

# City of Phoenix

## Financial Condition Report

### Fiscal Year Ended June 30, 2014

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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 primarily on the City of Phoenix Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014, which can be viewed in its entirety online at [phoenix.gov/finance](http://phoenix.gov/finance).

City of Phoenix  
 Finance Department  
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 Phoenix, AZ 85003  
 Voice: 602-262-7166  
 AZ Relay Services: 7-1-1 Relay

| COMMUNITY PROFILE                   |           |
|-------------------------------------|-----------|
| Phoenix Population                  | 1,505,070 |
| Maricopa County Population          | 4,005,000 |
| Area (in square miles)              | 519.4     |
| Per Capita Income                   | \$38,006  |
| Feet Above Sea Level                | 1,124     |
| Average Annual Temperature (F)      | 74.2      |
| Average Annual Rainfall (in inches) | 7.00      |
| Average Annual Sunny Days           | 334       |



# Message from the City Manager



Ed Zuercher, City Manager

Greetings:

This marks our fourth 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, 2014.

The 2013-14 City Manager's trial budget recommended more than \$6.2 million in restored and added General Fund services to the community and demonstrated continuing improvement in the economy and responsible actions taken by the Mayor and City Council, City management and city staff. This past year we were able to balance our budget without cutting services and also maintained high bond ratings.

Our commitment to improving the long-term financial health of the city continued as the Mayor and City Council addressed the rising costs of employee pensions with propositions 201 and 202. These propositions provided several changes to the pension system that are expected to save the city more than \$600 million over the next 23 years. Additionally, 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 resulting in total pension reform savings of about \$830 million.

The city continues its commitment to economic development with projects such as the 10-story research building on the Phoenix Biomedical Campus, a full-service health care facility in Laveen and upgraded infrastructure and public transportation in the North Mountain Redevelopment Area.

2014 also saw the opening of the PHX Sky Train Stage 1A at Sky Harbor Airport and the continued construction on the northwest extension of the Valley Metro Light Rail. With these rail programs exceeding all ridership projections, it is important to continue to develop this vital infrastructure.

I want to thank the Mayor and City Council for their leadership and city employees for their efforts. We accomplished a lot in 2014 by working together. Going forward, we will continue to work smarter, save money aggressively and be kind to our customers. I am optimistic about our city's financial future and dedicated to providing outstanding services to our residents.

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

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

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



City of Phoenix

# Message from the Chief Financial Officer



Neal Young,  
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 Financial Condition Report for the fiscal year ending June 30, 2014. The information presented in this report is based primarily on the City of Phoenix Comprehensive Annual Financial Report (CAFR) which is available in its entirety online at [phoenix.gov/finance](http://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,  
Neal Young  
Chief Financial Officer



