phoenix

Greetings:

This marks our 7th annual City of Phoenix Popular Annual Financial Report which will provide an overview of the City's financial outlook, financial position, assets and debt for the fiscal year ended June 30, 2017.

The 2016-17 budget provided a balanced General Fund with several key service additions reflecting the comments received from the community and the Mayor and City Council regarding the importance of maintaining current City services and a strong City organization.

Phoenix continues to be an attractive place to live and work and has been one of the most rapidly growing cities in the country in recent decades. Recent years have seen steady, diversified economic growth. This growth is evident in terms of population, employment, housing starts, affordable housing, personal income, and retail sales. The City continues to implement policies and standards to remain financially balanced, maintain or improve current service levels, and attract wealth generating companies.

In 2017, Phoenix completed a three year run of hosting major sporting events. After hosting the Super Bowl in 2015 and the College Football National Championship in 2016, Phoenix hosted the NCAA Final Four in April 2017, attracting thousands of people and providing a major economic impact.

Phoenix Sky Harbor International Airport is the one of the state's largest economic engines. In December 2016, the Mayor and members of the City Council officially opened the first phase of the new modernized Terminal 3 at Sky Harbor Airport. In addition to an abundance of natural lighting, the enhancements included a new ticketing area, a new west plaza with an outdoor area, an abundance of power outlets, and several museum exhibition spaces.

The Finance Department completed three refundings of existing debt saving the City over \$100 million in debt service, which demonstrates our commitment to financial excellence and being stewards of taxpayer dollars.

The City continues to maintain its high quality credit ratings on General Obligation, Excise Tax, Water Revenue, Sewer Revenue and General Airport Revenue Bonds. These high quality credit ratings provided an opportunity to favorably refinance General Obligation, Excise Tax Revenue, Water Revenue and Sewer Revenue Bonds in fiscal year 2016-17 and will provide additional opportunities in the future.

I want to thank the Mayor and City Council for their leadership and guidance in balancing the City budget. I also want to thank all City departments and staff for their dedication to the Phoenix community. We value working smart, saving money and being kind to our customers and residents. Most of all, thanks to the residents who care intensely about the City they live in and give their time and attention during the open, public budget process and throughout the year.

Sincerely,
Ed Zuercher
City Manager

Phoenix Strategic Plan Focus Areas:

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

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

Public Safety - Maintaining safe neighborhoods throughout the City.

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

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

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

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

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

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

Technology - Focusing on a "web-enabled City" that embraces technological innovation and automated City services.



City of Phoenix

Message from the Chief Financial Officer



Denise M. Olson

Chief Financial Officer

Dear Reader:

In an effort toward complete transparency, I am pleased to submit to residents the City of Phoenix Popular Annual Financial Report for the fiscal year ended June 30, 2017. The information presented in this report is based primarily on the City of Phoenix CAFR which is available in its entirety online at phoenix.gov/finance.

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

I hope that you find the information helpful and encourage you to access our audited CAFR on the City's website for more detailed information on the City's finances.

Your questions, comments and suggestions regarding this report are welcome. You can contact the Finance Department at 602-262-7166.

Sincerely,

Denise M. Olson,

Chief Financial Officer

Finance Department Mission:

To provide citywide financial leadership through the management of best in class business practices that safeguard the public's assets and provide our customers with transparency, information and financial expertise.

Financial Excellence Strategic Plan:

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

City of Phoenix, Arizona

Bond Ratings:

Description	Moody's	S & P	Fitch*
General Obligation	Aa1	AA+	AAA
Senior Lien Excise Tax Revenue	Aa2	AAA	AA+
Senior Lien Airport Revenue	Aa3	AA-	-
Junior Lien Water Revenue	Aa2	AAA	-
Senior Lien Wastewater System Revenue	Aa2	AAA	-

*Currently, Fitch does not rate the City's Enterprise or Special Revenue credits.

Note: See Exhibit H-11 in City CAFR for a comprehensive list of all bond ratings.

