

City of Phoenix

Financial Condition Report

Fiscal Year Ended June 30, 2012

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The information included in this report contains an overview of the city's 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 primarily on the City of Phoenix Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, which can be viewed in its entirety online at phoenix.gov/finance.

CITY OF PHOENIX
 Finance Department
 251 W. Washington St., 9th Floor
 Phoenix, AZ 85003
 Voice: 602-262-7166
 TTY: 602-534-5500

COMMUNITY PROFILE

Phoenix Population	1,464,405
Maricopa County Population	3,883,949
Area (in square miles)	519.2
Per Capita Income	\$36,047
Feet Above Sea Level	1,117
Average Annual Temperature (F)	74.2
Average Annual Rainfall (in inches)	8.27
Average Annual Sunny Days	334



Message From the City Manager



David Cavazos, City Manager

Greetings:

This marks our second annual City of Phoenix Financial Condition Report, which will provide an overview of the city's financial outlook, financial position, assets and debt for the fiscal year ending June 30, 2012.

When the 2011-12 budget was set, a deficit of \$59 million was identified. This is well below the \$277 million deficit in fiscal year 2010-11 and demonstrated continuing improvement in the economy and responsible actions taken by the Mayor and City Council, city management and city staff.

For the first time in three years, the city was able to follow its regular budget schedule and gained valuable input as expressed by the community at 15 budget hearings. This much improved budget situation can be attributed to seven important pillars of fiscal strength:

1. Strong employee relations and employee sacrifices (2nd year of pay reductions).
2. Doing more with less.
3. Accurate estimates in revenue and expenditure forecasts and enhanced compliance to ensure all businesses pay their fair share.
4. Focus on innovation and efficiency achieving over \$59 million in annual savings in the last 3 years.
5. Responsible financial management (increase contingency funds, refinance debt and maintain high bond ratings).
6. Keeping Public Safety our number one priority.
7. Reduced tax collections in adverse times to minimize impacts on our residents.

These actions allowed us to bridge the \$59 million budget gap and end 2011-12 with reduced debt service, and stable net assets and cash compared to the prior year. As a result we were able to restore 1/2 of the employee pay reductions and restore programs in the 2012-13 budget.

I want to thank the Mayor and City Council for their leadership, and by working with our community and city employees, I am optimistic about our city's financial future and dedicated to providing outstanding services to our residents.

Sincerely,
David Cavazos
City Manager

Seven Pillars of Fiscal Strength:

1) Strong Employee Relations and Employee Sacrifices

The city of Phoenix's success is based chiefly on its dedicated employees; illustrated daily as staff dependably, professionally and efficiently provides high quality services resulting in outstanding resident ratings.

2) Doing More With Less - Organizational reviews in all departments resulted in reducing management positions by 22 percent, twice the rate of employees overall. The overall staffing level has been reduced to 10.2 employees per 1,000 residents, the lowest in 40 years.

3) Enhanced Compliance and Accurate Estimates - The city's revenue outlook is reaping the benefits of an enhanced emphasis on compliance regarding payment of taxes, fines and fees, ensuring the General Fund receives what is owed.

4) Focus on Innovation and Efficiency - The Innovation and Efficiency Task Force has spurred improvements that have produced more than \$59.7 million in citywide savings in the last three years.

5) Responsible Financial Management - The Finance Department has prudently managed debt, investments and revenue collection which has allowed the city to maintain uncommonly high municipal bond ratings.

6) Keeping Public Safety Our Number One Priority - The proportion of the 2011-12 General Fund budget allocated to Police, Fire, Municipal Court, City Prosecutor and Public Defender remains high at 70 percent.

7) Reduced Tax Collections in Adverse Times - Taxes that support the General Fund are down about \$102 million since 2007-2008, an 11 percent decrease. The 2011-12 budget included no new or increased user fees.



City of Phoenix

Message From the Chief Financial Officer



Jeff DeWitt,
Chief Financial Officer

**Finance Department Mission:
Stewardship, Integrity,
Innovation in service to our customers**

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:

I am pleased to submit to residents the City of Phoenix Financial Condition Report for the fiscal year ending June 30, 2012. This is our second year of producing a report that is intended to provide a simple but comprehensive view of the financial status of the city. The intent is to be fully transparent in a brief overview of the city with full and detailed information available in the City of Phoenix Comprehensive Annual Financial Report (CAFR). The CAFR is available in its entirety online at phoenix.gov/finance.

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 I 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,
Jeff DeWitt
Chief Financial Officer



Calvin C. Goode
Municipal Building



City of Phoenix

About 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 Phoenix 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.



