

OFFICIAL STATEMENT DATED APRIL 30, 2003

In the opinion of Bond Counsel, assuming compliance with certain tax covenants, interest on the Tax-Exempt Bonds (as defined herein) is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, see "Tax Matters — Tax-Exempt Bonds" herein for a description of the federal alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Tax-Exempt Bonds. Bond Counsel is further of the opinion that assuming interest is so excludable for federal income tax purposes, the interest on the Tax-Exempt Bonds is exempt from income taxation under the laws of the State of Arizona. In the opinion of Bond Counsel, interest on the Taxable Bonds (as defined herein) is includible in gross income of the owners thereof for federal and State of Arizona income tax purposes and therefore is not exempt from present federal income taxation and State of Arizona income taxation. See "Tax Matters — Taxable Bonds" herein.

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**Subordinated Excise Tax Revenue Bonds**

\$80,000,000	\$25,000,000	\$25,000,000	\$10,000,000
(Solid Waste Improvements) Series 2003A	Municipal Facilities Series 2003B	Municipal Facilities Taxable Series 2003C	Municipal Facilities Taxable Series 2003D
Dated: May 1, 2003		Due: July 1, as shown on inside front cover	

Principal of, and premium, if any, on the Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements) Series 2003A (the "Series 2003A Bonds"), Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2003B (the "Series 2003B Bonds" and together with the Series 2003A Bonds, the "Tax-Exempt Bonds") and the Municipal Facilities Subordinated Excise Tax Revenue Bonds, Taxable Series 2003C (the "Series 2003C Taxable Bonds"), Municipal Facilities Subordinated Excise Tax Revenue Bonds, Taxable Series 2003D (the "Series 2003D Taxable Bonds" and together with the Series 2003C Taxable Bonds, the "Taxable Bonds" and together with the Tax-Exempt Bonds, the "Bonds") are payable at the designated corporate trust office of U.S. Bank National Association, Phoenix, Arizona, as trustee (the "Trustee", also referred to herein as the "Registrar", "Paying Agent" and "Authenticating Agent"). The Bonds will be issued as fully registered Bonds in the denominations of \$5,000 each or any integral multiple thereof. Interest on the Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2004, by check or draft of the Trustee, mailed to the person shown on the bond register of the City of Phoenix Civic Improvement Corporation (the "Corporation") maintained by the Trustee as being the registered owner of such Bond as of the fifteenth day of the month immediately preceding such interest payment date, at the address appearing on said bond register or at such other address as is furnished to the Trustee in writing by such registered owner before the fifteenth day of the month prior to such interest payment date.

The Bonds are subject to redemption prior to maturity as described herein.

The principal of and premium, if any, and interest on the Bonds are payable solely from payments to be made by the City of Phoenix, Arizona (the "City"), to the Corporation pursuant to a Leaseback Agreement (the "Leaseback Agreement"), dated as of May 1, 2003, between the City and the Corporation. **The obligation of the City to make payments is absolute and unconditional but does not constitute a pledge of the full faith and credit or the ad valorem taxing power of the City.** Except to the extent the City appropriates other lawfully available funds for such payments, the City's payments are payable solely from Excise Taxes. See "SECURITY AND SOURCE OF PAYMENT" herein. Payment of principal and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy to be issued simultaneously with the delivery of the bonds by **MBIA Insurance Corporation**.

This cover page contains only a brief description of the Bonds and the security therefor, and is designed for quick reference only. The cover page is not a summary of all material information with respect to the Bonds, and investors are advised to read the entire Official Statement, including the information under the caption "EXCISE TAXES AND COVERAGE — State Fiscal Situation and Potential for Reduction in State Shared Revenues," in order to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriters, and subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed upon for the Underwriters by Squire, Sanders & Dempsey L.L.P., Phoenix, Arizona, Counsel to the Underwriters. It is expected that the Bonds will be available for delivery in definitive form in New York, New York on or about May 22, 2003.

RBC Dain Rauscher Inc.

Bear, Stearns & Co. Inc.	Lehman Brothers	U.S. Bancorp Piper Jaffray Inc.
Samuel A. Ramirez & Co., Inc.		Siebert Brandford Shank & Co., LLC
Hutchinson, Shockey, Erley & Co.		Stone & Youngberg LLC

Zions First National Bank

MATURITY SCHEDULES

\$80,000,000

Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements) Series 2003A

Maturity July 1	Principal Amount	Interest Rate	Yield	Maturity July 1	Principal Amount	Interest Rate	Yield
2004	\$2,075,000	2.000%	1.250%	2014*	\$3,940,000	5.000%	3.770%
2005	2,735,000	2.000	1.450	2015*	4,135,000	5.000	3.870
2006	2,790,000	2.250	1.760	2016*	4,345,000	5.000	3.960
2007	2,855,000	3.000	2.200	2017*	4,560,000	5.000	4.030
2008	2,940,000	5.000	2.550	2018*	4,790,000	5.000	4.120
2009	3,085,000	5.000	2.860	2019*	5,025,000	5.000	4.220
2010	3,240,000	5.000	3.210	2020*	5,280,000	5.000	4.300
2011	3,405,000	5.000	3.440	2021*	5,545,000	5.000	4.380
2012	3,575,000	5.000	3.560	2022*	5,820,000	5.000	4.450
2013	3,750,000	5.000	3.680	2023*	6,110,000	5.000	4.510

* Priced to July 1, 2013, the first optional redemption date.

\$25,000,000

Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2003B

Maturity July 1	Principal Amount	Interest Rate	Yield	Maturity July 1	Principal Amount	Interest Rate	Yield
2005	\$ 985,000	2.000%	1.450%	2016	\$ 985,000	4.000%	4.040%
2006	1,155,000	2.250	1.760	2017	1,025,000	4.000	4.130
2007	1,180,000	3.000	2.210	2018	1,065,000	4.200	4.230
2008	1,215,000	4.000	2.560	2019	1,115,000	4.300	4.330
2009	1,270,000	5.000	2.870	2020	1,160,000	4.375	4.420
2010	1,330,000	5.000	3.220	2021	1,210,000	4.400	4.500
2011	1,395,000	5.000	3.460	2022	1,265,000	4.500	4.560
2012	1,465,000	5.000	3.580	2023	1,325,000	4.500	4.610
2013	1,535,000	5.000	3.700	2024	1,385,000	4.600	4.660
2014	1,610,000	3.800	3.810	2025	220,000	4.625	4.700
2015	1,105,000	3.900	3.940				

\$25,000,000

Municipal Facilities Subordinated Excise Tax Revenue Bonds, Taxable Series 2003C

Maturity July 1	Principal Amount	Interest Rate	Yield	Maturity July 1	Principal Amount	Interest Rate	Yield
2009	\$520,000	3.950%	3.980%	2014	\$645,000	4.800%	4.840%
2010	540,000	4.250	4.270	2015	675,000	4.900	4.940
2011	565,000	4.500	4.510	2016	710,000	5.000	5.040
2012	590,000	4.650	4.660	2017	745,000	5.150	5.150
2013	615,000	4.700	4.740	2018	780,000	5.250	5.250

\$ 4,595,000 5.500% Term Bonds due July 1, 2023, Yield 5.600%

\$14,020,000 5.750% Term Bonds due July 1, 2033, Yield 5.790%

\$10,000,000

Municipal Facilities Subordinated Excise Tax Revenue Bonds, Taxable Series 2003D

Maturity July 1	Principal Amount	Interest Rate	Yield	Maturity July 1	Principal Amount	Interest Rate	Yield
2009	\$205,000	4.000%	4.010%	2014	\$255,000	4.875%	4.880%
2010	215,000	4.300	4.310	2015	270,000	4.950	4.980
2011	225,000	4.500	4.540	2016	285,000	5.050	5.080
2012	235,000	4.700	4.700	2017	295,000	5.150	5.180
2013	245,000	4.750	4.780				

\$2,155,000 5.500% Term Bonds due July 1, 2023, Yield 5.610%

\$5,615,000 5.750% Term Bonds due July 1, 2033, Yield 5.800%

CITY OF PHOENIX, ARIZONA

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

Wallace Estfan
President and Director

Harvey Saari
Vice President and Director

James H. Lundy
Secretary-Treasurer and Director

Michael R. Davis
Director

CITY COUNCIL

Skip E. Rimsza
Mayor

Greg Stanton, *Vice Mayor*
District 6

Peggy Bilsten, *Member*
District 3

Jessica Florez, *Member*
District 4

Michael Johnson, *Member*
District 8

Doug Lingner, *Member*
District 7

Claude Mattox, *Member*
District 5

Peggy Neely, *Member*
District 2

Dave Siebert, *Member*
District 1

ADMINISTRATIVE OFFICIALS

Frank A. Fairbanks
City Manager

Sheryl L. Sculley
Assistant City Manager

Alton Washington
Special Assistant City Manager

Kevin Keogh
Finance Director

Peter Van Haren
City Attorney

Vicky Miel
City Clerk

SPECIAL SERVICES

GREENBERG TRAURIG, LLP
Phoenix, Arizona
Bond Counsel

PEACOCK, HISLOP, STALEY & GIVEN, INC.
Phoenix, Arizona
Financial Advisor

KPMG LLP
Phoenix, Arizona
Certified Public Accountants

U.S. BANK NATIONAL ASSOCIATION
Phoenix, Arizona
Trustee, Bond Registrar, Paying Agent

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This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Corporation identified on the cover page hereof. No person has been authorized by the Corporation, the City or the Underwriters to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the Corporation, the City, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Corporation or the City since the date hereof. There is no obligation on the part of the City or the Corporation to provide any continuing secondary market disclosure other than as described herein under the heading "CONTINUING DISCLOSURE."

Upon issuance, the Bonds will not be registered by the Corporation, the City or the Underwriters under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**Official Statement
Relating to**

**City of Phoenix Civic Improvement Corporation
Subordinated Excise Tax Revenue Bonds**

**\$80,000,000
(Solid Waste
Improvements)
Series 2003A**

**\$25,000,000
Municipal Facilities
Series 2003B**

**\$25,000,000
Municipal Facilities
Taxable Series 2003C**

**\$10,000,000
Municipal Facilities
Taxable Series 2003D**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices attached hereto, is to set forth certain information concerning the Corporation, the City and the captioned Bonds. The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Accordingly, prospective Bond purchasers should read this entire Official Statement, including the information under the caption "EXCISE TAXES AND COVERAGE — State Fiscal Situation and Potential for Reduction in State Shared Revenues," before making their investment decision.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The Corporation and the City warrant that this Official Statement contains no untrue statements of a material fact and does not omit any material fact necessary to make such statements, in light of the circumstances under which this Official Statement is made, not misleading. The presentation of financial and other information, including tables of receipts from taxes and other sources, is intended to show recent historical information and, except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

References to provisions of Arizona law, whether codified in the Arizona Revised Statutes (A.R.S.) or uncoded, or to the Arizona Constitution, are references to current provisions. Those provisions may be amended, repealed or supplemented.

For a summary of certain provisions of the Indenture and the Leaseback Agreement, see "APPENDIX G — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASEBACK AGREEMENT." For the definition of certain capitalized terms used in this Official Statement, see "Definitions" which appears in "APPENDIX G — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASEBACK AGREEMENT."

THE BONDS

Authorization and Purpose

The Bonds are being issued by the Corporation pursuant to the terms of the Trust Indenture, dated as of May 1, 2003 (the "Indenture"), which is to be executed prior to the delivery of the Bonds, by the Corporation and the Trustee (which, together with any successor, is referred to herein as "Trustee," "Registrar," and "Authenticating Agent"). The Series 2003A Bonds are being issued for the purpose of acquiring certain equipment and real property as well as the construction of certain improvements to the City's solid waste system (the "Series 2003A Project"). The Series 2003B Bonds are being issued for the purpose of acquiring certain equipment and real property, and to fund the construction and renovation of certain improvements (the "Series 2003B Project"). The Taxable Bonds are being issued for the purpose of acquiring and constructing economic development projects in downtown Phoenix (the "Taxable Bonds Projects"), as further described below. Allocable costs of issuance of the Bonds will be paid from each series of the Bonds.

For a more complete description of each of the Series 2003A Project, the Series 2003B Project and the Taxable Bonds Projects (collectively, the "Projects"), see "THE PROJECTS".

General Description

The Bonds will be dated May 1, 2003, will bear interest payable semiannually on January 1 and July 1 of each year (each an "Interest Payment Date"), commencing January 1, 2004. The Bonds will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. The Bonds will be delivered in fully registered form in the denomination of \$5,000 each or any whole multiple thereof (but no Bond may represent installments of principal maturing on more than one date).

The principal of and premium, if any, and interest at maturity or redemption on each Bond will be payable upon presentation and surrender of such Bond at the principal corporate trust office of the applicable Registrar. Interest on each Bond, other than that due at maturity or redemption, will be paid on each Interest Payment Date by check or draft of said Registrar, mailed to the person shown on the bond register of the Corporation maintained by the applicable Registrar as being the registered owner of such Bond (the "Owner") as of the fifteenth day of the month immediately preceding such Interest Payment Date (the "Regular Record Date") at the address appearing on said bond register or at such other address as is furnished to the applicable Trustee in writing by such Owner before the fifteenth day of the month prior to such Interest Payment Date.

If the Corporation fails to pay the interest due on any Interest Payment Date, that interest shall cease to be payable to the person who was the Owner as of the Regular Record Date. When moneys become available for payment of the interest, the applicable Registrar will establish a special record date (the "Special Record Date") for such payment which will be not more than 15 nor fewer than 10 days prior to the date of the proposed payment and the interest will be payable to the persons who are Owners on the Special Record Date. The applicable Registrar will mail notice of the proposed payment and of the Special Record Date to each Owner.

Redemption Provisions

Optional Redemption of the Bonds. The Bonds maturing on or prior to July 1, 2013 are not subject to optional redemption prior to maturity. The Bonds maturing on and after July 1, 2014 are subject to redemption at the option of the Corporation, as directed by the City, on July 1, 2013 and thereafter, in whole or in part at any time, in increments of \$5,000, in any order of maturity, as directed by the City, and by lot within a maturity, by payment of the par amount of each Bond called for redemption, plus accrued interest to the date fixed for redemption, but without premium.

Mandatory Sinking Fund Redemption — Series 2003C Taxable Bonds. The Series 2003C Taxable Bonds maturing on July 1, 2023 and July 1, 2033 (“Series 2003C Taxable Term Bonds”) are subject to mandatory redemption and will be redeemed on July 1 of the respective years set forth below (the “Sinking Fund Retirement Dates”) and in the amounts set forth below (the “Sinking Fund Requirements”), by payment of a redemption price of the principal amount of such Series 2003C Taxable Bonds called for redemption plus the interest accrued to the date fixed for redemption, but without premium, as follows:

Bonds Maturing July 1, 2023

<u>Sinking Fund Retirement Date</u>	<u>Sinking Fund Requirement</u>
2019	\$ 825,000
2020	870,000
2021	915,000
2022	965,000
2023*	1,020,000

* Maturity

Bonds Maturing July 1, 2033

<u>Sinking Fund Retirement Date</u>	<u>Sinking Fund Requirement</u>
2024	\$1,075,000
2025	1,140,000
2026	1,205,000
2027	1,270,000
2028	1,345,000
2029	1,425,000
2030	1,505,000
2031	1,590,000
2032	1,685,000
2033*	1,780,000

* Maturity

Mandatory Sinking Fund Redemption — Series 2003D Taxable Bonds. The Series 2003D Taxable Bonds maturing on July 1, 2023 and July 1, 2033 (“Series 2003D Taxable Term Bonds” and together with the Series 2003C Taxable Term Bonds, the “Term Bonds”) are subject to mandatory redemption and will be redeemed on July 1 of the respective years set forth below (the “Sinking Fund Retirement Dates”) and in the amounts set forth below (the “Sinking Fund Requirements”), by payment of a redemption price of the principal amount of such Series 2003D Taxable Bonds called for redemption plus the interest accrued to the date fixed for redemption, but without premium, as follows:

Bonds Maturing July 1, 2023

<u>Sinking Fund Retirement Date</u>	<u>Sinking Fund Requirement</u>
2018	\$315,000
2019	330,000
2020	350,000
2021	365,000
2022	385,000
2023*	410,000

* Maturity

Bonds Maturing July 1, 2033

<u>Sinking Fund Retirement Date</u>	<u>Sinking Fund Requirement</u>
2024	\$430,000
2025	455,000
2026	480,000
2027	510,000
2028	540,000
2029	570,000
2030	605,000
2031	635,000
2032	675,000
2033*	715,000

* Maturity

At the option of the Corporation, as directed by the City, whenever Term Bonds maturing on July 1, 2023 or July 1, 2033 are purchased, redeemed (other than pursuant to the foregoing scheduled Sinking Fund Requirement) or delivered by the City or the Corporation to the Paying Agent for cancellation, the principal amount of such Term Bonds so retired will satisfy and be credited against the Sinking Fund Requirement (and the corresponding redemption requirements) relating to such Term Bonds of the same maturity in such manner as the City determines; provided, however, that following such reduction each Sinking Fund Requirement is an integral multiple of \$5,000. Such option must be exercised on or before the 45th day preceding the applicable mandatory Sinking Fund Retirement Date, by furnishing the Paying Agent a certificate setting forth the extent of the credit to be applied with respect to the then current Sinking Fund Requirement. If the certificate is not timely furnished, the Sinking Fund Requirement (and the corresponding redemption requirement) will not be reduced.

Notice of Redemption. When redemption is authorized or required, the applicable Trustee will give the Owners of the Bonds to be redeemed notice of the redemption of the Bonds. Such notice will specify (a) that the whole or part of the Bonds are to be redeemed and, if in part, the part to be redeemed; (b) the date of redemption; (c) the place or places where the redemption will be made; and (d) the redemption price to be paid. Any redemption of Bonds in part will be from such maturities as directed by the City and by lot within a maturity in any manner the Paying Agent deems fair.

Notice of such redemption will be given by mailing a copy of the redemption notice not more than 60 days nor less than 30 days prior to such redemption date, to the Owner of each Bond subject to redemption in whole or in part at the Owner's address shown on the Register on the fifteenth day preceding that mailing. Neither failure to receive any such notice nor any defect therein will affect the sufficiency of the proceedings for the redemption of the Bonds with respect to which there is no such defect.

Notice having been given in the manner provided above, the Bonds or portions thereof called for redemption will become due and payable on the redemption date and if an amount of money sufficient to redeem all the Bonds and portions thereof called for redemption is held by the Trustee or any paying agent on the redemption date, then the Bonds or portions thereof to be redeemed will not be considered outstanding under the Indenture and will cease to bear interest from and after such redemption date.

Registration, Transfer and Exchange

Each Registrar will maintain the books of the Corporation for the registration and transfer of Bonds, as provided in the Indenture.

Bonds may be exchanged, at the option of their Owner, for Bonds of any authorized denomination or denominations of the same series in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date as, the Bonds being

exchanged. The exchange will be made upon presentation and surrender of the Bonds being exchanged at the designated office of the Registrar or at the designated office of any applicable Authenticating Agent for the applicable Bonds, together with an assignment duly executed by the Owner or its duly authorized attorney in any form which is satisfactory to the Registrar or the Authenticating Agent, as the case may be.

THE PROJECTS

The Series 2003A Project

The proceeds of the Series 2003A Bonds, together with other available monies, will be used to fund the acquisition of certain equipment and real property and other improvements to the City's solid waste collection and disposal system (the "Solid Waste System") and to pay a portion of the costs of issuance.

The Series 2003B Project

The proceeds of the Series 2003B Bonds, together with other available monies, will be used to fund the acquisition of certain equipment and real property which have been acquired or are expected to be acquired during the next fiscal year and to pay a portion of the costs of issuance. Proceeds will also be used to fund the construction and renovation of certain improvements. The City may substitute or acquire alternative equipment or real property in accordance with the provisions set forth in the Leaseback Agreement.

The Taxable Bonds Projects

The proceeds of the Taxable Bonds will be used to fund the costs of acquiring and constructing economic development projects in downtown Phoenix and to pay a portion of the costs of issuance. The City may substitute or acquire alternative real property in accordance with the provisions set forth in the Leaseback Agreement.

The Projects are not security for the Bonds and the City may substitute or acquire alternative equipment or real property in accordance with the provisions set forth in the Leaseback Agreement. For a description of the remedies available to the Trustee, including that of specific performance with respect to the City's pledge of Excise Taxes (as defined herein), see "APPENDIX G — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASEBACK AGREEMENT."

SECURITY AND SOURCE OF PAYMENT

General

The Bonds are special revenue obligations of the Corporation. The Bonds are payable as to both principal and interest solely from payments required under the Leaseback Agreement, dated as of May 1, 2003, (the "Leaseback Agreement") between the City and the Corporation. Payments under the Leaseback Agreement with respect to the Bonds are to be paid by the City to the Trustee for the account of the Corporation. Under the terms of the Leaseback Agreement, the City is required to make semiannual payments which will be sufficient to pay the principal of, premium, if any, and interest on the Bonds. See "APPENDIX G — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASEBACK AGREEMENT."

The City pledges for these Lease Payments all excise, transaction, privilege, business and franchise taxes, state-shared sales and income taxes, and receipts from licenses and permits, which the City presently or in the future imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose (all such taxes and receipts are herein referred to as "Excise Taxes"). Such amounts will be subordinate and junior to the City's payments on a priority basis to support certain other obligations of the City to the Corporation and to other entities (the obligations payable from payments supported by a first priority pledge of the Excise Taxes, referred to herein as the "Senior Obligations" and the obligations payable from payments supported by a second priority pledge of the Excise Taxes, referred to herein as the "Junior Obligations"). See "OUTSTANDING SENIOR AND JUNIOR OBLIGATIONS." The Bonds will also be payable from the Excise Taxes on a parity with other subordinated junior obligations (the Bonds, together

with such other subordinated junior obligations, referred to herein as the "Subordinated Junior Obligations"). See "OUTSTANDING SUBORDINATED JUNIOR OBLIGATIONS."

The obligation of the City to make payments under the Leaseback Agreement is absolute and unconditional but does not constitute a pledge of the full faith and credit of the City and does not constitute an indebtedness of the City, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction, nor shall the City be liable for such payments from ad valorem taxes. The Corporation has no taxing power.

Outstanding Senior and Junior Obligations

As of April 25, 2003, there are presently outstanding \$249,690,000 of Senior Obligations. The debt service requirements on \$57,905,000 of the Senior Obligations are supported by airport revenues. The Phoenix Aviation Department has been a self-supporting enterprise since 1967, with debt service requirements on airport revenue bonds, airport general obligation bonds and airport lease purchase obligations paid from airport revenues. It is expected that revenues from the City's Solid Waste System will be applied to pay debt service requirements on the Series 2003A Bonds. The Solid Waste System has been a self-supporting enterprise since 1991, with debt service requirements on solid waste general obligation bonds paid from solid waste revenues.

The following issues of Senior Obligations are outstanding:

Issue Date	Original Issuance	Purpose	Obligations Outstanding As of 4-25-03
05-01-94	\$ 33,705,000	Airport Improvements Refunding(1)	\$ 27,600,000
08-01-94	24,395,000	Civic Plaza Refunding	6,935,000
08-01-94	43,250,000	Civic Plaza Improvements	43,250,000
02-01-98	38,355,000	Airport Terminal 4 Refunding(1)	30,305,000
06-01-99	79,000,000	Phoenix Municipal Courthouse	79,000,000
06-01-99	15,000,000	Adams Street Garage	15,000,000
05-01-03	47,600,000	New City Hall Refunding	\$ 47,600,000(2)
Total	<u>\$281,305,000</u>		<u>\$249,690,000</u>

(1) Debt service requirements on these obligations are supported by airport revenues.

(2) Represents bonds sold in April 2003 and expected to be delivered on May 22, 2003.

There are not presently outstanding any Junior Obligations.

So long as any of the Bonds remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, the City has agreed not to issue additional Senior Obligations or Junior Obligations unless the Excise Taxes collected by the City during the preceding fiscal year (the "Prior Excise Taxes") are at least two times the highest combined interest and principal requirements for any succeeding fiscal year for all outstanding Senior Obligations, Junior Obligations, Subordinated Junior Obligations including the Bonds and any obligations on a parity therewith.

Outstanding Subordinated Junior Obligations

As of March 1, 2003 there are presently outstanding \$228,295,000 principal amount of Subordinated Junior Obligations. The debt service requirements on \$31,000,000 of the Subordinated Junior Obligations are supported by airport revenues and debt service requirements on \$10,437,000 of the Subordinated Junior Obligations are supported by solid waste revenues.

Issue Date	Original Issuance	Purpose	Obligations Outstanding As of 3-1-03
09-01-92	\$15,560,000	Superblock Land Acquisition Refunding	\$ 15,160,000
06-01-93	14,350,000	Patriot's Square Park and Parking Garage Refunding	8,410,000
06-01-93	14,080,000	Amphitheatre Refunding	11,320,000
07-01-93	11,975,000	Amphitheatre Land and Multi-Family Housing	9,880,000
11-01-94	33,410,000	Municipal Facilities	1,795,000
04-25-95	31,000,000	Airport Improvements(1)	31,000,000
01-15-97	9,935,000	Municipal Facilities Refunding	9,635,000
01-01-98	43,000,000	Civic Plaza East Garage (Taxable)	40,285,000
01-15-98	48,740,000	Municipal Multipurpose Arena Refunding (Taxable)	45,590,000
08-01-00	65,000,000	Municipal Facilities(2)	55,220,000
	<u>\$287,050,000</u>		<u>\$228,295,000</u>

(1) Debt service requirements on these obligations are supported by airport revenues.

(2) Debt service requirements on \$10,437,000 of these obligations are supported by solid waste revenues.

The City has agreed not to further encumber the Excise Taxes on a parity with the payments under the Leaseback Agreement unless the Prior Excise Taxes are at least equal to the highest combined total of the following for any succeeding 12 months: (i) principal and interest requirements on the Senior Obligations and the Junior Obligations during such period, plus (ii) two times the principal and interest requirements for all Subordinated Junior Obligations including the Bonds and parity obligations then outstanding and proposed to be issued during such period. In computing the interest requirements on obligations which bear or are to bear interest at a variable interest rate, such interest requirements shall be assumed to be a fixed interest rate equal to the greater of: (1) 9.2% or (2) (a) if any variable rate obligations secured by a pledge of Excise Taxes are outstanding, the highest variable rate actually borne by such obligations over the previous 24 months, or (b) if no such variable rate obligations are outstanding, then the highest rate borne by variable rate obligations over the previous 24 months for which the interest rate is computed by reference to an index, or based on factors, comparable to that to be utilized for the proposed obligations.

SCHEDULE OF ANNUAL PAYMENTS UNDER THE LEASEBACK AGREEMENT WITH RESPECT TO THE BONDS

The Leaseback Agreement requires semiannual payments by the City to the Corporation which Lease Payments have been assigned to the Trustee. The Lease Payments are due in immediately available funds on December 31 and June 30, commencing December 31, 2003 and ending June 30, 2033. The Indenture requires that the Trustee deposit the Lease Payments with respect to the Bonds in the Revenue Fund and use such amounts to pay interest on and principal of the Bonds due on the following day. The annual Lease Payments required under the Leaseback Agreement with respect to the Bonds are as follows:

Year Ending June 30	Subordinated Excise Tax Revenue Bonds Series 2003A & B			Subordinated Excise Tax Revenue Bonds Taxable Series 2003C & D			Total Estimated Annual Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	\$ —	\$ 5,568,602	\$ 7,643,602	\$ —	\$ 2,228,337	\$ 2,228,337	\$ —	\$ 7,796,939	\$ 9,871,939
2004	2,075,000	4,731,587	8,451,587	—	1,910,004	1,910,004	2,075,000	6,641,591	10,361,591
2005	3,720,000	4,657,188	8,602,188	—	1,910,004	1,910,004	3,720,000	6,567,192	10,512,192
2006	3,945,000	4,568,425	8,603,425	—	1,910,003	1,910,003	3,945,000	6,478,428	10,513,428
2007	4,035,000	4,447,375	8,602,375	—	1,910,004	1,910,004	4,035,000	6,357,379	10,512,379
2008	4,155,000	4,251,775	8,606,775	—	1,910,003	1,910,003	4,155,000	6,161,778	11,241,778
2009	4,355,000	4,034,025	8,604,025	725,000	1,881,264	2,636,264	5,080,000	5,915,289	11,240,289
2010	4,570,000	3,805,525	8,604,025	755,000	1,849,068	2,639,068	5,325,000	5,654,593	11,244,593
2011	4,800,000	3,565,525	8,605,525	790,000	1,813,519	2,638,519	5,590,000	5,379,044	11,244,044
2012	5,040,000	3,313,525	8,605,525	825,000	1,734,496	2,634,496	5,865,000	5,088,563	11,233,563
2013	5,285,000	3,049,275	8,598,275	860,000	1,691,106	2,636,106	6,145,000	4,783,771	11,233,771
2014	5,550,000	2,791,095	8,031,095	900,000	1,644,665	2,639,665	6,450,000	4,482,201	10,667,201
2015	5,240,000	2,541,250	7,871,250	945,000	1,594,773	2,634,773	6,325,000	4,185,915	10,510,915
2016	5,330,000	2,284,600	7,869,600	995,000	1,541,213	2,636,213	6,625,000	3,879,373	10,504,373
2017	5,585,000	2,015,600	7,870,600	1,040,000	1,482,938	2,637,938	6,950,000	3,556,813	10,506,813
2018	6,140,000	1,731,370	7,871,370	1,095,000	1,419,413	2,639,413	7,295,000	3,214,308	10,509,308
2019	6,440,000	1,432,175	7,872,175	1,155,000	1,352,313	2,632,313	7,660,000	2,851,588	10,511,588
2020	6,755,000	1,117,425	7,872,425	1,220,000	1,281,913	2,631,913	8,035,000	2,469,738	10,504,738
2021	7,085,000	786,935	7,871,935	1,280,000	1,207,663	2,637,663	8,435,000	2,068,848	10,503,848
2022	7,435,000	439,010	7,874,010	1,350,000	1,129,013	2,634,013	8,865,000	1,646,673	10,511,673
2023	1,385,000	73,885	1,458,885	1,430,000	1,042,474	2,637,474	2,890,000	1,202,898	4,092,898
2024	220,000	10,175	230,175	1,505,000	950,763	2,635,763	1,685,000	1,052,649	2,867,649
2025	—	—	—	1,595,000	853,875	2,633,875	1,780,000	853,875	2,633,875
2026	—	—	—	1,685,000	751,525	2,636,525	1,885,000	751,525	2,636,525
2027	—	—	—	1,780,000	643,137	2,638,137	1,995,000	643,137	2,638,137
2028	—	—	—	1,885,000	528,425	2,638,425	2,110,000	528,425	2,638,425
2029	—	—	—	1,995,000	407,100	2,632,100	2,225,000	407,100	2,632,100
2030	—	—	—	2,110,000	279,162	2,639,162	2,360,000	279,162	2,639,162
2031	—	—	—	2,225,000	143,462	2,638,462	2,495,000	143,462	2,638,462
2032	—	—	—	2,360,000	—	—	—	—	—
2033	—	—	—	2,495,000	—	—	—	—	—
Total	\$105,000,000	\$61,216,347	\$166,216,347	\$35,000,000	\$40,776,673	\$75,776,673	\$140,000,000	\$101,993,020	\$241,993,020

EXCISE TAXES AND COVERAGE

Excise Taxes In General

The Excise Taxes pledged to the payment of Lease Payments include the City's unrestricted revenues from transaction privilege (sales) taxes, use taxes, State-Shared Sales Taxes (as defined herein), State-Shared Income Taxes, franchise taxes, permits and fees and fines and forfeitures. The major categories of such revenues are discussed more fully below.