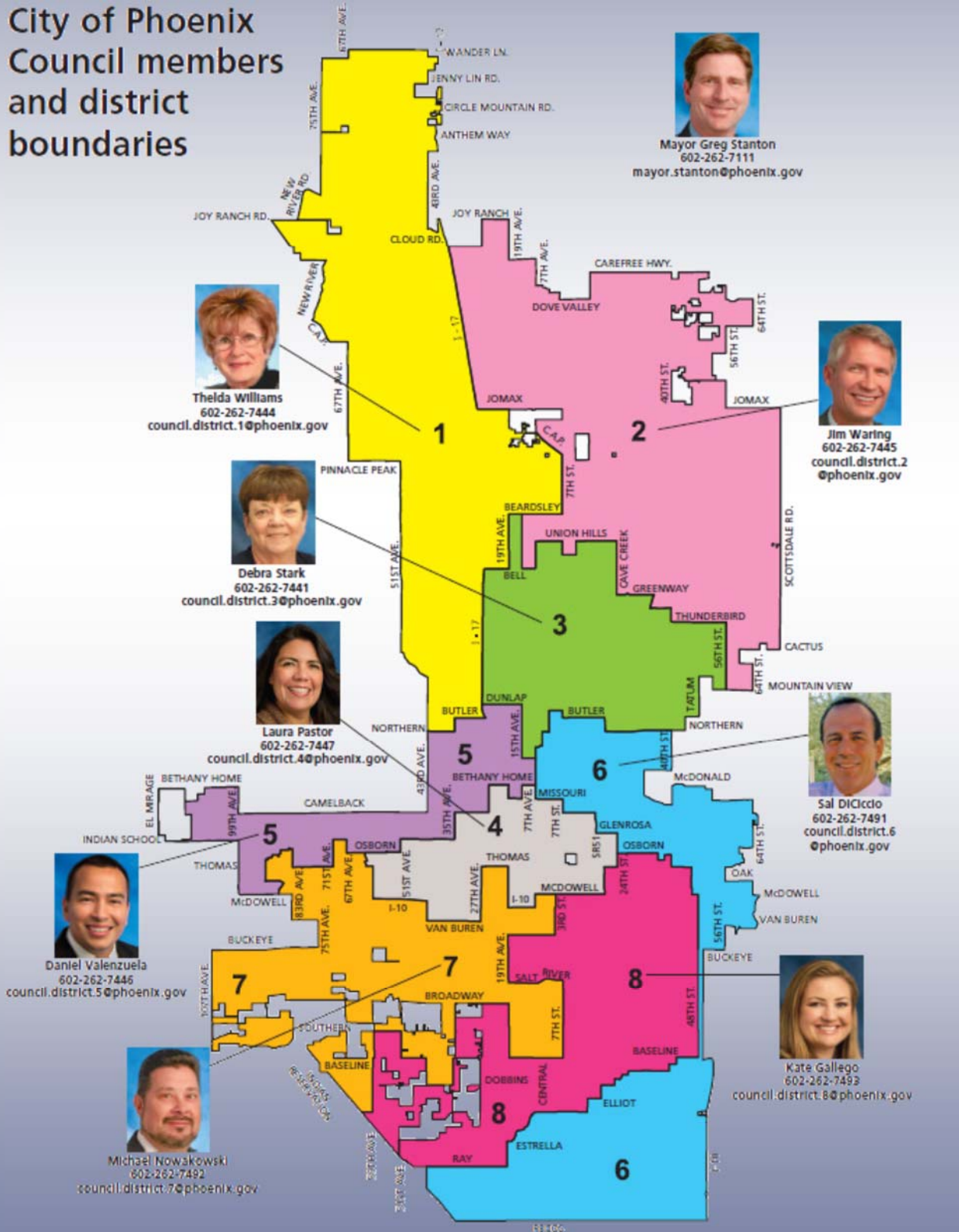




About Phoenix City Council

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

City of Phoenix Council members and district boundaries





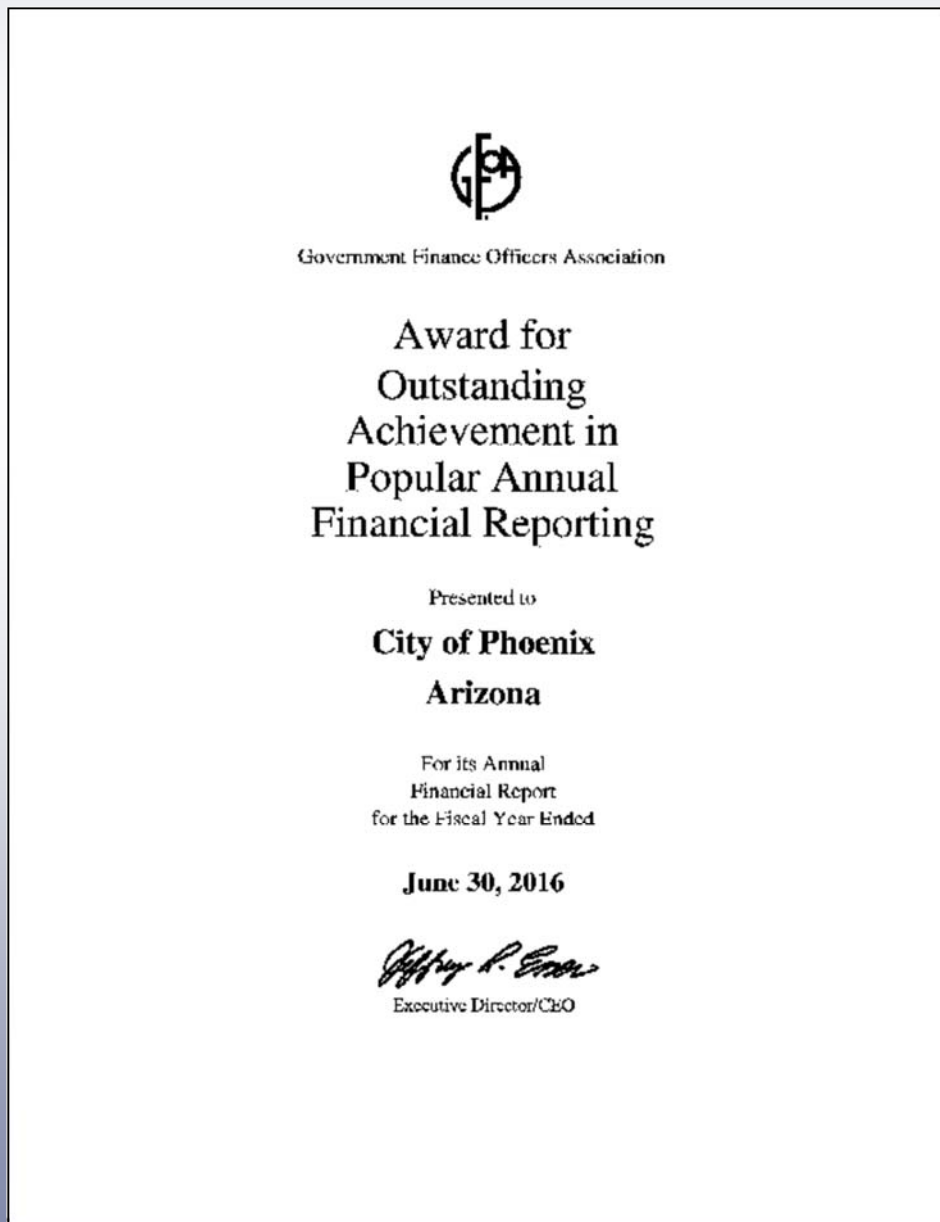
City of Phoenix

Award for Outstanding Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Phoenix for its Popular Annual Financial Report for the fiscal year ended June 30, 2016. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

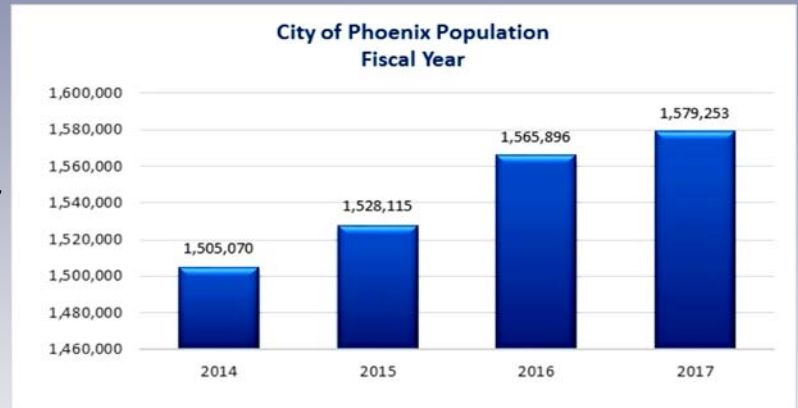
We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and we are submitting it to GFOA.





Where We've Been

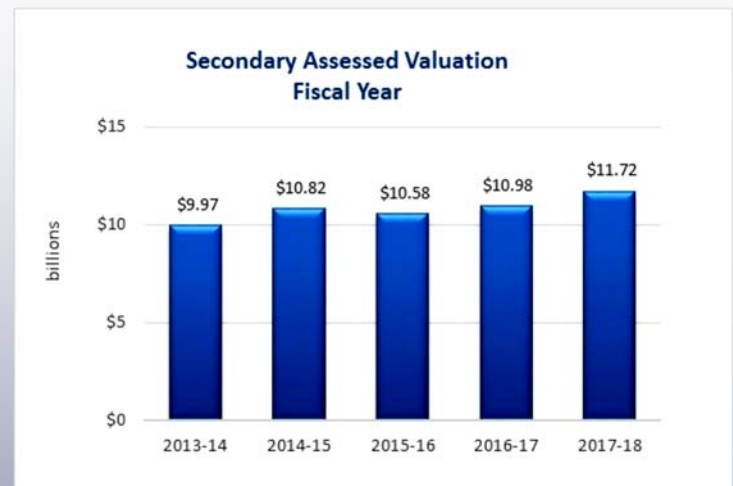
Phoenix continues to be an attractive place to live and work and has been one of the most rapidly growing metropolitan areas in the country in recent decades. Recent years have seen substantial growth in terms of population, employment, affordable housing and retail sales. The City continues to implement policies and standards to remain structurally balanced, maintain or improve current service levels and attract wealth generating companies.



Phoenix continues to be among the fastest growing cities in the country. During the period of 2010 to 2016, population growth was an estimated 11.7% in Phoenix as compared to 4.7% for the U.S. In that same time frame, employment in the Phoenix area has grown 15.0% while employment in the U.S. has grown 10.5%. The Phoenix area unemployment rate has generally been lower than the rate for the U.S. since 2009. As of September 2017, the unemployment rate for the Phoenix area was 3.8% and the U.S. was 4.2%. The Phoenix area has a mix of industry that mirrors the U.S. The primary employment sectors and their share of total employment consist of the service industry including financial activities (55.5%); trade, transportation, and utilities (19.3%); government (11.6%); manufacturing (6.2%); construction (5.5%); information (1.7%); and natural resources and mining (0.2%).



In fiscal year 2013-14, the secondary assessed valuation of \$9.97 billion was the lowest for the City since fiscal year 2003-04. The secondary assessed valuation increased to \$10.82 billion for fiscal year 2014-15, an 8.5% increase. For fiscal year 2015-16, the primary assessed valuation and the secondary assessed valuation were combined into a single valuation of \$10.58 billion, a decrease of 2.2%. The fiscal year 2016-17 assessed valuation increased 3.8% to \$10.98 billion. The fiscal year 2017-18 assessed valuation increased 6.7% to \$11.72 billion. On July 6, 2017 the Phoenix City Council voted to decrease the City total property tax rate (primary and secondary) to \$2.16 from \$2.17 per \$100 assessed valuation.



The City of Phoenix along with the Greater Phoenix Economic Council, are working together to attract wealth generating companies from outside the region to Phoenix and to encourage expansion of existing companies. Employers that have recently relocated or expanded their headquarters or major operations in Phoenix include Kattera, Medline Industries, Zenreach, RJR Technologies, Banner Arizona Medical Clinic, Quicken Loans and Advisor Group. The long term outlook remains positive for the metropolitan Phoenix area due to expectations that strong population and employment growth will resume, and will continue through the next two decades.



City of Phoenix

Where We're Headed

Phoenix Sky Harbor International Airport is in the planning stages for Phase 2 of the PHX Sky Train® and construction is expected to break ground in early 2018. This is an extension to the existing PHX Sky Train, which currently operates between the 44th Street PHX Sky Train Station and terminals 4, 3, and 2. The line will extend 2.5 miles to the Rental Car Center. Benefits include enhancement of customer service and improved accessibility, especially for customers using wheelchairs. It will also take traffic off of Sky Harbor Boulevard, easing transit to and from the terminals. This \$700 million project will be paid for with Rental Car Customer Facility Charges and airline Passenger Facility Charges. No local tax dollars will be used. It is scheduled to open in early 2022.