District 1
Councilwoman
Thelda Williams



Mayor
Greg Stanton



District 5
Councilman
Daniel Valenzuela



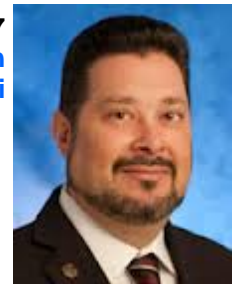
District 2
Councilman
Jim Waring



District 6
Councilman
Sal DiCiccio



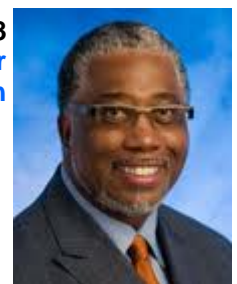
District 3
Councilman
Bill Gates



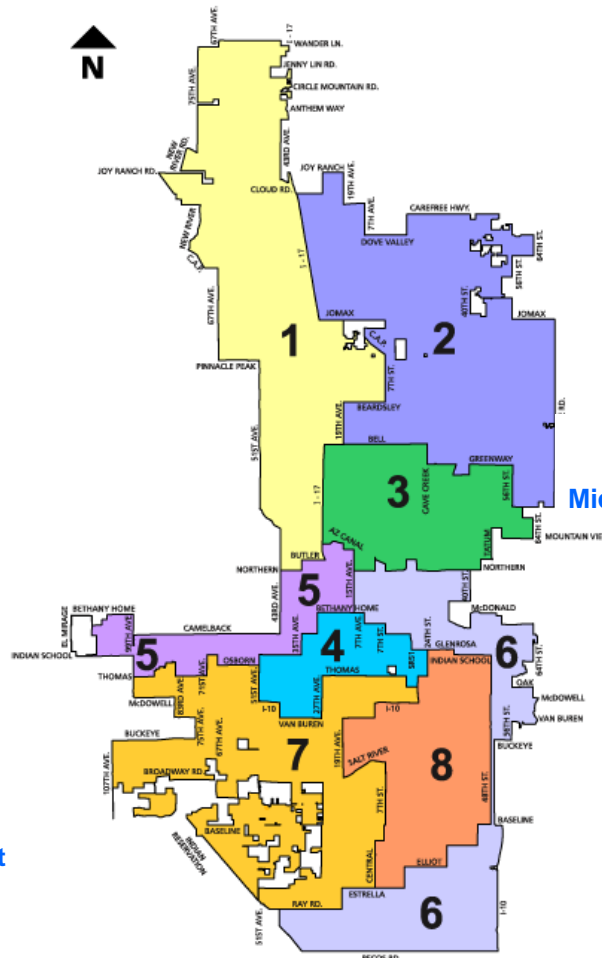
District 7
Councilman
Michael Nowakowski



District 4
Councilman
Tom Simplot



District 8
Vice Mayor
Michael Johnson



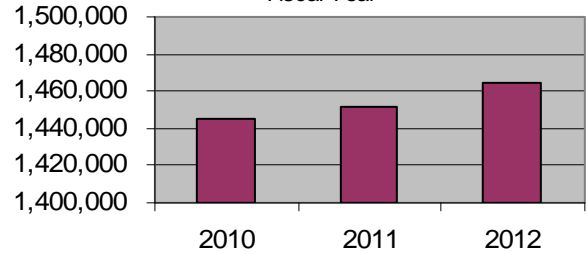
NOTE: Map reflects City Council districts in effect as of June 30, 2012. New district boundaries became effective January 2013. For the current district maps, please visit www.phoenix.gov/mayorcouncil/mydistrict.



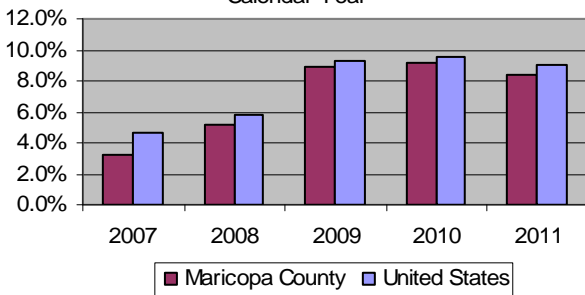
Where We've Been

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, a recovery appears to have begun in terms of population, employment, affordable housing and retail sales. The city continues to implement policies 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

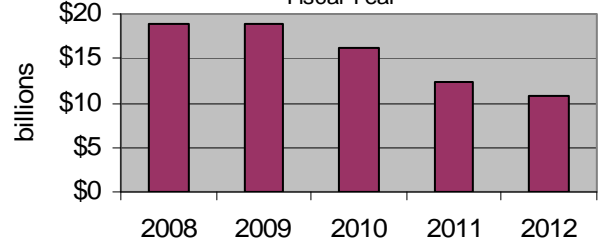


The local economy was significantly impacted by the recession of 2007-2009, causing a decline in both population and jobs in the Phoenix area. However, from 2001 to 2011, population growth was 25.8 percent in the Phoenix area as compared to 9.3 percent for the United States. For years 2001 through 2011, the Phoenix area unemployment rate has also been consistently lower than the rate for the U.S. As of August 2012, the unemployment rate for the Phoenix area was 7.1 percent which is lower than the U.S.

rate of 8.1 percent. The Phoenix area has a mix of service industry employment sectors that mirrors the U.S.

The national and local economy has resulted in a decrease of assessed valuations and declining property taxes over the last few years. The city has continued to monitor these revenues closely and adjust budgets and bond programs accordingly. Property taxes declined from a total secondary assessed valuation at \$12.3 billion in fiscal year 2011-12 to \$10.8 billion in fiscal year 2012-13. This represents a 12.1 percent reduction from fiscal year 2011-12 values. The city's total property tax rate (primary and secondary) for fiscal year

Secondary Assessed Valuation
Fiscal Year



2012-2013 remains at \$1.82 per \$100 of assessed valuation. The city's general obligation bond property tax reserves of \$324 million as of June 30, 2012, and deferral of capital projects in the bond program allow the city to maintain the current property tax rate.

The city of Phoenix has aggressively attracted new businesses during the downturn in the economy. Employers that have recently relocated their headquarters or major operations to Phoenix include Amazon, Cornerstone Service, Cosma Power Systems, DIRTT Environmental Solutions, Faist Green Tek, Genco ATC, i/o Data Centers and OMCO Solar. 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.



Where We're Headed

One of the city's largest projects is the **PHX Sky Train**, which is an automated people mover designed to carry more than 35 million riders annually through five stations at Phoenix Sky Harbor International Airport along a guideway spanning approximately five miles. Stage One of the PHX Sky Train will connect Phoenix's light rail system, Sky Harbor's east economy parking garages and Terminal 4. Stage One has a budget of approximately \$644 million and is expected to be completed in early 2013. The Stage 1a Terminal 3 Line Extension will run from Terminal 4 to Terminal 3 with a walkway to Terminal 2. Stage 1a has a budget of \$240 million and is expected to be completed in 2015. Future stages will extend the PHX Sky Train to the Rental Car Center.



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 begins in January 2013. This extension is scheduled to open in late 2015/early 2016 and will support nearly 20,000 residents and another 20,000 employees. 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.



CityScape is a 5-acre, mixed-use development that blends urban living with work, shopping and entertainment and includes restaurants, retail stores, offices and outdoor event space. The project encompasses two blocks in downtown Phoenix and is one block from the U.S. Airways Center and is within two blocks of Chase Field. Construction on CityScape began in the fall of 2007 and the first phase opened in March 2010. The first phase includes 660,000 square feet of Class A office space, 186,000 square feet of retail, 1,300 parking spaces and the redevelopment of Patriot's Square Park. The next phase included construction of the 242 room Palomar hotel that commenced construction in February 2011 and was completed in June 2012. The final phases of the project will be built out over several years based on market demand.