State Fiscal Situation and Potential for Reduction in State Shared Revenues

As shown in the tables under the caption "Excise Tax Collections and Coverage," State-Shared Income Taxes and State-Shared Sales Taxes (each as defined herein) constitute the second and third largest components, respectively, of Excise Taxes. To address a forecasted deficit for 2003-2004, the State is considering a series of budget reductions and revised funding allocations at the State level. Thus far, there has been no proposal to reduce or alter the existing formulas for determining State-Shared Income Taxes and State-Shared Sales Taxes. However, in light of the magnitude of the forecasted budget deficit, it is possible that the State will alter the formulas in order to reduce the State's current and future budget deficits. The City cannot predict the likelihood or estimate the potential fiscal impact of any potential reductions to State-Shared Income Taxes and State-Shared Sales Taxes.

City Transaction Privilege (Sales) Taxes

The City's transaction privilege (sales) tax is levied by the City upon persons on account of their business activities within the City. The amount of taxes due is calculated by applying the tax rate against the gross proceeds of sales or gross income derived from the business activities. Transaction privilege (sales) taxes are collected by the City on a monthly basis.

State-Shared Sales Taxes

Pursuant to statutory formula, cities and towns in Arizona receive a portion of the State-levied transaction privilege (sales) tax. The State transaction privilege (sales) tax is levied against most of the categories of business activity as the City's transaction privilege (sales) tax. The rate of taxation varies among the different types of business activities taxed, with the most common rate being 5.6% of the amount or volume of business transacted.

Under current State law, the aggregate amount distributed to all Arizona cities and towns is equal to 25% of the "distribution share" of revenues attributable to each category of taxable activity. The allocation to each city and town of the revenues available to all cities and towns is based on their population relative to the aggregate population of all cities and towns as shown by the latest census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns ("State-Shared Sales Taxes").

State-Shared Income Taxes

Under current State law, Arizona cities and towns are preempted by the State from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to typically receive 15% of State personal and corporate income tax collections ("State-Shared Income Taxes") collected by the State two years earlier. Distribution of such funds is made monthly based on the proportion of each city's and town's population to the total population of all incorporated cities and towns in the State as determined by the latest census.

The percentage amount received by cities and towns was adjusted to 15.8% for fiscal year 1999-00 but returned to 15% for the next fiscal year. The increase to 15.8% was intended to offset expected reduced income tax collections resulting from percentage rate reductions in the prior year. The return to 15% did not have an

immediate impact due to continuing increases in collections. To resolve a State budget shortfall projected to be larger than forecasted at the time of adoption of the biennial budget, such percentage amount was reduced to 14.8% for fiscal years 2002-03 and 2003-04. Unless otherwise altered, the percentage is to revert back to 15% automatically for fiscal year 2004-05.

Other Excise Tax Revenues

Cities and towns in the State have exclusive control over public rights-of-way dedicated to the municipality, and may grant franchise agreements to and impose franchise taxes on utilities using those rights-of-way. A franchise may be granted only with voter approval and the term of franchises is limited to 25 years. The City has granted franchises to and imposed franchise taxes on utility and cable television providers.

The City also imposes and collects fees for licenses and permits to engage in certain activities within the City and for the right to utilize certain City property.

Excise Tax Collections and Coverage

The City has provided actual Excise Tax receipts for fiscal years 1998 through 2002, and has provided a forecast of revenue to be generated over the next five fiscal years from the Excise Taxes. These figures are reflected on the following schedules. The schedule on page 11 shows the calculations of the estimated available coverage against the annual debt service requirements for all Senior Obligations and Subordinated Junior Obligations including the Bonds, all of which are secured by the pledge of Excise Tax receipts. The schedule on page 12 reflects the estimated available coverage after debt service supported by airport revenues and solid waste revenues is subtracted from the annual debt service requirements.

ACTUAL EXCISE TAX RECEIPTS FOR THE FISCAL YEARS ENDED JUNE 30

Revenue Source	1998	1999	2000	2001	2002
Privilege License Tax & Fees(1) ..	\$239,122,000	\$260,026,000	\$277,790,000	\$282,230,000	\$279,332,000
Use Tax	8,236,000	7,387,000	11,143,000	10,353,000	9,492,000
Utility & Franchise(2)	66,294,000	79,509,000	84,319,000	92,303,000	94,822,000
Licenses & Permits	2,299,000	2,340,000	2,449,000	2,515,000	2,568,000
State Sales Tax	86,169,000	92,459,000	101,708,000	105,331,000	102,211,000
State Income Tax	98,326,000	114,788,000	127,374,000	133,684,000	137,787,000
Total	<u>\$500,446,000</u>	<u>\$556,509,000</u>	<u>\$604,783,000</u>	<u>\$626,416,000</u>	<u>\$626,212,000</u>

PROJECTED EXCISE TAX RECEIPTS FOR THE FISCAL YEARS ENDED JUNE 30

Revenue Source	2003(3)	2004	2005	2006	2007
Privilege License Tax & Fees(1) ..	\$286,386,000	\$300,565,000	\$316,414,000	\$335,875,000	\$355,820,000
Use Tax	10,343,000	10,392,000	11,369,000	12,108,000	12,871,000
Utility & Franchise(2)	93,543,000	97,548,000	102,528,000	108,393,000	114,473,000
Licenses & Permits	2,530,000	2,565,000	2,743,000	2,853,000	2,961,000
State Sales Tax	104,620,000	109,538,000	117,617,000	125,131,000	128,612,000
State Income Tax(4)	140,606,000	117,517,000	117,517,000	126,393,000	132,849,000
Total	<u>\$638,028,000</u>	<u>\$638,125,000</u>	<u>\$668,188,000</u>	<u>\$710,753,000</u>	<u>\$747,586,000</u>

- (1) Does not include revenues from the 0.1% increase in the City's privilege license (sales) tax rate approved by City of Phoenix voters on October 5, 1993. The revenues produced by the increase must be used to add police officers and firefighters and to expand neighborhood programs designed to deter crime. The increase affects all privilege license tax categories except advertising and utilities and became effective December 1, 1993.

The revenues resulting from this increase totaled \$18.5 million in 1997-98, \$20.3 million in 1998-99, \$21.8 million in 1999-00, \$22.1 million in 2000-01 and \$22.2 million in 2001-02. The estimate for 2002-03 is \$22.4 million.

The revenues from this increase had previously been included in prior official statements in the schedule of actual and projected excise tax receipts, and in the schedule of projected excise tax revenues, estimated debt service requirements and estimated debt service coverage. However, as the result of a review requested by the City's Finance Department, the Law Department of the City has advised that the revenues from this increase cannot be pledged to secure any excise tax revenue obligations, except obligations which will provide funding to the police and fire departments consistent with the purposes of the October 5, 1993 voter approved 0.1% revenue increase.

Does not include revenues from the 0.1% increase in the City's privilege license (sales) tax rate approved by City of Phoenix voters on September 7, 1999 and to be levied for a 10-year period. The revenues produced by the increase will be used for the acquisition of desert preserve open space and the development and improvement of regional and neighborhood parks located within the City. The increase affects all privilege license tax categories except advertising, utilities, cable television, jet fuel, telecommunications, and mining and became effective November 1, 1999. The revenues resulting from this increase totaled \$14.3 million in 1999-00, \$21.9 million in 2000-01 and \$22.1 million in 2001-02. The estimate for 2002-03 is \$22.4 million.

Does not include revenues from the 0.4% increase in the City's privilege license (sales) tax rate approved by City of Phoenix voters on March 14, 2000 and to be levied for a 20-year period. The revenues produced by the increase will be used for expanded bus service, the construction of a light rail system and other transportation improvements. The increase affects all privilege license tax categories except advertising, utilities, cable television, jet fuel, telecommunications, and mining and became effective June 1, 2000. The revenues resulting from this increase totaled \$7.1 million in 1999-00, \$85.6 million in 2000-01 and \$88.0 million in 2001-02. The estimate for 2002-03 is \$89.4 million.

- (2) Effective October 1, 1990, a special excise tax was imposed on all water service accounts based upon water meter size. Revenues generated from the tax on water service accounts are used to fund a portion of the City's jail costs.

Effective October 1, 1993, a storm water management special excise tax was imposed on all water service accounts based upon water meter size. Revenues generated from this charge will be used to offset the estimated annual cost of the federally-mandated National Pollutant Discharge Elimination System Program.

- (3) Revised budget estimate.

- (4) Due to a statewide citizens' initiative in 1972, the State shares a portion of income taxes received two years earlier with Arizona cities and towns. In 2003-04, the City of Phoenix will share in the income taxes received by the State during the 2001-02 severe economic downturn. As a result of the economic downturn, the City expects a reduction in the City's state-shared income tax receipts in 2003-04 of approximately \$23 million, assuming no change in the revenue sharing formulas. For additional information on state-shared income taxes, see "EXCISE TAXES AND COVERAGE — State-Shared Income Taxes."

**SCHEDULE OF PROJECTED EXCISE TAX REVENUES,
DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE**

Fiscal Year	Projected Excise Taxes Pledged	Outstanding Senior Lien Debt Service Requirements	Projected Revenues Available for Subordinated Junior Lien Obligations	Outstanding Subordinated Junior Lien Debt Service Requirements	Debt Service Requirements on the Bonds	Total Subordinated Junior Lien Debt Service Requirements	Coverage of Subordinated Junior Lien Debt Service Requirements
2003	\$638,028,000	\$ 22,302,980	\$615,725,020	\$ 22,695,089	\$ —	\$ 22,695,089	27.13
2004	638,125,000	22,328,093	615,796,907	22,791,322	9,871,939	32,663,261	18.85
2005	668,188,000	24,209,053	643,978,947	22,544,633	10,361,591	32,906,224	19.57
2006	710,753,000	24,212,762	686,540,238	22,628,005	10,512,192	33,140,197	20.72
2007	747,586,000	24,219,861	723,366,139	22,514,909	10,513,428	33,028,337	21.90
2008		24,213,603		21,411,861	10,512,379	31,924,240	
2009		24,203,606		21,258,558	11,241,778	32,500,336	
2010		20,116,910		20,231,223	11,240,289	31,471,512	
2011		20,126,853		20,195,889	11,244,593	31,440,482	
2012		20,120,630		20,176,137	11,244,044	31,420,181	
2013		20,118,276		20,141,535	11,233,563	31,375,098	
2014		20,123,153		19,563,781	11,233,771	30,797,552	
2015		10,172,022		21,299,501	10,667,201	31,966,702	
2016		10,170,268		20,062,081	10,510,915	30,572,996	
2017		10,173,945		18,399,457	10,504,373	28,903,830	
2018		10,168,876		16,276,876	10,506,813	26,783,689	
2019		10,174,317		16,282,975	10,509,308	26,792,283	
2020		10,172,505		10,860,625	10,511,588	21,372,213	
2021		10,174,813		4,472,400	10,504,738	14,977,138	
2022		10,169,852		4,241,225	10,503,848	14,745,073	
2023		10,172,435		1,136,700	10,511,673	11,648,373	
2024		10,176,258		—	4,092,898	4,092,898	
2025		10,175,277		—	2,867,649	2,867,649	
2026		10,172,916		—	2,635,763	2,635,763	
2027		10,178,351		—	2,633,875	2,633,875	
2028		10,174,998		—	2,636,525	2,636,525	
2029		6,902,063		—	2,638,137	2,638,137	
2030		—		—	2,638,425	2,638,425	
2031		—		—	2,632,100	2,632,100	
2032		—		—	2,639,162	2,639,162	
2033		—		—	2,638,462	2,638,462	
Total		<u>\$415,624,676</u>		<u>\$369,184,782</u>	<u>\$241,993,020</u>	<u>\$611,177,802</u>	

**SCHEDULE OF PROJECTED EXCISE TAX REVENUES,
DEBT SERVICE REQUIREMENTS AND
DEBT SERVICE COVERAGE,
NET OF REQUIREMENTS PAID FROM AIRPORT REVENUES
AND SOLID WASTE REVENUES**

Fiscal Year	Projected Excise Taxes Pledged	Outstanding Senior Lien Debt Service Net of Requirements Paid From Airport Revenues	Projected Revenues Available for Subordinated Junior Lien Obligations	Outstanding Subordinated Junior Lien Debt Service Net of Requirements Paid From Airport Revenues and Solid Waste Revenues	Debt Service Requirements on the Bonds Net of Requirements Paid From Solid Waste Revenues	Total Subordinated Junior Lien Debt Service Requirements	Coverage of Subordinated Junior Lien Debt Service Requirements
2003	\$638,028,000	\$ 14,240,853	\$623,787,147	\$ 18,578,379	\$ —	\$ 18,578,379	33.58
2004	638,125,000	14,247,390	623,877,610	18,674,012	3,431,939	22,105,951	28.22
2005	668,188,000	16,142,831	652,045,169	18,427,855	3,918,591	22,346,446	29.18
2006	710,753,000	16,145,389	694,607,611	18,511,927	4,071,692	22,583,619	30.76
2007	747,586,000	16,150,076	731,435,924	18,603,182	4,071,678	22,674,860	32.26
2008		16,142,155		19,042,400	4,071,129	23,113,529	
2009		16,135,596		18,888,842	4,798,028	23,686,870	
2010		16,142,550		17,371,223	4,796,539	22,167,762	
2011		16,145,303		17,395,889	4,803,593	22,199,482	
2012		16,146,303		17,436,137	4,803,794	22,239,931	
2013		16,138,921		17,461,535	4,792,563	22,254,098	
2014		16,147,198		16,943,781	4,791,021	21,734,802	
2015		10,172,022		16,014,501	4,222,201	20,236,702	
2016		10,170,268		14,775,581	4,068,665	18,844,246	
2017		10,173,945		13,109,957	4,060,123	17,170,080	
2018		10,168,876		10,988,776	4,061,563	15,050,339	
2019		10,174,317		10,996,275	4,064,558	15,060,833	
2020		10,172,505		5,571,225	4,069,338	9,640,563	
2021		10,174,813		4,472,400	4,062,488	8,534,888	
2022		10,169,852		4,241,225	4,059,848	8,301,073	
2023		10,172,435		1,136,700	4,069,923	5,206,623	
2024		10,176,258		—	4,092,898	4,092,898	
2025		10,175,277		—	2,867,649	2,867,649	
2026		10,172,916		—	2,635,763	2,635,763	
2027		10,178,351		—	2,633,875	2,633,875	
2028		10,174,998		—	2,636,525	2,636,525	
2029		6,902,063		—	2,638,137	2,638,137	
2030		—		—	2,638,425	2,638,425	
2031		—		—	2,632,100	2,632,100	
2032		—		—	2,639,162	2,639,162	
2033		—		—	2,638,462	2,638,462	
Total		<u>\$339,253,461</u>		<u>\$298,641,802</u>	<u>\$113,142,270</u>	<u>\$411,784,072</u>	

BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix J — "Form of Insurance Policy" for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy

of the information regarding the policy and MBIA set forth under the heading "BOND INSURANCE". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of \$8.5 billion (audited), total liabilities of \$5.6 billion (audited), and total capital and surplus of \$2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, MBIA had admitted assets of \$9.0 billion (unaudited), total liabilities of \$5.9 billion (unaudited), and total capital and surplus of \$3.1 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

SOURCES AND APPLICATIONS OF FUNDS

Sources:

Par Amount of the Bonds	\$140,000,000.00
Net Original Issue Premium	6,320,913.45
Accrued Interest	389,846.98
Total	<u>\$146,710,760.43</u>

Applications:

Transfer to City to Pay Project Costs	\$144,737,503.05
Costs of Issuance	918,000.00
Underwriters' Compensation	665,410.40
Interest Fund	389,846.98
Total	<u>\$146,710,760.43</u>

THE CITY

The City is a municipal corporation organized and existing under the laws of the State of Arizona. Pursuant to the Leaseback Agreement, the City will agree to make payments sufficient to pay amounts due on the Bonds. Detailed information on the City is set forth in Appendices A through F.

THE CORPORATION

The City of Phoenix Civic Improvement Corporation is a nonprofit corporation organized under the laws of the State of Arizona for the purpose of assisting the City in the acquisition and financing of municipal property and equipment.

The Corporation will enter into the Leaseback Agreement and the Indenture to facilitate the acquisition, construction and equipping of the Projects. The Corporation is not financially liable for the payment of the principal of or interest on the Bonds and the Owners will have no right to look to the Corporation for payment of the Bonds except to the extent of the Lease Payments received from the City under the Leaseback Agreement.

LITIGATION

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. The City Attorney has advised City management of the nature and extent of pending and threatened claims against the City. In the opinion of City management, such matters will not have a materially adverse effect on the City's ability to comply with the requirements of the Leaseback Agreement.

To the knowledge of the City Attorney, no pending or threatened litigation or administrative action or proceeding has (i) restrained or enjoined, or seeks to restrain or enjoin, the issuance and delivery of the Bonds or the execution of the Leaseback Agreement by the City, or (ii) contested or questioned the validity of the Bonds or the proceedings and authority under which the Bonds have been authorized and are to be issued, secured, sold, executed or delivered. Certificates of the City to that effect will be delivered at the time of delivery of the Bonds.

GROWING SMARTER LEGISLATION

In 1998, the Arizona Legislature passed and the Governor signed into law legislation known as the Growing Smarter Act. The Legislation creates a framework for growth management by strengthening local and state planning processes, providing for the acquisition and preservation of open space areas through planning requirements as well as a funding mechanism, and establishing a Growing Smarter Commission to make recommendations regarding long-term growth issues.

The Growing Smarter Act calls for cities to update their general and comprehensive plans every 10 years; requires rezoning conform with the general/comprehensive plans; that plan amendments pass with a two-thirds super majority of the governing body; provides that general/comprehensive plans and plan amendments may be referred by petition to the voters; that the elements of open space, environmental and growth areas be part of the plans; and that new development be required to pay its fair share toward the cost of additional public facility or service needs.

The Act requires the State Land Department to develop conceptual land use plans coordinated with general and comprehensive plans. It provided potential funding for the acquisition of state trust land for conservation purposes, resulting in the approval of Proposition 303 by Arizona voters in November 1998, which approved the appropriation of \$20 million a year for eleven years to be matched by local governmental or private funds. The monies are to be used to purchase or lease the development rights of conservation quality state trust land.

In 2000, the Arizona Legislature enacted legislation called Growing Smarter Plus which significantly expands on the 1998 Growing Smarter Act, including a number of the recommendations of the Growing Smarter Commission. Growing Smarter Plus establishes a process for conserving state trust lands designated as Arizona Conservation Reserve lands for the purpose of protecting state trust land with cultural, historical, paleontological, natural resources or geological features. A proposed amendment to the Arizona Constitution relating to the reserve was defeated by the voters in November 2000.

Aside from the Arizona Conservation Reserve provisions, Growing Smarter Plus contained a number of statutory changes that built on the 1998 Growing Smarter Act, and that became effective in late May of 2000. Key provisions potentially affecting the City of Phoenix are as follows:

- Adds a water resource element to the required elements of general plans for fast growing small municipalities and municipalities with a population over 10,000, and the comprehensive plans of counties with a population of 125,000 or more. Requires the water resources element to include an inventory of currently available water supplies and an analysis of how growth will be adequately served.
- Requires the governing bodies of municipalities and counties to provide an opportunity for review and further comment by involved parties when adopting a general or comprehensive plan or a major amendment to the general or comprehensive plan.
- Requires the legislative body or a municipality and the board of supervisors of a county to present all major amendments that may be proposed to the general plan at a single public meeting held during the calendar year.
- Requires the legislative body of a municipality with a population between 2,500 and 10,000 with an annual population growth rate of more than 2% over a 10 year period and municipalities with a population over 10,000 to submit each newly adopted general plan to the voters at the next regularly scheduled municipal election. If approved, the plan is effective. If not approved, the current plan remains in place until a new or revised plan is submitted to the voters and approved.
- Allows a municipality to include within their general plan a plan or regulations determining the boundaries, consistent with the growth elements of their general plan, beyond which the municipality may limit or prescribe conditions on publicly financed extensions of water, sewer and street improvements.
- Requires prior to adopting an ordinance to annex territory, the governing body of a municipality to approve a plan, policy or procedure to provide the territory to be annexed with appropriate levels of infrastructure and services to serve anticipated new development within 10 years after the date of annexation becomes final.
- Allows the governing body of a municipality to create an infill incentive district if certain minimum conditions are met; requires the governing body to adopt an infill incentive plan; specifies possible incentive elements.

As required by and in accordance with the Growing Smarter legislation, the City of Phoenix updated its General Plan. The updated General Plan was adopted by the City Council on December 5, 2001 and was approved by the voters on March 12, 2002.

In the opinion of management, the Growing Smarter legislation will not adversely affect development in the City of Phoenix in the future, and provides processes and tools that can contribute to better planned, coordinated and balanced future development.

TAX MATTERS

Tax-Exempt Bonds — General

The Internal Revenue Code of 1986, as amended (the "Code") includes requirements which the City and the Corporation must continue to meet with respect to the Tax-Exempt Bonds after the issuance thereof in order that interest on the Bonds not be included in gross income for federal income tax purposes. The City and the Corporation's failure to meet these requirements may cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City and the Corporation have covenanted to take the actions required by the Code in order to maintain the exclusion from federal gross income of interest on the Tax-Exempt Bonds.

In the opinion of Bond Counsel, rendered with respect to the Tax-Exempt Bonds on the date of issuance of the Tax-Exempt Bonds, assuming continuing compliance by the City and the Corporation with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes. Interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Tax-Exempt Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion upon the date of issuance of the Tax-Exempt Bonds that assuming interest is excludable from gross income for federal income tax purposes, the interest thereon is exempt from income taxation under the laws of the State of Arizona.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of the Tax-Exempt Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Tax-Exempt Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a Tax-Exempt Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the interest on the Tax-Exempt Bonds; (iii) the inclusion of interest on the Tax-Exempt Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Tax-Exempt Bonds in passive investment income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion in gross income of interest of the Tax-Exempt Bonds by recipients of certain Social Security and Railroad Retirement benefits.

Tax-Exempt Bonds — Original Issue Discount

The initial offering price of certain of the Tax-Exempt Bonds (referred to in this section as the "Discount Bonds"), is less than the principal amount payable at maturity. Under the Code, "the difference between the principal amount of the Discount Bonds and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of the Discount Bonds of the same maturity was sold, is original issue discount. Original issue discount represents interest which is excluded from gross income; however, such interest is taken into account for purposes of determining the alternative minimum tax imposed on corporations and may result in the collateral federal tax consequences described above under "TAX EXEMPTION." Original issue discount will accrue actuarially over the term of a Discount Bond at a constant

interest rate. A purchaser who acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof as set forth on the cover page of this Official Statement will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bond and will increase its adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining a taxable gain or loss on the sale or other disposition of such Discount Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Prospective purchasers of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

Tax-Exempt Bonds — Bond Premium

The difference between the principal amount of certain of the Tax-Exempt Bonds (referred to in this section as the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actually on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning the Premium Bonds.

Taxable Bonds

Interest on the Taxable Bonds is includible in gross income of the owners thereof for federal and State of Arizona income tax purposes and therefore is not exempt from present federal income taxation and State of Arizona income taxation. One or more maturities of the Taxable Bonds may be sold with original issue discount. Generally, original issue discount is taxed as it accrues. Owners of the Taxable Bonds should consult their tax advisors concerning the computation of original issue discount accruing in each tax year.

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest on the Tax-Exempt Bonds (see "TAX MATTERS — TAX-EXEMPT BONDS — General") are subject to the legal opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, who has been retained by, and acts as Bond Counsel to the Corporation and the City. Signed copies of the opinion, dated and speaking only as of the date of delivery of the Bonds, will be delivered to the Underwriters. Certain legal matters will be passed upon for the Underwriters by Squire, Sanders & Dempsey L.L.P., Phoenix, Arizona, as Counsel to the Underwriters.

The text of the proposed legal opinion is set forth as Appendix H. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

RATINGS

Standard & Poor's Ratings Group ("S&P") has assigned to the Bonds a rating of "AAA" and Moody's Investors Service ("Moody's") has assigned to the Bonds the rating of "Aaa" each with the understanding that the Policy will be issued by the Insurer upon delivery of the Bonds. No application has been made to any other rating service for the purpose of obtaining ratings on the Bonds. The City furnished these rating agencies with certain information and materials with respect to the Bonds. The ratings reflect only the views of the rating services. An explanation of the significance of the ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's or S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings by Moody's or S&P may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Series 2003A Bonds, the Series 2003B Bonds and the 2003C Taxable Bonds are being purchased for reoffering by RBC Dain Rauscher Inc. and the other underwriters shown on the cover (the "Syndicated Underwriters"). The Series 2003D Taxable Bonds are being purchased for reoffering by RBC Dain Rauscher Inc. (the "Individual Underwriter" and together with the Syndicated Underwriters, the "Underwriters"). The Syndicated Underwriters have agreed to purchase the Series 2003A Bonds, the Series 2003B Bonds and the 2003C Taxable Bonds, subject to certain conditions, at an aggregate price of \$135,770,345.58. If the Bonds are sold to produce the yields shown on the inside front cover hereof, the Syndicated Underwriters' compensation will be \$623,289.62. The Individual Underwriter has agreed to purchase the Series 2003D Taxable Bonds, subject to certain conditions, at a price of \$9,885,157.47. If the Series 2003D Taxable Bonds are sold to produce the yields shown on the inside front cover hereof, the Individual Underwriter's compensation will be \$42,120.78.

The Syndicated Underwriters are committed to purchase all of the Series 2003A Bonds, the Series 2003B Bonds and the 2003C Taxable Bonds if any are purchased and the Individual Underwriter is committed to purchase all of the Series 2003D Taxable Bonds if any are purchased. The Bonds are offered for sale initially at the approximate yields set forth on the inside front cover of this Official Statement, which yields may be changed, from time to time, by the Underwriters. The Bonds may be sold to certain dealers (including underwriters and dealers depositing the Bonds into investment trusts) at prices lower than the public offering price.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") with respect to the Bonds for the benefit of the beneficial owners of such Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The specific nature of the information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Undertaking, are set forth in "APPENDIX I — FORM OF CONTINUING DISCLOSURE UNDERTAKING."

The City has represented that it is in compliance with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the City to comply with the Undertaking will not constitute a default under the Leaseback Agreement or the Indenture and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "APPENDIX I — FORM OF CONTINUING DISCLOSURE UNDERTAKING." A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

INDEPENDENT AUDITORS

The basic financial statements of the City as of June 30, 2002 and for its fiscal year then ended included in Appendix F to this Official Statement have been audited by KPMG LLP, independent auditors, as stated in their report which appears in Appendix F. The report of KPMG LLP indicates that the City adopted Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis", GASB Statement No. 37, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statements Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements", effective July 1, 2001.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation, the City or the Underwriters and the purchasers or holders of any of the Bonds.

This Official Statement has been approved, executed and delivered by the Corporation and the City.

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

By /s/ WALLACE ESTFAN
President

CITY OF PHOENIX, ARIZONA

By /s/ KEVIN KEOGH
Finance Director

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APPENDIX A

CITY OF PHOENIX, ARIZONA — DESCRIPTION

OVERVIEW

Phoenix is the sixth largest city in the United States, the State capital of Arizona and the center of the metropolitan area encompassed by Maricopa County. This metropolitan area also includes the cities of Mesa, Glendale, Tempe, Scottsdale, Chandler, Peoria, Gilbert, Goodyear, Tolleson, El Mirage and Avondale as well as all unincorporated areas of the County. It is situated 1,117 feet above sea level in the semi-arid Salt River Valley. The area is well known for its mild, sunny winters and hot summers, and receives average rainfall of 7.66 inches annually.

Phoenix was founded in 1870 as an agricultural community. In 1881, it was incorporated as a City. The City Charter under which it is presently governed was adopted in 1913 and has been amended from time to time since then. The City has grown steadily since its inception and has shown especially strong growth since 1950. The 1900 census recorded Phoenix population at 5,544. In 1950, the City occupied 17 square miles with a population of almost 107,000, ranking it 99th among American cities. The 1990 census recorded Phoenix population at 983,403 and the 2000 census recorded Phoenix population at 1,321,045. As of January 1, 2003 the City encompasses 486.4 square miles, with the City of Phoenix Planning Department estimating the City's population at 1,385,702.