The City continues to improve and modernize its transit/light rail system. Valley Metro's Northwest Extension is an expansion of light rail service that will eventually travel to the area near Interstate 17 and Dunlap Avenue. Phase I of the construction project began service on March 19, 2016 as more than 2,100 riders rode the new service on 19th Avenue between Bethany Home Road and Dunlap Avenue in north Phoenix. Phase II will extend from 19th Avenue and across I-17 on Mountain View Road with a terminus near Metrocenter Mall. In 2016, the Phoenix City Council approved accelerating segments of the future high-capacity/light rail transit system. With the acceleration, Northwest Phase II will open in 2023 rather than 2026. The advancement is funded by Transportation 2050, a 35-year, multi-modal transportation plan approved by the Phoenix voters in 2015.



The City's fleet was named one of the top 10 recipients of the Government Green Fleet Awards for 2016. This is the second year in a row that the City has received this recognition. The City's use of alternative fuels; processes to reduce petroleum fuel consumption and toxic emissions; as well as its policy for purchasing fuel-efficient vehicles are just some of the characteristics that make the City a recognized leader in the acquisition and management of sustainable and environmental-friendly fleet.



Basis of Accounting



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



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

The timing of revenue and expenditures may be different under the GAAP basis of accounting than under the budgetary basis of accounting. For example in GAAP accounting, revenues are recognized in governmental funds as soon as they are both measurable and available. Under the budgetary basis of accounting, revenue may be deferred until amounts are actually received in cash.



Another difference occurs in the recognition of an encumbrance, which is an amount for which there is a legal obligation to spend in the future, such as entering into a contract with a business to supply the City a product or service.

Under the budgetary basis of accounting, the encumbered amount can be classified as an expense when the contract is signed, but under the GAAP basis of accounting encumbrances are not classified as expenditures until the service has been performed.

Government-Wide Statement of Net Position

June 30, 2017 and 2016 (in thousands)	Total City Government	
	2017	2016
Assets:		
Cash and investments	\$ 2,282,656	\$ 2,046,997
Current and other assets	2,837,685	2,834,873
Capital assets, net of depreciation	11,710,932	11,635,163
Total assets	16,831,273	16,517,033
Deferred outflows of resources	782,936	783,438
Liabilities:		
Long-term liabilities	11,247,154	10,919,807
Other liabilities	932,712	871,055
Total liabilities	12,179,866	11,970,862
Deferred inflows of resources	195,291	286,996
Net position:		
Net investment in capital assets	5,781,459	5,591,636
Restricted	1,407,704	1,225,745
Unrestricted	(1,950,111)	(1,594,768)
Total net position	\$ 5,239,052	\$ 5,222,613

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

Capital assets - The City's long-term investments in land, buildings, equipment, improvements, infrastructure, and construction in progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Page 11 provides more detailed information on capital assets.

Deferred outflows of resources - A consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Long-term liabilities - Represents mainly debt obligations and net pension liability of the City. The proceeds from various debt issues are used to finance large projects such as road construction and major equipment purchases. Net pension liability is the total pension obligation for current and retired employees minus assets held in trust to meet those obligations.

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

Deferred inflows of resources - An acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

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

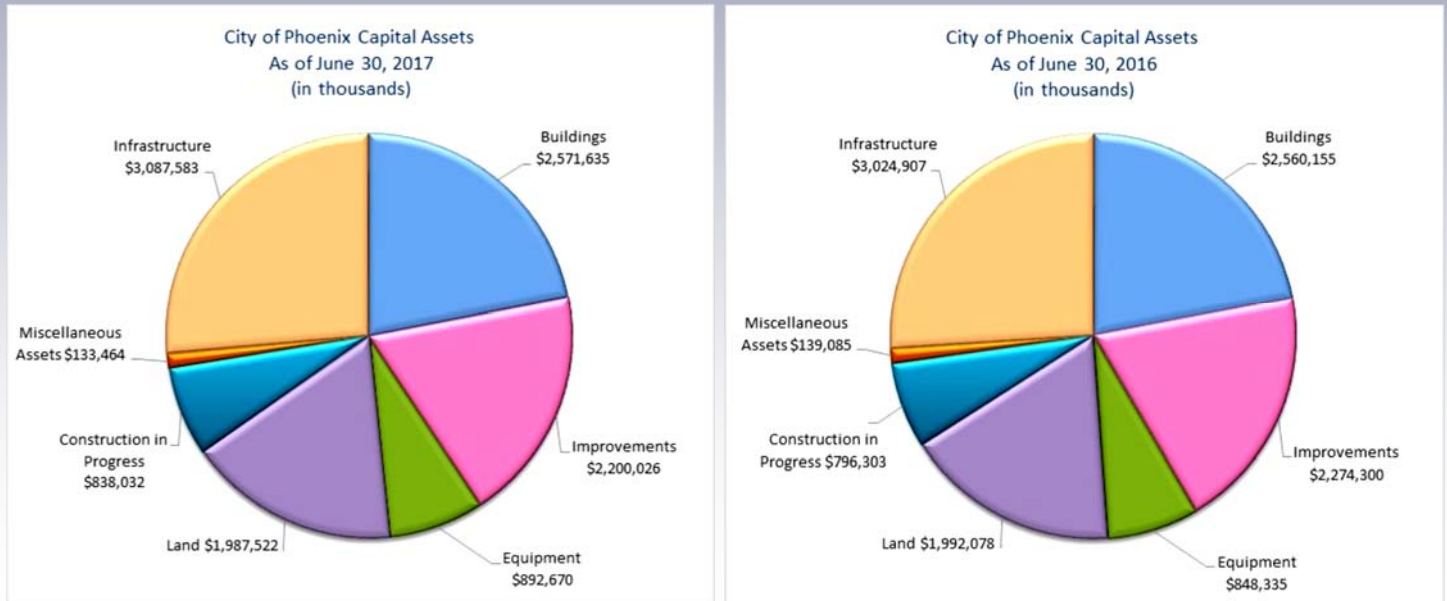
Restricted net position - Resources whose use is subject to externally imposed restrictions. The City has resources set aside for debt service payments, development impact fees restricted to growth-related projects, other capital projects, and required reserves.

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



Capital Assets

The City invests in capital assets to provide services to and enhance the quality of life of our residents. As shown on the previous page, the City's total capital assets (net of depreciation) was \$11,710,932,000 and \$11,635,163,000 for the fiscal years ended June 30, 2017 and 2016, respectively. This total is made up of the following asset categories:



Asset Category Definitions:

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

Major additions to capital assets during the fiscal year 2016-17 included the following:

- Aviation terminal 3 modification project valued at \$110.5 million.
- Various street and storm sewer projects throughout the City valued at \$98.0 million.
- New and replacement water and sewer mains throughout the City valued at \$58.8 million.
- Transit bus purchases valued at \$50.0 million.
- Construction and maintenance of Sky Harbor, Deer Valley and Goodyear Airports runways, taxiways and aprons valued at \$34.4 million.
- Water and wastewater distribution and collection facilities projects valued at \$29.6 million.
- Various water and wastewater treatment plant projects valued at \$16.8 million.
- Solid waste 27th avenue compost facility project valued at \$15.5 million.



Debt

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

General Obligation Bonds

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

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



Revenue Bonds & Bank Loans

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

State law authorizes the City to issue voter-approved highway user revenue and utility revenue bonds. The City currently has no outstanding voter approved revenue bonds.

The bank loan is payable from and secured by a subordinated lien on the City's excise tax revenues on 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 bank loan is not issued through CIC. The loan is the City's debt.



