

City of Phoenix

Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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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, 2015. This report 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	1,528,115
Maricopa County Population	4,078,062
Area (in square miles)	519.4
Per Capita Income	\$ 38,745
Feet Above Sea Level	1,124
Average Annual Temperature (F)	75.1
Average Annual Rainfall (in inches)	8.04
Average Annual Sunny Days	334

City of Phoenix
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Message from the City Manager



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.

Greetings:

This marks our fifth 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 ending June 30, 2015.

Due to the leadership of Mayor, City Council and the hard work of City employees, the General Fund ended fiscal year 2015 with a fund balance \$27 million higher than the previous fiscal year. This was accomplished through shared solutions such as additional pay concessions from employees, continued efficiency improvements and additional revenue approved by the City Council while avoiding service cuts to the community.

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 years, Phoenix has seen an ongoing economic recovery 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 sound, maintain or improve current service levels, and attract wealth generating companies.

In February 2015, the Phoenix metropolitan region hosted Super Bowl XLIX. Super Bowl Central in downtown Phoenix brought an estimated 1 million visitors. This is the first of a three year run for Phoenix that includes the College Football Playoff National Championship in 2016 and the Final Four in 2017. In June 2015, the City in cooperation with the City of Buckeye and Arizona Public Service opened the Desert Star Solar Plant. The 118 acre site located at the State Route 85 Landfill has 50,400 panels and will be able to generate about 10 megawatts of energy, or enough for 2,500 homes at once. Employers who recently expanded operations in Phoenix include Banner Health, American Express Global Business Travel, Aligned Energy, Sensei Product Solutions, Sprouts and Mobile Mini.

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 Excise Tax Revenue and Water Revenue Bonds in fiscal year 2014-15 and will provide additional opportunities in the future.

I want to thank the Mayor and City Council for their leadership and City employees for their efforts. Going forward, we will continue to work smarter, save money aggressively and be kind to our customers. We remain focused on ensuring a sound financial future and dedicated to providing outstanding services to our residents.

Sincerely,
Ed Zuercher
City Manager



Denise 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

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 ending June 30, 2015. 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 Olson
Chief Financial Officer

City of Phoenix, Arizona Bond Ratings		
Description	Moody's	S & P
General Obligation	Aa1	AA+
Senior Lien Excise Tax Revenue	Aa2	AAA
Senior Lien Airport Revenue	Aa3	AA-
Junior Lien Water Revenue	Aa2	AAA
Senior Lien Wastewater System Revenue	Aa2	AAA