Population Statistics
Phoenix, Maricopa County and Arizona

Area	1950	1960	1970	1980	1990	2000	2003(1)	Percent Change	
								1950-03	1990-03
Phoenix	106,818	439,170	584,303	789,704	983,403	1,321,045	1,385,702	1,197.3%	40.9%
Maricopa County	331,770	663,510	971,228	1,509,175	2,122,101	3,072,149	3,296,250	893.5	55.3
State of Arizona	749,587	1,301,161	1,775,399	2,716,546	3,665,228	5,130,632	5,472,750	630.1	49.3

(1) Population figures for Maricopa County and the State of Arizona are as of July 1, 2002. Population figures for the City of Phoenix are as of January 1, 2003.

Source: Population figures prior to 2003 are from the U.S. Department of Commerce, Bureau of Census. The 2002 estimated population figures for Maricopa County and the State of Arizona are from the Arizona Department of Economic Security. The January 1, 2003 estimated population figure for the City of Phoenix is from the City of Phoenix Planning Department.

Phoenix is served by main lines of the Union Pacific and Burlington Northern Santa Fe Railroads, a transcontinental busline (Greyhound Trailways), and 10 transcontinental, 34 interstate and 39 intrastate truck lines. Phoenix Sky Harbor International Airport, located approximately 4 miles from downtown Phoenix, is served by the following scheduled airlines: Aeromexico, Air Canada, Alaska, Aloha, America West, American, American Trans Air, Arizona Express, British Airways, Continental, Delta, Frontier, Great Lakes, Hawaiian, Lufthansa, Mesa (dba America West Express), Midwest Express, Northwest/KLM, Southwest, Sun Country, United, and USAirways. Interstate 10, Interstate 17, U.S. Highways 60, 70, 80, 89 and State Highways 51, 85 and 93 all traverse the City.

The metropolitan area is presently served by 38 elementary school districts, 6 high school districts and 11 unified school districts, operating over 400 schools. Education is also provided by private and parochial schools located throughout the metropolitan area. Maricopa County Community College District serves the educational needs of the Phoenix area through ten institutions. Arizona State University (ASU), which houses 11 colleges, is located to the east of Phoenix in the city of Tempe. The core of Arizona State University West, an \$84,000,000 branch of the ASU campus in northwest Phoenix, was completed in June 1991 and accommodates more than 5,000 students. The City also contains a private graduate school and a number of private universities, colleges, and technical institutions. The 2000 Census indicated that 58% of the adult residents of Maricopa County area are college educated.

Significant Developments

In 1989 the National Municipal League selected Phoenix for the All-America City Award. The award is based upon how residents and government work together to solve community problems. Phoenix received the award for the creation of the Phoenix Futures Forum, a program that enlists residents to plan for the City's future growth. Also cited were its Citizens Bond Committee process, which in 1988 secured voter approval for over \$1 billion in bonds, and the City's implementation of a property maintenance ordinance used to help eradicate neighborhood blight.

In 1985 the Phoenix City Council adopted the General Plan, a long-range plan whose unifying concept is urban villages. The overall goal of the Urban Village Model is to offer Phoenix residents a choice of lifestyles in which the residents may live, work and enjoy leisure time activities within close proximity, and to give residents a role in shaping these choices. It is a unique concept that has provided a high degree of citizen participation in local land use planning.

The General Plan guides future development in Phoenix through the establishment of fourteen urban villages, each with an approximate population of 125,000. Each village has its own citizen planning committee. The committees, guided by and responsible to the Planning Commission, are comprised of 15-21 citizens, most of whom live in the village. Their planning activities include identifying the attitudes, problems, and issues affecting their village; formulating goals and policies that reflect the unique needs of their planning area; developing land use plans that will guide future growth in their village, and reviewing rezoning applications and development proposals.

As required by the State of Arizona Growing Smarter Legislation passed in 1999, and the Growing Smarter Plus Legislation passed in 2000, the City undertook a rewrite of the existing 11 elements in the General Plan and preparation of 5 new elements as required by the two new laws. The updated General Plan was adopted by the City Council on December 5, 2001 and was approved by voters on March 12, 2002.

In 1972 the Phoenix Civic Plaza, a convention and cultural center, was formally opened. The original facility encompassed eight city-blocks in downtown Phoenix, having a capacity of 10,000 persons and containing a variety of meeting and exhibition halls in addition to a symphony hall. In 1980, the Phoenix City Council authorized expansion of the Phoenix Civic Plaza, with approximately 306,000 square feet of additional space in a new structure connected directly to the existing facility. Construction of the \$55 million addition commenced in late 1982 and was completed in June 1985. In November 1995, the City completed a \$31.5 million modernization and refurbishing program for the Phoenix Civic Plaza. In 1998, construction began on the Civic Plaza East Garage, a 2,891-space parking facility to serve Civic Plaza patrons and other downtown visitors. Included within the garage is approximately 25,000 square feet of commercial space. The garage was completed in the fall of 1999. On November 6, 2001, City of Phoenix voters approved a ballot proposition authorizing the City to incur debt and expend public funds in an amount up to \$300 million from City funding sources and in an amount up to \$300 million from State or other non-City funding sources for the construction, expansion, modification and improvement of the Phoenix Civic Plaza. On June 22, 2001 the Arizona Legislature appointed the Ad Hoc Study Committee on Phoenix Civic Plaza/Convention Facility Expansion. The membership included four State Senators, four State Representatives and nine public members. The Committee's charge was to make recommendations on several issues regarding Phoenix Civic Plaza Expansion, including potential funding sources and state involvement. The Committee recognized the significant statewide benefit of convention business and unanimously recommended that the State develop a program to provide matching funds for major convention center improvements. The City of Phoenix retained the Conventional Wisdom Corporation to prepare a Development Master Plan for the Civic Plaza Expansion which identified and analyzed development alternatives for the expansion project and recommended a preferred development concept. In September 2002, the Phoenix City Council approved the development concept and authorized Conventional Wisdom Corporation to prepare a detailed Architectural Facility Program that will be used as the basis for design. In November 2002, the Phoenix City Council authorized staff to begin the competitive selection process to retain a design team and a construction manager for the project. It is anticipated that both will be under contract and that the design phase will begin in the Spring of

2003. Under the approved development concept, the size of the Phoenix Civic Plaza will more than double, changing its ranking from the 60th largest convention center in the nation to the 20th largest.

The Herberger Theater Center, a performing arts facility, opened in October 1989 adjacent to the Phoenix Civic Plaza. Located on a one-block site immediately north of the original Phoenix Civic Plaza, the Herberger Theater Center was financed with \$18 million in public and private funds.

Redevelopment of the downtown Phoenix area has accompanied the construction and expansion of the convention center. In the 1970s Arizona's three major commercial banks (at that time Valley National Bank, First Interstate Bank, and The Arizona Bank) located their high-rise headquarters buildings in the downtown area and two hotels, having combined capacities of 1,272 rooms, were constructed to the west of the convention center. In addition, the Citibank building (now Compass Bancshares), consisting of 113,000 square feet of space situated on the northwest corner of Van Buren Street and First Avenue, was opened on August 1, 1989.

In 1979 the City formally initiated a comprehensive downtown redevelopment program which is administered by the Community and Economic Development Department. Redevelopment efforts have resulted in the construction of numerous public/private development projects. The French Quarter, a mixed-use development project northwest of the Phoenix Civic Plaza, completed an 80,000 square foot office building in July 1984, and in November 1988 completed construction of 60 condominium units. Separately, Renaissance Park, a 170 unit condominium complex east of the Phoenix Civic Plaza, was completed in the fall of 1986.

The Trammell Crow Company completed construction of an \$80 million, 26-story, 450,000 square-foot high-rise office building, including 40,000 square feet of retail, opposite Patriots Square Park in the center of downtown Phoenix in 1988. In conjunction with this project, the City constructed a 1,456 space underground public parking garage beneath Patriots Square Park to support the parking needs generated by the Trammell Crow building and other downtown projects. This \$15 million project was dedicated in December 1988. In response to a successful leasing effort, Trammell Crow Company constructed a second office building which opened in January 1990 on the half-block immediately north of their first building, consisting of 475,000 square feet including 15,000 square feet of retail.

In 1984 a group of leading downtown business leaders founded the Phoenix Community Alliance (the "Alliance"). The group's express purpose is to work with government and other development interests to accomplish the highest quality downtown revitalization possible. They have been involved in a program of cooperative planning between government and private interests and are currently focusing their attention on bringing increased housing, especially ownership housing, to downtown.

Culminating an effort initiated by the Alliance, the City entered into an agreement with The Rouse Company in September 1987 to develop a \$515 million mixed-use development project to the north of the Phoenix Civic Plaza known as The Arizona Center (also known as Superblock). Ultimate development will include 1.5 million square feet of office space, 240,000 square feet of retail space, a hotel and a three acre public plaza. Arizona Public Service now occupies the first office building of 450,000 square feet which was completed in March 1989. The balance of Phase I including the public plaza and a garden, a second office building of 300,000 square feet and 150,000 square feet of retail and entertainment space celebrated its grand opening in November 1990. In March 1998, a 5,000 seat, 24 screen movie theater opened.

Construction of The Metropolitan Apartments, a project sponsored by the City and the Alliance constituting the first new market rate rental housing in downtown Phoenix in nearly a decade, was completed in January 1997. The complex has 140 units with a pool and clubhouse, all set in a contemporary urban design. The complex is located northwest of The Arizona Center between Fillmore and McKinley Streets and Second and Third Streets.

In November 1997, the City reached an agreement with Post Properties, Inc. (formerly Columbus Realty Trust) for the construction of 400 urban residential rental units in downtown Phoenix. The project was built on an approximately 11-acre site bounded by First Avenue, Third Avenue, Margaret T. Hance Park and Roosevelt Street. Total project cost was \$68 million. The development is characterized by a high density urban design with

extensive streetscape treatments, street level retail, private courtyards, structured parking and extensive landscape improvements to historic Portland Parkway. The project included \$1.6 million in direct City financial assistance plus property tax abatement and the inclusion of 45,000 square feet of City owned land.

In 1999, Camden Property Trust began construction of a 332-unit multi-family, urban gated community featuring three-story residential buildings, a two-story clubhouse, landscaped interior courtyards and structured parking. The project is located in downtown Phoenix on Van Buren Street east of Seventh Street and began leasing in November 1999.

In October 2000, the City Council approved the selection of Artisan Homes to build approximately 35 condominium units on 69,000 square feet of City-owned property located on the northeast corner of Seventh Street and Washington Street. The units will vary in size from 1000 to 1750 square feet with prices ranging from \$135,000 to \$235,000. Construction began in Summer of 2002 and is expected to be complete by Summer of 2003.

In November 1988 the City entered into negotiations with the Phoenix Suns Limited Partnership (the "Suns") for the development and operation of a 20,000 seat downtown sports arena to be located immediately south of the Civic Plaza. Final agreements between the City and the Suns were approved by the City Council in July 1989. The construction cost of the arena and adjacent garage was \$87 million. The City acquired and cleared the land for the project at a cost of \$12.8 million and contributed \$35 million for construction costs. The Suns were responsible for the balance of the construction costs and in addition contributed \$515,000 for land acquisition. Construction began in November 1990 and the America West Arena celebrated a grand opening in June 1992.

A new 601,000 square-foot Phoenix City Hall was built on Washington Street between Second and Third Avenues, immediately north of the existing Calvin C. Goode Municipal Building. The project includes a 1,500-space parking structure, located between Washington and Jefferson Streets and Third and Fourth Avenues, which also contains 43,000 square feet of office and retail space. Construction began in mid-January 1992 with occupancy completed in January 1994.

The Phoenix Museum of History and the Arizona Science Center are located in Heritage and Science Park, a multi-block downtown cultural center, and received City funding from general obligation bonds approved by the voters in 1988. The Arizona Science Center, which cost \$47 million, encompasses 120,000 square feet including a 200 seat planetarium and a 285 seat Iwerks Theater. The City contributed land and \$20 million to the project, with the balance funded by private contributions. The Phoenix Museum of History is approximately 20,000 square feet and cost \$3.5 million. In addition to the museums, an 800-space parking garage was also developed. The parking garage was completed in November 1995, the Phoenix Museum of History opened to the public in January 1996 and the Arizona Science Center opened in April 1997.

Construction was completed in May 1997 on Central Station, a new downtown transit center located on the northeast corner of Central Avenue and Van Buren Street. The 2.6-acre site includes a 4,000 square-foot passenger services building for ticket sales, security, and restrooms; a 16,000 square-foot passenger plaza which includes passenger information, a children's area, push cart vending, seating and shade; and bus loading and circulation areas for 12 bus routes, Dial-a-Ride and DASH (Downtown Area Shuttle). The total cost of the project was approximately \$7.5 million, with the Federal Transit Administration funding 80% and the City funding 20% of the project.

In July 2000, the City Council approved the selection of the Tom Hom Group to build Campaigne Place, a 300-unit workforce housing project located at Jackson Street and Second Avenue. Construction on the \$12 million project began in January 2002 and is expected to be ready for occupancy in April 2003.

In November 2001, the City entered into an agreement for the development of 31 loft-style homes ranging in size from 1250 to 1850 square feet with sale prices starting at \$195,000. The Downtown Phoenix Lofts will be located at the northwest corner of Second and Buchanan Streets. Construction began in December 2001 and is expected to be completed in March 2004.

In Spring of 2002, the City of Phoenix and the State of Arizona, in partnership with Maricopa County, Arizona's three State universities, various foundations and the private sector formalized two proposals with the International Genomics Consortium (IGC) and The Translational Genomics Research Institute (TGen) to locate their new headquarters in downtown Phoenix. The City agreed to construct a 150,000 square foot research facility for IGC and TGen to be located at Fifth and Van Buren Streets. Construction is scheduled to begin in May 2003 with occupancy expected by late 2004. Once the research organizations are operating in their headquarters they are expected to employ approximately 350 employees earning an average salary of \$70,000 annually.

On July 3, 2002 the City Council approved a Disposition and Development Agreement with TASB, L.L.C. to provide for the restoration of 114 West Adams Street, the historic Title and Trust building, for the development of approximately 90 condominiums, associated parking and ancillary commercial space. The City will assist with the historic rehabilitation of the building and upgrades to the public infrastructure and off-site improvements. Renovation began in 2002 and is expected to be completed by early 2004.

In an effort to assist ownership housing projects in the downtown area, in June 2001 the City approved reimbursing Artisan Homes, Inc. up to \$100,000 for public infrastructure and offsite improvements in connection with a 75-unit loft style condominium project called Artisan on Central, located on Central Avenue and Willetta Street. Construction began in early 2002 on the first 40 units which are expected to be available for occupancy in the summer of 2004. Construction of an additional 35 units is scheduled to be completed by January 2006.

In the Fall of 2000 the City of Phoenix and Maricopa County reached an agreement wherein the County would be responsible for funding the streetscape buildout of Jackson Street from First Avenue to Ninth Avenue and the City would be responsible for its maintenance. The \$3.2 million project involved a three-month community input process to identify the parameters of the street layout, landscape, sidewalk, lighting and design elements. Construction is set to begin in the Spring of 2003 with completion expected by the end of 2003.

The design of an approximately \$1 billion light rail system connecting central Phoenix with Tempe and Mesa has begun. The cost of the project will be funded with Federal grant funds and City sales tax revenues. On March 14, 2000, City of Phoenix voters approved a 0.4% sales tax increase to be levied for a period of twenty years to provide funding for the light rail system as well as mass transit, including expanded bus service and other transportation improvements. Construction of the first phase of the light rail system is planned to be completed in 2006.

Construction on an \$8.9 million streetscape project in downtown Phoenix was completed in February 1995. This project added pedestrian lighting, landscaping and street furniture to pedestrian-oriented streets in the downtown area. The improvements are concentrated along Adams Street between Second Avenue and Second Street, Monroe Street between Third Avenue and Seventh Street, Second Street from Van Buren to Jefferson Streets, and Third Street between Van Buren and Monroe Streets. Project boundaries were chosen to create a pedestrian link between Phoenix City Hall, the Orpheum Theater, America West Arena, The Arizona Center and the Heritage and Science Park.

Construction of the Phoenix Municipal Court Valdemor A. Cordova Building, a nine-story, 375,000 square-foot City criminal justice facility, began in the summer of 1997. The building is located on the northwest corner of Washington Street and Third Avenue, directly west of Phoenix City Hall. The project cost \$79 million and was completed in the fall of 1999. It is estimated that between 3,000 and 4,000 customers per day visit this facility, making it the largest volume court in the State.

The Federal government began construction of a 550,000 square-foot federal courthouse in the summer of 1997. The Sandra Day O'Connor U.S. Courthouse is located on two blocks bounded by Jefferson and Washington Streets and Fourth and Sixth Avenues in downtown Phoenix. The project cost approximately \$110 million and includes courtrooms and related office space. The project was completed in September 2000.

An agreement between the City and a private company was reached for development of a 4,801 seat entertainment facility on a City owned site at the northwest corner of Washington Street and Fourth Avenue.

The Dodge Theatre totals 165,000 square feet and cost an estimated \$39 million. Construction began in September 2000 and was completed in April 2002.

Construction of a 20-story, 410,000 square-foot Phelps Dodge Building, including 10,000 square feet of retail and 975 on-site parking spaces, began in February 2000. The building is located on the northeast corner of Washington Street and Central Avenue in downtown Phoenix. Half of the building houses the world headquarters for the Phelps Dodge Corporation. Construction was completed in November 2001.

Major league baseball owners awarded a Phoenix based ownership group a major league baseball franchise in March 1995. The team, the Arizona Diamondbacks, began play in March 1998. A \$354 million, 48,500 seat, natural grass baseball stadium was constructed at the southwest corner of Jefferson Street and Seventh Street in Downtown Phoenix through a public/private partnership. Public participation was authorized in early 1994, when the Maricopa County Stadium District approved the expenditure of \$238 million for the development of the stadium. The balance of the construction costs were financed by the team ownership group.

The Barron Collier Company and Opus West constructed a mixed-use downtown development. The plans for Collier Center include a 700-room hotel, three high-rise towers with 1.5 million square feet of office space, 200,000 square feet of retail shops and restaurants, and parking for 2,400 vehicles. The project is located on a 7.2 acre site bounded by Washington, Jefferson, First and Third Streets. Collier Center's Phase I, a \$500 million, 23-story office tower, was completed in September 2000 and is the Arizona headquarters for Bank of America. The tower contains over 500,000 square feet of office space, 85,000 square feet of retail space and a 1,500-space underground parking garage.

The Papago Freeway, which is the portion of Interstate 10 built through the City of Phoenix, opened in August 1990. A \$95 million, 29-acre Deck Park was constructed over the below ground level segment of the Freeway going through downtown Phoenix. Construction began in October 1987 and the park formally opened April 25, 1992. Deck Park was formally named the Margaret T. Hance Park in honor of Phoenix's first woman Mayor. Ms. Hance, who died April 29, 1990, was Mayor from 1976 to 1983. Funding for the park was provided by the Federal government, the State and the City.

As a result of a Central Avenue Image Study, the Central Avenue Improvement District was formed to finance the design and construction of improvements to transform a portion of Central Avenue, including the segment that passes over the Margaret T. Hance Park, into a boulevard lined with palm and shade trees and wide granite sidewalks in Southwestern colors and designs. The plan also called for the installation of distinctive street lights, hedge planters, bus shelters and benches along the sidewalks. The project was completed in the fall of 1990 and the total project cost was \$7.7 million, with the City contributing \$1.7 million.

The new Burton Barr Central Library celebrated its grand opening in May 1995. The five-story, 284,000 square-foot library will accommodate more than 1 million volumes and has seating for up to 800 patrons. The facility was designed to meet the needs of library patrons well into the 21st century.

The Greater Phoenix Economic Council (GPEC) was formed in 1989 as a partnership between Maricopa County and municipal governments, business and industry, and educational institutions in the metropolitan Phoenix area to serve as the marketing and business image promotion arm for all of its participants. The City of Phoenix has 7 appointments to the GPEC Board with no other city having more than two appointments. GPEC strives to adapt to continually changing needs of business decision makers and stay abreast of U.S. and world competitors; expand its marketing activities into the international arena, with a clear, effective focus that will have a beneficial impact on the region's economy; and advocate the development of the infrastructure necessary for the continued economic growth of the region. The City's Community and Economic Development Department works closely with GPEC to attract new wealth-generating employers to Phoenix. Since 1991, the Department has attracted 168 new employers to the City of Phoenix. These new companies are projected to employ 30,101 individuals and absorb more than 12.5 million square feet of office and industrial space.

The City's downtown redevelopment program is complemented by the Neighborhood Services Department's (NSD) programs through which the department works to preserve and improve the physical, social and economic health of Phoenix neighborhoods. NSD has created programs to assist neighborhoods citywide as well as support and aggressively work to revitalize targeted neighborhoods.

Phoenix has identified five targeted neighborhoods called Neighborhood Initiative Areas (NIAs). The NIAs are the focus of concentrated and comprehensive revitalization. The five currently targeted neighborhoods are Garfield (adjacent to downtown); Roosevelt (in downtown); Isaac; South Phoenix Village; and Sunnyslope/Desert View. Cross functional teams from NSD code enforcement, neighborhood coordination, housing rehabilitation and development, neighborhood economic development, and graffiti busters as well as members of other departments work together with these neighborhoods to address problems identified by the neighborhoods. NSD uses its federal and local funds to leverage other public and private funding. Many partnerships with private and nonprofit agencies are developed to revitalize these communities. Since 1995 NSD has realized the development of over 100 affordable and market rate homes, closed nearly 10,000 code enforcement cases and rehabilitated more than 600 owner and rental housing units. In addition, NSD has contracted for the development of a 760 unit, master-planned subdivision and a 100 home infill project in South Phoenix Village.

A number of other development initiatives have occurred in recent years. Phoenix Sky Harbor Center was approved by the City Council in 1984, and in 1985 \$19,150,000 in City bonds were issued for initial development. The project will develop 550 City-owned acres immediately to the west of Phoenix Sky Harbor International Airport into a business/commerce park. The acquisition phase and the second phase of infrastructure development was completed in 1993. Sky Chefs Inc. (formerly Cater Air International) has completed construction and occupies over 120,000 square feet on the site. In the third quarter of 1990, Honeywell Inc. (formerly AlliedSignal, Inc.) began development of a 545,000 square-foot facility on a 28-acre site with the project completed in July 1991. Bank of America established its credit card operations at Sky Harbor Center in 1991. The Bank of America Credit Card Center has approximately 2,000 employees and includes a 400,000 square-foot complex on 22 acres. In November 1995, Bank of America completed construction of an additional 150,000 square-foot structure for credit card operations which employs approximately 1,100 employees. In November 1995, construction was completed on Arrow Electronics (formerly Wyle Laboratories) 200,000 square-foot facility on 12 acres. The facility employs approximately 250. In December 1991, the Hertz Corporation completed construction of two buildings on 13 acres with a total of 25,657 square feet of office space. In January 1996 Hertz completed construction of a 15 acre expansion of their facility. Miller Brands of Phoenix, a beverage distributor, developed a 300,000 square-foot facility on 22 acres in Sky Harbor Center. The facility consists of 172,000 square feet of distribution space and 128,000 square feet of office and building space. In March 2000, America West Airlines announced that it would construct a new \$35 million, 15,000 square-foot flight training center and systems operation control facility on a 13-acre site at Sky Harbor Center. America West began construction in early 2001 and occupied the facility in April 2002.

Other sizeable tenants at Phoenix Sky Harbor Center include National Car Rental, Budget Rent-a-Car, Avis Corporation, Greyhound, Charlie Case Tire Co., Allred, Level 3 Communications, and the City of Phoenix. In July 1993 the City was given approval for the relocation and expansion of Foreign Trade Zone (FTZ) No. 75 to a 375-acre site at Sky Harbor Center. The FTZ was established to allow companies who import large amounts of foreign products to defer paying duties on these products until they are shipped to retail outlets. The FTZ boundaries were modified to include air cargo operations at the Airport.

In November 1990 construction was completed on the Barry M. Goldwater Terminal 4 at Phoenix Sky Harbor International Airport at a cost of \$276 million. The original facility included 4 domestic concourses housing 44 gates, one international concourse with 4 gates, and a 3,400-space parking facility. In July 1994 the City Council approved expansion of Terminal 4 to add 10 domestic gates to the international concourse. Construction of the new facilities was completed in February 1996. In September 1995 America West Airlines announced plans to expand its Phoenix operations over the next several years by increasing total jet departures. In March 1998 the City Council approved an airport capital expansion program funded primarily by passenger facility charges and airport revenue bonds. Approved projects include rebuilding runways in concrete,

construction of a new airport fire station, a new Terminal 4 concourse to provide more capacity for America West, and additional parking facilities at Terminal 4. Nearly all of the projects approved in March 1998 by City Council have been completed.

In April 2000 the City Council approved a \$640 million airport expansion program funded by airport revenue bonds. This program included funds to design a new terminal complex at the west end of the airport and to construct the infrastructure necessary to support the terminal. Also included are funds for land acquisition, a residential sound assistance program, an airport people mover system, additional public parking garages, and improvements for the reliever airports. The projects identified in this program have been carefully reconsidered in light of changes in airline traffic after the events of September 11, 2001. Many of the projects related to future growth have been put on hold until the airline industry stabilizes and future trends become more clear. The development of the West Terminal Building is currently on hold as a result of this analysis.

While these special development efforts were being undertaken, significant general development activity has been occurring throughout the City. For 1992 the value of building permits was \$1.0 billion while for 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, and 2001 the value of building permits was \$1.1 billion, \$1.6 billion, \$1.5 billion, \$2.1 billion, \$2.0 billion, \$2.2 billion, \$2.1 billion, \$2.5 billion, and \$3.0 billion, respectively.

In order to help meet the City's future capital financing needs, a comprehensive property tax supported General Obligation bond program was initiated in the summer of 2000. A citizens bond committee consisting of nearly 300 private citizens was appointed by the Mayor and City Council to review the City's capital requirements and recommend a total bond program to the voters. This is the traditional approach used by the City for bond elections since 1950. The program culminated in a special bond election on March 13, 2001 when the voters approved twelve propositions totaling \$753.9 million in new General Obligation bond authorizations. The propositions and the amount of bonds authorized are shown in the following table.

<u>2001 Bond Program</u>	<u>Amount Authorized</u>
Library Facilities	\$ 33,000,000
Historic Preservation	12,000,000
Pollution Cleanup	24,800,000
Police Protection	78,800,000
Community Educational & Cultural Facilities	66,300,000
Fire Protection	61,500,000
Street and Highway Improvement	91,500,000
Parks, Open Space and Recreational Facilities	77,000,000
Neighborhood Protection and Senior Centers	74,000,000
Storm Sewer and Flood Protection	66,000,000
Affordable Housing and Service Facilities	43,700,000
Computer Technology	<u>125,300,000</u>
Total	<u>\$753,900,000</u>

PHOENIX CITY GOVERNMENT

Phoenix operates under a Council-Manager form of government as provided by its Charter which was adopted in 1913. The Phoenix City Council is comprised of a Mayor and eight Council members, elected by the people on a non-partisan ballot. At a special election held on October 3, 1989, the Phoenix voters passed Proposition 105 which amended the City Charter to provide for four year staggered terms and a limit of two such terms for the Mayor and Council members. On November 6, 2001, the Phoenix voters passed Proposition 101 which amended the City Charter to allow Council members to serve up to three consecutive four-year terms, with no limit on the number of terms that could be served over a lifetime. The Mayor is elected at-large, while Council members are elected by voters in each of eight separate districts they represent. The Mayor and each Council member have equal voting power.

The Council is responsible for policy making. It appoints advisory boards, commissions and committees and also appoints Municipal Court Judges and the City Manager.

The City Manager is responsible for executing Council policies and administering City operations. Reporting to the City Manager are the Assistant City Manager, Special Assistant City Manager, Executive Assistant to the City Manager, City Auditor, and five Deputy City Managers, each responsible for directing a set of City departments and functions.

The City government is responsible for furnishing basic municipal services. Primary services delivered by the City's 26 departments, 8 functions and 14,352 employees include police, City courts, fire protection, parks, recreation, libraries, sanitation, water, sewer, transportation (including streets and public transit), airports, building safety, public works, neighborhood improvement and housing, community and economic development and convention and cultural services. These services are being provided in fiscal year 2002-03 through an adopted operating budget of \$2,434.3 million. Of this, the general purpose funds budget totals \$888.0 million, which is for general municipal services and excludes enterprise activities such as water, sewer, refuse and airports.

Elected Officials

Skip E. Rimsza, Mayor

Mayor Rimsza was elected to his second full term as Mayor in 1999. Prior to being elected mayor, Mr. Rimsza served since 1990 as the Councilmember representing District 3. Mayor Rimsza serves on several community Boards and is a former President of the Board of Realtors. He has been very active in a number of community organizations and received his education at Phoenix College.

Greg Stanton, Vice Mayor, District 6

Vice Mayor Stanton began his first full term on the City Council in January 2002. Mr. Stanton has been active in the community and has served on the Camelback East and Ahwatukee Foothills village planning committees. Mr. Stanton is an attorney and holds a bachelor's degree in political science and history from Marquette University and a law degree from the University of Michigan Law School.

Peggy Bilsten, Councilmember, District 3

Councilmember Bilsten was elected in October 1994 to fill the District 3 position left vacant upon the resignation of Councilmember Skip Rimsza, who announced his candidacy for the Mayor of Phoenix. Ms. Bilsten is a health and fitness teacher at Valley Lutheran High School and has been actively involved in the community for many years. She has served as chairwoman of the North Phoenix Block Watch Alliance and the "Fun in the Sun Days" celebration, coordinator of the John Jacobs Block Watch Association and a member of the Neighborhood Block Watch Oversight Committee and the Phoenix Block Watch Advisory Board. Ms. Bilsten holds a bachelor of arts degree from Northwestern College in Orange City, Iowa.

