

**PHX DVT BYR**

**CITY OF PHOENIX AVIATION DEPARTMENT**

An Enterprise Fund of the City of Phoenix, Arizona

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEARS ENDED  
**JUNE 30, 2017 AND 2016**



# ***PHX DVT BYR***

 CITY OF PHOENIX AVIATION DEPARTMENT

## **Comprehensive Annual Financial Report**

For the Fiscal Years Ended June 30, 2017 and 2016  
An Enterprise Fund of the City of Phoenix, Arizona



Prepared by:  
Aviation Department  
and  
Finance Department

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December 29, 2017

Honorable Mayor, City Council and City Manager:

We are pleased to submit the Comprehensive Annual Financial Report of the Aviation Department (an Enterprise Fund of the City of Phoenix, Arizona) for the fiscal years ended June 30, 2017 and 2016. These financial statements are prepared and presented in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB).

To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City of Phoenix, Aviation Department. Management assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

## **PROFILE OF THE REPORTING ENTITY**

The City of Phoenix, Arizona (the City) owns and operates the following three airports (collectively, the Airport System) through the Aviation Department (the Department):

Phoenix Sky Harbor International Airport (PHX)

Phoenix Deer Valley Airport (DVT)

Phoenix Goodyear Airport (GYR)

Phoenix Sky Harbor International Airport (the Airport) has been owned and operated by the City since 1935. The Airport occupies approximately 3,000 acres of land located about four miles east of the downtown Phoenix area. It is the only Arizona airport designated as a large hub by the Federal Aviation Administration (FAA) and is the principal commercial service airport serving metropolitan Phoenix and most of the State's population. There are no other U.S. large-hub commercial service airports within a 5-hour drive of Phoenix, with the closest being Las Vegas' McCarran International Airport (approximately 290 miles to the northwest). The Airport served over 22 million enplaned passengers and 22 million deplaned passengers in fiscal year 2017.

The City serves the area's general aviation traffic activity through two reliever airports. Phoenix Deer Valley Airport is located in the northern part of the City, and Phoenix Goodyear Airport is located to the west. Together, these two facilities handled 488,364 general aviation operations in fiscal year 2017.

The City was incorporated in 1881 and operates under a Council-Manager form of government as provided by its Charter. The Mayor and City Council set policy direction, and the City Manager implements those policies. The Mayor is elected at-large, while City Council members are elected by voters in each of eight separate districts they represent. The Mayor and City Council members each have equal voting power.

The Airport System financial operations are accounted for as a separate Aviation Enterprise Fund according to GAAP for governmental entities. The City has operated the Airport System through the Department as a self-supporting enterprise since 1967.

The City Council establishes the major policies relating to the development and operation of the Airport. The City Council appoints the City Manager to act as the chief operating officer. The City Manager appoints the Director of Aviation Services (the Director), who reports to a Deputy City Manager. The City Council adopts ordinances establishing fee structures for use of the Airport facilities, including airline rates and charges.

The Phoenix Aviation Advisory Board (PAAB) provides non-binding advisory recommendations regarding the Airport System, including concession agreements, leases, master plans, studies and development plans.

The Director is responsible for executing the City Council’s aviation policies and administering the operations of the Airport System. Reporting to the Director are three Assistant Directors. The Director and Assistant Directors lead the Department staff.

Certain accounting, bond financing, treasury, and related financial functions are performed by the City’s Finance Department.

The City is also a member government in the Phoenix-Mesa Gateway Airport Authority, which owns and operates Phoenix-Mesa Gateway Airport, located approximately 30 miles east of the Airport. Phoenix-Mesa Gateway Airport serves as a commercial reliever to the Airport.

## AIRPORT PASSENGERS

The ten largest U.S. passenger airlines provide regular service at the Airport, providing nonstop passenger service to over 100 destinations. The table below lists the passenger and cargo airlines with service at the Airport:

AIRLINES REPORTING ENPLANED PASSENGERS AND AIR CARGO Phoenix Sky Harbor International Airport			
MAJOR/NATIONAL	REGIONAL/COMMUTER	FOREIGN-FLAG	ALL-CARGO AIRLINES
Alaska	Boutique Air	Air Canada	ABX Air Inc
American	Compass Airlines	British Airways	Air Transport International
Delta	(Delta Connection)	Jazz Aviation	Ameriflight
Frontier	ExpressJet	(Air Canada Express)	Atlas Air (DHL)
Hawaiian	(United Express)	Volaris	Empire
JetBlue	Great Lakes Airlines	WestJet	Federal Express
Southwest	Mesa Airlines		Gulf & Caribbean Cargo
Spirit	(American Eagle, United Express)		UPS
Sun Country	Skywest		
United	(American Eagle, Delta Connection, United Express)		

The composition of enplaned passengers by segment has not materially changed over the past several years, as the Airport remained primarily a domestic origin and destination (O&D) market. For more detailed information on enplaned passengers, please refer to Schedules 22, 23, and 24 in the Airport Statistics schedules of the Supplementary Information.

On average, 95.5% of passengers are enplaned on domestic flights, while the remaining board international flights. In fiscal year 2017, Domestic passengers declined by 0.8%, while international passengers declined by 8.6% from fiscal year 2016. Overall, enplaned passengers decreased by 1.2% in fiscal year 2017.



In fiscal year 2017, 65.9% of enplaned passengers traveled directly from or to the Airport as O&D passengers. Of the total O&D passengers, 45.6% were residents initiating their trips at the Airport and 54.4% were visitors who initiated their trips at other airports and were making their return journey from the Airport. The remaining enplaned passengers connected through the Airport.

## **INITIATIVES AND DEVELOPMENTS**

### **Terminal 3 Modernization**

The Airport is preparing for future terminal needs through an incremental development plan for its second busiest terminal. Terminal 3 opened in 1979 when seven million passengers per year traveled through the Airport. Now, with over 40 million passengers every year, the Airport has launched the Terminal 3 modernization project, designed to provide consistent and enhanced customer service and more efficient operations for airlines and concessionaires. 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 which reduces wait times and allow passengers to reach their gates faster. The first phase also includes additional airline ticket counters, and more baggage handling capacity. The next phase is currently underway and will include new concessions as well as a new 15-gate south concourse. The final phase is expected to be completed in 2020 and will modernize the north concourse including food and beverage concessions and enhanced customer amenities.

Upon completion of the Terminal 3 modernization project, the Airport's oldest terminal, Terminal 2, will be closed.

### **International Arrival Facilities**

The Airport is improving its international arrival facilities in Terminal 4 to alleviate ongoing peak hour congestion that has persisted through the moderate decrease in international passengers during the past year. This effort began with the installation of passport kiosks in the Customs and Border Protection processing area that resulted in significant decreases in passenger wait times. The project will further allow the Airport to accommodate additional visitors much more efficiently by enhancing elevators and escalators, in addition to expanding waiting areas and baggage carousels. This project is expected to be complete in the summer of 2018.

### **PHX Sky Train®**

The PHX Sky Train® currently provides a quick, convenient connection among all three terminals, East Economy Parking and Valley Metro Light Rail. Phase 2 of the PHX Sky Train®, which will further connect travelers from the terminals to the Rental Car Center, is currently in the design stage and is expected to break ground in early 2018. The project is estimated to be completed in 2022.

### **Terminal 4 New Concourse**

Following Southwest Airline's request for additional gates, the Airport received approval from the City Council to commence design and construction of the eighth and final concourse at Terminal 4. The new concourse would add eight new gates to support the future growth of Southwest Airlines in Phoenix. The project is estimated to be completed in 2021.

## **ECONOMIC CONDITION AND OUTLOOK**

The airport provides service to approximately 120,000 passengers with over 1,200 aircraft arriving and departing every day. Flights at Phoenix Sky Harbor International Airport serve more than 80 domestic and 22 international destinations. The Airport serves the entire Phoenix metropolitan area including the major cities of Glendale, Mesa, Scottsdale, and Tempe, plus all of Maricopa and Pinal counties. The area is widely known for its mild winters, warm summers, and low annual rainfall averaging 8.3 inches per year.

Phoenix is a popular tourist destination with attractions including resorts, spas, professional sports, shopping, golf, restaurants, and nightlife, all set amidst the Sonoran Desert. The area also offers museums and galleries, a variety of sporting events, Old West and Native American history, and outdoor recreation facilitated by more than 300 days of sunshine each year. In addition to the attractions within the Phoenix area, northern Arizona is home to the Grand Canyon National Park, the Red Rock Country of Sedona, the Painted Desert, the Petrified Forest, the Meteor Crater, ancient Native American ruins, and the Navajo and Hopi reservations.

Major sporting events also draw tourists. The Phoenix area is home to the annual Fiesta Bowl and Cactus Bowl college football games and the annual Phoenix Open PGA golf tournament. The favorable Arizona climate brings 15 Major League Baseball teams, known as the Cactus League, to the Phoenix area each February and March for spring training and preseason play.

## FINANCIAL POLICIES

Management is focused on maintaining sound financial performance which is evident in the strong financial metrics and high bond ratings achieved. In fiscal year 2017, the Airport’s bond ratings remain among the highest airport ratings in the United States. Standard and Poor’s Ratings Services (S&P) and Moody’s Investors Service (Moody’s) affirmed the Airport’s double-A category ratings (AA- and Aa3 respectively) on the outstanding senior-lien revenue bonds. S&P and Moody’s also affirmed the Airport’s single-A category ratings (A+ and A1 respectively) on the Airport’s outstanding junior-lien revenue bonds. In affirming their ratings, these organizations noted the Airport’s strong financial performance, maintenance of a low-cost, low-debt facility, vibrant O&D market, experienced and effective administrative team, and excellent integration of Airport and City decision-making.

The Department has adopted specific financial targets and debt management policies to ensure the Airport’s continued solid financial performance. These financial policies include:

**Debt Service Coverage:** Management seeks to maintain Senior Lien Revenue Bond debt service coverage of at least 1.75x. Management also seeks to maintain aggregate debt service coverage (coverage of Senior Lien Revenue Bond debt service and Junior Lien Revenue Bond debt service) of at least 1.50x.

**Passenger Facility Charge (PFC) Leveraging:** Management has established a PFC leverage target of no greater than 75% of annual collections to preserve adequate PFC pay-as-you-go capacity and provide bondholder protection should unexpected volatility occur in operations and revenue.

**Cash and Liquidity:** Management has established a target of at least 475 Days Cash on Hand. Days Cash on Hand is defined as unrestricted cash and investments available for operations, divided by the annual operating expenses, times 365 days. Furthermore, management has an active Commercial Paper program supported by two Letters of Credit to provide additional liquidity and support short-term capital needs.

**Cost per Enplanement (CPE):** The Airport maintains one of the industry’s lowest CPE figures for similarly sized U.S. airports. Management has the flexibility to increase rates and charges by ordinance to maintain financial metrics and develop facilities.

FINANCIAL TARGETS AND MANAGEMENT POLICIES			
Three Year Results			
	2017	2016	2015
Debt Service Coverage			
Senior Lien Bond Debt Service Coverage	2.58x	2.66x	2.63x
Aggregate Debt Service Coverage	2.30x	2.46x	2.54x
PFC Leveraging	55%	55%	52%
Cash and Liquidity – Days Cash on Hand	544	595	528
Cost per Enplanement	\$6.13	\$5.79	\$5.98

## **ACCOUNTING AND BUDGETING CONTROLS**

### **Internal Controls**

Management assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To provide a reasonable basis for making these representations, the City has established a comprehensive framework of internal controls that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefit, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

### **Budgetary Controls**

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 for the Aviation Enterprise Fund on a modified accrual basis plus encumbrances. Legal budget control is maintained at the fund level.

After tentative adoption of the budget, the City Council may make changes, but may not increase the budget totals except in those budget areas exempted by State law. The exemptions apply to federal funds, debt service, and bond funds. After final adoption, transfers between budget appropriations for non-exempt areas may be made by the City Council. Throughout the budget year, the City Council may also appropriate additional general purpose funds by use of a contingency appropriation reserved to cover emergencies or other necessary expenditures as determined by the City Council. Supplemental appropriations may be adopted for expenditures exempt from the State expenditure limitation, such as federally funded programs, provided funds are available. State law requires the City to re-budget (re-appropriate) funds for the completion of contracts which were originally budgeted for and encumbered in a previous fiscal year. This law necessitates an additional appropriation ordinance to re-budget funds for contracts not completed by June 30.

### **Cash Management**

As noted, the Department operates as a separate enterprise fund of the City. However, cash resources are pooled with other City departments and invested by the City Treasurer. Interest earned by the pool is distributed monthly to individual funds based on daily equity in the pool.

Cash and cash equivalents are considered to be cash in bank, cash on hand, and short term investments with original maturities of 90 days or less from the date of acquisition. The City's investments are stated at fair value. Fair value is based on quoted market prices as of the valuation date.

### **Airline Rates and Charges**

In 1981, the Mayor and City Council formally adopted a compensatory (cost of services) rate-setting policy which provides (1) that charges to aviation users be established on the basis of the costs to provide, maintain, and operate the Airport facilities and services, and (2) that these costs be recovered from aviation users on a basis not to exceed their proportional use thereof. Under this compensatory rate-setting methodology, the City bears the risk of any non-airline revenue shortfall and retains any surplus in non-airline revenue for its own discretionary expenditures. Rates and charges are typically set at the beginning of each fiscal year after the City has reviewed proposed rate changes and capital expenditures with airline representatives. However, the City retains its proprietary right to adjust fees and to determine its capital expenditures without airline approval. The City also has the ability to adjust terminal rates and landing fees at any time to reflect changes in cost. Any such adjustment is subject to federal law and regulations.

The City uses short-term (month-to-month) Letters of Authorization (each, a LOA) for airline space within its terminal facilities. These LOA's can be terminated by either party upon 30-days notice, providing the City with the flexibility to maximize the use of its terminal facilities.

## INDEPENDENT AUDITS

The City Charter requires an annual audit by independent certified public accountants. The independent audit firm of BKD, LLP was selected to perform the audit of the City's Comprehensive Annual Financial Report (City CAFR) as well as this separately issued Comprehensive Annual Financial Report for the Aviation Enterprise Fund, for fiscal year 2017. Included in the financial section of this report is the Independent Auditor's Report on the financial statements of the Aviation Enterprise Fund.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost of Principals, and Audit Requirements for Federal Awards*, which superseded OMB Circular A-133 and other related documents. BKD, LLP was also contracted to perform the single audit of the City's major grant programs. Due to the size and complexity of the City's financial systems, the single audit report is issued separately from the City's CAFR and other financial reports.

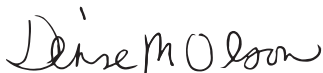
## CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Aviation Enterprise Fund for its comprehensive annual financial report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the Aviation Enterprise Fund published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The CAFR for fiscal year ended June 30, 2017 is being submitted to GFOA for consideration of Certificate of Achievement indicating the Aviation Enterprise Fund's commitment in continuing to meet program requirements.

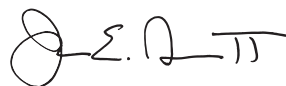
## ACKNOWLEDGMENTS

The preparation of the Comprehensive Annual Financial Report was made possible by the combined efforts of the Aviation and Finance departments.

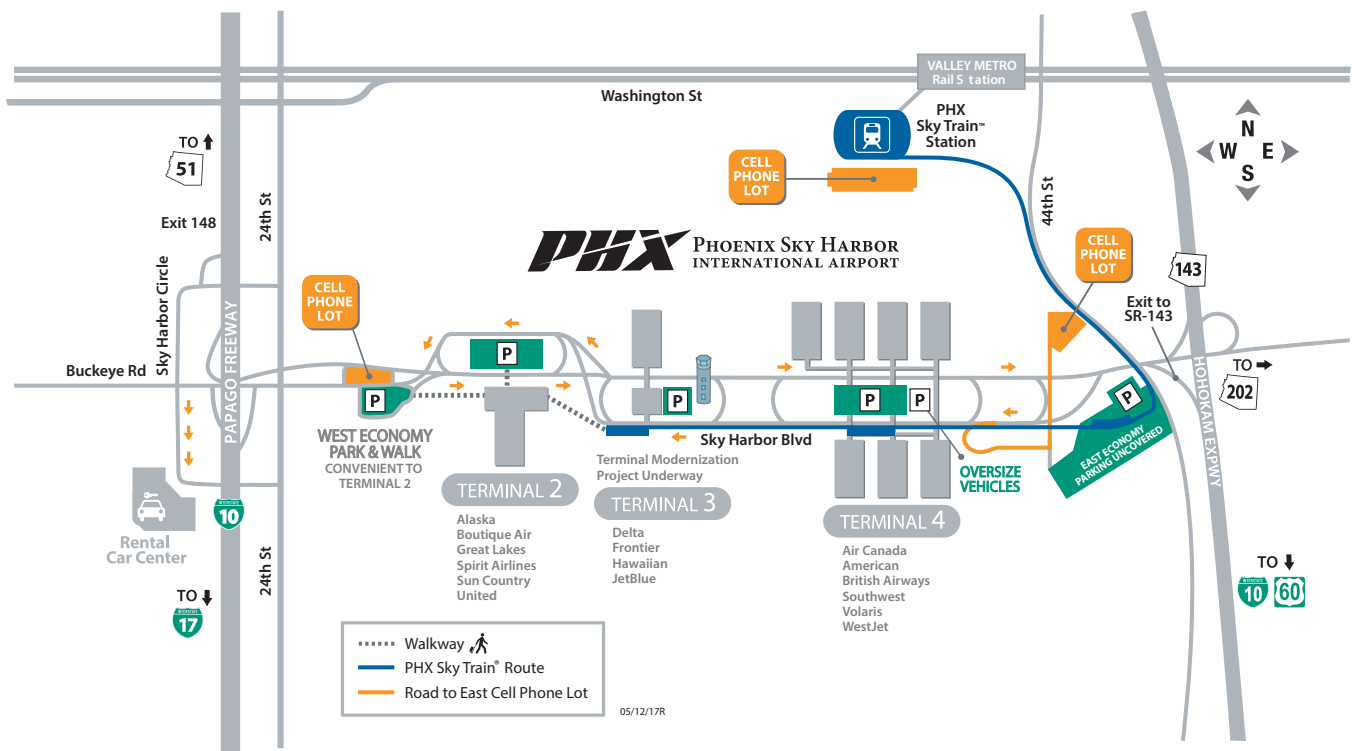
Respectfully submitted,



Denise M. Olson  
Chief Financial Officer  
Finance Department



James E. Bennett, A.A.E.  
Director of Aviation Services  
Aviation Department







Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

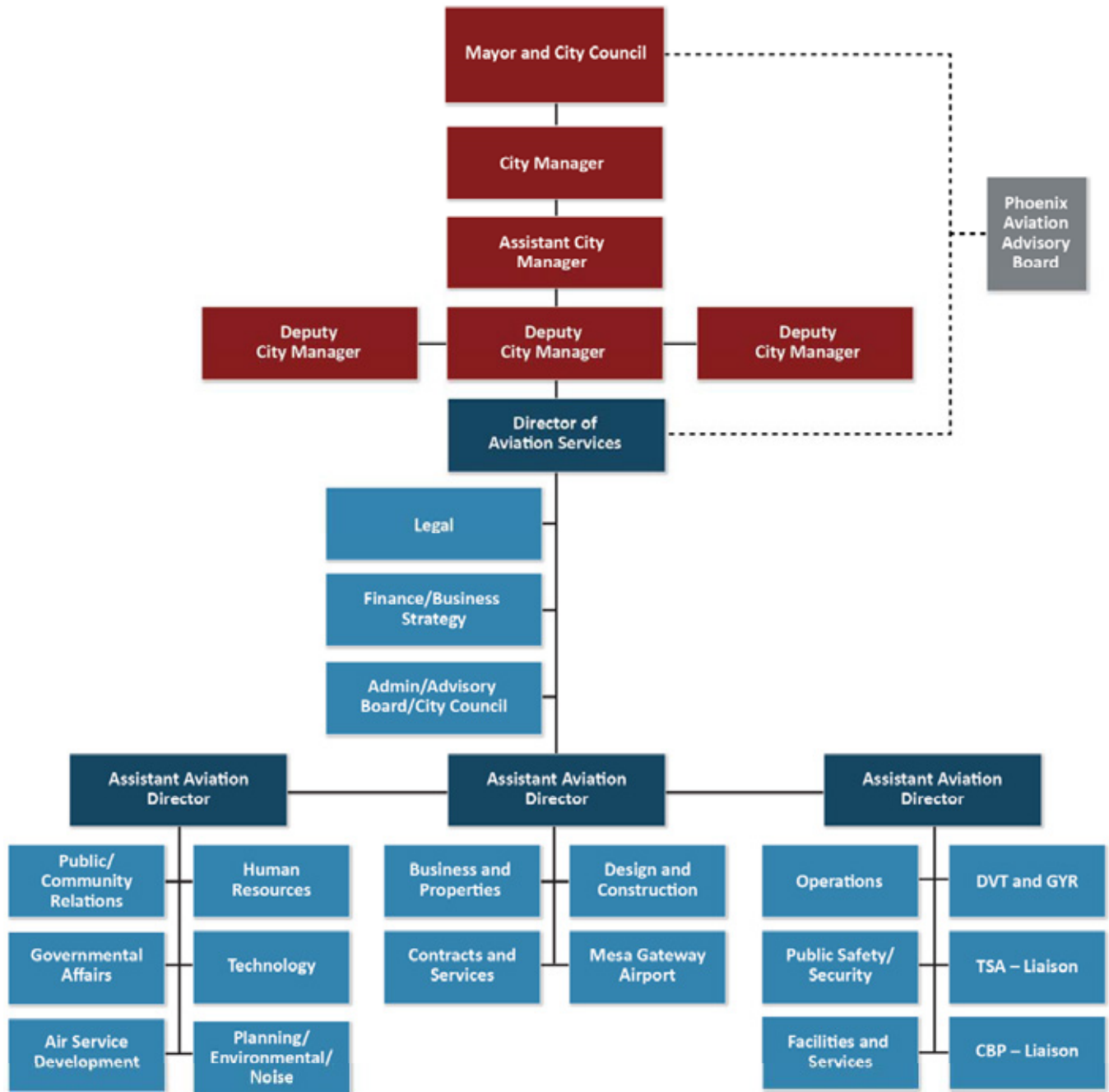
Presented to

**City of Phoenix Aviation Department  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO





# ***PHX DVT GYR***

 **CITY OF PHOENIX AVIATION DEPARTMENT**

## **MAYOR AND CITY COUNCIL**

Greg Stanton, Mayor

Thelda Williams, District 1

Jim Waring, District 2

Debra Stark, District 3

Laura Pastor, Vice Mayor, District 4

Daniel Valenzuela, District 5

Sal DiCiccio, District 6

Michael Nowakowski, District 7

Kate Gallego, District 8

## **CITY MANAGER'S OFFICE**

Ed Zuercher, City Manager

## **AVIATION DEPARTMENT**

James E. Bennett, A.A.E., Director of Aviation Services

## **FINANCE DEPARTMENT**

Denise M. Olson, Chief Financial Officer





THE FINANCIAL SECTION INCLUDES AN INDEPENDENT AUDITOR'S REPORT BY BKD LLP, THE MANAGEMENT'S DISCUSSION AND ANALYSIS, THE AUDITED FINANCIAL STATEMENTS, NOTES TO THE FINANCIAL STATEMENTS, AND THE REQUIRED SUPPLEMENTARY INFORMATION.

## Independent Auditor's Report

Honorable Mayor and Members of the City Council  
City of Phoenix, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the Aviation Enterprise Fund of the City of Phoenix, Arizona (Aviation Enterprise Fund), as of June 30, 2017, and the related notes to the financial statements which collectively comprise the Aviation Enterprise Fund's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Honorable Mayor and Members of the City Council  
City of Phoenix, Arizona

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Aviation Enterprise Fund of the City of Phoenix, Arizona as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in *Note 1*, the financial statements present only the Aviation Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City of Phoenix, Arizona, as of June 30, 2017, the changes in its financial position, or where applicable its cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Prior Year Audited by Other Auditors***

The 2016 financial statements were audited by other auditors and their report thereon, dated December 19, 2016, expressed an unmodified opinion.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Aviation Enterprise Fund's basic financial statements. The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Dallas, Texas  
December 29, 2017



# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

(unaudited)

The following Management's Discussion and Analysis (MD&A) is a narrative overview and analysis of the financial activities of the City of Phoenix (the City) Aviation Enterprise Fund. It provides an introduction and discussion of the financial statements of Phoenix Sky Harbor International Airport (the Airport) and two general aviation airports, Phoenix Goodyear Airport and Phoenix Deer Valley Airport (collectively, the Airport System) as of and for the fiscal years ended June 30, 2017 and 2016, with selected comparable data for the fiscal year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Aviation Enterprise Fund is an enterprise fund of the City. This fund is used to account for the Airport System's ongoing operations and activities, which are similar to those often found in the private sector where cost recovery and the determination of net income is useful or necessary for sound fiscal management. It uses the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized as incurred. Following the MD&A are the financial statements, notes to the financial statements, and required supplementary information. These statements, notes, and required schedules, together with the MD&A, are designed to provide an understanding of the Aviation Enterprise Fund's financial position, results of operations, and cash flows.

The Comparative Statements of Net Position present information on all of the Aviation Enterprise Fund's assets, liabilities, deferred inflows and outflows of resources, and net position as of June 30, 2017 and 2016. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether the Aviation Enterprise Fund's financial condition is improving or deteriorating.

