

City of Phoenix

Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2018



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.

COMMUNITY PROFILE

Phoenix Population	1,598,736
Maricopa County Population	4,229,000
Phoenix Area (in square miles)	519.5
Per Capita Income	\$43,628

This report is based on the City of Phoenix Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. 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

**Popular Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
Message from the City Manager	3
Message from the Chief Financial Officer	4
About Phoenix City Council	5
Award for Outstanding Achievement	6
Where We've Been	7
Where We're Headed	8
Basis of Accounting	9
Government-Wide Statement of Net Position	10
Capital Assets	11
Debt	12
Where the Money Comes From	14
Where the Money Goes	17
Business-Type Net Position	21
Pension Plans	23
Key Statistics	24



Ed Zuercher, City Manager



Message from the City Manager

Greetings:

This marks our 8th 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, 2018.

The 2017-18 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 is one of the nation’s most rapidly growing large cities. Recent years have seen steady, diversified economic growth. The City continues to implement policies and standards to remain financially balanced and maintain or improve current service levels.

The City of Phoenix along with the Greater Phoenix Economic Council, working to attract wealth generating companies from outside the region to Phoenix and to encourage expansion of existing companies. Phoenix has experienced rapid growth of its tech industry and has seen 12,650 tech jobs added from 2012 to 2017. According to Eller Economic and Business Research Center at University of Arizona, the long term outlook remains positive for the metropolitan Phoenix area.

The Finance Department completed four 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 focused on renewing infrastructure, with increased investment in our physical facilities, vehicles and equipment. The City also established a public safety pension stabilization fund and contributed an extra \$70 million to pay down the Wastewater System’s pension liability.

The City continues to maintain 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 Airport and Sewer Revenue Bonds in fiscal year 2017-18 and will provide additional opportunities in the future.

I want to thank the Mayor and City Council for their leadership in balancing the City budget and focusing on services that make Phoenix a desirable city. I also want to thank all City departments and staff for their dedication to the community. We value working smart, spending wisely and being kind to our customers. Most of all, thanks to the residents who care intensely about the city they live in and give their time and attention to their city.

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.



Message from the 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, 2018. 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.



Denise M. Olson
Chief Financial Officer

Sincerely,
Denise M. Olson,
Chief Financial Officer

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

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.

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.

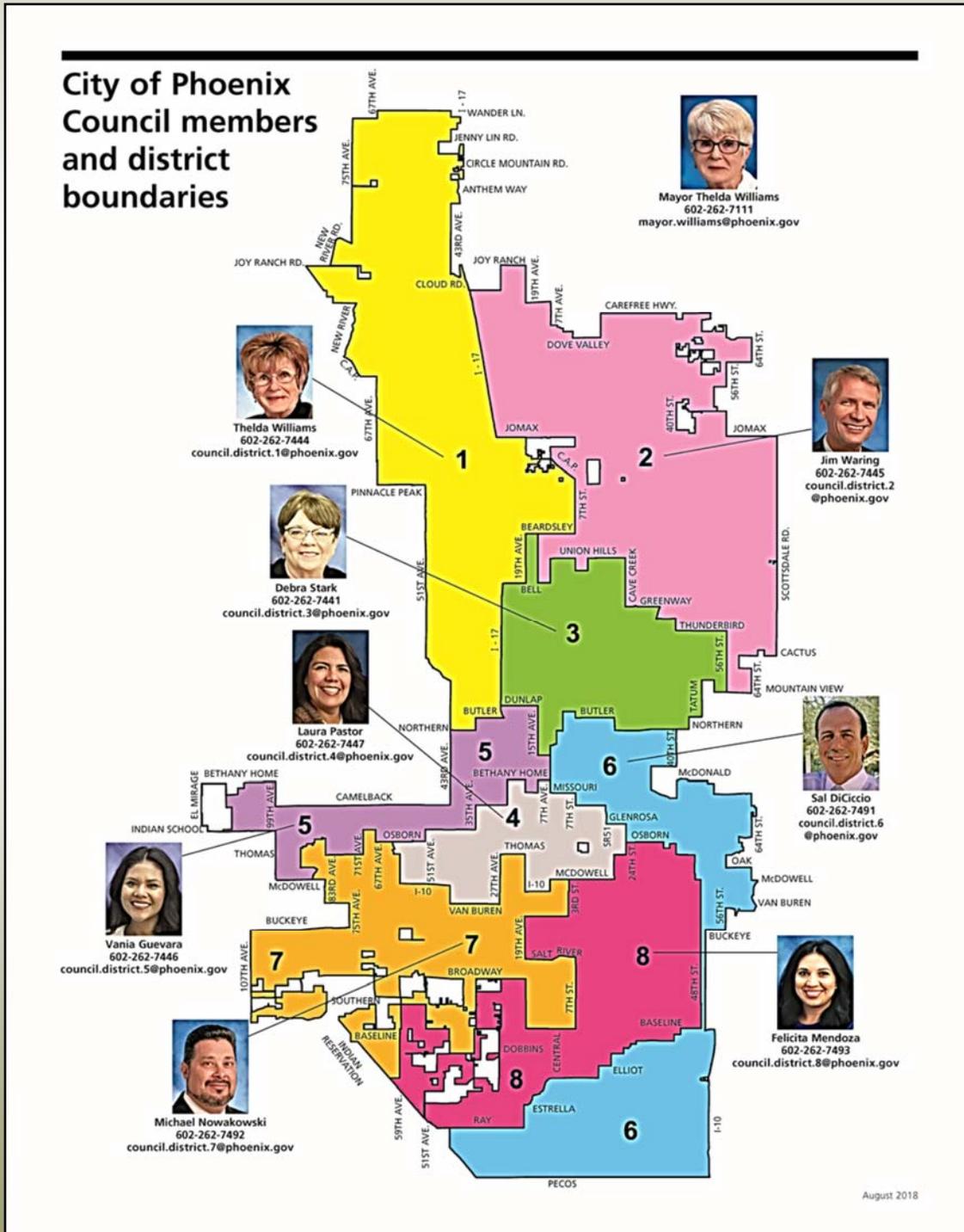
Note: See Exhibit H-11 in City CAFR for a comprehensive list of all bond ratings.





About Phoenix City Council

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. On May 29, 2018, Mayor Greg Stanton resigned and was replaced by Councilwoman Thelda Williams to serve as interim Mayor until an election is completed in March 2019. On July 18, 2018, Councilman Daniel Valenzuela resigned and on August 1, 2018 the City Council appointed Vania Guevara as interim council member for District 5. On August 7, 2018, Councilwoman Kate Gallego resigned and on August 21, 2018, the City Council appointed Felicity Mendoza as interim council member for District 8.