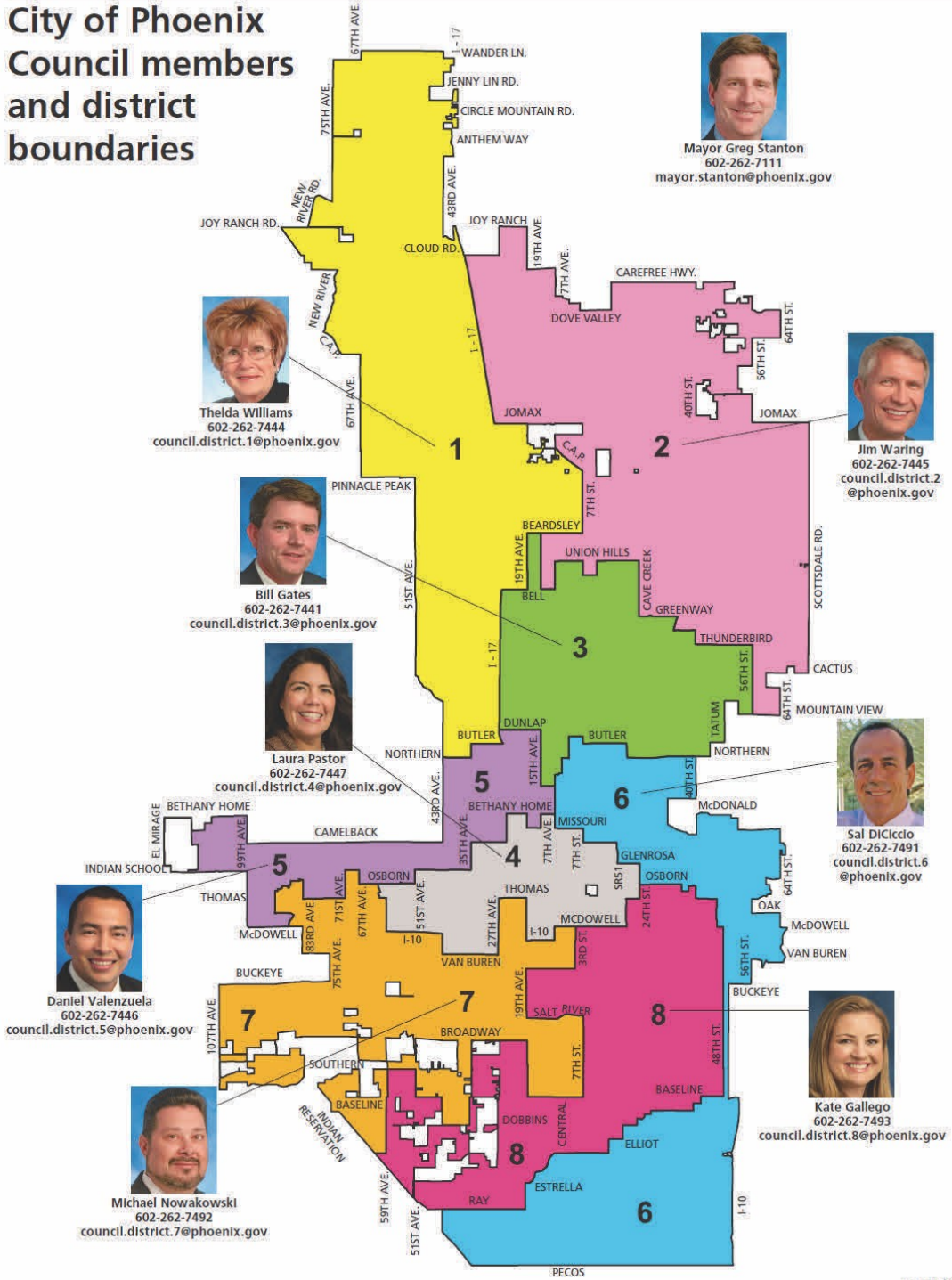


City of Phoenix

About Phoenix City Council

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

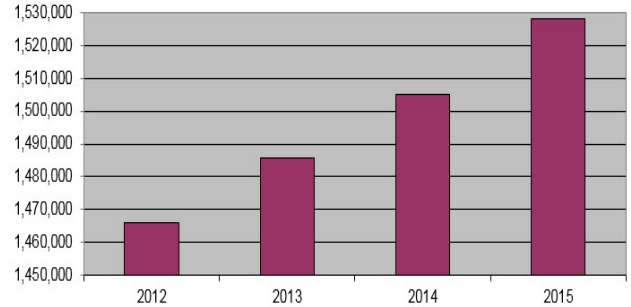


January 2014

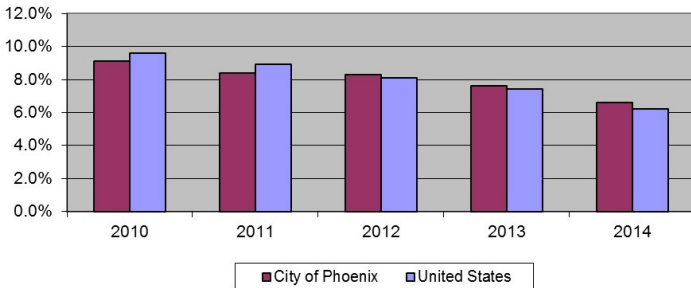
Where We've Been

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. Although the economic downturn affected Greater Phoenix, recent years have seen recovery 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.

City of Phoenix Population
Fiscal Year

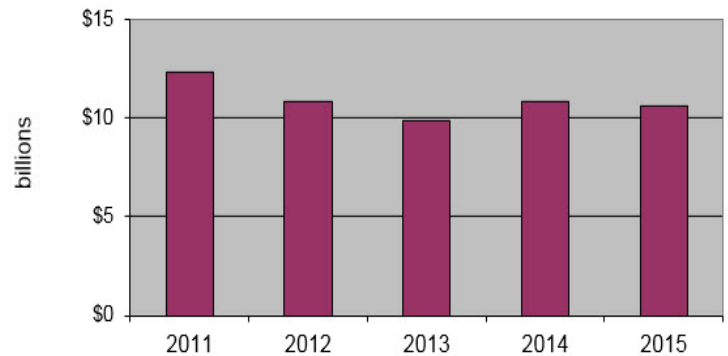


Unemployment Rates
Calendar Year



The local economy was significantly impacted by the recession of 2007-2009, causing a decline in both population and jobs in the Phoenix area. However, from 2004 to 2014, population growth was 16.7% in the Phoenix area as compared to 8.7% for the U.S. As of November 2015, the unemployment rate for the Phoenix area was 5.0% as compared to the U.S. rate of 4.8%. The Phoenix area has a mix of service industry that mirrors the U.S.

Secondary Assessed Valuation
Fiscal Year



The City experienced decreased assessed valuations and declining property taxes in the years following the Great Recession. 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 have been combined into a single valuation of \$10.58 billion, a decrease of 2.2%.

The City has aggressively attracted new businesses during the recovery in the economy. Employers that have recently relocated or expanded their headquarters or major operations in Phoenix include Banner Health, American Express Global Business Travel, Aligned Energy, Sensei Project Solutions, Sprouts, and Mobile Mini. 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.

Phoenix Sky Harbor International Airport launched the **PHX Sky Train** project in April 2013 (Stage 1), which operates 24 hours a day, seven days per week. Stage 1A opened in December 2014 extending to Terminal 3 with a walkway to Terminal 2, providing service between all three terminals at the airport. With strong ridership and 99.5 percent reliability, passengers use the PHX Sky Train to connect between the terminals, the airport's largest economy parking area and the regional light rail system providing travelers with easy access to downtown Phoenix.



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 is a 3.2-mile extension that will extend light rail north on 19th Avenue from Montebello to Dunlap Avenue and serve 5,000 riders per day. Construction began in January 2013. This extension is scheduled to open in March 2016 and will support nearly 20,000 residents and another 20,000 employees from businesses along the light rail line. It will serve as an essential means of travel in an area where 14 percent of households are dependent on transit compared to 7 percent countywide.

In March 2013, City voters approved propositions 201 and 202 which changed contribution rates, rules for voluntary retirement, the calculations of pension benefits for employees hired after July 1, 2013, and the investing standards for the **City of Phoenix Employees' Retirement Plan Assets**. These reforms are expected to save the City about \$600 million over the next 23 years. Additionally, in October 2013 City Council eliminated the ability of current and future City employees to collect lifetime payments on future leave accruals as well as phone and car allowances. These measures are expected to save the City about \$233 million over the next 25 years. In August 2015, voters approved proposition 103 which capped the annual salary eligible for pensions for new employees and adjusted contribution rates for tier 2 employees to make the City more competitive for hiring and retaining employees. The City expects to save about \$38 million over 20 years through these measures resulting in total pension reform savings of about \$870 million.

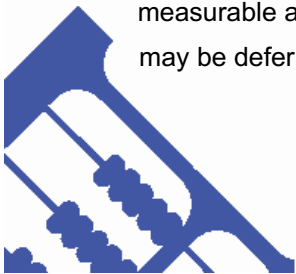
In May 2015, the Phoenix City Council voted unanimously to support a new partnership between Arizona State University and NantWorks LLC to bring a new project to the Phoenix Biomedical Campus. The council entered into a 30 year land lease with ASU to build high-density facilities on seven acres just north of the Phoenix Biomedical Campus. NantWorks has committed at least \$75 million in facilities, equipment and start-up costs to the initial phase of the project which will include the development of the Chan Soon-Shiong Institute for Molecular Medicine at ASU.