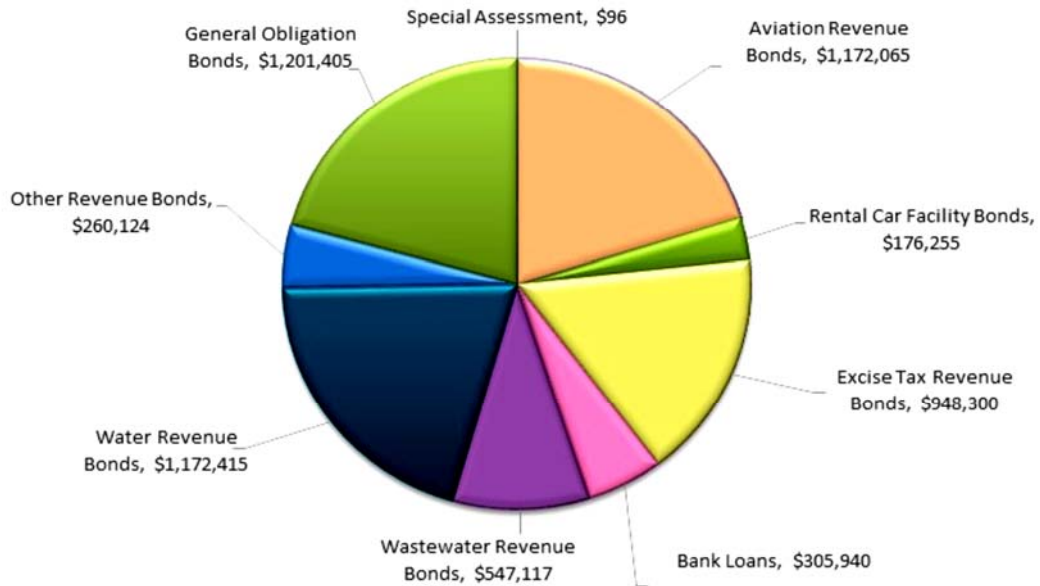
Special Assessment Bonds

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

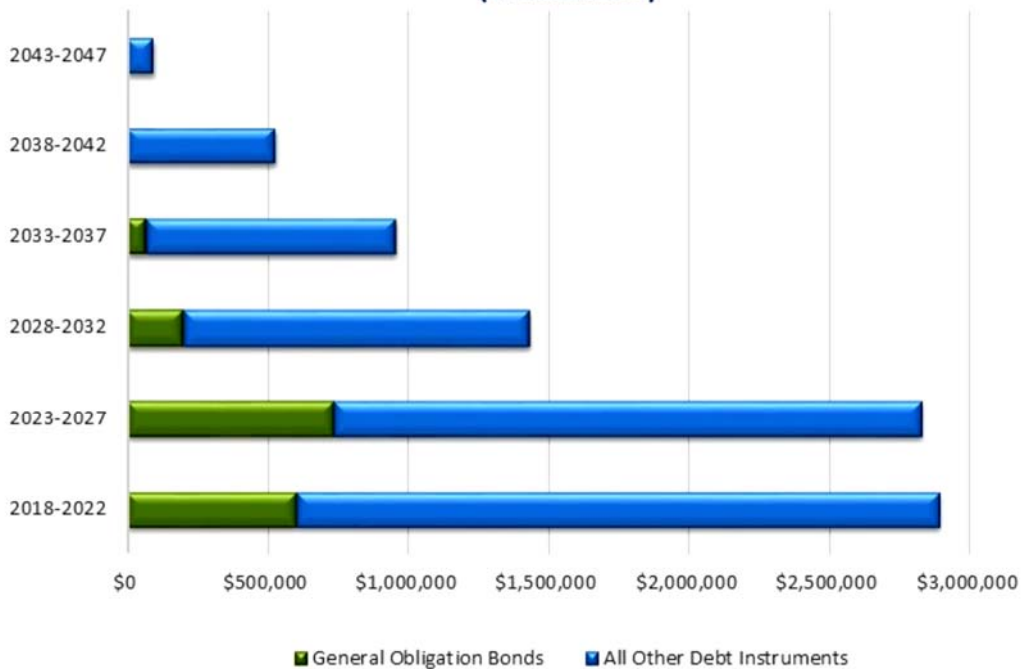


Debt (continued)

2017 Outstanding Debt by Type (in thousands)

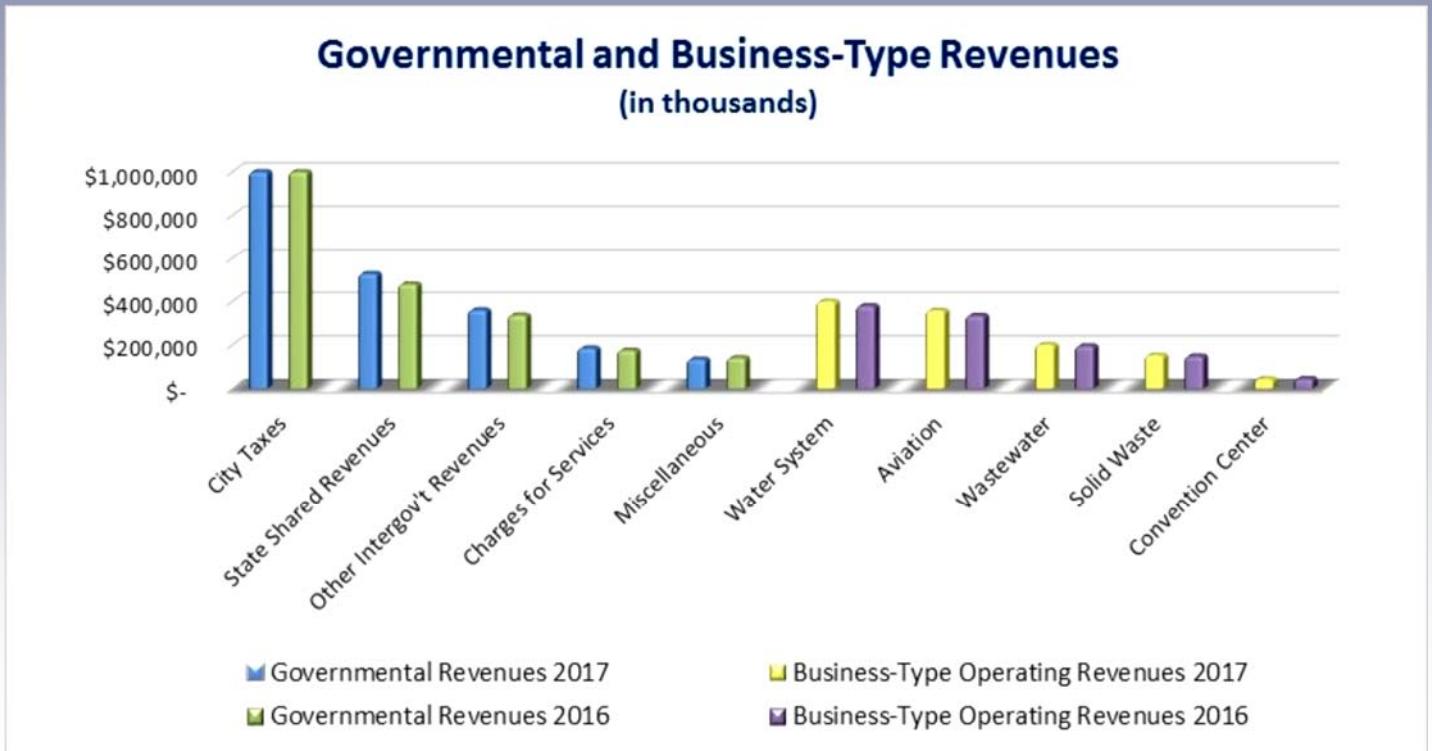


Debt Service Requirements: Governmental and Business-Type Activities (in thousands)





Where the Money Comes From



Governmental Revenues

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

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

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

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

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

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

Business-Type Revenues

Business-type funds are used to account for activities that are financed and operated in a manner similar to private businesses. These funds are considered self-supporting in that the services rendered are generally financed through user charges or fees. The operating revenues shown in the chart do not include grants or transfers. In general, business-type revenues can only be used to support the expenditures of the business-type fund in which it was earned. The major business-type revenues are Water System, Aviation, Wastewater, Solid Waste and Convention Center.