A major effort initiated by the City Manager and approved by the Mayor and City Council to ensure city government is operating as efficiently as possible was the creation of the **Innovation and Efficiency Task Force**. The task force, initiated in December 2009, is comprised of private sector members appointed by the Mayor and City Council, and city staff. The objective of the task force is to explore, develop and implement innovative processes that will result in a more efficient delivery of city services and maximize the use of limited taxpayer dollars. Since its inception, Innovation and Efficiency Task Force suggestions have achieved \$59.7 million in citywide savings in less than three years. The city has eliminated 635 positions over the last two years and a new goal of \$100 million in savings has been set by the City Manager to be achieved by 2015.

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 never classified as expenditures until the service has been performed.





Statement of Net Assets

Government Wide Statement of Net Assets

June 30, 2011 and 2012 (In Thousands)	Total City Government	
	2011	2012
Assets		
Cash and investments	\$ 1,879,771	\$ 1,969,684
Current and other assets	3,201,975	2,977,171
Capital assets	11,649,120	11,796,464
Total assets	16,730,866	16,743,319
Liabilities		
Long term liabilities	7,460,219	7,384,135
Other liabilities	761,186	849,828
Total liabilities	8,221,405	8,233,963
Net Assets		
Invested in capital assets, net of related debt	5,317,335	5,282,216
Restricted	1,204,764	1,422,285
Unrestricted	1,987,362	1,804,855
Total net assets	\$ 8,509,461	\$ 8,509,356

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 nine provides more detailed information on capital 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.

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.

Invested in capital assets, net of related debt - 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 assets - 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.

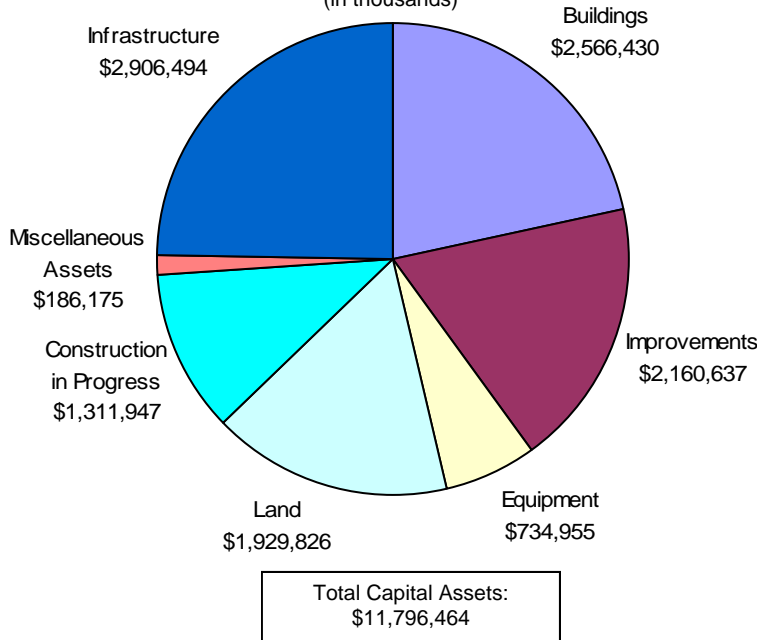
Unrestricted net assets - Resources available to the city to provide services to the citizens and creditors if there were no additional revenues or resources available.



Capital Assets

Phoenix invests in capital assets to provide services to and enhance the quality of life of our citizens. As shown on the previous page, the city's total investment in capital assets (net of depreciation) was \$11,796,464,000. This total is made up of the following asset categories:

**City of Phoenix Capital Assets
As of June 30, 2012**
(in thousands)



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:

<u>Project</u>	<u>Value</u>	<u>Asset Category/Service Provided</u>
• PHX Sky Train-Sky Harbor	\$178,600,000	Construction in Progress/Transportation
• Water/Sewer Mains	\$69,400,000	Infrastructure and Improvements/Utilities
• Water Treatment Facilities	\$47,300,000	Buildings and Equipment/Utilities
• Sky Harbor Security Improvements	\$13,900,000	Equipment/Public Safety and Transportation
• Street Projects	\$84,500,000	Streets and Infrastructure/Transportation
• Parks/Preserve Land Acquisition	\$36,400,000	Land/Community Enrichment

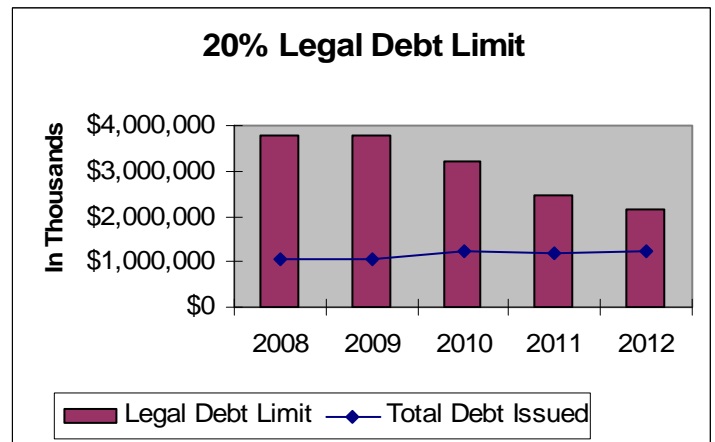
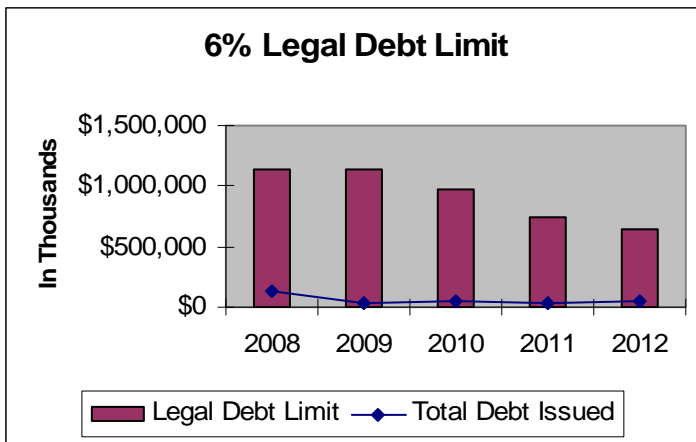


Phoenix utilizes general obligation bonds, revenue bonds, certificates of participation and special assessment bonds for long-term financing of facilities.