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, 2017. 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 to determine its eligibility for another Award.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Phoenix
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

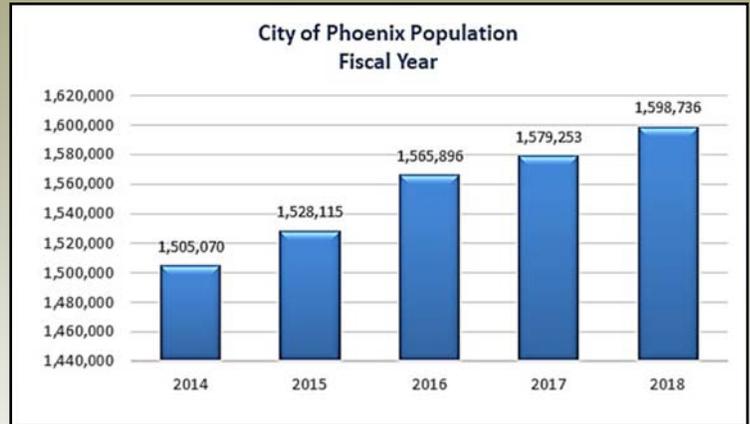
Christopher P. Morill

Executive Director/CEO

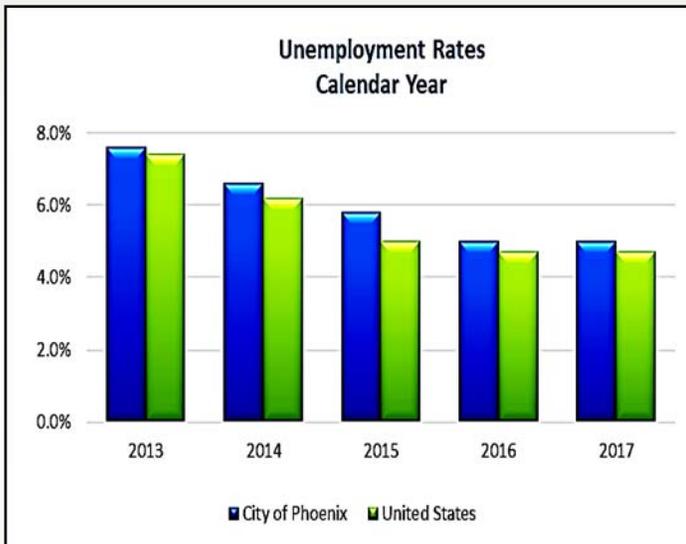


Where We've Been

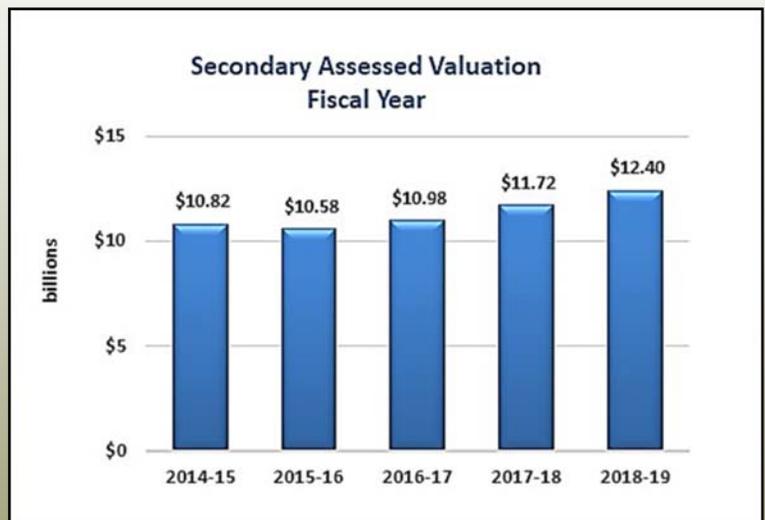
Phoenix continues to be an attractive place to live and work and has been one of the most rapidly growing metropolitan areas in the country in recent decades. Recent years have seen substantial growth in terms of population, employment, affordable housing and retail sales. The City continues to implement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



Phoenix remains among the fastest growing cities in the country. During the period of 2010 to 2017, population growth was an estimated 12.5% in Phoenix as compared to estimated 5.5% for the U.S. In that same time frame, employment in the Phoenix area has grown 20.5% while employment in the U.S. grew 12.5%. The Phoenix area unemployment rate was equal to or just slightly higher than the U.S. unemployment rate for most of fiscal year 2017-18. As of June 2018, the non-seasonally adjusted unemployment rate for both the Phoenix area 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 (55.3%); trade, transportation, and utilities (19.1%); government (11.3%); manufacturing (6.2%); construction (6.2%); information (1.8%); and natural resources and mining (0.2%).



Secondary assessed valuation is a measure of taxable property value. The secondary assessed valuation increased to \$10.82 billion for fiscal year 2014-15. For fiscal year 2015-16, the primary assessed valuation and the secondary assessed valuation were combined into a single valuation of \$10.6 billion. The fiscal year 2016-17 assessed valuation increased 3.8% to \$11.0 billion. The assessed valuation increased 6.7% to \$11.7 billion for fiscal year 2017-18 and another 5.8% to \$12.4 billion for fiscal year 2018-19. On July 5, 2018 the Phoenix City Council voted to decrease the City total property tax rate (primary and secondary) to \$2.14 from \$2.16 per \$100 assessed valuation.





City of Phoenix

Where We're Headed

Phoenix Sky Harbor International Airport is preparing for future terminal needs through an incremental development plan for its second busiest terminal. The first phase of the modernized Terminal 3 opened to the public in December 2016. Features of this phase of the modernization include a new consolidated security checkpoint, additional airline ticket counters, and more baggage handling capacity. The second phase, which is expected to open early 2019, will include new concessions as well as a new 15-gate south concourse. The final phase is expected to be completed in early 2021 and will modernize the north concourse including food and beverage concessions and enhanced customer amenities.



The City's commitment to economic development and neighborhood revitalization is evident in the repurposing of the Downtown Warehouse District. At the turn of the 20th Century, produce companies occupied the large warehouses located south of Jefferson and north of Sherman between Seventh Street and Seventh Avenue. Over time, the produce businesses moved on and many of the warehouses left vacant were a shadow of the area's bustling past. Recently, the Warehouse District has experienced a renaissance as startups and entrepreneurs have become increasingly attracted to the charm, history and spacious functionality of the refurbished warehouse buildings. R&R Partners, the Scheduling Institute, WebPT, and the Duce Restaurant are some of the companies that have been instrumental in the area's revitalization. The City's Community and Economic Development department has developed new marketing tools including a webpage, an interactive map, a 360 virtual tour and a promotional brochure to further promote the area and to attract more businesses.



In 2018, the City of Phoenix Housing Department was awarded a \$30 million Choice Neighborhood Implementation Grant from the U.S. Department of Housing and Urban Development to improve a community with the largest concentration of public housing in the state. The implementation grant will redevelop public housing and stimulate economic growth in the area near St. Luke's Hospital and Edison Park, 18th and Van Buren streets with new amenities, upgraded infrastructure, and local transit-oriented development opportunities.



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, 2018 and 2017 (in thousands)	Total City Government	
	2018	2017
Assets:		
Cash and investments	\$2,223,060	\$ 2,282,656
Current and other assets	2,878,675	2,837,685
Capital assets, net of depreciation	11,965,901	11,710,932
Total assets	17,067,636	16,831,273
Deferred outflows of resources	719,815	782,936
Liabilities:		
Long-term liabilities	11,484,472	11,247,154
Other liabilities	894,622	932,712
Total liabilities	12,379,094	12,179,866
Deferred inflows of resources	177,907	195,291
Net position:		
Net investment in capital assets	6,408,103	5,781,459
Restricted	1,292,775	1,407,704
Unrestricted	(2,470,428)	(1,950,111)
Total net position	\$5,230,450	\$ 5,239,052

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.