Where the Money Comes From

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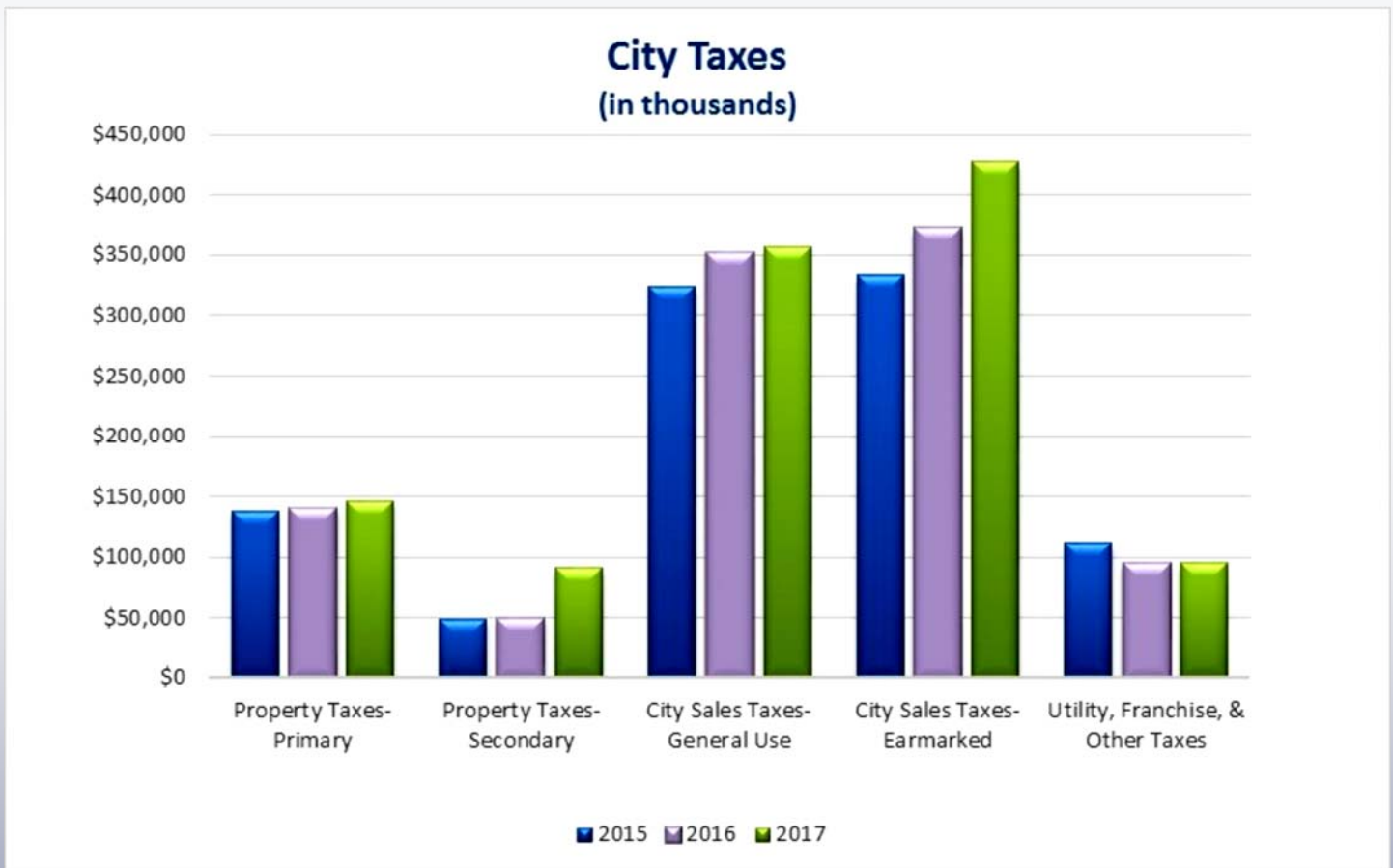
Governmental Revenues Fiscal Year 2017

City taxes account for 48% of governmental fund revenues. Some revenues are earmarked for specific uses, while others are available for general use.

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

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

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



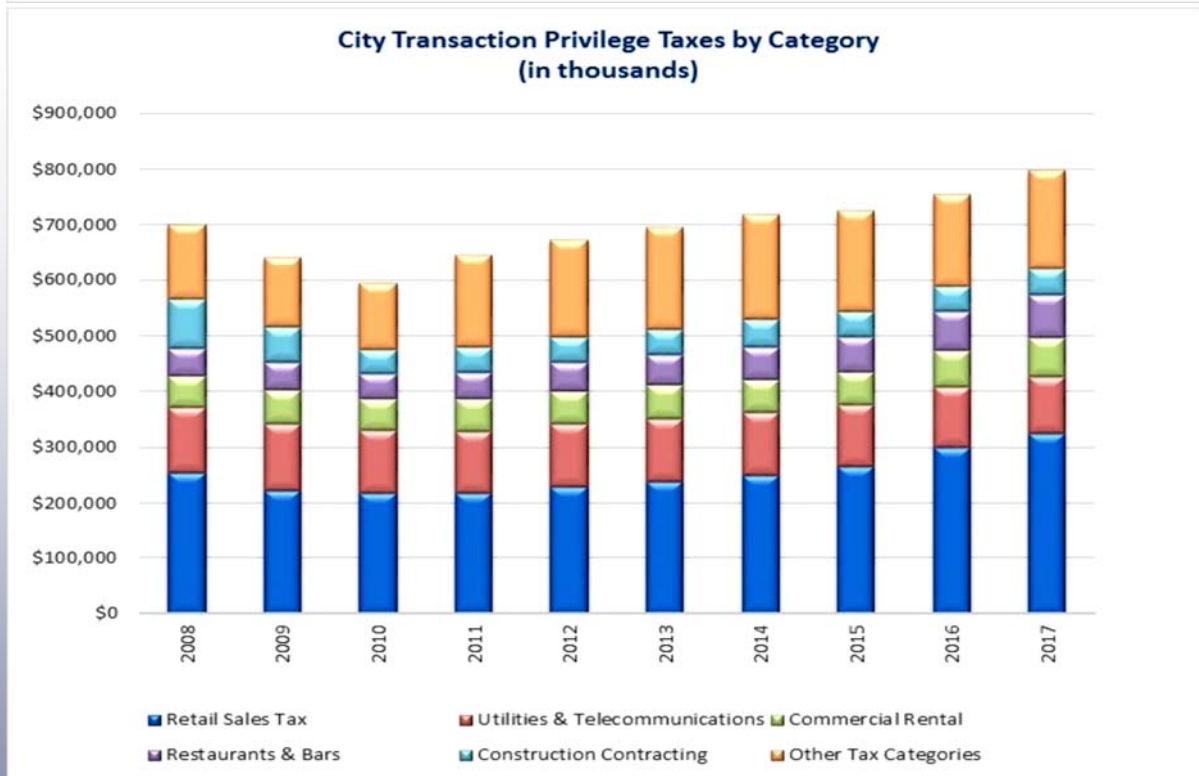
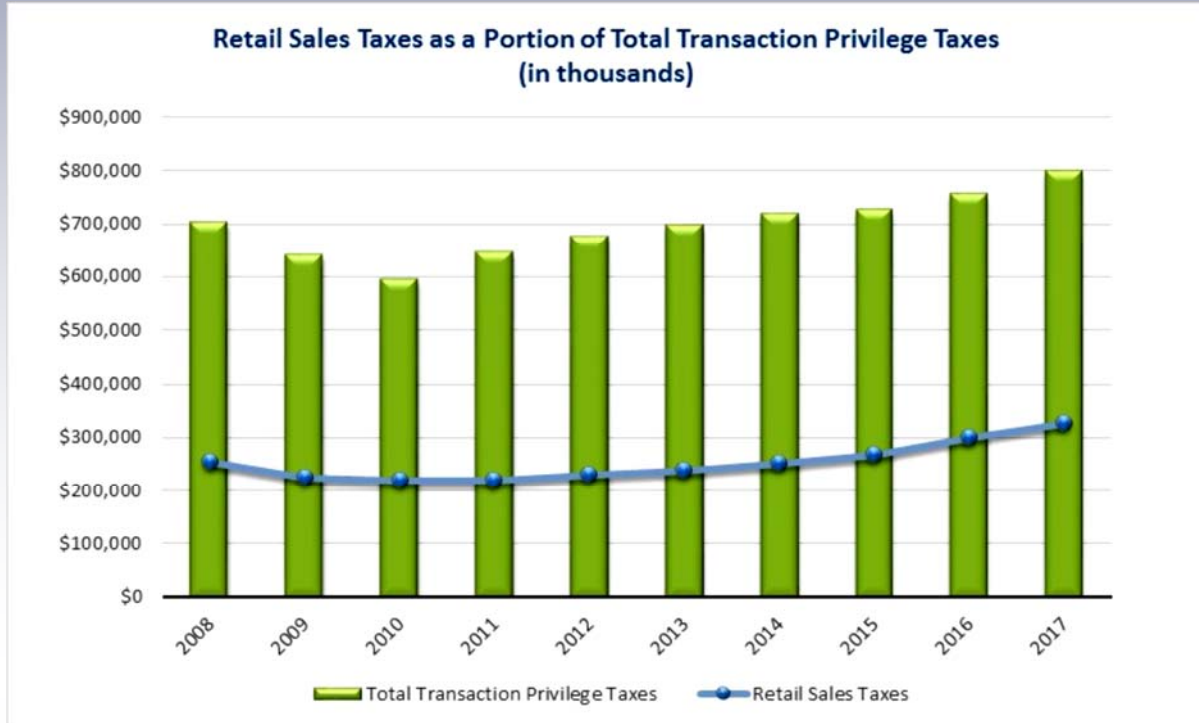
On average, for every tax dollar the City receives, 8 cents is spent on debt service and 46 cents is earmarked for specific spending purposes, such as public safety or transportation. That leaves 46 cents of every tax dollar to spend on general fund programs.