Calvin C. Goode  
Municipal Building

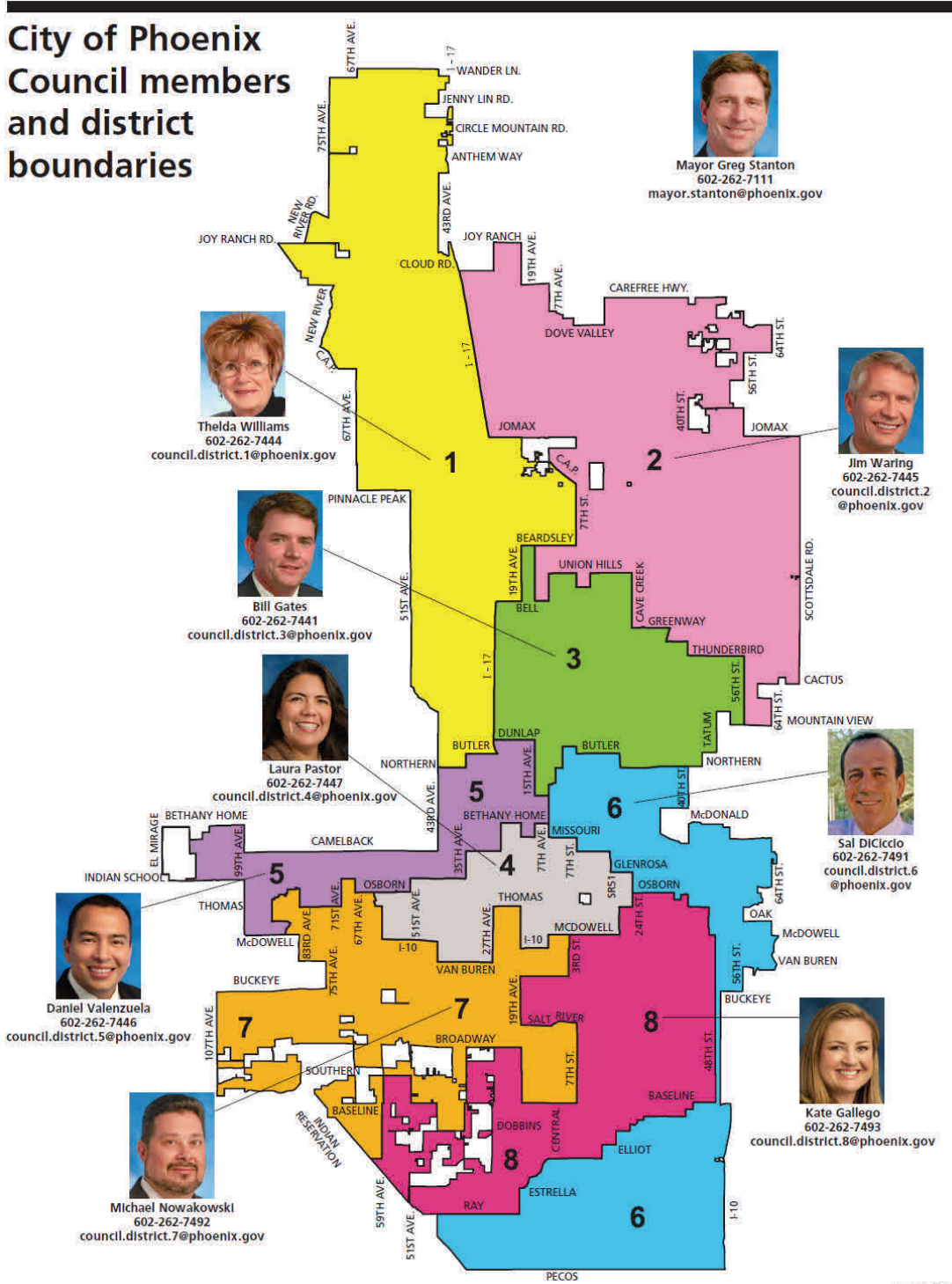


City of Phoenix

# 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



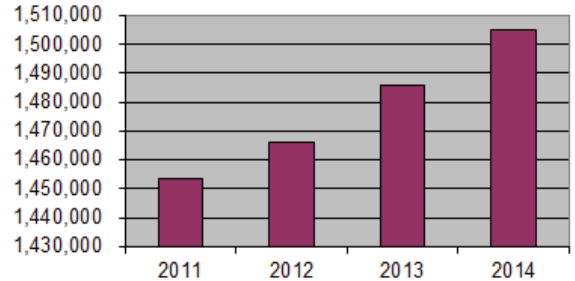
January 2014



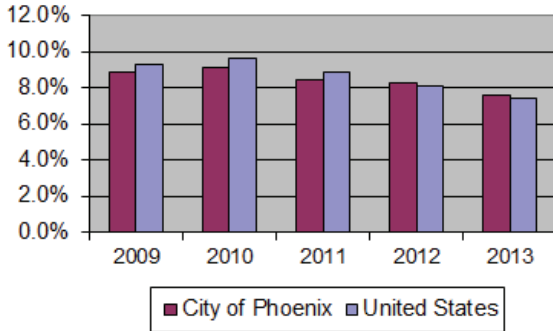
# Where We've Been

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



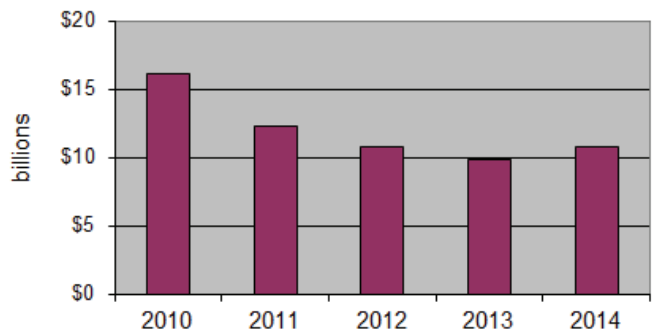
Unemployment Rates  
Calendar Year



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 2003 to 2013, population growth was 21.9% in the Phoenix area as compared to 8.9% for the U.S. As of August 2014, the unemployment rate for the Phoenix area was 6.2% as compared to the U.S. rate of 6.5%. The Phoenix area has a mix of service industry that mirrors the U.S.

The effects of the national and local economy has resulted in a decrease of assessed valuations and a corresponding decrease in property taxes. The city has continued to monitor these revenues very closely and adjust budgets and bond programs accordingly. Total secondary assessed valuation increased in 2014 from \$10 billion to \$10.8 billion and are expected to increase again in 2015 as the recent recovery impacts the assessments.

Secondary Assessed Valuation  
Fiscal Year



The city has aggressively attracted new businesses during the downturn in the economy. Employers that have recently relocated their headquarters or major operations to Phoenix include Connexions, Alliance United, Delta Management, Progexion, Gigya, Arizona General Hospital, Universal Health, Knight Transportation, MassMutual and Convergys. 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



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. With strong ridership and 99.5 percent reliability, passengers use the PHX Sky Train to connect between the regional light rail system, the airport's largest economy parking area and Terminal 4. 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. The final stage of construction will connect to the airport's 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 began 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 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 resulting in total pension reform savings of about \$830 million.

The city continues its commitment to economic development with projects in downtown Phoenix, Laveen and the Metrocenter Mall area in northwest Phoenix.

- In March 2014, the City Council approved the North Mountain Redevelopment Area plan, including Metrocenter Mall. The plan outlines a set of goals and strategies for land use, upgraded infrastructure and public transportation to the area.
- In June 2014, Arizona General Hospital announced it is opening a boutique, full-service health care facility in Laveen. The 39,000 square-foot hospital is expected to bring 300 new jobs and plans to invest \$75 million over the next three years.
- In June 2014, the Arizona Board of Regents approved plans to build a \$136 million, 10-story research building on the Phoenix Biomedical Campus, creating 500 jobs in design and construction, and another 360 permanent jobs.



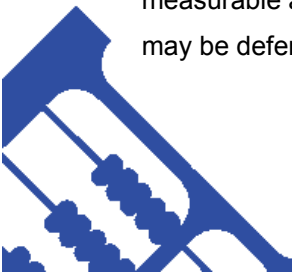
# Basis of Accounting

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 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 Position

## Government-Wide Statement of Net Position

| June 30, 2013 and 2014<br>(in thousands)    | Total City Government |                     |
|---|-----------------------|---------------------|
|   | 2013                  | 2014                |
| <b>Assets</b>                               |                       |                     |
| Cash and investments                        | \$ 1,787,169          | \$ 1,903,366        |
| Current and other assets                    | 2,989,716             | 2,732,737           |
| Capital assets, net of depreciation         | 11,787,319            | 11,754,944          |
| <b>Total assets</b>                         | <b>16,564,204</b>     | <b>16,391,047</b>   |
| Deferred outflows of resources              | 57,254                | 54,530              |
| <b>Total deferred outflows of resources</b> | <b>57,254</b>         | <b>54,530</b>       |
| <b>Liabilities</b>                          |                       |                     |
| Long-term liabilities                       | 7,203,737             | 6,962,759           |
| Other liabilities                           | 938,081               | 882,403             |
| <b>Total liabilities</b>                    | <b>8,141,818</b>      | <b>7,845,162</b>    |
| <b>Net position</b>                         |                       |                     |
| Net investment in capital assets            | 5,280,908             | 5,394,845           |
| Restricted                                  | 1,104,397             | 1,232,169           |
| Unrestricted                                | 2,094,335             | 1,973,401           |
| <b>Total net position</b>                   | <b>\$ 8,479,640</b>   | <b>\$ 8,600,415</b> |

**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.

**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.

**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.

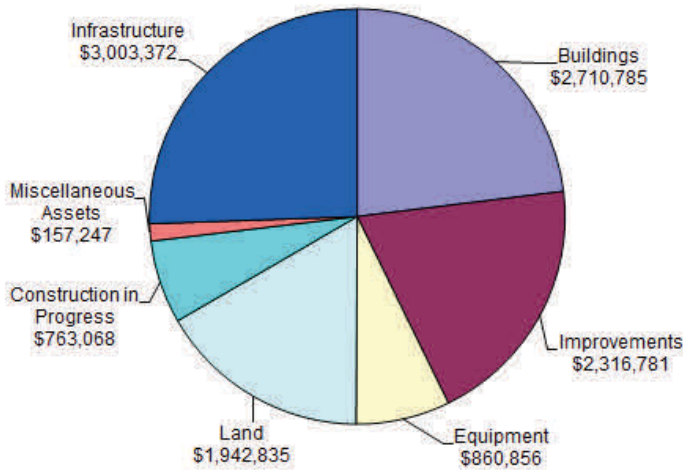




# Capital Assets

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 investment in capital assets (net of depreciation) was \$11,754,944,000. This total is made up of the following asset categories:

