PHX DVT GYR

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, 2018 AND 2017


PHX

PHX DVT GYR

City of Phoenix Aviation Department

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2018 and 2017

An Enterprise Fund of the City of Phoenix, Arizona

Prepared by:

Aviation Department

and

Finance Department

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Terminals 3 NORTH 4 NORTH
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Terminal 4 NORTH
P East Economy
Cell Phone Lot
STOP

December 14, 2018

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, 2018 and 2017. 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 (the 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 through the Aviation 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 3,400 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 22.2 million enplaned passengers in fiscal year 2018.

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 493,864 general aviation operations in fiscal year 2018.

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 Department's financial operations are accounted for as a separate Aviation Enterprise Fund according to GAAP for governmental entities. The City has operated the airports 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 airports.

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 Phoenix Aviation Advisory Board (PAAB) provides non-binding advisory recommendations regarding the airports, 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 airports. 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 more than 100 destinations. The following passenger and cargo airlines currently provide 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)	Condor	Ameriflight
Frontier	Contour	Jazz Aviation	Atlas Air (DHL)
Hawaiian	ExpressJet	(Air Canada Express)	Empire
JetBlue	(United Express)	Volaris	Federal Express
Southwest	Mesa Airlines	WestJet	Gulf & Caribbean Cargo
Spirit	(American Eagle, United Express)		Kalitta (DHL)
Sun Country	Skywest		UPS
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, 95.3% of passengers are enplaned on domestic flights, while the remaining board international flights. In fiscal year 2018, Domestic passengers increased by 1.8%, while international passengers increased by 3.3% from fiscal year 2017. Overall, enplaned passengers increased by 1.8% in fiscal year 2018.

In fiscal year 2018, 67.7% of enplaned passengers traveled directly from or to the Airport as O&D passengers. Of the total O&D passengers, 45.5% were residents initiating their trips at the Airport and 54.5% 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. The first phase of the modernized Terminal 3 opened to the public in December 2016. Features of this phase of the modernization include a new consolidated security checkpoint, additional airline ticket counters, and more baggage handling capacity. The second phase, which is expected to open early 2019, will include new concessions as well as a new 15-gate south concourse. The final phase is expected to be completed in early 2021 and will modernize the north concourse including food and beverage concessions and enhanced customer amenities.

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. 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 January 2019.

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. Construction on phase 2 of the PHX Sky Train®, which will further connect travelers from the terminals to the Rental Car Center, has begun and is expected be completed in 2022.

Terminal 4 New Concourse

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 will add eight new gates and is estimated to be completed in 2022. Southwest Airlines has committed to leasing these gates to support its future growth in Phoenix.

ECONOMIC CONDITION AND OUTLOOK

On average, the Airport provides service to more than 121,000 passengers with approximately 1,200 aircraft arriving and departing every day. Flights at Phoenix Sky Harbor International Airport serve more than 100 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 Grand Canyon National Park, the Red Rock Country of Sedona, the Painted Desert, the Petrified Forest, 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 2018, 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, extremely strong management and governance, 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 Revolving Credit Agreement program that provides 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 to maintain financial metrics and develop facilities.

FINANCIAL TARGETS AND MANAGEMENT POLICIES
Three Year Results

	2018	2017	2016
Debt Service Coverage			
Senior Lien Bond Debt Service Coverage	2.75x	2.58x	2.66x
Aggregate Debt Service Coverage	2.48x	2.30x	2.46x
PFC Leveraging	53%	55%	55%
Cash and Liquidity - Days Cash on Hand	586	544	595
Cost Per Enplanement	$6.26	$6.12	$5.79

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 Department 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 Department has reviewed proposed rate changes and capital expenditures with airline representatives. However, the Department retains its proprietary right to adjust fees and to determine its capital expenditures without airline approval. The Department 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.

On December 13, 2017, the City Council adopted an ordinance authorizing the Director to establish fee structures for use of the airport facilities, including airline rates and charges, provided the resulting cost per enplanement remains below the large hub airport median.

The Department 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 2018. 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, 2017. This was the second consecutive year that the Aviation Enterprise Fund has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Aviation Enterprise Fund must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

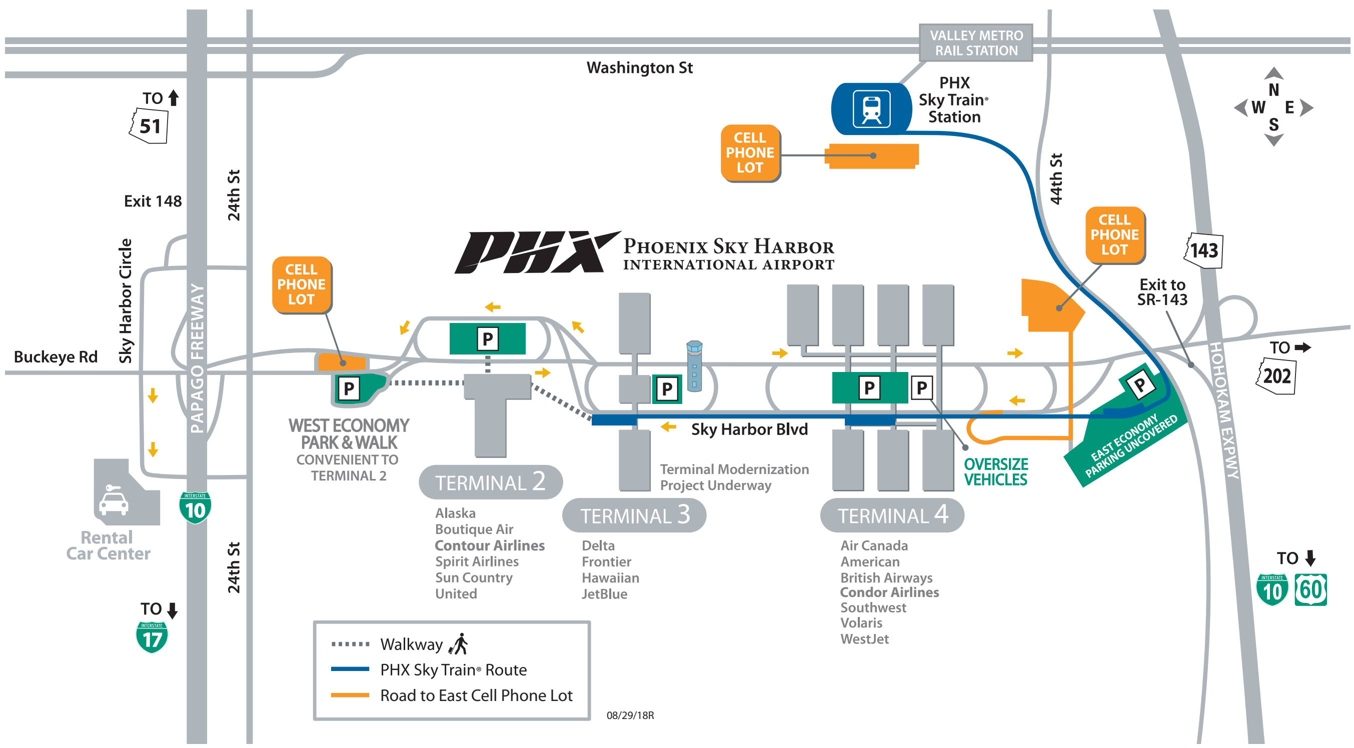
The preparation of the Comprehensive Annual Financial Report was made possible by the combined efforts of the Aviation and Finance departments.

Respectfully submitted,

Denise M Olson

Denise M. Olson
Chief Financial Officer
Finance Department

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



VALLEY METRO RAIL STATION
Washington St
PHX Sky Train® Station
CELL PHONE LOT
44th St
TO 51
Exit 148
24th St
Sky Harbor Circle
Buckeye Rd
PAPAGO FREEWAY
PHX Phoenix Sky Harbor International Airport
CELL PHONE LOT
143
Exit to SR-143
TO 202
HOHOKAM EXPWY
WEST ECONOMY PARK & WALK
CONVENIENT TO TERMINAL 2
Sky Harbor Blvd
Terminal Modernization Project Underway
OVERSIZE VEHICLES
EAST ECONOMY PARKING UNCOVERED
Rental Car Center
10
TERMINAL 2
Alaska
Boutique Air
Contour Airlines
Spirit Airlines
Sun Country
United
TERMINAL 3
Delta
Frontier
Hawaiian
JetBlue
TERMINAL 4
Air Canada
American
British Airways
Condor Airlines
Southwest
Volaris
WestJet
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PHX Sky Train® Route
Road to East Cell Phone Lot
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American
Southwest
E9→
E9
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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Phoenix Aviation Department

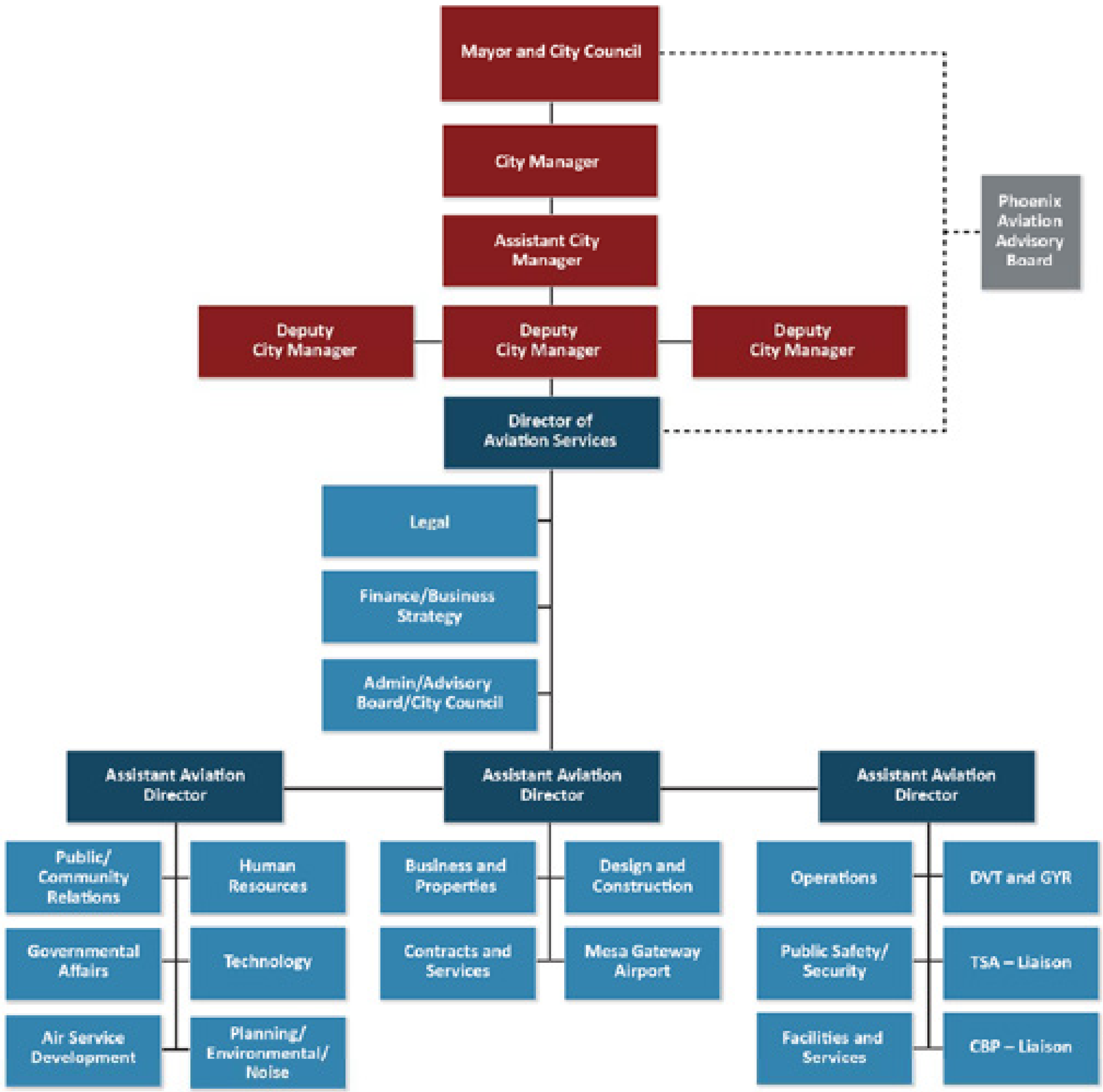
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO


Mayor and City Council
City Manager
Assistant City Manager
Deputy City Manager
Deputy City Manager
Deputy City Manager
Phoenix Aviation Advisory Board
Director of Aviation Services
Legal
Finance/Business Strategy
Admin/Advisory Board/City Council
Assistant Aviation Director
Assistant Aviation Director
Assistant Aviation Director
Public/ Community Relations
Human Resources
Governmental Affairs
Technology
Air Service Development
Planning/ Environmental/ Noise
Business and Properties
Design and Construction
Contracts and Services
Mesa Gateway Airport
Operations
DVT and GYR
Public Safety/ Security
TSA – Liaison
Facilities and Services
CBP – Liaison

PHX DVT GYR

City of Phoenix Aviation Department

MAYOR AND CITY COUNCIL

Thelda Williams, Mayor, District 1

Jim Waring, Vice Mayor, District 2

Debra Stark, District 3

Laura Pastor, 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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DESERT IN THE DETAILS

FINANCIAL SECTION

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.

CPAs & Advisors

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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 and for the years ended June 30, 2018 and 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 audits. We conducted our audits 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.

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, 2018 and 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 Matters

Reporting Entity

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, 2018 and 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.