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



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

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



Another difference occurs in the recognition of an encumbrance, which is an amount for which there is a legal obligation to spend in the future, such as entering into a contract with a business to supply the City a product or service. Under the budgetary basis of accounting, the encumbered amount can be classified as an expense when the contract is signed, but under the GAAP basis of accounting encumbrances are not classified as expenditures until the service has been performed.





Statement of Net Position

Government-Wide Statement of Net Position

June 30, 2014 and 2015 (in thousands)	Total City Government	
	2014	2015
Assets		
Cash and investments	\$ 1,903,366	\$ 1,957,676
Current and other assets	2,732,737	2,788,551
Capital assets, net of depreciation	11,754,944	11,674,335
Total assets	16,391,047	16,420,562
Deferred outflows of resources	54,530	725,947
Total deferred outflows of resources	54,530	725,947
Liabilities		
Long-term liabilities	6,962,759	10,666,338
Other liabilities	882,403	792,660
Total liabilities	7,845,162	11,458,998
Deferred inflows of resources	—	150,962
Total deferred inflows of resources	—	150,962
Net position		
Net investment in capital assets	5,394,845	5,435,979
Restricted	1,232,169	1,272,321
Unrestricted	1,973,401	(1,171,751)
Total net position	\$ 8,600,415	\$ 5,536,549

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

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

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 of the City. The proceeds from these various debt issues are used to finance large projects such as road construction and major equipment purchases. In 2015, as a result of the implementation of GASB 68, the City's net pension liability has also been included with long-term liabilities.

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.

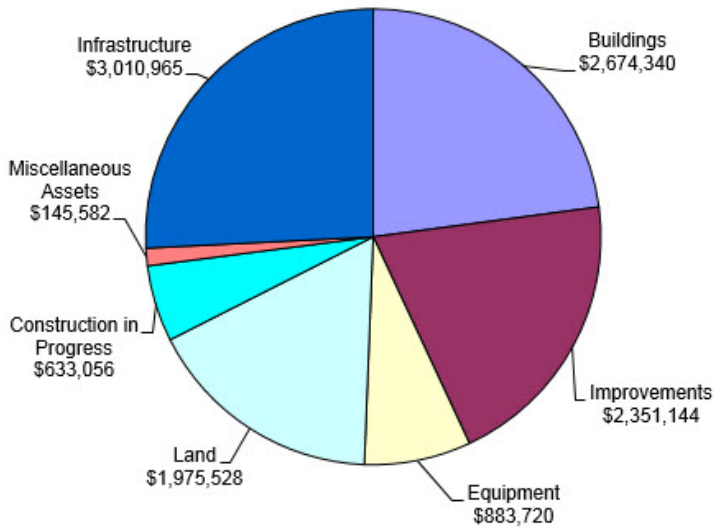
Unrestricted net position - Resources available to the City to provide services to the citizens and creditors if there were no additional revenues or resources available.



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 \$11,674,335,000. This total is made up of the following asset categories:

City of Phoenix Capital Assets
As of June 30, 2015
(in thousands)



Total Capital Assets:
\$11,674,335

Asset Category Definitions:

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



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

- Various street and storm sewer projects throughout the City valued at \$94.0 million.
- New and replacement water and sewer mains throughout the City valued at \$73.1 million.
- Aviation terminal improvements valued at \$56.0 million.
- Design and construction at various water treatment facilities valued at \$30.5 million.
- Construction and maintenance of Sky Harbor, Deer Valley and Goodyear Airports runways, taxiways, and aprons valued at \$14.1 million.
- Various water and wastewater treatment plant projects valued at \$12.1 million.
- Design and construction related to the PHX Sky Train at Sky Harbor International Airport valued at \$9.9 million.
- Regional Wireless Cooperative subscriber equipment replacement valued at \$9.4 million.

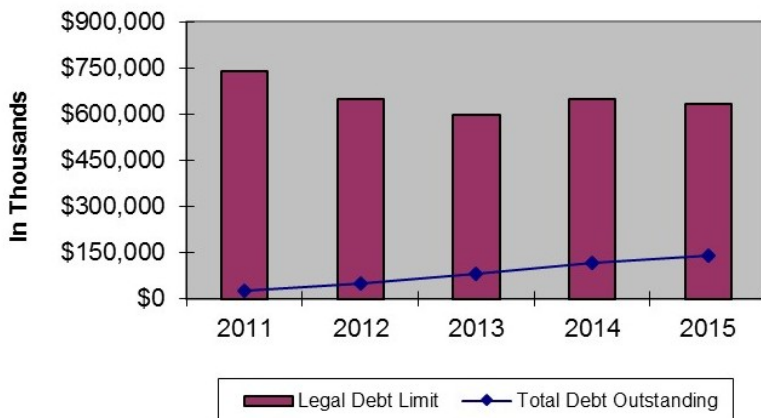
The City utilizes general obligation bonds, revenue bonds, certificates of participation, and special assessment bonds for long-term financing of facilities.

General Obligation Bonds

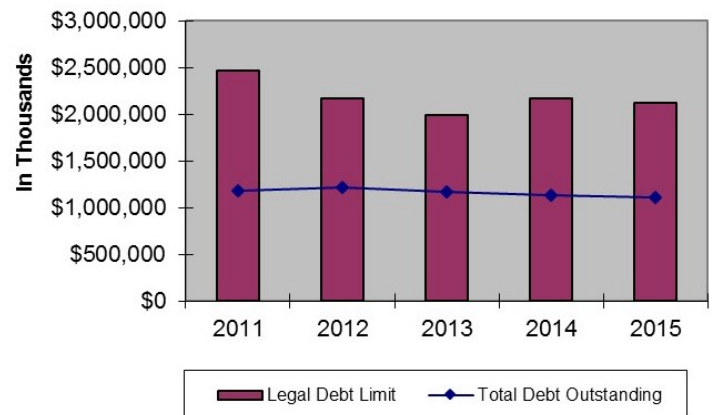
The City typically issues general obligation bonds to fund the capital projects of general government (non-enterprise) departments. These projects include cultural facilities, fire, police, library, parks and recreation, mountain preserves, storm sewers, streets, and transportation. The annual debt service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

State law dictates that revenue collected for the City's secondary property tax levy be used solely to pay principal and interest on long-term debt. The law imposes two limits on the total of general obligation debt; an amount equal to 20 percent 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 percent of the secondary assessed valuation can be issued for all other purposes. These limits are known as the Legal Debt Limit.