**City of Phoenix Capital Assets**  
**As of June 30, 2014**  
(in thousands)



**Total Capital Assets:**  
**\$11,754,944**

**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>    |
|---|---------------|---|
| • Street/Storm Sewer Projects                               | \$105,300,000 | Streets and Infrastructure/Transportation |
| • PHX Sky Train-Sky Harbor-Stage 1A                         | \$64,800,000  | Construction in Progress/Transportation   |
| • Transit Bus Purchases                                     | \$63,600,000  | Equipment/Transportation                  |
| • Water/Sewer Mains   | \$58,600,000  | Infrastructure and Improvements/Utilities |
| • Water Treatment Facilities                                | \$37,300,000  | Buildings and Equipment/Utilities         |
| • Sky Harbor, Deer Valley and Goodyear Airports Maintenance | \$32,900,000  | Buildings and Improvements/Transportation |



# Debt

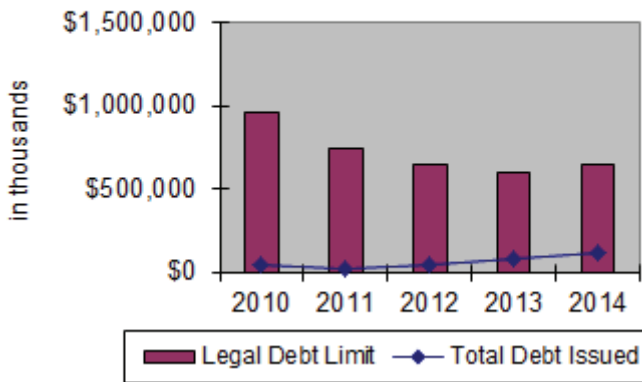
The city utilizes general obligation bonds, revenue bonds, certificates of participation, and special assessment bonds for long-term financing of facilities.

### General Obligation Bonds

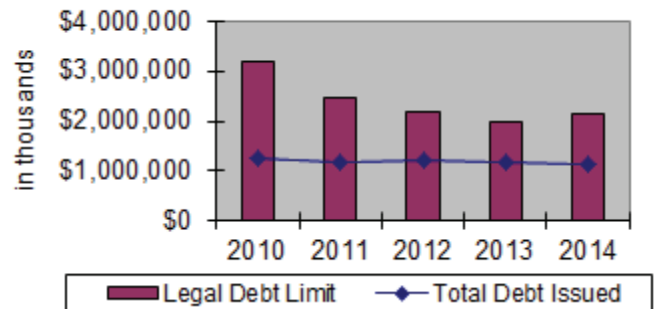
The city typically issues general obligation bonds to fund the capital projects of general government (non-enterprise) departments. These projects include cultural facilities, fire, police, library, parks and recreation, mountain preserves, storm sewers, streets, and transportation. The annual debt service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



**City of Phoenix**  
**General Obligation Bond Ratings**  
**2014**  
**S & P**      **Moody's**  
**AA+**      **Aa1**

### 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.

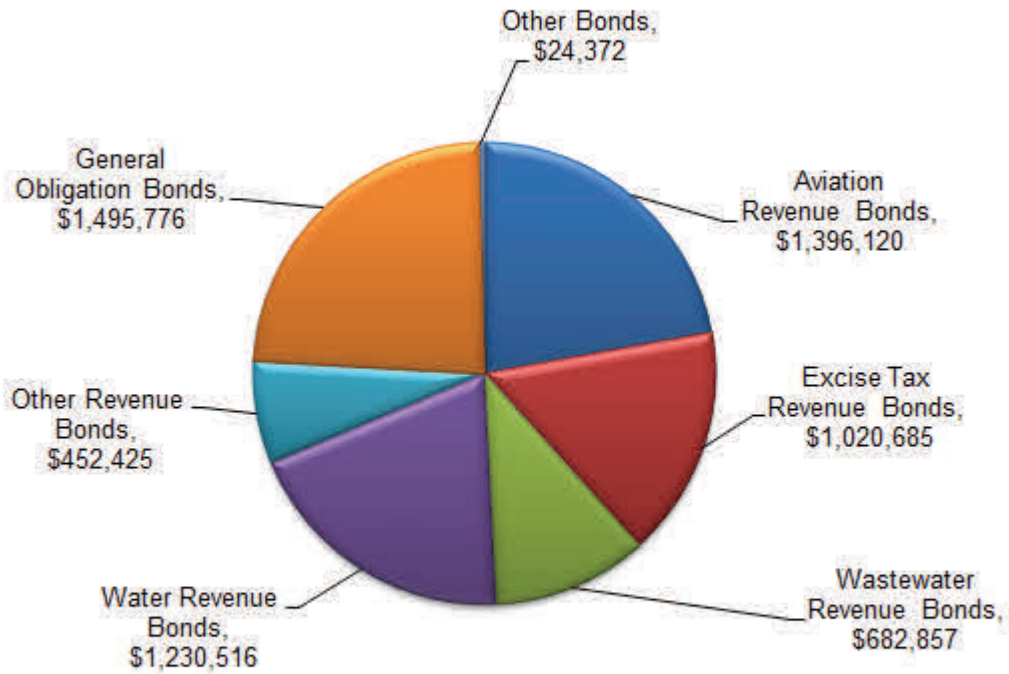
#### Special Assessment Bonds

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.