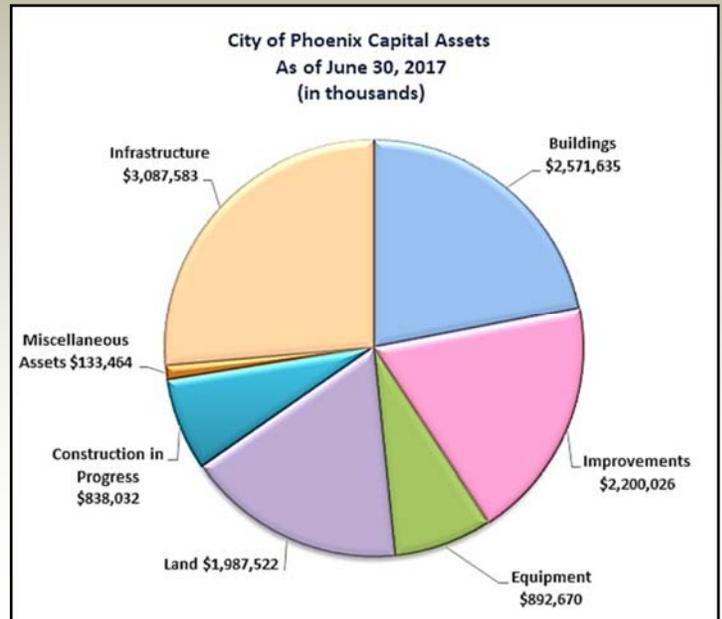
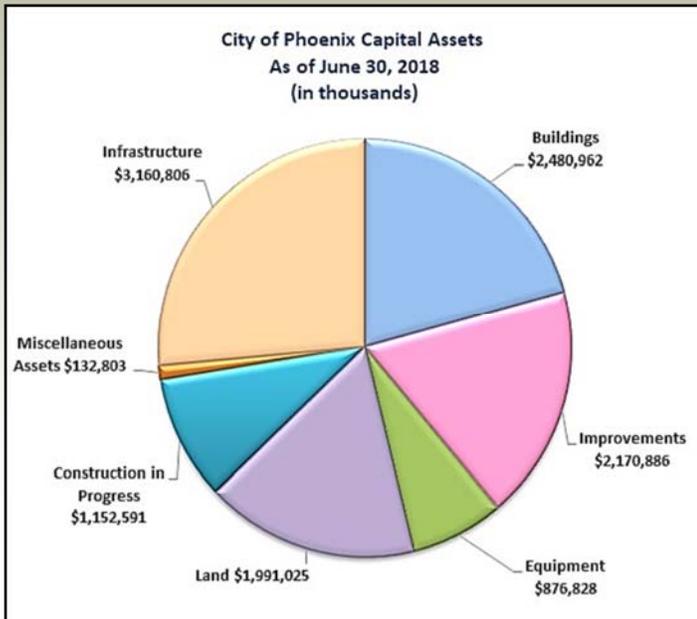
Restricted net position - Resources whose use is subject to externally imposed restrictions. The City has resources set aside for debt service payments, development impact fees restricted to growth-related projects, other capital projects, and required reserves.

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 \$12.0 billion and \$11.7 billion for the fiscal years ended June 30, 2018 and 2017, 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 2017-18:

- Aviation Terminal 3 modification project valued at \$141.7 million.
- Various street and storm sewer projects throughout the City valued at \$130.7 million.
- New and replacement water and sewer mains throughout the City valued at \$79.9 million.
- Water and wastewater distribution and collection facilities projects valued at \$67.5 million.
- Design and construction related to the PHX Sky Train at Sky Harbor International Airport valued at \$59.1 million.
- Transit bus purchases valued at \$49.9 million.
- Various water and wastewater treatment plant projects valued at \$33.3 million.
- Aviation runway and taxiway construction valued at \$22.6 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.

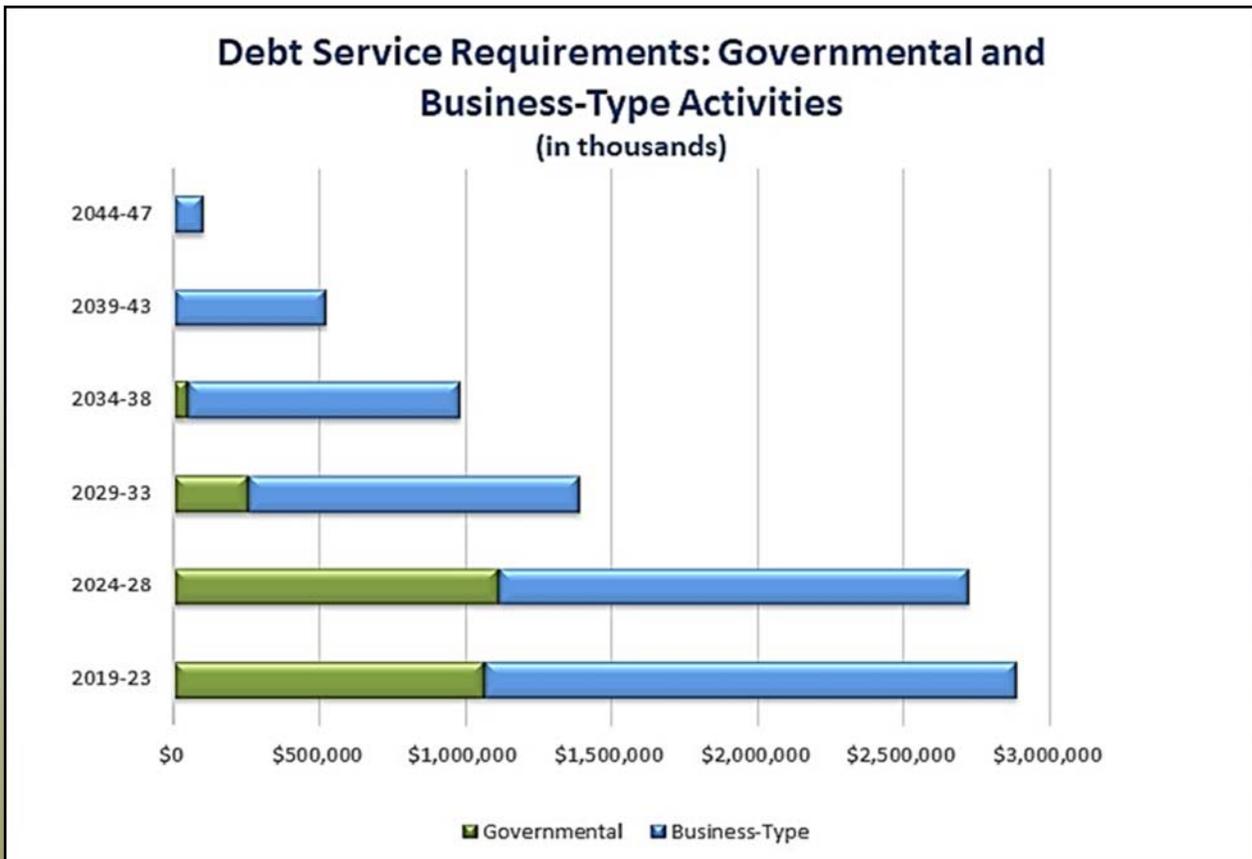
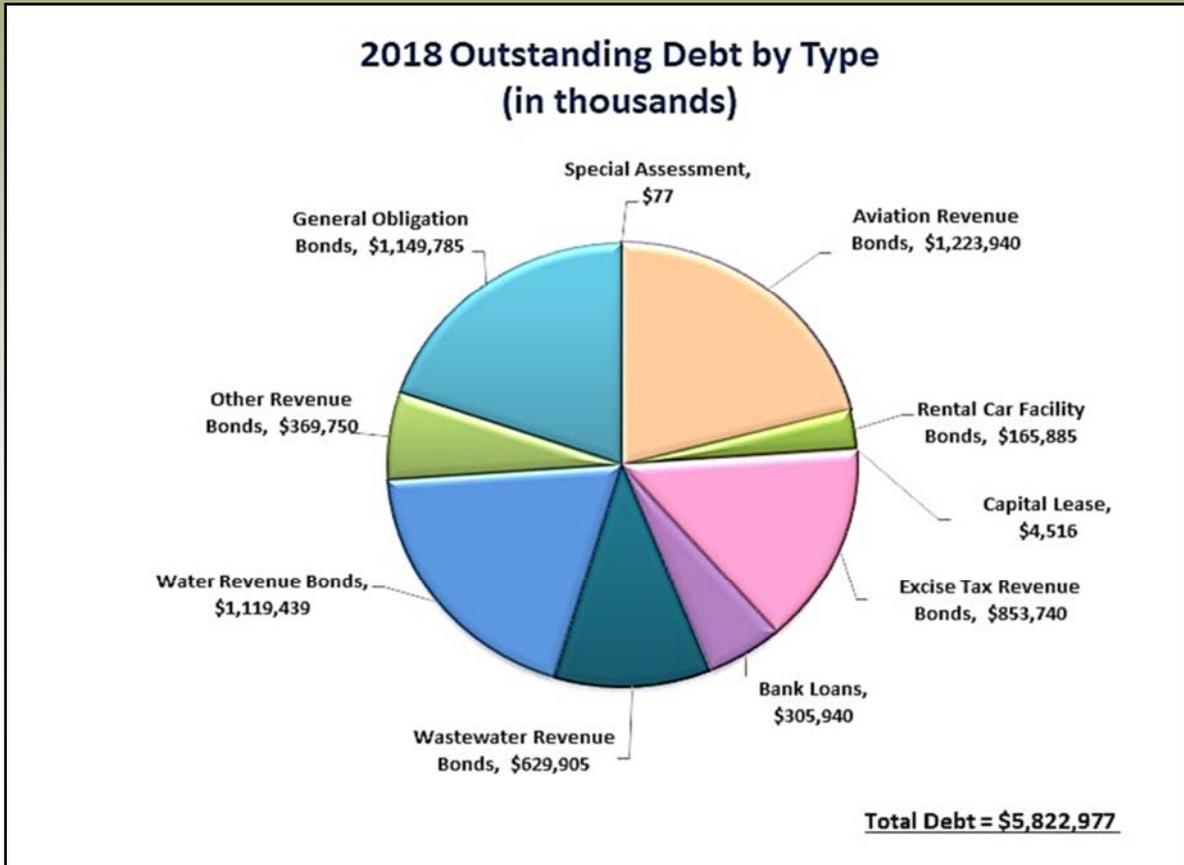