Jessica Florez, Councilmember, District 4

Councilmember Florez was appointed by the City Council in March 2003 to fill the District 4 position left vacant upon the resignation of Phil Gordon, who announced his candidacy for the Mayor of Phoenix. Ms. Florez will represent District 4 until voters elect a permanent councilmember at a special election expected to be held on September 9, 2003. Ms. Florez has been active for many years through her involvement with various City initiatives and volunteerism with community service organizations. She is currently a small business owner and managing partner of an advertising and public relations firm. Ms. Florez holds a master's degree in public administration from Arizona State University and a bachelor's degree in Spanish from Westminster College.

Michael Johnson, Councilmember, District 8

Councilmember Johnson began his first term on the City Council in January 2002. Mr. Johnson has served on the South Mountain Village Planning Committee and the Rio Salado Advisory Committee. Mr. Johnson is president and CEO of Nkosi Inc., a security service. Mr. Johnson retired from the Police Department in 1995 after serving 21 years as a police officer, community relations officer and detective.

Doug Lingner, Councilmember, District 7

Councilmember Lingner began his second term on the City Council in January 2000. Mr. Lingner is a former employee of Bank of America, where he worked in the bank-card and check processing department. Mr. Lingner has served as chairman of the Housing and Neighborhoods Subcommittee and as a member of the Downtown, Arts, Tourism and Sports, and Transportation and Technology subcommittees. Prior to being elected to the City Council, Mr. Lingner formed a Block Watch organization in his neighborhood and was active on the Maryvale Village Block Watch Alliance, Maryvale Village Planning Committee and West Phoenix Human Services Center Advisory Committee. His education includes an apprenticeship in the construction industry.

Claude Mattox, Councilmember, District 5

Councilmember Mattox began his first term on the City Council in January 2000. Mr. Mattox has been active in the community for many years and has served as chairman of the Maryvale Village Planning Committee, Desert West Park Planning Committee, West Phoenix Cactus League Spring Baseball Coalition, Phoenix Surface Transportation Advisory Committee and Maricopa Neighbors Airport Noise and Safety Committee. Mr. Mattox is vice president and associate broker for National Western Real Estate and also is owner of Desert Sun Enterprises, a community relations consulting firm.

Peggy Neely, Councilmember, District 2

Councilmember Neely began her first term on the City Council in January 2002. Ms. Neely is a real estate broker and is affiliated with the Phoenix Association of Realtors, Arizona Association of Realtors, National Association of Realtors and the Women's Council of Realtors. She has been active in the community for many years and has served as chair of the Paradise Valley Planning Committee and the Phoenix Water and Sewer Rate Advisory Committee.

Dave Siebert, Councilmember, District 1

Councilmember Siebert began his second term on the City Council in January 2000. Mr. Siebert has served as chairman of the Public Safety Subcommittee, vice-chairman of the Phoenix Parks and Recreation Board, chairman of the Deer Valley Planning Committee and as a member of the Natural Resources and Transportation and Technology subcommittees. Mr. Siebert holds a bachelor's degree in criminal justice from Arizona State University.

Administrative Staff

FRANK A. FAIRBANKS

City Manager

Mr. Fairbanks was appointed City Manager in April 1990. Prior to his appointment as City Manager, Mr. Fairbanks served as Assistant City Manager. He joined the City in 1972 as a Management Assistant and subsequently was appointed to the positions of Assistant to the City Manager and Executive Assistant to the City Manager before being appointed Assistant City Manager in 1988. Prior to joining the City he served as Assistant Disaster Branch Manager for the Small Business Administration and as a consultant to the Peace Corps in Costa Rica. In October 1994 he was named the nation's top local government official by *American City & County* magazine. Mr. Fairbanks graduated from Loyola University of Los Angeles with a degree in finance and holds a master's degree in business administration from the University of California Los Angeles.

SHERYL L. SCULLEY

Assistant City Manager

Ms. Sculley was appointed Assistant City Manager in May 1990 after serving as Deputy City Manager since January 1989. In her current capacity, she has several departments reporting directly to her, as well as overseeing three Deputy City Managers and their respective departments. Prior to joining the City of Phoenix, Ms. Sculley was the City Manager of Kalamazoo, Michigan from 1984 to 1989. From 1974 to 1984 she served the city of Kalamazoo as Deputy City Manager, Assistant to the City Manager, Planner and Research Writer. She holds a bachelor of science degree in journalism and political science from Ball State University and a master's degree in public administration from Western Michigan University. Ms. Sculley is also a graduate of Harvard University's John F. Kennedy Program for Senior Executives in State and Local Government.

ALTON WASHINGTON

Special Assistant City Manager

Mr. Washington was promoted to Special Assistant City Manager in December 2001 after having served as Deputy City Manager for more than three years. In his current capacity, Mr. Washington has several departments reporting directly to him, as well as overseeing two Deputy City Managers, an Executive Assistant and their respective departments. During his tenure as Deputy City Manager, he managed strategies and activities for various City departments, including Parks, Recreation and Library, Planning, Development Services and Environmental Programs. Prior to being named Deputy City Manager, Mr. Washington served as director of Human Services and deputy director of Public Works. Prior to joining the City, he worked for the State of Arizona in several director and deputy director capacities. He holds a master's degree in public administration and a bachelor's degree in political science from Arizona State University.

PETER VAN HAREN

City Attorney

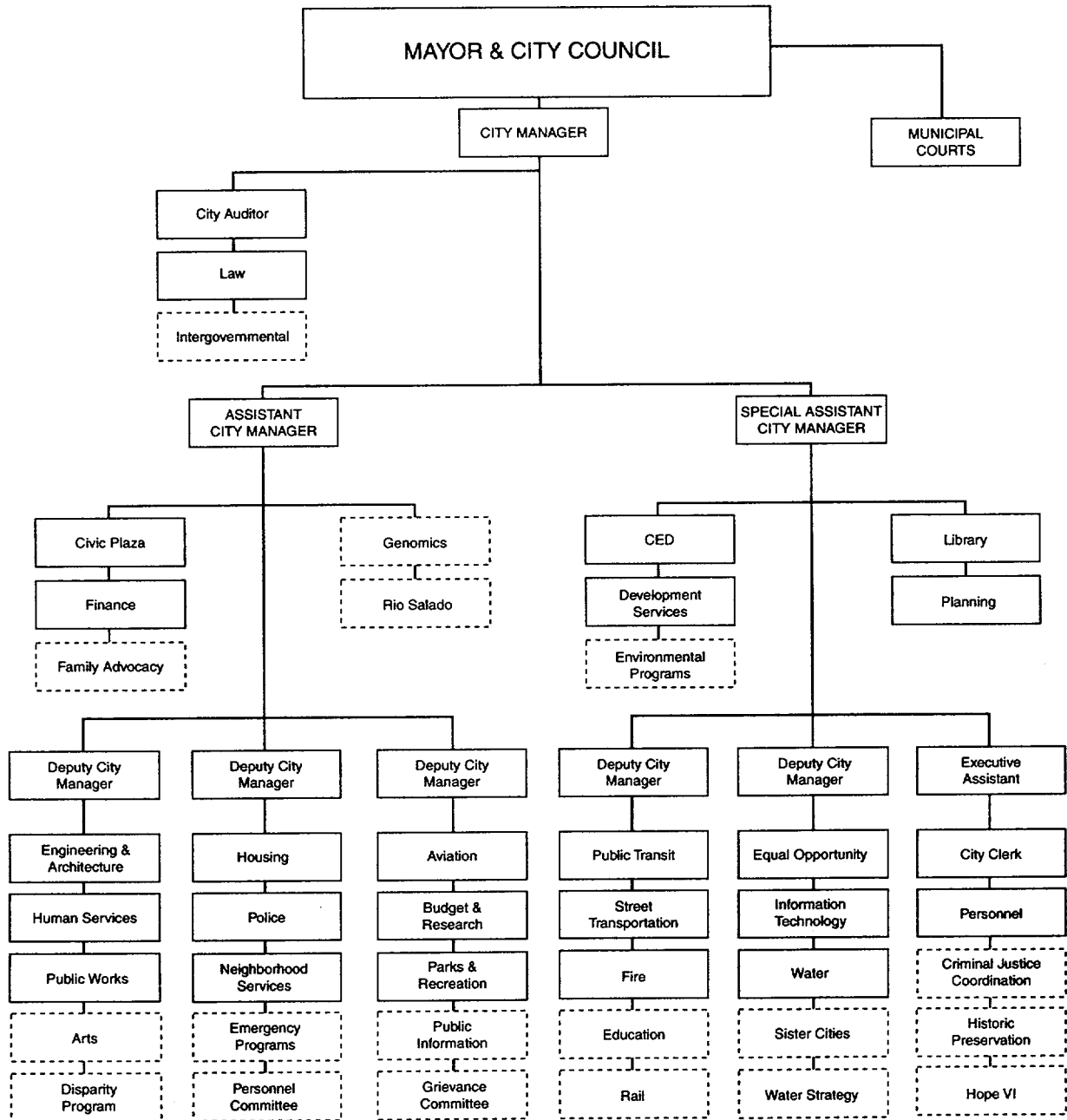
Mr. Van Haren was appointed City Attorney in June 2000. Previously he served for sixteen years as City Attorney for the city of Glendale, Arizona. From 1978 to 1984 he was the City Attorney for the city of Prescott, Arizona, and from 1976-1978 he was an Assistant City Attorney for the City of Phoenix. He received his bachelor's and law degrees from the University of Arizona.

KEVIN KEOGH

Finance Director

Mr. Keogh was appointed Finance Director in February 1986, after serving as Assistant Finance Director for fourteen months. He began his career with the City in 1976 as an intern in the City's Management and Budget Department, and later worked as a Management Assistant in the Office of Administrative Services, where he worked primarily in the City's capital improvement and bond programs. In 1987 he was named the nation's top Finance Director by *City and State*, a national publication of public business and finance. He is a graduate of Iona College in New Rochelle, New York, and holds a master's degree in public administration from Syracuse University.

CITY OF PHOENIX



Revised January 2003

Awards

The City of Phoenix and its employees have been recognized professionally for numerous awards including the following accomplishments:

- **Carl Bertelsmann Prize**

Awarded in 1993 to the City of Phoenix and Christchurch, New Zealand, recognizing each as being the best managed city governments in the world. The international competition for the most efficiently operated city was sponsored by the Bertelsmann Foundation, a research and philanthropic arm of Bertelsmann AG, the second largest media organization in the world. Cities were judged on several categories including customer service, decentralized management, planning and financial controls, employee empowerment and administrative innovation.

- **Government Performance Project**

In January 2000, the Maxwell School of Citizenship and Public Affairs at Syracuse University announced the results of a year long, in-depth study of management efficiency among the nation's 35 largest urban centers. The City of Phoenix earned the highest grade with an overall grade of "A". The study looked at five key areas of municipal management: capital management, financial management, information technology management, human resource management and managing for results.

- **1994 Municipal Leader of the Year Award**

Awarded to Frank Fairbanks, City Manager, by *American City & County* magazine in October 1994 naming him the nation's top local government official. Mr. Fairbanks was the first city manager to win the honor.

- **Center City Starr Award**

Awarded to Kevin Keogh, Finance Director, by the Phoenix Community Alliance in January 1998. The award recognized Mr. Keogh's dedicated efforts in the development of many Central City projects including, One and Two Renaissance, Arizona Center, America West Arena, Burton Barr Central Library and the Post Properties Housing Project.

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

Awarded to the City of Phoenix by the Government Finance Officers Association each year since 1976. This award (formerly the Certificate of Conformance in Financial Reporting) recognizes the completeness, accuracy and understandability of the City's Comprehensive Annual Financial Reports.

- **Employees' Retirement Plan Certificate of Achievement for Excellence in Financial Reporting**

Awarded to the City of Phoenix by the Government Finance Officers Association for its component unit financial report each year since 1985. The Certificate of Achievement is the highest form of recognition in the area of public employee retirement system accounting and financial reporting.

- **Distinguished Budget Presentation Award**

Awarded to the City of Phoenix Budget and Research Department each year since 1990 by the Government Finance Officers Association for the completeness and understandability of its budget document.

- **All-America City**

Presented to the City of Phoenix in 1980 and 1989 by the National Municipal League for citizen action, effective organization and community improvement.

- **1998 Technology Leadership Award**

Awarded to Frank Fairbanks, City Manager, by Public Technology, Inc. Mr. Fairbanks was recognized for the City's creative use of technology including, "Phoenix at Your Fingertips" a system that links the citizenry with information about the City and allows access to government functions through the internet; the City's use of computers to manage electric lights, cooling systems, and traffic lights; the training of firefighters with interactive videos; and putting remote control computers in the laps of police officers.

- **2000 Technology Achievement Award**

The City of Phoenix was the recipient of a Public Technology, Inc. award for the Public Works Department's "Alternative Daily Landfill Cover". The department's Solid Waste Disposal Management division proposed that shredded yard and wood waste, specialty foam and tarps be used in place of soil for daily landfill cover material. The use of alternative cover saves 160,000 cubic yards of landfill space per year, recycles yard and wood waste, thereby reducing the waste stream, and delays the cost of transporting waste to other landfills.

- **1997 Technology Achievement Awards**

The City of Phoenix was the recipient of four Public Technology, Inc. awards. The Public Transit Department won the Technology award for its "Student ID/BUS Card Program." Transit officials proposed an encoding program that would electronically encode special bus pass information on student identification cards at the time of production. The program allows discount-eligible students to use school issued ID cards to board buses in place of traditional fare instruments. This created an accurate and efficient verification system. The City also received three honorable mention awards for Personnel's "Internet Recruiting" program, Parks, Recreation, and Library's "Expanded Access to an Exploding World of Electronic Information to Meet Citizen Demand" program, and Human Services' "Paratransit Technology Integration" program.

- **1996 Technology Achievement Awards**

The City of Phoenix was the recipient of two Public Technology, Inc. awards. The Street Transportation and Water Services Departments shared an honorable mention award for their "Computerized Landscape Water Management System", which reduced water consumption and labor costs and improved landscape appearance on more than 100 acres along 40 miles of freeway. The Information Technology Department earned an honorable mention award for their "Year 2000 Century Date Change", a three-phase process to solve the "Y2K" computer problem.

- **1995 Technology Achievement Awards**

The City of Phoenix was the recipient of three Public Technology, Inc. awards. An achievement award was received by the Community and Economic Development Department for its submission "Neighborhood Based Conservation Program." The program was established to provide support for a neighborhood based non-profit revitalization agency and also provides hands-on classroom training for plumbing apprentice students at a local vocational high school. The City also received two honorable mention awards for its "Electronic Information Services at the Phoenix Public Library" and "Mastercard and Visa Credit Cards on Buses" programs.

- **1994 Technology Achievement Awards**

The City of Phoenix was the recipient of a Public Technology, Inc. national award for the Information Technology Department's Alternative Professional Training Program. The program provides professional and technical training via satellite and videotape at a savings of approximately 66% over sending employees to seminars. The City also received three special-mention awards for its Business and Industry Data Center (BIDC), Roosevelt Irrigation District Water Exchange, and Multiple Residence Mapping Project.

- **1993 Technology Achievement Awards**

The City of Phoenix was the recipient of three Public Technology, Inc. awards. An achievement award was received by the Office of Environmental Programs for its submission "Procurement of Environmental Products," a citywide environmental program that resulted in finding environmentally friendly ways for the City to do business, such as changing purchasing guidelines in favor of recycled paper products. The City also received two special-mention awards for its Daily Activity and Record Tracking System (DARTS) for Reserve-a-Ride transportation and for the Phoenix Recycles Bicycles Program.

- **Financial World Magazine Award**

Financial World Magazine named the City of Phoenix "Best-Managed" of America's 30 largest cities for 1994. The City previously won top honors in 1991 and was ranked second in 1993 and 1992. Judging was based on financial management, use of information technology, infrastructure management, and performance measurement and program evaluation.

- **3CMA Savvy Award**

In October 1998, the City of Phoenix was presented with the City-County Communications and Marketing Association's (3CMA) Savvy Award. 3CMA's Savvy Awards recognize how local government professionals are responding to the challenges of local government with creative tools and processes which bridge the gap between residents and government. The City received the award for the production of a newspaper tabloid that presents and explains the trial budget. It is designed for citizens and includes charts and photos, easy-to-understand stories about the trial budget, the budgeting process and the City's capital improvement program. The trial budget was delivered to approximately 202,000 households in English and Spanish through three newspapers.

- **IABC Silver Quill Award of Excellence**

Awarded to the City of Phoenix in September 1998 by the International Association of Business Communicators (IABC). The award recognizes outstanding programs and work in communications. The City received the award for its Vote-by-Mail Program. The Program allows all citizens to request and submit an absentee ballot for City elections. The Program generated more than 49,000 absentee ballots in the 1997 City elections and was greatly responsible for an increase in voter turnout in excess of 30%.

- **NBC-LEO 2002 City Cultural Diversity Award**

In April 2002, the City of Phoenix was recognized by the National Black Caucus of Local Elected Officials (NBC-LEO) of the National League of Cities for its Minority, Woman and Small Business Enterprise Participation Program.

- **Disability Friendly City Award**

Awarded to the City of Phoenix in October 1996 by Disabled Peoples' International (DPI). The City was chosen for this award for its outstanding progress and continuing efforts to make Phoenix accessible to all people. DPI recognizes cities which further its philosophy that people with disabilities are equal citizens and have full participation and equality with their fellow citizens.

- **Arizona Disadvantaged Business Enterprise (DBE) Certification Award**

In August 1996, the City of Phoenix was presented with the DBE Certification Award sponsored by the U.S. Department of Transportation. The award is given to honor individuals or organizations for outstanding accomplishments and dedication to civil rights. The City received the award for its partnership with other Arizona governmental entities in researching the feasibility of a one-stop certification program for minority and woman-owned businesses. The overall objective of the project was to enhance customer service delivery and standardize paperwork in the certification process. As a result of the partnership, the City has entered into an intergovernmental agreement which sets the parameters for limited reciprocity in the certification of minority-owned and woman-owned firms.

- **Valley Forward Environmental Award**

The City of Phoenix was a top award recipient at the 1996 Valley Forward Environmental Excellence Awards Program. The awards program was created to recognize outstanding contributions to the environment. The City received the President's Award For Special Achievement In Environmental Excellence, the most prestigious award given by Valley Forward, for the Tres Rios Constructed Wetlands Demonstration Project of the Water Services Department.

- **Housing and Urban Development (HUD) Sustained Performance Award**

Awarded to the City of Phoenix Housing Department in November 1996. The award is in recognition of the Housing Department's excellence in overall management performance in the Public Housing Program for fiscal years 1993 through 1995. In reference to the City's Housing Department, HUD stated "this public housing agency is one of the best in the United States".

- **Award of Merit in Housing and Community Development**

Awarded to the City of Phoenix Neighborhood Services Department by the National Association of Housing and Redevelopment Officials (NAHRO) in September 1997. The award program recognizes outstanding efforts in housing and community development. The City received the award for its Longview Neighborhood Initiative Area due to the positive economic impact on the neighborhood and City, including

neighborhood preservation activities, creative financing, public/private partnerships, and economic development.

- **National Academy of Cable Programming Award**

In 1997, the City's television station, Phoenix 11, won the CableACE award for "best overall commitment to local programming" in the more-than-80,000-subscribers category and was named the "top local cable television station in the country." The CableACE award is the cable television industry's highest honor for local programming. Phoenix 11 also received top honors in the single program/talk show category, for the monthly news program "CityWatch".

In 1993, the Phoenix Channel won the CableACE award for best local series talk show for "City Watch." The award was presented by the National Academy of Cable Programming and is the highest award given to local cable television by the academy.

- **National Safety Council Award**

In 1992 and 1993, the City of Phoenix Transit System received a first place award from the National Safety Council. The awards were won in the Fleet Safety Contest-Urban Transit category for areas with a population of 1 million or more in recognition of the Transit System's safe performance in 1991 and 1992, respectively.

- **National Recreation and Parks Association Awards**

The Distinguished Professional Award was presented in October 1991 to James A. Colley, Parks, Recreation and Library Director, by the National Recreation and Parks Association Congress for his leadership and devotion to the parks and recreation field. This is the professional society's highest award.

In October 1994, James A. Colley was named the recipient of the National Recreation and Parks Association's prestigious Ralph C. Wilson Memorial Award for outstanding, lifetime service to the Association.

- **1995 Technology Award of Excellence**

Awarded to the City of Phoenix City Clerk Department in June 1995 by the International Institute of Municipal Clerks (IIMC). This award recognizes the creative and innovative ways the City of Phoenix City Clerk Department has provided efficient and cost-effective delivery of service and technological advances that have benefited the City.

- **2002 EPA Clean Water Act Recognition Award**

The City of Phoenix and the Subregional Operating Group (SROG) were awarded the Environmental Protection Agency's (EPA) 2002 Clean Water Act Recognition Award in the Pretreatment Category, signifying outstanding industrial pretreatment programs and a commitment to protecting and improving waters of our nation.

- **AMWA Gold Award for Competitiveness**

Awarded in March 2001 to the City of Phoenix Water Services Department by the Association of Metropolitan Water Agencies for its internationally hailed re-engineering program. The program resulted in a reduction of annual operating costs, improved customer service, water quality, and environmental protection as well as water and sewer service charges that are among the lowest in the country.

- **AMSA Awards**

In August 1993, the Association of Metropolitan Sewerage Agencies presented the City of Phoenix with a Silver Award for operations at the 91st Avenue and 23rd Avenue Wastewater Treatment Plants. The award is based on AMSA's annual evaluation of the operations of its member facilities. To qualify for a Silver Award, discharges from a facility cannot exceed its National Pollutant Discharge Elimination System (NPDES) permit requirement more than five times during one year.

In May 1992, the AMSA presented the City of Phoenix with a Silver Award for operations at the 91st Avenue Wastewater Treatment Plant.

- **Sister Cities Best Overall Program Award**

Awarded in 1996 and 1994 by Sister Cities International (SCI) to the Phoenix Sister Cities Commission for its outstanding contribution to international understanding. In selecting award winners, SCI looks for cities that demonstrate ongoing activity with all of its sister city partners and have organizational structures that permit program management. Some of Phoenix's award winning programs include cultural weeks, international youth exchanges, coordination of trade missions to Phoenix sister cities and the City's efforts to foster international business exchanges and joint ventures.

- **Promoting the Common Good: Excellence in the Public Sector Recognition**

In August 1989 Phoenix was the only municipality chosen to represent excellence in government as part of a film documentary by Tom Peters, author of the best-selling book *In Search of Excellence*, on a nationwide PBS television broadcast. Phoenix was selected because of its emergency medical service, innovations in street paving, its cost-saving Employee Suggestion Program, lowering of costs for garbage collection through direct competition with private companies and its Public Works partnership teams to improve service and boost morale.

- **National City & State Magazine All-Pro Awards**

Awarded in 1988 to former Mayor Terry Goddard, naming him as one of the nation's three outstanding mayors by a panel of two hundred judges.

Awarded in 1987 to Kevin Keogh, Finance Director, naming him as the nation's top Finance Director.

Awarded in 1986 to Marvin Andrews, City Manager, naming him as the nation's top City Manager in a survey of one hundred municipal management experts.

- **CIO Magazine Award**

In October 2002, Phoenix City Manager Frank Fairbanks was awarded *CIO Magazine's* 2002 CIO 20/20 Vision award. The 20/20 Vision award honors leaders whose vision and execution of technology have made important changes for business and society. Mr. Fairbanks joins business leaders such as Bill Gates, Microsoft Corp., Jeff Bezos, Amazon.com Inc and Michael Dell, Dell Computer Corp. in earning this award.

In August 2002, Phoenix was selected as one of 100 organizations worldwide to receive the 2002 CIO-100 award. This prestigious award was presented to the City for demonstrating excellence in integrated technologies and procedures to improve customer services.

In September 2000, Phoenix was selected as one of 100 organizations worldwide to receive the 2000 CIO-100 award. This prestigious award was presented to the City for achieving excellence in the fast-moving and competitive arena of using technology to improve customer service. Of the 100 companies selected for this honor, Phoenix was the only state or local government to be recognized.

In August 1992, *CIO Magazine*, a magazine for chief information officers, selected the City of Phoenix as the top state or local government for information technology and services.

PHOENIX ECONOMY(1)

Since the end of World War II one of the major economic and demographic trends in the United States has been the sustained growth of population and employment in the Sunbelt in excess of national levels. Phoenix has been a consistent example of this and in recent decades the Phoenix area has been one of the most rapidly growing metropolitan statistical areas (MSA) in the country in terms of population, employment and personal income growth. As of year-end 2002, the Phoenix-Mesa MSA accounts for approximately 63.7% of Arizona's population, an estimated 70.0% of personal income, and approximately 70.3% of the State's employment. Over the last five years, the Phoenix-Mesa MSA has accounted for approximately 70% of the increase in Arizona's population and 76% of the State's employment growth.

From 1950 to 2000, U.S. population grew 86% while Greater Phoenix grew 767% from 374,961 in 1950 to approximately 3,251,876 people in 2000. According to the U.S. Bureau of the Census, as of 2000 the Greater Phoenix area was the 14th largest metropolitan statistical area. Since the Census Bureau's previous 1996 estimates, Greater Phoenix surpassed Cleveland-Akron and Minneapolis-St. Paul in terms of population. According to the Arizona Department of Economic Security, Maricopa County's population is expected to grow to 3.71 million by 2010.

The rapid population growth has been accompanied by even greater employment growth. Nonagriculture wage and salary employment from 1950 through November 2002 in the Phoenix-Mesa MSA was up over 2,060.1% to 1,607,100 jobs, while the U.S. as a whole grew 191.7%. Historically, the unemployment rate in the Phoenix-Mesa MSA has been well below that of the U.S. as a whole. The seasonally adjusted unemployment rate in the Phoenix-Mesa MSA as of November 2002 registered 5.3% versus 5.8% for Arizona and 6.0% nationally.

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- (1) Beginning in 1994, the Office of Management and Budget redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal Counties. The Arizona Department of Economic Security has released historical employment data on the new Phoenix-Mesa MSA from 1990 forward. Prior to 1990, detailed industry sub-sector employment data is not available for the Phoenix-Mesa MSA. When historical data for the Phoenix-Mesa MSA is not available Maricopa County data is used, and all references to "Maricopa County only" data are so noted. Maricopa County accounts for 97% of the Phoenix-Mesa metro area employment and 95% of the area's population. "Metro Phoenix" refers to the Phoenix-Mesa MSA, unless otherwise noted.

**Population
Metropolitan Statistical Areas
(in thousands)**

	1970	1980	1990	2000	Percentage Growth		
					1970-80	1980-90	1990-00
PHOENIX-MESA, AZ(1)	967.5	1,600.1	2,238.5	3,251.9	65.4%	39.9%	45.3%
Albuquerque, NM	315.8	485.4	589.1	712.7	53.7	21.4	21.0
Atlanta, GA	1,390.2	2,233.2	2,960.0	4,112.2	60.6	32.5	38.9
Austin — San Marcos, TX	295.5	585.1	846.2	1,249.8	98.0	44.6	47.7
Dallas, TX	1,556.0	2,055.3	2,676.3	3,519.2	32.1	30.2	31.5
Denver — Boulder, CO	1,227.5	1,618.5	1,848.3	2,400.6	31.9	14.2	29.9
El Paso, TX	359.3	479.9	591.6	679.6	33.6	23.3	14.9
Fort Worth — Arlington, TX	762.1	990.9	1,361.0	1,702.6	30.0	37.4	25.1
Fresno, CA	413.1	577.7	755.6	922.5	39.8	30.8	22.1
Houston, TX	1,985.0	2,753.2	3,322.0	4,177.6	38.7	20.7	25.8
Las Vegas, NV	273.3	528.0	852.7	1,563.3	93.2	61.5	83.3
Los Angeles — Long Beach, CA	7,032.1	7,477.2	8,863.2	9,519.3	6.3	18.5	7.4
Oakland, CA	1,627.6	1,761.7	2,082.9	2,392.6	8.2	18.2	14.9
Orange County, CA	1,420.4	1,932.9	2,410.6	2,846.3	36.1	24.7	18.1
Raleigh — Durham — Chapel Hill, NC	418.8	664.8	855.5	1,187.9	58.7	28.7	38.9
Riverside — San Bernardino, CA	1,143.1	1,558.2	2,588.8	3,254.8	36.3	66.1	25.7
Sacramento, CA	800.6	986.4	1,340.0	1,628.2	23.2	35.8	21.5
Salt Lake City — Ogden, UT	683.9	910.2	1,072.2	1,333.9	33.1	17.8	24.4
San Antonio, TX	864.0	1,088.9	1,324.7	1,592.4	26.0	21.7	20.2
San Diego, CA	1,357.9	1,861.8	2,498.0	2,813.8	37.1	34.2	12.6
San Francisco, CA	1,482.0	1,488.9	1,603.7	1,731.2	0.5	7.7	8.0
San Jose, CA	1,064.7	1,295.1	1,497.6	1,682.6	21.6	15.6	12.4
Seattle — Bellevue — Everett, WA	1,421.9	1,651.7	2,033.2	2,414.6	16.2	23.1	18.8
Tucson, AZ	351.7	531.4	666.9	843.7	51.1	25.5	26.5

(1) In 1994, the Office of Management and Budget redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal counties. Historical data for the new Phoenix-Mesa MSA is unavailable prior to 1974. Data prior to 1974 reflects Maricopa County data only.

Source: U.S. Department of Commerce, Bureau of the Census.

WHY PHOENIX GROWS

There are numerous reasons why one area of the country outperforms others. Some reasons why Phoenix grows are subjective. Phoenix is a desirable place to work, live, and raise a family. The southwestern lifestyle is attractive with low density population and a climate conducive to outdoor recreation.

There are also objective reasons why Phoenix grows. According to the National Association of Realtors, as of second-quarter 2002 the U.S. median housing price for an existing single family home was \$163,900 and the median price for a similar home in Phoenix was \$147,400. The Phoenix labor force is relatively young and well-educated. The median age in Greater Phoenix is 33.0 years compared to 35.3 years for the U.S. as a whole. According to the 2000 census, 82.5% of the adults in Maricopa County are high school graduates compared to the U.S. average of 80.4%. More than 59% of the high school graduates in Maricopa County have gone on to college, compared with 52% nationally. The average education attained is 12.7 years in Maricopa County versus 12.5 years for the U.S. as a whole according to the 1990 Census (the latest available data). There is relatively little declining infrastructure or industry as in parts of the East and Midwest. With the completion of the Central Arizona Project to Phoenix, there is an ample supply of water.