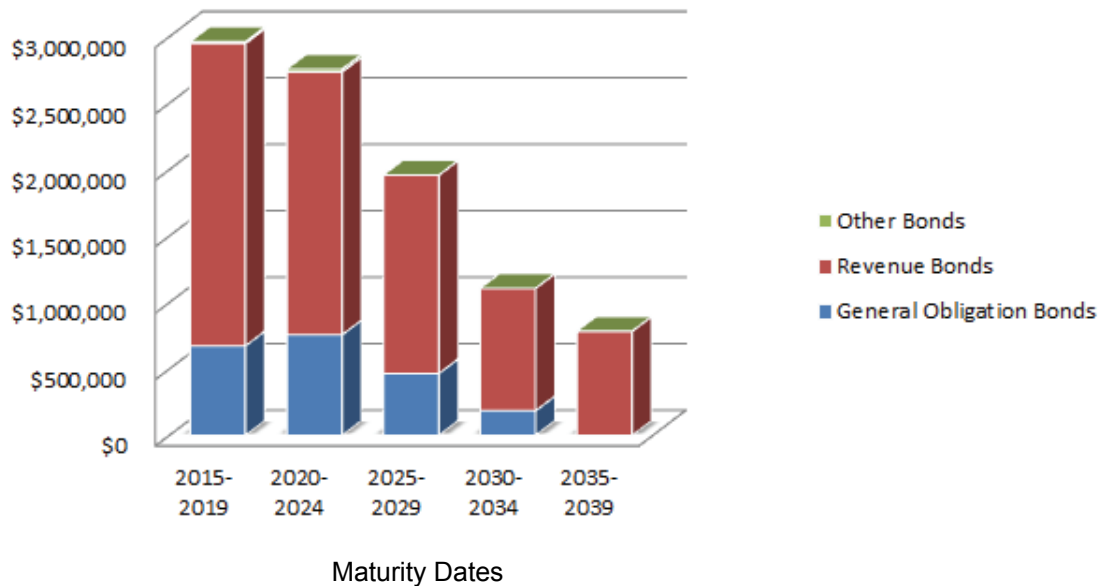


# Debt (continued)

## 2014 Outstanding Debt by Type (in thousands)



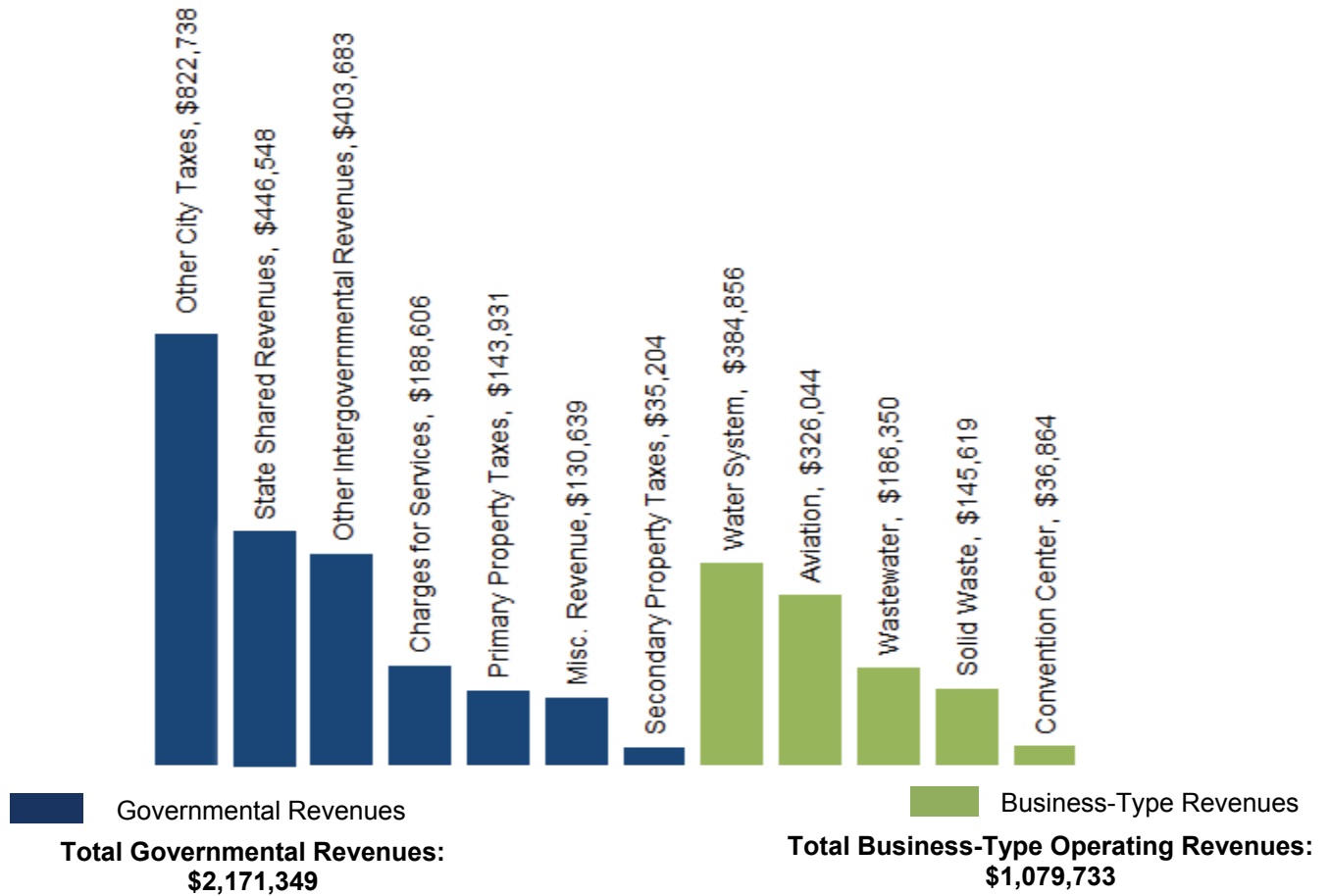
## Debt Service Requirements: Governmental and Business-Type Activities (in thousands)





# Where the Money Comes From

## Governmental and Business-Type Revenues Fiscal Year 2014 (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 2014

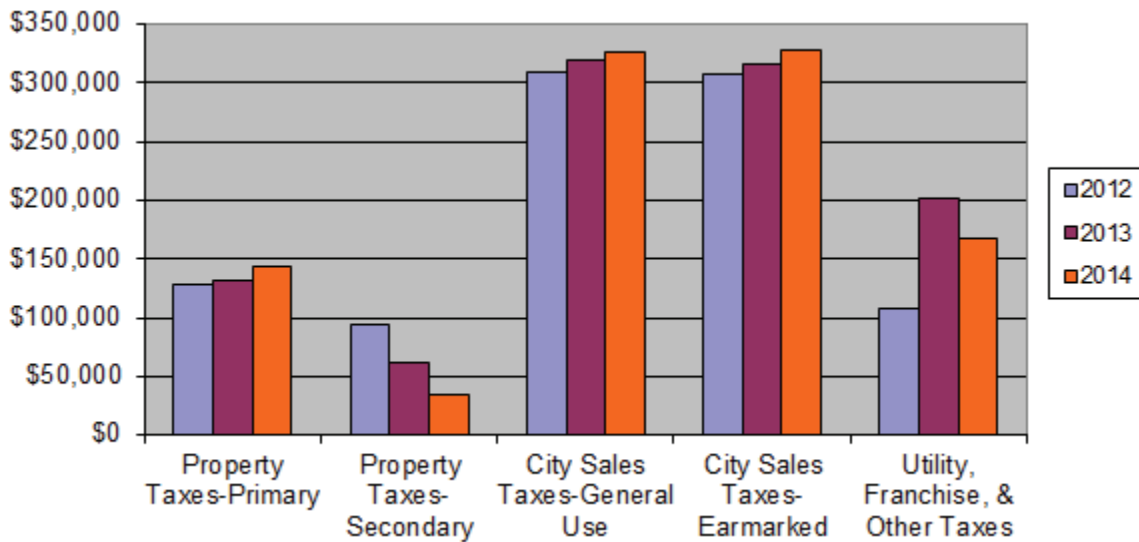
City taxes account for 48% of governmental fund revenues. Some revenues are earmarked for specific uses, while others are available for general use.