Where the Money Comes From

(continued)

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



Other tax categories include hotel/motel lodging, apartment/residential rental, motor vehicle rental, amusements, advertising, job printing, publishing, use tax, jet fuel, and retail food sales.



Where the Money Goes

Where Your Retail Sales Tax Dollar Goes

Effective January 1, 2016, the City of Phoenix implemented a multi-level tax rate which impacted Retail Tax: 1) Level 1 at 2.3% for first amount equal to or less than \$10,000 for a single item, 2) Level 2 at 2.0% for amounts greater than \$10,000 for a single item. Adding in the state and county sales tax rates, the total tax rate for most items purchased at retail in the City is 8.6%.

2.3%	City of Phoenix
5.6%	State of Arizona
0.7%	Maricopa County
8.6%	Total Phoenix Sales Tax Rate

Where the Phoenix 2.3% Goes:

1.2% **General Fund** — The General Fund provides for many of the major functions of the City including public safety (police and fire), courts, street maintenance, park & recreation services, preserving & revitalizing Phoenix neighborhoods, and advancing environmental protection & sustainability programs. It is the primary operating fund of the City.

0.7% **Transportation 2050** — Phoenix voters approved Transportation 2050, a 0.7% sales tax, effective January 1, 2016, to fund the City’s Comprehensive Transportation Plan including new light rail lines, bus expansion and street improvements. This tax supersedes the 0.4% Transit 2000 sales tax approved by voters in March 2000.

0.2% **Public Safety Expansion** — This ordinance, approved by voters in 2007, provides for the funding of additional police officers and firefighters.

0.1% **Neighborhood Protection** — Fund Created in 1993 as a result of the enactment of the Neighborhood Protection Ordinance (Proposition 301), this fund expanded Police, Fire, and Neighborhood Block Watch Programs.

0.1% **Parks and Desert Preserves** — In 2007, Phoenix voters reauthorized the Phoenix Parks and Preserve Initiative that provides funds to save thousands of acres of state trust land, make improvements to neighborhood and community parks, and build regional parks.





Where the Money Goes

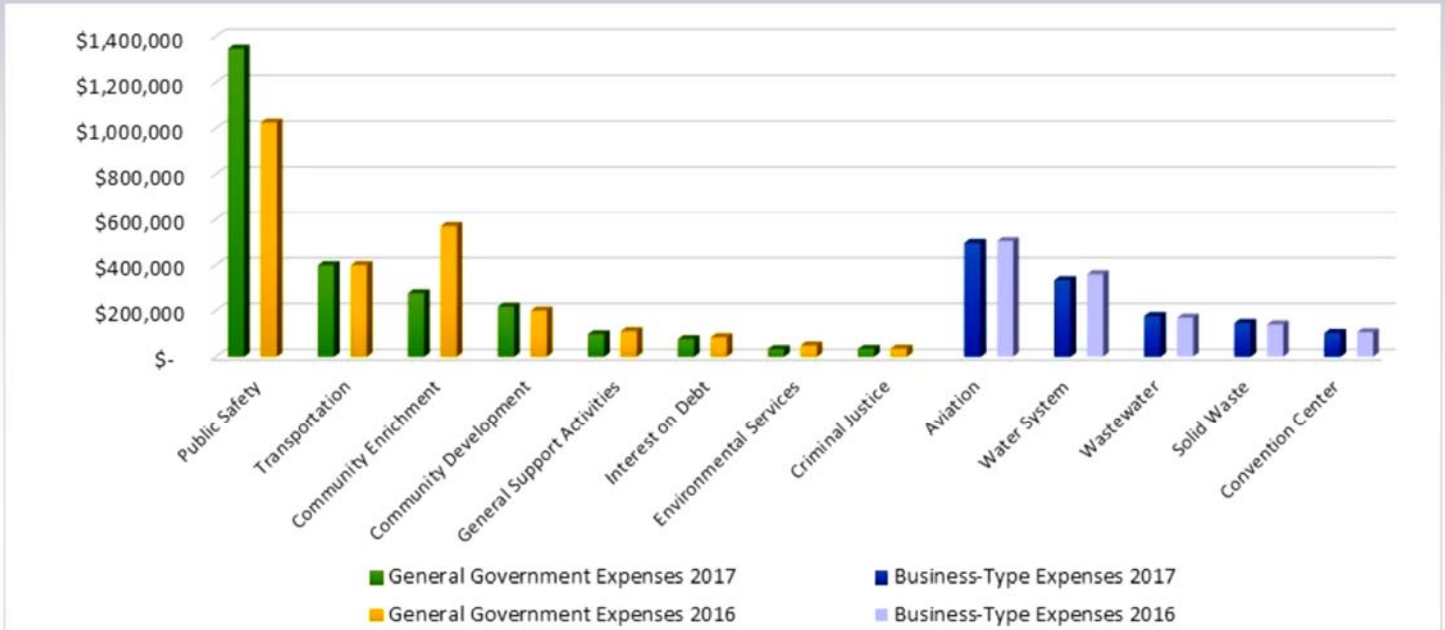
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Governmental and Business-Type Expenses For the Years Ended June 30, 2017 and 2016

(in thousands)

Total Expenses: FY17 - \$3,716,537

Total Expenses: FY16 - \$3,759,225

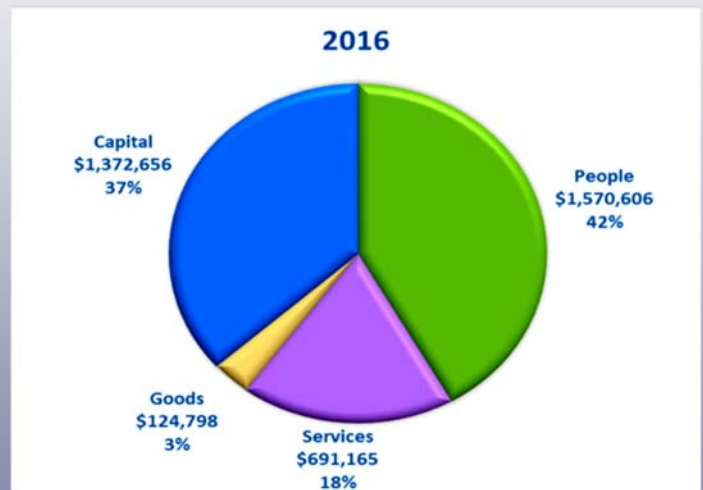
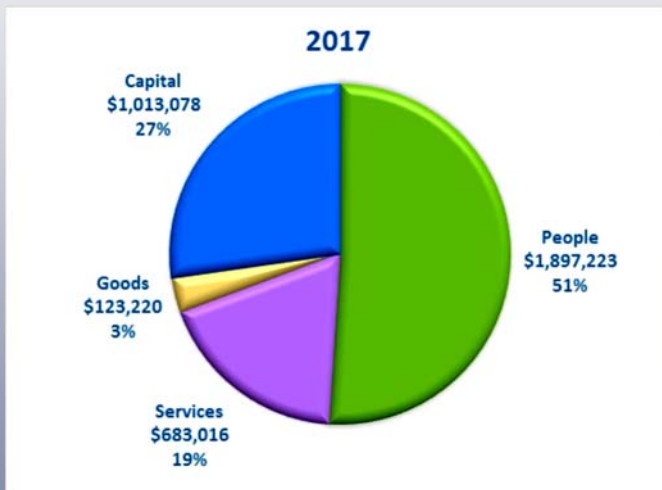


People - the cost of employees including wages and benefits

Capital - costs of property, plant and equipment; primarily depreciation and interest, for 2016 includes the expense to pay off Hotel Corporation bonds

Services - contractual services provided by external entities

Goods - inventories, supplies, and materials





Where the Money Goes

(continued)