The Comparative Statements of Revenues, Expenses, and Changes in Net Position present financial information showing how the Aviation Enterprise Fund's net position changed during the two fiscal years. All changes in net position are reported as soon as the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses were recorded and reported in these statements for some items that will result in cash flows in future fiscal years.

The Comparative Statements of Cash Flows present information showing how the Aviation Enterprise Fund's cash and cash equivalents changed during the fiscal years. Consequently, only transactions that affect the cash and cash equivalent balances of the Aviation Enterprise Fund are recorded in these statements. A reconciliation follows these statements to assist in understanding the difference between operating income and cash flows from operating activities.

## FINANCIAL HIGHLIGHTS

### Fiscal Year 2017

- Total net position for the Aviation Enterprise Fund at June 30, 2017 was \$1.67 billion. This is an increase of \$20.0 million from total net position at June 30, 2016, due primarily to long-term bonds payments.
- Total revenues increased \$18.2 million in fiscal year 2017. The increase is due in part to a higher terminal rental rate with the opening of the first phase of the Terminal 3 Modernization project, along with higher gross revenue for the rental car companies.
- Total expenses decreased \$8.1 million in fiscal year 2017, primarily due to a decrease in airport maintenance expenses after several projects were completed in 2016.

## Fiscal Year 2016

- Total net position for the Aviation Enterprise Fund at June 30, 2016 was \$1.65 billion. This is a decrease of \$6.3 million from total net position at June 30, 2015, due primarily to an \$8.2 million increase in the net pension liability.
- Total operating revenues decreased by \$7.6 million to \$333.4 million in fiscal year 2016. The decrease is due in part to lower terminal fees resulting from lower costs used to compute the airline rates and charges. The lower revenues are also attributable to decreased rental car daily rates and lower concessions due to construction related closures.
- Total operating expenses increased \$18.6 million to \$436.4 million in fiscal year 2016. The increase is due to higher contractual costs and minor equipment purchases.
- Total non-operating revenue increased \$4.6 million in fiscal year 2016 to \$137.2 million, primarily due to increases in interest income.
- Total non-operating expense increased \$2.8 million in fiscal year 2016 to \$67.9 million. The increase is from additional interest on capital debt.

## NET POSITION

The following is a summary of assets, liabilities, deferred inflows and outflows of resources, and net position as of June 30 (in thousands):

	2017	2016	2015
<b>Assets</b>			
Unrestricted Current Assets	\$ 385,085	\$ 388,532	\$ 341,251
Restricted Current Assets	472,740	459,745	407,330
Capital Assets, net	2,743,506	2,728,933	2,745,938
OPEB Asset	70	69	59
<b>Total Assets</b>	<b>3,601,401</b>	<b>3,577,279</b>	<b>3,494,578</b>
Deferred Outflows of Resources	18,190	35,288	30,419
<b>Liabilities</b>			
Current Liabilities Payable from Current Assets	40,667	52,082	38,677
Current Liabilities Payable from Restricted Assets	365,708	296,887	286,896
Noncurrent Liabilities	1,537,340	1,604,051	1,545,211
<b>Total Liabilities</b>	<b>1,943,715</b>	<b>1,953,020</b>	<b>1,870,784</b>
Deferred Inflows of Resources	10,435	14,142	2,552
<b>Net Position</b>			
Net Investment in Capital Assets	1,103,164	1,104,662	1,170,752
Restricted	357,767	350,755	343,472
Unrestricted	204,510	189,988	137,437
<b>Total Net Position</b>	<b>\$ 1,665,441</b>	<b>\$ 1,645,405</b>	<b>\$ 1,651,661</b>

### Fiscal Year 2017 Compared to Fiscal Year 2016

Total assets have remained relatively steady at \$3.6 billion in fiscal years 2017 and 2016. Capital assets increased \$14.6 million as a result of continued reconstruction of Terminal 3 along with other major construction projects.

Total liabilities remained at \$1.9 billion in fiscal year 2017. Current liabilities increased \$57.4 million in fiscal year 2017, primarily due to the issuance of Commercial Paper during fiscal year 2017. The noncurrent liabilities, which make up approximately 80% of the total liabilities are comprised of long-term bonds



payable and Net Pension Liability. Noncurrent liabilities decreased \$66.7 million in fiscal year 2017, due to revenue bond payments and changes in Net Pension Liability. For more detail on these liabilities, see notes 5 and 13 in the Notes to the Financial Statements.

Total net position increased by \$20.0 million, or 1.2%, in fiscal year 2017. As of June 30, 2017, \$1.1 billion was an investment in capital assets and \$204.5 million was unrestricted and available for short-term operations and ongoing obligations. The amount restricted for debt service remained at \$132.0 million in fiscal year 2017. The amounts restricted for Passenger Facility Charges and Rental Car Customer Facility Charges totaled \$225.8 million for fiscal year 2017, an increase of \$7.1 million.

#### Fiscal Year 2016 Compared to Fiscal Year 2015

Total assets have remained relatively steady, with a change to \$3.6 billion in fiscal year 2016 from \$3.5 billion in fiscal year 2015. Capital assets decreased \$17.0 million due to a decrease in the net book value of assets because depreciation expense was higher than capital additions. Cash and investments increased by \$82.7 million in fiscal year 2016. The increased balance will be used to fund current and future construction projects, including the Terminal 3 modernization and the PHX Sky Train® extension.

Total liabilities have increased slightly to \$2.0 billion in fiscal year 2016 from \$1.9 billion in fiscal year 2015. The noncurrent liabilities, which make up over 80% of the total liabilities are comprised of long-term bonds payable and net pension liability. During fiscal year 2016, the City issued new revenue bonds of \$95.8 million and refunding revenue bonds of \$18.7 million. The net pension liability increased \$8.2 million in fiscal year 2016. This increase is due to changes in actuarial assumptions combined with lower returns on plan assets. For more detail on these liabilities, see notes 5 and 13 in the Notes to the Financial Statements.

Total net position decreased by \$6.3 million, or 0.4%, in fiscal year 2016. As of June 30, 2016, \$1.1 billion was an investment in capital assets and \$190.0 million was unrestricted and available for short-term operations and ongoing obligations. The amount restricted for debt service increased by \$7.1 million in fiscal year 2016, due to a new bond issue. The amounts restricted for Passenger Facility Charges and Rental Car Customer Facility Charges totaled \$218.7 million for fiscal year 2016, an increase of \$0.2 million.

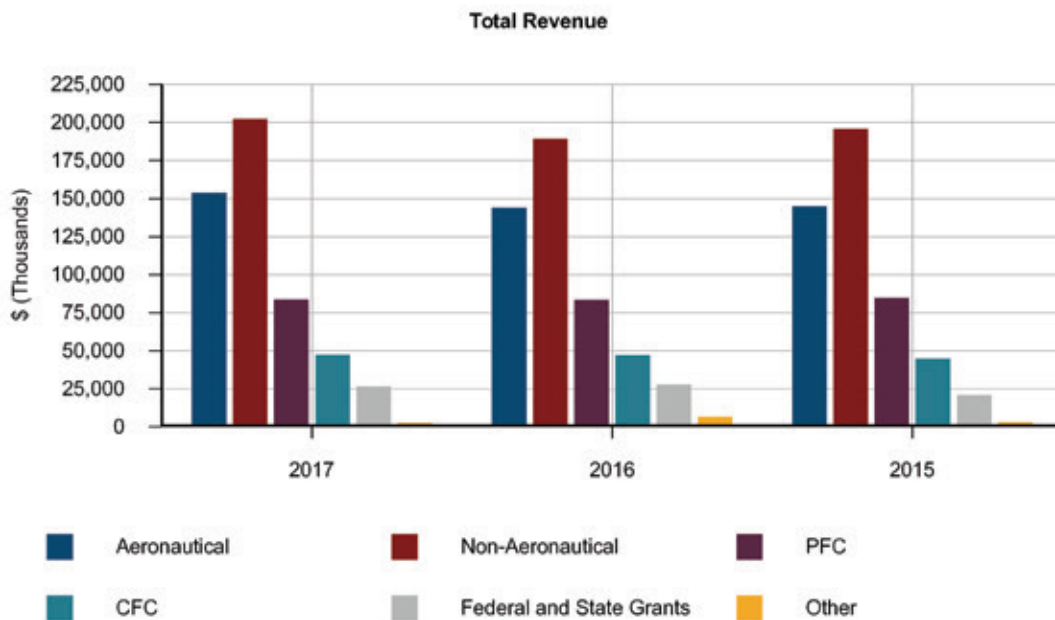
The following is a summary of changes in net position as of June 30 (in thousands):

	2017	2016	2015
Operating Revenues	\$ 356,418	\$ 333,415	\$ 340,967
Operating Expenses	(426,799)	(436,404)	(417,817)
Operating Loss	(70,381)	(102,989)	(76,850)
Non-Operating Revenues	133,480	137,158	132,601
Non-Operating Expenses	(69,332)	(67,900)	(65,098)
Capital Contributions	26,639	27,803	20,970
Transfers	(370)	(328)	(364)
Change in Net Position	20,036	(6,256)	11,259
Net Position, July 1	1,645,405	1,651,661	1,640,402
Net Position, June 30	<u>\$ 1,665,441</u>	<u>\$ 1,645,405</u>	<u>\$ 1,651,661</u>

## REVENUE

The following is a schedule of total revenue for the fiscal years ending June 30 (in thousands):

	2017	2016	2015
Operating Revenue			
Aeronautical Revenue	\$ 154,209	\$ 144,093	\$ 145,046
Non-Aeronautical Revenue	202,209	189,322	195,921
Passenger Facility Charges	83,577	83,449	84,774
Customer Facility Charges	47,348	47,118	44,839
Capital Contributions	26,639	27,803	20,970
Other	2,555	6,591	2,989
<b>Total Revenue</b>	<b>\$ 516,537</b>	<b>\$ 498,376</b>	<b>\$ 494,539</b>



Phoenix Sky Harbor International Airport is the largest of the three airports in the Airport System and thus comprises a majority of Aviation Enterprise Fund revenue. In fiscal year 2017, Sky Harbor accounted for 98% of total revenue, while Phoenix Deer Valley Airport and Phoenix Goodyear Airport together accounted for the remaining 2%.

### Fiscal Year 2017 Compared to Fiscal Year 2016

Total revenue increased to \$516.5 million in 2017 from \$498.4 million in fiscal year 2016, an increase of \$18.1 million, or 3.6%.

Aeronautical revenue increased in fiscal year 2017 to \$154.2 million, with a total change of \$10.1 million, or 7.0%. The majority of the aeronautical revenue is composed of terminal and landing fees paid by the commercial airlines at Phoenix Sky Harbor International Airport. These fees are established each year to recover the cost of operations, maintenance and debt service related to the airfield and terminal space. The terminal fee increased to \$109.80 per square foot in fiscal year 2017 from \$106.68 per square foot in fiscal year 2016. This increase was due to higher cost of operation of the terminal space, as the first phase of the Terminal 3 modernization was completed.

Non-aeronautical revenue increased \$12.9 million, or 6.8%. These revenues are the combination of several lines of business, with the largest being parking, rental cars, and terminal concessions. Parking revenue and terminal concessions, which consists of the food, beverage, and retail locations, have remained steady in fiscal year 2017, in line with passenger activity. The rental car revenue increase relates to the \$22 million higher gross sales for the rental car companies in fiscal year 2017, compared to fiscal year 2016.

Passenger Facility Charges (PFCs) increased 0.2% to \$83.6 million in fiscal year 2017. PFCs are collected by the airlines at the time the customer books the flight, then remitted to the Airport. Most enplaned passengers are assessed this fee. However, based on the enabling federal legislation, PFCs are not paid by non-revenue passengers.

Customer Facility Charges (CFCs) totaled \$47.3 million, a 0.5% increase in fiscal year 2017. CFCs are assessed to rental car customers at the rate of \$6 per transaction day. These fees are collected by the rental car companies and then remitted to the Airport.

Federal and state grant revenue, reported as capital contributions, decreased \$1.2 million, or 4.2% in fiscal year 2017. The amount of the grant receipts varies from year to year based on the amount of funds allocated to the airports, along with the amount of construction that is completed during the year.

#### **Fiscal Year 2016 Compared to Fiscal Year 2015**

Total revenue increased to \$498.4 million in 2016 from \$494.5 million in fiscal year 2015, an increase of \$3.8 million, or 0.8%.

Aeronautical revenue had a slight decrease in fiscal year 2016, with a total change of \$0.9 million, or 0.7%. The majority of the aeronautical revenue is composed of terminal and landing fees paid by the commercial airlines at Phoenix Sky Harbor Airport. These fees are established each year to recover the cost of operations, maintenance and debt service related to the airfield and terminal space. The terminal fee decreased to \$106.68 per square foot in fiscal year 2016 from \$118.26 per square foot in fiscal year 2015. The decrease was due to lower maintenance and construction costs as a large restroom renovation project was winding down. The increase in landing fees is due to slightly higher operation and maintenance costs.

Non-aeronautical revenue decreased \$6.6 million, or 3.37%. These revenues are the combination of several lines of business, with the largest being parking, rental cars, and terminal concessions. The parking revenue increase is relatively consistent with the increase in enplaned passengers. The rental car revenue decrease relates to the lower gross sales for the rental car companies in fiscal year 2016 compared to the inflated sales in fiscal year 2015 when the Super Bowl and Pro Bowl were played in Arizona. Terminal concessions, which consists of the food, beverage, and retail locations, decrease in total due to portions of Terminal 3 being closed for the modernization project.

Passenger facility charges decreased \$1.3 million, or 1.6% in fiscal year 2016, due to an increase in non-revenue passengers reported by the airlines. PFC are collected by the airlines at the time the customer books the flight, then remitted to the Airport. Most enplaned passengers are assessed this fee. However, based on the enabling federal legislation, PFC are not paid by non-revenue passengers.

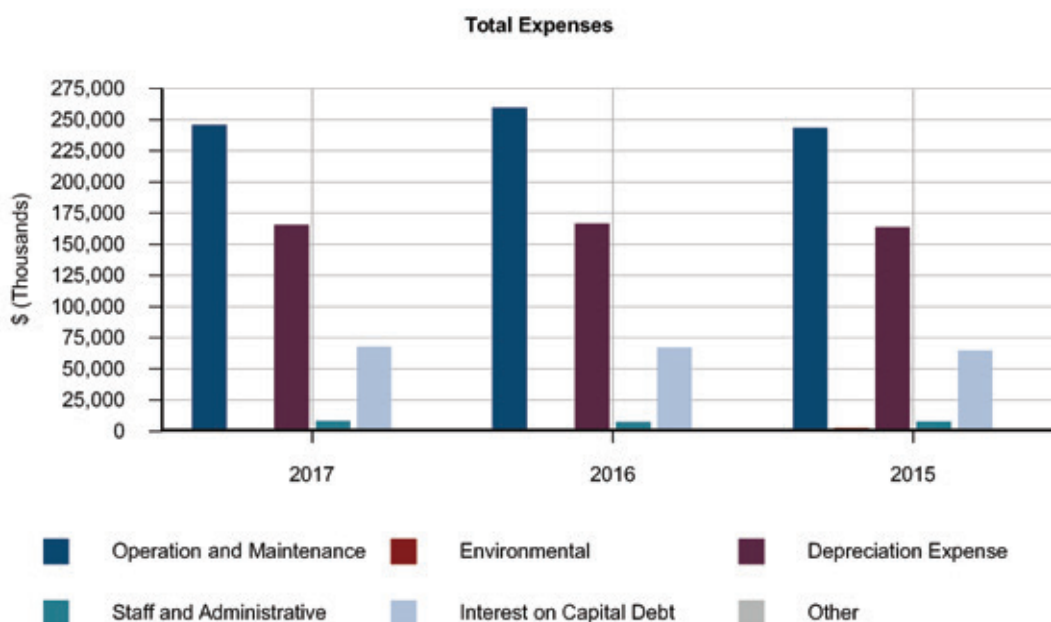
Customer facility charges increased \$2.3 million, or 5.1% in fiscal year 2016, consistent with the increase in passengers. CFC are assessed to rental car customers at the rate of \$6 per transaction day. These fees are collected by the rental car companies and then remitted to the Airport. The increase is relatively consistent with the increase in enplaned passengers.

Federal and state grant revenue, reported as capital contributions, increased \$6.8 million, or 32.6% in fiscal year 2016. The amount of the grant receipts varies from year to year based on the amount of funds allocated to our airports, along with the amount of construction that is completed during the year.

## EXPENSES

The following is a summary of expenses for the fiscal years ending June 30 (in thousands):

	2017	2016	2015
Operating Expenses			
Operation and Maintenance	\$ 251,641	\$ 259,903	\$ 243,557
Environmental, Studies and Noise Program	959	1,956	2,600
Depreciation Expense	165,826	166,829	163,691
City Staff and Administrative	8,373	7,716	7,969
Interest on Capital Debt	67,915	67,141	65,051
Other	1,787	1,089	412
Total Expenses	<u>\$ 496,501</u>	<u>\$ 504,634</u>	<u>\$ 483,280</u>



### Fiscal Year 2017 Compared to Fiscal Year 2016

Total expenses decreased \$8.1 million, or 1.6%, in fiscal year 2017. Operation and maintenance, depreciation, and interest on capital debt make up approximately 98% of total expenses.

Operation and maintenance expenses decreased \$8.3 million, or 3.2% in fiscal year 2017. Personal services costs increased by \$8.1 million. The change in Net Pension Liability dropped to \$4.8 million in fiscal year 2017 from \$14.1 million in fiscal year 2016, while salaries and related costs were higher in fiscal year 2017, due to a 3.5% increase in the number of employees. Contractual services expenses decreased 1.5% in fiscal year 2017.

Depreciation expense remained steady with a decrease of 0.6% in fiscal year 2017. An increase in depreciation expense for the new portion of Terminal 3 is offset by a decrease relating to Terminal 4.

Interest on Capital Debt increased by 1.2% in fiscal year 2017. The interest due each year for the municipal corporation obligations is based on payment schedules set by the related bond documents. The interest decreased in fiscal year 2017 as the principal on the bonds were paid down. Interest expense for the commercial paper notes payable increased in fiscal year 2017 as the related liability increased.

### **Fiscal Year 2016 Compared to Fiscal Year 2015**

Total expenses increased \$21.4 million, or 4.4%, in fiscal year 2016. Operation and maintenance, depreciation, and interest on capital debt make up approximately 98% of total expenses.

Operation and maintenance expenses increased \$16.3 million, or 6.7% in fiscal year 2016. The contractual services increase is due to additional consulting costs associated with the most recent bond issue, increased costs of the vertical circulation and custodial contracts. The equipment and minor improvements increase is the result of additional minor equipment that does not meet the capitalization threshold. The operation and maintenance expenses in fiscal year 2015 includes a \$5.6 million decrease relating to an adjustment to the Airport's pollution remediation liability.

Depreciation expense increased 3.1% in fiscal year 2015 and 1.9% in fiscal year 2016, as new construction projects were completed. The most recent extension of the PHX Sky Train® was the largest of the projects and was completed in January of 2015. The related assets had one half year depreciation in fiscal year 2015 and a full year depreciation in fiscal year 2016.

Interest on Capital Debt increased by 0.3% in fiscal year 2015 and by 3.2% in fiscal year 2016. The interest due each year is based on payment schedules set by the related bond documents. The Aviation Enterprise Fund issued new debt in January of 2016, which added \$2.6 million of interest for fiscal year 2016.

## **LONG-TERM DEBT**

### **City of Phoenix Civic Improvement Corporation Airport Revenue Bonds**

The Aviation Enterprise Fund, through the City, has entered into certain agreements with the City of Phoenix Civic Improvement Corporation (the CIC) for the purchase of certain improvements and expansion projects at the City's airports. The CIC issued bonds for the improvements and expansion projects, and the Aviation Enterprise Fund made a pledge of revenues to make payments sufficient to pay principal and interest on the bonds.

The debt service requirements on senior lien airport revenue bonds are secured by a first lien pledge of Net Airport Revenues. The term Net Airport Revenues is defined in the Airport Revenue Bond Ordinance to mean Airport Revenues, after provisions for payment of the cost of operation and maintenance.

The debt service requirements on junior lien airport revenue bonds are junior to the senior lien airport revenue bonds and are secured by a pledge of the Designated Revenues. The term Designated Revenues is defined in the Airport Revenue Bond Ordinance to mean Net Airport Revenues, after payments required on any senior lien airport revenue bonds.

The Rental Car Facility Charge Revenue Bonds are special revenue obligations of the CIC, payable solely from certain payments required to be made by the Aviation Enterprise Fund, through the City, to the CIC pursuant to the City Purchase Agreement dated June 1, 2004. Pledged revenues consist primarily of Customer Facility Charge (CFC) revenues and amounts on deposit in various reserve funds. Pledged revenues do not include amounts required to be paid by the rental car companies as ground rents or concession fees, amounts on deposit or required to be deposited to the Administrative Costs Fund, amounts on deposit in the Transportation Operations and Maintenance (O&M) Fund or the Transportation Reserve Fund, the Aviation Enterprise Fund Transportation O&M Fund, or CFC's that exceed the pledged rate.

The total bond principal outstanding for the Civic Improvement Corporation Airport Revenue Bonds as of June 30 are as follows (in thousands):

	2017	2016	2015
Senior Lien Bonds	\$ 447,660	\$ 472,895	\$ 496,905
Junior Lien Bonds	724,405	739,900	659,585
Rental Car Facility Charge Bonds	176,255	186,050	195,305
Total Revenue Bond Principal Outstanding	<u>\$ 1,348,320</u>	<u>\$ 1,398,845</u>	<u>\$ 1,351,795</u>

The CIC issued \$114,440,000 in Junior Lien Airport Revenue Bonds during fiscal year 2016. The 2015A (Non-AMT) bonds, in the amount of \$95,785,000, refunded \$100,000,000 aggregate outstanding principal of Airport Commercial Paper Program Notes, Series 2014A-1 and 2014A-2. The commercial paper financed a portion of the construction for the PHX Sky Train. The 2015B (Non-AMT) bonds, in the amount of \$18,655,000, refunded a portion of the Junior Lien Airport Revenue Bonds, Series 2010A (Non-AMT).

The debt service reserve requirements for the Airport Revenue Bonds for the fiscal years ending June 30 (in thousands):

	2017	2016	2015
Senior Lien Bonds	\$ 47,038	\$ 47,038	\$ 47,038
Junior Lien Bonds	63,698	63,698	56,645
Rental Car Facility Charge Bonds	21,278	21,278	21,278
Total Debt Service Reserve Requirements	<u>\$ 132,014</u>	<u>\$ 132,014</u>	<u>\$ 124,961</u>

### Airport General Obligation Bonds

As of June 30, 2017 and 2016, the Aviation Enterprise Fund had \$7.9 million principal of general obligation bonds payable in both years. The debt service requirements of Airport General Obligation Bonds have been paid from Net Airport Revenues remaining after payment of senior lien and junior lien airport revenue bonded debt service requirements. In the event such Net Airport Revenues should prove insufficient to pay airport general obligation debt service requirements or should the Aviation Enterprise Fund, through the City, decide not to pay the debt service from Net Airport Revenues, this indebtedness would then be paid from ad valorem taxes (secondary property taxes) or other available sources.

For more information regarding long-term debt, please refer to Note 5 in the Notes to the Financial Statements and Schedules 7 through 17 in the Debt Section of the Statistical Section.

## CAPITAL ASSETS

The Aviation Enterprise Fund's capital assets, net of accumulated depreciation, was \$2.7 billion in fiscal years 2017, 2016, and 2015.

Additions to capital assets included the following (in thousands):

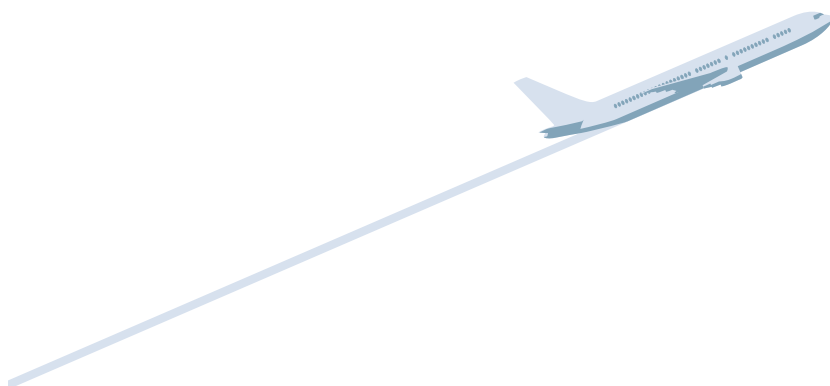
	2017	2016	2015
Major Construction Projects:			
Terminal 3 Modernization	\$ 110,556	\$ 87,533	\$ 42,900
PHX Sky Train	2,662	4,699	9,980
Other Construction Projects:			
Airfield and Runway Projects	32,735	24,298	16,712
Terminal Projects	12,026	16,488	11,281
Land Acquisition	72	707	4,261
Other	9,990	2,970	7,940

Additional information on the Aviation Enterprise Fund's capital assets can be found in Note 4 in the Notes to the Financial Statements.

## REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide a general overview of the Aviation Enterprise Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Phoenix Finance Department, 251 West Washington Street, 9th Floor, Phoenix, Arizona 85003.

For prior annual reports, airport statistics, and other City financial information, please visit our investor website at: <http://phoenix.gov/finance/investor>.