6% Legal Debt Limit



20% Legal Debt Limit



Revenue Bonds

Revenue bonds are secured by taxes, user fees, and charges for services and are not considered a general obligation of the City. State law authorizes the city to issue voter-approved highway user revenue and utility revenue bonds. This includes Municipal Corporation bonds issued by the City of Phoenix 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.

Other Bond Types:

Certificates of Participation

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

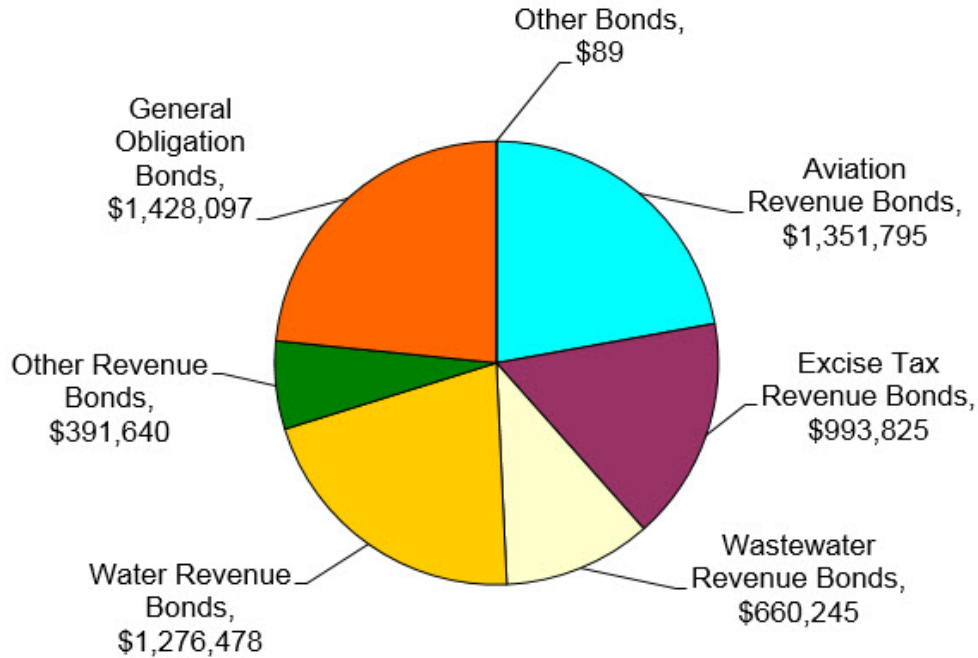
Special Assessment Bonds

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

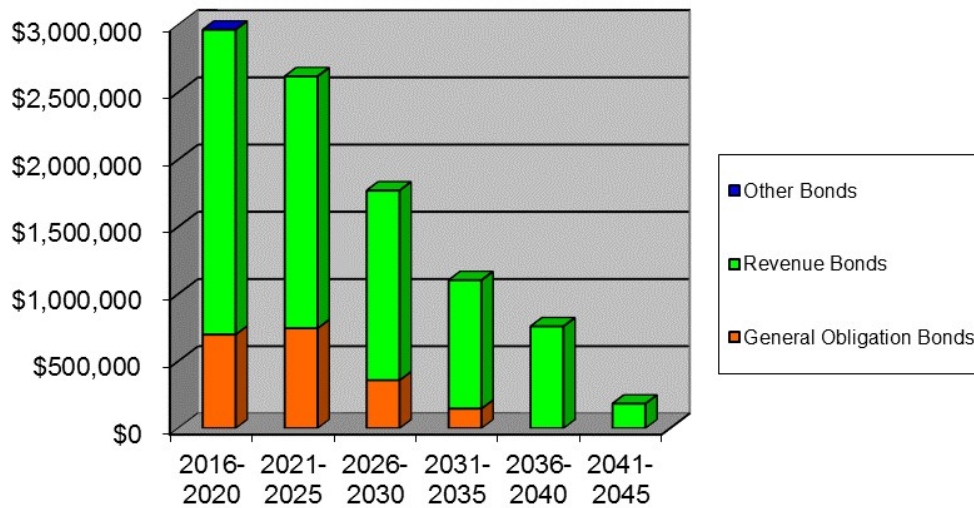


Debt (continued)