Special Assessment Bonds

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.



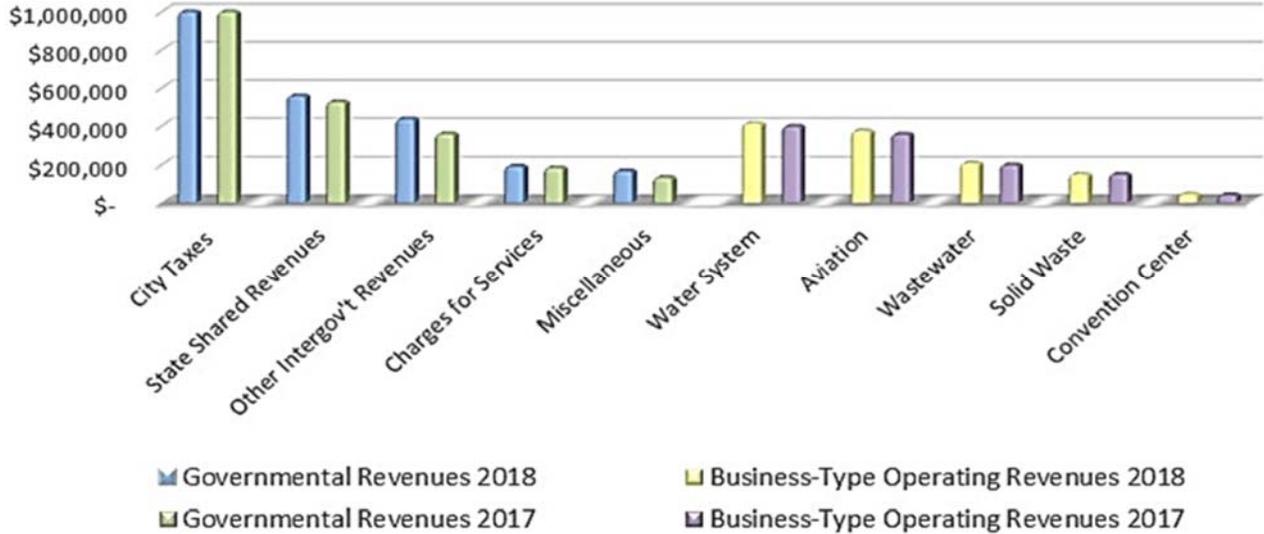
Debt (continued)





Where the Money Comes From

Governmental and Business-Type Revenues
(in thousands)



	City Taxes	State Shared	Other Intergov't	Charges for Services	Miscellaneous	Total
Governmental Revenues—2018	\$1,165,539	\$558,538	\$438,170	\$192,338	\$167,401	\$2,521,986
Governmental Revenues—2017	\$1,116,077	\$527,086	\$358,886	\$183,619	\$132,641	\$2,318,309
	Water System	Aviation	Wastewater	Solid Waste	Convention Center	Total
Business-Type Operating Revenues—2018	\$412,734	\$373,893	\$207,747	\$149,023	\$44,743	\$1,188,140
Business-Type Operating Revenues—2017	\$398,263	\$356,418	\$198,945	\$150,014	\$40,568	\$1,144,208

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)