**City of Phoenix, Arizona**  
**Aviation Enterprise Fund**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
June 30, 2017 and 2016  
(in thousands)

ASSETS	2017	2016
Current Assets		
Cash and Cash Equivalents	\$ 69,970	\$ 76,667
Investments	295,482	298,945
Receivables		
Accounts Receivable, Net of Allowance for Doubtful Accounts (2017, \$0 and 2016, \$1,320)	16,126	10,703
Intergovernmental	354	180
Deposits in Escrow	326	326
Inventories	2,827	1,711
Total Unrestricted Current Assets	<u>385,085</u>	<u>388,532</u>
Restricted Assets		
Debt Service		
Cash and Securities with Fiscal Agents/Trustees	218,971	217,215
Accrued Interest Receivable	11	4
Customer Facility Charge		
Cash and Securities with Fiscal Agents/Trustees	74,887	65,615
Investments	21,945	21,865
Accounts Receivable	3,610	3,144
Capital Projects		
Cash and Cash Equivalents	32,184	47,371
Investments	99,203	90,456
Receivables		
Intergovernmental	10,836	6,426
Passenger Facility Charge	11,093	7,649
Total Restricted Current Assets	<u>472,740</u>	<u>459,745</u>
Total Current Assets	<u>857,826</u>	<u>848,277</u>
Noncurrent Assets		
Capital Assets		
Land	574,238	574,195
Buildings	1,744,512	1,623,818
Improvements Other Than Buildings	1,643,995	1,636,664
Equipment and Artwork	672,068	631,930
Intangibles	25,620	23,705
Construction in Progress	148,709	186,299
Less: Accumulated Depreciation	<u>(2,065,636)</u>	<u>(1,947,678)</u>
Total Capital Assets, Net of Accumulated Depreciation	2,743,506	2,728,933
OPEB Asset	70	69
Total Noncurrent Assets	<u>2,743,576</u>	<u>2,729,002</u>
Total Assets	<u>3,601,401</u>	<u>3,577,279</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding Bonds	1,032	1,101
Pension Related	17,158	34,187
Total Deferred Outflows of Resources	<u>18,190</u>	<u>35,288</u>

The accompanying notes are an integral part of these financial statements.



**City of Phoenix, Arizona**  
**Aviation Enterprise Fund**  
**COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)**  
June 30, 2017 and 2016  
(in thousands)



	2017	2016
LIABILITIES		
Current Liabilities Payable from Current Assets		
Accounts Payable	\$ 22,859	\$ 28,878
Trust Liabilities and Deposits	4,094	3,259
Advance Payments	12,793	19,045
Current Portion of Pollution Remediation	—	75
Current Portion of Accrued Compensated Absences	921	825
Total Current Liabilities Payable from Current Assets	<u>40,667</u>	<u>52,082</u>
Current Liabilities Payable from Restricted Assets		
Debt Service		
Commercial Paper Notes Payable	180,000	130,000
Matured Bonds Payable	50,525	47,390
Interest Payable	36,372	37,679
Current Portion of Municipal Corporation Obligations:		
Current Portion of Rental Car Facility Revenue Bonds	10,370	9,795
Current Portion of Aviation Revenue Bonds	42,845	40,730
Capital Projects		
Accounts Payable	45,596	31,293
Total Current Liabilities Payable from Restricted Assets	<u>365,708</u>	<u>296,887</u>
Total Current Liabilities	<u>406,375</u>	<u>348,969</u>
Noncurrent Liabilities		
General Obligation Bonds	8,045	8,119
Municipal Corporation Obligations:		
Rental Car Facility Revenue Bonds	165,885	176,255
Aviation Revenue Bonds	1,182,987	1,230,995
Pollution Remediation	2,200	2,300
Accrued Compensated Absences	5,985	5,595
Net Pension Liability	172,238	180,787
Total Noncurrent Liabilities	<u>1,537,340</u>	<u>1,604,051</u>
Total Liabilities	<u>1,943,715</u>	<u>1,953,020</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding Bonds	718	760
Pension Related	9,717	13,382
Total Deferred Inflows of Resources	<u>10,435</u>	<u>14,142</u>
NET POSITION		
Net Investment in Capital Assets	1,103,164	1,104,662
Restricted for:		
Debt Service	132,014	132,014
Passenger Facility Charges	125,311	128,117
Rental Car Customer Facility Charges	100,442	90,624
Unrestricted	204,510	189,988
Total Net Position	<u>\$ 1,665,441</u>	<u>\$ 1,645,405</u>

The accompanying notes are an integral part of these financial statements.



**City of Phoenix, Arizona**  
**Aviation Enterprise Fund**  
**COMPARATIVE STATEMENTS OF REVENUES,**  
**EXPENSES AND CHANGES IN NET POSITION**  
For the Fiscal Years Ended June 30, 2017 and 2016  
(in thousands)



	2017	2016
Operating Revenues		
Aeronautical Revenue		
Terminal Fees	\$ 80,956	\$ 75,115
Landing Fees	51,278	49,869
Air Cargo and Hangar Rental	7,989	6,751
Other	13,986	12,358
Non-Aeronautical Revenue		
Parking	84,151	84,586
Rental Cars	53,595	46,669
Terminal – Food and Beverage	22,019	20,499
Terminal – Retail	10,279	10,879
Rental Revenue	21,236	17,186
Ground Transportation	6,207	4,957
Other	4,722	4,546
Total Operating Revenues	<u>356,418</u>	<u>333,415</u>
Operating Expenses		
Operation and Maintenance		
Personal Services	128,038	119,938
Contractual Services	103,158	104,735
Supplies	9,300	11,925
Equipment/Minor Improvements	11,145	23,305
Environmental, Studies and Noise Program	959	1,956
Depreciation	165,826	166,829
City Staff and Administrative	8,373	7,716
Total Operating Expenses	<u>426,799</u>	<u>436,404</u>
Operating Loss	<u>(70,381)</u>	<u>(102,989)</u>
Non-Operating Revenues (Expenses)		
Passenger Facility Charges	83,577	83,449
Rental Car Customer Facility Charges	47,348	47,118
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	(4,180)	471
Interest	6,735	6,120
Interest on Capital Debt	(67,915)	(67,141)
Loss on Disposal of Capital Assets	(1,417)	(759)
Total Non-Operating Revenues (Expenses)	<u>64,148</u>	<u>69,258</u>
Net Loss Before Contributions and Transfers	<u>(6,233)</u>	<u>(33,731)</u>
Capital Contributions	26,639	27,803
Transfer from General Fund – Change for Phoenix	—	2
Transfer to Capital Projects Fund	(370)	(330)
Change in Net Position (Deficit)	<u>20,036</u>	<u>(6,256)</u>
Net Position, July 1	<u>1,645,405</u>	<u>1,651,661</u>
Net Position, June 30	<u>\$ 1,665,441</u>	<u>\$ 1,645,405</u>

The accompanying notes are an integral part of these financial statements.

**City of Phoenix, Arizona**  
**Aviation Enterprise Fund**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
For the Fiscal Years Ended June 30, 2017 and 2016  
(in thousands)

	2017	2016
Cash Flows from Operating Activities		
Receipts from Customers	\$ 345,577	\$ 339,026
Payments to Suppliers	(177,494)	(167,338)
Payments to Employees	(77,115)	(71,794)
Payment of Staff and Administrative Expenses	(8,373)	(7,716)
Net Cash Provided by Operating Activities	<u>82,595</u>	<u>92,178</u>
Cash Flows from Noncapital Financing Activities		
Transfers from Other Funds	—	2
Transfers to Other Funds	(370)	(330)
Net Cash Used by Noncapital Financing Activities	<u>(370)</u>	<u>(328)</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	50,000	98,489
Principal Paid on Capital Debt	(47,390)	(44,330)
Interest Paid on Capital Debt	(74,656)	(71,294)
Acquisition and Construction of Capital Assets	(167,484)	(138,667)
Proceeds from Sales of Capital Assets	313	144
Passenger Facility Charges	80,133	83,555
Rental Car Customer Facility Charges	46,882	47,035
Capital Contributions	21,937	31,084
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(90,265)</u>	<u>6,016</u>
Cash Flows from Investing Activities		
Purchases of Investment Securities	(338,846)	(527,842)
Proceeds from Sale and Maturities of Investment Securities	338,766	527,719
Net Activity for Short-Term Investments	(5,284)	(46,886)
Interest on Investments	2,548	6,593
Net Cash Used by Investing Activities	<u>(2,816)</u>	<u>(40,416)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(10,856)	57,450
Cash and Cash Equivalents, July 1	<u>407,194</u>	<u>349,744</u>
Cash and Cash Equivalents, June 30	<u>\$ 396,338</u>	<u>\$ 407,194</u>

The accompanying notes are an integral part of these financial statements.

**City of Phoenix, Arizona**  
**Aviation Enterprise Fund**  
**COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)**  
For the Fiscal Years Ended June 30, 2017 and 2016  
(in thousands)



	2017	2016
Reconciliation of Operating Loss to		
Net Cash Provided by Operating Activities		
Operating Loss	\$ (70,381)	\$ (102,989)
Adjustments		
Depreciation	165,826	166,829
Net Pension Liability	(8,549)	8,210
Deferred Outflows – Pension	17,029	(5,097)
Deferred Inflows – Pension	(3,665)	10,958
(Increase) Decrease in Assets		
Receivables	(4,103)	197
Allowance for Doubtful Accounts	(1,320)	1,222
Inventories	(1,116)	38
OPEB Asset	(1)	(10)
Increase (Decrease) in Liabilities		
Accounts Payable	(6,019)	9,956
Trust Liabilities and Deposits	835	1,442
Advance Payments	(6,252)	2,751
Pollution Remediation	(175)	(1,525)
Accrued Compensated Absences	486	196
Net Cash Provided by Operating Activities	\$ 82,595	\$ 92,178
Noncash Transactions Affecting Financial Position		
Refunding Issuance in Excess of Bond Retirement	\$ 27	\$ 58
Decrease in Fair Value of Investments	(86)	(17)
Total Noncash Transactions Affecting Financial Position	\$ (59)	\$ 41
Cash and Cash Equivalents		
Unrestricted		
Cash and Cash Equivalents	\$ 69,970	\$ 76,667
Deposits in Escrow	326	326
Total Unrestricted	70,296	76,993
Restricted		
Cash and Cash Equivalents	32,184	47,371
Cash and Securities with Fiscal Agents/Trustees:		
Debt Service	218,971	217,215
Customer Facility Charge	74,887	65,615
Total Restricted	326,042	330,201
Total Cash and Cash Equivalents	\$ 396,338	\$ 407,194

The accompanying notes are an integral part of these financial statements.



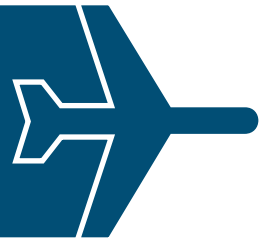


## NOTES TO THE FINANCIAL STATEMENTS

Note	Description
<b>1</b>	Summary of Significant Accounting Policies
<b>2</b>	Cash and Investments
<b>3</b>	Receivables
<b>4</b>	Capital Assets
<b>5</b>	Long-Term Obligations
<b>6</b>	Refunded, Refinanced and Defeased Obligations
<b>7</b>	Commercial Paper Notes Payable
<b>8</b>	Risk Management
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<b>16</b>	Passenger Facility Charges
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<b>18</b>	Subsequent Events







The City of Phoenix, Arizona (the City) owns and operates Phoenix Sky Harbor International Airport (the Airport) and two general aviation airports, Phoenix Goodyear Airport and Phoenix Deer Valley Airport (collectively, the Aviation Enterprise Fund). The City has operated the Aviation Enterprise Fund as a self-supporting enterprise since 1967, according to Part II, Chapter 4 of the City of Phoenix Code of Ordinances.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### a) Reporting Entity

The accompanying financial statements include only the Aviation Enterprise Fund and are not intended to present fairly the financial position of the City, the changes in its financial position or, where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

### b) Jointly Governed Organizations — Phoenix-Mesa Gateway Airport Authority

The Phoenix-Mesa Gateway Airport Authority is a nonprofit corporation established and funded by the City of Phoenix, City of Mesa, Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base that was closed in September 1993 to become the Phoenix-Mesa Gateway Airport. The Board of Directors consists of the mayors for the respective municipalities and the governor of the tribal community. The Aviation Enterprise Fund contributes \$1.3 million per year (life to date \$19.5 million) to the Phoenix-Mesa Gateway Airport Authority operating and capital budget.

### c) Basis of Accounting

The Aviation Enterprise Fund is an enterprise fund of the City and the cost of providing services is recovered primarily through their fees and charges. The Aviation Enterprise Fund, through the City, has established activity rates and fees to recover the cost, including capital costs, of providing services and has issued debt backed by these revenues.

Since the Aviation Enterprise Fund is an enterprise fund of the City, the accrual basis of accounting is followed, whereby revenues are recognized in the accounting period in which they are earned and expenses are recognized when incurred. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of operating and maintaining the airports, environmental expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

### d) Pooled Cash and Investments

The Aviation Enterprise Fund's cash resources are combined through the City to form a cash and investment pool managed by the City Treasurer. Excluded from this pool are the investments of the City of Phoenix Employee Retirement System and certain other legally restricted funds. Interest earned by the pool is distributed monthly to individual funds based on daily equity in the pool.

The Aviation Enterprise Fund's cash and cash equivalents include cash in bank, cash on hand, and short-term investments with original maturities of 90 days or less from the date of acquisition.

The Aviation Enterprise Fund's investments are stated at fair value. Fair value is based on quoted market prices as of the valuation date.

e) **Accounts Receivable**

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's assessment of the potential for losses, taking into account historical experience and currently available information.

f) **Deposits in Escrow**

Deposits in Escrow are performance bonds and security deposits made by airport tenants.

g) **Inventories**

Inventories consist of materials and supplies which have been valued at cost.

h) **Capital Assets**

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than two years. All artwork and land is capitalized. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	10 to 40 years
Improvements other than Buildings	
Runways and Taxiways	18 to 25 years
Other Improvements	10 to 50 years
Equipment	5 to 30 years
Intangible Assets	5 to 40 years

A gain or loss on disposal of capital assets is recognized when assets are retired from service or are sold or otherwise disposed of.

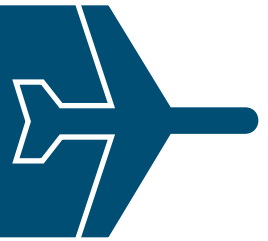
i) **Compensated Absences**

Vacation and compensatory time benefits are accrued as liabilities as employees earn the benefits to the extent that they meet both of the following criteria: 1) the Aviation Enterprise Fund's obligation through the City is attributable to employees' services already rendered; and 2) it is probable that the Aviation Enterprise Fund, through the City, will compensate the employees for the benefits through paid time off or some other means, such as cash payments.

Sick leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the Aviation Enterprise Fund, through the City, will compensate the employees through cash payments conditioned on the employees' termination or retirement. All of the outstanding compensated absences are recorded as a liability.

j) **Long-Term Obligations**

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the Comparative Statements of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the interest method.



**k) Net Position**

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position that is not restricted for any project or other purpose.

**l) Statements of Cash Flows**

For purposes of the Comparative Statements of Cash Flows, all highly liquid investments (including restricted assets) with original maturities of 90 days or less when purchased are considered to be cash equivalents.

**m) Reclassifications**

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications had no effect on the changes to financial position.

**n) Rates and Charges**

The Aviation Enterprise Fund annually establishes airline facility rental fees, landing fees and other charges sufficient to recover the costs of operations, maintenance and debt service related to the airfield and space rented by the airlines. Any differences between amounts collected and the actual costs allocated to the airlines' leased space are credited or billed to the airlines.

**o) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows of resources, and net position, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**p) New Accounting Pronouncements**

New Accounting Pronouncements Adopted in 2017:

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes specific criteria used to determine whether a qualifying external investment pool may elect to use and amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The Statement also establishes additional note disclosures for qualifying external investment pools. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The Aviation Enterprise Fund has determined there is no impact to the financial statements as a result of the implementation of this Statement.

GASB Statement No. 82, *Pension Issues-and amendment of GASB Statements No. 67, No. 68, and No. 73*, will enhance consistency in the application of financial reporting requirements to certain pension issues. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Aviation Enterprise Fund implemented this Statement in fiscal year 2017.

Pronouncements Issued but Not Yet Effective:

GASB has issued the following pronouncements that may effect future financial position, results of operations, cash flows, or financial presentation of the Aviation Enterprise Fund upon implementation. The Aviation Enterprise Fund has not fully determined the effect these pronouncements will have on the financial statements.

GASB Statement Number	GASB Accounting Standard	Effective Fiscal Year
75	<i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	2018
81	<i>Irrevocable Split-Interest Agreements</i>	2018
83	<i>Certain Asset Retirement Obligations</i>	2019
85	<i>Omnibus 2017</i>	2018
86	<i>Certain Debt Extinguishment Issues</i>	2018
87	<i>Leases</i>	2021

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents at June 30, 2017 and June 30, 2016, was composed of the following (in thousands):

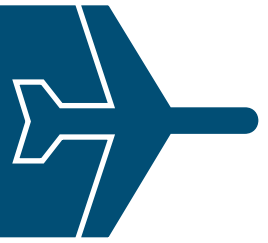
	2017	2016
Cash in Bank	\$ 1,314	\$ 3,194
Cash on Hand	3	3
Short-Term Pooled Investments	94,149	98,576
Short-Term Non-Pooled Investments	7,014	22,591
Cash with Fiscal Agents/Trustees	272,356	261,401
Securities with Fiscal Agents/Trustees	21,502	21,429
Total Cash and Cash Equivalents	<u>\$ 396,338</u>	<u>\$ 407,194</u>

A summary of Aviation Enterprise Fund cash and cash equivalents at June 30, 2017, and June 30, 2016 (in thousands):

	2017	2016
Unrestricted	\$ 70,296	\$ 76,993
Restricted	326,042	330,201
Total Cash and Cash Equivalents	<u>\$ 396,338</u>	<u>\$ 407,194</u>

### Deposits

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of a bank failure, the Aviation Enterprise Fund's deposits through the City may not be returned. The Aviation Enterprise Fund's deposits through the City during the year and at fiscal year-end were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name. The carrying amount of the Aviation Enterprise Fund's deposits at June 30, 2017 and June 30, 2016 was \$1,313,173 and



\$3,193,923, respectively and the bank ledger balance was \$1,332,874 and \$3,212,655, respectively.

Cash with fiscal agents and trustees are subject to custodial risk. The Aviation Enterprise Fund's contracts through the City with the fiscal agents and trustees call for these deposits to be fully covered by collateral held in the fiscal agents' and trustees' trust departments but not in the City's name. Each trust department pledges a pool of collateral against all trust deposits it holds. The carrying amount of the Aviation Enterprise Fund's cash with fiscal agents and trustees and the bank ledger balance at June 30, 2017 and June 30, 2016 were \$272,356,678 and \$261,401,604, respectively. Securities with fiscal agents and trustees are not subject to custodial risk. The carrying amount and the bank ledger balance of the Aviation Enterprise Fund's securities with fiscal agents and trustees at June 30, 2017 and June 30, 2016 was \$21,501,689 and \$21,428,788, respectively.

### **Investments**

Aviation Enterprise Fund investments are included in the City's pooled investments. The City Charter and ordinances authorize the City to invest in U.S. Treasury securities, securities guaranteed, insured or backed by the full faith and credit of the U.S. Government, U.S. Government agency securities, repurchase agreements, commercial paper, money market accounts, certificates of deposit, the State Treasurer's Local Government Investment Pool "LGIP", highly rated securities issued or guaranteed by any state or political subdivision thereof rated in the highest short-term or second highest long-term category, and investment grade corporate bonds, debentures, notes and other evidence of indebtedness issued or guaranteed by a solvent U.S. corporation which are not in default as to principal or interest. Investments are carried at fair value. It is the City's policy generally to hold investments until maturity.

The Aviation Enterprise Fund maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool. Total investments for the Aviation Enterprise Fund at June 30, 2017 and June 30, 2016 stated at fair value, were \$416,629,322 and \$411,266,803, respectively. The following table summarizes the pooled amounts reported as "Investments" in the City's Comprehensive Annual Financial Report (CAFR) at June 30, 2017 and 2016 (in thousands):

**City of Phoenix, Arizona**  
**Aviation Enterprise Fund**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the Fiscal Years ended June 30, 2017 and 2016

City Investments	Credit Quality Rating	June 30, 2017		June 30, 2016	
		Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
<b>Pooled Investments</b>					
Repurchase Agreements collateralized by U.S. Treasury Securities	Not Rated	\$ 176,897	0.016	\$ 134,148	0.011
U.S. Treasury Securities	AA++	768,956	2.159	757,272	1.863
<b>U.S. Government Agency Securities</b>					
FFCB Notes	AA+	234,059	2.584	126,920	3.524
FNMA Notes	AA+	172,352	2.468	159,672	2.242
FHLMC Notes	AA+	188,994	1.477	199,310	2.686
FHLB Notes	AA+	394,368	1.485	322,986	1.306
Total U.S. Government Agency Securities		989,773	1.915	808,888	2.179
Pre-Refunded Municipal Securities	N/A (1)	10,354	0.645	9,727	0.241
Certificates of Deposit	N/A (2)	123,586	0.144	126,514	0.143
Commercial Paper	A-1	94,984	0.023	—	
<b>Mortgage Backed Securities</b>					
GNMA	N/A	39,900	3.040	19,854	2.301
FHLMC Notes	AA+	419	3.187	535	2.917
Total Mortgage Backed Securities		40,319	3.042	20,389	2.317
Total Pooled Investments		2,204,869	1.681	1,856,938	1.746
Less: Joint Venture Pooled Investments		(46,553)		(49,415)	
Less: Short-Term Pooled Investments		(419,377)		(266,634)	
Net Pooled Investments		1,738,939		1,540,889	
<b>Non-Pooled Investments</b>					
Repurchase Agreements Collateralized by U.S. Treasury Securities	Not Rated	30,137	0.008	—	
U.S. Treasury Securities	N/A	306,232	0.766	347,810	1.156
U.S. Treasury Securities Money Market Mutual Funds	AAAm	28,633	0.003	6,992	92.503
<b>U.S. Government Agency Securities</b>					
FFCB Notes	AA+	4,975	3.633	5,497	3.589
FNMA Notes	AA+	998	0.833	4,562	1.337
FHLMC Notes	AA+	1,987	3.533	7,556	2.259
FHLB Notes	AA+	81,872	0.408	99,373	0.380
Total U.S. Government Agency Securities		89,832	0.660	116,988	0.689
Pre-Refunded Municipal Securities	N/A (1)	52	1.445	70	1.946
Investment in Land	N/A	872		872	
Total Non-Pooled Investments		455,758	0.647	472,732	1.190
Less: Short-Term Non-Pooled Investments		(144,921)		(154,578)	
Net Non-Pooled Investments		310,837		318,154	
Total City Investments		\$ 2,049,776		\$ 1,859,043	

Notes:

- (1) Pre-Refunded Municipal Securities for which the payment of interest, and ultimately the repayment of principal, is backed by U.S. Government Securities.
- (2) All Certificates of Deposit are insured by the FDIC.



### Fair Value Hierarchy

Aviation Enterprise Fund investments are included in the City's pooled investments, therefore the fair value hierarchy mirrors that of the City. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2017 and 2016 (in thousands):

Investments by Fair Value Level	Fair Value Measurement Using:				Fair Value Measurement Using:			
	06/30/17	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	06/30/16	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	\$ 1,291,998	\$ 15,941	\$ 1,276,057	\$ —	\$ 1,244,592	\$ 1,244,592	\$ —	\$ —
U.S. Government Agency Obligations	1,079,656	—	1,079,656	—	925,197	—	925,197	—
U.S. Government Agency MBS/CMO	40,319	—	40,319	—	20,330	—	20,330	—
Municipal Bonds	10,354	—	10,354	—	9,564	—	9,564	—
Commercial Paper	94,984	—	94,984	—	—	—	—	—
Investment in Land	872	—	—	872	872	—	—	872
Total Investments and Cash, Including Those Classified as Cash Equivalents, by Fair Value Level	<u>\$ 2,518,183</u>	<u>\$ 15,941</u>	<u>\$ 2,501,370</u>	<u>\$ 872</u>	<u>\$ 2,200,555</u>	<u>\$ 1,244,592</u>	<u>\$ 955,091</u>	<u>\$ 872</u>

U.S. Government securities totaling \$15,941,000 and \$1,244,592,000 in fiscal years 2017 and 2016, respectively, are classified in Level 1 of the fair value hierarchy and are valued using quoted prices in active markets.

U.S. Government Securities totaling \$1,276,057,000 and \$925,197,000, U.S. Government agency obligations totaling \$1,079,656,000 and \$925,197,000, U.S. Government agency MBS/CMO totaling \$40,319,000 and \$20,330,000, Municipal bonds totaling \$10,354,000 and \$9,564,000, and Commercial Paper totaling \$94,984,000 and \$0, in fiscal years 2017 and 2016, respectively, are classified in Level 2 of the fair value hierarchy and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from a pricing source.

Investment in Land totaling \$872,000 in fiscal years 2017 and 2016 is classified in Level 3 of the fair value hierarchy and is valued by appraisal using valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow model and similar techniques not on market, exchange, dealer or broker-traded transactions.

**Interest Rate Risk**

The Aviation Enterprise Fund follows the City’s policies for interest rate risk. In order to limit interest rate risk, the City’s investment policy limits maturities as follows:

U.S. Treasury Securities	5-year Final Maturity
Securities Guaranteed, Insured, or Backed by the Full Faith and Credit of the U.S. Government	5-year Final Maturity
U.S. Government Agency Securities	5-year Final Maturity
Repurchase Agreements	60 Days
Municipal Obligations	5 Years for Long-Term Issuances
Money Market Mutual Funds	90 Days
Commercial Paper	270 Days

For Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO), the maximum weighted average life using current Public Securities Association (PSA) prepayment assumptions shall be 12 years at the time of purchase for MBS and 5 years at the time of purchase for CMO.