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

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

**Utility, Franchise and Other Taxes** - These taxes include franchise fees paid by public utilities, telecommunications companies, and cable television businesses. These taxes are available for general use. The Access to Care Tax Program, an intergovernmental agreement which authorizes the city to receive funds from participating hospitals, provided \$65.6 million to the Arizona Health Care Cost Containment System (AHCCCS) compared to \$98.4 million in 2013 and led to decreases in both Other Taxes revenues and General Government expenses.

**City Taxes**  
(in thousands)



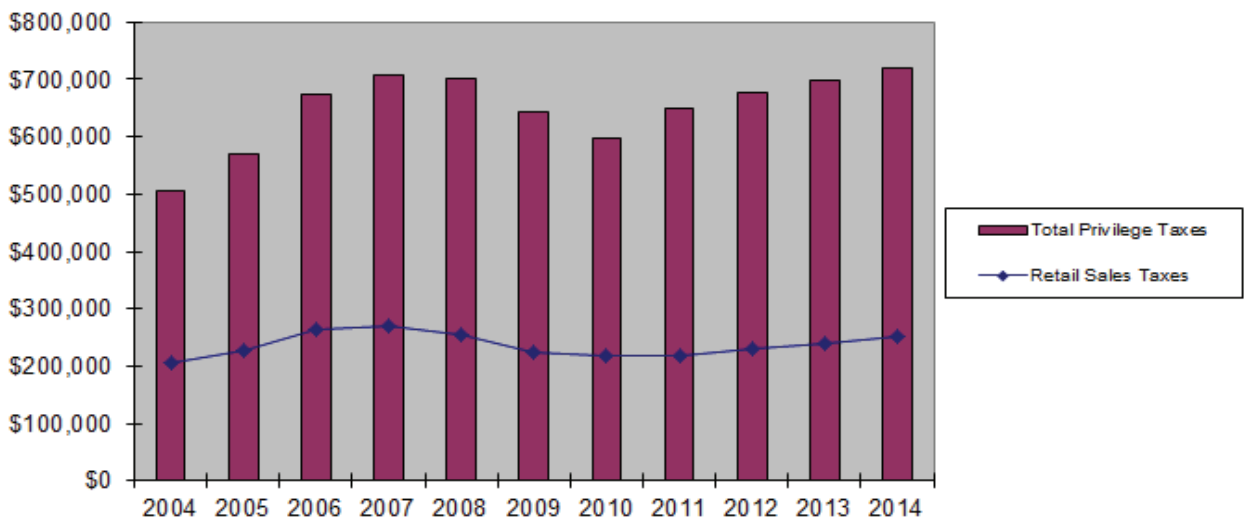
On average, for every total tax dollar the city earns, 4 cents is spent on debt service and 40 cents is earmarked for specific spending purposes, such as public safety or transportation. That leaves 56 cents of every tax dollar to spend on general fund programs.



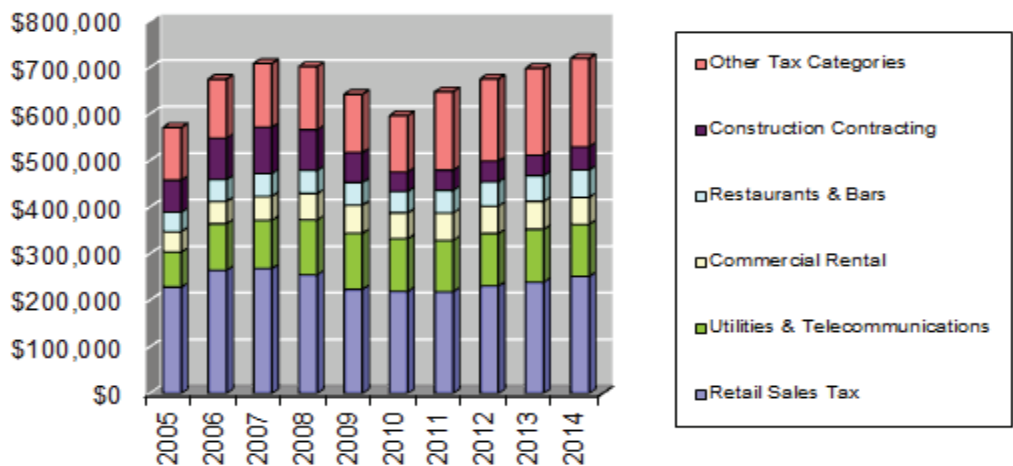
# Where the Money Comes From (continued)

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 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 the Money Goes

## Where Your Retail Sales Tax Dollar Goes

The retail sales tax rate for the city of Phoenix is 2.0%. Adding in the state and county sales tax rates, the total tax rate for items purchased at retail in the city of Phoenix is 8.3%.

|      |                                     |
|------|-------------------------------------|
| 2.0% | <b>City of Phoenix</b>              |
| 5.6% | <b>State of Arizona</b>             |
| 0.7% | <b>Maricopa County</b>              |
| 8.3% | <b>Total Phoenix Sales Tax Rate</b> |