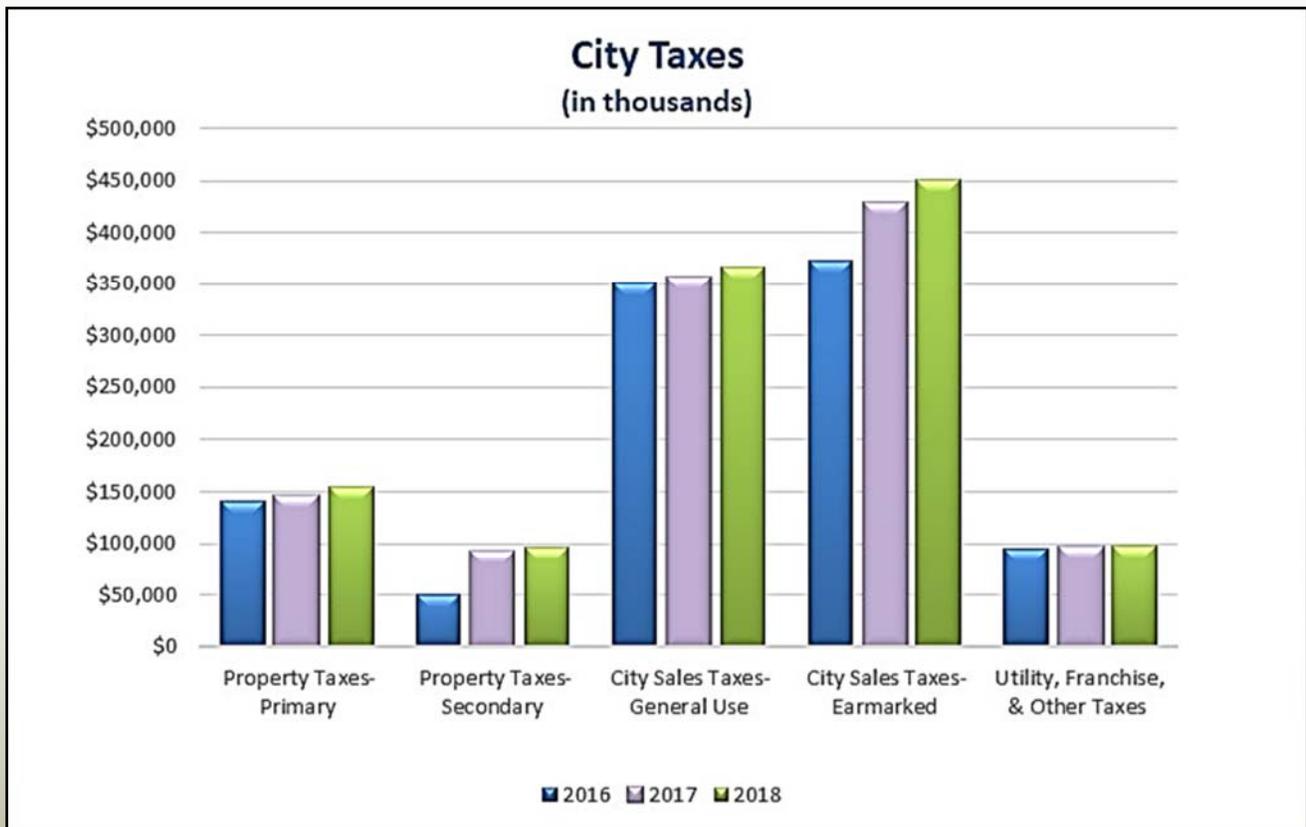
Governmental Revenues Fiscal Year 2018

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.



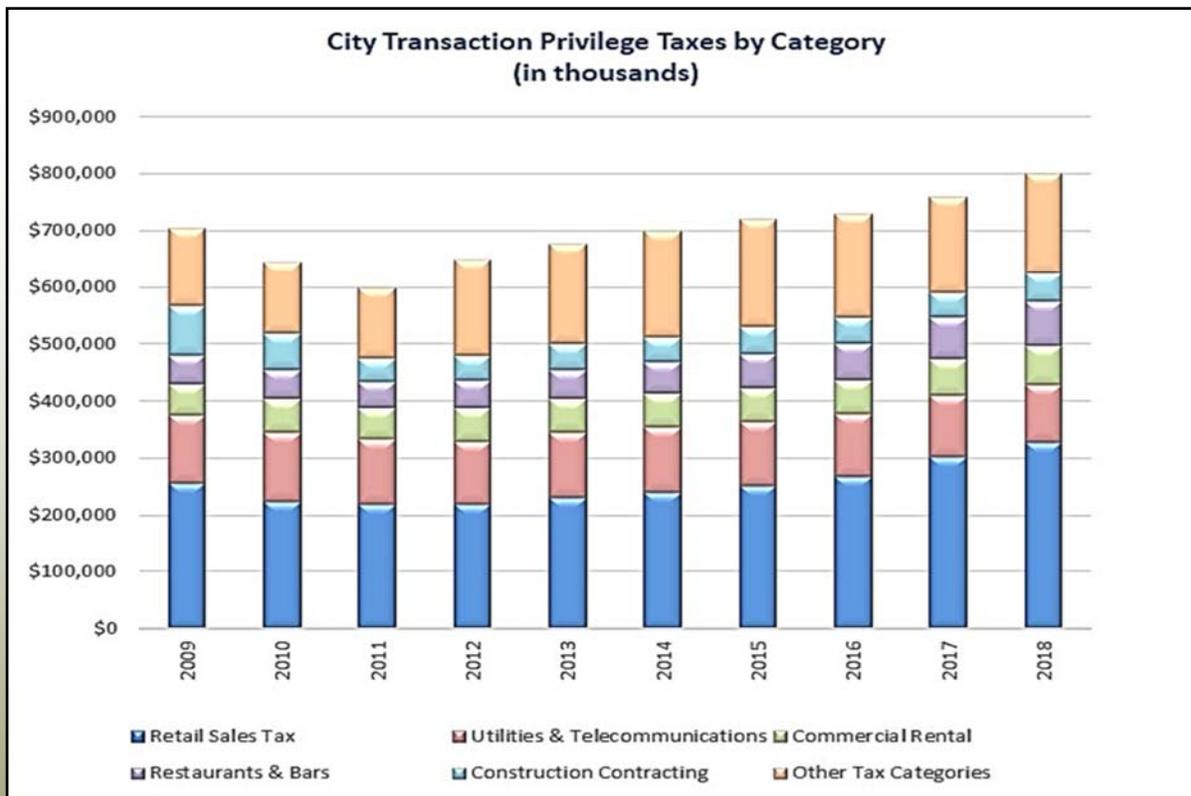
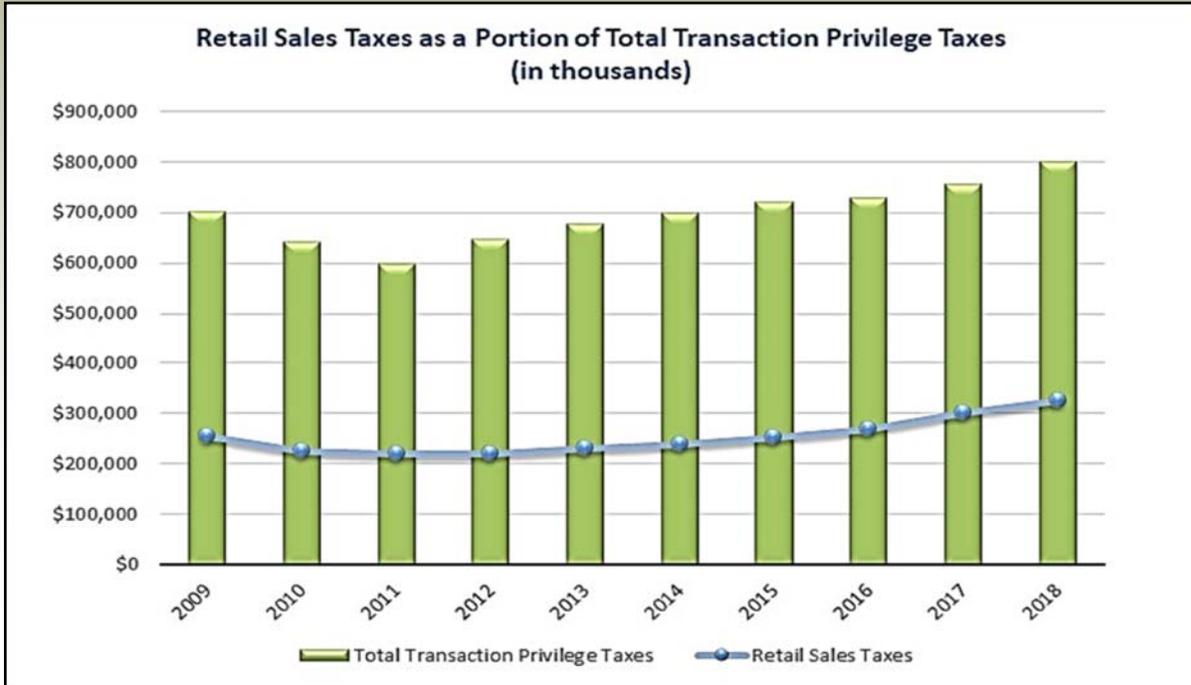
On average, for every tax dollar the City receives, \$0.08 is spent on debt service and \$0.47 is earmarked for specific spending purposes, such as public safety or transportation. That leaves \$0.45 of every tax dollar to spend on general fund programs.