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 water, sewer, artificial light, open space preserves, parks, playgrounds, recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets and transportation facilities projects and 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**.



**City of Phoenix
General Obligation Bond Ratings
2012**

<u>S & P</u> AAA	<u>Moody's</u> Aa1
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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 Improvement Corporation (the "CIC"), an affiliated non-profit 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.

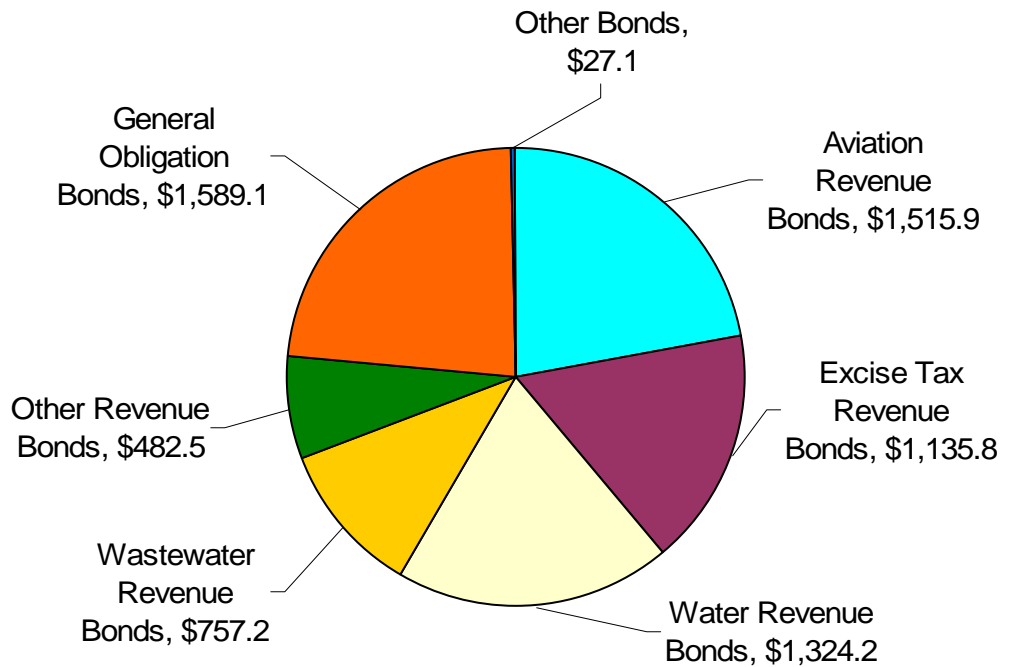
Special Assessment Bonds

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.



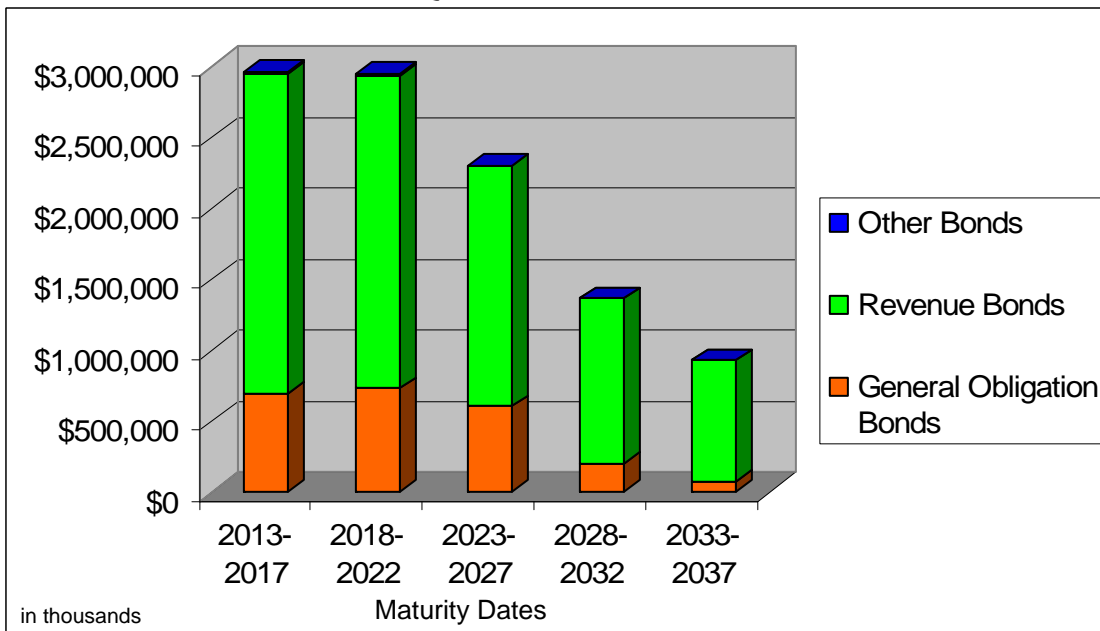
2012 Outstanding Debt by Type (in millions)

In fiscal year 2012, the city of Phoenix refunded (refinanced) several general obligation and revenue bonds to take advantage of improved municipal bond market conditions. The lower interest rates allowed the city to refund \$572,040,000 in bonds, resulting in an economic gain to the city of \$65,024,000.