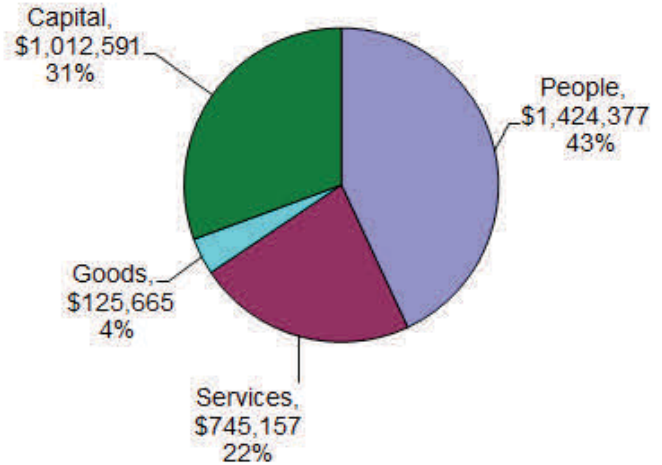
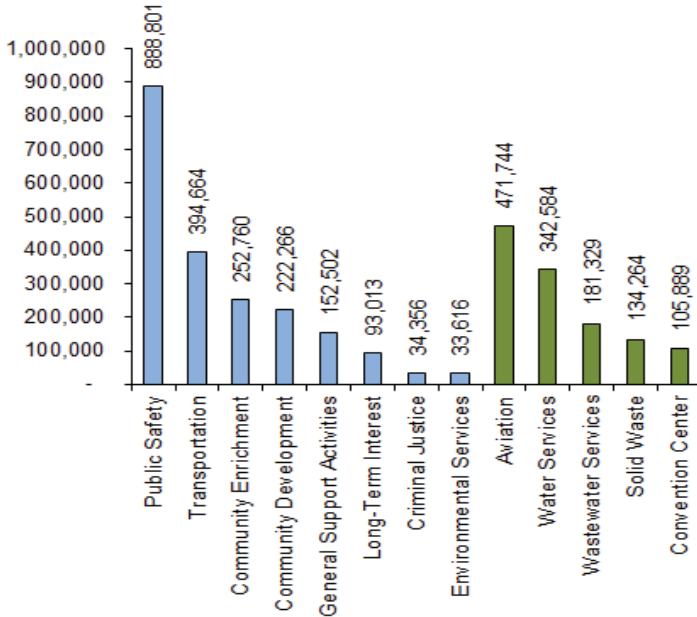
### Where the Phoenix 2.0% Goes:

|      |   |
|------|---|
| 1.2% | <b><u>General Fund</u></b><br>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% | <b><u>Transit 2000</u></b><br>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% | <b><u>Public Safety Expansion</u></b><br>This ordinance, approved by voters in 2007, provides for the funding of additional police officers and firefighters.   |
| 0.1% | <b><u>Neighborhood Protection Fund</u></b><br>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% | <b><u>Parks and Desert Preserves</u></b><br>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

## Governmental and Business-Type Expenses For the Year Ending June 30, 2014 (in thousands)



Total Expenses: \$3,307,788

**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     |
|----------------------------|------------------|----------------|----------------|------------------|------------------|---------------|----------------|
| <b>General Government</b>  |                  |                |                |                  |                  |               |                |
| Public Safety              | 763,636          | 50,218         | 17,971         | 56,976           | 888,801          | 42.90%        | 26.87%         |
| Transportation             | 63,458           | 166,177        | 24,501         | 140,528          | 394,664          | 19.05%        | 11.93%         |
| Community Enrichment       | 118,360          | 66,752         | 12,738         | 54,910           | 252,760          | 12.20%        | 7.64%          |
| Community Development      | 72,585           | 128,107        | 2,167          | 19,407           | 222,266          | 10.73%        | 6.72%          |
| Long-Term Interest         | -                | -              | -              | 93,013           | 93,013           | 4.49%         | 2.81%          |
| General Support Activities | 67,532           | 69,206         | 8,716          | 7,048            | 152,502          | 7.36%         | 4.61%          |
| Environmental Services     | 5,862            | 3,124          | 3,455          | 21,174           | 33,616           | 1.62%         | 1.02%          |
| Criminal Justice           | 20,918           | 5,409          | 327            | 7,702            | 34,356           | 1.66%         | 1.04%          |
| Subtotal                   | 1,112,351        | 488,994        | 69,875         | 400,759          | 2,071,978        | 100.00%       | 62.64%         |
| <b>Business Type</b>       |                  |                |                |                  |                  |               |                |
| Aviation                   | 81,353           | 124,214        | 6,377          | 259,800          | 471,744          | 38.17%        | 14.26%         |
| Water Services             | 104,682          | 27,070         | 42,429         | 168,403          | 342,584          | 27.72%        | 10.36%         |
| Wastewater Services        | 53,611           | 33,513         | 2,006          | 92,199           | 181,329          | 14.67%        | 5.48%          |
| Solid Waste                | 50,000           | 51,622         | 3,886          | 28,756           | 134,264          | 10.86%        | 4.06%          |
| Convention Center          | 22,379           | 19,744         | 1,091          | 62,675           | 105,889          | 8.57%         | 3.20%          |
| Subtotal                   | 312,025          | 256,163        | 55,790         | 611,832          | 1,235,810        | 100.00%       | 37.36%         |
| <b>TOTAL</b>               | <b>1,424,377</b> | <b>745,157</b> | <b>125,665</b> | <b>1,012,591</b> | <b>3,307,788</b> |               | <b>100.00%</b> |



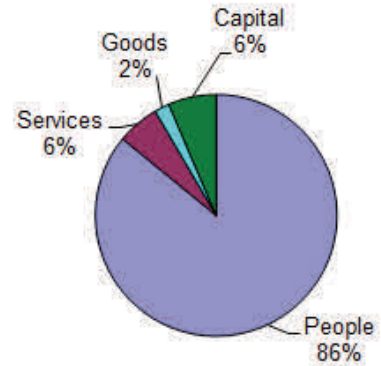


# Where the Money Goes (continued)

**Public Safety Expenditures**  
**888,801**  
(in thousands)

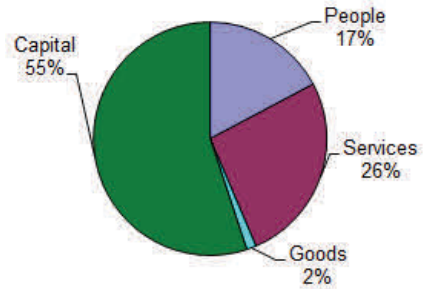
The city's largest expenditure category is **Public Safety**. This includes the Police and Fire departments. The

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.



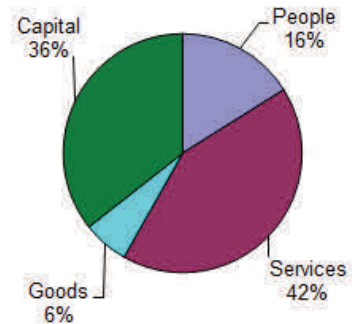
**Aviation Expenditures**  
**\$471,744**  
(in thousands)

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.