The Phoenix area enjoys a very positive business climate as evidenced by statistics from the U.S. Bureau of the Census on the number of business establishments in Maricopa County. From 1982 to 2000, total business establishments increased by 109.7%. Growth was strong in all categories: firms with employees of 100 to 499 increased 177.1% over the eighteen year period, while employers with 500 or more employees increased 280.3% and small employers (under 100 employees) increased 107.9%.

Historically, during periods of national economic expansion, Phoenix-Mesa MSA employment has grown much more rapidly than the United States as a whole. During periods of slowing in the U.S. economy, the Phoenix-Mesa MSA has continued to grow, albeit slowly. It takes a national recession for the Phoenix-Mesa MSA to experience employment declines. The phenomenon where one sector of the economy has pulled an entire area into recession has occurred in other metro areas in the country, but has not occurred in the Phoenix metropolitan area. The diversity of the employment mix is the primary reason why one sector alone has not caused the Phoenix metropolitan area economy as a whole to deteriorate as rapidly as other areas of the U.S. during recessionary periods.

The 1987 through 1992 period in Maricopa County was a period of modest growth by historic standards. This was due to a number of factors including a slowdown in the national economy, cutbacks in national defense spending and a severe downturn in the commercial real estate market in the metropolitan area. This situation began turning around in 1992 due to a series of events which were quite positive. These included reasonably strong growth in the national economy, an increase in international trade, strength in Metro Phoenix's manufacturing sector, especially the high-tech manufacturing sector, a sustained expansion in single family housing within Metro Phoenix, strong retail sales within Metro Phoenix, and an end to defense cutbacks by the Federal government.

1993 through early 2001 were strong growth years for the Metro Phoenix economy. Employment in 2000 increased 3.7% compared with increases of 4.6%, 5.4%, 5.4% and 7.1% in 1999, 1998, 1997 and 1996, respectively. Since April 2001, however, Greater Phoenix has experienced employment declines. Historically, Greater Phoenix has entered and recovered from recessions slightly later than the nation as a whole. As a result, the current pattern of weaker employment growth in the Phoenix area is expected to continue in the near term. Additionally, Phoenix has experienced periods of negative employment growth in three of the four national recessions since 1973.

EMPLOYMENT MIX

The employment mix of the Phoenix-Mesa MSA is well diversified and mirrors that of the United States in many respects. However, it is somewhat over-represented in construction employment when compared to the U.S. as a whole, due to the rapid population growth. It is under-represented in manufacturing, but its manufacturing mix is much more concentrated in high technology than that of the United States. High technology manufacturing represents 42.5% of the manufacturing jobs in Metro Phoenix versus 13.8% nationally. This is a significant, positive factor in the long run because these high technology manufacturing sectors are in the early stage of their life cycles.

A breakdown of Metro Phoenix's manufacturing employment shows the extent of the area's high-technology base: 21.3% of total manufacturing employment is in electronic components, 11.8% is in aircraft and parts, 7.7% is in instrumentation, 0.7% is in computers and office equipment, 1.0% is in telecommunications, and the remainder is in other durable or non-durable manufacturing.

NON-FARM WAGE & SALARY EMPLOYMENT
Percent Distribution
Annual Averages through November 2002

<u>Sector</u>	<u>Phoenix-Mesa MSA</u>	<u>United States</u>
Manufacturing	8.9%	12.6%
Mining	0.1	0.4
Construction	7.5	5.0
Total Goods Producing	16.5	18.0
Transportation, Communications and Public Utilities	5.0	5.1
Trade	24.3	23.0
Finance, Insurance and Real Estate	7.7	5.9
Services	32.4	31.4
Government	14.1	16.6
Total Service Producing	83.5	82.0
Non-Farm Wage & Salary	<u>100.0%</u>	<u>100.0%</u>

Note: Annual averages may not add due to rounding.

Source: Arizona Department of Economic Security, U.S. Department of Labor.

Over the last twenty-seven years, the Phoenix metropolitan area has become economically healthier and less cyclical in nature. During the 1975 to 1980 recovery, the Phoenix-Mesa MSA grew 44.7% in employment. This exceeded the expansion in other growth areas such as San Diego, Denver and Houston. During the expansion which began in November 1982, Phoenix-Mesa MSA growth again outpaced that of comparable fast growth areas. From November 1982 to July 1990, Phoenix-Mesa MSA employment was up 44.4% compared to 22.5% nationally. During the recovery from March 1991 to March 2001, employment in the Phoenix-Mesa MSA grew 58.3% versus 22.4% nationally. During the recession between July 1990 and March 1991, Phoenix-Mesa MSA employment increased 3.0% compared to a decrease of 1.8% nationally. During the 1980 to 1982 recession, employment increased 5.4% in the Phoenix-Mesa MSA and declined 0.2% nationally, as compared to the 1973 to 1975 recession where U.S. employment declined 3.7%, while the Phoenix-Mesa MSA dropped 5.6%. Since the current recession began in March 2001, employment in the Phoenix-Mesa MSA has declined 0.6% versus an increase of 0.2% nationally.

**NON-AGRICULTURAL WAGE & SALARY EMPLOYMENT
METROPOLITAN STATISTICAL AREAS
NOT SEASONALLY ADJUSTED**

	RECESSION PERIODS					GROWTH PERIODS			
	Jan. 1970 to Nov. 1970	Nov. 1973 to Mar. 1975	Jan. 1980 to Nov. 1982	July 1990 to Mar. 1991	Mar. 2001 to Oct. 2001	Nov. 1970 to Nov. 1973	Mar. 1975 to Jan. 1980	Nov. 1982 to July 1990	Mar. 1991 to Mar. 2001
U.S. Average	1.1%	(3.7)%	(0.2)%	(1.8)%	0.2%	10.9%	18.3%	22.5%	22.4%
Phoenix, AZ(1)	2.1	(5.6)	5.4	3.0	(0.6)	35.3	44.7	44.4	58.3
Tucson, AZ	4.6	0.7	5.3	7.9	0.6	33.0	27.1	25.9	36.5
Albuquerque, NM	—	—	—	(0.3)	0.4	—	—	30.3	46.4
Atlanta, GA	2.1	(7.3)	7.7	(2.5)	(2.5)	19.2	35.3	40.7	51.6
Austin, TX	5.9	6.1	18.3	4.5	(0.6)	26.4	31.9	33.8	75.6
Dallas, TX	—	—	9.6	0.2	(1.1)	—	—	24.8	45.8
Denver — Boulder, CO	5.9	(2.7)	8.9	0.6	(2.3)	23.4	30.6	12.3	43.6
El Paso, TX	4.3	1.1	3.4	1.0	(1.6)	19.8	22.2	25.2	24.2
Houston, TX	—	—	10.3	0.8	0.6	—	39.7	8.5	30.3
Los Angeles — Long Beach, CA	(2.4)	(3.1)	(2.6)	(3.4)	(0.6)	9.2	20.5	20.0	1.2
Oakland, CA	—	—	—	(1.1)	(0.4)	—	—	32.6	19.6
Portland, OR	0.6	(2.0)	(5.6)	(0.6)	(1.7)	16.3	27.6	22.1	53.3
Salt Lake City — Ogden, UT	—	0.9	3.4	1.0	(1.4)	—	23.8	27.9	44.1
San Antonio, TX	2.1	0.0	8.9	1.5	0.8	14.4	25.6	21.4	39.1
San Diego, CA	1.6	1.7	2.8	(0.8)	3.4	19.3	37.0	48.3	25.9
San Francisco, CA(2)	(0.4)	(0.4)	1.1	(2.4)	(4.9)	6.1	16.9	11.2	14.8
San Jose, CA	0.6	(0.7)	7.4	(2.3)	(9.2)	22.6	44.3	19.2	28.3
Seattle, WA	(8.1)	2.6	(1.1)	(1.5)	(3.6)	10.3	37.1	46.1	28.3

— = Data not available.

(1) In 1994, the Office of Management and Budget redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal counties. Historical data for the new Phoenix-Mesa MSA is unavailable prior to 1974. Data prior to 1974 reflects Maricopa County data only.

(2) Prior to 1982, the San Francisco MSA included Oakland, CA.

Source: Labor Market Information from Various States

Arizona's manufacturing industry is concentrated in the Phoenix metropolitan area. According to the Arizona Department of Economic Security, the Phoenix-Mesa MSA has approximately 3,500 manufacturing firms employing approximately 142,500 as of November 2002. This represents 74.9% of the State's total manufacturing employment. Major manufacturers located in the Phoenix-Mesa MSA include Honeywell, Motorola, Intel, Boeing, TRW/Vehicle Safety Systems, IBM and ON Semiconductors. During the last expansion from March 1991 to March 2001, manufacturing employment in the Phoenix-Mesa MSA increased 19.2% compared to a decline of 1.6% nationally. Since the beginning of the latest recession in March 2001, manufacturing employment in the Phoenix-Mesa MSA has decreased 13.1% as of November 2002, compared to a 8.2% decrease nationally. This decline in Greater Phoenix is a function of both the national recession and the effects that the terrorist attacks of September 11th have had on the area's semiconductor manufacturing sector. Since semiconductors are used in many durable goods, most of which purchases can be postponed until better economic times, this sector of manufacturing has been affected more dramatically than other manufacturing sectors. Arizona's major aerospace contractors are specialized in aircraft production and design, missile development, guidance systems and other areas that, while adversely affected by the terrorist attacks of September 11, 2001, are expected to recover strongly.

The services industry, particularly business services, has also contributed to the sustained growth in Phoenix. In the expansionary period from November 1982 to July 1990, services employment in the Phoenix-Mesa MSA increased 81.4%. During the recession from July 1990 to March 1991, services employment in the Phoenix-Mesa MSA increased 4.5%. During the recovery from March 1991 to March 2001, services employment increased 83.7% versus 45.3% in the U.S. Since the recession began in March 2001 services

employment has decreased 1.0% as of November 2002 in the Phoenix-Mesa MSA, but increased 1.6% nationally.

Business services employment is a strong contributor to services growth. The number of jobs within this sector in the Phoenix-Mesa MSA increased 92.6% during the growth period between November 1982 and July 1990.⁽¹⁾ During the recession from July 1990 through March 1991, business services employment increased 2.3%. During the recovery from March 1991 to March 2001, business services employment increased 167.3%. Since March 2001, business services employment has declined 5.5% in the Phoenix-Mesa MSA through November 2002.

A significant portion of services employment is related to tourism. Hotel and lodging employment, 4.6% of services employment, was up 57.7% within the Phoenix-Mesa MSA between November 1982 and July 1990.⁽¹⁾ During the July 1990 to March 1991 recession, hotel and lodging employment increased 15.4%. Between March 1991 and March 2001, employment in this sector increased 12.6%. Since the start of the latest recession in March 2001, however, hotel and lodging employment decreased by 18.3% through November 2002, due in part to the terrorist events of September 11, 2001.

Health services employment in Maricopa County increased 57% during the economic expansion between November 1982 and July 1990 and increased 5.9% during the recession from July 1990 to March 1991.⁽¹⁾ During the March 1991 to March 2001 expansion, health services employment increased 45.2%. Since the recession began in March 2001, health services employment has increased 10.6% as of November 2002.

(1) Detailed employment data for industry sub-sectors is not available for Pinal County prior to 1990. Information reflects Maricopa County data only. Maricopa County services employment is 98% of the Phoenix-Mesa services employment.

2000 MAJOR EMPLOYERS METROPOLITAN PHOENIX

SERVICES (Excluding Resorts and Health Services)

Employer	Number of Employees
American Express Co.	8,700
America West Airlines	8,600
Bank One Arizona	7,200
U.S. West Communications	5,200
Bank of America	5,000
Pinnacle West Capital Corporation	4,300
Salt River Project	4,000
Southwest Airlines	4,000
Discover Financial Services	3,800
AT&T	3,600*
Phelps Dodge	3,200
Charles Schwab	3,000
MCI WorldCom	2,800
United Parcel Service	2,700
Central Newspapers, Inc.	2,700
Avnet	2,600
Wells Fargo Bank	2,100

HEALTH SERVICES

Banner Health Arizona	13,800
St. Joseph's Hospital	4,000
The Mayo Clinic	3,800
PCS Health Systems	3,500
Triad Hospitals	2,300

RESORTS

Marriott International	3,300
Starwood Hotels and Resorts Worldwide	3,100
The Pointe Hilton Resorts	2,700

RETAIL TRADE

Wal-Mart	11,700*
Bashas' Markets Inc.	6,100
Fry's Food and Drug Stores	5,500
Safeway, Inc.	4,900
Dayton Hudson Corp./Target	4,000
Tosco (Circle K)	4,600
K-Mart	4,600*
Walgreen's	3,900
ABCO	3,600
Albertson's	3,500
Home Depot	3,100
JC Penney	3,000
Dillard Department Stores	3,000*

MANUFACTURING

Honeywell	16,500
Motorola, Inc.	16,000
Intel Corporation	8,300
Boeing	4,100
TRW/Vehicle Safety System	3,000
IBM	2,700
Microage	2,400
ON Semiconductor	2,000

GOVERNMENT/SCHOOLS

State of Arizona	22,800
Maricopa County	13,600
City of Phoenix	13,915
Mesa Public Schools	9,500
Luke Airforce Base	7,500
Arizona State University	7,100
U.S. Postal Service	4,400
City of Mesa	3,200

* Total Arizona employees. Greater Phoenix-only not available.

Source: Elliott D. Pollack & Co.

SKY HARBOR INTERNATIONAL AIRPORT TRAFFIC⁽¹⁾

AIR PASSENGER ARRIVALS

	<u>2001/2002</u>	<u>% Change Year Ago</u>	<u>2000/2001</u>	<u>% Change Year Ago</u>	<u>1999/2000</u>	<u>% Change Year Ago</u>
December	1,360,896	-11.5%	1,536,886	5.1%	1,462,764	8.3%
January	1,288,431	-12.0	1,463,694	6.7	1,371,641	7.4
February	1,283,852	-11.6	1,451,927	1.2	1,435,297	10.2
March	1,714,390	-5.2	1,808,734	3.8	1,741,836	9.9
April	1,450,815	-8.1	1,578,042	2.6	1,537,825	9.3
May	1,529,438	-2.4	1,566,820	0.3	1,561,974	10.5
June	1,575,739	-1.1	1,593,341	0.9	1,579,527	10.0
July	1,613,405	-4.0	1,680,168	4.6	1,605,817	10.6
August	1,591,173	-4.5	1,665,489	5.6	1,576,900	10.1
September	1,304,097	29.9	1,004,270	-26.1	1,358,321	4.7
October	1,525,311	12.2	1,360,055	-12.5	1,554,026	4.3
November	1,453,451	8.7	1,336,736	-14.6	1,565,442	4.9
Total	<u>17,690,998</u>	<u>-2.0%</u>	<u>18,046,162</u>	<u>-1.7%</u>	<u>18,351,370</u>	<u>8.4%</u>

AIR PASSENGER DEPARTURES

December	1,310,824	-12.5%	1,497,802	8.4%	1,381,626	6.3%
January	1,265,195	-12.1	1,438,898	9.1	1,319,061	5.2
February	1,241,916	-12.4	1,417,780	4.3	1,358,984	9.2
March	1,624,625	-8.2	1,770,461	5.4	1,680,217	7.9
April	1,521,047	-5.8	1,615,375	4.6	1,545,060	7.0
May	1,543,474	-3.3	1,596,319	3.1	1,549,026	8.3
June	1,582,101	-0.6	1,592,283	4.6	1,521,852	6.6
July	1,577,115	-4.1	1,645,229	7.9	1,524,874	9.3
August	1,535,524	-4.2	1,602,479	5.7	1,516,109	14.9
September	1,249,762	30.1	960,541	-24.5	1,272,637	3.5
October	1,478,513	12.8	1,310,253	-6.1	1,395,722	1.0
November	1,426,324	9.0	1,308,417	-9.0	1,437,799	-0.3
Total	<u>17,356,420</u>	<u>-2.2%</u>	<u>17,755,837</u>	<u>1.4%</u>	<u>17,502,967</u>	<u>6.6%</u>

TOTAL AIR TRAFFIC

December	2,671,720	-12.0%	3,034,688	6.7%	2,844,390	7.3%
January	2,553,626	-12.0	2,902,592	7.9	2,690,702	6.3
February	2,525,768	-12.0	2,869,707	2.7	2,794,281	9.7
March	3,339,015	-6.7	3,579,195	4.6	3,422,053	8.9
April	2,971,862	-6.9	3,193,417	3.6	3,082,885	8.1
May	3,072,912	-2.9	3,163,139	1.7	3,111,000	9.4
June	3,157,840	-0.9	3,185,624	2.7	3,101,379	8.3
July	3,190,520	-4.1	3,325,397	6.2	3,130,691	10.0
August	3,126,697	-4.3	3,267,968	5.7	3,093,009	12.4
September	2,553,859	30.0	1,964,811	-25.3	2,630,958	4.1
October	3,003,824	12.5	2,670,308	-9.5	2,949,748	2.7
November	2,879,775	8.9	2,645,153	-11.9	3,003,241	2.4
Total	<u>35,047,418</u>	<u>-2.1%</u>	<u>35,801,999</u>	<u>-0.1%</u>	<u>35,854,337</u>	<u>7.5%</u>

(1) Significant reductions in airport traffic beginning in September 2001 are the result of the effects of the terrorist attacks on September 11, 2001.

Source: Monthly statistical reports provided by individual airlines and compiled by City of Phoenix Aviation Department staff.

SCHEDULED AIRLINES SERVING SKY HARBOR INTERNATIONAL AIRPORT

Aeromexico Airlines	Frontier Airlines
Air Canada	Great Lakes Airlines
Alaska Airlines	Hawaiian Airlines
Aloha Airlines	Lufthansa
America West Airlines	Mesa Airlines (dba America West Express)
American Airlines	Midwest Express
American Trans Air	Northwest/KLM Airlines
Arizona Express	Southwest Airlines
British Airways	Sun Country
Continental Airlines	United
Delta Air Lines	USAirways

Source: City of Phoenix Aviation Department.

PHOENIX-MESA METROPOLITAN STATISTICAL AREA NON-FARM WAGE AND SALARY EMPLOYMENT (Yearly Average)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002*
Manufacturing	134,800	142,400	148,400	154,400	161,500	169,500	164,600	165,300	159,000	145,900
Mining	4,500	4,400	5,700	6,500	6,300	5,600	4,100	2,500	2,400	2,300
Construction	60,800	73,300	84,800	90,200	95,100	105,400	113,700	119,200	121,200	116,900
Trans., Comm. & Public Util.	55,500	57,900	61,500	66,300	70,400	74,100	79,900	84,100	86,900	81,900
Trade	261,800	285,200	305,500	325,600	338,700	353,500	363,100	374,200	381,700	383,200
Finance, Insurance & Real Estate	81,300	86,000	87,400	96,400	107,200	114,000	117,800	120,700	126,400	124,800
Services & Miscellaneous	312,300	331,700	366,000	403,100	431,900	453,300	492,600	519,700	515,900	512,600
Government	159,800	161,100	165,600	170,100	171,900	182,700	189,300	196,500	202,000	209,000
Total	<u>1,070,800</u>	<u>1,141,900</u>	<u>1,224,900</u>	<u>1,312,500</u>	<u>1,383,000</u>	<u>1,458,100</u>	<u>1,525,100</u>	<u>1,582,200</u>	<u>1,595,500</u>	<u>1,576,600</u>

* 11 months average 2002.

Note: Annual averages may not add due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The Phoenix-Mesa MSA unemployment rate has generally been consistently below the State and national average. In 2001, the seasonally adjusted unemployment rate for the Phoenix-Mesa MSA was 3.9% compared to 4.7% and 5.4% for Arizona and the United States, respectively. As of November 2002, the unemployment rate in the Phoenix-Mesa MSA was 5.3% compared to 5.8% for Arizona and 6.0% for the United States.

Job growth has also yielded gains in personal income. In 1998, personal income increased by 9.6%, while in 1999 and 2000 (the latest available data), personal income increased 6.2% and 9.2% respectively. The Greater Phoenix Blue Chip Economic Forecast, a consensus forecast of a number of local economists, estimates personal income increases of 5.9%, 4.4% and 6.0% in 2001, 2002 and 2003, respectively.

**PHOENIX-MESA
METROPOLITAN STATISTICAL AREA
COMPARATIVE EMPLOYMENT STATISTICS
(Yearly Average)**

Year	Employed Phoenix-Mesa MSA	Unemployed Phoenix-Mesa MSA	Unemployment Rate		
			Phoenix-Mesa MSA	Arizona	U.S.
2002*	1,579,473	89,700	5.4%	5.8%	5.8%
2001	1,556,400	63,600	3.9	4.7	5.4
2000	1,520,600	42,100	2.7	3.9	4.0
1999	1,523,400	47,900	3.1	4.4	4.2
1998	1,455,600	40,700	2.7	4.1	4.5
1997	1,388,200	43,500	3.0	4.6	4.9
1996	1,382,900	53,500	3.7	5.5	5.4
1995	1,351,800	48,400	3.5	5.1	5.6
1994	1,214,900	60,300	4.7	6.4	6.1
1993	1,103,200	58,600	5.0	6.2	6.9
1992	1,077,300	76,300	6.6	7.4	7.5
1991	1,082,900	57,900	5.1	5.6	6.8

* 11 month average 2002.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

CONSTRUCTION/REAL ESTATE MARKET

During the 1990s, the construction/real estate market in Maricopa County fully recovered from the recession of the late 1980s. Currently, vacancy rates are considerably lower than they were during the last economic slowdown in the late 1980s; however, according to the Greater Phoenix Blue Chip Economic Forecast, it now appears that vacancy rates in virtually all commercial real estate sectors are headed upward and that new supply will exceed absorption in most commercial markets. The overall economic environment appears considerably healthier today than in the late 1980s when the State faced a national recession, a severe real estate recession and defense cutbacks. The result is that vacancy rates in this cycle are not expected to reach the high level that they reached in the late 1980s and the downturn will be shorter in duration. Single family permits declined annually from 1986 through 1990; however, single family permit activity was up 27% in 1991, 36% in 1992, 19% in 1993, 22% in 1994, 0.7% in 1995, 5.0% in 1996, 3.4% in 1997 and 16.1% in 1998. There were 26,824 single family permits issued in Maricopa County in 1995, 28,157 issued in 1996, 29,109 issued in 1997 and a record 33,811 issued in 1998. Indeed, 1998 was the eighth consecutive year of increased single family permit activity. In 1999 and 2000, the number of single family permits issued declined modestly by 1.7% and 2.2%, respectively, to 33,252 permits in 1999 and 32,511 permits in 2000. Single family permits issued in 2001 increased 1.1% to 32,869 permits. For the first three quarters of 2002, single family permits were up 0.9% over the first three quarters of 2001. The Greater Phoenix Blue Chip Economic Forecast calls for a slight decrease in permits in 2003 to 31,800 permits and a decrease in 2004 to 31,500 permits. The expected decline is modest compared to the declines experienced during previous periods of national economic slowdown.

The City of Phoenix has recently had a declining market share of residential permits within the Metro Phoenix area. This is a result of the recent build-out of certain major master planned communities within the City of Phoenix and the opening or expansion of new planned communities outside of the City's boundary.

In the past, multi-family housing has been hit harder by recession than single family housing. Permits declined from 1984 through 1990, but a recovery in multi-family housing began in 1991. The number of permits issued increased each year from 1991 through 1996. In 1997 the number of permits issued declined 7.1% to 7,930 units and remained just under 8,000 per year for 1998 and 1999. In 2000, 8,009 units were permitted and in 2001, 7,201 units were permitted. For the first three quarters of 2002 there were 4,726 multi-family permits issued. It is anticipated that approximately 5,050 permits will be issued in 2002, 4,800 in 2003

and 5,700 in 2004. Multi-family housing has enjoyed low levels of vacancy since 1993. Vacancy rates peaked in second quarter 1988 at 14.1% but backed down to 4.5% by the end of 1996. The vacancy rate was 6.8% in 2000, 7.9% in 2001 and as of the third quarter 2002 was 8.5%. The Greater Phoenix Blue Chip Economic Forecast estimates that the multi-family vacancy rate will remain in the 8% to 9% range during 2003 and 2004.

1996 was the first year since 1991 that new office construction took place. Vacancy rates peaked in 1986 at just over 30%, but declined to 9.1% in 1996. According to CB Richard Ellis, in 1996 only six buildings were built, but in 1997 twenty-four were built, in 1998 thirty-six were built, in 1999 fifty-four were built, in 2000 fifty-one were built, in 2001 sixty-two were built and in 2002 forty-seven were built. As of year-end 2002 about 2.3 million square feet of office space was added to the market, while only 707,000 square feet was absorbed. Thus, the vacancy rate at year-end 2002 increased to 18.8%. The Greater Phoenix Blue Chip Economic Forecast estimates that the vacancy rate will be 17.4% at year-end 2003 and 15.3% at year-end 2004.

Given the rapid growth in single family housing over the last decade, demand for retail space has remained relatively strong. More recently, additional supply has slowed due to the slowdown in overall retail sales. Vacancy rates were 7.4% in 1997 but declined to 6.3%, 5.5% and 5.3% in 1998, 1999 and 2000, respectively. According to CB Richard Ellis, vacancy rates rose to 6.6% in 2001 and 7.3% in 2002; however, the 2002 rate is slightly higher (7.9%) when regional malls are excluded. The near term outlook is not as favorable for the retail space market as it has been in the recent past. Vacancy rates are expected to remain in the 9% range during 2003 and 2004.

The industrial space market experienced healthy absorption from 1991 through 2000. Vacancy rates declined from a peak of 14.8% in 1991 to 7.4% by the end of 2000. New construction increased in response to the low vacancy rates with just over 6 million square-feet of industrial space built in 1995, 7.3 million square-feet built in 1996, 8.1 million square-feet built in 1997, 7.0 million square-feet built in 1998, 8.7 million square feet built in 1999, 6.5 million square feet built in 2000 and 8.1 million square feet built in 2001. According to CB Richard Ellis, approximately 5.1 million square feet of new industrial space was built in 2002, while only 3.4 million square feet was absorbed. Therefore, the vacancy rate increased to 10.3% in 2002 compared to 9.8% in 2001. According to the Greater Phoenix Blue Chip Economic Forecast, construction is expected to slow during 2003 and 2004 with vacancy rates expected to be in the 10% to 11% range during these years.

Overall, most commercial sectors are past the peak for this cycle. The decline from the peak, however, should be considerably milder than the last recession. This is because of the lower level of vacancy rates from which the decline is starting. However, the slow rates of growth will affect the balance between absorption and new construction and will lead to lower rates of new construction over the next couple of years. Construction employment is not expected to experience as severe a decline as has been the cyclical norm. After growing by 4.1% in 2000 and 2.4% in 2001, construction employment is expected to have declined by 5.3% in 2002, and to decline by 0.1% in 2003 according to the Greater Phoenix Blue Chip Economic Forecast. These are relatively modest declines in an industry that has historically been quite cyclical.

OUTLOOK/CONCLUSION

The Greater Phoenix economy is expected to continue its recent pattern of progressively slower rates of growth. This is due to the slowdown in the U.S. economy rather than any basic change in the underlying dynamics of the Greater Phoenix economy. Total non-agricultural wage and salary employment, after climbing by 4.6% in 1999 and 3.5% in 2000 was up 1.1% in 2001. According to the Greater Phoenix Blue Chip Economic Forecast, the economy, as measured by employment growth, is expected to have increased by 1.1% by the end of 2002.

The short-term outlook for the Phoenix metropolitan area still calls for continued but slowed growth according to the Greater Phoenix Blue Chip Economic Forecast. Population is expected to increase by 2.7% in 2003 and 2.8% in 2004. Employment is projected to increase 2.9% in 2003 and 3.6% in 2004. Retail sales increased 7.9% in 1998, 10.4% in 1999, 8.4% in 2000 and 1.5% in both 2001 and 2002 and are expected to increase 6.0% in 2003 and 6.6% in 2004. Personal income is expected to have grown by 4.4% in 2002 and

should grow by 6.0% in 2003. The long-term forecast for the Phoenix metropolitan area continues to be positive.

MARICOPA COUNTY RETAIL SALES
(\$ in millions)

<u>Year</u>	<u>Amount</u>	<u>Percentage Change</u>
2002*	\$22,420	0.0%
2001	30,606	1.5
2000	30,167	8.4
1999	27,825	10.4
1998	25,207	7.9
1997	23,360	7.8
1996	21,664	8.2
1995	20,017	9.9
1994	18,206	14.3
1993	15,925	9.8
1992	14,509	7.5

* Year-to-date through September 2002. Percent change based on year-to-date through September 2001 versus year-to-date through September 2002.

Source: Arizona Department of Revenue.

VALUE OF BUILDING PERMITS
CITY OF PHOENIX
(\$ in thousands)

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>	<u>Total</u>
2002*	\$928,900	\$ 281,186	\$ 33,487	\$393,304	\$1,636,877
2001	931,463	1,105,088	50,292	946,859	3,033,702
2000	752,495	967,373	157,826	580,794	2,458,488
1999	803,018	829,901	92,881	401,848	2,127,648
1998	801,955	816,664	124,313	479,879	2,222,811
1997	799,148	594,355	98,989	508,898	2,001,390
1996	742,743	550,152	205,329	635,751	2,133,975
1995	731,454	394,319	56,229	328,668	1,510,670
1994	719,427	445,803	67,350	332,616	1,565,196
1993	629,874	183,745	17,150	252,910	1,083,679
1992	576,764	210,569	7,055	252,318	1,046,706

* Year-to-date through September 2002.

Source: Center for Real Estate, College of Business Administration, Arizona State University.