2015 Outstanding Debt by Type (in thousands)



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

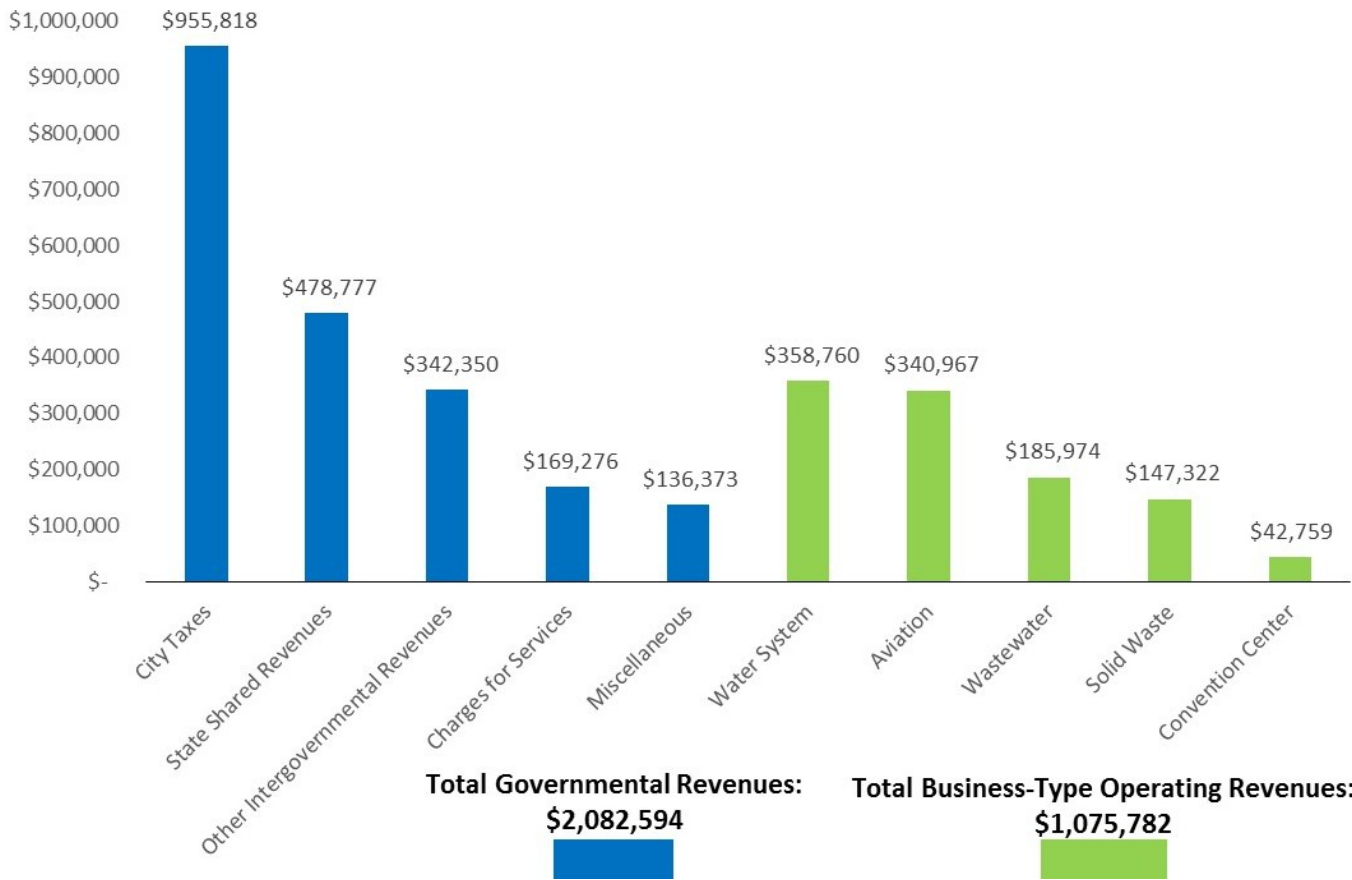


Maturity Dates



Where the Money Comes From

Governmental and Business-Type Revenues Fiscal Year 2015 (in thousands)



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 (continued)

Governmental Revenues Fiscal Year 2015

City taxes account for 46% 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. The Access to Care Tax Program was an intergovernmental agreement which authorized the City to receive funds from participating hospitals and to disburse those funds to the Arizona Health Care Cost Containment System (AHCCCS). This program provided AHCCCS with \$98.4 million in 2013 and \$65.6 million in 2014. The decrease in Utility, Franchise, & Other Taxes from 2013 to 2015 was due to the completion of this short term program.



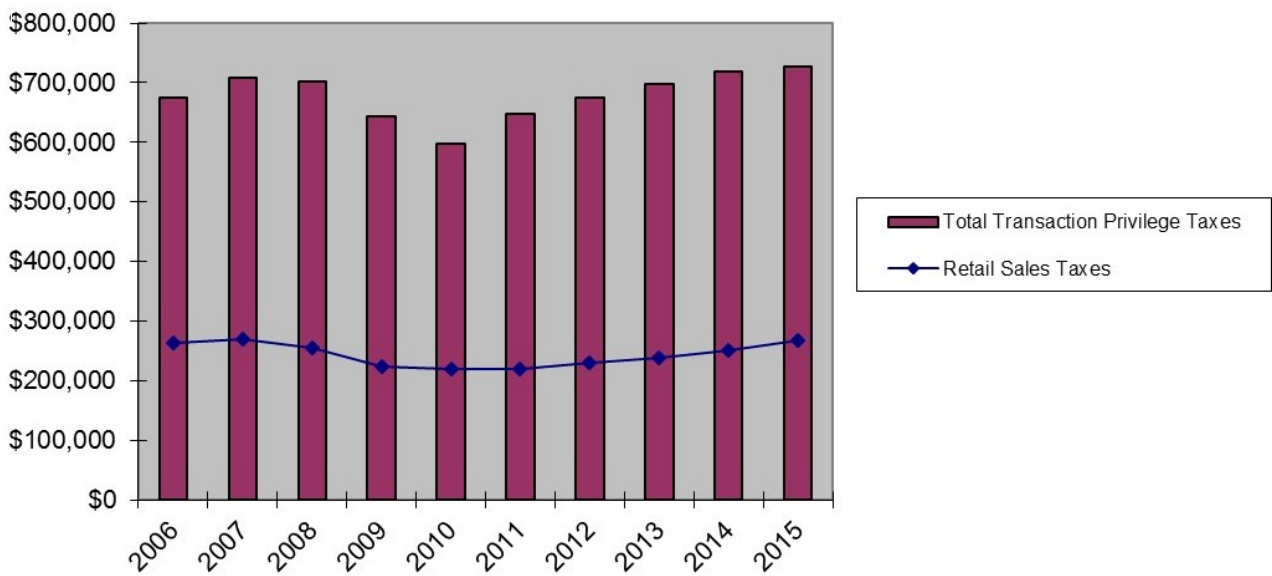
On average, for every total tax dollar the City earns, 5 cents is spent on debt service and 45 cents is earmarked for specific spending purposes, such as public safety or transportation. That leaves 50 cents of every tax dollar to spend on general fund programs.