**Credit Risk**

The Aviation Enterprise Fund follows the City’s policies regarding credit risk. The City’s investment policy limits its purchase of investments to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor’s (S&P) and Moody’s Investors Service (Moody’s). The portfolio is primarily invested in securities issued by the U.S. Treasury or by U.S. Government Agency Securities which are rated Aaa by Moody’s and AA+ by S&P. Repurchase agreements are generally collateralized by U.S. Treasuries and U.S. Government Agency Securities at 102%. Municipal securities must have a short-term minimum rating of A1 by S&P and P1 by Moody’s and a long-term uninsured rating of A+ by S&P and A1 by Moody’s. The rating requirements do not apply to obligations issued by the City of Phoenix. Money market mutual funds must have a current minimum money market rating of AAAM by S&P and Aaa-mf by Moody’s. For commercial paper, an Issuer’s program must have a minimum rating of A1 by S&P and P1 by Moody’s. The issuing corporation must be organized and operating in the United States and have a minimum long-term debt rating of A+ by S&P and A1 by Moody’s. Programs rated by only one of the agencies are ineligible.

**Concentration of Credit Risk**

Aviation Enterprise Fund investments are included in the City’s pooled investments. Investments in any one issuer that represent 5% or more of total City investments are as follows (in thousands):

Issuer	2017	2016
Federal National Mortgage Association	6.49%	7.03%
Federal Home Loan Mortgage Corporation	7.08%	8.86%
Federal Home Loan Bank	17.84%	18.09%
Federal Farm Credit Bank	8.95%	5.67%





### 3. RECEIVABLES

Receivables at June 30, 2017 and June 30, 2016 are stated net of the allowance for doubtful accounts, and are summarized as follows (in thousands):

	June 30, 2017				
	Accounts	Interest	Intergovernmental (1)	Passenger Facility Charge	Total
Unrestricted	\$ 16,126	\$ —	\$ 354	\$ —	\$ 16,480
Restricted	3,610	11	10,836	11,093	25,550
Total Receivables	<u>\$ 19,736</u>	<u>\$ 11</u>	<u>\$ 11,190</u>	<u>\$ 11,093</u>	<u>\$ 42,030</u>

	June 30, 2016				
	Accounts	Interest	Intergovernmental (1)	Passenger Facility Charge	Total
Unrestricted	\$ 10,703	\$ —	\$ 180	\$ —	\$ 10,883
Restricted	3,144	4	6,426	7,649	17,223
Total Receivables	<u>\$ 13,847</u>	<u>\$ 4</u>	<u>\$ 6,606</u>	<u>\$ 7,649</u>	<u>\$ 28,106</u>

(1) Intergovernmental Receivables include monies due from other governmental entities for grants.

An allowance for doubtful accounts of \$0 as of June 30, 2017 and \$1,320,082 as of June 30, 2016 has been established for the Aviation Enterprise Fund. Accounts Receivable includes unbilled charges of \$10,141,316 at June 30, 2017 and \$7,250,802 at June 30, 2016.

## 4. CAPITAL ASSETS

Capital asset activity for the Aviation Enterprise Fund at June 30, 2017 and June 30, 2016 was as follows (in thousands):

	Balances July 1, 2016	Additions	Deletions	Balances June 30, 2017
<b>Non-Depreciable Assets:</b>				
Land	\$ 574,195	\$ 118	\$ (75)	\$ 574,238
Artwork	7,261	—	—	7,261
Construction-in-Progress	186,299	86,469	(124,059)	148,709
Total Non-Depreciable Assets	767,755	86,587	(124,134)	730,208
<b>Depreciable Assets:</b>				
Buildings	1,623,818	138,129	(17,435)	1,744,512
Improvements	1,636,664	29,715	(22,384)	1,643,995
Equipment	624,669	50,648	(10,510)	664,807
Intangible Assets	23,705	2,003	(88)	25,620
Total Depreciable Assets	3,908,856	220,495	(50,417)	4,078,934
<b>Less Accumulated Depreciation for:</b>				
Buildings	(763,381)	(52,474)	16,322	(799,533)
Improvements	(896,500)	(68,927)	22,260	(943,167)
Equipment	(276,734)	(41,780)	9,201	(309,313)
Intangible Assets	(11,063)	(2,645)	85	(13,623)
Total Accumulated Depreciation	(1,947,678)	(165,826)	47,868	(2,065,636)
Total Depreciable Assets, Net	1,961,178	54,669	(2,549)	2,013,298
Total Capital Assets, Net	\$ 2,728,933	\$ 141,256	\$ (126,683)	\$ 2,743,506
	Balances July 1, 2015	Additions	Deletions	Balances June 30, 2016
<b>Non-Depreciable Assets:</b>				
Land	\$ 573,007	\$ 1,188	\$ —	\$ 574,195
Artwork	7,533	6	(278)	7,261
Construction-in-Progress	90,984	114,283	(18,968)	186,299
Total Non-Depreciable Assets	671,524	115,477	(19,246)	767,755
<b>Depreciable Assets:</b>				
Buildings	1,619,698	7,318	(3,198)	1,623,818
Improvements	1,626,816	23,427	(13,579)	1,636,664
Equipment	606,621	21,464	(3,416)	624,669
Intangible Assets	23,521	2,009	(1,825)	23,705
Total Depreciable Assets	3,876,656	54,218	(22,018)	3,908,856
<b>Less Accumulated Depreciation for:</b>				
Buildings	(708,534)	(58,045)	3,198	(763,381)
Improvements	(844,307)	(65,702)	13,509	(896,500)
Equipment	(239,152)	(40,443)	2,861	(276,734)
Intangible Assets	(10,249)	(2,639)	1,825	(11,063)
Total Accumulated Depreciation	(1,802,242)	(166,829)	21,393	(1,947,678)
Total Depreciable Assets, Net	2,074,414	(112,611)	(625)	1,961,178
Total Capital Assets, Net	\$ 2,745,938	\$ 2,866	\$ (19,871)	\$ 2,728,933

The amount of interest cost capitalized for the Aviation Enterprise Fund at June 30, 2017 and June 30, 2016 was \$223,977 and \$571,606, respectively.



## 5. LONG-TERM OBLIGATIONS

Changes in long-term obligations at June 30, 2017 and June 30, 2016 are summarized as follows (in thousands):

	Balances July 1, 2016	Additions	Reductions	Balances June 30, 2017	Amounts Due Within One Year
<b>Bonds and Notes Payable:</b>					
General Obligation Bonds	\$ 7,865	\$ —	\$ —	\$ 7,865	\$ —
Municipal Corporation Obligations					
Rental Car Facility Revenue Bonds	186,050	—	(9,795)	176,255	10,370
Aviation Revenue Bonds	1,212,795	—	(40,730)	1,172,065	42,845
Subtotal	1,406,710	—	(50,525)	1,356,185	53,215
Discounts/Premiums	59,184	—	(5,237)	53,947	—
Total Bonds and Notes Payable	1,465,894	—	(55,762)	1,410,132	53,215
<b>Other Liabilities:</b>					
Accrued Compensated Absences	6,420	6,906	(6,420)	6,906	921
Pollution Remediation	2,375	—	(175)	2,200	—
Net Pension Liability	180,787	—	(8,549)	172,238	—
Total Other Liabilities	189,582	6,906	(15,144)	181,344	921
<b>Total Long-Term Obligations</b>	<b>\$ 1,655,476</b>	<b>\$ 6,906</b>	<b>\$ (70,906)</b>	<b>\$ 1,591,476</b>	<b>\$ 54,136</b>

	Balances July 1, 2015	Additions	Reductions	Balances June 30, 2016	Amounts Due Within One Year
<b>Bonds and Notes Payable:</b>					
General Obligation Bonds	\$ 7,865	\$ —	\$ —	\$ 7,865	\$ —
Municipal Corporation Obligations					
Rental Car Facility Revenue Bonds	195,305	—	(9,255)	186,050	9,795
Aviation Revenue Bonds	1,156,490	114,440	(58,135)	1,212,795	40,730
Subtotal	1,359,660	114,440	(67,390)	1,406,710	50,525
Discounts/Premiums	51,069	14,051	(5,936)	59,184	—
Total Bonds and Notes Payable	1,410,729	128,491	(73,326)	1,465,894	50,525
<b>Other Liabilities:</b>					
Accrued Compensated Absences	6,224	6,420	(6,224)	6,420	825
Pollution Remediation	3,900	—	(1,525)	2,375	75
Net Pension Liability	172,577	8,210	—	180,787	—
Total Other Liabilities	182,701	14,630	(7,749)	189,582	900
<b>Total Long-Term Obligations</b>	<b>\$ 1,593,430</b>	<b>\$ 143,121</b>	<b>\$ (81,075)</b>	<b>\$ 1,655,476</b>	<b>\$ 51,425</b>

**City of Phoenix, Arizona**  
**Aviation Enterprise Fund**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the Fiscal Years ended June 30, 2017 and 2016

Issues of long-term debt were as follows at June 30, 2017 and June 30, 2016 (dollars in thousands):

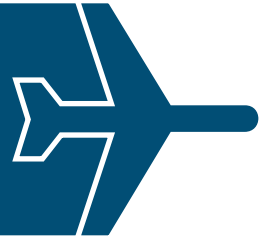
June 30, 2017								
Issue Date	Purpose	Maturity Dates	Effective Interest Rate	Average Life (Years)	Original Amount	Principal Outstanding	Interest Outstanding	Unamortized Discount (Premium)
Municipal Corporation Obligations (1)								
06/18/08	Airport Revenue (Non-AMT) (2a)	7/1/20-38	5.02	22.5	\$ 206,840	\$ 206,840	\$ 138,997	\$ (401)
06/18/08	Airport Revenue (AMT) (2a)	7/1/12-19	4.68	7.8	43,160	12,480	991	(93)
06/18/08	Airport Revenue Refunding (Non-AMT) (2a)	7/1/09-22	4.26	8.0	109,850	45,760	6,729	(579)
06/18/08	Airport Revenue Refunding (AMT) (2a)	7/1/09-20	4.58	5.6	68,520	13,940	1,463	(175)
03/05/13	Airport Revenue Refunding (AMT) (2a)	7/1/14-32	3.28	11.8	196,600	168,640	75,068	(21,621)
Total Sr. Lien Obligations					624,970	447,660	223,248	(22,869)
09/01/10	Airport Revenue (Non-AMT) (2b) (3)	7/1/13-40	4.69	19.0	642,680	558,890	382,318	(16,773)
09/01/10	Airport Revenue (Taxable) (2b) (3) (4)	7/1/2040	3.67	29.8	21,345	21,345	32,402	—
09/01/10	Airport Revenue Refunding (Non-AMT) (2b)	7/1/23-25	4.33	13.9	32,080	32,080	11,280	(1,238)
12/15/15	Airport Revenue (Non-AMT) (2b) (3)	7/1/16-45	3.99	18.6	95,785	93,435	79,755	(10,643)
12/15/15	Airport Revenue Refunding (Non-AMT) (2b) (3)	7/1/34	4.08	18.5	18,655	18,655	15,857	(2,244)
Total Jr. Lien Obligations					810,545	724,405	521,612	(30,898)
06/02/04	Rental Car Facility (Taxable) (5)	7/1/07-29	6.20	16.5	260,000	176,255	79,050	—
Total Municipal Corporation Obligations					1,695,515	1,348,320	823,910	(53,767)
General Obligation Bonds								
06/24/14	Refunding	7/1/19-20	2.71	5.4	7,865	7,865	477	(180)
Total General Obligation Bonds					7,865	7,865	477	(180)
Total Aviation Enterprise Fund Bonds					\$ 1,703,380	\$ 1,356,185	\$ 824,387	\$ (53,947)

June 30, 2016								
Issue Date	Purpose	Maturity Dates	Effective Interest Rate	Average Life (Years)	Original Amount	Principal Outstanding	Interest Outstanding	Unamortized Discount (Premium)
Municipal Corporation Obligations (1)								
06/18/08	Airport Revenue (Non-AMT) (2a)	7/1/20-38	5.02	22.5	\$ 206,840	\$ 206,840	\$ 149,336	\$ (430)
06/18/08	Airport Revenue (AMT) (2a)	7/1/12-19	4.68	7.8	43,160	18,255	1,950	(183)
06/18/08	Airport Revenue Refunding (Non-AMT) (2a)	7/1/09-22	4.26	8.0	109,850	53,730	9,257	(796)
06/18/08	Airport Revenue Refunding (AMT) (2a)	7/1/09-20	4.58	5.6	68,520	17,990	2,395	(287)
03/05/13	Airport Revenue Refunding (AMT) (2a)	7/1/14-32	3.28	11.8	196,600	176,080	83,872	(24,157)
Total Sr. Lien Obligations					624,970	472,895	246,810	(25,853)
09/01/10	Airport Revenue (Non-AMT) (2b) (3)	7/1/13-40	4.69	19.0	642,680	572,850	410,816	(18,024)
09/01/10	Airport Revenue (Taxable) (2b) (3) (4)	7/1/2040	3.67	29.8	21,345	21,345	33,810	—
09/01/10	Airport Revenue Refunding (Non-AMT) (2b)	7/1/23-25	4.33	13.9	32,080	32,080	12,884	(1,414)
12/15/15	Airport Revenue (Non-AMT) (2b) (3)	7/1/16-45	3.99	18.6	95,785	94,970	84,403	(11,263)
12/15/15	Airport Revenue Refunding (Non-AMT) (2b) (3)	7/1/34	4.08	18.5	18,655	18,655	16,790	(2,376)
Total Jr. Lien Obligations					810,545	739,900	558,703	(33,077)
06/02/04	Rental Car Facility (Taxable) (5)	7/1/07-29	6.20	16.5	260,000	186,050	90,528	—
Total Municipal Corporation Obligations					1,695,515	1,398,845	896,041	(58,930)
General Obligation Bonds								
06/24/14	Refunding	7/1/19-20	2.71	5.4	7,865	7,865	674	(254)
Total General Obligation Bonds					7,865	7,865	674	(254)
Total Aviation Enterprise Fund Bonds					\$ 1,703,380	\$ 1,406,710	\$ 896,715	\$ (59,184)

Notes:

- (1) Enhanced by a municipal bond insurance policy, a reserve account surety bond, or a debt service reserve fund.
- (2) The City has pledged net airport revenues as security for these bonds. The net revenues pledged are as follows:
  - (a) Senior lien pledge on all outstanding airport obligations.
  - (b) Junior lien pledge on all outstanding airport obligations.
- (3) The City has further pledged an irrevocable commitment of 100% of net proceeds of a passenger facility charge for these bonds, with the exception of the Series 2015A bonds. The Series 2015A bonds have a pledge equivalent to 30% of the principal and interest requirement. The Passenger Facility Charge (PFC) is currently imposed at the rate of \$4.50 per qualifying enplaned passenger.
- (4) The City has irrevocably elected to treat these bonds as RZEDB for purposes of the American Recovery and Reinvestment Act of 2009 and the Internal Revenue Code of 1986. The RZEDB subsidy payments rebate 45% of the interest requirement for these bonds. On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, which has resulted in a reduction of the federal subsidy payments by 6.9% and 6.8% (the Sequester Reductions) for the fiscal years 2017 and 2016, respectively. However, the City does not expect the Sequester Reductions to have a material adverse effect on its ability to make payments of interest on this issue.
- (5) The City has made a first priority pledge of a \$4.50 per day car rental usage fee to be paid by rental car customers arriving at Phoenix Sky Harbor International Airport as security for the bonds.



The Aviation Enterprise Fund, through the City, has complied with all significant financial covenants of its bonded indebtedness. A brief description of the Aviation Enterprise Fund's long-term obligations follows.

#### **Municipal Corporation Obligations**

The Aviation Enterprise Fund, through the City, has entered into certain agreements with the City of Phoenix Civic Improvement Corporation (the "CIC") an affiliated nonprofit corporation, for the construction and acquisition of certain facilities and equipment. Under the terms of these agreements, the CIC issued bonds or certificates of participation to finance the facilities and equipment, and the Aviation Enterprise Fund, through the City, agreed to make lease and purchase payments sufficient to pay principal and interest on the outstanding obligations. The Aviation Enterprise Fund, through the City, also pays all expenses of operating and maintaining the facilities and equipment.

In December 2015, the CIC issued \$95,785,000 of Junior Lien Airport Revenue Bonds, Series 2015A (Non-AMT). Proceeds of the bonds refunded \$100,000,000 aggregate outstanding principal of Airport Commercial Paper Program Notes, Series 2014A-1 and 2014A-2. The bonds have an average life of 18.6 years and were sold at an all-in true interest cost of 3.99%.

In December 2015, the CIC issued \$18,655,000 of Junior Lien Airport Revenue Refunding Bonds, Series 2015B (Non-AMT). Proceeds of the bonds refunded \$20,000,000 of Junior Lien Airport Revenue Bonds, Series 2010A (Non-AMT). The bonds have an average life of 18.5 years, were sold at a true interest cost of 4.08% and produced present value debt service savings, net of transaction costs, of \$2,515,668.

#### **General Obligation Bonds**

The Aviation Enterprise Fund, through the City, has issued General Obligation Bonds for capital programs. The debt service requirements have been paid from Net Airport Revenues remaining after payment of senior lien and junior lien airport revenue bonded debt service requirements. In the event such Net Airport Revenues should prove insufficient to pay airport general obligation debt service requirements or should the Aviation Enterprise Fund, through the City, decide not to pay the debt service from Net Airport Revenues, this indebtedness would then be paid from ad valorem taxes (secondary property taxes) or other available sources.

### Debt Service Requirements

Debt service requirements, including principal and interest are as follows (in thousands):

Fiscal Years	Municipal Corporation Obligations					
	Senior Lien		Junior Lien		Rental Car Facility	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 26,575	\$ 22,275	\$ 16,270	\$ 36,321	\$ 10,370	\$ 10,903
2019	27,935	20,984	16,980	35,611	10,990	10,284
2020	29,505	19,625	17,805	34,783	11,645	9,628
2021	25,710	18,151	18,655	33,934	12,365	8,910
2022	26,995	16,866	19,580	33,007	13,130	8,147
2023 – 27	98,445	68,359	145,575	144,680	78,885	27,497
2028 – 32	125,630	41,170	144,545	110,377	38,870	3,681
2033 – 37	70,565	15,003	183,640	70,161	—	—
2038 – 42	16,300	815	144,510	21,026	—	—
2043 – 47	—	—	16,845	1,711	—	—
Total	\$ 447,660	\$ 223,248	\$ 724,405	\$ 521,611	\$ 176,255	\$ 79,050

Fiscal Years	General Obligation Bonds	
	Principal	Interest
2018	\$ —	\$ 197
2019	4,520	197
2020	3,345	83
Total	\$ 7,865	\$ 477

### Pollution Remediation

This liability is primarily a result of leaking underground storage tanks at the Airport and Phoenix Goodyear Airport. The tanks at the Airport were discovered to be leaking in 1988 and the Aviation Enterprise Fund is implementing a corrective action plan which was approved by the Arizona Department of Environmental Quality (ADEQ) to ensure the contamination does not spread. The remediation of a fuel release at Phoenix Goodyear Airport discovered in the 1980's is being implemented as approved by the United States Environmental Protection Agency (US EPA). The total remaining liability for all remediation activities for the Aviation Enterprise Fund as of June 30, 2017 and June 30, 2016 is \$2,200,000 and \$2,375,000, respectively. This liability is based on estimates by engineers of the efforts needed to complete the remediation. These costs are expected to increase over time due to inflation, which will affect the liability amounts in future years.

## 6. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS

Future debt service on refunded bonds has been provided through advanced refunding bond issues whereby refunding bonds are issued and the net proceeds, plus any additional resources that may be required, are used to purchase securities issued and guaranteed by the United States government. These securities are then deposited in an irrevocable trust under an escrow agreement which states that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flows generated by the securities, will be sufficient to service the previously issued bonds.



During fiscal year 2016, the City issued Junior Lien Airport Revenue Refunding Bonds, Series 2015B (Non-AMT). These bonds reduced the present value of future debt service payments. These savings were available due to improved municipal bond market conditions (i.e., lower interest rates) during the year. The effect of the refunding is summarized as follows (in thousands):

	Junior Lien Airport Revenue
Series	2015B
Closing Date	12/15/15
Net Interest Rate	4.32%
Refunding Bonds Issued	\$ 18,655
Premium	2,447
Underwriter's Discount	(85)
Issuance Costs and Insurance	(149)
Net Proceeds	<u>\$ 20,868</u>
Refunded Amount	\$ 20,000
Decrease in Debt Service	2,592
Economic Gain	2,516
Number of Years Affected	19

The deferred and amortized amounts of accounting gains and losses on bond refundings (which are reported as deferred inflows or deferred outflows of resources) at June 30, 2017 and June 30, 2016, are summarized as follows (in thousands):

	June 30, 2017			
	Deferred Amount July 1	Additions (Gains)/Losses	Amortization Gains/(Losses)	Deferred Amount June 30
Deferred Outflows of Resources				
Municipal Corporation Obligations	\$ 1,101	\$ —	\$ (69)	\$ 1,032
Deferred Inflows of Resources				
Municipal Corporation Obligations	(760)	—	42	(718)
Total	<u>\$ 341</u>	<u>\$ —</u>	<u>\$ (27)</u>	<u>\$ 314</u>
	June 30, 2016			
	Deferred Amount July 1	Additions (Gains)/Losses	Amortization Gains/(Losses)	Deferred Amount June 30
Deferred Outflows of Resources				
Municipal Corporation Obligations	\$ 1,329	\$ —	\$ (228)	\$ 1,101
Deferred Inflows of Resources				
Municipal Corporation Obligations	—	(802)	42	(760)
General Obligation Bonds	(128)	—	128	—
Total	<u>\$ 1,201</u>	<u>\$ (802)</u>	<u>\$ (58)</u>	<u>\$ 341</u>

## 7. COMMERCIAL PAPER NOTES PAYABLE

The commercial paper (CP) program, issued through the CIC, is used for ongoing capital needs and additional liquidity. In December 2015, the CIC issued Junior Lien Airport Revenue Refunding Bonds, Series 2015A (Non-AMT) to refund \$100,000,000 aggregate principal of Airport CP, Series 2014A-1 and 2014A-2. On June 1 2016, the City issued \$60,000,000 of Airport CP, Series 2014B-1 and \$30,000,000 of Airport CP, Series 2014B-2 for the Terminal 3 Modernization project. On May 30, 2017, the City issued \$50,000,000 of Airport CP, Series 2014B-2 for the Terminal 3 Modernization project. The outstanding balances at June 30, 2017 are \$100,000,000 of Airport CP, Series 2014B-1 and \$80,000,000 of Airport CP, Series 2014B-2. The CP is issued in varying maturities up to 270 days. Interest rates paid on the CP range from .02% through .53% in fiscal year 2016 and .45% through .99% in fiscal year 2017. The CP is secured by letters of credit issued by Bank of America, N.A. and Barclays Bank PLC for Airport CP, Series 2014ABC-1 and Airport CP, Series 2014ABC-2, respectively. Commercial paper balances as of June 30 were as follows (in thousands):

	2017	2016
Balance, July 1	\$ 130,000	\$ 140,000
Additions	50,000	90,000
Reductions	—	(100,000)
Balance, June 30	<u>\$ 180,000</u>	<u>\$ 130,000</u>

## 8. RISK MANAGEMENT

The Aviation Enterprise Fund maintained a combination of commercial insurance and self-insurance during the fiscal years ended June 30, 2017 and June 30, 2016, as described below.

**Liability** – The Aviation Enterprise Fund purchased commercial airport liability insurance specifically covering Airport premises and operations for the Airport System. The stand-alone insurance program provides first dollar coverage through a combination of both primary and excess liability policies. Additionally, general Aviation Enterprise Fund liabilities other than airport operations are covered under the City’s self-insurance program, which has a \$7,500,000 retention. Excess liability coverage was purchased for losses that exceed the self-insured retention.

**Property** – Aviation Enterprise Fund property is insured under the City’s blanket commercial property and boiler/machinery insurance purchased for City-owned buildings and structures.

**Workers’ Compensation** – As City employees, Aviation Enterprise Fund employees have the same benefits package as their City co-workers, whether purchased commercially or self-insured. The City maintained a self-insured retention of \$15,000,000 for its workers’ compensation exposure. Excess workers’ compensation insurance was purchased for losses exceeding the self-insured retention.

**Fidelity and Surety** – Aviation Enterprise Fund officials and employees are covered by public official bonds and surety bonds as required by state statute or City Charter. Further, the City’s blanket “Crime” policy extends to Aviation Enterprise Fund employees.

**Health and Dental** – Health insurance plans for Aviation Enterprise Fund employees were self-insured through the City of Phoenix Health Care Benefits Trust fiduciary fund. Dental coverage was provided through two different plans. A dental PPO was self-insured through the City of Phoenix Health Care Benefits Trust and a dental HMO was provided through commercial insurance accounted for in the City of Phoenix General Fund.

The Aviation Enterprise Fund is included in the City’s self-insurance reserve. Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has





occurred and the amount of that loss can be reasonably estimated. This determination is based on an actuarial analysis of reported claims and estimates of claims incurred but not reported.