Change in Accounting Principle

As discussed in *Note 1* to the financial statements, for 2017 the Aviation Department adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

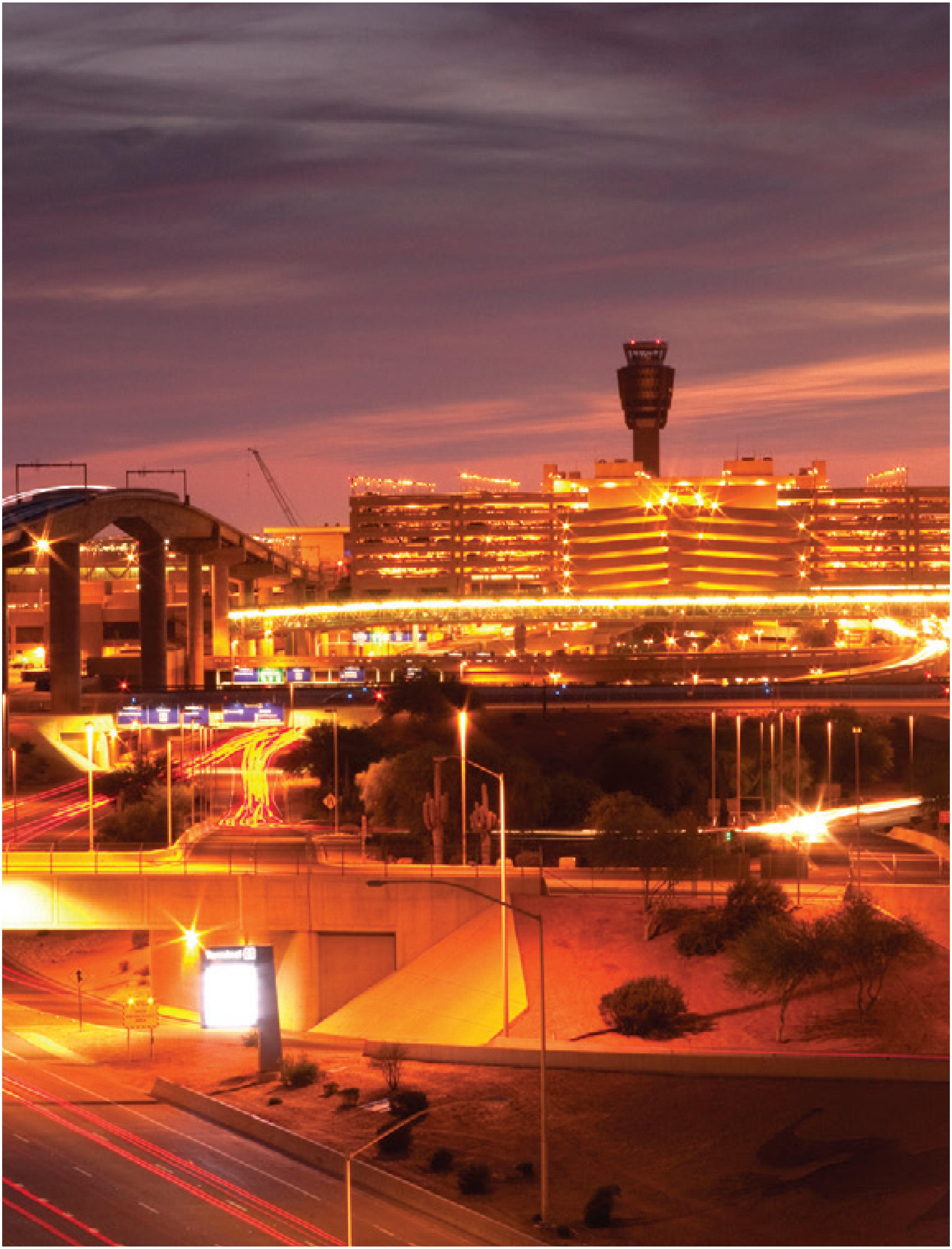
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part 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 audits were 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 14, 2018



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 Aviation Enterprise Fund) as of and for the fiscal years ended June 30, 2018 and 2017, with selected comparable data for the fiscal year ended June 30, 2016. 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 airports' 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, 2018 and 2017. 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.

During 2018, the Aviation Enterprise Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Financial information for 2017 and 2016 has been adjusted for adoption of GASB 75.

FINANCIAL HIGHLIGHTS

Fiscal Year 2018

- Total net position for the Aviation Enterprise Fund at June 30, 2018 was $1.67 billion, an increase of $19.1 million or 1.2%. This coincides with the overall growth in passenger activity in fiscal year 2018.
- Total revenues increased $17.8 million in fiscal year 2018. The increase is due in part to a higher terminal rental rate as well as an increase in the parking daily rate.

- Total expenses increased $19.0 million in fiscal year 2018, due in part to issuance costs related to the Aviation bond issuances in November and December 2017.

Fiscal Year 2017

- Total net position for the Aviation Enterprise Fund at June 30, 2017 was $1.65 billion. This is an increase of $20.3 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 $8.4 million in fiscal year 2017, primarily due to a decrease in airport maintenance expenses after several projects were completed in 2016.

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):

	2018	2017	2016
Assets			
Unrestricted Current Assets	$ 418,163	$ 385,085	$ 388,532
Restricted Current Assets	304,419	340,726	327,731
Noncurrent Assets	2,982,599	2,875,520	2,861,016
Total Assets	3,705,181	3,601,331	3,577,279
Deferred Outflows of Resources	37,798	18,190	35,288
Liabilities			
Current Liabilities Payable from Current Assets	42,952	40,667	52,082
Current Liabilities Payable from Restricted Assets	312,230	365,708	296,887
Noncurrent Liabilities	1,703,459	1,548,638	1,604,051
Total Liabilities	2,058,641	1,955,013	1,953,020
Deferred Inflows of Resources	11,165	10,435	14,142
Net Position			
Net Investment in Capital Assets	1,264,682	1,196,595	1,104,662
Restricted	315,812	357,767	350,755
Unrestricted	92,679	99,711	189,988
Total Net Position	$ 1,673,173	$ 1,654,073	$ 1,645,405

Fiscal Year 2018 Compared to Fiscal Year 2017

Total assets have seen a slight increase to $3.7 billion in fiscal year 2018 from $3.6 billion in fiscal year 2017. Capital assets make up the majority of the Aviation Enterprise Funds assets. Net capital assets increased $117.7 million primarily due to continued reconstruction of Terminal 3, along with other major construction projects.

Total liabilities increased slightly to $2.1 billion in fiscal year 2018. Current liabilities decreased $51.2 million in fiscal year 2018, primarily due to the repayment of short term obligations during fiscal year 2018. The noncurrent liabilities, which make up approximately 83% of the total liabilities are comprised of long-term bonds payable and net pension liabilities. Noncurrent liabilities increased $154.8 million in fiscal year 2018, due to new revenue bond issuance of $190.9 million and an increase of $4.9 million 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 $19.1 million, or 1.2%, in fiscal year 2018. As of June 30, 2018, $1.3 billion was an investment in capital assets and $92.7 million was unrestricted and available for short term operations and ongoing obligations. The amount restricted for debt service decreased to $121.4 million in fiscal year 2018. The amounts restricted for Passenger Facility Charges and Rental Car Customer Facility Charges totaled $194.4 million for fiscal year 2018, a decrease of $31.3 million. This decrease is due to the start of construction of phase 2 of the PHX Sky Train®.

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 increased to $2.0 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 $67.0 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 $20.3 million, or 1.2%, in fiscal year 2017. As of June 30, 2017, $1.2 billion was an investment in capital assets and $99.7 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.

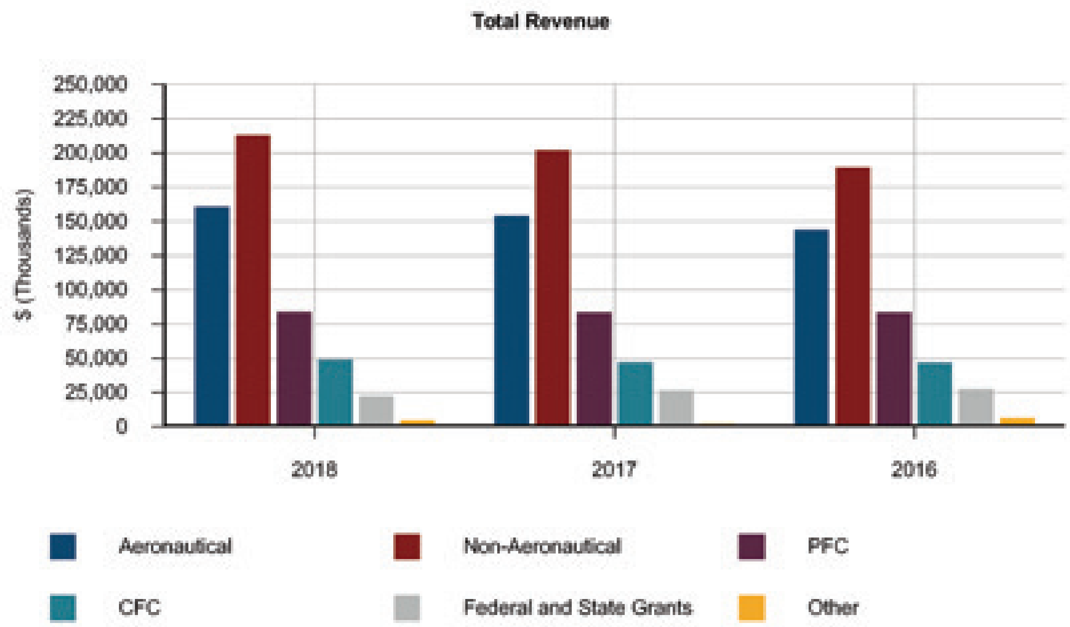
The following is a summary of changes in net position as of June 30 (in thousands):

	2018	2017	2016
Operating Revenues	$ 373,893	$ 356,418	$ 333,415
Operating Expenses	(445,339)	(426,553)	(436,404)
Operating Loss	(71,446)	(70,135)	(102,989)
Non-Operating Revenues	137,689	133,480	137,158
Non-Operating Expenses	(68,932)	(69,332)	(67,900)
Capital Contributions	22,569	26,639	27,803
Transfers	(780)	(370)	(328)
Change in Net Position	19,100	20,282	(6,256)
Net Position, July 1	1,654,073	1,645,405	1,651,661
Restatement of Beginning Net Position	—	(11,614)	—
Net Position, June 30	$ 1,673,173	$ 1,654,073	$ 1,645,405

REVENUE

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

	2018	2017	2016
Operating Revenue			
Aeronautical Revenue	$ 160,900	$ 154,209	$ 144,093
Non-Aeronautical Revenue	212,993	202,209	189,322
Passenger Facility Charges	83,885	83,577	83,449
Customer Facility Charges	49,210	47,348	47,118
Capital Contributions	22,569	26,639	27,803
Other	4,762	2,555	6,591
Total Revenue	$ 534,319	$ 516,537	$ 498,376



Phoenix Sky Harbor International Airport is the largest of the three airports and thus comprises a majority of Aviation Enterprise Fund revenue. In fiscal year 2018, 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 2018 Compared to Fiscal Year 2017

Total revenue increased to $534.3 million in 2018 from $516.5 million in fiscal year 2017, an increase of $17.8 million, or 3.4%.

Aeronautical revenue increased in fiscal year 2018 to $160.9 million, with a total change of $6.7 million, or 4.3%. 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 $120.00 per square foot in fiscal year 2018 from $109.80 per square foot in fiscal year 2017. 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 $10.8 million, or 5.3%. These revenues are the combination of several lines of business, with the largest being parking, rental cars, and terminal concessions. Rental Car revenue and terminal concessions, which consists of the food, beverage, and retail locations, have remained steady in fiscal year 2018, in line with passenger activity. The parking daily maximum rates increased in fiscal year 2018, accounting for the increased revenue.

Passenger Facility Charges (PFC) increased 0.4% to $83.9 million in fiscal year 2018. 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 (CFC) totaled $49.2 million, a 3.9% increase in fiscal year 2018. 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 $4.1 million, or 15.3% in fiscal year 2018. The amount of the grant receipts varies from year to year based on the amount of funds allocated to the airport, along with the amount of construction that is completed during the year.

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 (PFC) 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.

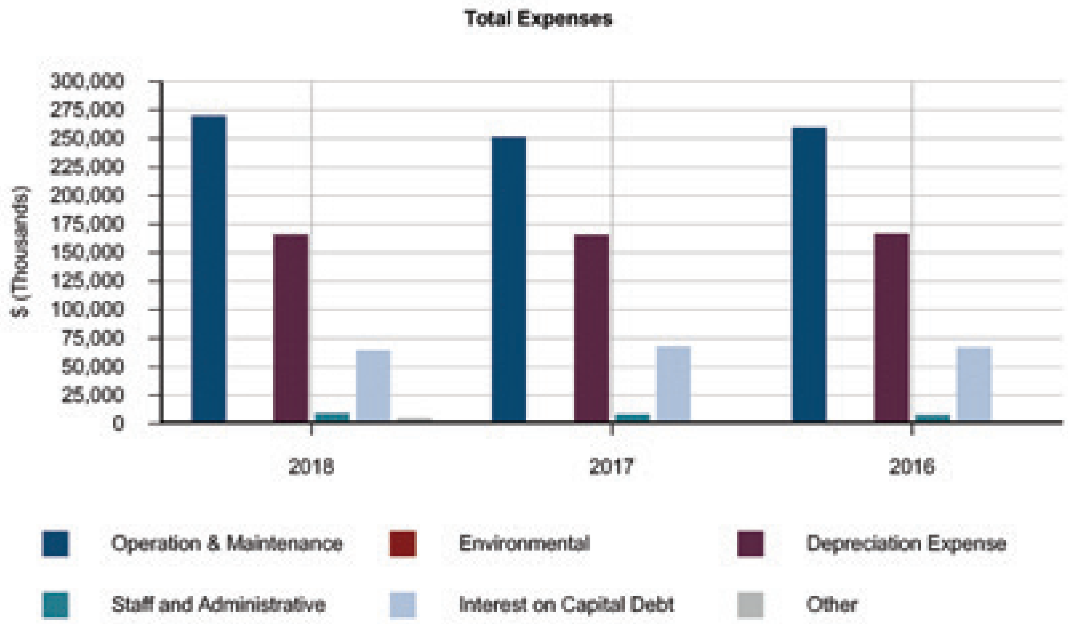
Customer Facility Charges (CFC) totaled $47.3 million, a 0.5% increase in fiscal year 2017. CFCs are assessed to rental car customers at the rate of $6 per transaction day. These fees are collected by the rental car companies and then remitted to the Airport.

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.

EXPENSES

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

	2018	2017	2016
Operating Expenses			
Operation and Maintenance	$ 270,053	$ 251,395	$ 259,903
Environmental, Studies and Noise Program	—	959	1,956
Depreciation Expense	166,145	165,826	166,829
City Staff and Administrative	9,141	8,373	7,716
Interest on Capital Debt	64,403	67,915	67,141
Other	5,477	1,787	1,089
Total Expenses	$ 515,219	$ 496,255	$ 504,634



Fiscal Year 2018 Compared to Fiscal Year 2017

Total expenses increased $19.0 million, or 3.8%, in fiscal year 2018. Operation and maintenance, depreciation, and interest on capital debt make up approximately 98% of total expenses.

Operation and maintenance expenses increased $18.7 million, or 7.4%, in fiscal year 2018. Expenses relating to the Net Pension Liability increased personal services this year. Bond issuance costs of $7.6 million combined with an increase in electric rates contributed to the overall increase in contractual services.

Depreciation expense remained steady with a increase of 0.2% in fiscal year 2018.

Interest on Capital Debt decreased by 5.2% in fiscal year 2018. 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 2018 as the principal on the bonds were paid down. Interest expense for the short term obligations decreased in fiscal year 2018 as the related liability decreased.

Fiscal Year 2017 Compared to Fiscal Year 2016

Total expenses decreased $8.4 million, or 1.7%, 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 $8.5 million, or 3.3%, 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.

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 funding 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 costs 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):

	2018	2017	2016
Senior Lien Bonds	$ 554,005	$ 447,660	$ 472,895
Junior Lien Bonds	669,935	724,405	739,900
Rental Car Facility Charge Bonds	165,885	176,255	186,050
Total Revenue Bond Principal Outstanding	$ 1,389,825	$ 1,348,320	$ 1,398,845

The CIC issued $190,930,000 of Senior Lien Airport Revenue Bonds, $209,185,000 of Senior Lien Refunding Revenue Bonds, and $474,725,000 of Junior Lien Refunding Revenue Bonds during fiscal year 2018.