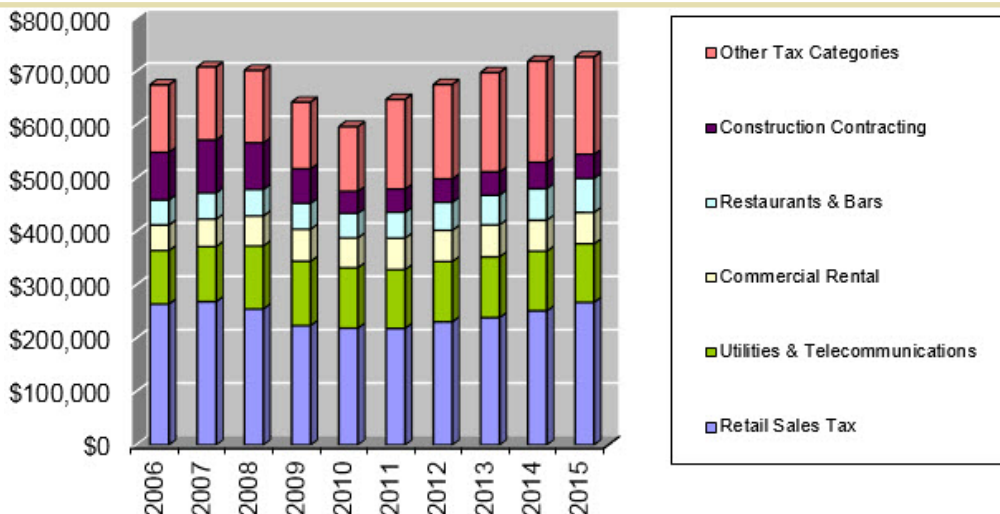
Where the Money Comes From (continued)

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.

Retail Sales Taxes as a Portion of Total Transaction Privilege Taxes (in thousands)



City Transaction Privilege Taxes by Category (in thousands)



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 Your Retail Sales Tax Dollar Goes

The retail sales tax rate for the City is 2.0%. Adding in the state and county sales tax rates, the total tax rate for items purchased at retail in the City is 9.0%.

2.0%	City of Phoenix
6.3%	State of Arizona
<u>0.7%</u>	Maricopa County
9.0%	Total Phoenix Sales Tax Rate

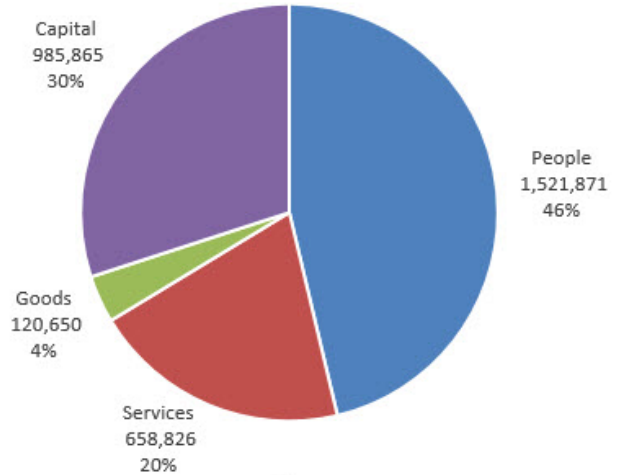
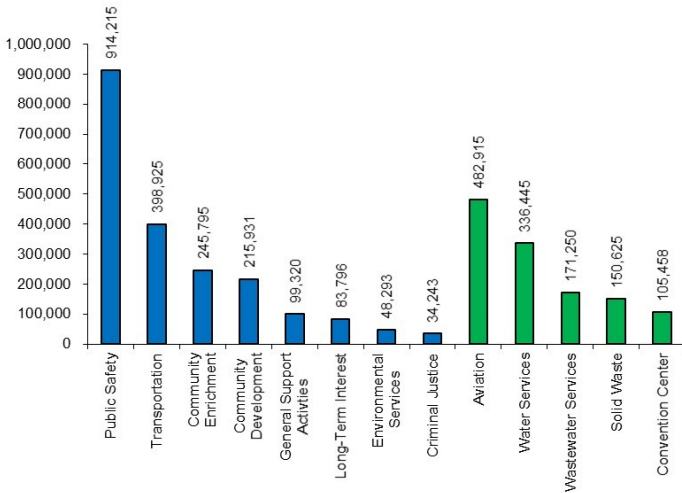
Where the Phoenix 2.0% Goes:

- 1.2% **General Fund** The General Fund provides for many of the major functions of the City including public safety (police and fire), criminal justice, general government, transportation, community enrichment, community development, and environmental services. It is the primary operating fund of the City.
- 0.4% **Transit 2000** Approved by voters in 2000, these funds are used for improvements in public transportation and traffic flow, and to help reduce air pollution. Funds have been used to expand bus service, construct and operate the light rail system, and for additional traffic control measures, such as bus pullouts and left turn arrows. This tax is to be in effect for 20 years.
- 0.2% **Public Safety Expansion** This ordinance, approved by voters in 2007, provides for the funding of additional police officers and 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 (continued)

Governmental and Business-Type Expenses For the Year Ending June 30, 2015 (in thousands)