With the exception of health, dental and long-term disability, the City reports its self-insurance activities in the City General Fund, the Transit Special Revenue Fund and the Government-Wide Statement of Net Position, with the other funds reimbursing the General Fund for their share of the cost of the City's self-insurance program. Settlements have not exceeded coverages for each of the last three fiscal years.

Long-term disability benefits for Aviation Enterprise Fund employees were self-insured through the City of Phoenix Long-Term Disability Trust fiduciary fund. As a partially funded other post-employment benefit, no liability is reflected. Claims that are expected to be paid with expendable available financial resources are accounted for in the City of Phoenix General Fund. All other claims are accounted for in the City's government-wide statement of net position. For additional information regarding the City's Risk Management policies, including information on fiduciary funds, please refer to Note 13 in the Notes to the Financial Statements in the City CAFR.

## 9. OPERATING LEASES

The Aviation Enterprise Fund leases certain airport facilities to third parties. Minimum future rentals on non-cancelable operating leases at June 30, 2017 were as follows (in thousands):

Years Ending June 30		
2018	\$	52,268
2019		32,239
2020		30,021
2021		27,590
2022		27,383
2023-2063		<u>173,013</u>
Total	\$	<u>342,514</u>

The above amounts do not include contingent rentals, which also may be received under the Aviation Enterprise Fund facilities leases, primarily as a percentage of sales in excess of stipulated minimums. Contingent rentals amounted to \$14,612,128 for the fiscal year ended June 30, 2017, and \$10,182,938 for the fiscal year ended June 30, 2016. A summary of the assets leased to third parties under the Aviation Enterprise Fund operating lease agreements at June 30, 2017 and June 30, 2016, is as follows (in thousands):

	<u>2017</u>	<u>2016</u>
Buildings	\$ 1,131,923	\$ 1,029,896
Less: Accumulated Depreciation	<u>(623,391)</u>	<u>(603,862)</u>
Net Book Value	<u>\$ 508,532</u>	<u>\$ 426,034</u>

## 10. CONTRACTUAL AND OTHER COMMITMENTS

The Aviation Enterprise Fund has entered into various construction contracts and these commitments have not been recorded in the accompanying financial statements. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements. Commitments of \$307.1 million and \$411.8 million are remaining at June 30, 2017 and June 30, 2016, respectively.

## 11. CONTINGENT LIABILITIES

### Pending Litigation

The Aviation Enterprise Fund, through the City, is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. As discussed in Note 8 (and in more detail in Note 13 in the Notes to the Financial Statements of the City CAFR), the Aviation Enterprise Fund, through the City, is primarily self-insured, and has accrued a liability for estimated claims outstanding. As with any risk retention program, however, the Aviation Enterprise Fund, through the City, is contingently liable in respect to claims beyond those currently accrued. In the opinion of City management, based on the advice of the City Attorney, the outcome of such claims will not have a material adverse effect on the Aviation Enterprise Fund's financial position, results of operations or liquidity at June 30, 2017.

### Sick Leave

Aviation Enterprise Fund employees are covered under the same sick leave benefits as City employees. Sick leave is continuously accumulated at the rate of 15 days per year but can only be taken in the event of illness. Upon retirement, for every 173 hours of unused sick leave, one month of creditable service is allowed in determining a General Employee Retirement Plan pension. A balance of over 80 hours after making the above calculation will allow an extra month of creditable service. The dollar amount of any cash payment as described below is included in the final average compensation, but the hours used are excluded from credited service.

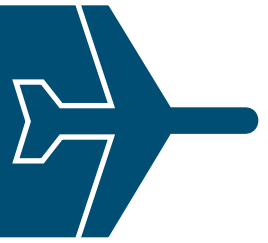
Supervisory and Professional, Confidential Office and Clerical, Field Unit 1, Field Unit 2, and Office and Clerical employees who have accumulated 750 qualifying hours or more of unused sick leave at the time of normal service retirement are eligible to receive a payment equal to their base hourly rate for 25% of the hours in excess of 250 hours.

Middle management and Executive General City employees who have accumulated 750 qualifying hours or more of accrued or unused sick leave at the time of normal service retirement are eligible to receive a payment up to 20% of their base hourly rate. Payment percentage is increased by 1% for each full year of service in excess of 20 years to a maximum of 50%.

Sick leave is accrued as a liability (accrued compensated absences) as it is earned by the employees only if the leave is attributable to past service and it is probable that the employees will be compensated through cash payments conditioned on the employees' termination or retirement. In accordance with these criteria, a portion of the sick leave accumulated by general employees as described above has been accrued as a liability in the accompanying financial statements. The June 30, 2017 actuarial valuation of the sick leave liability was based on the termination method, with the liability pro-rated based on the current service of a participant. The projected sick leave benefit payment under the termination method is calculated as the maximum sick leave hours eligible for payment multiplied by the probability of an individual employee reaching retirement multiplied by the employee's projected salary at first eligibility for retirement pro-rated based on the employee's current service to date over the projected service to retirement increased by the cost of salary-related fringe benefits.

The Aviation Enterprise Fund employees' sick leave benefit balances (both accrued and unaccrued) at June 30, 2017 and June 30, 2016, were as follows (in thousands):

	2017	2016
Sick Leave Benefit	\$ 15,741	\$ 14,862
Less: Amount Accrued as a Liability	(2,015)	(1,858)
Total Sick Leave Benefit Balance	<u>\$ 13,726</u>	<u>\$ 13,004</u>



### Liabilities Under Grants

The Aviation Enterprise Fund participates in a number of federal and state assisted grant programs. The audits of these programs for earlier years and the year ended June 30, 2017 have not been completed in all cases; accordingly, final determination of the Aviation Enterprise Fund's compliance with applicable grant requirements will be determined at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although City management believes any such claims would be immaterial to the Aviation Enterprise Fund's financial position at June 30, 2017.

## 12. DEFERRED COMPENSATION PLAN (DCP)

Aviation Enterprise Fund employees are covered under the same Deferred Compensation Plan and Defined Contribution Plan as City Employees. The City established the Deferred Compensation Plan and the Defined Contribution Plan to provide eligible employees with a means to supplement retirement income.

The Deferred Compensation Plan was created in accordance with Internal Revenue Code Section 457. It allowed eligible employees to defer up to \$18,000 of their salaries during calendar years 2017 and 2016. The plan has numerous investment options and allows enrollment or changes on an ongoing basis. A 1996 federal law requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of participants and their beneficiaries. On September 23, 1998, the City Council approved Ordinance No. S-25613 that amended the Plan to comply with the 1996 federal law. The Ordinance established a trust into which all assets of the Plan were transferred December 4, 1998.

The Defined Contribution Plan was created in accordance with Internal Revenue Code Section 415(c)(1)(A) and provides employees with an additional option for tax-deferred retirement savings. Eligible employees may make personal contributions to the Plan by electing to defer a designated percentage of their salary to the Plan. Employee contribution elections are irrevocable. The annual contribution limit was \$54,000 in 2017 and \$53,000 in 2016. The City also contributes to the Plan on behalf of eligible employees in an amount equal to a percentage of employee's base annual salary. The Aviation Enterprise Fund, through the City, contributed \$1,266,076 for the year ended June 30, 2017, and \$772,193 for the year ended June 30, 2016.

A governing board makes decisions about fund options available under both plans. Due to the tax-deferred nature of the Plans, generally speaking, the funds cannot be withdrawn while still employed by the City, unless a severe financial hardship exists. IRS regulations provide guidance regarding hardship withdrawals. Nationwide Investment Services Corporation is currently the administrator for both Plans.

## 13. PENSION PLAN

### Plan Description

Substantially all Aviation Enterprise Fund full-time employees are covered by the *City of Phoenix Employees' Retirement System (COPERS)*, a single-employer defined benefit pension plan (the Plan), established by the Phoenix City Charter. The purpose of COPERS is to provide retirement, disability retirement, and survivor benefits to its members. The Plan can be amended or repealed by a vote of the residents of the City.

The general administration, management and operation of COPERS is vested in a nine-member Retirement Board consisting of three elected employee members, four statutory members, a citizen member and a retiree member. The Retirement Board appoints the Retirement Program Administrator and contracts investment counsel and other services necessary to properly administer the Plan.

Employees participate in the plan upon beginning employment with the City. COPERS' membership data is as follows:

	June 30	
	2017	2016
Active Members		
Tier 1	6,030	6,416
Tier 2	823	953
Tier 3	1,177	414
Subtotal	<u>8,030</u>	<u>7,783</u>
Terminated Vested	<u>925</u>	<u>885</u>
In-Pay Members		
Service Retirees	5,661	5,576
Beneficiaries	1,072	1,060
Disabled Retirees	247	249
Subtotal	<u>6,980</u>	<u>6,885</u>
Total Members	<u><u>15,935</u></u>	<u><u>15,553</u></u>

**Plan Benefits**

Benefits are calculated on the basis of a given rate, final average compensation and service credit.

Tier 1 Pension Benefits: Employees hired prior to July 1, 2013 are eligible for retirement benefits upon meeting one of the following age and service requirements:

1. Age 60 years, with 10 or more years of credited service.
2. Age 62 years, with 5 or more years of credited service.
3. Any age, which added to years of credited service equals 80.

The pension benefit for Tier 1 employees is based on 2% of final average compensation multiplied by the first 32.5 years of service credit, 1% in excess of 32.5 years to 35.5 years, and 0.5% thereafter.

Tier 2 and 3 Pension Benefits: Employees hired on or after July 1, 2013 for Tier 2 and January 1, 2016 for Tier 3 are eligible for retirement benefits upon meeting one of the following age and service requirements:

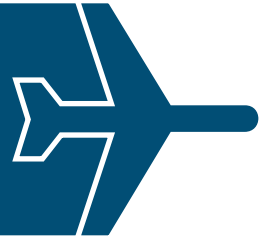
1. Age 60 years, with 10 or more years of credited service.
2. Age 62 years, with 5 or more years of credited service.
3. Any age, which added to years of credited service, equals 87.

The pension benefit for Tier 2 employees is based on 2.1% of final average compensation multiplied by years of service credit for those with less than 20 years, 2.15% for 20-24.9 years, 2.2% for 25-29.9 years and 2.3% thereafter.

The pension benefit for Tier 3 employees is based on 1.85% of final average compensation multiplied by years of service credit for those with less than 10 years, 1.9% for 10-19.9 years, 2% for 20-29.9 years and 2.1% thereafter.

A deferred pension is available at age 62 for terminated members with 5 or more years of service credit who leave their accumulated contributions in the Plan.

A member who becomes permanently disabled for the performance of duty is eligible for a disability benefit if the disability is 1) due to personal injury or disease and the member has 10 or more years of service credit or 2) due to injuries sustained on the job, regardless of service credit.



Dependents of deceased members may qualify for survivor benefits if the deceased member had 10 or more years of service credit or if the member's death was in the line of duty with the City and compensable under the Workman's Compensation Act of the State of Arizona. Chapter XXIV, Section 25 of the City Charter, specifies the conditions for eligibility of survivor benefits.

A supplemental post-retirement payment and permanent benefit increase (under the Pension Equalization Program) may be provided to Tier 1 and Tier 2 retirees if sufficient reserves are available at the end of the fiscal year. The reserve is funded if the 5-year average investment return exceeds 8%.

**Contributions and Funding Policy**

The City contributes an actuarially determined percentage of payroll to COPERS, as required by City Charter, to fully fund benefits for active members and to amortize any unfunded actuarial liability as a level percent of projected member payroll over a closed 21 year period. For the fiscal years ended June 30, 2017 and 2016, the total contribution rates were 37.99% and 25.29%, respectively, of compensation. Tier 1 employees contributed 5% of compensation and beginning January 1, 2016, Tier 2 and Tier 3 employees contributed 11.0% and the City contributed the remainder, \$152,153,000 and \$119,844,000 for fiscal years 2017 and 2016, respectively.

**Net Pension Liability**

The City's net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of these same dates. The Aviation Enterprise Fund's net pension liability is the proportionate share of the City's total liability. The schedule below details the changes in the City's net pension liability (in thousands) for the years ended June 30, 2017 and 2016:

	Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (NPL) (a)-(b)
Balance at June 30, 2016	\$ 3,984,137	\$ 2,151,421	\$ 1,832,716
Changes for the Year:			
Service Cost	72,876	—	72,876
Interest	293,258	—	293,258
Differences between Expected and Actual Experience	429	—	429
Changes in Assumptions	2,420	—	2,420
Contributions - Employer	—	152,153	(152,153)
Contributions - Member	—	30,870	(30,870)
Net Investment Income	—	243,211	(243,211)
Benefit Payments	(223,668)	(223,668)	—
Administrative Expense	—	(380)	380
Net Changes	145,315	202,186	(56,871)
Balance at June 30, 2017	\$ 4,129,452	\$ 2,353,607	\$ 1,775,845
Balance at June 30, 2015	\$ 3,975,907	\$ 2,209,526	\$ 1,766,381
Changes for the Year:			
Service Cost	80,757	—	80,757
Interest	293,206	—	293,206
Changes in Benefits	(3,229)	—	(3,229)
Differences between Expected and Actual Experience	(76,891)	—	(76,891)
Changes in Assumptions	(69,420)	—	(69,420)
Contributions - Employer	—	119,844	(119,844)
Contributions - Member	—	29,306	(29,306)
Net Investment Income	—	9,171	(9,171)
Benefit Payments	(216,193)	(216,193)	—
Administrative Expense	—	(233)	233
Net Changes	8,230	(58,105)	66,335
Balance at June 30, 2016	\$ 3,984,137	\$ 2,151,421	\$ 1,832,716

COPERS is reflected as a pension trust fund of the City. Detailed information about the plan's fiduciary net position is available in the separately issued COPERS Comprehensive Annual Financial Report available online at [www.phoenix.gov/copers](http://www.phoenix.gov/copers).

The Aviation Enterprise Fund's proportionate share of the net pension liability (in thousands) was \$172,238 at June 30, 2017 and \$180,787 at June 30, 2016.



### Actuarial Assumptions

Actuarial assumptions used to determine the total pension liability in the June 30, 2017 valuation were based on the results of the actuarial experience study covering the period from July 1, 2009 through June 30, 2014. Those assumption, applied to all periods included in the measurement, are as follows:

Investment Rate of Return	7.25%
Inflation	2.5%
Salary Increases	Individual salary increases are composed of a price inflation component, a real wage growth component, and a merit or longevity component that varies by age. Total salary increases range from 9.60% at age 20 to 3.00% for members age 65 and older.
COLA	1.25%

Mortality rates were based on CalPERS Employee Mortality and CalPERS Healthy Annuitant tables both without Scale BB Projection, and also the RP2014 Disabled Retiree Mortality table without MP-2014 Protection. The member contribution crediting rate was updated for the June 30, 2017 actuarial valuation to reflect the provision of the ballot measure that passed in August, 2015.

Based on the assumption that employee and City contributions to COPERS will continue to follow the established contribution policy and the sufficiency of the Fiduciary Net Position, the long-term expected rate of return on System investments, 7.25%, was applied as the single rate to all periods of projected benefit payments to determine the total pension liability.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return (Arithmetic)
US Equity	25.4%	7.3
International Equity	18.5	8.3
US Fixed Income	15.3	2.6
Emerging Market Bonds	4.6	5.5
Real Return (GTAA)	7.3	4.7
Private Equity (Fund of funds)	3.2	10.3
Real Estate	13.2	7.3
Absolute Return (Hedge Funds)	10.8	4.3
Cash	1.7	1.5

**Sensitivity of the Net Position Liability to Changes in the Discount Rate**

The table below presents the net pension liability of the System calculated using the discount rate of 7.25% as well as what the net pension liability would be if it were calculated using the discount rate that is 1.0% lower (6.25%) or 1.0% higher (8.25%) than the current rate at June 30, 2017:

Sensitivity of Net Pension Liability to Changes in Discount Rate  
 (in thousands)

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 2,280,860	\$ 1,775,845	\$ 1,355,013

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

For the years ended June 30, 2017 and 2016, the City recognized pension expense of \$229,481,000 and \$248,211,000, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

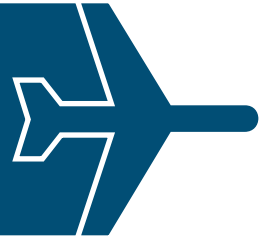
Schedule of Deferred Inflows and Outflows of Resources (in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 343	\$ 58,539
Changes in Assumptions	103,884	41,652
Net Difference Between Projected and Actual on Pension Plan Investments	72,674	—
Total	<u>\$ 176,901</u>	<u>\$ 100,191</u>
Aviation Proportionate Share of Deferred Inflows and Outflows of Resources	<u>\$ 17,158</u>	<u>\$ 9,717</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Measurement Year Ended June 30	
2018	\$ 53,683
2019	53,683
2020	(14,552)
2021	(16,104)
2022	—
Thereafter	—
Total	<u>\$ 76,710</u>





## 14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

### Post-Employment Healthcare and Long-Term Disability Program

The Aviation Enterprise Fund, through the City, provides certain post-employment health care benefits for its retirees. Retirees meeting certain qualifications are eligible to participate in the City's health insurance program along with the City's active employees. As of August 1, 2007, separate rates have been established for active and retiree health insurance.

### Medical Expense Reimbursement Plan (under GASB Statement No. 45)

Employees eligible to retire in 15 years or less from August 1, 2007, will receive a monthly subsidy from the City's Medical Expense Reimbursement Plan (MERP) when they retire. The MERP is a single-employer, defined benefit plan. Contributions by the City (plus earnings thereon) are the sole source of funding for the MERP.

The purpose of the monthly subsidy is to reimburse retirees for qualified medical expenses. The subsidy varies with length of service or bargaining unit, from \$117 to \$202 per month. Retirees may be eligible for additional subsidies depending on their bargaining unit, retirement date, or enrollment in the City's medical insurance program. Current and future eligible retirees who purchase health insurance through the City's plan during retirement will receive an additional subsidy to minimize the impact of unblending health insurance rates for active and retired employees.

The City established the City of Phoenix MERP Trust to fund all or a portion of the City's share of liabilities incurred in providing the benefits as reflected in Administrative Regulation 2.42 - Medical Expense Reimbursement Plan for Retirees and Eligible Surviving Spouses or Qualified Domestic Partners. A five-member Board of Trustees has been delegated responsibility for fiduciary oversight of the MERP Trust, subject to oversight of the City Council.

The City's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual MERP related OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (in thousands):

Annual Required Contribution	\$ 27,860
Interest on OPEB Obligation	—
Contributions from the City	<u>27,863</u>
Decrease in Net OPEB obligation	(3)
Net OPEB Obligation, Beginning of Year	<u>—</u>
Net OPEB Obligation, End of Year	<u><u>\$ (3)</u></u>

The City's annual MERP-related OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation/(asset) for 2017 and the two preceding years were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
06/30/17	\$ 27,860	\$ 27,863	100.0 %	\$ (3)
06/30/16	27,897	27,898	100.0	—
06/30/15	27,937	27,936	100.0	1

As of June 30, 2017, the most recent actuarial valuation date, MERP benefits were funded by the City to a dedicated MERP Trust. The actuarial accrued liability for benefits was \$360,295,000 and the actuarial value of assets was \$159,328,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$200,967,000. The covered payroll (annual payroll of active employees covered by the plan) was \$318,823,000 and the ratio of the UAAL to the covered payroll was 63.0 percent.

The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC.

Valuation Date	06/30/17
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar, closed
Remaining Amortization Period	25 years
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	7%
Projected Salary Increase	N/A
Inflation Rate	3%
Healthcare Cost Trend	N/A

Mortality rates are based on the sex-distinct employee and annuitant mortality tables described below, including adjustment factors applied to the published tables for each group. 1% of pre-retirement deaths for general employees are assumed to be duty-related and 12% of pre-retirement deaths for safety employees are assumed to be duty-related.

- (i) General Non-Annuitant — CalPERS employee mortality table with Male multiplier of 1.054 and Female multiplier of 1.112, projected from 2009 using MP-2015
- (ii) General Healthy Annuitant — CalPERS healthy annuitant mortality table with Male multiplier of 1.019 and Female multiplier of 1.061, projected from 2009 using MP-2015
- (iii) General Disabled Annuitant — RP-2014 Disabled Annuitant Mortality with Male multiplier of 0.984 and Female multiplier of 1.038, projected from 2006 using MP-2015
- (iv) Safety Non-Annuitant — RP-2000 Combined Healthy Mortality Table, projected to 2015 using Scale AA, and multiplied by 60%
- (v) Safety Healthy Annuitant — RP-2000 Combined Healthy Mortality Table, projected from 2015 using Scale AA, and multiplied by 105%
- (vi) Safety Disabled Annuitant — RP-2014 Combined Healthy Mortality with a 10 year set forward, projected from 2015 using AA



The number of participants as of June 30, 2017, the effective date of the biennial OPEB valuation, follows.

	General City	Public Safety	Total
Active Employees	2,313	2,083	4,396
Retirees and Beneficiaries	5,903	2,866	8,769
Total	<u>8,216</u>	<u>4,949</u>	<u>13,165</u>

For additional GASB Statement No. 74 disclosures related to MERP, see the City CAFR, Note 21.

**Post-Employment Health Plan**

Employees eligible to retire in more than 15 years from August 1, 2007 who have payroll deductions for City medical insurance coverage are entitled to a \$150 monthly contribution to a Post-Employment Health Plan (PEHP) account in lieu of MERP subsidies. PEHP is a single-employer defined contribution plan administered by Nationwide Retirement Solutions. Funds accumulated in the account can be used upon termination of employment for qualified medical expenses.

**Long-Term Disability Program**

Long-term disability (LTD) benefits are available to regular, full-time, benefit-eligible employees who have been employed by the City for at least 12 consecutive months. The program provides income protection of 2/3 of an employee's monthly base salary following a continuous three-month waiting period from the last day worked and the use of all leave accruals. The benefit continues to age 80 for those disabled prior to July 1, 2013 and age 75 for those disabled on or after July 1, 2013. Contributions to the LTD Trust by the City, plus earnings thereon, are the sole source of funding for the LTD program. The City pays 100 percent of the cost of this benefit.

The City established the City of Phoenix Long-Term Disability Trust to fund all or a portion of the City's liabilities incurred in providing the benefits as reflected in Administrative Regulation 2.323 City of Phoenix Long-Term Disability Program. A five-member Board of Trustees has been delegated fiduciary responsibility for the LTD Trust, subject to oversight by the City Council. The LTD Trust issues a separate report that can be obtained through the City of Phoenix, Finance Department, Financial Accounting and Reporting Division, 251 W. Washington Street, 9<sup>th</sup> Floor, Phoenix, Arizona, 85003.

The City's annual LTD-related OPEB expense is calculated based on the ARC, an amount determined actuarially in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual LTD-related OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset (in thousands):

Annual Required Contribution*	\$	1,514
Interest on Net OPEB Asset		97
Contributions Made		<u>1,381</u>
Increase in OPEB Asset		(36)
Net OPEB Asset, Beginning of Year		<u>1,382</u>
Net OPEB Asset, End of Year	\$	<u><u>1,346</u></u>

\* The City does not calculate an adjustment to the ARC based on the value of the OPEB Asset.

The City's annual LTD-related OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset since implementation were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
06/30/17	\$ 1,417	\$ 1,381	97.5 %	\$ 1,346
06/30/16	1,074	1,335	124.3	1,382
06/30/15	2,578	2,581	100.1	1,121

As of June 30, 2017, the most recent actuarial valuation date, the LTD was 134.1 percent funded. The actuarial accrued liability for benefits was \$57,353,000, and the actuarial value of assets was \$76,911,000, resulting in a funding excess of \$19,558,000. The covered payroll (annual payroll of active employees covered by the plan) was \$804,784,000, and the ratio of the UAAL to the covered payroll was (2.43) percent.

The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC.

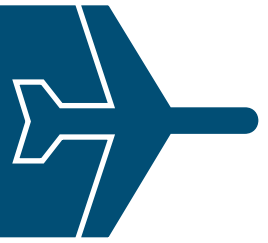
Valuation Date	06/30/17
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Pay, Open
Amortization Period	30 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7%
Projected Salary Increase	3.5%
Inflation Rate	3%
Healthcare Cost Trend	N/A

The number of participants as of June 30, 2017, the effective date of the biennial OPEB valuation, follows.

	Fire	Police	General City	Total
Current Active Employees	1,630	2,924	8,110	12,664
Currently Disabled Employees	7	11	264	282
Total Covered Participants	1,637	2,935	8,374	12,946

### Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new assumptions are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.



Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## 15. CAPITAL CONTRIBUTIONS

The Aviation Enterprise Fund periodically receives grant revenues from federal and state agencies which are either for capital projects or operating purposes. Revenue is considered earned as the related approved capital outlays or expenses are incurred. Revenues from capital grants are reported as capital contributions on the Statements of Revenue, Expenses, and Changes in Net Position and revenues from operating grants are reported as non-aeronautical operating revenue. In fiscal years 2017 and 2016, the Department received \$26.6 million and \$27.8 million, respectively, in federal and state grants combined.

## 16. PASSENGER FACILITY CHARGES

The Passenger Facility Charge Program allows the collection of PFC fees up to \$4.50 for boarded passenger at commercial airports controlled by public agencies. PFC fees are not levied on "non-revenue" passengers and are applied only on the first two legs of a connecting flight. The Airport uses these fees to fund FAA-approved projects that enhance safety, security, or capacity; reduce noise; or increase air carrier competition. The fees are currently set at \$4.50.

The Airport recorded \$83.6 million and \$83.4 million in passenger facility charges for the years ended June 30, 2017 and 2016, respectively.