Total Bonds:
\$6,831.8

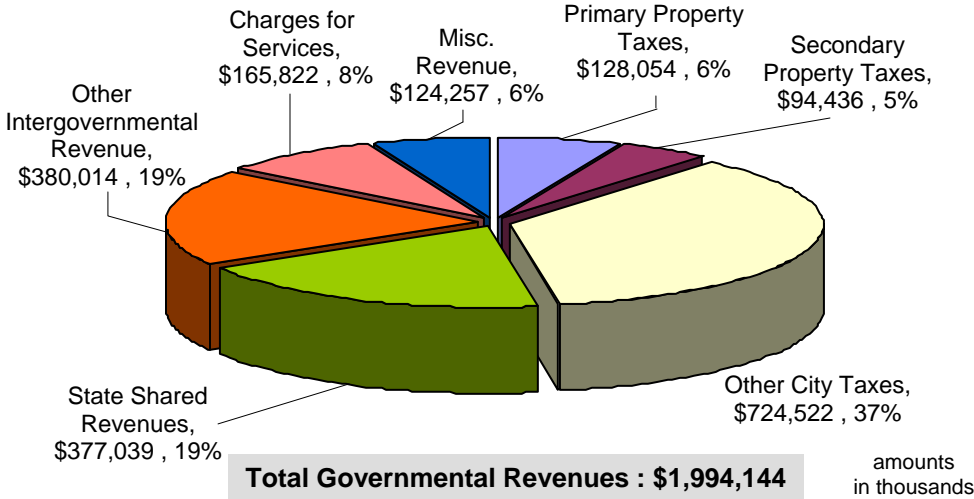
DEBT SERVICE REQUIREMENTS-GOVERNMENTAL and BUSINESS-TYPE ACTIVITIES





Where the Money Comes From

Governmental Revenues Fiscal Year 2012



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 revenues to fund governmental activities come mainly from taxes and grants.

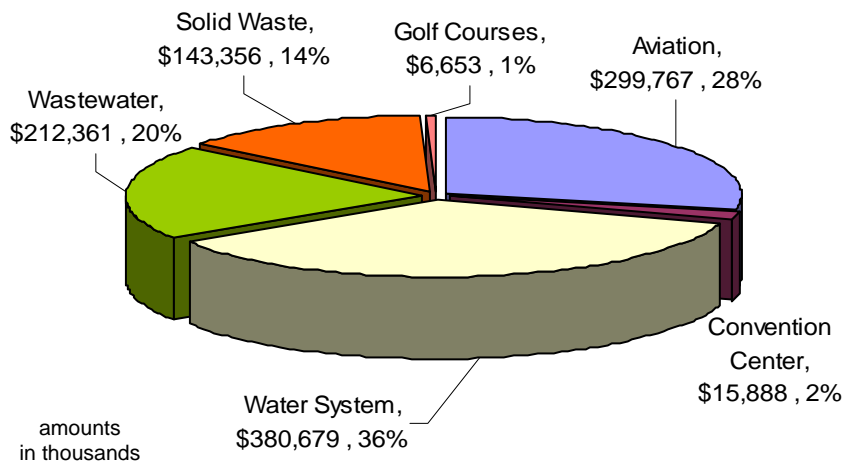
GOVERNMENTAL REVENUE CATEGORIES

- Primary & Secondary Property Taxes:** Primary property taxes are used to pay current operating expenditures; secondary property taxes pay off debt incurred for projects such as streets, sewers and buildings.
- Other City Taxes:** Includes sales 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 pie 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.



Total Business-Type Operating Revenues : \$1,058,704

Where the Money Comes From

Governmental Revenues Fiscal Year 2012

City Taxes

City taxes account for 48 percent 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.



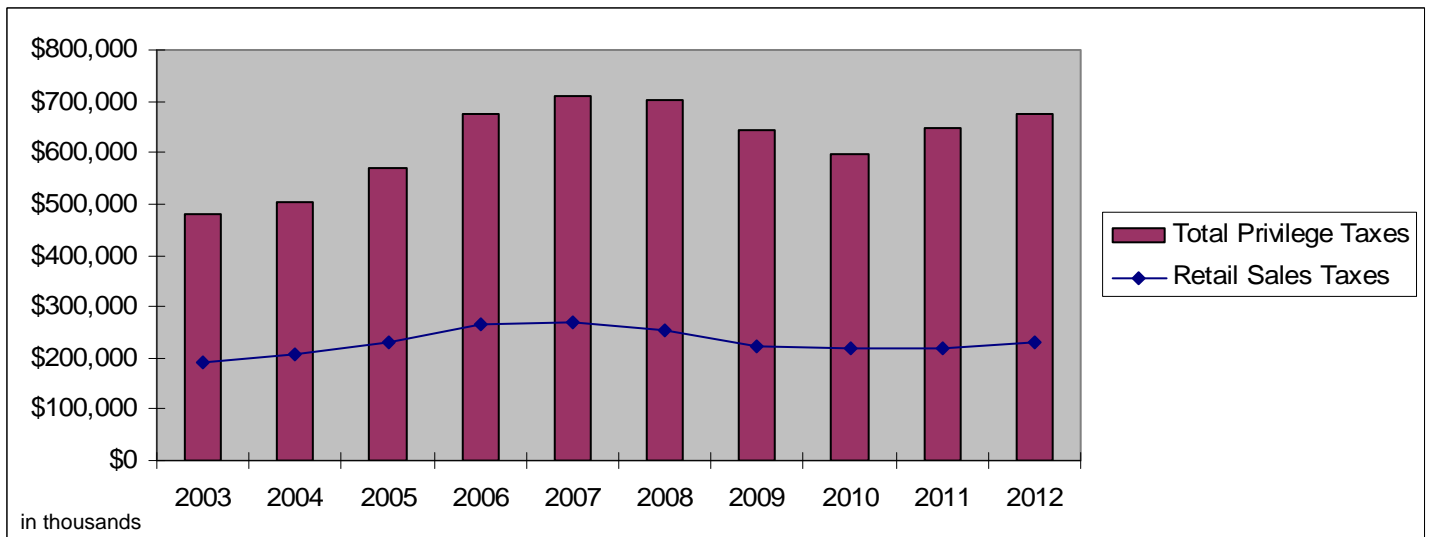
On average, for every total tax dollar the city earns, 10 cents is to be spent on debt service and 33 cents is earmarked for specific spending purposes, such as public safety or transportation. That leaves 57 cents of every tax dollar to spend on General Fund programs.