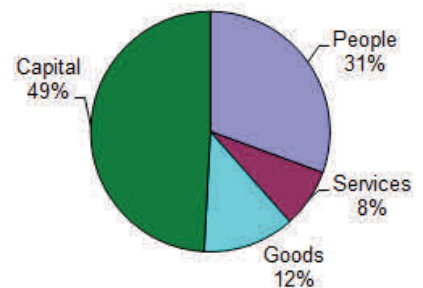
**Transportation Expenditures**  
**\$394,664**  
(in thousands)

**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**  
**\$342,584**  
(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.

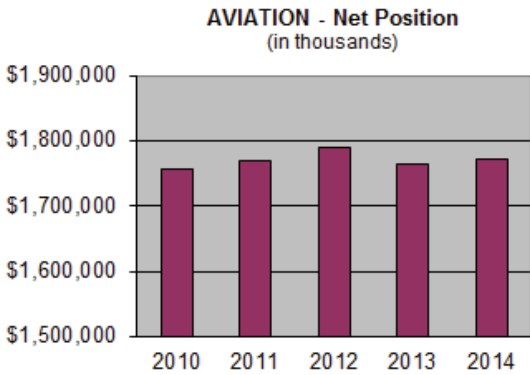




# Business-Type Net Position

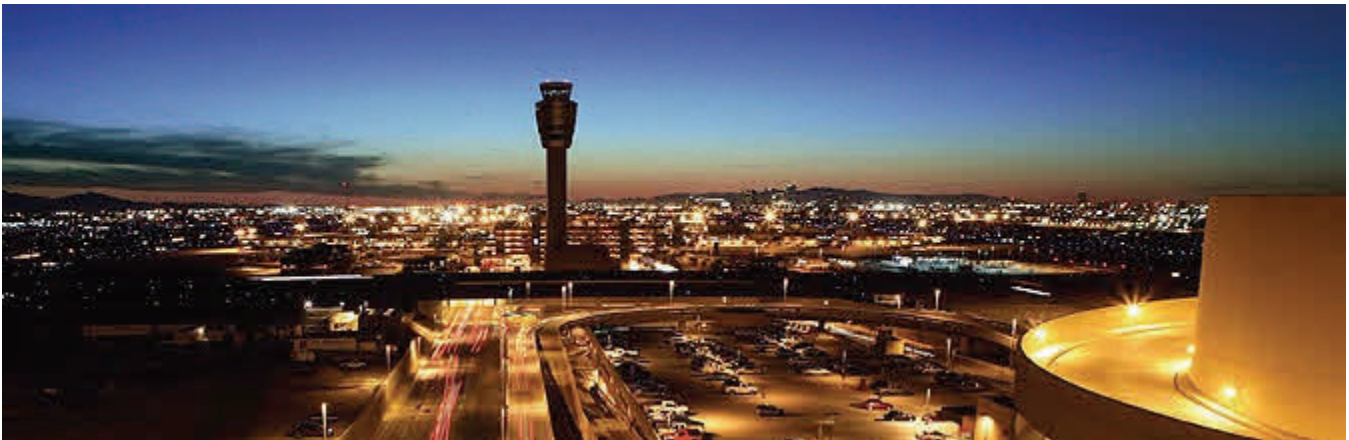
Business-type funds (or Enterprise Funds) are used to report activity for which a fee is charged to users for goods or services, similar to private business. These funds can only be used to pay for the operational expenses of each business-type activity, including most of the capital improvements. Therefore, 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 four largest city of Phoenix 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.



|  | 2010   | 2011   | 2012   | 2013   | 2014   |
|--|--------|--------|--------|--------|--------|
| Scheduled Airlines                               | 19     | 18     | 17     | 21     | 21     |
| Aircraft Traffic Movement (in thousands)         | 984    | 941    | 963    | 934    | 867    |
| Passengers Arriving and Departing (in thousands) | 38,289 | 39,561 | 40,554 | 40,565 | 41,093 |

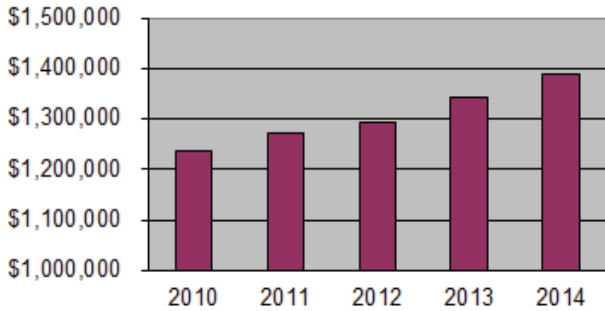
The Phoenix Aviation Department owns and operates Phoenix Sky Harbor International Airport, Phoenix Deer Valley Airport, and Phoenix Goodyear Airport. Aviation provides the Phoenix metropolitan area with a self-supporting system of airports and aviation facilities that accommodate general and commercial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





# Business-Type Net Position (continued)

**WATER SYSTEM - Net Position**  
(in thousands)

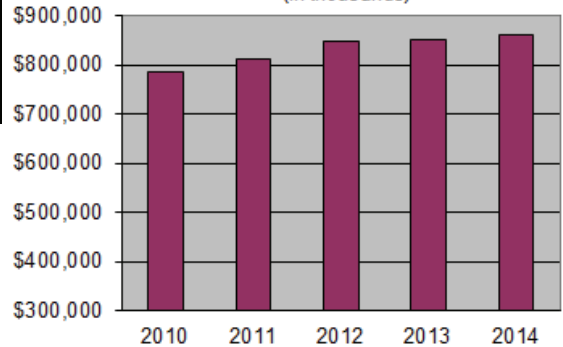


|  | 2010    | 2011    | 2012    | 2013    | 2014    |
|--|---------|---------|---------|---------|---------|
| Production (billion gallons)               | 97.9    | 99.9    | 100.8   | 97.8    | 97.6    |
| Average Daily Production (million gallons) | 267.9   | 273.6   | 275.5   | 267.8   | 266.9   |
| Miles of Water Main                        | 6,955   | 6,962   | 6,953   | 6,847   | 6,867   |
| Number of Accounts                         | 403,104 | 404,647 | 407,902 | 414,188 | 416,623 |

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.