**VALUE OF BUILDING PERMITS
MARICOPA COUNTY
(\$ in thousands)**

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>	<u>Total</u>
2002*	\$4,278,559	\$1,186,568	\$ 68,095	\$ 977,158	\$6,510,380
2001	5,088,241	2,256,850	345,985	1,641,521	9,332,597
2000	4,774,188	2,144,767	253,472	1,493,186	8,665,613
1999	5,142,869	1,878,629	210,676	1,092,337	8,324,511
1998	4,778,571	2,230,445	378,141	1,101,269	8,488,426
1997	3,903,540	1,840,324	233,598	1,133,849	7,111,311
1996	3,508,416	1,422,384	788,083	1,079,458	6,798,341
1995	3,199,942	1,043,978	413,835	782,609	5,440,364
1994	3,203,144	959,539	145,310	584,029	4,892,022
1993	2,432,682	547,667	50,139	499,052	3,529,540
1992	2,159,845	550,345	39,244	478,990	3,228,424

* Year-to-date through September 2002.

Source: Center for Real Estate, College of Business Administration, Arizona State University.

NEW HOUSING STARTS (1)

<u>Year</u>	<u>City of Phoenix</u>	<u>Maricopa County</u>
2002*	5,982	33,402
2001	9,754	43,732
2000	8,052	43,908
1999	9,836	47,406
1998	11,212	47,801
1997	8,253	42,568
1996	10,548	39,628
1995	10,774	37,091
1994	9,891	33,862
1993	6,392	24,147
1992	5,287	20,489

(1) Reflects housing units authorized, including single family, multi-family and mobile homes.

* Year-to-date through September 2002.

Source: Center for Real Estate, College of Business Administration, Arizona State University.

**FINANCIAL INSTITUTIONS SERVING METRO PHOENIX
TOTAL ASSETS OVER \$20 MILLION**

Banks

Bank One, Arizona, NA
Bank of America, NA
Wells Fargo Bank of Arizona NA
Direct Merchants Credit Card Bank, N.A.
Northern Trust Bank of Arizona
BNC National Bank
First National Bank of Arizona
Fifth Third Bank FSB
Johnson Bank of Arizona NA
Harris Trust Bank
Sears National Bank
Community Bank of Arizona
First Arizona
Western Security Bank
Valley Commerce Bank
Southwest Bank of Arizona
Bank USA FSB
Valley Bank of Arizona
Stearns Bank Arizona
Sunrise Bank of Arizona
Bank of the Southwest
Camelback Community Bank
Home National Bank
Valley First Community Bank
East Valley Community Bank
Mesa Bank
Desert Hills Bank
Scottsdale Community Bank
Union Bank of Arizona
Arrowhead Community Bank
Dillard National Bank
Nordstrom FSB

Source: Federal Deposit Insurance Corporation.

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APPENDIX B
CITY OF PHOENIX, ARIZONA
FINANCIAL DATA

VALUATIONS

2002-03 Fiscal Year

Secondary Assessed Valuation	\$ 8,802,883,478(1)
Primary Assessed Valuation	8,268,924,766(2)
Full Cash Value	67,638,014,420(3)

- (1) This assessed valuation represents the amount used in determining property tax levies for the payment of principal and interest on bonds, and the calculation of the maximum permissible bonded indebtedness.
- (2) This assessed valuation represents the amount used in determining property tax levies for the payment of current operation and maintenance expenses.
- (3) Full cash value represents total market value and is calculated by the Maricopa County Assessor's Office, and the Arizona Department of Revenue, Division of Property and Special Taxes.

Arizona Property Tax System

Arizona's property tax system was substantially revised by 1980 amendments to the Arizona Constitution and implementing legislation. Two separate tax systems were created: a Primary system for taxes levied to pay current operation and maintenance expenses; and a Secondary system for taxes levied to pay principal and interest on bonded indebtedness, special district assessments and tax overrides, as well as for the determination of the maximum permissible bonded indebtedness. There are specific provisions under each system governing determination of the Primary limited property value, the Secondary full cash value of property, the basis of assessment and the maximum annual tax levies on certain types of property and by certain taxing authorities.

Under the Primary system, the limited property value is the basis for determining primary property taxes of locally assessed real property (residential, commercial, industrial, agricultural and unimproved property) and may increase by more than 10% per year only under certain circumstances. This limitation does not apply to mines, utilities and railroads which are assessed by the State. Under the Secondary system, there is no limitation on annual increases in full cash value of any property. This is comparable to Arizona's prior system of property taxation.

The basis of assessment for all property classifications is shown below. The percentage assessment factor for each property classification is applied to the Primary limited property value and Secondary full cash value of each property to determine Primary and Secondary assessed valuation for tax levy purposes.

Basis of Property Assessments(1)

<u>Tax Years</u>	<u>Mines</u>	<u>Utilities</u>	<u>Railroads</u>	<u>Commercial and Industrial</u>	<u>Residential(2)</u>	<u>Agriculture</u>
1980-82	52%	44%	34%	25%	10%	16%
1983	38	38	30	25	10	16
1984	36	36	23	25	10	16
1985	34	34	(3)	25	10	16
1986	32	32	(3)	25	10	16
1987-94	30	30	(3)	25	10	16
1995	29(4)	29(4)	(3)	25(5)	10	16(5)
1996	28(4)	28(4)	(3)	25(5)	10	16(5)
1997	27(4)	27(4)	(3)	25(5)	10	16(5)
1998	26(4)	26(4)	(3)	25(5)	10	16(5)
1999-02	25(4)	25(4)	(3)	25(5)	10	16(5)

- (1) Additional classes of property exist, but do not amount to a significant portion of total valuation for the City of Phoenix. These classes consist of historic property; aerospace manufacturing property in a reuse zone; property in a foreign trade zone; environmental technology property for the first twenty years from the date placed in service and leasehold or other possessory interest in certain public property.
- (2) Does not include residential properties leased or rented. The assessment factor for these properties was 18% in tax year 1984 and was to be reduced 1% per year until 1992. Legislation passed in 1988, however, froze the assessment factor for leased or rented residential properties for 1988 and 1989 at the 1987 level of 15%. Legislation passed in 1990 set the assessment ratio for these properties at 14% for 1990, 13% for 1991 and 12% for 1992. Legislation passed in 1993 set the assessment ratio at 11% for 1993, and 10% for 1994 and each year thereafter.
- (3) For years after 1984, the percentage assessment factor for Primary tax purposes is to be determined annually equal to the ratio of the total assessed valuation for Primary tax purposes of mining, utilities, commercial and industrial properties to the total limited property value of such properties. The percentage assessment factor for Secondary tax purposes is to equal the ratio of the total assessed valuation for Secondary tax purposes of such properties to the total full cash value of such properties.
- (4) Legislation passed in 1994 reduced the assessment factor to 29% in 1995, 28% in 1996, 27% in 1997, 26% in 1998 and 25% in 1999 and each year thereafter.
- (5) Legislation authorized by an amendment to the Constitution of Arizona by vote at the November 5, 1996 general election provided for a reduced assessment ratio of 1% on commercial and industrial and agricultural personal property for full cash values up to \$3,000 in tax year 1995 and \$50,000 in tax year 1996. Thereafter, up to \$50,000 shall be exempt from taxation. The exemption amount shall be adjusted annually for inflation by the Arizona Department of Revenue. Any portion of the full cash value in excess of those amounts will be assessed at 25% or 16%, as applicable.

Under the Primary system, annual tax levies are limited based on the nature of the property being taxed, and the nature of the taxing authority. Taxes levied for Primary purposes on residential property only are limited to 1% of the full cash value of such property. In addition, taxes levied for Primary purposes on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy, plus any amount directly attributable to new construction and annexation and involuntary tort judgments. The 2% limitation does not apply to taxes levied for Primary purposes on behalf of local school districts. Under the Secondary system, annual tax levies for bonded indebtedness and special district assessments are unlimited.

Tax Procedures

The Arizona Legislature revised the property tax valuation system effective with the tax year beginning January 1, 1997. Under the new system, a valuation date was established as January 1 of the year preceding

the tax year, or January 1, 1997 for tax year 1998. A new, simplified system for sending notices of valuation, correction of errors and filing of appeals for locally assessed property was implemented. To ease implementation, real property on the tax rolls in 1995 remained at the 1995 values for tax year 1996. In July 1996, the Legislature revised the property valuation and appeal processes of centrally valued properties to conform to the changes made for locally assessed property. To allow for the change to the new system, the legislation provided that for the 1998 tax year, centrally valued property remained at 1997 values.

The new valuation system was intended to improve upon prior law by simplifying and streamlining the appeals process and increasing the length of time for preparing the assessment roll while still taking into account any corrections made as a result of appeals.

Legislation passed in 1997 permits county assessors, upon meeting certain conditions, to assess residential, agricultural and vacant land at the same assessed valuation for up to three consecutive tax years. The Maricopa County Assessor began reassessing existing properties within these classes on a two-year cycle, with assessments for tax year 2000 the same as tax year 1999. As a result, existing properties within these classes were reassessed for tax year 2001, will remain the same for tax year 2002 and will be reassessed for tax year 2003 and every other year thereafter.

Legislation passed in 2001 calls for each county assessor to complete the assessment roll by the December 20 preceding the beginning of the tax year. As under prior law, a tax lien attaches to the property on January 1 of the tax year (January 1, 2001 for tax year 2001) and the County Board of Supervisors sets the tax rates on the third Monday in August each year.

Additional legislation passed in 2001 established a joint legislative oversight committee to monitor the current property tax assessment and appeals systems. The committee will meet periodically to review the administrative structure and procedures utilized for assessing taxes and handling appeals, and identify and suggest solutions to potential problems.

Delinquent Tax Procedures

The property taxes due the City, along with State and other property taxes, are billed by Maricopa County in September of the calendar tax year and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the treasurer of the county prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the treasurer of the county to deliver a Treasurer's Deed to the certificate holder as prescribed by law.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code, the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post bankruptcy petition tax collections becomes uncertain.

Full Cash Value History

Fiscal Year	City of Phoenix	Maricopa County	State of Arizona
2002-03	\$67,638,014,420	\$194,235,322,146	\$294,684,679,137
2001-02	63,269,038,936	180,653,045,937	273,788,719,647
2000-01	56,520,869,237	149,395,798,645	249,615,904,375
1999-00	51,170,108,692	134,709,854,002	218,663,627,946
1998-99	46,338,897,513	128,171,304,453	210,603,641,756
1997-98	44,606,566,775	120,276,555,947	198,556,280,715
1996-97	40,536,950,475	107,933,711,838	179,907,770,879
1995-96	39,971,562,865	105,326,279,588	175,683,516,736
1994-95	37,403,489,980	97,887,171,609	164,888,857,486
1993-94	37,083,765,004	95,673,099,347	158,904,555,536
1992-93	37,606,685,470	96,810,161,702	157,804,566,447

Source: Arizona Department of Revenue, Division of Property and Special Taxes and Maricopa County Finance Department.

Secondary Assessed Valuation History

Fiscal Year	City of Phoenix	Maricopa County	State of Arizona
2002-03	\$8,802,883,478	\$24,457,047,282	\$36,825,660,973
2001-02	8,232,133,776	22,913,134,480	34,468,574,240
2000-01	7,573,211,016	20,877,715,546	32,071,738,214
1999-00	6,915,960,312	18,676,830,848	28,184,077,278
1998-99	6,202,274,718	16,813,017,261	26,793,103,101
1997-98	5,894,963,462	15,723,498,194	25,384,679,197
1996-97	5,400,221,498	14,343,156,861	23,333,708,811
1995-96	5,348,425,323	14,119,434,946	23,022,330,962
1994-95	5,149,843,630	13,521,174,915	22,221,432,843
1993-94	5,239,183,460	13,504,107,816	21,748,340,194
1992-93	5,331,415,485	13,808,814,077	21,933,507,985

Source: Arizona Department of Revenue, Division of Property and Special Taxes and Maricopa County Finance Department.

Comparative Secondary Assessed Valuation by Classification, City of Phoenix(1)

Fiscal Year	Real Estate	Improvements	Secured & Unsecured Personal	Utilities Rails & Wires	Gross Assessed Valuation	Exemptions	Net Secondary Assessed Valuation
2002-03	\$2,488,650,102	\$6,284,297,650	\$612,065,590	\$747,923,082	\$10,132,936,424	\$1,330,052,946	\$8,802,883,478
2001-02	2,163,560,680	5,868,320,490	618,533,930	684,402,671	9,334,817,771	1,102,683,995	8,232,133,776
2000-01	1,933,926,600	5,198,083,457	579,897,990	631,039,395	8,342,947,442	769,736,426	7,573,211,016
1999-00	1,883,458,451	4,608,310,408	520,095,915	603,225,851	7,615,090,625	699,130,313	6,915,960,312
1998-99	1,745,639,548	4,024,090,552	513,240,900	560,079,571	6,843,050,571	640,775,853	6,202,274,718
1997-98	1,707,648,601	3,775,667,800	508,147,650	575,580,845	6,567,044,896	672,081,434	5,894,963,462
1996-97	1,763,247,205	3,293,925,357	465,657,755	575,195,555	6,098,025,872	697,804,374	5,400,221,498
1995-96	1,452,272,969	2,924,578,560	480,605,530	499,209,889	5,356,666,948	8,241,625	5,348,425,323
1994-95	1,516,937,800	2,415,957,553	697,298,980	528,322,281	5,158,516,614	8,672,984	5,149,843,630
1993-94	1,568,394,367	2,423,886,678	725,213,539	530,713,029	5,248,207,613	9,024,153	5,239,183,460
1992-93	1,643,651,815	2,518,362,730	683,718,860	494,453,940	5,340,187,345	8,771,860	5,331,415,485

Source: Arizona Department of Revenue, Division of Property and Special Taxes.

- (1) The Maricopa County Finance Department reports that exemptions for 1996-97 through 2002-03 include organizational exemptions such as churches, whereas in prior years exemptions only included personal exemptions such as widows and disabled persons. In years prior to 1996-97, secondary assessed valuation in each classification was reported net of organizational exemptions. As a result, secondary assessed valuation by classification in 1996-97 through 2002-03 is not comparable to previous years secondary assessed valuation by classification. However, net secondary assessed valuation is comparable for all years.

Primary Assessed Valuation History

Fiscal Year	City of Phoenix	Maricopa County	State of Arizona
2002-03	\$8,268,924,766	\$22,955,864,882	\$34,868,616,692
2001-02	7,689,379,400	21,355,326,477	32,518,431,391
2000-01	7,024,054,018	19,362,298,255	30,144,285,019
1999-00	6,425,131,594	17,463,875,533	26,593,673,070
1998-99	5,899,905,701	16,017,265,623	25,682,910,177
1997-98	5,614,496,354	15,006,270,531	24,284,338,991
1996-97	5,233,427,802	13,975,668,204	22,820,491,792
1995-96	5,067,237,371	13,493,736,826	22,109,868,588
1994-95	5,066,598,314	13,302,326,609	21,729,506,885
1993-94	5,162,271,872	13,296,195,077	21,381,932,157
1992-93	5,270,388,854	13,605,514,589	21,531,811,852

Source: Arizona Department of Revenue, Division of Property and Special Taxes and Maricopa County Finance Department.

**City of Phoenix, Arizona
Major Taxpayers
2002-03**

<u>Taxpayer</u>	<u>2002-03 Secondary Assessed Valuation</u>	<u>As % of City Total Secondary Assessed Valuation</u>
Arizona Public Service Co	\$ 241,518,375	2.74%
Qwest	222,464,494	2.53
AT&T Corporation	67,100,610	0.76
Southwest Gas Corp	61,812,549	0.70
Honeywell Inc	58,890,715	0.67
Starwood Hotels and Resorts	38,771,721	0.44
Cox Communications	33,481,440	0.38
Westcor Malls	32,902,753	0.37
MONY/Pointe Resorts Partnerships	32,527,342	0.37
MCI Worldcom	31,833,087	0.36
American Express Companies	30,221,486	0.34
Charles Schwab & Co Inc	27,186,049	0.31
Bank One	25,483,034	0.29
SRI Phoenix Plaza Venture LLC	25,464,991	0.29
Alltel	24,394,072	0.28
Paradise Village Investment Co	23,725,975	0.27
Wells Fargo Bank	23,272,279	0.26
Kroger Co	20,956,320	0.24
Biltmore Hotel Partners	20,825,963	0.24
Motorola Inc	20,689,349	0.24
Total	<u>\$1,063,522,604</u>	<u>12.08%</u>

Source: Maricopa County Assessor's Office and the City of Phoenix Finance Department.

TAX DATA

Maricopa County assesses and collects all City property taxes. Property taxes are payable in two installments. The first installment is due on the first business day of October and becomes delinquent on the first business day of November. The second installment is due on the first business day of March and becomes delinquent on the first business day of May. Interest at the rate of 16% per annum attaches on first and second installments following delinquent dates. The following table sets forth the City's tax levy for 2002-03 and for the past ten fiscal years, as well as the tax collection record of the City's levy for the 2002-03 fiscal year and for the previous ten fiscal years. It should be noted that the total collection figures for each fiscal year reflect amounts collected on such year's levy and amounts collected during such year on prior years' levies, but do not include penalties for delinquent payments.

Fiscal Year	Tax Rate Per \$100 Assessed	Tax Levy	Current Collection(1)		Total Collection(2)	
			Amount	% of Levy	Amount	% of Levy
2002-03	\$1.82	\$155,950,420	\$ 78,919,647	50.6%	\$ 80,144,866	51.4%
2001-02	1.82	145,395,416	140,187,238	96.4	142,896,627	98.3
2000-01	1.82	133,109,691	129,187,927	97.1	130,917,435	98.4
1999-00	1.82	121,581,798	118,826,076	97.7	121,038,518	99.6
1998-99	1.82	110,130,882	108,068,788	98.1	110,291,021	100.1
1997-98	1.82	104,716,452	102,552,294	97.9	104,373,897	99.7
1996-97	1.82	96,718,505	95,342,617	98.6	97,574,122	100.9
1995-96	1.82	94,702,111	93,688,948	98.9	95,427,243	100.8
1994-95	1.84	93,889,000	89,417,578	95.2	91,157,589	97.1
1993-94	1.84	95,778,000	91,948,554	96.0	95,102,795	99.3
1992-93	1.85	98,144,788	94,220,518	96.0	98,095,380	99.9

(1) Reflects amounts collected on each year's levy through June 30, the end of the fiscal year, and the current fiscal year through December, 2002.

(2) Reflects amounts collected on each year's levy and amounts collected during such year on prior years' levies.

Source: Maricopa County Treasurer's Office.

**Total Direct And Overlapping Tax Rates
Per \$100 Assessed Valuation(1)
For Fiscal Year 2002-03**

<u>Overlapping Municipality</u>	<u>Total Tax Rate Inside City of Phoenix</u>
Inside Agua Fria Union High School District No. 216 Inside Litchfield Elementary School District No. 79	\$13.5906
Inside Glendale Union High School District No. 205 Inside Washington Elementary School District No. 6 Inside Glendale Elementary School District No. 40	13.8076 15.6087
Inside Phoenix Union High School District No. 210 Inside Phoenix Elementary School District No. 1 Inside Riverside Elementary School District No. 2 Inside Isaac Elementary School District No. 5 Inside Wilson Elementary School District No. 7 Inside Osborn Elementary School District No. 8 Inside Creighton Elementary School District No. 14 Inside Murphy Elementary School District No. 21 Inside Balsz Elementary School District No. 31 Inside Madison Elementary School District No. 38 Inside Laveen Elementary School District No. 59 Inside Roosevelt Elementary School District No. 66 Inside Alhambra Elementary School District No. 68 Inside Cartwright Elementary School District No. 83	16.5282 11.0793 15.9543 15.9691 13.1139 14.1233 14.8419 13.5062 12.8355 12.0641 15.3411 15.8568 16.2839
Inside Tempe Union High School District No. 213 Inside Tempe Elementary School District No. 3(2) Inside Kyrene Elementary School District No. 28(2)	12.8094 12.7215
Inside Tolleson Union High School District No. 214 Inside Tolleson Elementary School District No. 17 Inside Fowler Elementary School District No. 45 Inside Union Elementary School District No. 62 Inside Littleton Elementary School District No. 65 Inside Pendergast Elementary School District No. 92	15.2650 14.6995 23.6554 13.8943 17.4838
Inside Scottsdale Unified School District No. 48(2)	10.5184
Inside Paradise Valley Unified School District No. 69	12.3269
Inside Cave Creek Unified School District No. 93	10.0235
Inside Deer Valley Unified School District No. 97	12.6926

(1) Included in the computation for each of the overlapping municipalities is the Maricopa County tax rate of \$1.2908, the Maricopa County Community College tax rate of \$1.1127, the City of Phoenix tax rate of \$1.8200, the Maricopa County Education Equalization tax rate of \$0.4889, the Maricopa County Flood Control District tax rate of \$0.2119, the Central Arizona Water Conservation District tax rate of \$0.13, the Volunteer Fire District Assistance tax rate of \$0.0076 and the County Library District tax rate of \$0.0421.

(2) Includes the East Valley Institute of Technology tax rate of \$0.1117.

Source: Maricopa County Finance Department.

STATEMENT OF BONDED INDEBTEDNESS(1)

Purpose	General Obligation Bonds				
	Non-Enterprise General Obligation Bonds	Revenue Supported General Obligation Bonds (2)	Total General Obligation Bonds	Revenue Bonds	Total Bonds
Various	\$700,658,638	\$ —	\$ 700,658,638	\$ —	\$ 700,658,638
Airport	—	33,415,000	33,415,000	48,460,000	81,875,000
Sanitary Sewer	—	86,069,276	86,069,276	—	86,069,276
Solid Waste	—	56,735,000	56,735,000	—	56,735,000
Water	—	160,565,159	160,565,159	15,880,000	176,445,159
Public Housing	—	—	—	2,730,000	2,730,000
Street & Highway	—	—	—	218,070,920	218,070,920
Subtotal	700,658,638	336,784,435	1,037,443,073	285,140,920	1,322,583,993
Less: Restricted Funds ...	226,874,546	—	226,874,546	—	226,874,546
Direct Debt	\$473,784,092	336,784,435	810,568,527	285,140,920	1,095,709,447
Less: Revenue Supported	—	336,784,435	336,784,435	285,140,920	621,925,355
Net Debt	<u>\$473,784,092</u>	<u>\$ —</u>	<u>\$ 473,784,092</u>	<u>\$ —</u>	<u>\$ 473,784,092</u>

- (1) Represents bonds outstanding as of January 1, 2003. Such figures do not include the outstanding principal amounts of certain general obligation bonds, certain water revenue bonds and street and highway user revenue bonds which have been refunded or the payment of which has been provided for in advance of maturity. The payment of the debt service requirements on such bonds (including redemption premiums where applicable) is secured by federal securities which were purchased with proceeds of the refunding issues and other available moneys and are held in irrevocable trusts and special investment funds held by the City.
- (2) Revenues remaining after payment of operation and maintenance expenses and revenue bond debt service requirements of the Phoenix aviation operations since 1967 and the Phoenix water system since 1942 have been paying the general obligation bond debt service requirements of each respective system. In addition, the debt service requirements on the City's sanitary sewer general obligation bonds are supported from revenues of the City's sanitary sewer system. This enterprise system was established in the 1980-81 fiscal year through the City's imposition of a sewer user charge beginning June 1, 1980. Also, beginning in 1990-91, all solid waste bonds are being paid from the revenues of the solid waste enterprise fund.

**Annual Debt Service Requirements
General Obligation Bonded Debt Outstanding**

Fiscal Year Ending June 30,	Outstanding Debt Service Requirements(1)	Enterprise Supported	Net Debt Service Requirements
2003	\$ 108,597,224	\$ 45,238,120	\$ 63,359,104
2004	116,471,345	50,048,495	66,422,850
2005	105,173,790	39,686,966	65,486,824
2006	102,488,154	36,778,179	65,709,975
2007	104,663,683	33,981,099	70,682,584
2008	109,751,221	44,110,504	65,640,717
2009	99,146,487	34,982,210	64,164,277
2010	100,053,990	35,670,774	64,383,216
2011	95,199,140	32,834,392	62,364,748
2012	77,210,254	15,342,771	61,867,483
2013	69,290,794	15,337,201	53,953,593
2014	56,952,809	10,754,108	46,198,701
2015	55,505,820	14,549,232	40,956,588
2016	74,108,991	29,642,191	44,466,800
2017	48,743,901	9,315,221	39,428,680
2018	48,991,452	9,319,120	39,672,332
2019	40,227,363	2,922,570	37,304,793
2020	36,196,289	2,943,270	33,253,019
2021	22,338,601	1,552,945	20,785,656
2022	21,613,282	715,700	20,897,582
2023	15,370,031	—	15,370,031
2024	11,650,762	—	11,650,762
2025	11,665,362	—	11,665,362
2026	8,048,250	—	8,048,250
2027	8,048,250	—	8,048,250
Totals	<u>\$1,547,507,245</u>	<u>\$465,725,068</u>	<u>\$1,081,782,177</u>

(1) Represents debt service requirements on bonds outstanding as of January 1, 2003. Schedule does not include debt service requirements of previously refunded general obligation bonds. The payment of the refunded debt service requirements is secured by obligations issued or fully guaranteed by the United States of America which are held in irrevocable trusts and are scheduled to mature at such times and in sufficient amounts to pay when due all principal, interest and redemption premiums where applicable, on the refunded bonds.

Direct General Obligation Bonded Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Bonds Outstanding As of 1-1-03(1)
12-01-89	\$ 12,241,589	Various Improvements — Minibonds	7-1-00/10	\$ 2,456,204
12-06-91	30,000,000	Sanitary Sewer Improvements	7-1-95/11	20,662,620
04-01-92	237,945,000	Refunding	7-1-95/06	30,620,000
04-15-93	335,165,000	Refunding	7-1-95/12	213,285,000
09-15-93	70,550,000	Refunding	7-1-94/16	52,690,000
12-01-93	17,229,249	Various Improvements — Minibonds	7-1-04/14	17,229,249
03-01-94	70,635,000	Various Improvements	7-1-96/11	8,250,000
01-01-95	30,000,000	Various Improvements	7-1-97/12	5,415,000
07-01-95	85,000,000	Refunding	7-1-10/19	51,225,000
11-01-95	60,000,000	Various Improvements	7-1-01/20	34,440,000
02-01-96	35,280,000	Refunding	7-1-96/14	20,590,000
01-15-97	32,000,000	Various Improvements	7-1-99/20	15,990,000
01-15-98	75,000,000	Various Improvements	7-1-01/22	61,555,000
01-15-99	163,820,000	Refunding	7-1-99/20	156,810,000
02-01-99	58,000,000	Various Improvements	7-1-01/23	49,585,000
07-15-00	50,000,000	Various Improvements	7-1-03/25	31,420,000
12-12-01	6,075,000	Sanitary Sewer Improvements	7-1-03/21	6,075,000
06-01-02	10,000,000	Various Improvements (Taxable)	7-1-08/10	10,000,000
06-01-02	89,970,000	Various Improvements	7-1-11/27	89,970,000
06-01-02	144,495,000	Refunding	7-1-03/18	144,495,000
06-01-02	14,680,000	Refunding	7-1-14/15	14,680,000
Total Direct General Obligation Debt Outstanding				1,037,443,073
Less: Principal Redemption Funds held in Restricted Fund				226,874,546
Total Direct General Obligation Debt Outstanding				810,568,527
Less: General Obligation Bonded Debt Supported from Enterprise Revenues				336,784,435 (2)
Net Direct General Obligation Bonded Debt Outstanding				<u>\$ 473,784,092</u>

(1) Represents general obligation bonds outstanding as of January 1, 2003.

(2) Revenues remaining after payment of operation and maintenance expenses and revenue bond debt service requirements of the Phoenix aviation operations since 1967 and the Phoenix water system since 1942 have been paying the general obligation bond debt service requirements of each respective system. In addition, the debt service requirements on the City's sanitary sewer general obligation bonds are supported from revenues of the City's sanitary sewer system. This enterprise system was established in the 1980-81 fiscal year through the City's imposition of a sewer user charge beginning June 1, 1980. Also, beginning in 1990-91, all solid waste bonds are being paid from refuse user fee revenues. In the event the revenues of any of these systems should prove insufficient to pay the general obligation bond debt service requirements, or should the City decide not to pay the debt service from revenues of the systems, this debt service would then be paid from ad valorem taxes or other available sources.

**City of Phoenix
Airport Revenue Bonds Outstanding(1)**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
5-1-94	\$63,990,000	Airport Refunding	7-1-95/12	5.97%	\$16,960,000
5-1-94	31,500,000	Airport Improvements	7-1-03/12	6.44	31,500,000
Total Airport Revenue Bonds Outstanding					<u>\$48,460,000</u>

- (1) Schedule does not include the City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds which are on a parity with the bonds shown above. See page B-24 for a schedule of outstanding City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds.

**City of Phoenix
Water Revenue Bonds Outstanding**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
3-1-93	\$54,570,000	Water Revenue Refunding	7-1-95/22	5.01%	\$15,880,000
Total Water Revenue Bonds Outstanding					<u>\$15,880,000</u>

**City of Phoenix
Street and Highway User Revenue Bonds Outstanding**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
2-1-92	\$ 55,490,000	Street & Highway Improvement	7-1-07	6.55%	\$ 5,815,000
3-15-92	117,880,000	Street & Highway Refunding (Junior Lien)	7-1-93/11	6.50	11,195,000
12-15-92	58,225,920	Street & Highway Refunding (Junior Lien)	7-1-94/13	7.96	17,990,920
9-15-93	64,725,000	Street & Highway Refunding	7-1-95/11	5.03	49,950,000
1-1-99	10,375,000	Street & Highway Refunding (Junior Lien)	7-1-99/11	4.36	9,995,000
5-1-02	123,125,000	Street & Highway Refunding (Junior Lien)	7-1-03/11	4.77	123,125,000
Total Street & Highway User Revenue Bonds Outstanding					<u>\$218,070,920</u>

City of Phoenix
Municipal Housing Revenue Bonds Outstanding(1)

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
8-1-95	\$4,960,000	Public Housing Refunding	12-1-95/09	6.06%	<u>\$2,730,000</u>
Total Municipal Housing Revenue Bonds Outstanding					<u>\$2,730,000</u>

- (1) The housing bonds are secured primarily by payments received by the City from the U.S. Department of Housing and Urban Development in accordance with contracts entered into pursuant to Sections 8 and 23 of the United States Housing Act of 1937, as amended. In addition, these bonds are also secured by a first lien on and pledge of the gross tenant rental revenues derived from the projects financed with the proceeds of the refunded issues.