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

	2018	2017	2016
Senior Lien Bonds	$ 45,707	$ 47,038	$ 47,038
Junior Lien Bonds	54,394	63,698	63,698
Rental Car Facility Charge Bonds	21,278	21,278	21,278
Total Debt Service Reserve Requirements	$ 121,379	$ 132,014	$ 132,014

Airport General Obligation Bonds

As of June 30, 2018 and 2017, 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 $2.9 billion in fiscal year 2018, and $2.7 billion in fiscal years 2017, and 2016, respectively.

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

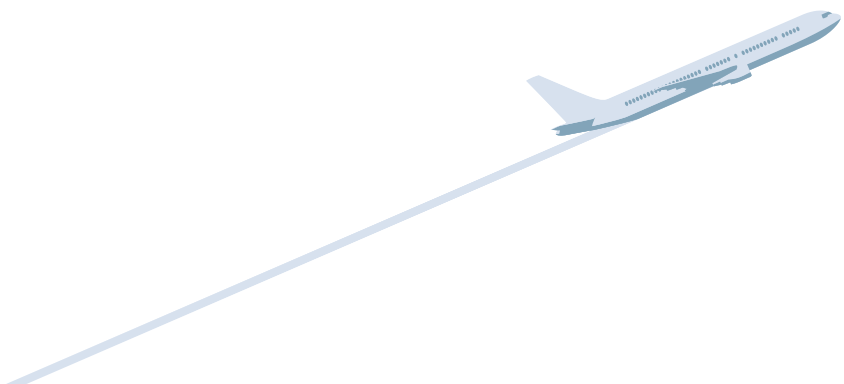
	2018	2017	2016
Major construction projects:			
Terminal 3 Modernization	$ 141,697	$ 110,556	$ 87,533
PHX Sky Train	59,985	2,662	4,699
RCC Reconfiguration	7,626	224	—
Other construction projects:			
Airfield and runway projects	20,760	32,735	24,298
Terminal projects	18,590	12,026	16,488
Land acquisition	76	72	707
Other	20,073	9,767	2,970

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, 2018 and 2017
(in thousands)

	2018	2017*
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 57,817	$ 69,970
Investments	342,853	295,482
Receivables		
Accounts Receivable, Net of Allowance for Doubtful Accounts (2018, $0 and 2017, $0)	14,052	16,126
Intergovernmental	162	354
Deposits in Escrow	326	326
Inventories	2,953	2,827
Total Unrestricted Current Assets	418,163	385,085
Restricted Assets		
Debt Service		
Cash and Securities with Fiscal Agents/Trustees	105,256	86,957
Accrued Interest Receivable	—	11
Customer Facility Charge		
Cash and Securities with Fiscal Agents/Trustees	80,632	74,887
Investments	22,226	21,945
Accounts Receivable	4,054	3,610
Capital Projects		
Cash and Cash Equivalents	21,915	32,184
Investments	46,777	99,203
Receivables		
Intergovernmental	12,458	10,836
Passenger Facility Charge	11,027	11,093
Accrued Interest Receivable	74	—
Total Restricted Current Assets	304,419	340,726
Total Current Assets	722,582	725,811
Noncurrent Assets		
Restricted Cash with Fiscal Agent	121,379	132,014
Capital Assets		
Land	574,238	574,238
Buildings	1,744,334	1,744,512
Improvements Other Than Buildings	1,661,086	1,643,995
Equipment and Artwork	671,947	672,068
Intangibles	24,355	25,620
Construction in Progress	390,231	148,709
Less: Accumulated Depreciation	(2,204,971)	(2,065,636)
Total Capital Assets, Net of Accumulated Depreciation	2,861,220	2,743,506
Total Noncurrent Assets	2,982,599	2,875,520
Total Assets	3,705,181	3,601,331
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding Bonds	27,940	1,032
Pension Related	9,755	17,158
OPEB Related	103	—
Total Deferred Outflows of Resources	37,798	18,190

*Restated due to the adoption of GASB 75

The accompanying notes are an integral part of these financial statements

(in thousands)

	2018	2017*
LIABILITIES		
Current Liabilities Payable from Current Assets		
Accounts Payable	$ 26,308	$ 22,859
Trust Liabilities and Deposits	354	4,094
Advance Payments	15,260	12,793
Current Portion of Pollution Remediation	100	—
Current Portion of Accrued Compensated Absences	930	921
Total Current Liabilities Payable from Current Assets	42,952	40,667
Current Liabilities Payable from Restricted Assets		
Debt Service		
Short Term Obligations	100,000	180,000
Matured Bonds Payable	67,810	50,525
Interest Payable	37,185	36,372
Current Portion of General Obligation Bonds	4,520	—
Current Portion of Municipal Corporation Obligations:		
Current Portion of Rental Car Facility Revenue Bonds	10,990	10,370
Current Portion of Aviation Revenue Bonds	37,640	42,845
Capital Projects		
Accounts Payable	54,085	45,596
Total Current Liabilities Payable from Restricted Assets	312,230	365,708
Total Current Liabilities	355,182	406,375
Noncurrent Liabilities		
General Obligation Bonds	3,450	8,045
Municipal Corporation Obligations:		
Rental Car Facility Revenue Bonds	154,895	165,885
Aviation Revenue Bonds	1,348,292	1,182,987
Pollution Remediation	2,000	2,200
Accrued Compensated Absences	6,097	5,985
Net Pension Liability	177,182	172,238
Net OPEB Liability	11,543	11,298
Total Noncurrent Liabilities	1,703,459	1,548,638
Total Liabilities	2,058,641	1,955,013
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding Bonds	676	718
Pension Related	10,489	9,717
Total Deferred Inflows of Resources	11,165	10,435
NET POSITION		
Net Investment in Capital Assets	1,264,682	1,196,595
Restricted for:		
Debt Service	121,379	132,014
Passenger Facility Charges	87,521	125,311
Rental Car Customer Facility Charges	106,912	100,442
Unrestricted	92,679	99,711
Total Net Position	$ 1,673,173	$ 1,654,073

*Restated due to the adoption of GASB 75

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, 2018 and 2017
(in thousands)

	2018	2017*
Operating Revenues		
Aeronautical Revenue		
Terminal Fees	$ 89,389	$ 80,956
Landing Fees	50,030	51,278
Air Cargo and Hangar Rental	8,412	7,989
Other	13,069	13,986
Non-Aeronautical Revenue		
Parking	88,190	84,151
Rental Cars	54,902	53,595
Terminal – Food and Beverage	22,457	22,019
Terminal – Retail	11,210	10,279
Rental Revenue	23,049	21,236
Ground Transportation	8,585	6,207
Other	4,600	4,722
Total Operating Revenues	373,893	356,418
Operating Expenses		
Operation and Maintenance		
Personal Services	134,785	127,792
Contractual Services	117,162	103,158
Supplies	11,731	9,300
Equipment/Minor Improvements	6,375	11,145
Environmental, Studies and Noise Program	—	959
Depreciation	166,145	165,826
City Staff and Administrative	9,141	8,373
Total Operating Expenses	445,339	426,553
Operating Loss	(71,446)	(70,135)
Non-Operating Revenues (Expenses)		
Passenger Facility Charges	83,885	83,577
Rental Car Customer Facility Charges	49,210	47,348
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	(5,426)	(4,180)
Interest	10,020	6,735
Interest on Capital Debt	(64,403)	(67,915)
Loss on Disposal of Capital Assets	(4,529)	(1,417)
Total Non-Operating Revenues (Expenses)	68,757	64,148
Net Loss Before Contributions and Transfers	(2,689)	(5,987)
Capital Contributions	22,569	26,639
Transfer from General Fund – Change for Phoenix	168	—
Transfer to Capital Projects Fund	(948)	(370)
Change in Net Position (Deficit)	19,100	20,282
Net Position, July 1	1,654,073	1,645,405
Restatement of Beginning Net Position	—	(11,614)
Net Position, July 1, as Restated	1,654,073	1,633,791
Net Position, June 30	$ 1,673,173	$ 1,654,073

*Restated due to the adoption of GASB 75

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, 2018 and 2017
(in thousands)

	2018	2017*
Cash Flows from Operating Activities		
Receipts from Customers	$ 374,696	$ 345,577
Payments to Suppliers	(170,100)	(177,494)
Payments to Employees	(83,350)	(77,115)
Payment of Staff and Administrative Expenses	(9,141)	(8,373)
Net Cash Provided by Operating Activities	112,105	82,595
Cash Flows from Noncapital Financing Activities		
Transfers from Other Funds	168	—
Transfers to Other Funds	(948)	(370)
Net Cash Used by Noncapital Financing Activities	(780)	(370)
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	118,778	50,000
Principal Paid on Capital Debt	(50,525)	(47,390)
Interest Paid on Capital Debt	(71,852)	(74,656)
Acquisition and Construction of Capital Assets	(280,096)	(167,484)
Proceeds from Sales of Capital Assets	198	313
Passenger Facility Charges	83,951	80,133
Rental Car Customer Facility Charges	48,765	46,882
Capital Contributions	21,138	21,937
Net Cash Used by Capital and Related Financing Activities	(129,643)	(90,265)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(957,477)	(338,846)
Proceeds from Sale and Maturities of Investment Securities	935,311	338,766
Net Activity for Short-Term Investments	26,940	(5,284)
Interest on Investments	4,531	2,548
Net Cash Provided (Used) by Investing Activities	9,305	(2,816)
Net Decrease in Cash and Cash Equivalents	(9,013)	(10,856)
Cash and Cash Equivalents, July 1	396,338	407,194
Cash and Cash Equivalents, June 30	$ 387,325	$ 396,338

*Restated due to the adoption of GASB 75

The accompanying notes are an integral part of these financial statements

COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)

For the Fiscal Years Ended June 30, 2018 and 2017
(in thousands)

	2018	2017*
Reconciliation of Operating Loss to		
Net Cash Provided by Operating Activities		
Operating Loss	$ (71,446)	$ (70,135)
Adjustments		
Depreciation	166,145	165,826
Deferred Outflows – Pension and OPEB	7,300	17,029
Deferred Inflows – Pension	772	(3,665)
Change in Assets and Liabilities		
Receivables	2,074	(4,103)
Allowance for Doubtful Accounts	—	(1,320)
Inventories	(126)	(1,116)
Accounts Payable	3,449	(6,019)
Trust Liabilities and Deposits	(3,740)	835
Advance Payments	2,467	(6,252)
Pollution Remediation	(100)	(175)
Accrued Compensated Absences	121	486
Net Pension Liability	4,944	(8,549)
Net OPEB Liability	245	(247)
Net Cash Provided by Operating Activities	$ 112,105	$ 82,595
Noncash Capital and Financing Activities		
Refunding Issuance in Excess of Bond Retirement	$ 1,351	$ 27
Increase (Decrease) in Fair Value of Investments	172	(86)
Total Noncash Capital and Financing Activities	$ 1,523	$ (59)
Cash and Cash Equivalents		
Unrestricted		
Cash and Cash Equivalents	$ 57,817	$ 69,970
Deposits in Escrow	326	326
Total Unrestricted	58,143	70,296
Restricted		
Cash and Cash Equivalents	21,915	32,184
Cash and Securities with Fiscal Agents/Trustees:		
Debt Service	105,256	86,957
Customer Facility Charge	80,632	74,887
Total Restricted	207,803	194,028
Noncurrent		
Cash and Securities with Fiscal Agents/Trustees	121,379	132,014
Total Cash and Cash Equivalents	$ 387,325	$ 396,338

*Restated due to the adoption of GASB 75

The accompanying notes are an integral part of these financial statements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NOTES TO THE FINANCIAL STATEMENTS

Note	Description
1	Summary of Significant Accounting Policies
2	Cash and Investments
3	Receivables
4	Capital Assets
5	Long-Term Obligations
6	Refunded, Refinanced and Defeased Obligations
7	Short Term Obligations Payable
8	Risk Management
9	Operating Leases
10	Contractual and Other Commitments
11	Contingent Liabilities
12	Deferred Compensation Plan (DCP)
13	Pension Plan
14	Other Post-Employment Benefits (OPEB)
15	Capital Contributions
16	Passenger Facility Charges
17	Customer Facility Charges
18	Subsequent Events


Sky Harbor
EXIT

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 $20.8 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) **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.

n) **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.

o) **New Accounting Pronouncements and Revisions**

New Accounting Pronouncements Adopted in 2018:

GASB Statement No. 75, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The Aviation Enterprise Fund implemented this Statement and, as such, decreased the Net Position for June 30, 2016 by $11,614,227. The financial statements for the year ended June 30, 2017 have been restated to reflect the implementation of this statement.

GASB Statement No. 85, Omnibus 2017, addresses practice issues that were identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. The Aviation Enterprise Fund has determined there is no impact to the financial statements as a result of this Statement.

GASB Statement No. 86, Certain Debt Extinguishment Issues, establishes standards of accounting and financial reporting requirements, for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in a irrevocable trust for the sole purpose of future repayment of outstanding debt. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. The Aviation Enterprise Fund has determined there is no impact to the financial statements as a result of this Statement.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. For financial statement that are prepared with the current financial resources measurement focus, the interest cost incurred before the end of a construction period should be recognized as an expense according to governmental fund accounting principles. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. The Aviation Enterprise Fund has implemented this Statement in fiscal year 2018.