## 17. CUSTOMER FACILITY CHARGES

All on-airport rental car companies who lease space at the Airport and all off-airport rental car companies who obtain customers through the Sky Harbor Rental Car Center collect a daily customer facility charge of \$6.00 per transaction day per vehicle from Sky Harbor Airport customers. Vehicle rental companies remit customer facility charges that were collected or should have been collected from its airport customers on a monthly basis to the City, together with the monthly statement of transactions and transaction days.

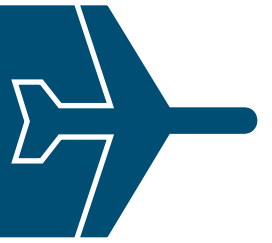
The Airport recorded \$47.3 million and \$47.1 million in customer facility charges for the years ended June 30, 2017 and 2016, respectively.

## **18. SUBSEQUENT EVENTS**

On September 19, 2017, the City of Phoenix entered into a Revolving Credit Agreement with Bank of America, N.A. This refinanced previously issued Airport Commercial Paper Program Notes, Series 2014B-1 and 2014B-2.

On October 31, 2017, the City of Phoenix Civic Improvement Corporation issued \$190,930,000 of Senior Lien Airport Revenue Bonds, Series 2017A (AMT), \$173,440,000 of Senior Lien Airport Revenue Refunding Bonds, Series 2017B (Non-AMT), and \$35,745,000 of Senior Lien Airport Revenue Refunding Bonds, Taxable Series 2017C. The bonds were issued at an all-in true interest cost of 3.84%, 3.23%, and 2.23%, respectively, and were dated and delivered November 21, 2017.

On December 11, 2017, the City of Phoenix Civic Improvement Corporation issued \$474,725,000 of Junior Lien Airport Refunding Revenue Bonds, Series 2017D (Non-AMT). The bonds were issued at an all-in true interest cost of 3.36% and were dated and delivered December 21, 2017.



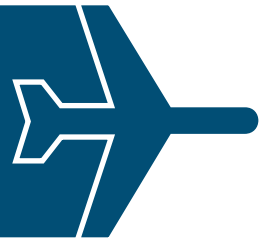
**City of Phoenix**  
**Aviation Enterprise Fund**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
For the Fiscal Years Ended June 30, 2017 and 2016

City of Phoenix Employees' Retirement System (COPERS)

Schedule of Changes in Net Pension Liability and  
Related Ratios (in thousands)

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 72,876	\$ 80,757	\$ 75,310	\$ 78,331
Interest (Includes Interest on Service Cost)	293,258	293,206	266,355	257,219
Changes of Benefit Terms	—	(3,229)	—	—
Differences Between Expected and Actual Experience	429	(76,891)	(31,009)	(20,336)
Changes of Assumption	2,420	(69,420)	254,870	—
Benefit Payments, Including Refunds of Member Contributions	(223,668)	(216,193)	(204,403)	(179,877)
Net Change in Total Pension Liability	145,315	8,230	361,123	135,337
Total Pension Liability – Beginning	3,984,137	3,975,907	3,614,784	3,479,447
Total Pension Liability – Ending	<u>\$ 4,129,452</u>	<u>\$ 3,984,137</u>	<u>\$ 3,975,907</u>	<u>\$ 3,614,784</u>
Plan Fiduciary Net Position				
Contributions – Employer	\$ 152,153	\$ 119,844	\$ 117,092	\$ 110,629
Contributions – Members	30,870	29,523	27,861	27,760
Net Investment Income	243,211	9,171	47,148	298,736
Benefit Payments, Including Refunds of Member Contributions	(223,668)	(216,409)	(204,403)	(179,877)
Administrative Expense	(380)	(234)	(414)	(628)
Net Change in Plan Fiduciary Net Position	202,186	(58,105)	(12,716)	256,620
Plan Fiduciary Net Position – Beginning	2,151,421	2,209,526	2,222,242	1,965,622
Plan Fiduciary Net Position – Ending	<u>\$ 2,353,607</u>	<u>\$ 2,151,421</u>	<u>\$ 2,209,526</u>	<u>\$ 2,222,242</u>
Net Pension Liability – Ending	<u>\$ 1,775,845</u>	<u>\$ 1,832,716</u>	<u>\$ 1,766,381</u>	<u>\$ 1,392,542</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.00%	54.00%	55.57%	61.48%
Covered Payroll (in thousands)	\$ 521,295	\$ 473,974	\$ 484,309	\$ 518,746
Net Pension Liability as a Percentage of Covered Payroll	340.66%	386.67%	383.63%	286.99%
Aviation Enterprise Fund Proportionate Share of the Net Pension Liability:				
Amount	\$ 172,238	\$ 180,787	\$ 172,577	\$ 133,150
Percentage	9.70%	9.86%	9.77%	9.56%





City of Phoenix Employees' Retirement System (COPERS)

Schedule of Employer Contributions

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2017	\$ 152,153	\$ 152,153	\$ —	\$ 521,295	29.19%
2016	119,844	119,844	—	473,974	25.28%
2015	117,092	117,092	—	484,309	24.18%
2014	110,629	110,629	—	518,746	21.33%
2013	115,244	115,244	—	524,648	21.97%
2012	114,709	114,709	—	540,792	21.21%
2011	105,682	105,682	—	541,388	19.52%
2010	90,965	90,965	—	578,327	15.73%
2009	86,241	86,241	—	587,171	14.69%
2008	66,383	66,383	—	580,207	11.44%

Notes to the Schedule

Valuation Date: July 1, 2015. Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the current measurement period. The rates for FYE June 30, 2017 were determined based on the July 1, 2015 valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Asset Valuation Method	4-year smoothed market; 25% corridor
Amortization Method	The UAL as of June 30, 2013 is amortized as a level percentage of payroll over a closed 25-year period. The impact of the September 2013 assumption change is amortized over a closed 25-year period with a four-year phase-in. Future gains and losses are amortized over closed 20-year periods. However, future gains will not be amortized over a shorter period than the remaining period on the amortization of the 2013 UAL.
Investment Rate of Return	7.50%
Salary Increases	3.50% plus merit component based on age ranging from 3.80% at age 20 to 0.00% for members age 65 and older.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	Male and female RP-2000 combined employee and annuitant tables
COLA	1.50%
Other:	The assumptions shown above pertain to the actuarial valuation as of July 1, 2015 and were used to determine the actuarially determined contribution for the fiscal year ending June 30, 2017. The Board adopted new economic assumptions effective with the July 1, 2017 valuation which will determine the actuarially determined contribution for the fiscal year ending June 30, 2019.

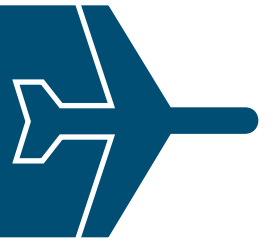
**City of Phoenix**  
**Aviation Enterprise Fund**  
**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
For the Fiscal Years Ended June 30, 2017 and 2016

(Unaudited) Schedule of Funding Progress (in thousands)

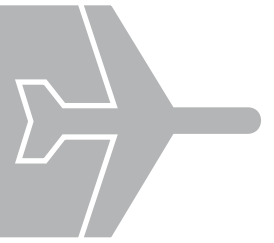
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability-UAL (Funding Excess) (b-a)	Percent Percent Funded (a/b)	Annual Covered Payroll (c)	UAL (Funding Excess) as a Percentage of Covered Payroll (b-a)/(c)
<b>MERP (1)</b>						
7/1/2017	\$ 159,328	\$ 360,295	\$ 200,967	44.2%	\$ 318,823	63.0%
7/1/2015	138,466	433,805	295,339	31.9%	379,302	77.9%
7/1/2013	113,666	419,610	305,944	27.1%	461,156	66.3%
8/1/2011	86,964	423,058	336,094	20.6%	510,561	65.8%
8/1/2009	60,459	424,989	364,530	14.2%	593,932	61.4%
8/1/2006	—	345,579	345,579	—%	563,570	61.3%
<b>LTD (2)</b>						
7/1/2017	\$ 76,911	\$ 57,353	\$ (19,558)	134.1%	\$ 804,784	(2.43)%
7/1/2015	76,522	57,943	(18,579)	132.1%	775,313	(2.40)%
7/1/2013	69,463	69,504	41	99.9%	816,086	0.01%
7/1/2011	68,087	68,413	326	99.5%	816,962	0.04%
7/1/2009	60,992	66,523	5,531	91.7%	876,001	0.63%
7/1/2007	64,956	60,344	(4,612)	107.6%	856,510	(0.54)%

Notes:

- (1) The initial valuation for MERP was dated August 1, 2006. Valuations are performed biennially beginning with the valuation dated August 1, 2009.
- (2) Valuations are performed biennially beginning with the valuation dated July 1, 2007. The funding value for the August 1, 2007 valuation has been adjusted to reflect a \$9,100,000 reduction during fiscal year 2007-08.







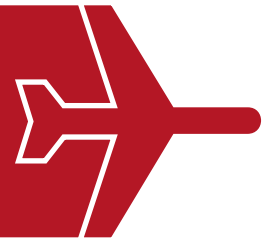
## STATISTICAL SECTION

**THE STATISTICAL SECTION CONTAINS UNAUDITED INFORMATION ABOUT THE AVIATION ENTERPRISE FUND OR THE AIRPORT.**

### **SUBSECTIONS INCLUDE:**

Subsection	Description
1	Financial Schedules
2	Debt Schedules
3	Economic and Demographic Schedules





# FINANCIAL SCHEDULES

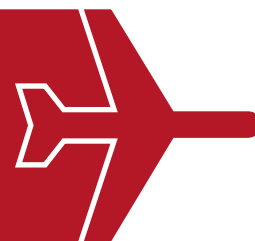
## THE FINANCIAL SCHEDULES INCLUDE:

Schedule	Description
1	Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances (non-GAAP)
2	Reconciliation of Airport Cash on Hand to Available Fund Balance per Budgetary Presentation
3	Reconciliation of GAAP Operating Revenues and Expenses to Revenues and Expenditures per Budgetary Presentation
4	Changes in Net Position
5	Principal Revenue Sources
6	Rates and Charges

**SCHEDULE 1****City of Phoenix, Aviation Enterprise Fund  
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (NON-GAAP)****(In Expense Priority Established by the Airport Bond Ordinance)  
For the fiscal years ended June 30 (in thousands)**

	2017	2016
<b>REVENUES</b>		
Aeronautical Revenue		
Terminal Fees	\$ 80,303	\$ 76,750
Landing Fees	49,889	48,398
Air Cargo and Hangar Rental	7,895	7,279
Other	13,037	13,999
Non-Aeronautical Revenue		
Parking	84,171	84,389
Rental Cars	53,586	50,895
Terminal – Food and Beverage	21,698	20,950
Terminal – Retail	10,136	10,630
Rental Revenue	20,762	16,923
Ground Transportation	5,340	6,013
Other	7,834	9,101
Total Revenues Before Reimbursement	354,651	345,327
Transportation O&M Expense Reimbursement (1)	16,190	14,837
Total Revenues	370,841	360,164
<b>EXPENDITURES AND ENCUMBRANCES</b>		
Cost of Operation and Maintenance		
Personal Services	116,353	105,591
Contractual Services	113,745	108,376
Supplies	12,070	11,686
Equipment/Minor Improvements	2,948	4,583
Total Cost of Operation and Maintenance (1)	245,116	230,236
Net Airport Revenue Available for Debt Service (Net Airport Revenues)	125,725	129,928
Total Senior Lien Airport Revenue Bond Debt Service	48,797	48,775
Net Airport Revenue Available After Senior Lien Revenue Bond Debt Service (Designated Revenues)	76,928	81,153
Total Junior Lien Airport Revenue Bond Debt Service (2)	5,933	3,962
Net Airport Revenue Available After Senior and Junior Lien Revenue Bond Debt Service	70,995	77,191
Other Expenditures		
Capital Improvements	42,693	54,493
General Obligation Bond Debt Service	197	197
Total Other Expenditures	42,890	54,690
Total Expenditures and Encumbrances	342,736	337,663
Excess of Revenues Over Expenditures and Encumbrances	28,105	22,501



**SCHEDULE 1****City of Phoenix, Aviation Enterprise Fund  
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (NON-GAAP) (CONTINUED)**(In Expense Priority Established by the Airport Bond Ordinance)  
For the fiscal years ended June 30 (in thousands)

	2017	2016
OTHER FINANCING SOURCES (USES)		
Recovery of Prior Years Expenditures	\$ 1,498	\$ 1,192
Transfer to General Fund:		
Staff and Administrative – Central Service	(8,373)	(7,716)
Transfers (to) from Other Funds		
Transfers to Other Funds	(15,922)	(17,233)
Transfers from Other Funds	2,769	3
Total Other Financing Sources (Uses)	(20,028)	(23,754)
Net Increase in Fund Balance	8,077	(1,253)
FUND BALANCE, JULY 1	326,034	327,287
FUND BALANCE, JUNE 30	334,111	326,034
Non-Cash Budgetary Transactions (3)	31,341	49,578
Total Airport Cash on Hand, June 30	\$ 365,452	\$ 375,612
Days Cash Calculation (4)		
Total Airport Cash on Hand, June 30	\$ 365,452	\$ 375,612
Total Cost of Maintenance and Operation	245,116	230,236
Days Cash on Hand	544	595

**Notes:**

- (1) Rental Car Center Transportation O&M Expenses as defined in the CFC Bond Documents are included as a Cost of Operation and Maintenance. Amounts reimbursed to the City by the CFC trustee to pay the rental car busing service expenses (included as a Cost of Operation and Maintenance) are included as Revenues.
- (2) Debt service is net of the Junior Lien Passenger Facility Charge Credits and the Recovery Zone Economic Development Bonds subsidy from the United States Treasury.
- (3) Consists of budgetary encumbrances, revenue recoveries and other timing differences.
- (4) Days cash on hand is calculated as follows: Total airport cash on hand divided by total cost of maintenance and operation multiplied by 365.

**SCHEDULE 2**  
**City of Phoenix, Aviation Enterprise Fund**  
**RECONCILIATION OF AIRPORT CASH ON HAND TO AVAILABLE FUND**  
**BALANCE PER BUDGETARY PRESENTATION**  
For the fiscal years ended June 30 (in thousands)

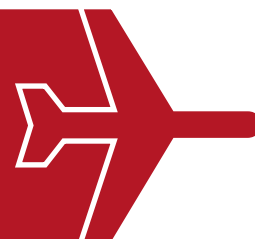
	2017	2016
Comparative Statements of Net Position		
Cash and Cash Equivalents (Unrestricted)	\$ 69,970	\$ 76,667
Investments (Unrestricted)	295,482	298,945
Total Airport Cash on Hand, June 30	365,452	375,612
Adjusted For:		
Non-Cash Budgetary Transactions (1)	(31,341)	426
Available Fund Balance per Budgetary Presentation (2)	\$ 334,111	\$ 326,034

Notes:

- (1) Consists of budgetary encumbrances, revenue recoveries and other timing differences.
- (2) Budgetary Presentation is shown on Schedule 1 – City of Phoenix Aviation Enterprise Fund Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balances

**SCHEDULE 3****City of Phoenix, Aviation Enterprise Fund  
RECONCILIATION OF GAAP OPERATING REVENUES AND EXPENSES TO REVENUES  
AND EXPENDITURES PER BUDGETARY PRESENTATION**

For the fiscal years ended June 30 (in thousands)



	2017	2016
Revenues		
Total GAAP Operating Revenues	\$ 356,418	\$ 333,415
Adjusted for :		
Transportation O&M Expense Reimbursement	16,190	14,837
Year-end Revenue Accruals	(6,257)	8,677
Interest and other Non-Operating Revenue	4,490	3,235
Revenues per Budgetary Presentation (2)	<u>\$ 370,841</u>	<u>\$ 360,164</u>
Operating Expenses/Expenditures		
Total GAAP Operating Expenses	\$ 426,799	\$ 436,404
Adjusted for :		
Depreciation	(165,826)	(166,829)
Staff and Administration	(8,373)	(7,716)
Net Pension Liability Increase	(4,817)	(14,072)
Year-End Expenditure Accruals	4,284	379
Expensed Capital (3)	(11,433)	(20,914)
Other (1)	4,482	2,984
Operation and Maintenance Expenditures per Budgetary Presentation (2)	<u>\$ 245,116</u>	<u>\$ 230,236</u>
Senior Lien Coverage Calculation		
Revenue	\$ 370,841	\$ 360,164
Operating Expenditures	245,116	230,236
Designated Revenue for Senior Lien Debt Service	<u>\$ 125,725</u>	<u>\$ 129,928</u>
Senior Lien Debt Service	<u>\$ 48,797</u>	<u>\$ 48,775</u>
Senior Lien Debt Service Coverage (4)	2.58	2.66
Junior Lien Coverage Calculation		
Designated Revenue for Senior Lien Debt Service	\$ 125,725	\$ 129,928
Senior Lien Debt Service	48,797	48,775
Designated Revenue for Junior Lien Debt Service	<u>\$ 76,928</u>	<u>\$ 81,153</u>
Junior Lien Debt Service	\$ 52,588	\$ 49,802
Adjusted for :		
Junior Lien PFC Credit	(46,065)	(45,249)
2010 RZEDB Subsidy Payments	(590)	(591)
Net Junior Lien Debt Service	<u>\$ 5,933</u>	<u>\$ 3,962</u>
Junior Lien Debt Service Coverage (4)	12.97	20.48
Aggregate Senior & Junior Liens Coverage Calculation		
Designated Revenue for Debt Service	\$ 125,725	\$ 129,928
Aggregate Senior & Junior Liens Debt Service	54,730	52,737
Aggregate Senior & Junior Liens Debt Service Coverage	2.30	2.46

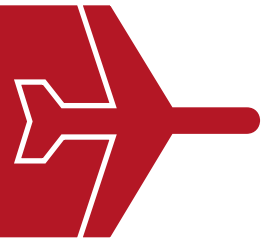
## Notes:

- (1) Includes budgetary encumbrances and revenue recoveries.
- (2) Budgetary Presentation is shown on the City of Phoenix Aviation Enterprise Fund Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances.
- (3) Includes repairs and studies that do not result in a major improvement to the Aviation Enterprise Fund.
- (4) As defined in the City Purchase Agreement.

**SCHEDULE 4**  
**City of Phoenix, Aviation Enterprise Fund**  
**CHANGES IN NET POSITION**  
Last Ten Fiscal Years  
(in thousands)

	2017	2016	2015	2014
Operating Revenues				
Aeronautical Revenue	\$ 154,209	\$ 144,093	\$ 145,046	\$ 141,633
Non-Aeronautical Revenue	202,209	189,322	195,921	184,411
Total Operating Revenue	356,418	333,415	340,967	326,044
Operating Expenses				
Operation and Maintenance				
Personal Services	128,038	119,938	86,172	65,339
Contractual Services	103,158	104,735	115,486	124,360
Supplies	9,300	11,925	10,771	11,014
Equipment/Minor Improvements	11,145	23,305	31,128	26,045
Environmental, Studies and Noise	959	1,956	2,600	5,099
City Staff and Administrative	8,373	7,716	7,969	7,262
Depreciation	165,826	166,829	163,691	158,760
Total Operating Expenses	426,799	436,404	417,817	397,879
Net Operating Loss	(70,381)	(102,989)	(76,850)	(71,835)
Non-Operating Revenues (Expenses)				
Passenger Facility Charges	83,577	83,449	84,774	79,672
Rental Car Customer Facility Charges	47,348	47,118	44,839	43,113
Investment Income	2,555	6,591	2,988	3,831
Interest on Capital Debt	(67,915)	(67,141)	(65,051)	(64,863)
Loss on Disposal of Capital Assets	(1,417)	(759)	(47)	(29)
Total Non-Operating Revenues (Expenses)	64,148	69,258	67,503	61,724
Capital Contributions	26,639	27,803	20,970	27,184
Transfer from Other Funds	—	2	1	—
Transfer to Other Funds	(370)	(330)	(365)	(166)
Change in Net Position	20,036	(6,256)	11,259	16,907
Net Position – July 1	1,645,405	1,651,661	1,640,402	1,765,618
Restatement of Beginning Net Position	—	—	—	(142,123)
Net Position – July 1, as Restated	1,645,405	1,651,661	1,640,402	1,623,495
Net Position – June 30	\$ 1,665,441	\$ 1,645,405	\$ 1,651,661	\$ 1,640,402
Net Position – June 30				
Net Investment in Capital Assets	\$ 1,103,164	\$ 1,104,662	\$ 1,170,752	\$ 1,241,513
Restricted	357,767	350,755	343,472	272,624
Unrestricted	204,510	189,988	137,437	126,265
Total Net Position	\$ 1,665,441	\$ 1,645,405	\$ 1,651,661	\$ 1,640,402

**SCHEDULE 4**  
**City of Phoenix, Aviation Enterprise Fund**  
**CHANGES IN NET POSITION (CONTINUED)**  
 Last Ten Fiscal Years  
 (in thousands)



	2013	2012	2011	2010	2009	2008
\$	129,026	\$ 124,112	\$ 118,580	\$ 110,979	\$ 111,451	\$ 104,146
	176,660	175,655	170,080	155,799	161,628	180,148
	<u>305,686</u>	<u>299,767</u>	<u>288,660</u>	<u>266,778</u>	<u>273,079</u>	<u>284,294</u>
	72,791	71,987	69,189	71,253	62,639	62,576
	114,748	103,669	104,365	97,580	109,108	118,537
	11,797	11,061	11,294	9,333	11,071	13,474
	32,850	31,225	36,026	19,249	44,504	16,388
	8,361	8,218	15,364	13,811	3,028	—
	6,869	5,889	4,364	5,037	5,943	6,388
	146,034	127,699	128,697	129,034	110,067	86,364
	<u>393,450</u>	<u>359,748</u>	<u>369,299</u>	<u>345,297</u>	<u>346,360</u>	<u>303,727</u>
	<u>(87,764)</u>	<u>(59,981)</u>	<u>(80,639)</u>	<u>(78,519)</u>	<u>(73,281)</u>	<u>(19,433)</u>
	78,184	78,807	79,870	77,165	74,134	82,248
	41,457	41,253	39,274	36,050	33,573	35,016
	519	2,750	2,609	3,518	8,958	14,142
	(70,785)	(75,927)	(70,612)	(46,768)	(43,076)	(32,845)
	(153)	16	7,803	(1,420)	(24)	2,692
	<u>49,222</u>	<u>46,899</u>	<u>58,944</u>	<u>68,545</u>	<u>73,565</u>	<u>101,253</u>
	14,516	32,694	33,832	40,000	25,005	44,668
	31	—	—	—	—	—
	—	—	—	—	—	(1,267)
	<u>(23,995)</u>	<u>19,612</u>	<u>12,137</u>	<u>30,026</u>	<u>25,289</u>	<u>125,221</u>
	1,789,613	1,770,001	1,757,864	1,727,838	1,896,919	1,771,698
	—	—	—	—	(194,370)	—
	<u>1,789,613</u>	<u>1,770,001</u>	<u>1,757,864</u>	<u>1,727,838</u>	<u>1,702,549</u>	<u>1,771,698</u>
\$	<u>1,765,618</u>	<u>\$ 1,789,613</u>	<u>\$ 1,770,001</u>	<u>\$ 1,757,864</u>	<u>\$ 1,727,838</u>	<u>\$ 1,896,919</u>
\$	1,255,699	\$ 1,325,444	\$ 1,312,605	\$ 1,465,741	\$ 1,493,939	\$ 1,531,043
	266,673	106,337	106,350	51,730	52,019	37,822
	243,246	357,832	351,046	240,393	181,880	328,054
\$	<u>1,765,618</u>	<u>\$ 1,789,613</u>	<u>\$ 1,770,001</u>	<u>\$ 1,757,864</u>	<u>\$ 1,727,838</u>	<u>\$ 1,896,919</u>

**SCHEDULE 5**

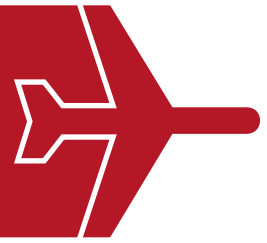
**City of Phoenix, Aviation Enterprise Fund**

**PRINCIPAL REVENUE SOURCES**

for Operating Revenues over Ten Percent of Total Operating Revenues  
Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
Terminal Fees					
Amount	\$ 80,955,779	\$ 75,114,921	\$ 78,422,082	\$ 73,089,595	\$ 64,904,028
Percent of Operating Revenue	22.71%	22.53%	23.00%	22.42%	21.23%
Landing Fees					
Amount	\$ 51,278,003	\$ 49,869,087	\$ 48,497,053	\$ 49,860,459	\$ 46,892,628
Percent of Operating Revenue	14.39%	14.96%	14.22%	15.29%	15.34%
Parking					
Amount	\$ 84,150,595	\$ 84,585,621	\$ 81,094,038	\$ 76,964,416	\$ 74,913,811
Percent of Operating Revenue	23.61%	25.37%	23.78%	23.61%	24.51%
Rental Cars					
Amount	\$ 53,594,924	\$ 46,668,644	\$ 52,103,343	\$ 49,627,460	\$ 47,793,301
Percent of Operating Revenue	15.04%	14.00%	15.28%	15.22%	15.63%
	Fiscal Year				
	2012	2011	2010	2009	2008
Operating Revenue	299,767	288,660	266,778	273,079	284,294
Terminal Fees					
Amount	\$ 56,745,994	\$ 45,524,353	\$ 40,505,843	\$ 45,397,236	\$ 41,533,432
Percent of Operating Revenue	18.93%	15.77%	15.18%	16.62%	14.61%
Landing Fees					
Amount	\$ 42,970,142	\$ 41,504,514	\$ 38,489,900	\$ 37,567,983	\$ 34,688,371
Percent of Operating Revenue	14.33%	12.45%	14.43%	13.76%	12.20%
Parking					
Amount	\$ 72,753,006	\$ 69,837,852	\$ 66,087,317	\$ 70,231,461	\$ 81,543,211
Percent of Operating Revenue	24.27%	24.19%	24.77%	25.72%	28.68%
Rental Cars					
Amount	\$ 47,094,786	\$ 45,684,285	\$ 43,999,292	\$ 41,665,110	\$ 45,801,605
Percent of Operating Revenue	15.71%	15.83%	16.49%	15.26%	16.11%

**SCHEDULE 6**  
**City of Phoenix, Aviation Enterprise Fund**  
**RATES AND CHARGES**  
for Principal Revenue Sources  
Last Ten Fiscal Years



	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Airline Terminal Fees (1)</b>					
Fee per Square Foot					
Terminal 2	\$ 109.80	\$ 106.68	\$ 118.26	\$ 112.80	\$ 110.65
Terminal 3	109.80	106.68	118.26	112.80	110.65
Terminal 4	109.80	106.68	118.26	112.80	110.65
<b>Landing Fees</b>					
Fee per 1,000 Pounds	1.98	1.98	1.87	1.99	1.93
<b>Parking Rates</b>					
Terminal Garages (per Hour)	4.00	4.00	4.00	4.00	4.00
Terminal Garages (Daily Max)	25.00	25.00	25.00	25.00	25.00
Economy Covered	11.00	11.00	11.00	11.00	11.00
Economy Uncovered	9.00	9.00	9.00	9.00	9.00
<b>Rental Car Center Rates</b>					
Percent of Gross Rent	10%	10%	10%	10%	10%

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Airline Terminal Fees</b>					
Fee per Square Foot					
Terminal 2	\$ 79.99	\$ 75.80	\$ 66.83	\$ 59.49	\$ 52.09
Terminal 3	83.73	81.92	79.76	59.84	58.15
Terminal 4	104.56	90.90	85.60	69.65	66.79
<b>Landing Fees</b>					
Fee per 1,000 Pounds	1.67	1.59	1.53	1.39	1.25
<b>Parking Rates</b>					
Terminal Garages (per Hour)	4.00	4.00	4.00	4.00	4.00
Terminal Garages (Daily Max)	25.00	25.00	25.00	25.00	20.00
Economy Covered	11.00	11.00	10.00	10.00	10.00
Economy Uncovered	9.00	9.00	8.00	8.00	8.00
<b>Rental Car Center Rates</b>					
Percent of Gross Rent	10%	10%	10%	10%	10%

**Note:**

(1) In January 2012, the Aviation Department implemented a single terminal rental rate to be effective at all of its passenger terminals. The mid-year change to the terminal rent methodology did not change the overall budgeted costs associated with the three terminals at the Airport. It was a technical change that allowed for the equalization of rental rates across all terminals.