	2017						
	<u>People</u>	<u>Services</u>	<u>Goods</u>	<u>Capital</u>	<u>Total</u>	<u>% of Subtotal</u>	<u>% of Total</u>
General Government							
Public Safety	\$ 1,207,104	\$ 52,457	\$ 20,459	\$ 67,809	\$ 1,347,829	54.80%	36.27%
Transportation	68,847	179,267	20,219	105,122	373,455	15.19%	10.05%
Community Enrichment	121,640	85,140	14,323	55,888	276,991	11.26%	7.45%
Community Development	87,271	112,372	1,762	17,058	218,463	8.88%	5.88%
General Support Activities	62,470	16,021	1,917	18,133	98,541	4.01%	2.65%
Interest on Debt	-	-	-	77,073	77,073	3.13%	2.07%
Environmental Services	14,194	797	3,834	14,135	32,960	1.34%	0.89%
Criminal Justice	27,358	5,840	430	417	34,045	1.38%	0.92%
Subtotal	1,588,884	451,894	62,944	355,635	2,459,357	100%	66.17%
Business-Type							
Aviation	94,436	137,001	10,671	254,023	496,131	39.46%	13.35%
Water System	107,610	4,161	42,722	179,213	333,706	26.54%	8.98%
Wastewater	28,545	13,079	2,344	133,217	177,185	14.09%	4.77%
Solid Waste	52,694	54,116	3,374	36,726	146,910	11.69%	3.95%
Convention Center	25,056	22,764	1,165	54,263	103,248	8.21%	2.78%
Subtotal	308,341	231,121	60,276	657,442	1,257,180	100%	33.83%
TOTAL	\$ 1,897,223	\$ 683,016	\$ 123,220	\$ 1,013,078	\$ 3,716,537		100%

	2016						
	<u>People</u>	<u>Services</u>	<u>Goods</u>	<u>Capital</u>	<u>Total</u>	<u>% of Subtotal</u>	<u>% of Total</u>
General Government							
Public Safety	\$ 874,003	\$ 69,185	\$ 20,314	\$ 61,899	\$ 1,025,401	41.40%	27.28%
Transportation	75,180	178,405	19,259	126,384	399,228	16.12%	10.62%
Community Enrichment	120,968	79,349	13,668	356,198	570,183	23.02%	15.17%
Community Development	76,590	104,957	2,140	17,075	200,762	8.11%	5.34%
General Support Activities	72,626	21,341	1,518	16,316	111,801	4.51%	2.97%
Interest on Debt	-	-	-	84,893	84,893	3.43%	2.26%
Environmental Services	26,697	724	3,457	18,172	49,050	1.98%	1.30%
Criminal Justice	28,936	5,626	337	299	35,198	1.42%	0.94%
Subtotal	1,275,000	459,587	60,693	681,236	2,476,516	100%	65.88%
Business-Type							
Aviation	88,220	128,309	11,144	276,631	504,304	39.32%	13.42%
Water System	102,743	13,652	45,573	197,735	359,703	28.04%	9.57%
Wastewater	26,749	18,206	2,259	123,226	170,440	13.29%	4.53%
Solid Waste	55,059	50,303	4,082	31,685	141,129	11.00%	3.75%
Convention Center	22,835	21,108	1,047	62,143	107,133	8.35%	2.85%
Subtotal	295,606	231,578	64,105	691,420	1,282,709	100%	34.12%
TOTAL	\$ 1,570,606	\$ 691,165	\$ 124,796	\$ 1,372,658	\$ 3,759,225		100%



Where the Money Goes

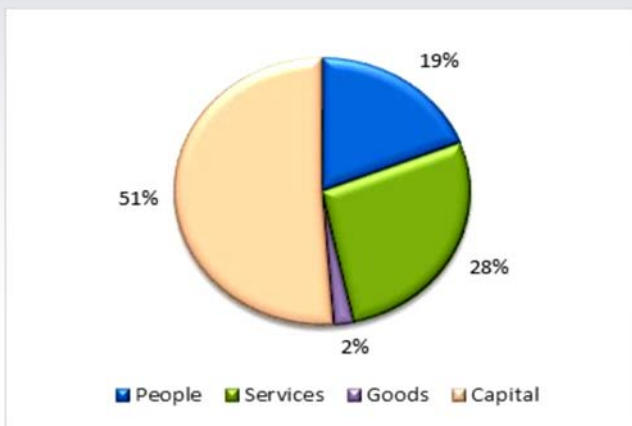
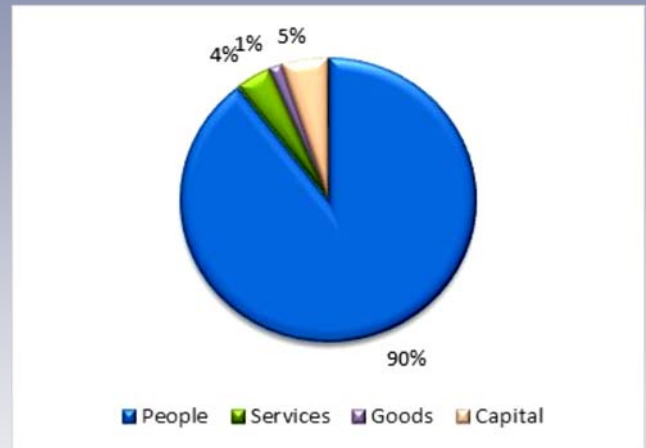
(continued)

Public Safety Expenses

FY17 = \$1,347,829

(in thousands)

The City's largest expense category is Public Safety. This includes the Police and Fire departments. The Police Department provides law enforcement and community resources for police services and the protection of the lives and property of our residents. The Fire Department provides safety of life and property through fire prevention, fire control and emergency medical and public education services.

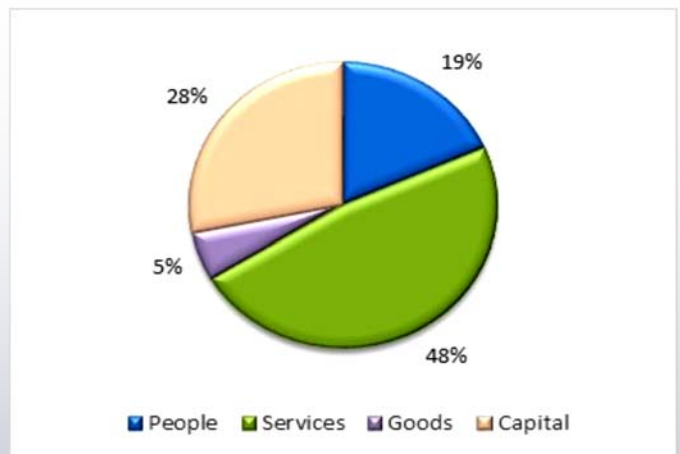


Aviation Expenses

FY17 = \$496,131

(in thousands)

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

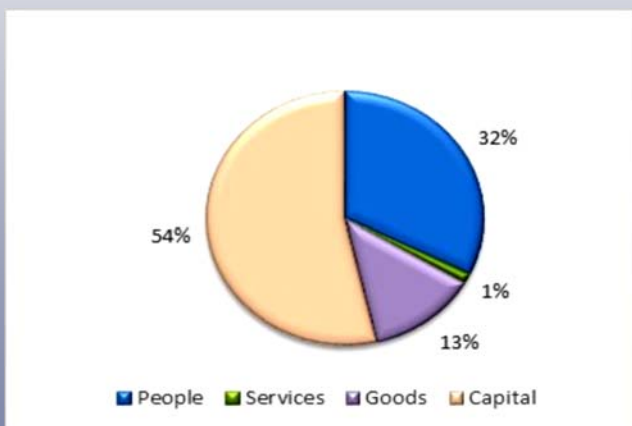


Transportation Expenses

FY17 = \$373,455

(in thousands)

Transportation expenses include costs incurred by the Street Transportation and Public Transit departments. The Street Transportation expenditures are primarily capital costs for designing, building and maintaining City streets. Additionally, Street Transportation also administers street lights, parking meters and traffic management. The majority of Public Transit expenditures are for service contracts related to bus and light rail operations.