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 City's financial statements.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
83	Certain Asset Retirement Obligations	2019
87	Leases	2021
88	Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	2019
90	Majority Equity Interests – an amendment of GASB Statements number 14 and 61	2020

Revisions:

A revision has been made to the 2017 financial statements to conform to the 2018 presentation for noncurrent cash with fiscal agent. This revision consisted of moving $132.0 million of cash with fiscal agent from current assets to noncurrent assets on the Comparative Statements of Net Position for 2017. Another revision was made that consisted of moving $93.4 million from unrestricted net position to net Investment in capital assets on the Comparative Statements of Net Position. Neither of these revisions had any effect on the Aviation Enterprise Fund's net position.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents at June 30, 2018 and 2017, was composed of the following (in thousands):

	2018	2017
Cash in Bank	$ 9,157	$ 1,314
Cash on Hand	2	3
Short-Term Pooled Investments	58,923	94,149
Short-Term Non-Pooled Investments	11,975	7,014
Cash with Fiscal Agents/Trustees	285,803	272,356
Securities with Fiscal Agents/Trustees	21,465	21,502
Total Cash and Cash Equivalents	$ 387,325	$ 396,338

A summary of Aviation Enterprise Fund cash and cash equivalents at June 30, 2018, and 2017 (in thousands):

	2018	2017
Unrestricted	$ 58,143	$ 70,296
Restricted	329,182	326,042
Total Cash and Cash Equivalents	$ 387,325	$ 396,338

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 Aviation Enterprise Fund's deposits at June 30, 2018 and 2017 were (in thousands):

	2018	2017
Deposits		
Carrying Amount	$ 9,157	$ 1,314
Bank Ledger Balance	9,204	1,333

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 Aviation Enterprise Fund's cash and securities with fiscal agents were (in thousands):

	2018	2017
Cash with Fiscal Agent		
Carrying Amount	$ 285,803	$ 272,357
Bank Ledger Balance	285,803	272,357
Securities with Fiscal Agent		
Carrying Amount	21,465	21,502
Bank Ledger Balance	21,465	21,502

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. The following table summarizes the amounts reported as "Investments" at June 30, 2018 and 2017 (in thousands):

City Investments	Credit Quality Rating	June 30, 2018 Fair Value	June 30, 2018 Weighted Average Maturity (Years)	June 30, 2017 Fair Value	June 30, 2017 Weighted Average Maturity (Years)
Pooled Investments					
Repurchase Agreements collateralized					
by U.S. Treasury Securities	Not Rated	$ 18,873	0.006	$ 39,103	0.016
U.S. Treasury Securities		174,587	1.934	169,979	2.159
U.S. Government Agency Securities					
FFCB Notes	AA+	57,388	2.111	51,739	2.584
FNMA Notes	AA+	31,846	1.639	38,099	2.468
FHLMC Notes	AA+	17,977	1.797	41,777	1.477
FHLB Notes	AA+	57,560	1.720	87,175	1.485
Total U.S. Government Agency Securities		164,771	1.849	218,790	1.915
Pre-Refunded Municipal Securities	N/A (1)	3,098	1.662	2,289	0.645
Certificates of Deposit	N/A (2)	26,181	0.106	27,319	0.144
Commercial Paper	A-1	25,256	0.081	20,996	0.023
Mortgage Backed Securities					
GNMA	AA+	18,363	2.943	8,820	3.040
FHLMC Notes	AA+	74	3.476	93	3.187
Total Mortgage Backed Securities		18,437	2.945	8,913	3.042
Total Pooled Investments		431,203	1.639	487,389	1.681
Less: Short-Term Pooled Investments		(63,459)		(92,704)	
Net Pooled Investments		367,744		394,685	
Non-Pooled Investments					
Repurchase Agreements Collateralized by					
U.S. Treasury Securities	Not Rated	—		15	0.008
U.S. Treasury Securities		56,086	0.107	24,941	0.860
U.S. Government Agency Securities					
FHLB Notes	AA+	—		4,003	0.044
Total U.S. Government Agency Securities		—		4,003	0.044
Total Non-Pooled Investments		56,086	0.107	28,959	0.746
Less: Short-Term Non-Pooled Investments		(11,974)		(7,014)	
Net Non-Pooled Investments		44,112		21,945	
Total Investments		411,856		$ 416,630	

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 pooled investments are included in the City's pooled investments. 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. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices in active markets for identical financial assets that the City has the ability to access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the financial asset, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the financial asset.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2018 and 2017 (in thousands):

		Fair Value Measurement Using:		
Investments by Fair Value Level	06/30/18	Level 1	Level 2	Level 3
U.S. Government securities	$ 249,546	$ 2,652	$ 246,894	$ —
U.S. Government agency obligations	164,771	—	164,771	—
U.S. Government agency MBS/CMO	18,437	—	18,437	—
Municipal bonds	3,098	—	3,098	—
Commercial Paper	25,256	—	25,256	—
Total Investments, including those classified as cash equivalents, by fair value level	$ 461,108	$ 2,652	$ 458,456	$ —

		Fair Value Measurement Using:		
Investments by Fair Value Level	06/30/17	Level 1	Level 2	Level 3
U.S. Government securities	$ 234,038	$ 2,888	$ 231,150	$ —
U.S. Government agency obligations	222,793	—	222,793	—
U.S. Government agency MBS/CMO	8,913	—	8,913	—
Municipal bonds	2,289	—	2,289	—
Commercial Paper	20,996	—	20,996	—
Total Investments, including those classified as cash equivalents, by fair value level	$ 489,029	$ 2,888	$ 486,141	$ —

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investments. 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

Concentration of credit risk is the risk that too many resources have been invested in a single issuer, and that issuer may fail. Investments in any one issuer that represent 5% or more of total Aviation Enterprise Fund investments are as follows:

Issuer	2018	2017
Federal National Mortgage Association	6.54%	7.38%
Federal Home Loan Mortgage Corporation	*	8.09%
Federal Home Loan Bank	11.81%	17.66%
Federal Farm Credit Bank	11.78%	10.02%

* Investment is less than 5% in 2018

3. RECEIVABLES

Receivables at June 30, 2018 and 2017 are stated net of the allowance for doubtful accounts, and are summarized as follows (in thousands):

	June 30, 2018	June 30, 2017
Unrestricted		
Accounts Receivable	$ 14,052	$ 16,126
Intergovernmental Receivable	162	354
Restricted		
Passenger Facility Charge Receivable	11,027	11,093
Customer Facility Charge Receivable	4,054	3,610
Intergovernmental Receivable	12,458	10,836
Interest Receivable	74	11
Total Receivable	$ 41,827	$ 42,030

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

No allowance for doubtful accounts has been recorded as of June 30, 2018 and June 30, 2017. Accounts Receivable includes unbilled charges of $9.0 million at June 30, 2018 and $10.1 million at June 30, 2017.

4. CAPITAL ASSETS

Capital asset activity for the Aviation Enterprise Fund for the fiscal years ended June 30, 2018 and 2017, was as follows (in thousands):

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Non-depreciable assets:				
Land	$ 574,238	$ —	$ —	$ 574,238
Artwork	7,261	—	—	7,261
Construction-in-Progress	148,709	260,562	(19,040)	390,231
Total non-depreciable assets	730,208	260,562	(19,040)	971,730
Depreciable assets:				
Buildings	1,744,512	15,074	(15,252)	1,744,334
Improvements	1,643,995	17,930	(839)	1,661,086
Equipment	664,807	13,916	(14,037)	664,686
Intangible Assets	25,620	144	(1,409)	24,355
Total depreciable assets	4,078,934	47,064	(31,537)	4,094,461
Less accumulated depreciation for:				
Buildings	(799,533)	(53,640)	13,742	(839,431)
Improvements	(943,167)	(63,575)	839	(1,005,903)
Equipment	(309,313)	(46,352)	10,820	(344,845)
Intangible Assets	(13,623)	(2,578)	1,409	(14,792)
Total accumulated depreciation	(2,065,636)	(166,145)	26,810	(2,204,971)
Total depreciable assets, net	2,013,298	(119,081)	(4,727)	1,889,490
Total capital assets, net	$ 2,743,506	$ 141,481	$ (23,767)	$ 2,861,220

	Balances July 1, 2016	Additions	Deletions	Balances June 30, 2017
Non-depreciable assets:				
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
Depreciable assets:				
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
Less accumulated depreciation for:				
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

5. LONG-TERM OBLIGATIONS

Changes in long-term obligations at June 30, 2018 and 2017 are summarized as follows (in thousands):

	Balances July 1, 2017	Additions	Reductions	Balances June 30, 2018	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds	$ 7,865	$ —	$ —	$ 7,865	$ 4,520
Municipal Corporation Obligations					
Rental Car Facility Revenue Bonds	176,255	—	(10,370)	165,885	10,990
Aviation Revenue Bonds	1,172,065	874,840	(822,965)	1,223,940	37,640
Subtotal	1,356,185	874,840	(833,335)	1,397,690	53,150
Discounts/Premiums	53,947	134,706	(26,556)	162,097	—
Total Bonds and Notes Payable	1,410,132	1,009,546	(859,891)	1,559,787	53,150
Other Liabilities:					
Accrued Compensated Absences	6,906	7,027	(6,906)	7,027	930
Pollution Remediation	2,200	—	(100)	2,100	100
Net Pension Liability	172,238	4,944	—	177,182	—
Net OPEB Liability	11,298	245	—	11,543	—
Total Other Liabilities	192,642	12,216	(7,006)	197,852	1,030
Total Long-Term Obligations	$ 1,602,774	$ 1,021,762	$ (866,897)	$ 1,757,639	$ 54,180

	Balances July 1, 2016	Additions	Reductions	Balances June 30, 2017	Amounts Due Within One Year
Bonds and Notes Payable:					
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
Other Liabilities:					
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	—
Net OPEB Liability	11,545	—	(247)	11,298	—
Total Other Liabilities	201,127	6,906	(15,391)	192,642	921
Total Long-Term Obligations	$ 1,667,021	$ 6,906	$ (71,153)	$ 1,602,774	$ 54,136

Issues of long-term debt were as follows at June 30, 2018 and 2017 (dollars in thousands):

June 30, 2018

Issue Date	Purpose	Maturity Dates	Effective Interest Rate	Average Life (Years)	Original Amount	Principal Outstanding	Interest Outstanding	Unamortized Discount (Premium)
Municipal Corporation Obligations (1)								
03/05/13	Airport Revenue Refunding (AMT) (2a)	7/1/14-32	3.28	11.8	$ 196,600	$ 160,825	$ 66,636	$ (19,192)
11/21/17	Airport Revenue (AMT) (2a)	7/1/18-47	3.84	18.7	190,930	189,130	173,113	(28,464)
11/21/17	Airport Revenue Refunding (Non-AMT) (2a)	7/1/21-38	3.23	13.5	173,440	173,440	111,864	(32,356)
11/21/17	Airport Revenue Refunding (Taxable) (2a)	7/1/18-21	2.23	2.2	35,745	30,610	1,143	—
	Total Sr. Lien Obligations				596,715	554,005	352,756	(80,012)
09/01/10	Airport Revenue (Non-AMT) (2b) (3)	7/1/13-40	4.69	19.0	642,680	31,310	2,262	(99)
09/01/10	Airport Revenue (Taxable) (2b) (3) (4)	7/1/40	3.67	29.8	21,345	21,345	30,993	—
09/01/10	Airport Revenue Refunding (Non-AMT) (2b)	7/1/23-25	4.33	13.9	32,080	32,080	9,676	(1,062)
12/15/15	Airport Revenue (Non-AMT) (2b) (3)	7/1/16-45	3.99	18.6	95,785	91,820	75,183	(10,033)
12/15/15	Airport Revenue Refunding (Non-AMT) (2b) (3)	7/1/34	4.08	18.5	18,655	18,655	14,924	(2,112)
12/21/17	Airport Revenue Refunding (Non-AMT) (2b) (3)	7/1/21-40	3.36	14.2	474,725	474,725	301,907	(68,674)
	Total Jr. Lien Obligations				1,285,270	669,935	434,945	(81,980)
06/02/04	Rental Car Facility (Taxable) (5)	7/1/07-29	6.20	16.5	260,000	165,885	68,146	—
	Total Municipal Corporation Obligations				2,141,985	1,389,825	855,847	(161,992)
General Obligation Bonds								
06/24/14	Refunding	7/1/19-20	2.71	5.4	7,865	7,865	280	(105)
	Total Aviation Enterprise Fund Bonds				$ 2,149,850	$ 1,397,690	$ 856,127	$ (162,097)

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)	7/1/40	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 Aviation Enterprise Fund Bonds				$ 1,703,380	$ 1,356,185	$ 824,387	$ (53,947)

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 6.6% and 6.9% (the Sequester Reductions) for the fiscal years 2018 and 2017, 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 November 2017, the CIC issued $190,930,000 of Senior Lien Airport Revenue Bonds, Series 2017A (AMT). Proceeds of the bonds refunded $180,000,000 outstanding under a Revolving Credit Agreement with remaining proceeds applied to the Terminal 3 Modernization Project. The bonds have an average life of 18.7 years and were sold at an all-in true interest cost of 3.84%.

In November 2017, the CIC issued $173,440,000 of Senior Lien Airport Revenue Refunding Bonds, Series 2017B (Non-AMT). Proceeds of the bonds refunded $206,840,000 of Senior Lien Airport Revenue Bonds, Series 2008A (Non-AMT). The bonds have an average life of 13.5 years, were sold at an all-in true interest cost of 3.23% and produced present value savings, net of transaction costs, of $34,520,410.

In November 2017, the CIC issued $35,745,000 of Senior Lien Airport Revenue Refunding Bonds, Taxable Series 2017C. Proceeds of the bonds refunded $45,760,000 of Senior Lien Airport Revenue Bonds, Series 2008C (Non-AMT). The bonds have an average life of 2.2 years, were sold at an all-in true interest cost of 2.23% and produced present value savings, net of transaction costs, of $1,811,621.

In December 2017, the CIC issued $474,725,000 of Junior Lien Airport Revenue Refunding Bonds, Series 2017D (Non-AMT). Proceeds of the bonds refunded $512,925,000 of Junior Lien Airport Revenue Bonds, Series 2010A (Non-AMT). The bonds have an average life of 14.2 years, were sold at an all-in true interest cost of 3.36% and produced present value savings, net of transaction costs, of $56,380,584.

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	Municipal Corporation Obligations					
	Senior Lien		Junior Lien		Rental Car Facility	
Years	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 20,660	$ 26,774	$ 16,980	$ 32,594	$ 10,990	$ 10,284
2020	28,175	26,040	17,805	31,766	11,645	9,628
2021	20,225	25,124	17,545	30,918	12,365	8,910
2022	21,105	24,247	18,420	30,041	13,130	8,147
2023	20,520	23,192	29,515	29,120	13,940	7,337
2024 - 2028	119,085	99,502	134,130	123,724	83,790	22,589
2029 - 2033	135,735	66,601	143,230	91,062	20,025	1,251
2034 - 2038	99,715	37,639	180,655	52,586	—	—
2039 - 2043	44,490	17,965	100,155	12,265	—	—
2044 - 2047	44,295	5,671	11,500	869	—	—
Total	$ 554,005	$ 352,755	$ 669,935	$ 434,945	$ 165,885	$ 68,146

Fiscal	General Obligation Bonds	
Years	Principal	Interest
2019	$ 4,520	$ 197
2020	3,345	83
Total	$ 7,865	$ 280

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, 2018 and 2017 is $2.1 million and $2.2 million, 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

Bonds are refunded to retire all or a portion of an outstanding bond issue. Most typically, refundings are done to refinance at a lower interest rate to reduce overall debt service. Prior to January 2018, certain issues of bonds could have been refunded prior to the call date, known as an advanced refunding. The Tax Cuts and Jobs Act of 2017 prohibits refunding tax-exempt bonds before their call date, unless the bonds are refunded with taxable bonds. In most cases an advanced refunding of tax-exempt bonds with taxable bonds would not be financially beneficial. However, there may be circumstances when the benefits of the advanced refunding outweigh the disadvantages of issuing taxable bonds.

Future principal and interest payments on refunded bonds have 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, when available. When U.S. government securities are not available, conventional treasury securities will be purchased. 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.

Defeasances

During fiscal year 2017-18, the City defeased $6,400,000 of Senior Lien Airport Revenue Bonds, Series 2008B (AMT) and $9,630,000 of Senior Lien Airport Revenue Refunding Bonds, Series 2008D (AMT). Airport funds were used to fund the defeasance with the trustee on June 29, 2018 for payment to bondholders on July 1, 2018. The Airport reduced future interest payments by defeasing the bonds that were callable on July 1, 2018.