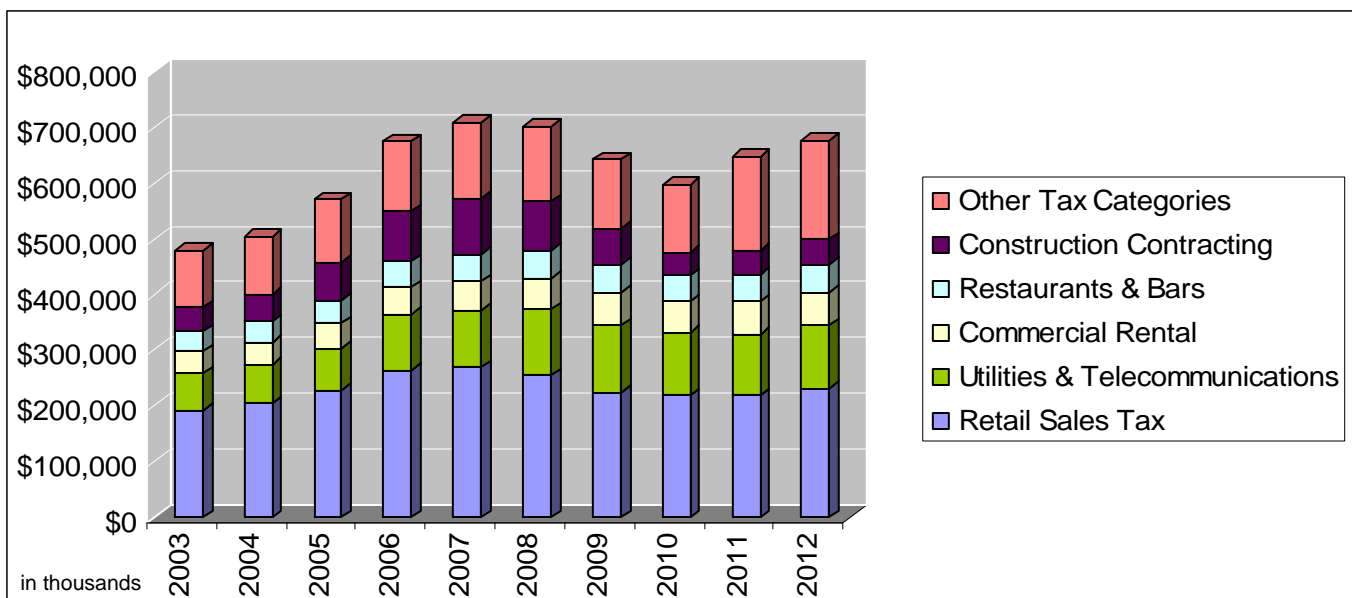
Where the Money Comes From

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 Privilege Taxes



City Transaction Privilege Taxes by Category



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 of Phoenix is 2.0 percent. Adding in the State and County sales tax rates, the total tax rate for items purchased at retail in the city of Phoenix is 9.3 percent.

2.0%	City of Phoenix
6.6%	State of Arizona
<u>0.7%</u>	Maricopa County
<u>9.3%</u>	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 fire fighters.

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.

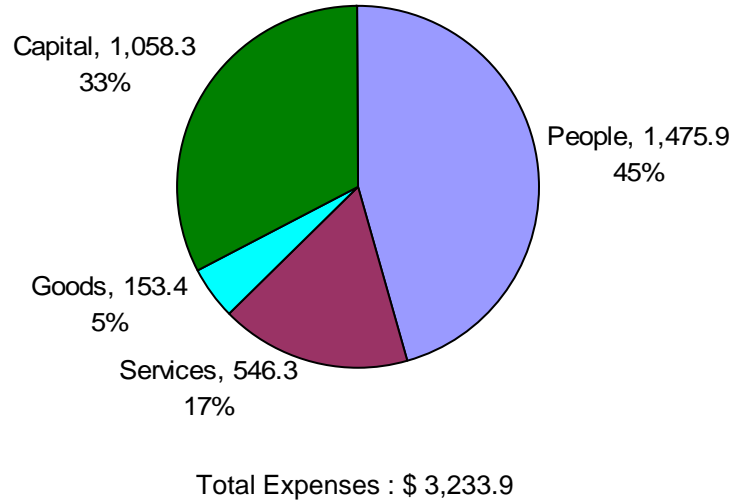
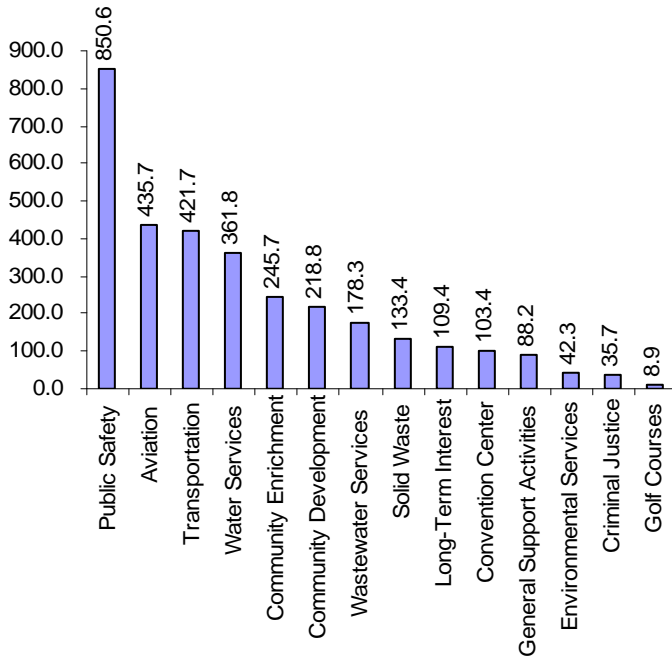
0.1% **Parks & Desert Preserves**