DEBT LIMITATION

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks, open space preserves, playgrounds and recreational facilities may not exceed 20% of a city's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a city's net secondary assessed valuation. Unused borrowing capacity as of January 1, 2003 is shown below, based upon 2002-03 assessed valuation.

**Water, Sewer, Light, Parks, Open Space
and Recreational Purpose Bonds**

20% Constitutional Limitation	\$1,760,576,696
Direct General Obligation Bonds Outstanding	<u>743,368,073(1)</u>
Unused 20% Limitation Borrowing Capacity	<u>\$1,017,208,623</u>

**All Other
General Obligation Bonds**

6% Constitutional Limitation	\$528,173,009
Direct General Obligation Bonds Outstanding	\$294,075,000(1)
Less: Principal Redemption Funds held in Restricted Fund as of January 1, 2003	<u>226,874,546</u>
Direct General Obligation Bonds Outstanding	<u>67,200,454</u>
Unused 6% Limitation Borrowing Capacity	<u>\$460,972,555</u>

- (1) Represents general obligation bonds outstanding as of January 1, 2003.

NET DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT AND DEBT RATIOS

	As of January 1, 2003(1)
City of Phoenix	\$ 473,784,092
Maricopa County	61,151,000
Maricopa County Community College District	106,960,000
East Valley Institute of Technology	2,020,000
Various Elementary School Districts	469,738,000
Various High School Districts	310,837,000
Various Unified School Districts	374,898,000
Net Direct and Overlapping General Obligation Bonded Debt	<u>\$1,799,388,092</u>

(1) Represents the net direct debt of the City of Phoenix as of January 1, 2003. The direct debt for Maricopa County and the various school districts is as of July 1, 2002, the latest available data.

Excludes the \$5,966,000 principal amount of City Improvement Districts' bonded debt. This indebtedness is presently being paid from special assessments levied against property owners residing within the improvement districts. Excludes the \$6,365,000 principal of Tatum Ranch Community Facilities District bonded debt. This indebtedness is presently being paid from Special Taxing District property tax revenues.

Also does not include the obligation of the Central Arizona Water Conservation District (CAWCD) to the United States of America, Department of the Interior for repayment of capital costs for construction of the Central Arizona Project (CAP), a major reclamation project constructed by the Department of the Interior. The obligation is evidenced by a master contract between the CAWCD and the Department of the Interior. The repayment will take place over a period of 50 years. Interest will be payable at the rate of 3.342% per annum on the unpaid balance. The City of Phoenix portion is estimated to be \$255.9 million, including interest, and will be paid over a fifty year period. The cost for 1997 was \$4.4 million, increasing to \$5.2 million in the year 2004 and remaining constant through the final payment in 2044. The United States and CAWCD recently announced an agreement to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payments of the operation, maintenance and replacement costs and the application of certain revenues and credits for amounts paid by CAWCD to the United States against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.65 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 665,224 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of the CAP at no additional cost to CAWCD. Of the \$1.65 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50 year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State of Arizona and Federal legislation. If the conditions are not met within three years, the parties could extend such deadline or the agreement will terminate and either party may petition U.S. District Court to resume litigation. It is not possible to predict whether the agreement will be effective or if the litigation will be resumed or the outcome of any such litigation.

The CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the District and to assist in repayment of the Central Arizona Project capital costs to the United States. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of Central Arizona Project water) and a tax levy against all taxable property in the District. Currently, the tax levy is limited by Arizona Revised Statutes to fourteen cents per \$100 of assessed valuation. There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract. The CAWCD has levied a tax of \$0.13 per \$100 of assessed valuation for the 2002-03 fiscal year.

Net Direct And Overlapping General Obligation Bonded Debt Ratios

	Per Capita Debt (Pop. Est. @ 1-1-03 1,385,702)	As Percent of City's 2002-03 Secondary Assessed Valuation	Full Cash Valuation
Direct General Obligation Bonded Debt Outstanding as of January 1, 2003 ...	\$ 584.95	9.21%	1.20%
Net Direct General Obligation Bonded Debt Outstanding as of January 1, 2003	341.91	5.38	0.70
Net Direct and Overlapping General Obligation Bonded Debt Outstanding as of January 1, 2003	1,298.54	20.44	2.66

Overlapping General Obligation Bonded Debt, Net Assessed Valuations and Tax Rates
As of July 1, 2002
(in thousands)

Overlapping Municipality	2002-03 Net Secondary Assessed Valuation	Net Bonded Debt	Approximate Applicable Percent	Net Overlapping Bonded Debt	2002-03 Tax Rate Per \$100 Assessed
State of Arizona	\$36,825,661	\$ —	23.9%	\$ —	—
Maricopa County	24,457,047	169,864	36.0	61,151	1.7797
Maricopa County Community College District	24,457,047	297,110	36.0	106,960	1.1127
East Valley Institute of Technology	11,006,146	17,720	11.4	2,020	0.1117
Elementary School Districts:					
Phoenix S.D. No. 1	635,841	63,875	100.0	63,875	7.0470
Riverside S.D. No. 2	197,332	8,450	96.9	8,188	1.5981
Tempe S.D. No. 3	1,293,943	71,100	16.4	11,660	4.2668
Isaac S.D. No. 5	159,205	8,370	100.0	8,370	6.4731
Washington S.D. No. 6	1,210,371	139,670	97.0	135,480	5.0729
Wilson S.D. No. 7	143,179	9,555	100.0	9,555	6.4879
Osborn S.D. No. 8	462,837	30,715	99.9	30,684	3.6327
Creighton S.D. No. 14	337,550	22,005	90.9	20,003	4.6421
Tolleson S.D. No. 17	77,258	5,193	16.1	836	5.2615
Murphy S.D. No. 21	93,433	7,230	99.9	7,223	5.3607
Kyrene S.D. No. 28	1,453,177	64,085	39.8	25,506	4.1789
Balsz S.D. No. 31	286,612	19,635	96.0	18,850	4.0250
Madison S.D. No. 38	823,107	51,090	100.0	51,090	3.3543
Glendale S.D. No. 40	271,268	17,700	—	—	6.8740
Fowler S.D. No. 45	112,387	8,270	82.8	6,848	4.6960
Laveen S.D. No. 59	47,513	4,535	41.2	1,868	2.5829
Union S.D. No. 62	6,075	—	58.9	—	13.6519
Littleton S.D. No. 65	73,146	1,370	4.8	66	3.8908
Roosevelt S.D. No. 66	379,703	28,930	98.7	28,554	5.8599
Alhambra S.D. No. 68	349,304	35,620	81.3	28,959	6.3756
Litchfield S.D. No. 79	222,553	23,385	0.3	70	4.2713
Cartwright S.D. No. 83	275,274	2,085	99.9	2,083	6.8027
Pendergast S.D. No. 92	172,193	19,435	51.3	9,970	7.4803
High School Districts:					
Glendale Union No. 205	1,481,639	68,290	79.2	54,086	3.6307
Phoenix Union No. 210	4,190,890	189,090	96.5	182,472	4.3772
Tempe Union No. 213	2,747,120	199,185	28.7	57,166	3.3269
Tolleson Union No. 214	441,058	37,400	45.6	17,054	4.8995
Agua Fria Union No. 216	366,236	29,520	0.2	59	4.2153
Unified School Districts:					
Scottsdale No. 48	3,098,562	285,585	15.1	43,123	5.3027
Paradise Valley No. 69	1,976,449	330,684	67.3	222,550	7.2229
Cave Creek No. 93	889,436	67,820	12.3	8,342	4.9195
Deer Valley No. 97	1,250,103	186,475	54.1	100,883	7.5886
Total Overlapping General Obligation Bonded Debt				<u><u>\$1,325,604</u></u>	

Source: Maricopa County Finance Department.

Authorized and Unissued Bonds of Overlapping Municipalities

The following municipalities which overlap the City of Phoenix have unissued bond authorizations as indicated:

<u>Municipality</u>	<u>Authorized and Unissued Bonds</u>
Maricopa County Community College District	\$ 4,000
Cave Creek Elementary School District No. 93	22,315,000
Deer Valley Unified Elementary School District No. 97	55,500,000
Paradise Valley Unified Elementary School District No. 69	26,735,000
Pendergast Elementary School District No. 92	2,375,000
Riverside Elementary School District No. 2	6,250,000
Washington Elementary School District No. 6	29,640,000

OTHER LONG-TERM OBLIGATIONS

The City entered into lease agreements with the Phoenix Civic Plaza Building Corporation for the construction of the Jefferson Street Parking Garage, a marshalling yard for its convention center and to finance a portion of the construction of the Herberger Theater. The bonds issued for these projects were refunded by senior lien excise tax revenue refunding bonds issued in August 1994. The City also entered into a lease agreement and a loan agreement for the renovation of the convention center and symphony hall, for the construction of streetscape improvements on streets adjacent to the Civic Plaza, and for the renovation of the Orpheum Theatre.

In order to make the lease payments on the Phoenix Civic Plaza, the City has earmarked one-half of 1% (.5%) of its excise tax on contracting, printing, publishing, towing, restaurants and bars; 2% of its excise tax on hotel/motel/apartments/rooming homes/trailer courts occupied under thirty days; and all of its .5% excise tax on advertising.

The City executed purchase and lease agreements with the City of Phoenix Civic Improvement Corporation for the construction of a new municipal building, airport terminal facilities at Sky Harbor International Airport, a new Phoenix municipal courthouse building and a new city parking garage. In keeping with the City's policy of maintaining Sky Harbor International Airport as a self-supporting enterprise, airport revenues are used to pay the debt service on bonds issued by the Corporation for airport improvements.

Under the terms of these agreements, the City has agreed to make lease and purchase payments in amounts sufficient to pay principal and interest on bonds issued by the corporations to finance the facilities, and has pledged its excise tax collections for these payments. The City's excise tax collections in 1998-99 totaled \$556,509,000, in 1999-00 totaled \$604,783,000, in 2000-01 totaled \$626,416,000 and in 2001-02 totaled \$626,212,000. The estimate for 2002-03 is \$638,028,000. These amounts do not include revenues from three privilege license (sales) tax rate increases approved by voters and are not part of the pledge for lease and purchase payments on bonds of the corporations. These three excluded voter approved tax rates increases are as follows: on October 5, 1993, voters approved a 0.1% increase in the City's privilege license tax rate. The revenues produced by the increase must be used to add police officers and firefighters and to expand neighborhood programs designed to deter crime. On September 7, 1999, voters approved a 0.1% increase in the City's privilege license tax rate to be levied for a 10-year period. The revenues produced by the increase will be used for the acquisition of desert preserve open space and the development and improvement of regional and neighborhood parks located within the City. On March 14, 2000, voters approved a 0.4% increase in the City's privilege license tax rate to be levied for a period of 20 years. The revenues produced by the increase will be used for expanded bus service, the construction of a light rail system and other transportation improvements.

**Phoenix Civic Plaza Building Corporation and
City of Phoenix Civic Improvement Corporation
Senior Lien Debt Outstanding**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 4-25-03</u>
5-01-94	\$33,705,000	Airport Improvements Refunding ⁽¹⁾	7-1-95/14	6.09%	\$ 27,600,000
8-01-94	24,395,000	Civic Plaza Refunding	7-1-96/05	5.09	6,935,000
8-01-94	43,250,000	Civic Plaza Improvements	7-1-05/14	5.98	43,250,000
2-01-98	38,355,000	Airport Terminal 4 Refunding ⁽¹⁾	7-1-98/14	4.92	30,305,000
6-01-99	79,000,000	Phoenix Municipal Courthouse	7-1-05/29	5.34	79,000,000
6-01-99	15,000,000	Adams Street Garage	7-1-05/29	5.35	15,000,000
5-01-03	47,600,000	New City Hall Refunding	7-1-04/29	4.73	47,600,000 ⁽²⁾
Total Civic Plaza and Civic Improvement Senior Lien Debt Outstanding					<u>\$249,690,000</u>

(1) Debt service requirements on these obligations are supported by airport revenues.

(2) Represents bonds sold in April 2003 and expected to be delivered on May 22, 2003.

**Phoenix Civic Plaza Building Corporation and
City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Senior Lien Debt Outstanding**

Fiscal Year	Phoenix Civic Plaza Building Corporation			City of Phoenix Civic Improvement Corporation(1)			Combined Annual Debt Service Requirements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2002-03	\$ 3,005,000	\$ 2,960,738	\$ 5,965,738	\$ 4,925,000	\$ 9,671,475	\$ 14,596,475	\$ 7,930,000	\$ 12,632,213	\$ 20,562,213
2003-04	3,165,000	2,802,975	5,967,975	6,325,000	10,013,818	16,338,818	9,490,000	12,816,793	22,306,793
2004-05	3,340,000	2,632,065	5,972,065	8,525,000	9,711,938	18,236,938	11,865,000	12,344,003	24,209,003
2005-06	3,545,000	2,425,834	5,970,834	8,945,000	9,295,138	18,240,138	12,490,000	11,720,972	24,210,972
2006-07	3,770,000	2,199,840	5,969,840	9,400,000	8,846,389	18,246,389	13,170,000	11,046,229	24,216,229
2007-08	3,985,000	1,984,950	5,969,950	9,880,000	8,363,050	18,243,050	13,865,000	10,348,000	24,213,000
2008-09	4,215,000	1,753,820	5,968,820	10,385,000	7,847,664	18,232,664	14,600,000	9,601,484	24,201,484
2009-10	4,465,000	1,505,135	5,970,135	6,860,000	7,286,375	14,146,375	11,325,000	8,791,510	20,116,510
2010-11	4,730,000	1,241,700	5,971,700	7,210,000	6,940,978	14,150,978	11,940,000	8,182,678	20,122,678
2011-12	5,015,000	957,900	5,972,900	7,575,000	6,571,055	14,146,055	12,590,000	7,528,955	20,118,955
2012-13	5,315,000	657,000	5,972,000	7,960,000	6,181,851	14,141,851	13,275,000	6,838,851	20,113,851
2013-14	5,635,000	338,100	5,973,100	8,380,000	5,767,878	14,147,878	14,015,000	6,105,978	20,120,978
2014-15	—	—	—	4,825,000	5,344,497	10,169,497	4,825,000	5,344,497	10,169,497
2015-16	—	—	—	5,070,000	5,098,873	10,168,873	5,070,000	5,098,873	10,168,873
2016-17	—	—	—	5,350,000	4,822,760	10,172,760	5,350,000	4,822,760	10,172,760
2017-18	—	—	—	5,625,000	4,542,991	10,167,991	5,625,000	4,542,991	10,167,991
2018-19	—	—	—	5,925,000	4,248,822	10,173,822	5,925,000	4,248,822	10,173,822
2019-20	—	—	—	6,225,000	3,942,500	10,167,500	6,225,000	3,942,500	10,167,500
2020-21	—	—	—	6,550,000	3,620,648	10,170,648	6,550,000	3,620,648	10,170,648
2021-22	—	—	—	6,885,000	3,281,632	10,166,632	6,885,000	3,281,632	10,166,632
2022-23	—	—	—	7,245,000	2,925,270	10,170,270	7,245,000	2,925,270	10,170,270
2023-24	—	—	—	7,610,000	2,562,518	10,172,518	7,610,000	2,562,518	10,172,518
2024-25	—	—	—	8,005,000	2,168,587	10,173,587	8,005,000	2,168,587	10,173,587
2025-26	—	—	—	8,420,000	1,748,406	10,168,406	8,420,000	1,748,406	10,168,406
2026-27	—	—	—	8,870,000	1,306,406	10,176,406	8,870,000	1,306,406	10,176,406
2027-28	—	—	—	9,315,000	855,588	10,170,588	9,315,000	855,588	10,170,588
2028-29	—	—	—	7,215,000	381,988	7,596,988	7,215,000	381,988	7,596,988
	<u>\$50,185,000</u>	<u>\$21,460,057</u>	<u>\$71,645,057</u>	<u>\$199,505,000</u>	<u>\$143,349,095</u>	<u>\$342,854,095</u>	<u>\$249,690,000</u>	<u>\$164,809,152</u>	<u>\$414,499,152</u>

(1) Includes debt service on \$47,600,000 of refunding bonds sold on April 25, 2003 and expected to be delivered on May 22, 2003, but does not include debt service on the bonds to be refunded by such bonds.

The City also entered into an installment purchase agreement with the City of Phoenix Civic Improvement Corporation for the construction of Patriot's Square Park and Parking Garage in downtown Phoenix. The City of Phoenix Civic Improvement Corporation issued bonds for the construction of the park and garage, and the City pledged its excise tax collections to make installment purchase payments sufficient to pay principal and interest on the bonds. This pledge, however, is on a subordinated junior lien basis and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

The City entered into a lease agreement with the City of Phoenix Civic Improvement Corporation to finance the acquisition of property for The Arizona Center (Superblock), an 8-block mixed use development in downtown Phoenix. The City of Phoenix Civic Improvement Corporation issued bonds for payment of the costs of acquisition of certain parcels of property for the project, and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with the pledge of such taxes for the Patriot's Square Park and Parking Garage, and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

The City also entered into leases with the City of Phoenix Civic Improvement Corporation to finance the acquisition of certain municipal facilities, consisting of real property and equipment. The Corporation issued bonds for payment of the acquisition costs, and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with the pledge of such taxes for Patriot's Square Park and Parking Garage, and The Arizona Center, and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

The City entered into lease and leaseback agreements with the City of Phoenix Civic Improvement Corporation for the purpose of acquiring and constructing a downtown multipurpose arena. The Corporation issued bonds for the payment of the City's portion of land acquisition and construction costs and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with the pledge of such taxes for Patriot's Square Park and Parking Garage, The Arizona Center and municipal facilities, and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

The City entered into a lease agreement with the City of Phoenix Civic Improvement Corporation for the purpose of financing the acquisition and construction of improvements to Terminal 4 at Sky Harbor International Airport. The Corporation issued bonds for the payment of acquisition and construction costs, and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with the pledge of such taxes for Patriot's Square Park and Parking Garage, The Arizona Center, municipal facilities and the downtown multipurpose arena, and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

The City entered into a leaseback agreement with the Phoenix Civic Plaza Building Corporation for the purpose of acquiring the site for and constructing and equipping a multi-level parking structure to serve the downtown area of the City. The Corporation issued bonds for the payment of acquisition and construction costs and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with the pledge of such taxes for Patriot's Square Park and Parking Garage, The Arizona Center, municipal facilities, the downtown multipurpose arena, and the Terminal 4 improvements, and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

The City entered into a leaseback agreement with the City of Phoenix Civic Improvement Corporation for the purpose of financing the acquisition of certain real property as well as the construction of certain improvements to the City's solid waste system. The Corporation issued bonds for the payment of acquisition and construction costs and the City pledged its excise tax collections to make lease payments sufficient to pay principal and interest on the bonds. This pledge is on a parity with the pledge of such taxes for Patriot's Square Park and Parking Garage, The Arizona Center, municipal facilities, the downtown multipurpose arena, and the Terminal 4 improvements, and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

**Phoenix Civic Plaza Building Corporation and
City of Phoenix Civic Improvement Corporation
Subordinated Junior Lien Debt Outstanding⁽¹⁾**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 4-29-03</u>
9-01-92	\$15,560,000	Superblock Land Acquisition Refunding	8-1-00/17	5.97%	\$ 15,160,000
6-01-93	14,350,000	Patriot's Square Park and Parking Garage Refunding	7-1-96/09	5.25	8,410,000
11-01-94	33,410,000	Municipal Facilities	7-1-95/05	6.40	1,795,000
4-25-95	31,000,000	Airport Improvements ⁽²⁾	6-1-10/20	Variable	31,000,000
1-15-97	9,935,000	Municipal Facilities Refunding	7-1-99/21	5.19	9,635,000
1-01-98	43,000,000	Civic Plaza East Garage (Taxable)	7-1-00/22	6.52	40,285,000
1-15-98	48,740,000	Municipal Multipurpose Arena Refunding (Taxable)	7-1-98/19	6.12	45,590,000
8-01-00	65,000,000	Municipal Facilities ⁽³⁾	7-1-01/20	5.35	55,220,000
5-01-03	80,000,000	Solid Waste Improvements	7-1-04/23	4.93	80,000,000 ⁽⁴⁾
5-01-03	25,000,000	Municipal Facilities	7-1-05/25	4.37	25,000,000 ⁽⁴⁾
5-01-03	25,000,000	Municipal Facilities (Taxable)	7-1-09/33	5.59	25,000,000 ⁽⁴⁾
5-01-03	10,000,000	Municipal Facilities (Taxable)	7-1-09/33	5.60	10,000,000 ⁽⁴⁾
Total Phoenix Civic Plaza Building Corporation and City of Phoenix Civic Improvement Corporation Subordinated Junior Lien Debt Outstanding					<u>\$347,095,000</u>

(1) Schedule includes subordinated junior lien debt issued by the City of Phoenix Civic Improvement Corporation and the Phoenix Civic Plaza Building Corporation, but does not include subordinated junior lien debt incurred by the City of Phoenix. See page B-22 for a schedule of outstanding subordinated junior lien debt issued by the City of Phoenix.

(2) Debt service requirements on these obligations are supported by airport revenues.

(3) Debt service requirements on \$10,437,000 of these obligations are supported by solid waste revenues.

(4) Represents the Bonds offered herein.

**Phoenix Civic Plaza Building Corporation and
City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Subordinated Junior Lien Debt Outstanding(1)**

Fiscal Year	Phoenix Civic Plaza Building Corporation			City of Phoenix Civic Improvement Corporation			Combined Annual Debt Service Requirements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2002-03	\$ 1,035,000	\$ 2,627,911	\$ 3,662,911	\$ 7,650,000	\$ 9,503,017	\$ 17,153,017	\$ 8,685,000	\$ 12,130,928	\$ 20,815,928
2003-04	1,100,000	2,558,049	3,658,049	10,240,000	16,883,734	27,123,734	11,340,000	19,441,783	30,781,783
2004-05	1,175,000	2,483,799	3,658,799	12,050,000	15,316,193	27,366,193	13,225,000	17,799,992	31,024,992
2005-06	1,255,000	2,404,486	3,659,486	12,815,000	14,792,138	27,607,138	14,070,000	17,196,624	31,266,624
2006-07	1,340,000	2,319,774	3,659,774	13,230,000	14,255,811	27,485,811	14,570,000	16,575,585	31,145,585
2007-08	1,430,000	2,229,324	3,659,324	12,710,000	13,666,303	26,376,303	14,140,000	15,895,627	30,035,627
2008-09	1,520,000	2,140,664	3,660,664	13,945,000	13,013,360	26,958,360	15,465,000	15,154,024	30,619,024
2009-10	1,615,000	2,045,664	3,660,664	13,680,000	12,249,273	25,929,273	15,295,000	14,294,937	29,589,937
2010-11	1,715,000	1,944,726	3,659,726	14,400,000	11,491,881	25,891,881	16,115,000	13,436,607	29,551,607
2011-12	1,825,000	1,836,681	3,661,681	15,180,000	10,690,825	25,870,825	17,005,000	12,527,506	29,532,506
2012-13	1,940,000	1,721,706	3,661,706	15,990,000	9,845,154	25,835,154	17,930,000	11,566,860	29,496,860
2013-14	2,065,000	1,593,181	3,658,181	16,315,000	8,953,546	25,268,546	18,380,000	10,546,727	28,926,727
2014-15	2,205,000	1,456,375	3,661,375	18,360,000	8,075,164	26,435,164	20,565,000	9,531,539	30,096,539
2015-16	2,350,000	1,310,294	3,660,294	18,230,000	7,061,977	25,291,977	20,580,000	8,372,271	28,952,271
2016-17	2,505,000	1,154,606	3,659,606	17,570,000	6,048,861	23,618,861	20,075,000	7,203,467	27,278,467
2017-18	2,670,000	988,650	3,658,650	16,425,000	5,078,826	21,503,826	19,095,000	6,067,476	25,162,476
2018-19	2,845,000	815,100	3,660,100	17,330,000	4,178,658	21,508,658	20,175,000	4,993,758	25,168,758
2019-20	3,030,000	630,175	3,660,175	13,905,000	3,225,263	17,130,263	16,935,000	3,855,438	20,790,438
2020-21	3,230,000	433,225	3,663,225	8,245,000	2,480,763	10,725,763	11,475,000	2,913,988	14,388,988
2021-22	3,435,000	223,275	3,658,275	8,435,000	2,068,848	10,503,848	11,870,000	2,292,123	14,162,123
2022-23	—	—	—	8,865,000	1,646,673	10,511,673	8,865,000	1,646,673	10,511,673
2023-24	—	—	—	2,890,000	1,202,898	4,092,898	2,890,000	1,202,898	4,092,898
2024-25	—	—	—	1,815,000	1,052,649	2,867,649	1,815,000	1,052,649	2,867,649
2025-26	—	—	—	1,685,000	950,763	2,635,763	1,685,000	950,763	2,635,763
2026-27	—	—	—	1,780,000	853,875	2,633,875	1,780,000	853,875	2,633,875
2027-28	—	—	—	1,885,000	751,525	2,636,525	1,885,000	751,525	2,636,525
2028-29	—	—	—	1,995,000	643,137	2,638,137	1,995,000	643,137	2,638,137
2029-30	—	—	—	2,110,000	528,425	2,638,425	2,110,000	528,425	2,638,425
2030-31	—	—	—	2,225,000	407,100	2,632,100	2,225,000	407,100	2,632,100
2031-32	—	—	—	2,360,000	279,162	2,639,162	2,360,000	279,162	2,639,162
2032-33	—	—	—	2,495,000	143,462	2,638,462	2,495,000	143,462	2,638,462
	<u>\$40,285,000</u>	<u>\$32,917,665</u>	<u>\$73,202,665</u>	<u>\$306,810,000</u>	<u>\$197,339,264</u>	<u>\$504,149,264</u>	<u>\$347,095,000</u>	<u>\$230,256,929</u>	<u>\$577,351,929</u>

(1) Schedule includes debt service on the Bonds offered herein. Schedule includes debt service on subordinated junior lien debt issued by the City of Phoenix Civic Improvement Corporation and the Phoenix Civic Plaza Building Corporation, but does not include subordinated junior lien debt incurred by the City of Phoenix. See page B-22 for a schedule of subordinated junior lien debt issued by the City of Phoenix.

The City entered into lease and leaseback agreements for the purpose of acquiring land and constructing an amphitheatre. The City also entered into a subsequent financing agreement to be used for refinancing the purchase price of the land related to the amphitheater, purchasing a multifamily housing facility and for various other City projects. The City pledged excise taxes for payments which are due under the leaseback agreement and the financing agreement. The pledge for payments under these agreements is on a parity with the pledge of such taxes for the Patriots Square Park and Parking Garage, The Arizona Center, the municipal facilities, the multipurpose arena, the Terminal 4 improvements and the downtown parking garage, and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

**City of Phoenix
Subordinated Junior Lien Debt Outstanding**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
6-1-93	\$14,080,000	Amphitheatre Refunding	8-1-95/19	5.43%	\$11,320,000
7-1-93	11,975,000	Amphitheatre Land and Multi-Family Housing	8-1-94/23	5.18	9,880,000
Total Subordinated Junior Lien Debt Outstanding					<u>\$21,200,000</u>

**City of Phoenix
Schedule of Annual Debt Service Requirements
Subordinated Junior Lien Debt Outstanding**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002-03	\$ 745,000	\$ 1,134,161	\$ 1,879,161
2003-04	785,000	1,096,478	1,881,478
2004-05	825,000	1,056,232	1,881,232
2005-06	860,000	1,013,573	1,873,573
2006-07	915,000	967,752	1,882,752
2007-08	970,000	918,613	1,888,613
2008-09	1,015,000	866,312	1,881,312
2009-10	1,070,000	811,575	1,881,575
2010-11	1,135,000	753,875	1,888,875
2011-12	1,195,000	692,675	1,887,675
2012-13	1,250,000	628,238	1,878,238
2013-14	1,310,000	560,825	1,870,825
2014-15	1,380,000	490,163	1,870,163
2015-16	1,205,000	415,725	1,620,725
2016-17	1,275,000	350,363	1,625,363
2017-18	1,340,000	281,213	1,621,213
2018-19	1,415,000	208,525	1,623,525
2019-20	450,000	131,775	581,775
2020-21	480,000	108,150	588,150
2021-22	500,000	82,950	582,950
2022-23	1,080,000	56,700	1,136,700
	<u>\$21,200,000</u>	<u>\$12,625,873</u>	<u>\$33,825,873</u>

The City entered into a loan agreement with the City of Phoenix Civic Improvement Corporation for the purpose of reimbursing the City for the acquisition costs of 55 passenger buses. The City of Phoenix Civic Improvement Corporation issued bonds for the payment of the reimbursement and the City is making loan payments sufficient to pay principal and interest on the bonds. Loan payments of the City are payable solely from certain federal grants received from the Federal Transit Administration pursuant to 49 U.S.C. Section 5307 and the Fixed Guideway Modernization program under 49 U.S.C. Section 5309 as well as matching funds of the City.