Refundings

During fiscal year 2017-18, the City issued Senior Lien Airport Revenue Refunding Bonds, Series 2017B (Non-AMT); Senior Lien Airport Revenue Refunding Bonds, Taxable Series 2017C; and Junior Lien Airport Revenue Refunding Bonds, Series 2017D (Non-AMT). The refunding 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 effects of the refundings is summarized as follows (in thousands):

	Senior Lien Airport Revenue	Senior Lien Airport Revenue	Junior Lien Airport Revenue
Series	2017B	2017C	2017D
Closing Date	11/21/17	11/21/17	12/21/17
Net Interest Rate	3.58%	2.11%	3.64%
Refunding Bonds Issued	$ 173,440	$ 35,745	$ 474,725
Premium	33,888	—	71,394
Underwriter's Discount	(704)	(100)	(1,890)
Issuance Costs and Insurance	(509)	(88)	(620)
Net Proceeds	$ 206,115	$ 35,557	$ 543,609
Refunded Amount	$ 206,840	$ 45,760	$ 512,925
Decrease in Debt Service	50,925	10,810	90,137
Economic Gain	34,520	1,812	56,381
Number of Years Affected	21	5	23

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, 2018 and 2017, are summarized as follows (in thousands):

	June 30, 2018			
	Deferred Amount July 1	Additions (Gains)/Losses	Amortization Gains/(Losses)	Deferred Amount June 30
Deferred Outflows of Resources				
Municipal Corporation Obligations	$ 1,032	$ 28,300	$ (1,392)	$ 27,940
Deferred Inflows of Resources				
Municipal Corporation Obligations	(718)	—	42	(676)
Total	$ 314	$ 28,300	$ (1,350)	$ 27,264

	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	$ 341	$ —	$ (27)	$ 314

Advanced refunding and defeasance arrangement at June 30, 2018 were as follows (in thousands):

Date Refunded/ Defeased	Refunded and Defeased Bonds: Call Date	Issue Date	Type	Balance Outstanding	Assets Held in Trust (1)
12/21/17	07/01/20	09/01/10	Civic Improvement Corporation Junior Lien Airport Revenue Bonds (Non-AMT)	$ 512,925	$ 544,581

(1) Assets held in trust for advanced refunded bonds reflect the market value of those assets.

7. SHORT TERM OBLIGATIONS PAYABLE

The commerical 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 of $100,000,000 of Airport CP, Series 2014B-1 and $80,000,000 of Airport CP, Series 2014B-2 were refinanced on September 19, 2017 utilizing a Revolving Credit Agreement, which is discussed in the following paragraph. The CP was issued in varying maturities up to 270 days. Interest rates paid on the CP ranged from .45% through .99% in fiscal year 2017 and .84% through .99% in fiscal year

2018. The CP was 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.

The City entered into a Revolving Credit Agreement on September 19, 2017, with Bank of America, N.A. in order to refinance $180,000,000 of Airport CP. The initial loan extended under the Revolving Credit Agreement was refinanced with proceeds of the CIC issued Senior Lien Airport Revenue Bonds, Series 2017A. On April 5, 2018, the City obtained a subsequent loan of $100,000,000 for the Terminal 3 Modernization project. The Revolving Credit Agreement provides for a three-year loan period ending on September 18, 2020. The City may borrow, repay, and re-borrow loan amounts not exceeding $200,000,000 outstanding in aggregate at any one time. The loans are issued in varying maturities up to 180 days. Interest rates paid on the loans ranged from 1.27% through 2.12% in fiscal year 2018.

Short term obligation balances as of June 30 were as follows (in thousands):

	2018	2017
Commercial Paper Notes Payable		
Balance, July 1	$ 180,000	$ 130,000
Additions	—	50,000
Reductions	(180,000)	—
Balance, June 30	—	180,000
Revolving Credit Loan Payable		
Balance, July 1	—	—
Additions	280,000	—
Reductions	(180,000)	—
Balance, June 30	100,000	—
Total Short Term Obligations Payable	$ 100,000	$ 180,000

8. RISK MANAGEMENT

The Aviation Enterprise Fund maintained a combination of commercial insurance and self-insurance during the fiscal years ended June 30, 2018 and 2017, as described below.

Liability – The Aviation Enterprise Fund purchased commercial airport liability insurance specifically covering Airport premises and operations for the Department. 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 $5.0 million 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 $10.0 million 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.

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, 2018 were as follows (in thousands):

Years Ending June 30		
2019	$	79,221
2020		76,280
2021		71,792
2022		70,675
2023		65,817
Thereafter		370,026
Total	$	733,811

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 $18.6 million for the fiscal year ended June 30, 2018, and $14.6 million for the fiscal year ended June 30, 2017. A summary of the assets leased to third parties under the Aviation Enterprise Fund operating lease agreements at June 30, 2018 and 2017, is as follows (in thousands):

		2018		2017
Buildings	$	1,127,678	$	1,131,923
Less: Accumulated Depreciation		(653,456)		(623,391)
Net Book Value	$	474,222	$	508,532

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 $525.8 million and $307.1 million are remaining at June 30, 2018 and 2017, 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, 2018.

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, 2018 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, 2018 and 2017, were as follows (in thousands):

	2018	2017
Sick Leave Benefit	$ 14,928	$ 15,741
Less: Amount Accrued as a Liability	(2,001)	(2,015)
Total Sick Leave Benefit Balance	$ 12,927	$ 13,726

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, 2018 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, 2018.

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 $18,500 of their salaries during calendar year 2018 and and $18,000 during calendar year 2017. 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 $55,000 in 2018 and $54,000 in 2017. 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 $1,695,025 for the year ended June 30, 2018, and $1,266,076 for the year ended June 30, 2017.

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	
	2018	2017
Active Members		
Tier 1	564	603
Tier 2	74	82
Tier 3	160	118
Subtotal	798	803
Terminated Vested	94	93
In-Pay Members		
Service Retirees	581	566
Beneficiaries	108	107
Disabled Retirees	25	25
Subtotal	714	698
Total Members	1,606	1,594

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, 2018 and 2017, the total contribution rates were 38.51% and 37.99%, 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 Aviation Enterprise Fund contributed the remainder, $16.9 million and $15.2 million for fiscal years 2018 and 2017, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2018 and 2017, 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, 10.6% in 2018 and 10.0% in 2017. The schedule below details the changes in the net pension liability (in thousands) for the years ended June 30, 2018 and 2017:

	Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (NPL) (a)-(b)
Balance at June 30, 2017	$ 412,947	$ 240,709	$ 172,238
Changes for the Year:			
Service Cost	7,746	—	7,746
Interest	31,152	—	31,152
Changes in Benefits	—	—	—
Differences between Expected and Actual Experience	(4,535)	—	(4,535)
Changes in Assumptions	—	—	—
Contributions – Employer	—	16,855	(16,855)
Contributions – Member	—	3,534	(3,534)
Net Investment Income	—	9,070	(9,070)
Benefit Payments	(24,123)	(24,123)	—
Administrative Expense	—	(40)	40
Net Changes	10,240	5,296	4,944
Balance at June 30, 2018	$ 423,187	$ 246,005	$ 177,182
Balance at June 30, 2016	$ 398,415	$ 217,628	$ 180,787
Changes for the Year:			
Service Cost	7,288	—	7,288
Interest	29,326	—	29,326
Changes in Benefits	—	—	—
Differences between Expected and Actual Experience	43	—	43
Changes in Assumptions	242	—	242
Contributions – Employer	—	15,215	(15,215)
Contributions – Member	—	3,087	(3,087)
Net Investment Income	—	27,184	(27,184)
Benefit Payments	(22,367)	(22,367)	—
Administrative Expense	—	(38)	38
Net Changes	14,532	23,081	(8,549)
Balance at June 30, 2017	$ 412,947	$ 240,709	$ 172,238

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.

Actuarial Assumptions

Actuarial assumptions used to determine the total pension liability in the June 30, 2018 valuation were based on the results of the actuarial experience study covering the period from July 1, 2009 through June 30, 2014. Those assumptions, applied to all periods included in the measurement, are as follows:

Investment Rate of Return	7.25%
Inflation	2.50%
Salary Increase Rate	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 (cost of living adjustments)	1.25%
Administrative Expenses	Assumed to be equal to the prior year's amount, increased by 3.00%

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	26.70%	7.32%
International Equity	18.30	8.30
US Fixed Income	13.20	2.58
Emerging Market Bonds	6.60	5.52
Real Return (GTAA)	6.80	4.68
Private Equity (Fund of funds)	4.50	10.28
Real Estate	13.60	7.32
Absolute Return (Hedge Funds)	4.80	4.25
TIPS	5.10	—
Cash	0.40	1.51

Sensitivity of the Net Position Liability to Changes in the Discount Rate
The table below presents the net pension liability of the Aviation Enterprise Fund 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, 2018:

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

	1% Decrease (6.25 %)	Current Single Discount Rate Assumption (7.25 %)	1% Increase (8.25 %)
Net Pension Liability	$ 231,472	$ 177,182	$ 131,895

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension
For the years ended June 30, 2018 and 2017, the Aviation Enterprise Fund recognized pension expense of $20.8 million and $22.9 million, respectively. At June 30, 2018, the Aviation Enterprise Fund 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)

	2018	2017
Deferred Outflows of Resources		
Differences Between Expected and Actual Experience	$ 27	$ 33
Changes in Assumptions	5,557	10,076
Net Difference Between Projected and Actual on Pension Plan Investments	4,171	7,049
Total	$ 9,755	$ 17,158
Deferred Inflows of Resources		
Differences Between Expected and Actual Experience	$ 7,546	$ 5,678
Changes in Assumptions	2,943	4,039
Total	$ 10,489	$ 9,717

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

Measurement Year Ended June 30	
2018	$ 4,897
2019	(2,336)
2020	(2,501)
2021	(794)
Total	$ (734)

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

Plan Description

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 other post-employment 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.

Plan Benefits

The MERP benefit provides an offset to out of pocket healthcare expenses such as premiums, deductibles and co-pays, whether the retiree or survivor elects to purchase coverage through city sponsored retiree plans or other sources. City sponsored health plans are provided to eligible non-Medicare retirees and dependents. There are currently three plans to choose from: Savers Choice Plan (HDHP), Cigna HMO, and BCBSAZ PPO. The City also sponsors a retiree exchange through Willis Towers Watson to offer individual health plan coverage to non-Medicare and Medicare retirees and dependents.

The employees covered by MERP at the June 30, 2017 valuation, are:

	2017
Plan Members Currently Receiving Benefits	570
Active Plan Members	286
Total Plan Members	856

Contributions

Contributions by the City (plus earnings thereon) are the sole source of funding for the MERP. The City's Board of Trustees, subject to oversight by the City Council has the authority to establish and amend the contribution requirements of the City and active employees. The Board of Trustees establishes the rates based on an actuarially determined rate recommended by an independent actuary. The actuarial determined rate is the established amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Aviation Enterprise Fund contributed $1.7 million and $1.8 million for the years ended June 30, 2018 and 2017, respectively. Employees are not required to contribute to the MERP.

Net OPEB Liability

The Aviation Enterprise Fund's net OPEB liability is the proportionate share of the City's liability, 6.5% in 2018 and 6.2% in 2017. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018. The net OPEB liability is measured as the total OPEB liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 7.00% was used to measure the total OPEB liability as of June 30, 2017. This single discount rate was based on an expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all period of projected benefit payments to determine the total OPEB liability.

The schedule below indicates changes in net OPEB liability (in thousands):

Total OPEB liability (asset)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (NPL) (a)-(b)
Balance at June 30, 2017	$ 23,684	$ 10,921	$ 12,763
Changes for the Year:			
Service Cost	305	—	305
Interest	1,614	—	1,614
Contributions – Employer	—	1,682	(1,682)
Net Investment Income	—	83	(83)
Benefit Payments	(1,567)	(1,567)	—
Net Changes	352	198	154
Balance at June 30, 2018	$ 24,036	$ 11,119	$ 12,917
Balance at June 30, 2016	$ 23,354	$ 10,564	$ 12,790
Changes for the Year:			
Service Cost	295	—	295
Interest	1,591	—	1,591
Contributions – Employer	—	1,811	(1,811)
Net Investment Income	—	102	(102)
Benefit Payments	(1,556)	(1,556)	—
Net Changes	330	1,937	(1,607)
Balance at June 30, 2017	$ 23,684	$ 10,921	$ 12,763

Actuarial Assumptions

The following table summarizes the more significant actuarial methods and assumptions used to calculate the actuarial required contribution (ARC) and the total OPEB liability.

Valuation date	06/30/17, rolled forward to 06/30/18
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increase	3.5%
Inflation rate	3%

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.

The long-term expected rate of return on the MERP investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation
Broad US Equity	23.00%
International Equity	23.00
Fixed Income	24.00
Marketable Alternatives	20.00
Diversified Inflation-Related	5.00
Real Estate	5.00

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of June 30, 2018. In particular, the table presents the plan's net OPEB liability if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the current single discount rate:

Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption
(in thousands)

	1% Decrease (6.00%)	Current Single Discount Rate Assumption (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 15,212	$ 12,917	$ 10,955

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumption

Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of June 30, 2018. In particular, the table presents the plan's net OPEB liability if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption
(in thousands)

	1% Decrease	Healthcare Cost Trend Rate Assumption	1% Increase
Net OPEB Liability	$ 12,916	$ 12,917	$ 12,918

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the Aviation Enterprise Fund recognized OPEB expense of $1.2 million. At June 30, 2018, the Aviation Enterprise Fund reported deferred outflows of resources related to OPEB from the following sources:

Schedule of Deferred Outflows of Resources
(in thousands)

	Deferred Outflows of Resources
Net Difference Between Projected and Actual on OPEB Plan Investments	$ 75
Total	$ 75

Amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ended June 30	
2018	$ 19
2019	19
2020	19
2021	18
Total	$ 75

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 the employee's 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 employee's account can be used upon termination of employment for qualified medical expenses.

Long-Term Disability Program

Plan Description

The City established the City of Phoenix Long-Term Disability (LTD) 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. The LTD Trust is a single-employer, defined other post-employment benefit plan. 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, 9th Floor, Phoenix, Arizona, 85003.

Plan Benefits

Long-term disability 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 number of participants as of June 30, 2017, the effective date of the biennial OPEB valuation, follows.

Current Active Employees	646
Currently Disabled Employees	14
Total Covered Participants	660

Contributions

Contributions by the City (plus earnings thereon) are the sole source of funding for the LTD program. The City's Board of Trustees, subject to oversight by the City Council has the authority to establish and amend the contribution requirements of the City and active employees. The Board of Trustees establishes the rates based on an actuarially determined rate recommended by an independent actuary. The actuarial determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2018 and 2017, the Aviation Enterprise Fund contributed $84 thousand and $70 thousand, respectively. Employees are not required to contribute to the LTD program.