## DEBT SCHEDULES

### THE DEBT SCHEDULES INCLUDE:

Schedule	Description
7	Outstanding Debt Payable from General Airport Revenue, per Enplaned Passenger
8	Debt Service Paid from General Airport Revenue, per Enplaned Passenger
9	Bond Ratings
	City of Phoenix Civic Improvement Corporation Bonds
10	Senior Lien Airport Revenue Bonds – Schedule of Outstanding Debt
11	Senior Lien Airport Revenue Bonds – Schedule of Debt Service Requirements
12	Junior Lien Airport Revenue Bonds – Schedule of Outstanding Debt
13	Junior Lien Airport Revenue Bonds – Schedule of Debt Service Requirements
14	Rental Car Facility Charge Revenue Bonds – Schedule of Outstanding Debt
15	Rental Car Facility Charge Revenue Bonds – Schedule of Debt Service Requirements
	City of Phoenix Airport General Obligation Bonds
16	Schedule of Outstanding Debt
17	Schedule of Debt Service Requirements

**SCHEDULE 7**  
**City of Phoenix, Aviation Enterprise Fund**  
**OUTSTANDING DEBT PAYABLE FROM GENERAL AIRPORT REVENUE,**  
**PER ENPLANED PASSENGER**  
Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
Outstanding Debt (in thousands)					
Revenue Bonds					
Senior Lien Bonds	\$ 447,660	\$ 472,895	\$ 496,905	\$ 519,775	\$ 542,920
Junior Lien Bonds	724,405	739,900	659,585	672,290	684,395
Commercial Paper Notes	180,000	130,000	140,000	120,000	100,000
General Obligation Bonds	7,865	7,865	7,865	7,870	8,905
Total Outstanding Debt	<u>\$ 1,359,930</u>	<u>\$ 1,350,660</u>	<u>\$ 1,304,355</u>	<u>\$ 1,319,935</u>	<u>\$ 1,336,220</u>
Enplaned Passengers	21,792,323	22,055,907	21,488,569	20,518,748	20,235,788
Outstanding Debt per Enplaned Passenger	\$ 62.40	\$ 61.24	\$ 60.70	\$ 64.33	\$ 66.03
	Fiscal Year				
	2012	2011	2010	2009	2008
Outstanding Debt (in thousands)					
Revenue Bonds					
Senior Lien Bonds (a)	\$ 599,615	\$ 625,270	\$ 680,165	\$ 699,320	\$ 718,310
Junior Lien Bonds	696,105	696,105	—	—	—
Commercial Paper Notes	—	—	200,000	80,000	—
General Obligation Bonds	9,615	10,500	11,350	12,195	13,580
Total Outstanding Debt	<u>\$ 1,305,335</u>	<u>\$ 1,331,875</u>	<u>\$ 891,515</u>	<u>\$ 791,515</u>	<u>\$ 731,890</u>
Enplaned Passengers	20,278,458	19,681,233	19,096,529	18,912,120	20,667,530
Outstanding Debt per Enplaned Passenger	\$ 64.37	\$ 67.67	\$ 46.68	\$ 41.85	\$ 35.41

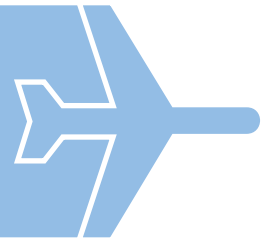
Notes:

(a) Includes Subordinated Excise Tax Variable Rate Demand Revenue Bonds (Airport Improvements), Series 1995, which were refunded by the Senior Lien Airport Revenue Refunding Bonds, Series 2008D (AMT) in June 2008.

Includes a portion of the Senior Lien Excise Tax Revenue Refunding Bonds, Series 2007, which were issued for Airport, in fiscal years 2007 through 2011. The Airport portion on the bonds were paid in full in fiscal year 2011.

Rental Car Facility Charge Bonds have been omitted from this schedule because payments do not come from general airport revenue.

**SCHEDULE 8**  
**City of Phoenix, Aviation Enterprise Fund**  
**DEBT SERVICE PAID FROM GENERAL AIRPORT REVENUE,**  
**PER ENPLANED PASSENGER**  
 Last Ten Fiscal Years



	Fiscal Year				
	2017	2016	2015	2014	2013
Debt Service (in thousands)					
Revenue Bonds					
Principal	\$ 40,730	\$ 38,135	\$ 35,575	\$ 35,250	\$ 33,615
Interest	60,654	60,442	59,626	61,248	64,495
Commercial Paper Notes					
Interest	1,021	125	—	—	—
General Obligation Bonds					
Principal	—	—	5	500	710
Interest	197	197	201	360	395
<b>Total Debt Service</b>	<b>\$ 102,602</b>	<b>\$ 98,899</b>	<b>\$ 95,407</b>	<b>\$ 97,358</b>	<b>\$ 99,215</b>
Enplaned Passengers	21,792,323	22,055,907	21,488,569	20,518,748	20,235,788
Debt Service per Enplaned Passenger	\$ 4.71	\$ 4.48	\$ 4.44	\$ 4.74	\$ 4.90

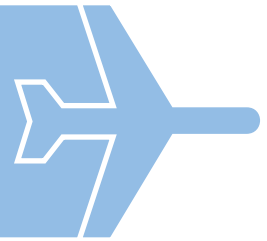
	Fiscal Year				
	2012	2011	2010	2009	2008
Debt Service (in thousands)					
Revenue Bonds					
Principal	\$ 25,655	\$ 20,610	\$ 19,155	\$ 18,990	\$ 14,595
Interest	66,925	62,453	35,744	37,286	25,195
General Obligation Bonds					
Principal	885	850	845	1,385	3,780
Interest	430	464	498	563	770
<b>Total Debt Service</b>	<b>\$ 93,895</b>	<b>\$ 84,377</b>	<b>\$ 56,242</b>	<b>\$ 58,224</b>	<b>\$ 44,340</b>
Enplaned Passengers	20,278,458	19,681,233	19,096,529	18,912,120	20,667,530
Debt Service per Enplaned Passenger	\$ 4.63	\$ 4.29	\$ 2.95	\$ 3.08	\$ 2.15

Source:  
 City of Phoenix, Aviation Department

Note:  
 Rental Car Facility Charge Bonds have been omitted from this schedule because payments do not come from general airport revenue.



**SCHEDULE 9**  
**City of Phoenix, Aviation Enterprise Fund**  
**BOND RATINGS**  
(as of June 30, 2017)



Series		Rating	
		Moody's	S & P
City of Phoenix Civic Improvement Corporation			
Senior Lien Revenue Bonds		Aa3	AA-
2008A	Airport Revenue Bonds (Non-AMT)		
2008B	Airport Revenue Bonds (AMT)		
2008C	Airport Revenue Refunding Bonds (Non-AMT)		
2008D	Airport Revenue Refunding Bonds (AMT)		
2013	Airport Revenue Refunding Bonds (AMT)		
Junior Lien Revenue Bonds		A1	A+
2010A	Airport Revenue Bonds (Non-AMT)		
2010B	Airport Revenue Bonds (Taxable)		
2010C	Airport Revenue Refunding Bonds (Non-AMT)		
2015A	Airport Revenue Bonds (Non-AMT)		
2015B	Airport Revenue Refunding Bonds (Non-AMT)		
Rental Car Facility Charge Revenue Bonds		A2	A
2004	Rental Car Facility Bonds (Taxable)		
City of Phoenix General Obligation Bonds		Aa1	AA+
2014	General Obligation Refunding Bonds		

Source:  
City of Phoenix, Finance Department

**SCHEDULE 10**  
**City of Phoenix, Aviation Enterprise Fund**  
**SENIOR LIEN AIRPORT REVENUE BONDS**  
**SCHEDULE OF OUTSTANDING DEBT**  
(as of June 30, 2017)

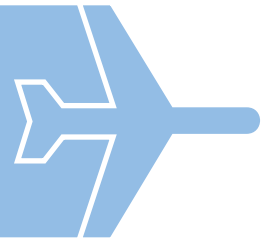
Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding (a)
06-18-08	2008A	\$ 206,840,000	7/1/20-38	4.80% – 5.00%	\$ 206,840,000
06-18-08	2008B	43,160,000	7/1/12-19	5.00% – 5.25%	12,480,000
06-18-08	2008C (b)	109,850,000	7/1/09-22	3.00% – 5.00%	45,760,000
06-18-08	2008D (b)	68,520,000	7/1/09-20	4.00% – 5.50%	13,940,000
03-05-13	2013 (b)	196,600,000	7/1/14-32	3.00% – 5.00%	168,640,000
Total					<u>\$ 447,660,000</u>

Notes:

(a) Does not include bonds maturing on July 1, 2017.

(b) Series 2008C, 2008D and 2013 were used for refunding purposes.

**SCHEDULE 11**  
**City of Phoenix, Aviation Enterprise Fund**  
**SENIOR LIEN AIRPORT REVENUE BONDS**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**



Fiscal Year	Principal	Interest	Total
2018	\$ 26,575,000	\$ 22,275,450	\$ 48,850,450
2019	27,935,000	20,983,500	48,918,500
2020	29,505,000	19,624,625	49,129,625
2021	25,710,000	18,151,250	43,861,250
2022	26,995,000	16,865,750	43,860,750
2023	17,810,000	15,544,550	33,354,550
2024	18,710,000	14,654,050	33,364,050
2025	19,640,000	13,718,550	33,358,550
2026	20,630,000	12,736,550	33,366,550
2027	21,655,000	11,705,050	33,360,050
2028	22,740,000	10,622,300	33,362,300
2029	23,870,000	9,487,750	33,357,750
2030	25,065,000	8,294,250	33,359,250
2031	26,320,000	7,041,000	33,361,000
2032	27,635,000	5,725,000	33,360,000
2033	12,770,000	4,343,250	17,113,250
2034	13,410,000	3,704,750	17,114,750
2035	14,080,000	3,034,250	17,114,250
2036	14,785,000	2,330,250	17,115,250
2037	15,520,000	1,591,000	17,111,000
2038	16,300,000	815,000	17,115,000
<b>Total</b>	<b>\$ 447,660,000</b>	<b>\$ 223,248,125</b>	<b>\$ 670,908,125</b>

**SCHEDULE 12**  
**City of Phoenix, Aviation Enterprise Fund**  
**JUNIOR LIEN AIRPORT REVENUE BONDS**  
**SCHEDULE OF OUTSTANDING DEBT**  
(as of June 30, 2017)

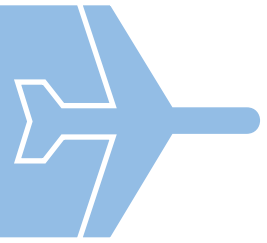
Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding (a)
09-01-10	2010A (c)	\$ 642,680,000	7/1/13-40	2.00% – 5.25%	\$ 558,890,000
09-01-10	2010B(c),(d)	21,345,000	7/1/2040	6.60%	21,345,000
09-01-10	2010C (b)	32,080,000	7/1/23-25	5.00%	32,080,000
12-15-15	2015A (e)	95,785,000	7/1/16-45	4.00% – 5.00%	93,435,000
12-15-15	2015B (c)	18,655,000	7/1/34	5.00%	18,655,000
<b>Total</b>					<b>\$ 724,405,000</b>

Notes:

- (a) Does not include bonds maturing on July 1, 2017.
- (b) Series 2010C was used for refunding purposes.
- (c) 100% of debt service due on or before July 1, 2021 on these bonds is also secured by an irrevocable commitment of net proceeds of a passenger facility charge (the PFC) imposed by the City and collected on behalf of the City by non-exempt passenger air carriers at Phoenix Sky Harbor International Airport. The PFC is currently imposed at the rate of \$4.50 per qualifying enplaned passenger and is required to be remitted to the City less any accrued interest and an \$0.11 per PFC airline collection fee.
- (d) Represents bonds issued as RZEDB Bonds for purposes of the American Recovery and Reinvestment Act of 2009, and the Internal Revenue Code of 1986. Subject to the City's compliance with certain requirements of the Code, the City expects to receive semiannual cash subsidy payments rebating a portion of the interest on these bonds from the United States Treasury in an amount equal to 45% of the interest payable each respective interest payment date. The debt service shown above has not been reduced by the expected subsidy payments. On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, which has resulted in a reduction of the federal subsidy by 6.8% and 7.3% (the Sequester Reductions), in fiscal years 2016 and 2015, respectively. However, the City does not expect the Sequester Reductions to have a material adverse effect on its ability to make payments of interest on the RZEDB Bonds.
- (e) 30% of debt service due on or before July 1, 2021 on these bonds is also secured by an irrevocable commitment of net proceeds of a passenger facility charge imposed by the City and collected on behalf of the City by non-exempt passenger air carriers at Phoenix Sky Harbor International Airport.



**SCHEDULE 13**  
**City of Phoenix, Aviation Enterprise Fund**  
**JUNIOR LIEN AIRPORT REVENUE BONDS**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**



Fiscal Year	Principal	Interest	Total
2018	\$ 16,270,000	\$ 36,321,351	\$ 52,591,351
2019	16,980,000	35,610,551	52,590,551
2020	17,805,000	34,782,752	52,587,752
2021	18,655,000	33,934,276	52,589,276
2022	19,580,000	33,006,526	52,586,526
2023	30,735,000	32,027,526	62,762,526
2024	32,270,000	30,490,777	62,760,777
2025	33,885,000	28,877,276	62,762,276
2026	23,750,000	27,236,182	50,986,182
2027	24,935,000	26,048,683	50,983,683
2028	26,185,000	24,801,932	50,986,932
2029	27,490,000	23,492,683	50,982,683
2030	28,865,000	22,118,182	50,983,182
2031	30,240,000	20,738,108	50,978,108
2032	31,765,000	19,226,107	50,991,107
2033	33,420,000	17,566,433	50,986,433
2034	33,820,000	15,820,270	49,640,270
2035	36,930,000	14,129,270	51,059,270
2036	38,775,000	12,282,770	51,057,770
2037	40,695,000	10,362,470	51,057,470
2038	42,705,000	8,346,920	51,051,920
2039	44,825,000	6,231,670	51,056,670
2040	47,045,000	4,011,170	51,056,170
2041	4,845,000	1,339,000	6,184,000
2042	5,090,000	1,096,750	6,186,750
2043	5,345,000	842,250	6,187,250
2044	5,610,000	575,000	6,185,000
2045	5,890,000	294,500	6,184,500
<b>Total</b>	<b>\$ 724,405,000</b>	<b>\$ 521,611,385</b>	<b>\$ 1,246,016,385</b>

Note:

Includes debt service on \$21,345,000 par amount of RZEDB. Debt service has not been reduced by the expected RZEDB subsidy payments.

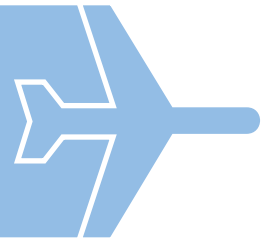
**SCHEDULE 14**  
**City of Phoenix, Aviation Enterprise Fund**  
**RENTAL CAR FACILITY CHARGE REVENUE BONDS**  
**SCHEDULE OF OUTSTANDING DEBT**  
(as of June 30, 2017)

<u>Delivery Date</u>	<u>Series</u>	<u>Original Issuance</u>	<u>Maturity Dates</u>	<u>Coupons</u>	<u>Bonds Outstanding (a)</u>
06-02-04	2004	\$ 260,000,000	7/1/07-29	3.69% – 6.25%	\$ 176,255,000
					<u>\$ 176,255,000</u>

Note:

(a) Does not include bonds maturing on July 1, 2017.

**SCHEDULE 15**  
**City of Phoenix, Aviation Enterprise Fund**  
**RENTAL CAR FACILITY CHARGE REVENUE BONDS**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**



Fiscal Year	Principal	Interest	Total
2018	\$ 10,370,000	\$ 10,903,426	\$ 21,273,426
2019	10,990,000	10,284,336	21,274,336
2020	11,645,000	9,628,234	21,273,234
2021	12,365,000	8,909,737	21,274,737
2022	13,130,000	8,146,816	21,276,816
2023	13,940,000	7,336,696	21,276,696
2024	14,800,000	6,476,597	21,276,597
2025	15,710,000	5,563,438	21,273,438
2026	16,695,000	4,581,562	21,276,562
2027	17,740,000	3,538,125	21,278,125
2028	18,845,000	2,429,375	21,274,375
2029	20,025,000	1,251,563	21,276,563
<b>Total</b>	<b>\$ 176,255,000</b>	<b>\$ 79,049,905</b>	<b>\$ 255,304,905</b>

**SCHEDULE 16**  
**City of Phoenix, Aviation Enterprise Fund**  
**AIRPORT GENERAL OBLIGATION BONDS**  
**SCHEDULE OF OUTSTANDING DEBT**  
(as of June 30, 2017)

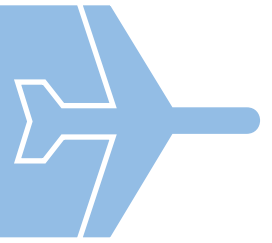
Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding (a)
06-24-14	2014 (b)	\$ 7,865,000	7/1/19-20	2.00% – 4.00%	\$ 7,865,000
Total					<u>\$ 7,865,000</u>

Notes:

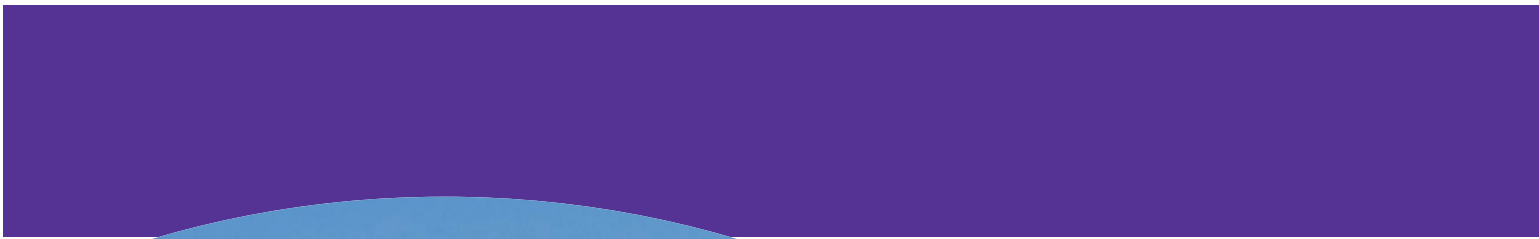
(a) Does not include bonds maturing on July 1, 2017.

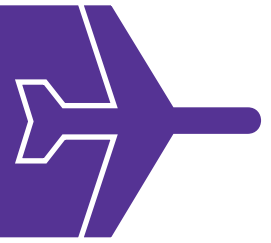
(b) Series 2014 refunded the 2003 GO Bonds.

**SCHEDULE 17**  
**City of Phoenix, Aviation Enterprise Fund**  
**AIRPORT GENERAL OBLIGATION BONDS**  
**SCHEDULE OF DEBT SERVIC REQUIREMENTS**



Fiscal Year	Principal	Interest	Total
2018	\$ —	\$ 197,050	\$ 197,050
2019	4,520,000	197,050	4,717,050
2020	3,345,000	82,700	3,427,700
<b>Total</b>	<b>\$ 7,865,000</b>	<b>\$ 476,800</b>	<b>\$ 8,341,800</b>





# ECONOMIC AND DEMOGRAPHIC SCHEDULES

## THE ECONOMIC AND DEMOGRAPHIC SCHEDULES INCLUDE:

Schedule	Description
18	Demographic Statistics for the Airport Service Area
19	Principal Employers
20	Airport Employee Trends
21	Capital Assets and Other Airport Information
22	Schedule of Annual Passenger Enplanements by Type of Passenger
23	Schedule of Annual Passenger Enplanements by Flight Destination
24	Schedule of Enplaned Passengers by Airline
25	Schedule of Annual Average Cost Per Enplanement
26	Schedule of PFC Approvals and Revenues
27	Schedule of Annual PFC Collections
28	Rental Car Facility Charge Revenue Bonds – Schedule of Annual Receipts, Net Annual CFC Revenues, and Debt Service Coverage
29	Schedule of Rental Car Gross Sales by Company

**SCHEDULE 18**  
**City of Phoenix, Aviation Enterprise Fund**  
**DEMOGRAPHIC STATISTICS FOR THE AIRPORT SERVICE AREA**  
 June 30, 3017

Fiscal Year	Population (July 1)	Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2017 (a)	—	\$ —	\$ —	4.5%
2016	4,661,537	196,801,479	42,218	5.3%
2015	4,574,531	186,693,084	40,811	5.3%
2014	4,489,109	178,871,199	39,846	6.0%
2013	4,404,129	170,637,978	38,745	6.8%
2012	4,330,974	166,686,196	38,487	7.4%
2011	4,254,149	158,211,801	37,190	8.7%
2010	4,209,347	148,838,301	35,359	9.6%
2009	4,153,609	147,153,657	35,428	9.3%
2008	4,106,372	154,461,916	37,615	5.5%

Sources:

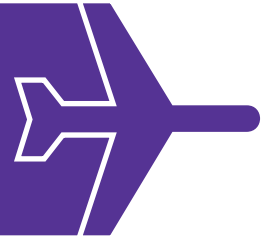
U.S. Department of Commerce, Bureau of the Census website, [www.census.gov](http://www.census.gov)  
 U.S. Department of Commerce, Bureau of Economic Analysis website, [www.bea.gov](http://www.bea.gov)  
 U.S. Department of Labor, Bureau of Labor Statistics website, [www.bls.gov](http://www.bls.gov)

Notes:

The data in this table is for the Phoenix-Mesa-Scottsdale, AZ Metropolitan Statistical Area  
 (a) Population, Personal Income, and Per Capita Income are not available for June 30, 2017 as of the date of publication.



**SCHEDULE 19**  
**CITY OF PHOENIX, AVIATION ENTERPRISE FUND**  
**PRINCIPAL EMPLOYERS**  
 Current Year and Nine Years Ago



Employer	2017			2008		
	Employees	Rank	Percentage	Employees	Rank	Percentage
State of Arizona	42,687	1	2.23%	50,079	1	2.61%
Banner Health	34,776	2	1.82%	17,020	3	0.89%
Wal-Mart Stores Inc	34,090	3	1.78%	30,174	2	1.57%
Wells Fargo & Co	14,818	4	0.77%	14,000	6	0.73%
City of Phoenix	13,776	5	0.72%	14,453	4	0.75%
Maricopa County	12,939	6	0.68%	14,057	5	0.73%
Arizona State University	12,715	7	0.66%	12,727	7	0.66%
HonorHealth	11,296	8	0.59%			
Dignity Health	11,182	9	0.58%			
Intel Corp	11,000	10	0.57%			
Fry's Food & Drug				11,780	8	0.61%
U.S. Postal Service				11,000	9	0.57%
Honeywell Aerospace				10,700	10	0.54%

Sources:

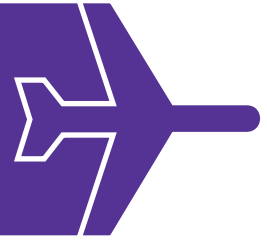
Phoenix Business Journal Book of Lists  
 Arizona Department of Commerce, Workforce Development

Note:

Top employers in Maricopa County.