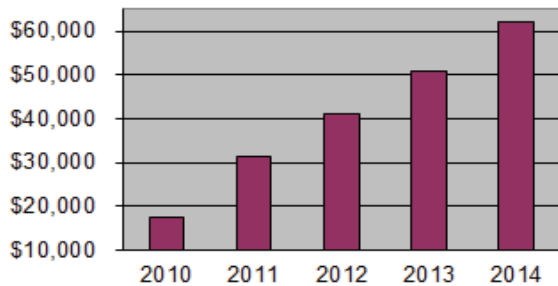
|                      | 2010    | 2011    | 2012    | 2013    | 2014    |
|----------------------|---------|---------|---------|---------|---------|
| Miles of Sewer Lines | 4,975   | 4,980   | 4,984   | 4,816   | 4,833   |
| Number of Accounts   | 373,123 | 391,267 | 394,495 | 397,627 | 402,624 |

**WASTEWATER - Net Position**  
(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 Position**  
(in thousands)



| (in thousands)            | 2010 | 2011  | 2012 | 2013 | 2014 |
|---------------------------|------|-------|------|------|------|
| Residences Served         | 393  | 394   | 396  | 398  | 400  |
| City Disposal (in tons)   | 650  | 645   | 600  | 567  | 564  |
| Total Disposal (in tons)  | 975  | 1,046 | 949  | 876  | 863  |
| Total Recycling (in tons) | 113  | 110   | 106  | 107  | 107  |

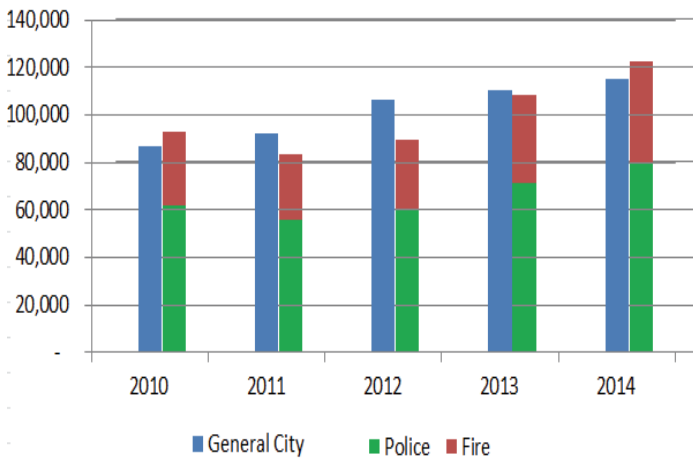
The Solid Waste Fund assists in providing a safe and aesthetically acceptable environment through effective, integrated management of the solid waste stream, including collection, disposal, and recycling activities. The net position of the Solid Waste Fund have increased due to improved efficiencies. 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.

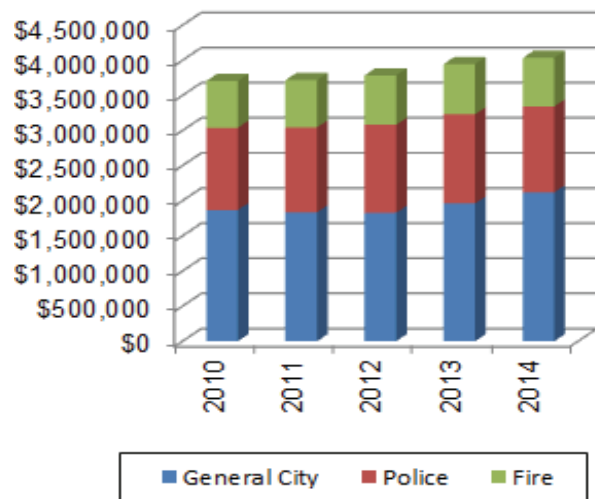
Pension Contributions by City  
(in thousands)



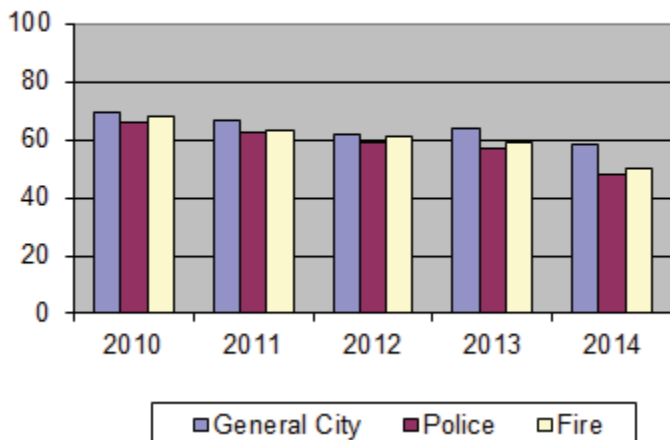
The city contributes to each of the pension plans that covers its employees. An actuarially determined amount is contributed to fully fund benefits for active members and to amortize any unfunded actuarial liability. Per City Charter, the city contributes 100 percent of required contributions, something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

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 2014 General City reflects changes made in the actuarial assumptions in preparation for new accounting guidance that reduced the percent funded.



# Key Statistics

| SELECTED CITY PERFORMANCE MEASURES |         |         |
|------------------------------------|---------|---------|
|                                    | FY 2013 | FY 2014 |
| <b>PUBLIC SAFETY</b>               |         |         |
| <u>Police</u>                      |         |         |
| Police Precincts                   | 8       | 8       |
| Filled Sworn Positions             | 2,919   | 2,840   |
| Dispatched Calls for Service       | 648,729 | 641,183 |
| <u>Fire</u>                        |         |         |
| Fire Stations                      | 58      | 58      |
| Fire Employees                     | 1,897   | 1,912   |
| Calls for Service                  | 172,568 | 173,065 |
| <b>COMMUNITY ENRICHMENT</b>        |         |         |
| <u>Libraries</u>                   |         |         |
| Book Circulation (in thousands)    | 11,159  | 10,428  |
| Total Stock (in thousands)         | 1,735   | 1,802   |
| Number of Library Branches         | 17      | 17      |
| <u>Parks and Recreation</u>        |         |         |
| City Parks (number of acres)       | 46,034  | 45,313  |
| Acres of Golf Courses Maintained   | 922     | 922     |
| Rounds of Golf Played              | 248,630 | 254,703 |
| <b>TRANSPORTATION</b>              |         |         |
| <u>Public Transit</u>              |         |         |
| Ridership (in thousands)           |         |         |
| Bus                                | 39,044  | 38,903  |
| Dial-a-Ride                        | 336     | 347     |
| Light Rail                         | 8,924   | 9,023   |
| <u>Streets</u>                     |         |         |
| Total Miles                        | 4,850   | 4,856   |
| Miles Resurfaced and Sealed        | 88      | 118     |
| Street Lights in Use               | 90,613  | 90,380  |