Net OPEB Asset

The Aviation Enterprise Fund's net OPEB asset is the proportionate share of the City's asset, 5.1% in 2018 and 5.1% in 2017. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018. The net OPEB asset is measured as the total OPEB liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 7.00% was used to measure the total OPEB liability as of June 30, 2017. This single discount rate was based on an expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The schedule below indicates changes in net OPEB asset (in thousands):

Total OPEB liability (asset)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (asset) (a)-(b)
Balance at June 30, 2017	$ 2,493	$ 3,959	$ (1,466)
Changes for the Year:			
Service Cost	181	—	181
Interest	174	—	174
Contributions – Employer	—	84	(84)
Net Investment Income	—	192	(192)
Benefit Payments	(204)	(204)	—
Administrative Expense	—	(21)	21
Other	—	8	(8)
Net Changes	151	59	92
Balance at June 30, 2018	$ 2,644	$ 4,018	$ (1,374)
Balance at June 30, 2016	$ 2,372	$ 3,617	$ (1,245)
Changes for the Year:			
Service Cost	175	—	175
Interest	165	—	165
Contributions – Employer	—	70	(70)
Net Investment Income	—	498	(498)
Benefit Payments	(219)	(219)	—
Administrative Expense	—	(14)	14
Other	—	7	(7)
Net Changes	121	314	(193)
Balance at June 30, 2017	$ 2,493	$ 3,959	$ (1,466)

Actuarial Assumptions

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

Valuation date	06/30/17, rolled forward to 06/30/18
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7%
Projected payroll increases	3.5%
Inflation	3%

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. Half of active member deaths are assumed to be duty related.

The long-term expected rate of return on LTD investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation
Broad US Equity	23.00%
International Equity	23.00
Fixed Income	24.00
Marketable Alternatives	20.00
Diversified Inflation-Related	5.00
Real Estate	5.00

Sensitivity of the Net OPEB Asset to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the net OPEB asset to changes in the discount rate as of June 30, 2018. In particular, the table presents the plan's net OPEB asset if it were calculated using a Single Discount Rate that is one-percentage-point lower or one-percentage-point higher than the current Single Discount Rate:

Sensitivity of Net OPEB Asset to the Single Discount Rate Assumption
(in thousands)

	1% Decrease (6.00%)	Current Single Discount Rate Assumption (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ (1,194)	$ (1,374)	$ (1,536)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of $101.5 thousand. At June 30, 2018 the Aviation Enterprise Fund reported deferred outflows of resources related to OPEB from the following sources:

Schedule of Deferred Outflows of Resources
(in thousands)

	Deferred Outflows of Resources
Net Difference Between Projected and Actual on Pension Plan Investments	$ 28
Total	$ 28

Amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows (in thousands):

Measurement Year Ended June 30	
2018	$ 7
2019	7
2020	7
2021	7
Total	$ 28

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 2018 and 2017, the Department received $22.6 million and $26.6 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 $83.9 million and $83.6 million in passenger facility charges for the years ended June 30, 2018 and 2017, 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 $49.2 million and $47.3 million in customer facility charges for the years ended June 30, 2018 and 2017, respectively.

18. SUBSEQUENT EVENTS

Council Members

On July 18, 2018 Councilman Daniel Valenzuela resigned and on August 1, 2018 the City Council appointed Vania Guevara as interim council member for District 5.

On August 7, 2018, Councilwoman Kate Gallego resigned and on August 21, 2018 the City Council appointed Felicita Mendoza as interim council member for District 8.

Debt Issuances

On October 25, 2018, the City of Phoenix Civic Improvement Corporation issued $226.2 million of Senior Lien Airport Revenue Bonds, Series 2018 (AMT). The bonds were issued at an all-in true interest cost of 4.2% and were dated and delivered November 28, 2018.

City of Phoenix Employees' Retirement System (COPERS)

Schedule of Changes in Net Pension Liability and Related Ratios (in thousands)	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 7,746	$ 7,288	$ 8,076	$ 7,531	$ 7,833
Interest (includes interest on service cost)	31,152	29,326	29,321	26,636	25,722
Changes of benefit terms	—	—	(323)	—	—
Differences between expected and actual experience of total pension liability	(4,535)	43	(7,689)	(3,101)	(2,034)
Changes of assumption	—	242	(6,942)	25,487	—
Benefit payments, including refunds of employee contributions	(24,123)	(22,367)	(21,619)	(20,440)	(17,988)
Net change in total pension liability	10,240	14,532	824	36,113	13,533
Total pension liability – beginning	412,947	398,415	397,591	361,478	347,945
Total pension liability – ending	$ 423,187	$ 412,947	$ 398,415	$ 397,591	$ 361,478
Plan fiduciary net position					
Contributions – employer	$ 16,855	$ 15,215	$ 11,984	$ 11,709	$ 11,063
Contributions – employees	3,534	3,087	2,952	2,786	2,776
Net investment income	9,070	27,184	917	2,672	35,978
Benefit payments, including refunds of employee contributions	(24,123)	(22,367)	(23,216)	(20,440)	(17,988)
Pension plan administrative expense	(40)	(38)	(23)	(41)	(63)
Net change in plan fiduciary net position	5,296	23,081	(7,386)	(3,314)	31,766
Plan fiduciary net position – beginning	240,709	217,628	225,014	228,328	196,562
Plan fiduciary net position – ending	$ 246,005	$ 240,709	$ 217,628	$ 225,014	$ 228,328
Net pension liability – ending	$ 177,182	$ 172,238	$ 180,787	$ 172,577	$ 133,150
Plan fiduciary net position as a percentage of the total pension liability	58.13%	58.29%	54.62%	56.59%	63.17%
Covered employee payroll (in thousands)	$ 55,827	$ 52,130	$ 47,397	$ 48,431	$ 51,875
Net pension liability as a percentage of covered payroll	317.38%	330.4%	381.43%	356.34%	256.67%

The information in this schedule has been determined as of the measurement date 06/30/18 of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods of which such information is available are presented.

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
2018	$ 16,855	$ 16,855	$ —	$ 55,827	30.19%
2017	15,215	15,215	—	52,130	29.19%
2016	11,984	11,984	—	47,397	25.28%
2015	11,709	11,709	—	48,431	24.18%
2014	11,063	11,063	—	51,875	21.33%
2013	11,524	11,524	—	52,465	21.97%
2012	11,471	11,471	—	54,079	21.21%
2011	10,568	10,568	—	54,139	19.52%
2010	9,097	9,097	—	57,833	15.73%
2009	8,624	8,624	—	58,717	14.69%

Notes to the Schedule

Valuation date: July 1, 2016. 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, 2018 were determined based on the July 1, 2016 valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal

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. The impact of the August 2015 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.

Asset valuation method: 4-year smoothed market; 25% corridor

Salary increases: 3.50% plus merit component based on age ranging from 6.60% at age 20 to 0.00% for members age 65 and older.

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2009-2014.

Mortality: CalPERS mortality tables with adjustment factors, projected with MP-2015

COLA: 1.50%

Other: The assumptions shown above pertain to the actuarial valuation as of July 1, 2016 and were used to determine the actuarially determined contribution for the fiscal year ending June 30, 2018. 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.

MERP

Schedule of Changes in Net OPEB Liability and Related Ratios (in thousands)	2018	2017
Total OPEB Liability		
Service cost	$ 305	$ 295
Interest (includes interest on service cost)	1,614	1,591
Benefit payments, including refunds of employee contributions	(1,567)	(1,556)
Net change in total OPEB liability	352	330
Total OPEB liability – beginning	23,684	23,354
Total OPEB liability – ending	$ 24,036	$ 23,684
Plan fiduciary net position		
Contributions – employer	$ 1,682	$ 1,811
Net investment income	83	102
Benefit payments, including refunds of employee contributions	(1,567)	(1,556)
Net change in plan fiduciary net position	198	357
Plan fiduciary net position – beginning	10,921	10,564
Plan fiduciary net position – ending	$ 11,119	$ 10,921
Net OPEB liability – ending	$ 12,917	$ 12,763
Plan fiduciary net position as a percentage of the total OPEB liability	46.26%	46.11%
Covered employee payroll (in thousands)	$ 21,449	$ 20,723
Net OPEB liability as a percentage of covered payroll	60.22%	61.59%

Note to Schedule
Service Cost determined under the Entry Age Normal Method

The information in this schedule has been determined as of the measurement date 06/30/18 of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods of which such information is available are presented.

Schedule of Employer Contributions – OPEB

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2018	$ 1,460	$ 1,682	$ (222)	$ 21,449	7.84%
2017	1,811	1,811	—	20,723	8.74%

Notes to the Schedule

Valuation date:	June 30, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Asset Valuation method	Market
Inflation	3.00%
Projected payroll increases	3.50%
Investment rate of return	7.00%
Health care trend rates	Applies only to Duty Related Death Benefits: Rates starting at 7.50% in 2018 grading down to 4.50% in 2032
Expenses	Investment expenses are paid from investment returns
Other Information:	
Notes	There are no benefit changes during the year

The information in this schedule has been determined as of the measurement date 06/30/18 of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods of which such information is available are presented.

LTD

Schedule of Changes in Net OPEB Liability and Related Ratios (in thousands)	2018	2017
Total OPEB Liability		
Service cost	$ 181	$ 175
Interest (includes interest on service cost)	174	165
Benefit payments, including refunds of employee contributions	(204)	(219)
Net change in total OPEB liability	151	121
Total OPEB liability – beginning	2,493	2,372
Total OPEB liability – ending	$ 2,644	$ 2,493
Plan fiduciary net position		
Contributions – employer	$ 84	$ 70
Net investment income	192	498
Benefit payments, including refunds of employee contributions	(204)	(219)
Administrative Expense	(21)	(14)
Other	8	7
Net change in plan fiduciary net position	59	314
Plan fiduciary net position – beginning	3,959	3,617
Plan fiduciary net position – ending	$ 4,018	$ 3,959
Net OPEB liability – ending	$ (1,374)	$ (1,466)
Plan fiduciary net position as a percentage of the total OPEB liability	151.97%	158.80%
Covered employee payroll (in thousands)	$ 42,475	$ 41,044
Net OPEB liability as a percentage of covered payroll	(3.23)%	(3.57)%

Note to Schedule

Service Cost determined under the Entry Age Normal Method

The information in this schedule has been determined as of the measurement date 06/30/18 of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods of which such information is available are presented.

Schedule of Employer Contributions – OPEB

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2018	$ 88	$ 84	$ 4	$ 42,475	0.20%
2017	77	70	7	41,044	0.17%

Notes to the Schedule

Valuation date:	June 30, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Asset Valuation method	Market
Inflation	3.00%
Projected payroll increases	3.50%
Investment rate of return	7.00%
Health care trend rates	Due to the nature of the benefit, health care trend rates are not applicable to the calculation of contribution rates
Expenses	Investment expenses are paid from investment returns
Other Information:	
Notes	There are no benefit changes during the year

The information in this schedule has been determined as of the measurement date 06/30/18 of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods of which such information is available are presented.

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)

	2018	2017
REVENUES		
Aeronautical Revenue		
Terminal Fees	$ 90,497	$ 80,303
Landing Fees	52,090	49,889
Air Cargo and Hangar Rental	8,423	7,895
Other	13,858	13,037
Non-Aeronautical Revenue		
Parking	87,948	84,171
Rental Cars	54,818	53,586
Terminal – Food and Beverage	22,525	21,698
Terminal – Retail	11,094	10,136
Rental Revenue	23,803	20,762
Ground Transportation	8,776	5,340
Interest	7,019	4,177
Other	5,037	3,657
Total Revenues before Reimbursement	385,888	354,651
Transportation O&M Expense Reimbursement (1)	15,309	16,190
Total Revenues	401,197	370,841
EXPENDITURES AND ENCUMBRANCES		
Cost of Operation and Maintenance		
Personal Services	121,218	116,353
Contractual Services	113,318	113,745
Supplies	11,216	12,070
Equipment/Minor Improvements	3,861	2,948
Total Cost of Operation and Maintenance (1)	249,613	245,116
Net Airport Revenue Available for Debt Service (Net Airport Revenues)	151,584	125,725
Total Senior Lien Airport Revenue Bond Debt Service	55,180	48,797
Net Airport Revenue Available After Senior Lien Revenue Bond Debt Service (Designated Revenues)	96,404	76,928
Total Junior Lien Airport Revenue Bond Debt Service (2)	5,935	5,933
Net Airport Revenue Available After Senior and Junior Lien Revenue Bond Debt Service	90,469	70,995
Other Expenditures		
Capital Improvements	57,596	42,693
General Obligation Bond Debt Service	197	197
Early Defeasance of Debt	13,377	—
Short Term Interest	810	—
Total Other Expenditures	71,980	42,890
Total Expenditures and Encumbrances	382,708	342,736
Excess of Revenues Over Expenditures and Encumbrances	18,489	28,105

(For the fiscal years ended June 30; in thousands)

	2018	2017
OTHER FINANCING SOURCES (USES)		
Recovery of Prior Years Expenditures	$ 3,363	$ 1,498
Transfer to General Fund:		
Staff and Administrative – Central Service	(9,141)	(8,373)
Transfers (to) from Other Funds		
Transfers to Other Funds	(5,698)	(15,922)
Transfers from Other Funds	12,876	2,769
Total Other Financing Sources (Uses)	1,400	(20,028)
Net Increase in Fund Balance	19,889	8,077
FUND BALANCE, JULY 1	334,111	326,034
FUND BALANCE, JUNE 30	354,000	334,111
Non-Cash Budgetary Transactions (3)	46,670	31,341
Total Airport Cash on Hand, June 30	$ 400,670	$ 365,452
Days Cash Calculation (4)		
Total Airport Cash on Hand, June 30	$ 400,670	$ 365,452
Total Cost of Maintenance and Operation	249,613	245,116
Days Cash on Hand	586	544

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)

	2018	2017
Comparative Statements of Net Position		
Cash and Cash Equivalents (Unrestricted)	$ 57,817	$ 69,970
Investments (Unrestricted)	342,853	295,482
Total Airport Cash on Hand, June 30	400,670	365,452
Adjusted For:		
Non-Cash Budgetary Transactions (1)	(46,670)	(31,341)
Available Fund Balance per Budgetary Presentation (2)	$ 354,000	$ 334,111

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)