Water Expenses

FY17 = \$333,706

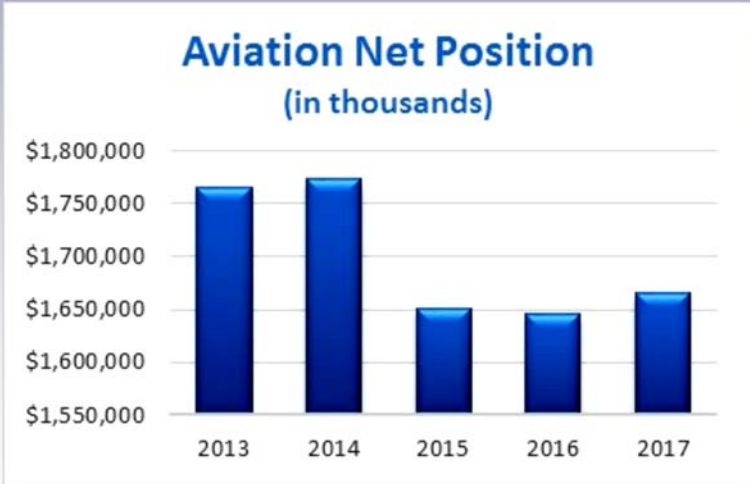
(in thousands)

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



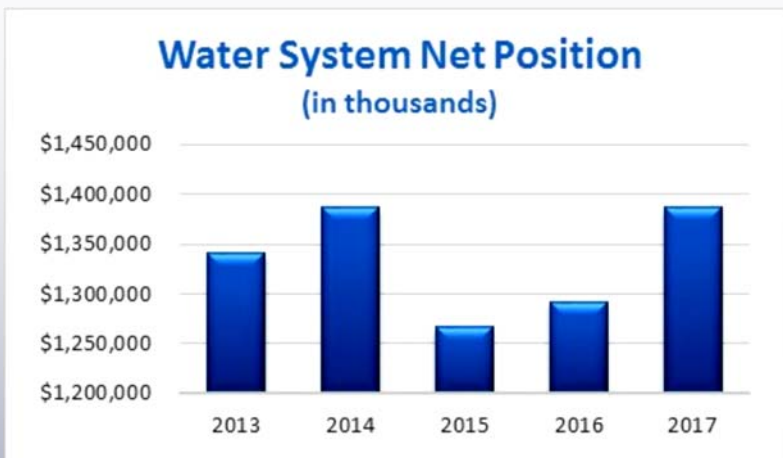
Business-Type Net Position

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



The graphs on the next two pages show the net position balances for the City's four largest business-type funds. The net position balance is the difference between the assets and liabilities of each fund. The largest portion of the City's net position reflect investments in capital assets, such as land, buildings, and equipment. The excess of revenues over expenses in a fiscal year contribute to the net position of a fund. Over time, increases or decreases in net position may serve as a useful indicator of changes in a fund's financial position. The change in accounting rules for the long-term liability associated with pensions resulted in lower net position beginning in 2015.

	2014	2015	2016	2017
Scheduled Airlines	21	19	19	19
Aircraft Traffic Movement (in thousands)	867	894	927	923
Passengers Arriving and Departing (in thousands)	41,093	43,000	44,158	43,533

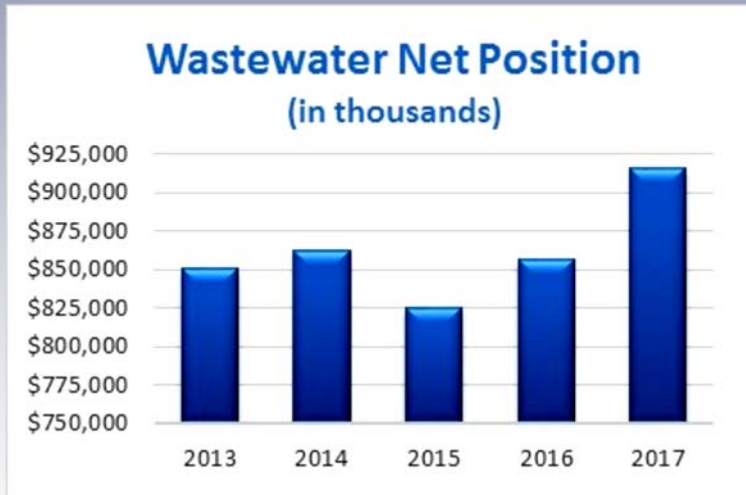


The City's Water System program provides a safe and adequate domestic water supply to all residents in the Phoenix water service area. The major component of the Water System's net position is its investment in capital assets, which includes water mains, hydrants, meters, and service connections.

	2014	2015	2016	2017
Production (billions gallons)	97.6	93.4	97.6	97.8
Average Daily Production (million gallons)	266.9	255.8	266.8	268.1
Miles of Water Main	6,867	6,883	6,882	6,888
Number of Accounts	416,623	418,995	416,303	423,569



Business-Type Net Position (continued)



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

	2014	2015	2016	2017
Miles of Sewer Lines	4,833	4,841	4,846	4,847
Number of Accounts	402,624	402,495	406,967	410,952



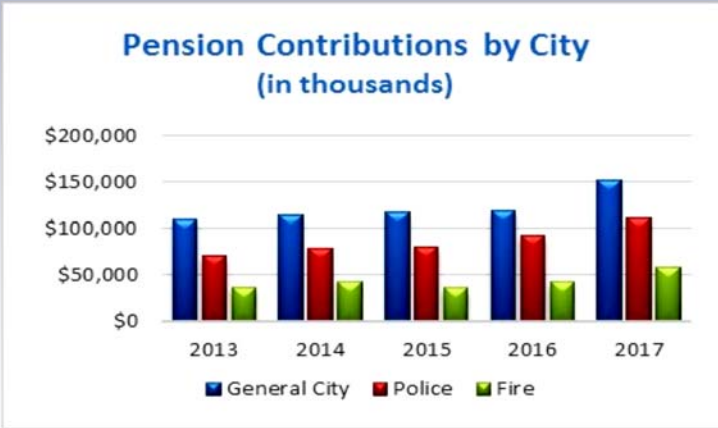
The Solid Waste Fund assists in providing a safe and aesthetically acceptable environment through effective, integrated management of the solid waste stream, including collection, disposal, and recycling activities. The net position of the Solid Waste Fund has increased due to increased revenues combined with continued efficiency efforts and debt restructuring. This has allowed for capital improvements without the need to issue debt or increase

(in thousands)	2014	2015	2016	2017
Residences Served	400	402	401	403
City Disposal (in tons)	564	587	589	623
Total Disposal (in tons)	863	883	896	944
Total Recycling (in tons)	107	114	114	120



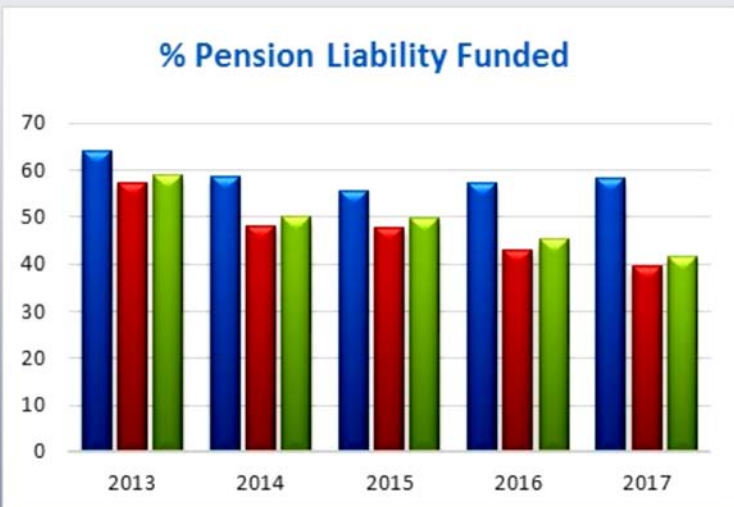
Pension Plans

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



The City contributes to each of the pension plans that covers its employees. An actuarially determined amount is contributed to fully fund benefits for active members and to amortize any unfunded actuarial liability. Per City Charter, the City contributes 100 percent of required contributions, something not every City does.

Employees also contribute a percentage of their pay to the pension plans. The percentage required depends on the pension plan to which they belong. The above graph shows historic contribution information.



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

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



City of Phoenix

Key Statistics



Selected City Performance Measures		
	FY 2017	FY 2016
PUBLIC SAFETY		
<u>Police</u>		
Police Precincts	7	7
Police Employees	3,272	3,269
Dispatched Calls for Service	691,346	671,456
<u>Fire</u>		
Fire Stations	58	58
Fire Employees	1,997	1,979
Calls for Service	212,259	204,669
COMMUNITY ENRICHMENT		
<u>Libraries</u>		
Book Circulation (in thousands)	12,096	12,901
Total Stock (in thousands)	1,837	1,908
Number of Library Branches	17	17
<u>Parks and Recreation</u>		
City Parks (number of acres)	45,313	45,313
Number of Playgrounds	268	256
TRANSPORTATION		
<u>Public Transit</u>		
Ridership (in thousands)		
Bus	33,725	34,615
Dial-a-Ride	330	371
Light Rail	10,864	9,850
<u>Streets</u>		
Total Miles	4,857	4,857
Miles Resurfaced and Sealed	473	229
Signalized Intersections	1,140	1,130