Total Expenses: \$3,287,210



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

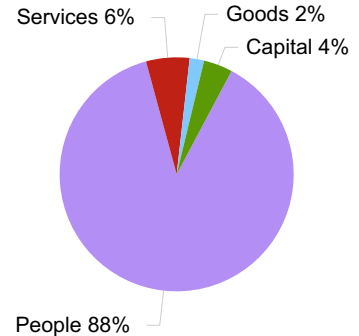
	People	Services	Goods	Capital	Total	% of Subtotal	% of Total
General Government							
Public Safety	807,920	50,182	17,467	38,647	914,215	44.8%	27.81%
Transportation	76,442	183,981	22,210	116,292	398,925	19.55%	12.14%
Community Enrichment	119,470	72,636	12,187	41,502	245,795	12.05%	7.48%
Community Development	87,974	110,770	2,114	15,072	215,931	10.58%	6.57%
General Support Activities	69,828	12,660	2,776	14,056	99,320	4.87%	3.02%
Long-Term Interest	—	—	—	83,796	83,796	4.11%	2.55%
Environmental Services	19,514	7,123	5,303	16,353	48,293	2.37%	1.47%
Criminal Justice	28,613	5,161	362	107	34,243	1.68%	1.04%
Subtotal	1,209,762	442,512	62,419	325,825	2,040,518	100%	62.07%
Business Type							
Aviation	94,081	115,808	10,566	262,459	482,915	38.74%	14.69%
Water Services	97,138	12,968	41,946	184,394	336,445	26.99%	10.23%
Wastewater Services	49,970	15,954	2,088	103,237	171,250	13.74%	5.21%
Solid Waste	49,806	50,216	2,733	47,870	150,625	12.08%	4.58%
Convention Center	21,114	21,367	898	62,079	105,458	8.46%	3.21%
Subtotal	312,109	216,313	58,231	660,039	1,246,692	100%	37.93%
TOTAL	1,521,871	658,826	120,650	985,865	3,287,210		100%

Where the Money Goes (continued)

Public Safety Expenditures
\$914,215
(in thousands)

The City's largest expenditure category is Public Safety. This includes the Police and Fire departments. The

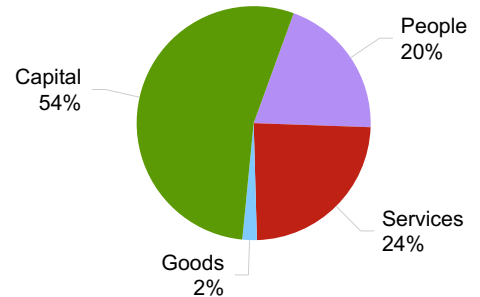
Police Department provides law enforcement and community resources for police services and the protection of the lives and property of our residents. The Fire Department provides safety of life and property through fire prevention, fire control and emergency medical and public education services.



Aviation Expenditures
\$482,915
(in thousands)

The Aviation Department provides the Phoenix metropolitan area with a self-supporting system of airports and

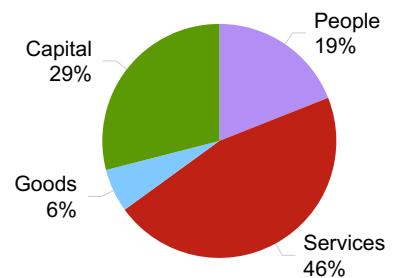
aviation facilities that accommodate general and commercial aviation in a safe, efficient and convenient manner. Major facilities include Sky Harbor International Airport, Deer Valley Airport, Goodyear Airport and the Rental Car Center at Sky Harbor.



Transportation Expenditures
\$398,925
(in thousands)

Transportation expenditures include costs incurred by the Street Transportation and Public Transit departments. The Street Transportation

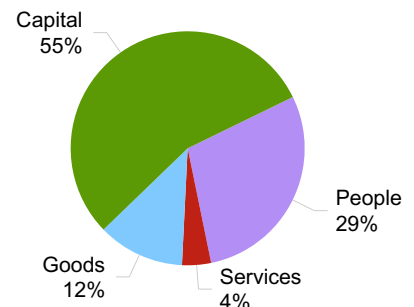
expenditures are primarily capital costs for designing, building and maintaining City streets. Additionally, Street Transportation also administers street lights, parking meters and traffic management. The majority of Public Transit expenditures are for service contracts related to bus and light rail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



Water Expenditures
\$336,445
(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.

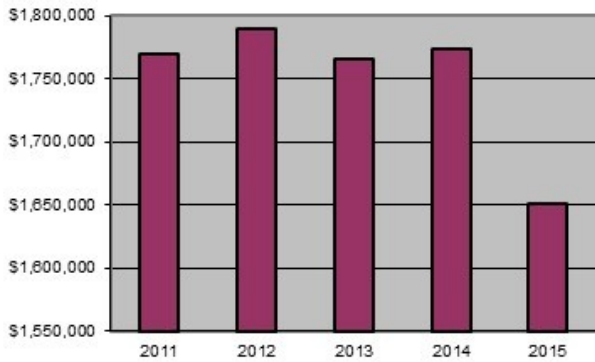


Business-Type Net Position

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 long-term liability associated with pensions was a result of the implementation of GASB 68 and led to decreases in net position for fiscal year 2015.

**AVIATION
(in thousands)**



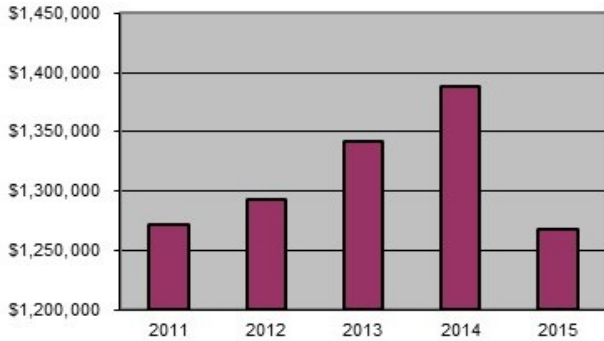
	2011	2012	2013	2014	2015
Scheduled Airlines	18	17	21	21	19
Aircraft Traffic Movement (in thousands)	941	963	934	867	894
Passengers Arriving and Departing (in thousands)	39,561	40,554	40,565	41,093	43,000

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



Business-Type Net Position (continued)

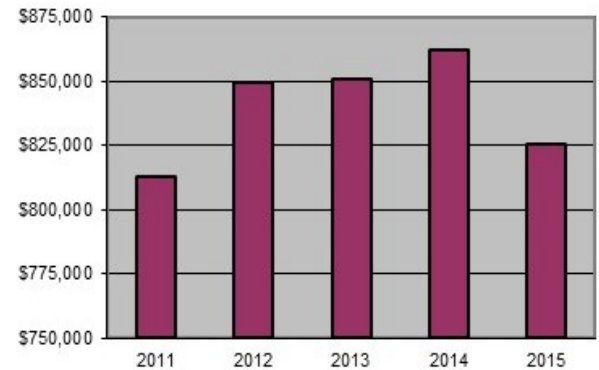
WATER SYSTEM (in thousands)