	2018	2017
Revenues		
Total GAAP Operating Revenues	$ 373,893	$ 356,418
Adjusted for :		
Transportation O&M Expense Reimbursement	15,309	16,190
Year-end Revenue Accruals	4,778	(6,257)
Interest Income	7,019	4,177
Proceeds from Disposal of Assets	198	313
Revenues per Budgetary Presentation (2)	$ 401,197	$ 370,841
Operating Expenses/Expenditures		
Total GAAP Operating Expenses	$ 445,339	$ 426,553
Adjusted for :		
Depreciation	(166,145)	(165,826)
Staff and Administration	(9,141)	(8,373)
Net Pension Liability Increase	(13,119)	(4,817)
Year-end Expenditure Accruals	(2,376)	4,284
Expensed Capital (3)	(6,191)	(11,433)
Other (1)	1,246	4,482
Operation and Maintenance Expenditures per Budgetary Presentation (2)	$ 249,613	$ 244,870
Senior Lien Coverage Calculation		
Revenue	$ 401,197	$ 370,841
Operating Expenditures	249,613	244,870
Designated Revenue for Senior Lien Debt Service	$ 151,584	$ 125,971
Senior Lien Debt Service	$ 55,180	$ 48,797
Senior Lien Debt Service Coverage (4)	2.75	2.58
Junior Lien Coverage Calculation		
Designated Revenue for Senior Lien Debt Service	$ 151,584	$ 125,971
Senior Lien Debt Service	55,180	48,797
Designated Revenue for Junior Lien Debt Service	$ 96,404	$ 77,174
Junior Lien Debt Service	$ 51,000	$ 52,588
Adjusted for :		
Junior Lien PFC Credit	(44,473)	(46,065)
2010 RZEDB Subsidy Payments	(592)	(590)
Net Junior Lien Debt Service	$ 5,935	$ 5,933
Junior Lien Debt Service Coverage (4)	16.24	13.01
Aggregate Senior & Junior Liens Coverage Calculation		
Designated Revenue for Debt Service	$ 151,584	$ 125,971
Aggregate Senior & Junior Liens Debt Service	61,115	54,730
Aggregate Senior & Junior Liens Debt Service Coverage	2.48	2.30

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)

	2018	2017	2016	2015
Operating Revenues				
Aeronautical Revenue	$ 160,900	$ 154,209	$ 144,093	$ 145,046
Non-Aeronautical Revenue	212,993	202,209	189,322	195,921
Total Operating Revenue	373,893	356,418	333,415	340,967
Operating Expenses				
Operation and Maintenance				
Personal Services	134,785	127,792	119,938	86,172
Contractual Services	117,162	103,158	104,735	115,486
Supplies	11,731	9,300	11,925	10,771
Equipment/Minor Improvements	6,375	11,145	23,305	31,128
Environmental, Studies and Noise	—	959	1,956	2,600
City Staff and Administrative	9,141	8,373	7,716	7,969
Depreciation	166,145	165,826	166,829	163,691
Total Operating Expenses	445,339	426,553	436,404	417,817
Net Operating Loss	(71,446)	(70,135)	(102,989)	(76,850)
Non-Operating Revenues (Expenses)				
Passenger Facility Charges	83,885	83,577	83,449	84,774
Rental Car Customer Facility Charges	49,210	47,348	47,118	44,839
Investment Income	4,594	2,555	6,591	2,988
Interest on Capital Debt	(64,403)	(67,915)	(67,141)	(65,051)
Loss on Disposal of Capital Assets	(4,529)	(1,417)	(759)	(47)
Total Non-Operating Revenues (Expenses)	68,757	64,148	69,258	67,503
Capital Contributions	22,569	26,639	27,803	20,970
Transfer from Other Funds	168	—	2	1
Transfer to Other Funds	(948)	(370)	(330)	(365)
Change in Net Position	19,100	20,282	(6,256)	11,259
Net Position – July 1	1,654,073	1,645,405	1,651,661	1,640,402
Restatement of Beginning Net Position	—	(11,614)	—	—
Net Position – July 1, as restated	1,654,073	1,633,791	1,651,661	1,640,402
Net Position – June 30	$ 1,673,173	$ 1,654,073	$ 1,645,405	$ 1,651,661
Net Position – June 30				
Net Investment in Capital Assets	$ 1,264,682	$ 1,196,595	$ 1,205,383	$ 1,170,752
Restricted	315,812	357,767	350,755	343,472
Unrestricted	92,679	99,711	89,267	137,437
Total Net Position	$ 1,673,173	$ 1,654,073	$ 1,645,405	$ 1,651,661

(in thousands)

2014	2013	2012	2011	2010	2009
$ 141,633	$ 129,026	$ 124,112	$ 118,580	$ 110,979	$ 111,451
184,411	176,660	175,655	170,080	155,799	161,628
326,044	305,686	299,767	288,660	266,778	273,079
65,339	72,791	71,987	69,189	71,253	62,639
124,360	114,748	103,669	104,365	97,580	109,108
11,014	11,797	11,061	11,294	9,333	11,071
26,045	32,850	31,225	36,026	19,249	44,504
5,099	8,361	8,218	15,364	13,811	3,028
7,262	6,869	5,889	4,364	5,037	5,943
158,760	146,034	127,699	128,697	129,034	110,067
397,879	393,450	359,748	369,299	345,297	346,360
(71,835)	(87,764)	(59,981)	(80,639)	(78,519)	(73,281)
79,672	78,184	78,807	79,870	77,165	74,134
43,113	41,457	41,253	39,274	36,050	33,573
3,831	519	2,750	2,609	3,518	8,958
(64,863)	(70,785)	(75,927)	(70,612)	(46,768)	(43,076)
(29)	(153)	16	7,803	(1,420)	(24)
61,724	49,222	46,899	58,944	68,545	73,565
27,184	14,516	32,694	33,832	40,000	25,005
—	31	—	—	—	—
(166)	—	—	—	—	—
16,907	(23,995)	19,612	12,137	30,026	25,289
1,765,618	1,789,613	1,770,001	1,757,864	1,727,838	1,896,919
(142,123)	—	—	—	—	(194,370)
1,623,495	1,789,613	1,770,001	1,757,864	1,727,838	1,702,549
$ 1,640,402	$ 1,765,618	$ 1,789,613	$ 1,770,001	$ 1,757,864	$ 1,727,838
$ 1,241,513	$ 1,255,699	$ 1,325,444	$ 1,312,605	$ 1,465,741	$ 1,493,939
272,624	266,673	106,337	106,350	51,730	52,019
126,265	243,246	357,832	351,046	240,393	181,880
$ 1,640,402	$ 1,765,618	$ 1,789,613	$ 1,770,001	$ 1,757,864	$ 1,727,838

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				
	2018	2017	2016	2015	2014
Terminal Fees					
Amount	$ 89,389,493	$ 80,955,779	$ 75,114,921	$ 78,422,082	$ 73,089,595
Percent of Operating Revenue	23.91%	22.71%	22.53%	23.00%	22.42%
Landing Fees					
Amount	$ 50,029,798	$ 51,278,003	$ 49,869,087	$ 48,497,053	$ 49,860,459
Percent of Operating Revenue	13.38%	14.39%	14.96%	14.22%	15.29%
Parking					
Amount	$ 88,189,599	$ 84,150,595	$ 84,585,621	$ 81,094,038	$ 76,964,416
Percent of Operating Revenue	23.59%	23.61%	25.37%	23.78%	23.61%
Rental Cars					
Amount	$ 54,901,712	$ 53,594,924	$ 46,668,644	$ 52,103,343	$ 49,627,460
Percent of Operating Revenue	14.68%	15.04%	14.00%	15.28%	15.22%

	Fiscal Year				
	2013	2012	2011	2010	2009
Terminal Fees					
Amount	$ 64,904,028	$ 56,745,994	$ 45,524,353	$ 40,505,843	$ 45,397,236
Percent of Operating Revenue	18.93%	15.77%	15.18%	16.62%	14.61%
Landing Fees					
Amount	$ 46,892,628	$ 42,970,142	$ 41,504,514	$ 38,489,900	$ 37,567,983
Percent of Operating Revenue	14.33%	12.45%	14.43%	13.76%	12.20%
Parking					
Amount	$ 74,913,811	$ 72,753,006	$ 69,837,852	$ 66,087,317	$ 70,231,461
Percent of Operating Revenue	24.27%	24.19%	24.77%	25.72%	28.68%
Rental Cars					
Amount	$ 47,793,301	$ 47,094,786	$ 45,684,285	$ 43,999,292	$ 41,665,110
Percent of Operating Revenue	15.71%	15.83%	16.49%	15.26%	16.11%

	Fiscal Year				
	2018	2017	2016	2015	2014
Airline Terminal Fees					
Fee per square foot					
Terminal 2	$ 120.00	$ 109.80	$ 106.68	$ 118.26	$ 112.80
Terminal 3	120.00	109.80	106.68	118.26	112.80
Terminal 4	120.00	109.80	106.68	118.26	112.80
Landing Fees					
Fee per 1,000 pounds	1.99	1.98	1.98	1.87	1.99
Parking Rates					
Terminal Garages (per hour)	4.00	4.00	4.00	4.00	4.00
Terminal Garages (daily max)					
Terminal 2	26.00	25.00	25.00	25.00	25.00
Terminal 3	27.00	25.00	25.00	25.00	25.00
Terminal 4	27.00	25.00	25.00	25.00	25.00
Terminal 2 Economy Covered	12.00	11.00	11.00	11.00	11.00
Terminal 2 Economy Uncovered	10.00	9.00	9.00	9.00	9.00
West Economy Park and Walk	7.00	7.00	7.00	7.00	9.00
East Economy Covered	14.00	11.00	11.00	11.00	11.00
East Economy Uncovered	12.00	9.00	9.00	9.00	9.00
Rental Car Center Rates					
Percent of Gross Rent	10%	10%	10%	10%	10%

	Fiscal Year				
	2013	2012	2011	2010	2009
Airline Terminal Fees					
Fee per square foot					
Terminal 2	$ 110.65	$ 79.99	$ 75.80	$ 66.83	$ 59.49
Terminal 3	110.65	83.73	81.92	79.76	59.84
Terminal 4	110.65	104.56	90.90	85.60	69.65
Landing Fees					
Fee per 1,000 pounds	1.93	1.67	1.59	1.53	1.39
Parking Rates					
Terminal Garages (per hour)	4.00	4.00	4.00	4.00	4.00
Terminal Garages (daily max)					
Terminal 2	25.00	25.00	25.00	25.00	25.00
Terminal 3	25.00	25.00	25.00	25.00	25.00
Terminal 4	25.00	25.00	25.00	25.00	25.00
Terminal 2 Economy Covered	11.00	11.00	11.00	10.00	10.00
Terminal 2 Economy Uncovered	9.00	9.00	9.00	8.00	8.00
West Economy Park and Walk	9.00	9.00	9.00	8.00	8.00
East Economy Covered	11.00	11.00	11.00	10.00	10.00
East Economy Uncovered	9.00	9.00	9.00	8.00	8.00
Rental Car Center Rates					
Percent of Gross Rent	10%	10%	10%	10%	10%

DEBT SCHEDULES

THE DEBT SCHEDULES INCLUDE:

Schedule	Description
7	Outstanding Debt, 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				
	2018	2017	2016	2015	2014
Outstanding Debt (in thousands)					
Revenue Bonds					
Senior Lien Bonds	$ 554,005	$ 447,660	$ 472,895	$ 496,905	$ 519,775
Junior Lien Bonds	669,935	724,405	739,900	659,585	672,290
Short Term Obligations	100,000	180,000	130,000	140,000	120,000
General Obligation Bonds	7,865	7,865	7,865	7,865	7,870
Total Outstanding Debt	$ 1,331,805	$ 1,359,930	$ 1,350,660	$ 1,304,355	$ 1,319,935
Enplaned Passengers	22,218,915	21,820,386	22,055,907	21,488,569	20,518,748
Outstanding Debt per Enplaned Passenger	$59.94	$62.32	$61.24	$60.70	$64.33

	Fiscal Year				
	2013	2012	2011	2010	2009
Outstanding Debt (in thousands)					
Revenue Bonds					
Senior Lien Bonds	$ 542,920	$ 599,615	$ 625,270	$ 680,165	$ 699,320
Junior Lien Bonds	684,395	696,105	696,105	—	—
Short Term Obligations	100,000	—	—	200,000	80,000
General Obligation Bonds	8,905	9,615	10,500	11,350	12,195
Total Outstanding Debt	$ 1,336,220	$ 1,305,335	$ 1,331,875	$ 891,515	$ 791,515
Enplaned Passengers	20,235,788	20,278,458	19,681,233	19,096,529	18,912,120
Outstanding Debt per Enplaned Passenger	$ 66.03	$ 64.37	$ 67.67	$ 46.68	$ 41.85

Notes:
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 the 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				
	2018	2017	2016	2015	2014
Debt Service (in thousands)					
Revenue Bonds					
Principal	$ 44,898	$ 40,730	$ 38,135	$ 35,575	$ 35,250
Interest	61,281	60,654	60,442	59,626	61,248
Short Term Obligations					
Interest	810	1,021	125	—	—
General Obligation Bonds					
Principal	—	—	—	—	500
Interest	197	197	197	201	359
Total Debt Service	$ 107,186	$ 102,602	$ 98,899	$ 95,402	$ 97,357
Enplaned Passengers	22,218,915	21,820,386	22,055,907	21,488,569	20,518,748
Debt Service per Enplaned Passenger	$ 4.82	$ 4.70	$ 4.48	$ 4.44	$ 4.74

	Fiscal Year				
	2013	2012	2011	2010	2009
Debt Service (in thousands)					
Revenue Bonds					
Principal	$ 33,615	$ 25,655	$ 20,610	$ 19,155	$ 18,990
Interest	64,495	66,925	62,453	35,744	37,286
General Obligation Bonds					
Principal	710	885	850	845	1,385
Interest	395	430	464	498	563
Total Debt Service	$ 99,215	$ 93,895	$ 84,377	$ 56,242	$ 58,224
Enplaned Passengers	20,235,788	20,278,458	19,681,233	19,096,529	18,912,120
Debt Service per Enplaned Passenger	$ 4.90	$ 4.63	$ 4.29	$ 2.95	$ 3.08

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.


Southwest
PHX
SKY TRAIN

BOND RATINGS
(as of June 30, 2018)

Series		Rating	
		Moody's	S & P
City of Phoenix Civic Improvement Corporation			
Senior Lien Revenue Bonds		Aa3	AA-
2013	Airport Revenue Refunding Bonds (AMT)		
2017A	Airport Revenue Bonds (AMT)		
2017B	Airport Revenue Refunding Bonds (Non-AMT)		
2017C	Airport Revenue Refunding Bonds (Taxable)		
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)		
2017D	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, 2018)

Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding (a)
03/05/13	2013 (b)	$ 196,600,000	7/1/14-32	3.00% – 5.00%	$ 160,825,000
11/21/17	2017A	190,930,000	7/1/18-47	5.00%	189,130,000
11/21/17	2017B (b)	173,440,000	7/1/21-38	5.00%	173,440,000
11/21/17	2017C (b)	35,745,000	7/1/18-21	1.501% – 2.207%	30,610,000
Total					$ 554,005,000

Notes:
(a) Does not include bonds maturing on July 1, 2018.

(b) Series 2013, 2017B and 2017C were used for refunding purposes.