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

City of Phoenix Expenses
For the Year Ending June 30, 2012
(in millions)



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

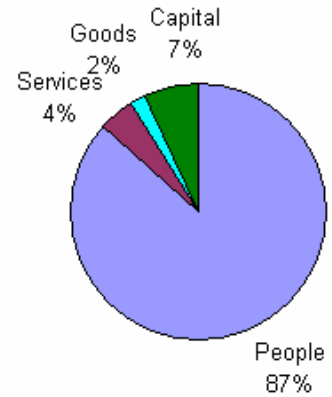
	People	Services	Goods	Capital	Total
Public Safety	\$ 736.1	\$ 37.9	\$ 17.7	\$ 58.9	\$ 850.6
Aviation	80.0	116.8	11.2	227.7	435.7
Transportation	69.0	157.5	24.3	170.9	421.7
Water Services	103.6	29.3	38.1	190.8	361.8
Community Enrichment	113.3	65.7	14.1	52.6	245.7
Community Development	71.0	120.1	2.4	25.3	218.8
Wastewater Services	47.39	42.7	2.4	85.36	178.3
Solid Waste	48.4	49.1	2.6	33.3	133.4
Long-Term Interest	0.0	0.0	0.0	109.4	109.4
Convention Center	23.5	18.8	0.8	60.3	103.4
General Support Activities	101.6	(35.1)	2.7	19.0	88.2
Environmental Services	46.8	(63.9)	35.4	24.0	42.3
Criminal Justice	29.1	5.7	0.6	0.3	35.7
Golf Courses	5.6	1.7	1.1	0.5	8.9
TOTAL	\$ 1,475.9	\$ 546.3	\$ 153.4	\$ 1,058.3	\$ 3,233.9



Where the Money Goes

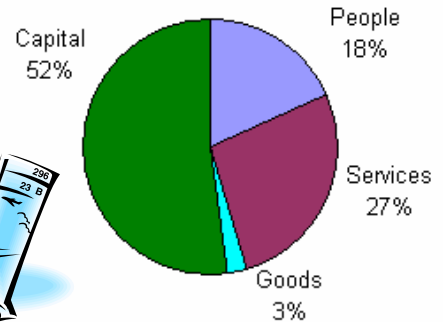
Public Safety Expenditures \$850,636 (in thousands)

The city's largest expenditure category is for **Public Safety**. This includes the Police and Fire departments who protect the lives and property of our residents. The majority of Public Safety expenditures are spent for the police officers and firefighters who watch over our city.



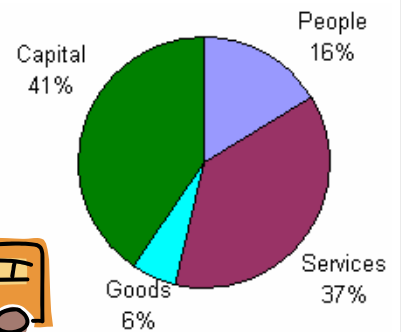
Aviation Expenditures \$435,675 (in thousands)

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.



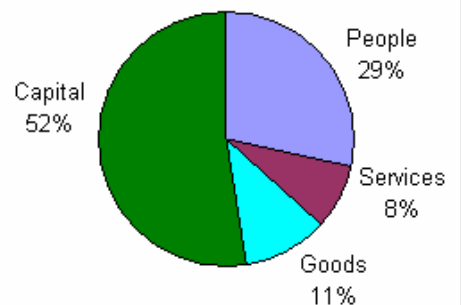
Transportation Expenditures \$421,680 (in thousands)

Transportation expenditures include costs incurred by the Streets and Public Transit departments. The Street Transportation Department designs, builds and maintains city streets and oversees street lights, parking meters and traffic management. Public Transit oversees bus and light rail operations. For both of these departments the majority of their spending are for capital costs -- namely buses and street construction and maintenance.



Water Expenditures \$361,751 (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 six water treatment plants before traveling through 7,000 miles of distribution lines to customers' taps within a 540-square-mile service area.

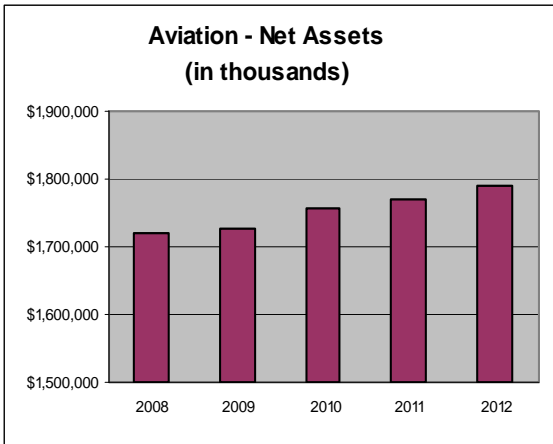




Business-Type Net Assets

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 asset balances for the four largest city of Phoenix business-type funds. The net asset balance is the difference between the assets and liabilities of each fund. The largest portion of the city’s net assets 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 assets of a fund. Over time, increases or decreases in net assets may serve as a useful indicator of changes in a fund’s financial position.



	2008	2009	2010	2011	2012
Scheduled Airlines	21	19	19	18	17
Aircraft Traffic Movement (in thousands)	1,085	1,038	984	941	963
Passengers Arriving and Departing (in thousands)	41,646	37,936	38,289	39,561	40,554

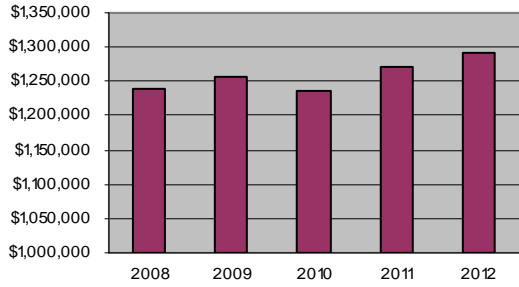
The Phoenix Aviation Department owns and operates Phoenix Sky Harbor International Airport, Phoenix Deer Valley Airport and Phoenix Goodyear Airport. Aviation provides the Phoenix metropolitan area with a self-supporting system of airports and aviation facilities that accommodate general and commercial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