**SCHEDULE 20**  
**City of Phoenix, Aviation Enterprise Funds**  
**AVIATION DEPARTMENT EMPLOYEE TREND**  
 Last Ten Fiscal Years Ended June 30



	2017	2016	2015	2014	2013
Division/Group					
Administration	10	8	12	9	10
Business and Properties	20	19	18	20	20
Contracts and Services	19	8	—	—	—
Design and Construction Services	35	29	30	36	37
Facilities and Services	385	381	374	384	374
Financial Management	26	27	30	32	31
Human Resources	16	15	12	12	13
Technology	41	39	37	41	39
Operations	189	186	181	188	185
Planning and Environmental	19	19	19	21	21
Public Relations	16	13	14	13	12
Other	8	4	5	18	27
<b>Total</b>	<b>784</b>	<b>748</b>	<b>732</b>	<b>774</b>	<b>769</b>
	2012	2011	2010	2009	2008
Division/Group					
Administration	15	12	12	14	18
Business and Properties	18	20	22	22	22
Contracts and Services	—	—	—	—	—
Design and Construction Services	28	30	35	35	28
Facilities and Services	367	380	382	396	403
Financial Management	30	35	34	36	34
Human Resources	13	14	14	16	13
Technology	41	45	39	39	38
Operations	187	183	179	173	172
Planning and Environmental	29	27	26	23	20
Public Relations	13	14	13	12	10
Other	30	29	19	9	4
<b>Total</b>	<b>771</b>	<b>789</b>	<b>775</b>	<b>775</b>	<b>762</b>

Source:  
 City of Phoenix, Aviation Department

## SCHEDULE 21

### City of Phoenix, Aviation Enterprise Fund CAPITAL ASSETS AND OTHER AIRPORT INFORMATION

## PHOENIX SKY HARBOR INTERNATIONAL AIRPORT (PHX)

### About the Airport

Phoenix Sky Harbor International Airport (the Airport) has been owned and operated by the City of Phoenix (the City) since 1935. It is the largest of the three airports that comprise the City's Aviation Enterprise Fund. The Airport is located approximately four miles east of the downtown Phoenix area. It is the only Arizona airport designated as a large hub by the Federal Aviation Administration (FAA) and is the principal commercial service airport serving metropolitan Phoenix and most of the State's population.

### Terminal, Parking and Rental Car Facilities

The Airport currently has three active passenger terminal buildings, Terminals 2, 3, and 4. Terminal 1 was constructed in 1952 at a cost of \$835 thousand and was among the most modern and efficient passenger terminals of its time. Terminals were added over the years to accommodate increasing traffic, and in 1991, Terminal 1 was demolished, but the other terminals were never renumbered.

Terminal 2 opened in 1962, the year Sky Harbor surpassed the one million passenger mark. Constructed for \$2.7 million, Terminal 2 contains approximately 330,000 square feet and 10 gates. Alaska, Boutique, Great Lakes, Spirit, Sun Country, and United airlines serve passengers through Terminal 2.

Terminal 3 opened in 1979, with construction costs at \$35 million. Terminal 3 contains approximately 639,000 square feet and 10 gates. The Airport has launched a Terminal 3 modernization project, designed to provide consistent and enhanced customer service and more efficient operations for airlines and concessionaires. Upon completion of this project, Terminal 3 will contain approximately 710,000 square feet and 25 gates. Delta, Frontier, Hawaiian, and JetBlue airlines serve passengers through Terminal 3.

Terminal 4 opened in 1990, at an initial cost of \$248 million. The Terminal opened with five concourses, later adding two additional concourses for a total of seven. Terminal 4 contains approximately 2.3 million square feet and 81 gates. The Terminal 4 new concourse project will add 8 new gates when completed in 2021. Air Canada, American, British Airways, Southwest, Volaris, and WestJet airlines serve passengers through Terminal 4.

The Airport has approximately 31,400 public and employee parking spaces in five parking garages and five surface lots.

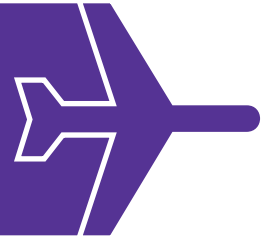
A consolidated rental car facility is located west of the terminals on a 141-acre site that includes approximately 5,600 ready/return garage spaces in a 2.2-million square foot garage and a 113,000 square foot customer service building.

### PHX Sky Train®

The PHX Sky Train® is an electrically-powered, automated people mover that operates 24-hours a day, 365 days a year. It provides a seamless connection among the three terminal buildings, East Economy Parking and the Valley Metro Light Rail. The PHX Sky Train® will also connect to the Rental Car Center when the final phase is complete in 2022.

### Runways

The Airport has three parallel runways (8/26 is 11,490 feet in length, 7L/25R is 10,300 feet in length, and 7R/25L is 7,800 feet in length) and a network of supporting taxiways, aprons and hold areas. Together with the terminals, the Airport facilities are capable of accommodating the operations of all commercial jet aircraft currently in use.



## **PHOENIX DEER VALLEY AIRPORT (DVT)**

### **About the Airport**

Phoenix Deer Valley Airport serves to relieve air traffic from Phoenix Sky Harbor International Airport. As such, the Airport is capable of accommodating all segments of civil aviation, except commercial passenger service. Phoenix Deer Valley Airport encompasses approximately 914 acres of property. This airport is located fifteen miles north of downtown Phoenix near the intersection of Interstate 17 and Loop 101.

### **Terminal and Hangar Facilities**

The Terminal was originally constructed in 1975 and then renovated in 2002, with a total cost of \$6.2 million. It is roughly 28,000 square feet. Phoenix Deer Valley Airport has 779 hangars and 380 covered and uncovered tie-down spaces, constructed for a total cost of \$17 million.

### **Runways**

Phoenix Deer Valley Airport has two runways (07L/25R is 4,500 feet long and 75 feet wide and 07R/25L is 8,200 feet long and 100 feet wide.)

## **PHOENIX GOODYEAR AIRPORT (GYR)**

### **About the Airport**

Phoenix Goodyear Airport is classified as a general aviation reliever airport for Phoenix Sky Harbor International Airport. It is located on 789 acres of property approximately two miles south of Interstate 10 on Litchfield Road. This airport was previously known as the Naval Air Facility Litchfield Park until it was purchased by the City of Phoenix in 1968.

### **Terminal and Hangar Facilities**

The Terminal is approximately 5,200 square feet and was completed in 2000, for a cost of \$2.9 million. Phoenix Goodyear Airport has 147 Hangars and 22 Tie-Downs, constructed for a cost of \$18 million.

### **Runway**

Phoenix Goodyear Airport has a single runway (03/21 is 8,500 feet long and 150 feet wide) and can accommodate aircraft up to the size of a Boeing 747.

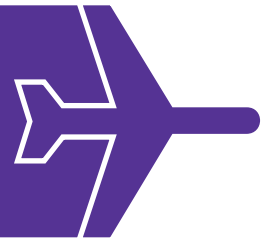
**SCHEDULE 22**  
**City of Phoenix, Aviation Enterprise Fund**  
**Phoenix Sky Harbor International Airport**  
**SCHEDULE OF ANNUAL PASSENGER ENPLANEMENTS**  
**BY TYPE OF PASSENGER**  
 Last Ten Fiscal Years

Fiscal Year	By Type of Passenger					Percent of Total	
	Origin-Destination (O&D)			Connecting	Total	O&D	Connecting
	Resident	Visitor	Total O&D				
2017	6,544,958	7,812,401	14,357,359	7,434,964	21,792,323	65.9%	34.1%
2016	6,147,109	7,391,369	13,538,478	8,517,429	22,055,907	61.4%	38.6%
2015	5,750,807	6,987,079	12,737,886	8,750,683	21,488,569	59.3%	40.7%
2014	5,518,158	6,637,193	12,155,351	8,363,397	20,518,748	59.2%	40.8%
2013	5,512,623	6,462,505	11,975,128	8,260,660	20,235,788	59.2%	40.8%
2012	5,441,823	6,501,508	11,943,331	8,335,127	20,278,458	58.9%	41.1%
2011	5,155,409	6,205,267	11,360,676	8,320,557	19,681,233	57.7%	42.3%
2010	5,112,219	6,281,679	11,393,898	7,702,631	19,096,529	59.7%	40.3%
2009	5,229,892	6,092,828	11,322,720	7,589,400	18,912,120	59.9%	40.1%
2008	6,015,226	6,792,654	12,807,880	7,859,650	20,667,530	62.0%	38.0%

Source:

U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T100.

**SCHEDULE 23**  
**City of Phoenix, Aviation Enterprise Fund**  
**Phoenix Sky Harbor International Airport**  
**SCHEDULE OF ANNUAL PASSENGER ENPLANEMENTS**  
**BY FLIGHT DESTINATION**  
 Last Ten Fiscal Years



Fiscal Year	By Flight Destination			Percent of Total	
	Domestic	International	Total	Domestic	International
2017	20,812,795	979,528	21,792,323	95.5%	4.5%
2016	20,984,439	1,071,468	22,055,907	95.1%	4.9%
2015	20,348,751	1,139,818	21,488,569	94.7%	5.3%
2014	19,403,918	1,114,830	20,518,748	94.6%	5.4%
2013	19,094,138	1,141,650	20,235,788	94.4%	5.6%
2012	19,134,426	1,144,032	20,278,458	94.4%	5.6%
2011	18,592,674	1,088,559	19,681,233	94.5%	5.5%
2010	18,095,390	1,001,139	19,096,529	94.8%	5.2%
2009	17,980,137	931,983	18,912,120	95.1%	4.9%
2008	19,751,515	916,015	20,667,530	95.6%	4.4%

Source:  
 City of Phoenix, Aviation Department

**SCHEDULE 24**  
**City of Phoenix, Aviation Enterprise Fund**  
**Phoenix Sky Harbor International Airport**  
**SCHEDULE OF ENPLANED PASSENGERS BY AIRLINE**  
Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Enplaned Passengers</b>					
American Airlines Group (a)	10,101,832	10,962,440	10,978,341	10,734,648	10,620,512
Southwest (b)	7,382,859	7,149,550	6,750,373	6,305,923	6,294,553
Delta (c)	1,388,510	1,401,639	1,325,051	1,262,548	1,240,735
United (d)	1,131,315	1,080,742	981,702	960,710	984,130
Frontier (e)	459,477	235,602	279,517	207,590	218,072
Alaska	420,940	376,264	370,801	339,086	324,218
WestJet	229,727	219,614	214,812	179,257	163,247
Spirit	146,760	165,376	148,673	106,036	—
Air Canada	117,966	104,995	101,417	81,683	78,611
British Airways	108,487	105,173	103,408	99,380	91,609
JetBlue	92,321	91,947	90,195	87,332	90,743
Hawaiian	88,388	87,094	85,368	83,715	85,553
All Other	123,741	75,471	58,911	70,840	43,805
<b>Total</b>	<b>21,792,323</b>	<b>22,055,907</b>	<b>21,488,569</b>	<b>20,518,748</b>	<b>20,235,788</b>
<b>Share of Total</b>					
American Airlines Group (a)	46.3%	49.7%	51.0%	52.2%	52.5%
Southwest (b)	33.9	32.4	31.4	30.7	31.0
Delta (c)	6.4	6.4	6.2	6.2	6.1
United (d)	5.2	4.9	4.6	4.7	4.9
Frontier (e)	2.1	1.1	1.3	1.0	1.1
Alaska	1.9	1.7	1.7	1.7	1.6
WestJet	1.1	1.0	1.0	0.9	0.8
Spirit	0.7	0.7	0.7	0.6	—
Air Canada	0.5	0.5	0.5	0.4	0.4
British Airways	0.5	0.5	0.5	0.5	0.4
JetBlue	0.4	0.4	0.4	0.4	0.6
Hawaiian	0.4	0.4	0.4	0.4	0.4
All Other	0.6	0.3	0.3	0.3	0.2
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source:

City of Phoenix, Aviation Department Monthly Statistics Reports

Notes:

Passengers reported by regional affiliates have been grouped with their respective code-sharing partners.

(a) US Airways merged with American Airlines in December 2013. The two airlines were granted a combined operating certificate on April 8, 2015.

(b) Includes AirTran, which was acquired by Southwest in September 2010, for all years shown.

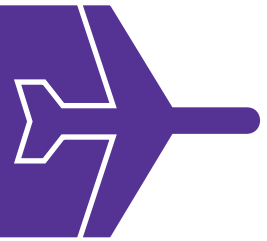
(c) Includes Northwest Airlines, which merged with Delta in October 2008, for all years shown.

(d) Includes Continental Airlines, which merged with United in May 2010, for all years shown.

(e) Includes Midwest Airlines, which merged with Frontier in April 2010, for all years shown.



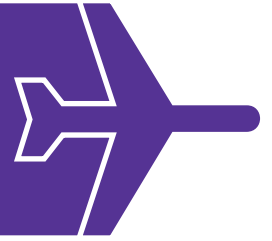
**SCHEDULE 24**  
**City of Phoenix, Aviation Enterprise Fund**  
**Phoenix Sky Harbor International Airport**  
**SCHEDULE OF ENPLANED PASSENGERS BY AIRLINE (CONTINUED)**  
Last Ten Fiscal Years



	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Enplaned Passengers</b>					
American Airlines Group (a)	10,443,129	10,168,306	9,886,705	9,859,978	10,485,695
Southwest (b)	6,353,423	6,036,115	5,665,452	5,546,157	6,200,672
Delta (c)	1,296,941	1,256,788	1,250,333	1,180,336	1,340,302
United (d)	1,058,382	1,121,492	1,236,187	1,253,507	1,386,791
Frontier (e)	217,964	253,391	276,521	289,627	309,091
Alaska	343,867	328,390	326,624	332,754	382,930
WestJet	150,795	116,551	89,400	64,363	50,748
Spirit	—	—	—	—	—
Air Canada	79,454	78,022	57,468	54,915	51,082
British Airways	92,099	85,600	75,619	79,479	87,041
JetBlue	109,521	99,601	80,861	76,917	85,395
Hawaiian	86,867	85,197	84,912	87,649	86,755
All Other	46,016	51,780	66,447	86,438	201,028
<b>Total</b>	<b>20,278,458</b>	<b>19,681,233</b>	<b>19,096,529</b>	<b>18,912,120</b>	<b>20,667,530</b>
<b>Share of Total</b>					
American Airlines Group (a)	51.5%	51.6%	51.9%	52.2%	50.8%
Southwest (b)	31.3	30.7	29.7	29.3	30.0
Delta (c)	6.4	6.4	6.5	6.2	6.5
United (d)	5.2	5.7	6.5	6.6	6.7
Frontier (e)	1.1	1.3	1.4	1.5	1.5
Alaska	1.7	1.7	1.7	1.8	1.9
WestJet	0.7	0.6	0.5	0.3	0.2
Spirit	—	—	—	—	—
Air Canada	0.4	0.4	0.3	0.3	0.2
British Airways	0.5	0.4	0.4	0.4	0.4
JetBlue	0.6	0.5	0.4	0.4	0.4
Hawaiian	0.4	0.4	0.4	0.5	0.4
All Other	0.2	0.3	0.3	0.5	1.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



**SCHEDULE 25**  
**City of Phoenix, Aviation Enterprise Fund**  
**Phoenix Sky Harbor International Airport**  
**SCHEDULE OF ANNUAL AVERAGE COST PER ENPLANEMENT**  
 Last Ten Fiscal Years



Fiscal Year	Total Airline Revenues (in thousands)	Enplaned Passengers	Cost Per Enplanement
2017	\$ 133,576	21,792	\$ 6.13
2016	127,708	22,056	5.79
2015	128,596	21,489	5.98
2014	118,747	20,519	5.79
2013	111,911	20,236	5.53
2012	106,121	20,278	5.23
2011	101,338	19,681	5.15
2010	93,161	19,097	4.88
2009	95,143	18,912	5.03
2008	88,874	20,668	4.30

Source:  
 City of Phoenix, Aviation Department

**SCHEDULE 26**  
**City of Phoenix, Aviation Enterprise Fund**  
**Phoenix Sky Harbor International Airport**  
**SCHEDULE OF PFC APPROVALS AND REVENUES**  
(as of June 30, 2017)

	Approval Amount	Revenues (a)	Remaining Authority
PFC Approvals			
Closed PFC Approvals			
PFC 1	\$ 93,230,839	\$ 93,230,839	\$ —
PFC 2	147,875,677	147,875,677	—
PFC 3	208,085,801	208,085,801	—
PFC 4	246,977,086	246,977,086	—
PFC 5	179,036,442	179,036,442	—
Subtotal	875,205,845	875,205,845	—
Active PFC Approvals			
PFC 6	1,972,404,781	600,463,280	1,371,941,501
PFC 7	82,163,209	53,713,980	28,449,229
Subtotal	2,054,567,990	654,177,260	1,400,390,730
Total PFC Approvals	<u>\$ 2,929,773,835</u>	<u>\$ 1,529,383,105</u>	<u>\$ 1,400,390,730</u>

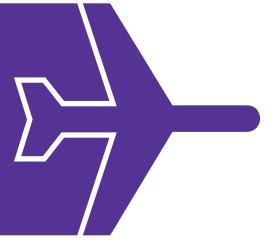
Source:

City of Phoenix Aviation Department

Note:

(a) Revenues includes PFC collections plus related interest income.

**SCHEDULE 27**  
**City of Phoenix, Aviation Enterprise Fund**  
**Phoenix Sky Harbor International Airport**  
**SCHEDULE OF ANNUAL PFC COLLECTIONS**  
 Last Ten Fiscal Years



Fiscal Year	PFC Rate	Airline Admin Fee	Net PFC Rate	Enplaned Passengers		Total PFC Collections (b) (in thousands)
				Total (in thousands)	PFC Eligible (a)	
2017	\$ 4.50	\$ 0.11	\$ 4.39	21,792	87.4%	\$ 83,600
2016	4.50	0.11	4.39	22,056	86.3%	83,595
2015	4.50	0.11	4.39	21,489	90.1%	84,976
2014	4.50	0.11	4.39	20,519	88.2%	79,406
2013	4.50	0.11	4.39	20,236	88.1%	78,273
2012	4.50	0.11	4.39	20,278	88.8%	79,092
2011	4.50	0.11	4.39	19,681	93.4%	80,682
2010	4.50	0.11	4.39	19,097	91.3%	76,530
2009	4.50	0.11	4.39	18,912	87.8%	72,924
2008	4.50	0.11	4.39	20,668	94.7%	85,964

Source:

City of Phoenix, Aviation Department

Notes:

(a) Imputed from enplaned passengers, net PFC rate, and total PFC collections. Timing variances exist between when PFCs are collected by airlines and when they are remitted to the airport, which can result in annual fluctuations of PFC collections and percent eligible passengers.

(b) Total PFC Collections represent amounts that were received from the airlines during the fiscal year. Adjustments have not been made for receivables at fiscal year end. These amounts are calculated on a different basis than the revenues reported in the Basic Financial Statements.

**SCHEDULE 28**  
**City of Phoenix, Aviation Enterprise Fund**  
**Phoenix Sky Harbor International Airport**  
**RENTAL CAR FACILITY CHARGE REVENUE BONDS**  
**SCHEDULE OF ANNUAL RECEIPTS, NET ANNUAL CFC REVENUES,**  
**AND DEBT SERVICE COVERAGE**  
Last Ten Fiscal Years

Fiscal Year	Transaction Days (a) (in thousands)	Pledged CFC Rate (b)	Annual Receipts (c)			Administrative Costs
			Pledged CFCs	Additional Deposits	Annual Receipts (d) (in thousands)	
2017	7,814	\$ 4.50	\$ 35,163	\$ 11,719	\$ 46,882	\$ 22
2016	7,828	4.50	35,226	11,743	46,969	24
2015	7,650	4.50	34,425	11,474	45,899	25
2014	6,976	4.50	31,394	10,464	41,858	28
2013	6,763	4.50	30,434	10,145	40,579	19
2012	6,923	4.50	31,154	10,385	41,539	22
2011	6,565	4.50	29,541	9,847	39,388	146
2010	5,854	4.50	26,341	8,780	35,121	3
2009	6,361	4.50	28,626	8,534	37,160	50
2008	8,348	4.50	37,565	—	37,565	3

Source:

City of Phoenix, Aviation Department

Notes:

- (a) Imputed from Trustee records using Annual Receipts, reflects Transaction Days on deposits for July 1 through June 30.
- (b) Effective January 1, 2009, the Customer Facility Charge (CFC) collection rate increased to \$6.00 per transaction day from \$4.50 per transaction day. \$4.50 of the \$6.00 collection rate is considered Pledged Revenues and is required to be deposited into the Trustee-Held Revenue Fund. The Pledged Revenues must be used to fund various accounts established under the Bond Indenture. The City may, but is not required to, deposit the CFC receipts generated by the additional \$1.50 into the Trustee-held Revenue Fund. If the additional \$1.50 is deposited into the Trustee-held Revenue Fund, the monies become Pledged Revenues.
- (c) Includes CFC receipts generated by the \$4.50 Pledged collection rate and \$1.50 additional non-pledged collection rate.
- (d) Annual CFC Receipts represent amounts that were received from the Rental Car Companies during the fiscal year. Adjustments have not been made for receivables at fiscal year-end. These amounts are calculated on a different basis than the revenues reported in the Basic Financial Statements.

**SCHEDULE 28**  
**City of Phoenix, Aviation Enterprise Fund**  
**Phoenix Sky Harbor International Airport**  
**RENTAL CAR FACILITY CHARGE REVENUE BONDS**  
**SCHEDULE OF ANNUAL RECEIPTS, NET ANNUAL CFC REVENUES,**  
**AND DEBT SERVICE COVERAGE (CONTINUED)**  
 Last Ten Fiscal Years



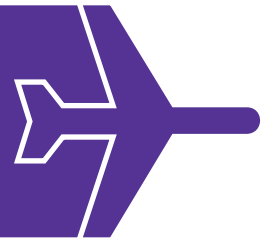
Fiscal Year	Net Annual CFC Receipts	Amount Available in Debt Service Coverage Fund	Net Annual CFC Receipts Available for Debt Service	2004 Bonds Debt Service	Debt Service Coverage	
					By Net Annual CFC Receipts	By Net Annual CFC Receipts and Debt Service Coverage Fund
(in thousands)						
2017	\$ 46,860	\$ 5,338	\$ 52,198	\$ 21,273	2.20	2.45
2016	46,945	5,337	52,282	21,277	2.21	2.46
2015	45,874	5,332	51,206	21,277	2.16	2.41
2014	41,830	5,327	47,157	21,277	1.97	2.22
2013	40,560	5,320	45,880	21,276	1.91	2.16
2012	41,517	5,320	46,837	21,273	1.95	2.20
2011	39,242	5,320	44,562	21,274	1.84	2.09
2010	35,118	5,320	40,438	21,277	1.65	1.90
2009	37,110	5,320	42,430	21,278	1.74	1.99
2008	37,562	5,320	42,882	21,278	1.77	2.02

**SCHEDULE 29**  
**City of Phoenix, Aviation Enterprise Fund**  
**Phoenix Sky Harbor International Airport**  
**SCHEDULE OF RENTAL CAR GROSS SALES BY COMPANY**  
Last Three Fiscal Years

	Fiscal Year		
	2017	2016	2015
Gross Receipts			
National Car Rental	\$ 94,143,757	\$ 86,464,376	\$ 85,686,661
Hertz Car Rental	76,432,611	76,070,691	80,874,148
Enterprise Leasing	51,724,212	38,959,521	44,566,663
Avis Rent-A-Car	50,951,985	47,875,285	51,395,858
Budget Rent-A-Car	42,101,306	46,421,353	41,477,241
Dollar Rent A Car	19,865,682	18,511,518	23,359,134
Fox Rent A Car	14,223,126	11,978,642	12,681,093
Thrifty Car Rental	14,023,771	15,388,611	15,869,267
Payless Car Rental	13,954,607	14,813,795	14,928,495
Simply Wheelz	13,744,685	13,910,041	14,382,508
SIXT Rent a Car	12,201,733	10,760,452	9,231,403
Total	<u>\$ 403,367,475</u>	<u>\$ 381,154,285</u>	<u>\$ 394,452,471</u>
Share of Total			
National Car Rental	23.5 %	22.7 %	21.9 %
Hertz Car Rental	18.9	20.0	20.5
Enterprise Leasing	12.8	10.2	11.3
Avis Rent-A-Car	12.6	12.6	13.0
Budget Rent-A-Car	10.4	12.2	10.5
Dollar Rent A Car	4.9	4.9	5.9
Fox Rent A Car	3.5	3.1	3.2
Thrifty Car Rental	3.5	4.0	4.0
Payless Car Rental	3.5	3.9	3.8
Simply Wheelz	3.4	3.6	3.6
SIXT Rent a Car	3.0	2.8	2.3
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Source:  
City of Phoenix, Aviation Department





# ***PHX DVT GYR***

 CITY OF PHOENIX AVIATION DEPARTMENT



City of Phoenix Aviation Department • 2485 East Buckeye Road • Phoenix, Arizona 85034  
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