SENIOR LIEN AIRPORT REVENUE BONDS
SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2019	$ 20,660,000	$ 26,773,850	$ 47,433,850
2020	28,175,000	26,040,218	54,215,218
2021	20,225,000	25,123,877	45,348,877
2022	21,105,000	24,247,250	45,352,250
2023	20,520,000	23,192,000	43,712,000
2024	21,550,000	22,166,000	43,716,000
2025	22,625,000	21,088,500	43,713,500
2026	23,765,000	19,957,250	43,722,250
2027	24,945,000	18,769,000	43,714,000
2028	26,200,000	17,521,750	43,721,750
2029	27,505,000	16,211,750	43,716,750
2030	28,880,000	14,836,500	43,716,500
2031	30,325,000	13,392,500	43,717,500
2032	31,845,000	11,876,250	43,721,250
2033	17,180,000	10,284,000	27,464,000
2034	18,050,000	9,425,000	27,475,000
2035	18,950,000	8,522,500	27,472,500
2036	19,895,000	7,575,000	27,470,000
2037	20,885,000	6,580,250	27,465,250
2038	21,935,000	5,536,000	27,471,000
2039	8,050,000	4,439,250	12,489,250
2040	8,455,000	4,036,750	12,491,750
2041	8,875,000	3,614,000	12,489,000
2042	9,320,000	3,170,250	12,490,250
2043	9,790,000	2,704,250	12,494,250
2044	10,280,000	2,214,750	12,494,750
2045	10,790,000	1,700,750	12,490,750
2046	11,330,000	1,161,250	12,491,250
2047	11,895,000	594,750	12,489,750
Total	$ 554,005,000	$ 352,755,445	$ 906,760,445

SCHEDULE 12
City of Phoenix, Aviation Enterprise Fund
JUNIOR LIEN AIRPORT REVENUE BONDS
SCHEDULE OF OUTSTANDING DEBT
(as of June 30, 2018)

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%	$ 31,310,000
09/01/10	2010B(c),(d)	21,345,000	7/1/40	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%	91,820,000
12/15/15	2015B (b)(c)	18,655,000	7/1/34	5.00%	18,655,000
12/21/17	2017D (b)	474,725,000	7/1/21-40	3.125% – 5.00%	474,725,000
Total					$ 669,935,000

Notes:
(a) Does not include bonds maturing on July 1, 2018.

(b) Series 2010C, 2015B and 2017D was used for refunding purposes.

(c) 100% of debt service due on or before July 1, 2023 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 6.6% and 6.9% (the Sequester Reductions), in fiscal years 2018 and 2017, 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, 2023 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.

JUNIOR LIEN AIRPORT REVENUE BONDS
SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2019	$ 16,980,000	$ 32,594,051	$ 49,574,051
2020	17,805,000	31,766,251	49,571,251
2021	17,545,000	30,917,776	48,462,776
2022	18,420,000	30,040,527	48,460,527
2023	29,515,000	29,119,526	58,634,526
2024	30,990,000	27,643,776	58,633,776
2025	32,545,000	26,094,276	58,639,276
2026	22,395,000	24,467,027	46,862,027
2027	23,510,000	23,347,276	46,857,276
2028	24,690,000	22,171,776	46,861,776
2029	25,920,000	20,937,276	46,857,276
2030	27,215,000	19,641,277	46,856,277
2031	28,570,000	18,280,526	46,850,526
2032	30,015,000	16,852,026	46,867,026
2033	31,510,000	15,351,276	46,861,276
2034	31,740,000	13,775,777	45,515,777
2035	34,565,000	12,368,120	46,933,120
2036	36,290,000	10,639,870	46,929,870
2037	38,090,000	8,843,820	46,933,820
2038	39,970,000	6,958,520	46,928,520
2039	41,595,000	5,337,320	46,932,320
2040	43,280,000	3,649,920	46,929,920
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
Total	$ 669,935,000	$ 434,945,490	$ 1,104,880,490

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, 2018)

Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding (a)
06/02/04	2004	$ 260,000,000	7/1/07-29	3.69% – 6.25%	$ 165,885,000
					$ 165,885,000

Note:
(a) Does not include bonds maturing on July 1, 2018.

RENTAL CAR FACILITY CHARGE REVENUE BONDS
SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
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
Total	$ 165,885,000	$ 68,146,479	$ 234,031,479

SCHEDULE 16
City of Phoenix, Aviation Enterprise Fund
AIRPORT GENERAL OBLIGATION BONDS
SCHEDULE OF OUTSTANDING DEBT
(as of June 30, 2018)

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					$ 7,865,000

Notes:
(a) Does not include bonds maturing on July 1, 2018.

(b) Series 2014 refunded the 2003 GO Bonds

AIRPORT GENERAL OBLIGATION BONDS
SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2019	$ 4,520,000	$ 197,050	$ 4,717,050
2020	3,345,000	82,700	3,427,700
Total	$ 7,865,000	$ 279,750	$ 8,144,750

ECONOMIC AND DEMOGRAPHIC SCHEDULES

THE ECONOMIC AND DEMOGRAPHIC SCHEDULES INCLUDE:

SCHEDULE 18
City of Phoenix, Aviation Enterprise Fund
DEMOGRAPHIC STATISTICS FOR THE AIRPORT SERVICE AREA
June 30, 3018

Fiscal Year		Population (July 1)	Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2018	(a)	—	$ —	$ —	4.2%
2017		4,737,270	208,895,900	44,096	4.5%
2016		4,661,537	196,801,479	42,218	5.3%
2015		4,574,531	186,693,084	40,811	6.0%
2014		4,489,109	178,871,199	39,846	6.8%
2013		4,404,129	170,637,978	38,745	7.4%
2012		4,330,974	166,686,196	38,487	8.7%
2011		4,254,149	158,211,801	37,190	9.6%
2010		4,209,347	148,838,301	35,359	9.3%
2009		4,153,609	147,153,657	35,428	5.5%

Sources:
U.S. Department of Commerce, Bureau of the Census website, www.census.gov

U.S. Department of Commerce, Bureau of Economic Analysis website, www.bea.gov

U.S. Department of Labor, Bureau of Labor Statistics website, 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, 2018 as of the date of publication.

SCHEDULE 19
City of Phoenix, Aviation Enterprise Fund
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	2018			2009		
Employer	Employees	Rank	Percentage	Employees	Rank	Percentage
State of Arizona	49,800	1	2.60%	50,936	1	2.66%
Wal-Mart Stores Inc	30,634	2	1.60%	32,814	3	1.71%
Banner Health	24,825	3	1.30%	23,100	2	1.20%
City of Phoenix	15,100	4	0.79%	17,068	4	0.89%
Wells Fargo & Co	13,308	5	0.70%	14,000	6	0.73%
Bank of America	13,300	6	0.69%			
Maricopa County	12,792	7	0.67%	14,014	5	0.73%
Arizona State University	11,185	8	0.58%	13,005	7	0.68%
Apollo Group	11,000	9	0.57%			
JP Morgan Chase & Co	10,600	10	0.55%			
Honeywell Aerospace				12,600	8	0.66%
US Postal Service				10,545	9	0.55%
Bashas' Inc.				10,460	10	0.55%

Sources:
Phoenix Business Journal Book of Lists

Arizona Department of Commerce, Workforce Development

Note:
Top employers in Maricopa County.


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3JE

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

	2018	2017	2016	2015	2014
Division/Group					
Administration	10	10	8	12	9
Business and Properties	31	20	19	18	20
Contracts and Services	17	19	8	—	—
Design and Construction Services	33	35	29	30	36
Facilities and Services	409	385	381	374	384
Financial Management	27	26	27	30	32
Human Resources	12	16	15	12	12
Technology	38	41	39	37	41
Operations	152	189	186	181	188
Planning and Environmental	19	19	19	19	21
Public Relations	15	16	13	14	13
Public Safety and Security	49	—	—	—	—
Other	3	8	4	5	18
Total	815	784	748	732	774

	2013	2012	2011	2010	2009
Division/Group					
Administration	10	15	12	12	14
Business and Properties	20	18	20	22	22
Contracts and Services	—	—	—	—	—
Design and Construction Services	37	28	30	35	35
Facilities and Services	374	367	380	382	396
Financial Management	31	30	35	34	36
Human Resources	13	13	14	14	16
Technology	39	41	45	39	39
Operations	185	187	183	179	173
Planning and Environmental	21	29	27	26	23
Public Relations	12	13	14	13	12
Public Safety and Security	—	—	—	—	—
Other	27	30	29	19	9
Total	769	771	789	775	775

Source:
City of Phoenix, Aviation Department

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, Contour, Spirit, 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, JetBlue, and Sun Country 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 2022. Air Canada, American, British Airways, Condor, 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-Down spaces, 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

	By Type of Passenger					Percent of Total	
Fiscal	Origin-Destination (O&D)						
Year	Resident	Visitor	Total O&D	Connecting	Total	O&D	Connecting
2018	6,846,360	8,200,666	15,047,026	7,171,889	22,218,915	67.7%	32.3%
2017	6,558,400	7,827,022	14,385,422	7,434,964	21,820,386	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%

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	By flight destination			Percent of Total	
Year	Domestic	International	Total	Domestic	International
2018	21,177,581	1,041,334	22,218,915	95.3%	4.7%
2017	20,812,795	1,007,591	21,820,386	95.4%	4.6%
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	19,399,997	1,118,751	20,518,748	94.5%	5.5%
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	18,093,919	1,002,610	19,096,529	94.7%	5.3%
2009	17,980,137	931,983	18,912,120	95.1%	4.9%

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				
	2018	2017	2016	2015	2014
Enplaned Passengers					
American Airlines Group (a)	10,360,041	10,129,895	10,962,440	10,978,341	10,734,648
Southwest (b)	7,546,946	7,382,859	7,149,550	6,750,373	6,305,923
Delta	1,438,843	1,388,510	1,401,639	1,325,051	1,262,548
United (c)	1,164,730	1,131,353	1,080,742	981,702	960,710
Frontier (d)	388,761	459,477	235,602	279,517	207,590
Alaska	432,478	420,940	376,264	370,801	339,086
WestJet	234,570	229,727	219,614	214,812	179,257
Air Canada	140,171	117,966	104,995	101,417	81,683
British Airways	111,514	108,487	105,173	103,408	99,380
Spirit	96,545	146,760	165,376	148,673	106,036
JetBlue	92,201	92,321	91,947	90,195	87,332
Hawaiian	86,558	88,388	87,094	85,368	83,715
MN Airlines (Sun Country)	80,518	77,946	48,984	35,032	31,773
All Other	45,039	45,757	26,487	23,879	39,067
Total	22,218,915	21,820,386	22,055,907	21,488,569	20,518,748
Share of Total					
American Airlines Group (a)	46.7%	46.4%	49.7%	51.0%	52.2%
Southwest (b)	34.0	33.8	32.4	31.4	30.7
Delta	6.5	6.4	6.4	6.2	6.2
United (c)	5.2	5.2	4.9	4.6	4.7
Frontier (d)	1.7	2.1	1.1	1.3	1.0
Alaska	1.9	1.9	1.7	1.7	1.7
WestJet	1.1	1.1	1.0	1.0	0.9
Air Canada	0.6	0.5	0.5	0.5	0.4
British Airways	0.5	0.5	0.5	0.5	0.4
Spirit	0.4	0.7	0.7	0.7	0.4
JetBlue	0.4	0.4	0.4	0.4	0.6
Hawaiian	0.4	0.4	0.4	0.4	0.4
MN Airlines (Sun Country)	0.4	0.4	0.2	0.2	0.2
All Other	0.2	0.2	0.1	0.1	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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 Continental Airlines, which merged with United in May 2010, for all years shown.

(d) 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				
	2013	2012	2011	2010	2009
Enplaned Passengers					
American Airlines Group (a)	10,620,512	10,443,129	10,168,306	9,886,705	9,859,978
Southwest (b)	6,294,553	6,353,423	6,036,115	5,665,452	5,546,157
Delta	1,240,735	1,296,941	1,256,788	1,250,333	1,180,336
United (c)	984,130	1,058,382	1,121,492	1,236,187	1,253,507
Frontier (d)	218,072	217,964	253,391	276,521	289,627
Alaska	324,218	343,867	328,390	326,624	332,754
WestJet	163,247	150,795	116,551	89,400	64,363
Air Canada	78,611	79,454	78,022	57,468	54,915
British Airways	91,609	92,099	85,600	75,619	79,479
Spirit	—	—	—	—	—
JetBlue	90,743	109,521	99,601	80,861	76,917
Hawaiian	85,553	86,867	85,197	84,912	87,649
MN Airlines (Sun Country)	22,915	22,341	29,694	31,842	39,778
All Other	20,890	23,675	22,086	34,605	46,660
Total	20,235,788	20,278,458	19,681,233	19,096,529	18,912,120
Share of Total					
American Airlines Group (a)	52.5%	51.6%	51.6%	51.8%	52.3%
Southwest (b)	31.1	31.3	30.7	29.7	29.3
Delta	6.1	6.4	6.4	6.5	6.2
United (c)	4.9	5.2	5.7	6.5	6.6
Frontier (d)	1.1	1.1	1.3	1.4	1.5
Alaska	1.6	1.7	1.7	1.7	1.8
WestJet	0.8	0.7	0.6	0.5	0.3
Air Canada	0.4	0.4	0.4	0.3	0.3
British Airways	0.5	0.5	0.4	0.4	0.4
Spirit	—	—	—	—	—
JetBlue	0.4	0.5	0.5	0.4	0.4
Hawaiian	0.4	0.4	0.4	0.4	0.5
MN Airlines (Sun Country)	0.1	0.1	0.2	0.2	0.2
All Other	0.1	0.1	0.1	0.2	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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 (in thousands)	Cost Per Enplanement
2018	$ 139,033	22,219	$ 6.26
2017	133,581	21,820	6.12
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	93,044	18,912	4.92

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, 2018)

	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	637,067,770	1,335,337,011
PFC 7	82,163,209	66,923,588	15,239,621
PFC 8	69,959,779	35,888,624	34,071,155
Subtotal	2,124,527,769	739,879,982	1,384,647,787
Total PFC Approvals	$ 2,999,733,614	$ 1,615,085,827	$ 1,384,647,787

Source:
City of Phoenix Aviation Department

Note:
(a) Revenues include PFC collections plus related interest income.

SCHEDULE OF ANNUAL PFC COLLECTIONS

Last Ten Fiscal Years

				Enplaned Passengers		
Fiscal Year	PFC Rate	Airline Admin Fee	Net PFC Rate	Total (in thousands)	PFC Eligible (a)	Total PFC Collections (b) (in thousands)
2018	$ 4.50	$ 0.11	$ 4.39	22,219	86.0%	$ 83,917
2017	4.50	0.11	4.39	21,820	87.3%	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

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) Pledged CFCs	Additional Deposits	Annual Receipts (d)	Administrative Costs
			(in thousands)			
2018	8,128	$ 4.50	$ 36,576	$ 12,189	$ 48,765	$ 14
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

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	Debt Service Coverage: By Net Annual CFC Receipts and Debt Service Coverage Fund
	(in thousands)					
2018	$ 48,751	$ 5,390	$ 54,141	$ 21,273	2.29	2.55
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


PHOENIX
DEER VALLEY AIRPORT


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City of Phoenix Aviation Department

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