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
<u>0.7%</u>	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

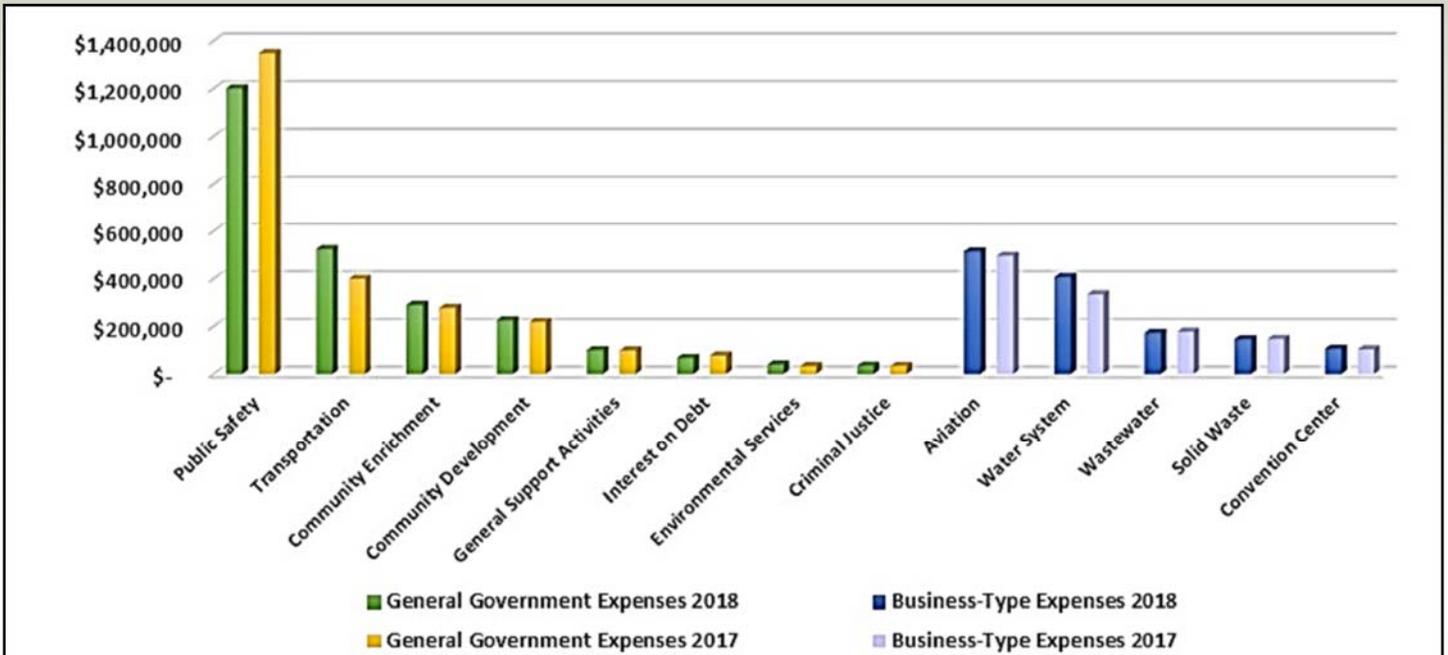
(continued)

Governmental and Business-Type Expenses For the Years Ended June 30, 2018 and 2017

(in thousands)

Total Expenses: FY18 - \$3,826,546

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

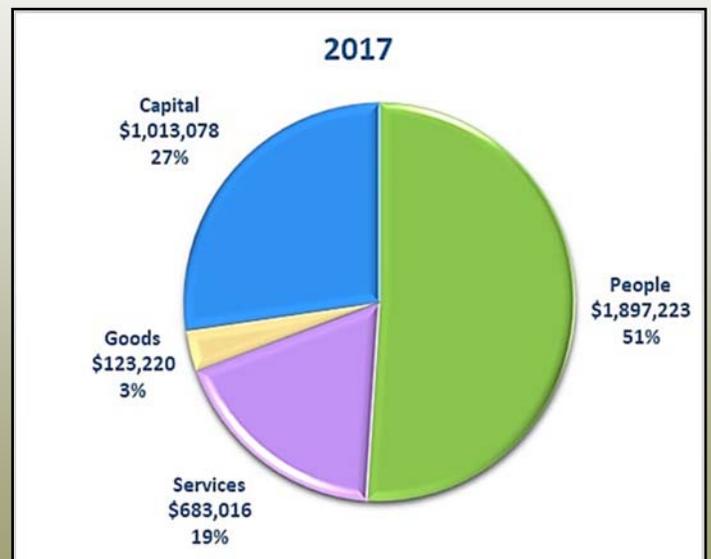
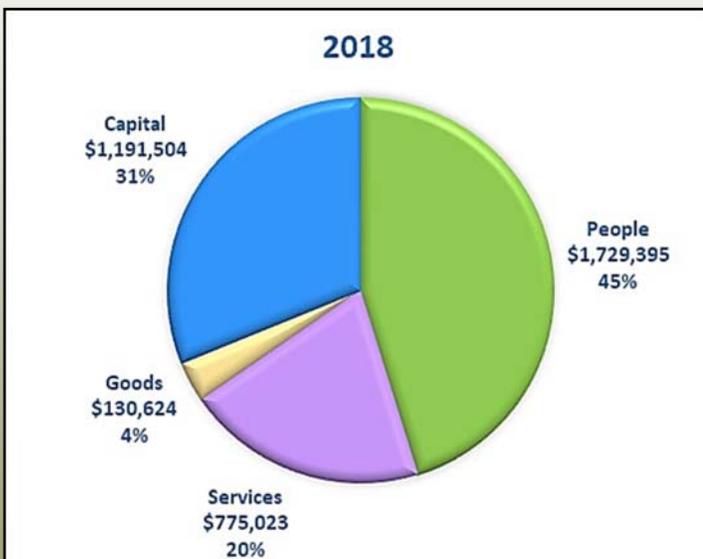


People - the cost of employees including wages and benefits

Capital - costs of property, plant and equipment; primarily depreciation and interest

Services - contractual services provided by external entities

Goods - inventories, supplies, and materials





Where the Money Goes

(continued)

	2018						
	<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	\$ 1,018,687	\$ 61,915	\$ 21,969	\$ 97,952	\$ 1,200,523	48.39%	31.37%
Transportation	80,789	209,463	22,482	211,212	523,946	21.12%	13.69%
Community Enrichment	112,106	86,869	14,139	76,069	289,183	11.66%	7.56%
Community Development	85,782	114,722	3,198	21,683	225,385	9.08%	5.89%
General Support Activities	57,599	17,745	1,395	23,568	100,307	4.04%	2.62%
Interest on Debt	-	-	-	67,523	67,523	2.72%	1.76%
Environmental Services	16,921	442	3,075	18,675	39,113	1.58%	1.02%
Criminal Justice	27,983	5,865	660	533	35,041	1.41%	0.92%
Subtotal	1,399,867	497,021	66,918	517,215	2,481,021	100%	64.84%
Business-Type							
Aviation	106,080	140,273	11,000	256,918	514,271	38.22%	13.44%
Water System	116,363	29,567	46,972	213,599	406,501	30.21%	10.62%
Wastewater	29,416	25,506	1,683	115,856	172,461	12.82%	4.51%
Solid Waste	54,966	57,364	2,945	31,314	146,589	10.89%	3.83%
Convention Center	22,703	25,292	1,106	56,602	105,703	7.86%	2.76%
Subtotal	329,528	278,002	63,706	674,289	1,345,525	100%	35.16%
TOTAL	\$ 1,729,395	\$ 775,023	\$ 130,624	\$ 1,191,504	\$ 3,826,546		100%