	2011	2012	2013	2014	2015
Production (billion gallons)	99.9	100.8	97.8	97.6	93.4
Average Daily Production (million gallons)	273.6	275.5	267.8	266.9	255.8
Miles of Water Main	6,962	6,953	6,847	6,867	6,883
Number of Accounts	404,647	407,902	414,188	416,623	418,995

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

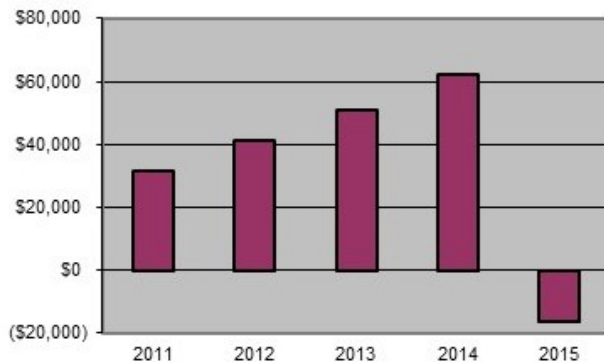
WASTEWATER (in thousands)



	2011	2012	2013	2014	2015
Miles of Sewer Lines	4,980	4,984	4,816	4,833	4,841
Number of Accounts	391,267	394,495	397,627	402,624	402,495

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.

SOLID WASTE (in thousands)



(in thousands)	2011	2012	2013	2014	2015
Residences Served	394	396	398	400	402
City Disposal (in tons)	645	600	567	564	587
Total Disposal (in tons)	1,046	949	876	863	883
Total Recycling (in tons)	110	106	107	107	114

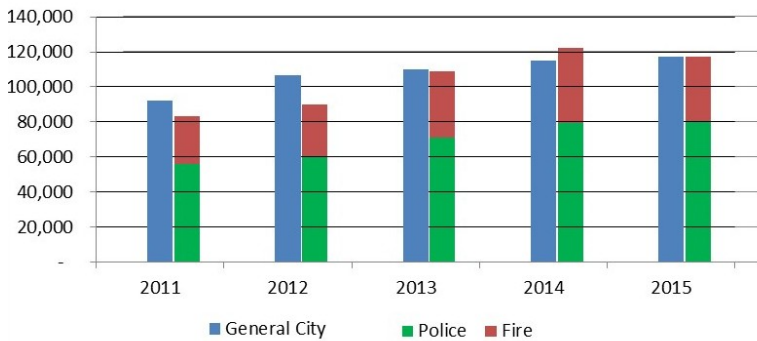
The Solid Waste Fund assists in providing a safe and aesthetically acceptable environment through effective, integrated management of the solid waste stream, including collection, disposal, and recycling activities. The net position of the Solid Waste Fund have increased due to improved efficiencies. This has allowed for capital improvements without the need to issue debt or increase customers fees.



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.

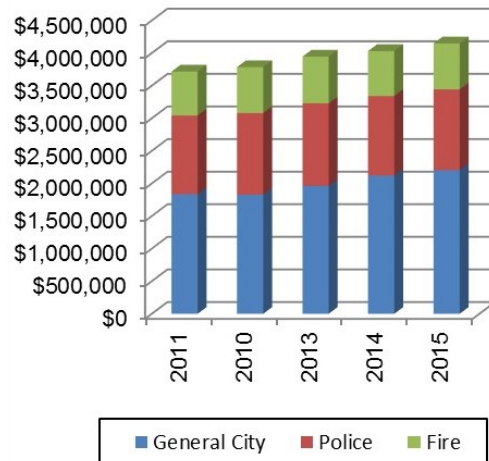
Pension Contributions by City
(in thousands)



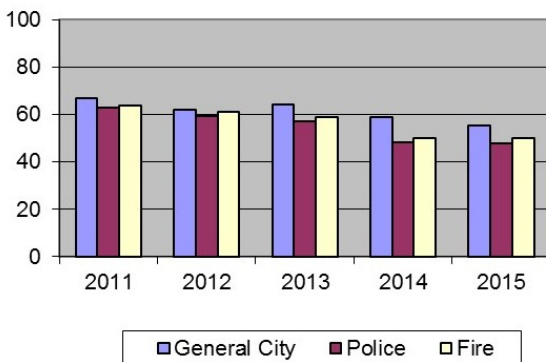
The City contributes to each of the pension plans that covers its employees. An actuarially determined amount is contributed to fully fund benefits for active members and to amortize any unfunded actuarial liability. Per City Charter, the City contributes 100 percent of required contributions, something 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 graph at left 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.

Pension Assets
(in thousands)



% Pension Liability Funded



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. Fiscal year 2015 General City reflects changes made in the actuarial assumptions which reduced the percent funded.



SELECTED CITY PERFORMANCE MEASURES

	FY 2014	FY 2015
PUBLIC SAFETY		
<u>Police</u>		
Police Precincts	8	7
Filled Sworn Positions	2,840	2,708
Dispatched Calls for Service	641,183	655,874
<u>Fire</u>		
Fire Stations	58	58
Fire Employees	1,912	1,944
Calls for Service	173,065	186,594
COMMUNITY ENRICHMENT		
<u>Libraries</u>		
Book Circulation (in thousands)	10,428	10,549
Total Stock (in thousands)	1,802	1,854
Number of Library Branches	17	17
<u>Parks and Recreation</u>		
City Parks (number of acres)	45,313	45,313
Acres of Golf Courses Maintained	922	622
Rounds of Golf Played	254,703	221,267
TRANSPORTATION		
<u>Public Transit</u>		
Ridership (in thousands)		
Bus	38,903	38,329
Dial-a-Ride	347	356
Light Rail	9,023	9,039
<u>Streets</u>		
Total Miles	4,856	4,857
Miles Resurfaced and Sealed	118	132
Street Lights in Use	90,380	95,592