Business-Type Net Assets

WATER SYSTEM - Net Assets
(in thousands)

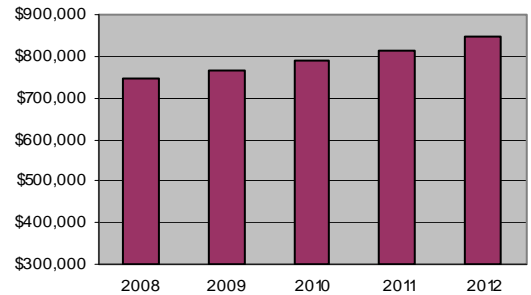


	2008	2009	2010	2011	2012
Production (billion gallons)	106.6	99.2	97.9	99.9	100.8
Average Daily Production (million gallons)	291.2	271.8	267.9	273.6	275.5
Miles of Water Main	6,905	6,935	6,955	6,962	6,953
Number of Accounts	403,752	402,926	403,104	404,647	407,902

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 assets includes water mains, hydrants, meters and service connections.

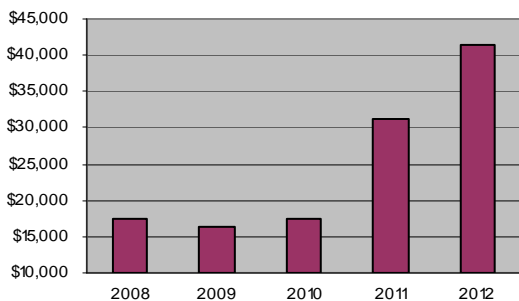
	2008	2009	2010	2011	2012
Miles of Sewer Lines	4,943	4,960	4,975	4,980	4,984
Number of Accounts	374,555	373,588	373,123	391,267	394,495

WASTEWATER - Net Assets
(in thousands)



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 - Net Assets
(in thousands)



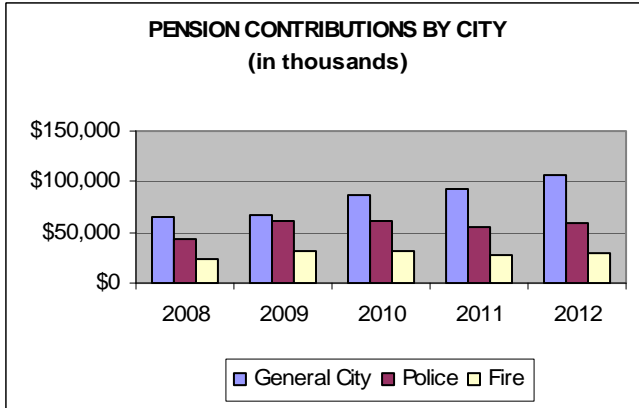
(in thousands)	2008	2009	2010	2011	2012
Residences Served	386	390	393	394	396
City Disposal (in tons)	711	710	650	645	600
Total Disposal (in tons)	1,054	1,039	975	1,046	949

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 assets 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 customer fees.



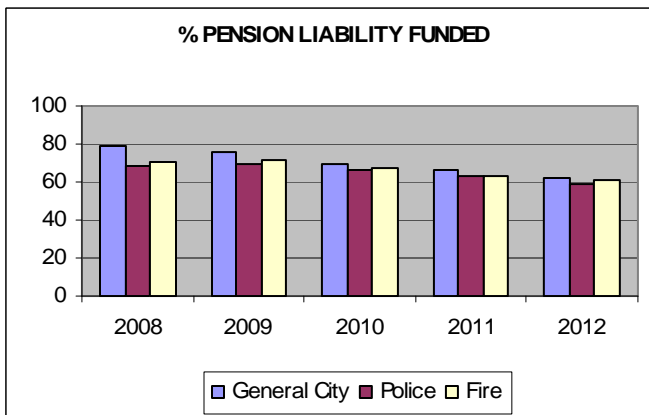
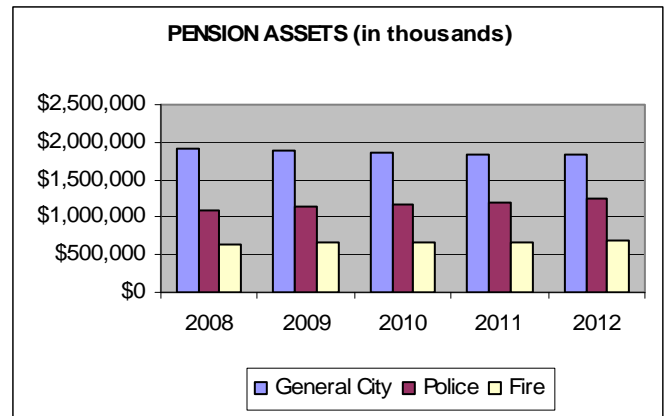
Pension Plans

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.



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 of Phoenix 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 historical 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.



Key Statistics

SELECTED CITY PERFORMANCE		
	FY 2011	FY 2012
PUBLIC SAFETY		
<u>Police</u>		
Police Precincts	8	8
Police Employees	4,463	4,441
Dispatched Calls for Service	670,038	658,227
<u>Fire</u>		
Fire Stations	57	58
Fire Employees	1,945	1,972
Calls for Service	156,348	165,034
COMMUNITY ENRICHMENT		
<u>Libraries</u>		
Book Circulation (in thousands)	13,840	14,465
Total Stock (in thousands)	1,644	1,791
Number of Library Branches	16	17
<u>Parks and Recreation</u>		
City Parks (number of acres)	44,517	46,032
Acres of Golf Courses Maintained	755	922
Rounds of Golf Played	236,700	253,288
TRANSPORTATION		
<u>Public Transit</u>		
Ridership (in thousands)		
Bus	37,425	38,440
Dial-a-Ride	328	337
Light Rail	7,885	8,387
<u>Streets</u>		
Total Miles	4,824	4,832
Miles Resurfaced and Sealed	126	193
Street Lights in Use	91,133	95,592