	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%



Where the Money Goes

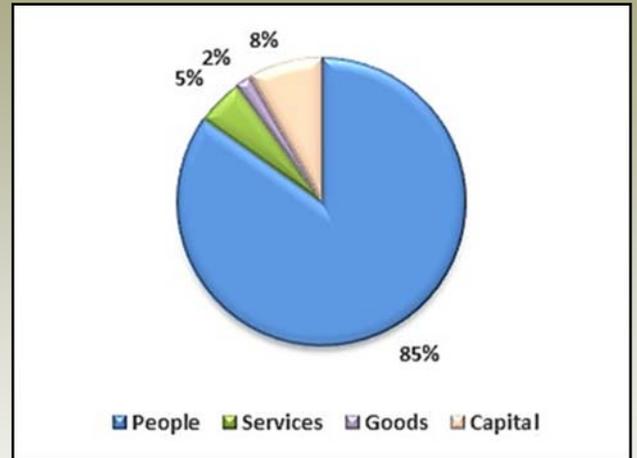
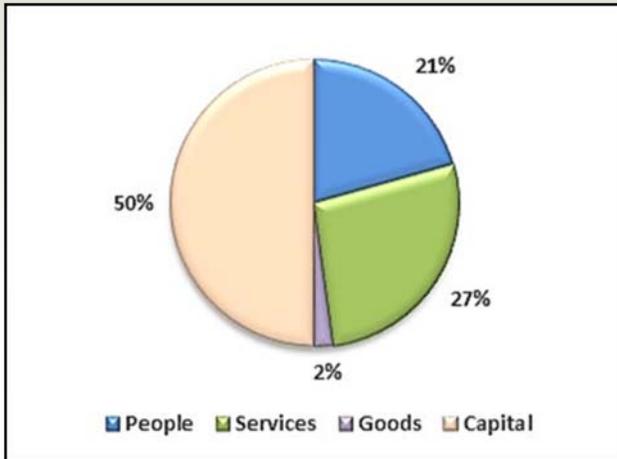
(continued)

Public Safety Expenses

FY18 = \$1,200,523

(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.

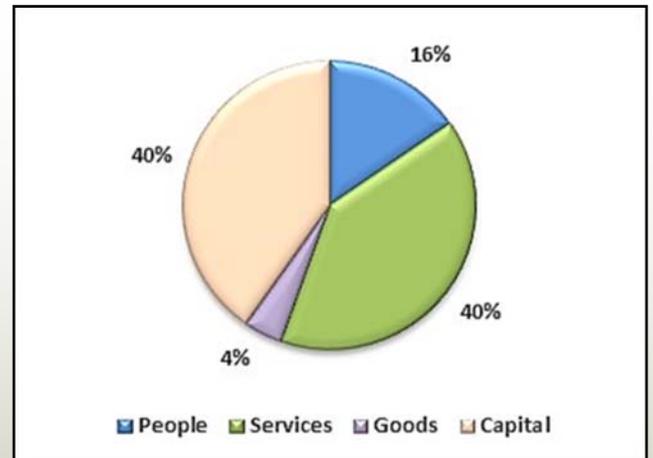


Aviation Expenses

FY18 = \$514,271

(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.

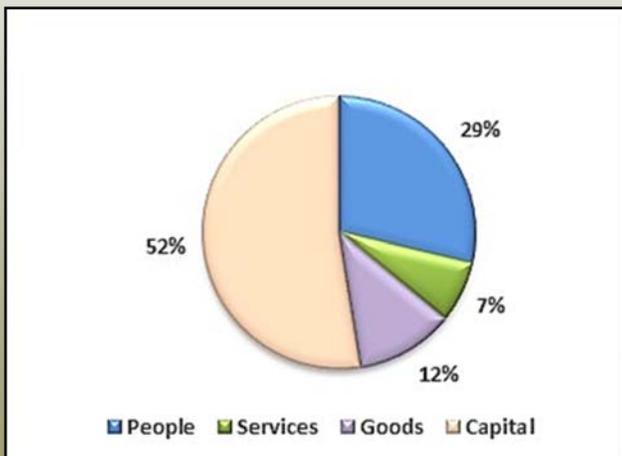


Transportation Expenses

FY18 = \$523,946

(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

FY18 = \$406,501

(in thousands)

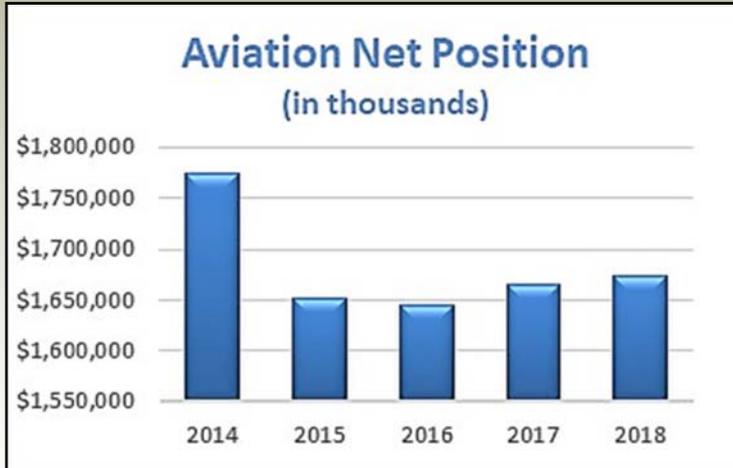
The City's Water Program provides a safe and adequate domestic water supply to all residents in the Phoenix water service area. All of Phoenix's water is treated at one of five water treatment plants before traveling through 7,000 miles of distribution lines to customers' taps within a 540-square-mile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



Business-Type Net Position

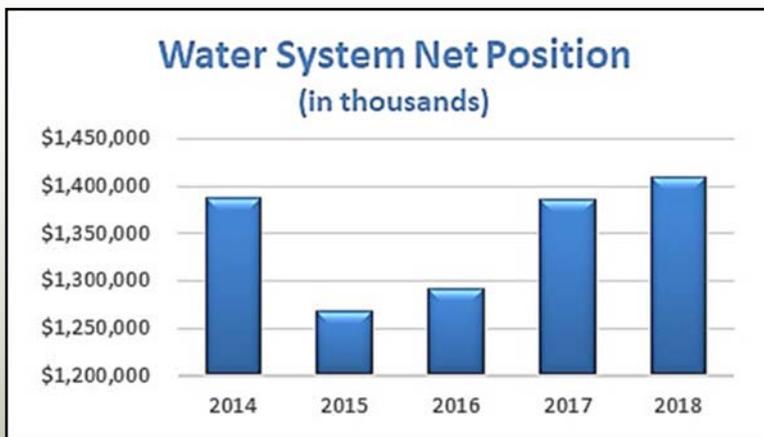
City of Phoenix

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	2018
Scheduled Airlines	21	19	19	19	21
Aircraft Traffic Movement (in thousands)	867	894	927	923	925
Passengers Arriving and Departing (in thousands)	41,093	43,000	44,158	43,533	43,340

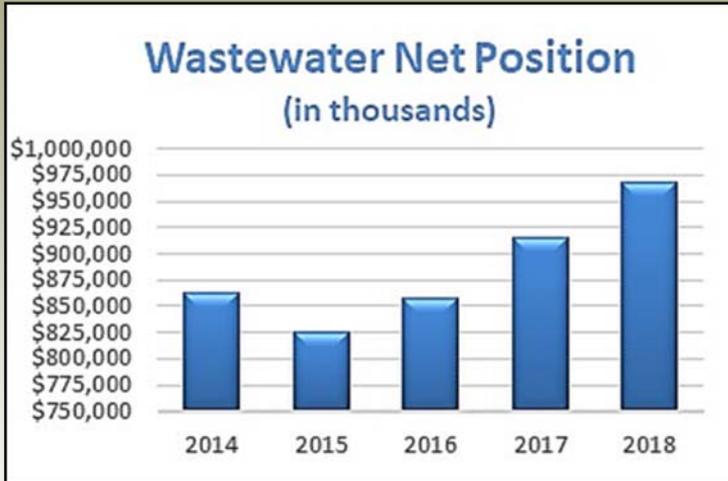


The City's Water System program provides a safe and adequate domestic water supply to all residents in the Phoenix water service area. The major component of the Water System's net position is its investment in capital assets, which includes water mains, hydrants, meters, and service connections.

	2014	2015	2016	2017	2018
Production (billions gallons)	97.6	93.4	97.6	97.8	102.7
Average Daily Production (million gallons)	266.9	255.8	266.8	268.1	281.4
Miles of Water Main	6,867	6,883	6,882	6,888	6,967
Number of Accounts	416,623	418,995	416,303	423,569	421,226



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	2018
Miles of Sewer Lines	4,833	4,841	4,846	4,847	4,890
Number of Accounts	402,624	402,495	406,967	410,952	414,559



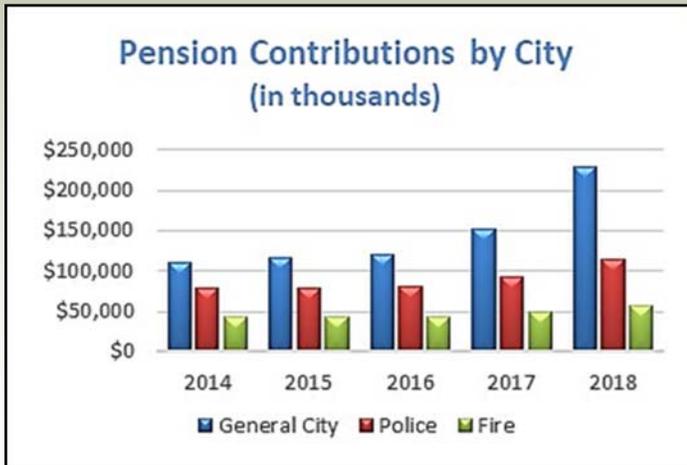
The Solid Waste Fund assists in providing a safe and aesthetically acceptable environment through effective, integrated management of the solid waste stream, including collection, disposal, and recycling activities. Due to the implementation of GASB Statements No. 68 and No. 75, the Solid Waste Enterprise Fund reported a deficit of \$15.4 million. The City is in the process of evaluating revenues and expenses over a five-year financial plan to eliminate the deficit.

(in thousands)	2014	2015	2016	2017	2018
Residences Served	400	402	401	403	405
City Disposal (in tons)	564	587	589	623	596
Total Disposal (in tons)	863	883	896	943	861
Total Recycling (in tons)	107	114	114	120	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.

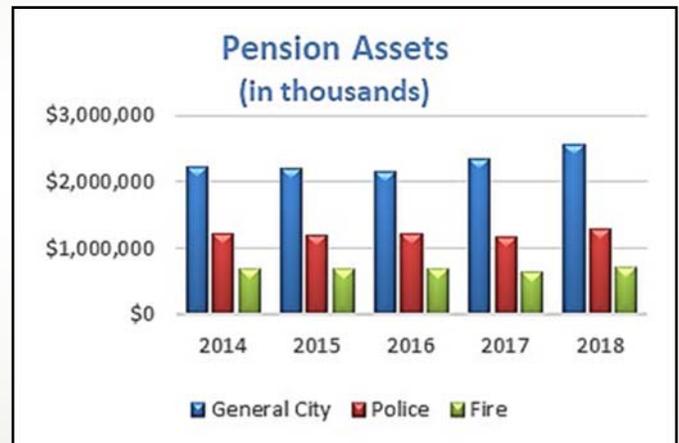


The City contributes to each of the pension plans that covers its employees. An actuarially determined amount is contributed to fully fund benefits for active members and to amortize any unfunded actuarial liability. Per City Charter, the City contributes 100 percent of required contributions, something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

In 2018, General City contributions increased due to a \$70.0 million pay-down of the unfunded pension liability in the Wastewater Enterprise Fund.

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.

Pension assets for all plans have remained steady for the past five years.

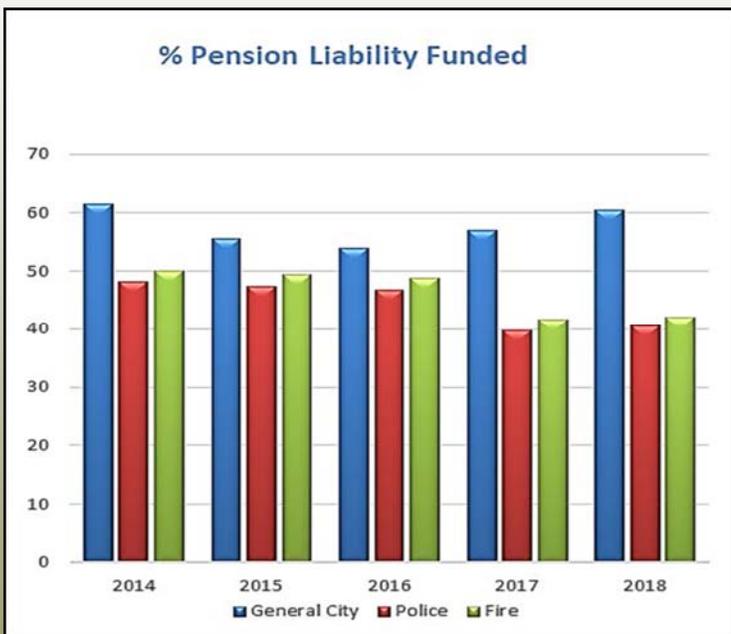


Contributions by the City and the employees are held as assets by each of the respective pension plans. These assets are used to pay current and future retirees.

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.

The General City percentage increased in 2018 primarily due to an additional \$70.0 million of pension contributions from the Wastewater Enterprise Fund.

Both Police and Fire percentages decreased in 2017 primarily due to changes in actuarial assumptions used to calculate the pension liability.





City of Phoenix

Key Statistics



Selected City Performance Measures		
	FY 2018	FY 2017
COMMUNITY ENRICHMENT		
<u>Libraries</u>		
Book Circulation (in thousands)	11,303	12,096
Total Stock (in thousands)	3,500	1,837
Number of Library Branches	17	17
<u>Parks and Recreation</u>		
City Parks (number of acres)	45,313	45,313
Number of Playgrounds	268	268
PUBLIC SAFETY		
<u>Police</u>		
Police Precincts	7	7
Police Employees	3,272	3,272
Dispatched Calls for Service	899,200	691,346
<u>Fire</u>		
Fire Stations	58	58
Fire Employees	1,995	1,997
Calls for Service	212,869	212,259
TRANSPORTATION		
<u>Public Transit</u>		
Ridership (in thousands)		
Bus	33,365	33,725
Dial-a-Ride	339	330
Light Rail	10,318	10,864
<u>Streets</u>		
Total Miles	4,863	4,857
Miles Resurfaced and Sealed	342	473
Signalized Intersections	1,135	1,140