**City of Phoenix Civic Improvement Corporation
Bus Acquisition Special Revenue Bonded Debt**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
2-1-00	\$18,320,000	Bus Acquisition	7-1-00/12	5.34%	\$14,570,000
Total Bus Acquisition Special Revenue Bonded Debt					<u>\$14,570,000</u>

**City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Bus Acquisition Special Revenue Bonded Debt**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002-03	\$ 1,140,000	\$ 777,892	\$ 1,917,892
2003-04	1,200,000	720,893	1,920,893
2004-05	1,260,000	657,892	1,917,892
2005-06	1,330,000	591,743	1,921,743
2006-07	1,400,000	518,592	1,918,592
2007-08	1,475,000	441,593	1,916,593
2008-09	1,560,000	360,467	1,920,467
2009-10	1,640,000	278,568	1,918,568
2010-11	1,725,000	191,647	1,916,647
2011-12	1,840,000	99,360	1,939,360
	<u>\$14,570,000</u>	<u>\$4,638,647</u>	<u>\$19,208,647</u>

The City entered into city purchase agreements with the City of Phoenix Civic Improvement Corporation for the purchase of certain improvements and expansion projects at the City's airports. The City of Phoenix Civic Improvement Corporation issued bonds for the improvements and expansion projects and the City has made a senior lien pledge of net airport revenues to make payments sufficient to pay principal of and interest on the bonds. Amounts due on the bonds and pursuant to the city purchase agreements are as follows:

**City of Phoenix Civic Improvement Corporation
Senior Lien Airport Revenue Bonded Debt Outstanding**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
08-01-98	\$165,000,000	Airport Improvements	7-1-03/25	5.14%	\$165,000,000
05-01-02	23,225,000	Airport Improvements	7-1-08/13	5.54	23,225,000
05-01-02	231,390,000	Airport Improvements	7-1-14/32	5.32	231,390,000
Total Senior Lien Airport Revenue Bonded Debt Outstanding					<u>\$419,615,000</u>

**City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Senior Lien Airport Revenue Bonded Debt Outstanding**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002-03	\$ 4,760,000	\$ 22,050,827	\$ 26,810,827
2003-04	4,995,000	21,812,828	26,807,828
2004-05	5,245,000	21,563,077	26,808,077
2005-06	4,165,000	21,300,828	25,465,828
2006-07	4,380,000	21,082,164	25,462,164
2007-08	4,715,000	20,874,116	25,589,116
2008-09	6,925,000	20,627,837	27,552,837
2009-10	8,025,000	20,269,501	28,294,501
2010-11	9,970,000	19,837,087	29,807,087
2011-12	10,785,000	19,301,263	30,086,263
2012-13	12,730,000	18,721,262	31,451,262
2013-14	14,175,000	18,022,438	32,197,438
2014-15	14,960,000	17,242,249	32,202,249
2015-16	15,785,000	16,418,775	32,203,775
2016-17	16,630,000	15,569,113	32,199,113
2017-18	17,525,000	14,673,750	32,198,750
2018-19	18,470,000	13,729,962	32,199,962
2019-20	19,465,000	12,735,025	32,200,025
2020-21	20,480,000	11,724,013	32,204,013
2021-22	21,525,000	10,673,475	32,198,475
2022-23	22,630,000	9,569,300	32,199,300
2023-24	23,795,000	8,408,412	32,203,412
2024-25	25,015,000	7,187,725	32,202,725
2025-26	13,710,000	5,904,413	19,614,413
2026-27	14,430,000	5,184,637	19,614,637
2027-28	15,185,000	4,427,063	19,612,063
2028-29	15,980,000	3,629,850	19,609,850
2029-30	16,820,000	2,790,900	19,610,900
2030-31	17,705,000	1,907,850	19,612,850
2031-32	18,635,000	978,338	19,613,338
	<u>\$419,615,000</u>	<u>\$408,218,078</u>	<u>\$827,833,078</u>

The City entered into a city purchase agreement with the City of Phoenix Civic Improvement Corporation for the purchase of certain improvements and expansion projects at the City's airports. The City of Phoenix Civic Improvement Corporation issued bonds for the improvements and expansion projects and the City has made a junior lien pledge of net airport revenues to make payments sufficient to pay principal of and interest on the bonds. Amounts due on the bonds and pursuant to the city purchase agreement are as follows:

**City of Phoenix Civic Improvement Corporation
Junior Lien Airport Revenue Bonded Debt Outstanding**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
05-01-02	\$159,565,000	Airport Improvements	7-1-05/29	5.46%	\$159,565,000
Total Junior Lien Airport Revenue Bonded Debt Outstanding					<u>\$159,565,000</u>

**City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Junior Lien Airport Revenue Bonded Debt**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002-03	\$ —	\$ 8,717,731	\$ 8,717,731
2003-04	—	8,717,731	8,717,731
2004-05	3,145,000	8,717,731	11,862,731
2005-06	3,300,000	8,560,481	11,860,481
2006-07	3,465,000	8,395,481	11,860,481
2007-08	3,640,000	8,222,231	11,862,231
2008-09	3,820,000	8,040,231	11,860,231
2009-10	4,030,000	7,830,131	11,860,131
2010-11	4,255,000	7,608,481	11,863,481
2011-12	4,490,000	7,374,456	11,864,456
2012-13	4,735,000	7,127,506	11,862,506
2013-14	5,000,000	6,861,163	11,861,163
2014-15	5,290,000	6,573,663	11,863,663
2015-16	5,595,000	6,269,488	11,864,488
2016-17	5,915,000	5,947,775	11,862,775
2017-18	6,260,000	5,600,269	11,860,269
2018-19	6,630,000	5,232,494	11,862,494
2019-20	7,020,000	4,842,981	11,862,981
2020-21	7,430,000	4,430,556	11,860,556
2021-22	7,820,000	4,040,481	11,860,481
2022-23	8,230,000	3,629,931	11,859,931
2023-24	8,665,000	3,197,856	11,862,856
2024-25	9,130,000	2,732,113	11,862,113
2025-26	9,620,000	2,241,375	11,861,375
2026-27	10,140,000	1,724,300	11,864,300
2027-28	10,685,000	1,179,275	11,864,275
2028-29	11,255,000	604,957	11,859,957
	<u>\$159,565,000</u>	<u>\$154,420,868</u>	<u>\$313,985,868</u>

The City entered into city purchase agreements with the City of Phoenix Civic Improvement Corporation for the acquisition of approximately 13,000 acres of agricultural land and associated water rights in McMullen Valley, as well as for certain modifications and expansions at various water treatment plants throughout the City. The City of Phoenix Civic Improvement Corporation issued bonds for the acquisition of the property and the water treatment plant modifications, and the City pledged designated Water System Revenues to make payments sufficient to pay principal and interest on the bonds. This pledge is junior to the pledge of the Net Operating Revenues for the payment of the City's outstanding water revenue bonds. Amounts due on the bonds and pursuant to the city purchase agreements are as follows:

**City of Phoenix Civic Improvement Corporation
Junior Lien Water System Revenue Debt Outstanding**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
9-01-92	\$ 31,485,000	McMullen Valley & Water Rights Refunding	8-01-97/17	5.92%	\$ 28,760,000
1-01-94	110,000,000	Water System Improvements	7-01-95/05	5.45	7,465,000
6-15-96	150,000,000	Water System Improvements	7-01-00/06	5.79	21,440,000
5-01-98	109,155,000	Water System Refunding	7-01-99/19	4.94	107,100,000
8-01-01	99,980,000	Water System Refunding	7-01-02/24	5.24	98,795,000
4-01-02	220,000,000	Water System Improvements	7-01-07/26	5.14	220,000,000
Total Junior Lien Water Revenue Bonded Debt					<u>\$483,560,000</u>

**City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Junior Lien Water System Revenue Debt Outstanding**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002-03	\$ 9,310,000	\$ 25,009,257	\$ 34,319,257
2003-04	9,235,000	24,523,325	33,758,325
2004-05	9,735,000	23,971,515	33,706,515
2005-06	10,245,000	23,409,872	33,654,872
2006-07	17,340,000	22,835,202	40,175,202
2007-08	19,120,000	22,089,073	41,209,073
2008-09	17,890,000	21,184,152	39,074,152
2009-10	19,650,000	20,281,739	39,931,739
2010-11	19,760,000	19,280,684	39,040,684
2011-12	22,900,000	18,248,459	41,148,459
2012-13	24,605,000	17,133,918	41,738,918
2013-14	25,810,000	15,832,845	41,642,845
2014-15	26,975,000	14,463,187	41,438,187
2015-16	28,205,000	13,027,312	41,232,312
2016-17	29,495,000	11,527,087	41,022,087
2017-18	28,250,000	9,959,400	38,209,400
2018-19	29,680,000	8,533,962	38,213,962
2019-20	18,380,000	6,976,400	25,356,400
2020-21	19,380,000	5,979,825	25,359,825
2021-22	20,380,000	4,980,650	25,360,650
2022-23	21,430,000	3,929,800	25,359,800
2023-24	22,535,000	2,824,700	25,359,700
2024-25	16,220,000	1,662,500	17,882,500
2025-26	17,030,000	851,500	17,881,500
	<u>\$483,560,000</u>	<u>\$338,516,364</u>	<u>\$822,076,364</u>

The City entered into a city purchase agreement with the City of Phoenix Civic Improvement Corporation for the acquisition and construction of improvements to the water system of the City. The Corporation is currently authorized to issue up to an aggregate principal amount of \$100,000,000 of its Water System Revenue Bond Anticipation Notes, Series 2003A and \$100,000,000 of its Water System Revenue Bond Anticipation Notes, Series 2003B (collectively, the "Notes"). The Notes are issued as commercial paper in varying maturities up to 270 days and are currently outstanding in an aggregate principal amount of \$100,000,000. The Notes are secured by irrevocable, direct pay letters of credit issued by Dexia Public Finance Bank, acting through its New York Agency (the "Bank"). While the City has not granted any lien on Net Operating Revenues of the water system to the owners of the Notes, under the purchase agreement, the City has granted the Bank a lien of Junior Subordinate Lien Revenues to secure its obligation to satisfy the Corporation's payment obligations under a reimbursement agreement.

**City of Phoenix Civic Improvement Corporation
Water System Revenue Bond Anticipation Notes Outstanding**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Date</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 4-9-03</u>
4-09-03	\$100,000,000	Water System Improvements	Up to 270 days	Various	<u>\$100,000,000</u>
Total Junior Subordinate Water Revenue Debt Outstanding					<u><u>\$100,000,000</u></u>

The City entered into lease and leaseback agreements with the City of Phoenix Civic Improvement Corporation for the purpose of acquiring and constructing additional wastewater treatment facilities at the 23rd Avenue Wastewater Treatment Plant and wastewater system improvements at various locations in the City. The City pledged wastewater revenues, subject to annual appropriation, to the payment of amounts due under the leaseback agreements.

**City of Phoenix Civic Improvement Corporation
Wastewater System Lease Revenue Debt Outstanding**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
01-01-93	\$250,000,000	Wastewater System Improvements	7-1-97/05	6.24%	\$ 17,720,000
10-01-93	235,735,000	Wastewater System Refunding	7-1-99/23	4.87	231,565,000
Total Wastewater System Lease Revenue Bonded Debt					<u>\$249,285,000</u>

**City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Wastewater System Lease Revenue Debt Outstanding**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002-03	\$ 6,905,000	\$ 12,334,221	\$ 19,239,221
2003-04	7,280,000	11,957,861	19,237,861
2004-05	7,685,000	11,556,511	19,241,511
2005-06	8,115,000	11,123,080	19,238,080
2006-07	8,505,000	10,733,560	19,238,560
2007-08	8,995,000	10,321,067	19,316,067
2008-09	9,490,000	9,880,313	19,370,313
2009-10	9,830,000	9,405,812	19,235,812
2010-11	10,325,000	8,914,313	19,239,313
2011-12	10,845,000	8,398,062	19,243,062
2012-13	11,385,000	7,855,813	19,240,813
2013-14	11,955,000	7,286,562	19,241,562
2014-15	12,550,000	6,688,813	19,238,813
2015-16	13,180,000	6,061,312	19,241,312
2016-17	13,835,000	5,402,313	19,237,313
2017-18	14,530,000	4,710,562	19,240,562
2018-19	15,255,000	3,984,062	19,239,062
2019-20	15,980,000	3,259,450	19,239,450
2020-21	16,740,000	2,500,400	19,240,400
2021-22	17,535,000	1,705,250	19,240,250
2022-23	18,365,000	872,337	19,237,337
	<u>\$249,285,000</u>	<u>\$154,951,674</u>	<u>\$404,236,674</u>

The City has entered into purchase agreements with the City of Phoenix Civic Improvement Corporation for improvements to the City's wastewater system. The City of Phoenix Civic Improvement Corporation issued the bonds for odor control facilities, process improvements and capacity expansions of the 91st Avenue Wastewater Treatment Plant, laboratory building improvements at the 23rd Avenue Wastewater Treatment Plant, purchase of land and construction of water reclamation facilities in the northern service area, new sewers and lift stations in growth areas and rehabilitation and replacement of sewers throughout the wastewater system. The City has made a junior lien pledge of designated revenues of the wastewater system to make payments sufficient to pay principal of and interest on the bonds. Amounts due on the bonds are as follows:

**City of Phoenix Civic Improvement Corporation
Junior Lien Wastewater System Revenue Debt Outstanding**

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 1-1-03</u>
7-01-97	\$ 75,000,000	Wastewater System Improvements	7-1-03/17	5.33%	\$ 26,645,000
6-01-00	135,000,000	Wastewater System Improvements	7-1-05/10	6.01	25,690,000
7-01-01	166,260,000	Wastewater System Refunding	7-1-02/24	5.14	165,640,000
Total Junior Lien Wastewater System Revenue Bonded Debt					<u>\$217,975,000</u>

**City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Junior Lien Wastewater System Revenue Debt Outstanding**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002-03	\$ 2,840,000	\$ 11,418,605	\$ 14,258,605
2003-04	2,960,000	11,290,804	14,250,804
2004-05	6,810,000	11,157,604	17,967,604
2005-06	7,200,000	10,773,510	17,973,510
2006-07	4,600,000	10,367,328	14,967,328
2007-08	6,460,000	10,103,763	16,563,763
2008-09	8,225,000	9,744,904	17,969,904
2009-10	8,680,000	9,292,256	17,972,256
2010-11	9,160,000	8,812,081	17,972,081
2011-12	9,645,000	8,331,181	17,976,181
2012-13	10,160,000	7,812,763	17,972,763
2013-14	10,700,000	7,266,663	17,966,663
2014-15	11,275,000	6,696,388	17,971,388
2015-16	11,875,000	6,095,462	17,970,462
2016-17	12,510,000	5,462,556	17,972,556
2017-18	13,175,000	4,795,800	17,970,800
2018-19	13,865,000	4,104,113	17,969,113
2019-20	14,560,000	3,410,863	17,970,863
2020-21	15,290,000	2,682,862	17,972,862
2021-22	16,075,000	1,899,250	17,974,250
2022-23	10,690,000	1,095,500	11,785,500
2023-24	11,220,000	561,000	11,781,000
	<u>\$217,975,000</u>	<u>\$153,175,256</u>	<u>\$371,150,256</u>

The City entered into a city purchase agreement with the City of Phoenix Civic Improvement Corporation for the acquisition and construction of improvements to the wastewater system of the City. The Corporation is currently authorized to issue up to an aggregate principal amount of \$100,000,000 of its Wastewater System Revenue Bond Anticipation Notes, Series 2003 (the "Notes"). The Notes are issued as commercial paper in varying maturities up to 270 days and are currently outstanding in an aggregate principal amount of \$60,000,000. The Notes are secured by an irrevocable, direct pay letter of credit issued by Bank of America N.A. (the "Bank"). While the City has not granted any lien on Net Operating Revenues of the wastewater system to the owners of the Notes, under the purchase agreement, the City has granted the Bank a lien of Junior Subordinate Lien Revenues to secure its obligation to satisfy the Corporation's payment obligations under a reimbursement agreement.

City of Phoenix Civic Improvement Corporation
Wastewater System Revenue Bond Anticipation Notes Outstanding

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 4-1-03</u>
3-26-03	\$ 60,000,000	Wastewater System Improvements	Up to 270 days	Various	<u>\$60,000,000</u>
Total Junior Subordinate Wastewater System Revenue Debt Outstanding					<u>\$60,000,000</u>

SHORT-TERM DEBT

The City has no short-term indebtedness outstanding other than that normally occurring such as accounts payable, accrued payroll and other related expenses which have current revenues for their payment.

CONTRACTUAL COMMITMENTS

The City provides public transit service through contracts with ATC Management Services Inc, Arnett Transportation Services, MV Transportation, Laidlaw Transit Services and the Regional Public Transportation Authority. The estimated liability for all five contracts through June 30, 2003 is \$87,738,000, of which approximately 9.2% is to be reimbursed by other local governmental entities who have contracted for service.

The City annually applies for a Federal Transit Formula Grant from the Department of Transportation, Federal Transit Administration. The grant provides from 80% to 94.3% federal funding for capital projects in the approved program of projects. The City has been the recipient of Federal Transit grants since 1975. The City has also been receiving State of Arizona aid since 1981-82 for transportation projects under the provisions of the Local Transportation Assistance Fund (LTAF) funded from a portion of the State lottery receipts. Continuation of the State lottery through July 2012 was approved by the voters in November 2002. The State aid, along with the City's general revenues and transit sales tax, will be the source of required local funds to match the awarded grants.

In addition, on August 31, 1998 former Governor Jane Hull signed into law a transit funding bill. The bill provides new state funding for public transit through fiscal year 2003. The bill also changed the distribution of Power Ball lottery funding from the Regional Public Transportation Authority directly to the cities and towns in Maricopa County based on population.

On March 14, 2000 City of Phoenix residents approved a 0.4% 20-year sales tax dedicated to transit improvements. Transit improvements include expanded local bus and Dial-A-Ride service, bus rapid transit service, neighborhood circulators, and the construction and operation of a light rail line. In addition, the tax will provide funding for 500 bus pull-outs, 100 miles of bike lanes and left-turn arrows at all major intersections. Voters approved the tax by a 2 to 1 margin providing an estimated \$2.9 billion in funding through May 31, 2020.

SUMMARY OF AUTHORIZED, ISSUED AND UNISSUED BONDS

<u>Purpose</u>	<u>Original Authorization⁽¹⁾</u>	<u>Bonds Issued</u>	<u>Remaining Authorization</u>
GENERAL OBLIGATION BONDS:			
Affordable Housing and Service Facilities	\$ 43,700,000	\$ 5,000,000	\$ 38,700,000
Education, Youth and Family Cultural Facilities	66,300,000	7,300,000	59,000,000
Computer Technology	125,300,000	51,500,000	73,800,000
Environmental Cleanup	24,800,000	5,300,000	19,500,000
Fire Protection	61,500,000	3,000,000	58,500,000
Freeway Mitigation, Neighborhood Stabilization and Slum and Blight Elimination	29,285,000	25,985,000	3,300,000
Historic Preservation	12,000,000	1,700,000	10,300,000
Library Facilities	33,000,000	700,000	32,300,000
Neighborhood Protection and Senior Centers	74,000,000	7,140,000	66,860,000
Parks, Open Space and Recreational Facilities	77,000,000	5,500,000	71,500,000
Police Protection	123,140,000	46,860,000	76,280,000
Street Improvements	114,335,000	23,725,000	90,610,000
Storm Sewer Systems and Flood Protection	201,000,000	137,543,000	63,457,000
Total General Obligation Bonds	<u>\$985,360,000</u>	<u>\$321,253,000</u>	<u>\$664,107,000</u>

(1) This is the original authorization of those 1984, 1988 and 2001 authorizations which still have a portion unissued.

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2002-07 CAPITAL IMPROVEMENT PROGRAM SUMMARY

The City Charter requires a Capital Improvement Program (CIP) be prepared in conjunction with the annual budget. The CIP is a multi-year plan for capital expenditures needed to replace and expand public infrastructure. The program is updated annually to reflect the latest priorities, cost estimates, and funding sources. The first year of the multi-year plan is appropriated as the annual capital budget.

Formal City Council adoption of the Capital Improvement Program indicates the City's commitment to the five-year plan, but does not in itself authorize expenditures. The necessary funding mechanisms must be adopted each year to pay for the improvements. The City Council authorized two sets of appropriations for the 2002-03 capital budget, which is the first year of the CIP: (1) authorization for the 2002-03 capital projects financed with bonds and bond-related funds; and (2) authorization for all 2002-03 pay-as-you-go projects financed with operating funds.

The 2002-07 CIP, which is summarized on pages B-32 and B-33, totals \$4.01 billion, and will be funded by 1988, 1989 and 2001 bond authorizations, operating funds, Federal aid and other long-term financings. The CIP was adopted by the Phoenix City Council in June of 2002.

**Summary of 2002-07 Capital Improvement Program
All Sources of Funds**

Program	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Arts and Cultural Facilities	\$ 25,696,000	\$ 14,700,000	\$ 616,000	\$ 732,000	\$ —	\$ 41,744,000
Aviation	344,045,000	42,485,000	11,025,000	25,000	25,000	397,605,000
Civic Plaza	27,829,000	40,119,000	86,644,000	96,344,000	88,701,000	339,637,000
Economic Development	49,363,000	11,350,000	2,850,000	3,350,000	2,050,000	68,963,000
Energy Conservation	1,763,000	1,430,000	1,450,000	1,450,000	1,450,000	7,543,000
Facilities Management	26,189,000	10,545,000	4,845,000	7,374,000	225,000	49,178,000
Fire Protection	16,662,000	9,932,000	20,771,000	18,211,000	—	65,576,000
Freeway Mitigation	4,775,000	2,936,000	2,502,000	1,816,000	—	12,029,000
Historic Preservation	4,900,000	1,800,000	4,400,000	4,400,000	—	15,500,000
HOPE	34,000,000	—	—	—	—	34,000,000
Housing	18,352,000	14,815,000	13,333,000	11,453,000	4,984,000	62,937,000
Human Services	1,260,000	6,200,000	8,600,000	9,900,000	—	25,960,000
Information Technology	59,965,000	15,693,000	2,100,000	2,200,000	—	79,958,000
Libraries	10,468,000	8,622,000	3,557,000	11,192,000	414,000	34,253,000
Neighborhood Services	23,223,000	7,400,000	6,200,000	4,900,000	—	41,723,000
Parks and Recreation and Mountain Preserves	105,959,000	64,733,000	31,181,000	41,853,000	23,892,000	267,618,000
Police Protection	7,190,000	20,500,000	36,800,000	31,100,000	—	95,590,000
Public Transit	137,144,000	196,035,000	12,918,000	14,924,000	24,265,000	385,286,000
Solid Waste Disposal	29,457,000	59,913,000	16,632,000	3,349,000	3,440,000	112,791,000
Storm Sewers	18,354,000	21,645,000	19,172,000	14,414,000	1,500,000	75,085,000
Streets — Major Streets	73,685,000	49,757,000	53,525,000	44,505,000	29,650,000	251,122,000
Streets — Other Streets	43,491,000	34,010,000	35,196,000	36,454,000	36,454,000	185,605,000
Streets — Traffic Improvements	14,362,000	9,958,000	10,073,000	13,497,000	10,324,000	58,214,000
Wastewater	209,834,000	46,999,000	42,477,000	48,885,000	54,870,000	403,065,000
Water	241,427,000	319,733,000	146,049,000	82,674,000	109,081,000	898,964,000
Total CIP Costs	\$1,529,393,000	\$1,011,310,000	\$572,916,000	\$505,002,000	\$391,325,000	\$4,009,946,000

Source of Funds	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Operating Funds:						
General Fund	\$ —	\$ 6,540,000	\$ 4,475,000	\$ 3,970,000	\$ 1,595,000	\$ 16,580,000
Parks and Preserves	43,637,000	43,401,000	11,047,000	21,564,000	23,472,000	143,121,000
Transit 2000	124,945,000	180,747,000	5,718,000	7,649,000	10,548,000	329,607,000
Capital Construction	28,477,000	20,216,000	21,402,000	22,660,000	22,660,000	115,415,000
Sports Facilities	750,000	5,500,000	—	—	—	6,250,000
Development Services	63,000	—	—	—	—	63,000
Arizona Highway Users	76,390,000	57,283,000	54,864,000	54,689,000	54,815,000	298,041,000
Community Reinvestment	5,051,000	3,850,000	1,050,000	1,050,000	1,050,000	12,051,000
Other Restricted Funds	1,084,000	85,000	370,000	—	—	1,539,000
Enterprise Funds:						
Aviation	27,451,000	9,308,000	25,000	25,000	25,000	36,834,000
Civic Plaza	3,320,000	2,521,000	2,244,000	3,044,000	3,991,000	15,120,000
Solid Waste	3,059,000	1,626,000	2,260,000	2,250,000	2,500,000	11,695,000
Wastewater	16,462,000	15,891,000	22,206,000	14,421,000	27,446,000	96,426,000
Water	59,127,000	56,238,000	65,449,000	70,723,000	55,355,000	306,892,000
Community Development Block Grants (CDBG)	3,019,000	600,000	600,000	600,000	200,000	5,019,000
HOPE VI Grant	34,000,000	—	—	—	—	34,000,000
Federal and State Grants	1,789,000	—	—	—	—	1,789,000
Total Operating Funds	\$ 428,624,000	\$ 403,806,000	\$191,710,000	\$202,645,000	\$203,657,000	\$1,430,442,000
Bond Funds:						
Property Tax Supported:						
1988 Various Purpose	\$ 15,051,000	\$ 751,000	\$ 1,548,000	\$ 816,000	\$ —	\$ 18,166,000
1989 Historic Preservation	2,035,000	—	—	—	—	2,035,000
2001 Various Purpose	191,749,000	158,116,000	164,188,000	150,923,000	414,000	665,390,000
Revenue Supported:						
1981 Various Purpose	508,000	—	—	—	—	508,000
1988 Various Purpose	800,000	—	—	—	—	800,000
Non-Profit Corporation Bonds:						
Aviation	207,513,000	15,000,000	10,000,000	—	—	232,513,000
Civic Plaza	25,147,000	36,100,000	74,050,000	87,000,000	84,710,000	307,007,000
Wastewater	114,331,000	18,543,000	12,313,000	25,131,000	23,334,000	193,652,000
Water	174,351,000	262,211,000	78,518,000	11,086,000	50,762,000	576,928,000
Total Bond Funds	\$ 731,485,000	\$ 490,721,000	\$340,617,000	\$274,956,000	\$159,220,000	\$1,996,999,000
Other Capital Sources:						
Development Impact Fees	\$ 29,624,000	\$ —	\$ —	\$ —	\$ —	\$ 29,624,000
Lease Purchase	103,096,000	59,621,000	14,578,000	1,000,000	1,000,000	179,295,000
Passenger Facility Charge	21,610,000	13,800,000	1,000,000	—	—	36,410,000
Other Cities' Share:						
SROG and Val Vista	84,192,000	14,538,000	10,541,000	10,697,000	7,553,000	127,521,000
Public Safety/Service Radio System and Other	1,602,000	1,516,000	—	—	—	3,118,000
Solid Waste Remediation	5,027,000	752,000	784,000	1,073,000	940,000	8,576,000
Capital Grants	109,941,000	26,103,000	13,233,000	12,528,000	18,502,000	180,307,000
Federal, State & Other Participation	9,155,000	453,000	453,000	2,103,000	453,000	12,617,000
Capital Reserves	5,037,000	—	—	—	—	5,037,000
Total Other Capital Funds	\$ 369,284,000	\$ 116,783,000	\$ 40,589,000	\$ 27,401,000	\$ 28,448,000	\$ 582,505,000
Total CIP Source of Funds	\$1,529,393,000	\$1,011,310,000	\$572,916,000	\$505,002,000	\$391,325,000	\$4,009,946,000

**COMBINED SCHEDULES OF REVENUES, EXPENDITURES AND ENCUMBRANCES,
FUND BALANCES AND TRANSFERS — ALL OPERATING FUNDS**

**City of Phoenix, Arizona
Schedules of Revenues, Expenditures and Encumbrances
All Operating Funds
(Unaudited, Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)**

	Actual			Estimated 2003(1)
	2000	2001	2002	
REVENUES				
City Taxes				
Sales, Use and Franchise	\$ 416,431	\$ 514,522	\$ 516,011	\$ 523,482
Property-Primary-Operating	56,214	59,586	61,818	65,478
-Secondary-Debt Service	65,017	71,342	81,559	89,948
Other City Taxes	2,124	2,025	2,377	2,413
Other				
Licenses and Permits	12,310	12,988	13,522	9,424
Charges for Services	67,715	109,662	119,529	99,667
Fines and Forfeitures	15,292	15,323	13,825	17,377
Parks, Recreation and Library	4,573	4,458	5,351	4,836
Dwelling Rentals	6,761	6,794	6,818	6,642
Interest	16,723	25,583	22,533	15,451
Community Reinvestment	1,509	1,740	2,777	2,378
Other	31,706	20,907	15,819	24,981
State-Shared Revenues				
Highway User Tax	100,348	102,598	100,405	103,300
State Sales Tax	101,708	105,331	102,211	104,620
State Income Tax	127,374	133,684	137,787	140,606
Vehicle License Tax	41,243	43,221	45,844	49,700
Local Transportation Assistance	7,483	7,336	7,499	7,387
Federal Revenues				
Human Resources Federal Trust	35,933	35,871	38,771	38,496
Federal Transit Administration	6,230	17,161	18,301	7,624
Community Development	15,727	16,821	17,692	26,577
Public Housing Grants	40,293	43,337	49,066	52,982
HOPE Grants	—	—	—	34,000
Other Grants	15,928	24,505	21,918	13,533
Federal Administrative Cost Recovery	56	94	69	75
Enterprise Funds				
Aviation	186,662	193,318	196,603	212,860
Phoenix Civic Plaza	9,586	10,553	11,005	11,222
Water System and Val Vista	217,872	227,822	236,084	230,244
Wastewater and SROG	113,566	125,918	126,098	125,260
Solid Waste	80,717	85,630	88,221	92,485
Golf Courses	6,800	7,430	7,450	7,561
Total Revenues	<u>1,803,901</u>	<u>2,025,560</u>	<u>2,066,963</u>	<u>2,120,609</u>
RECOVERIES				
Prior Year Expenditures	11,153	12,066	7,280	3,555
TRANSFERS (TO) FROM OTHER FUNDS				
Self Insurance Trust Funds	—	—	156	5,350
Expendable Trust Funds	—	—	1,240	—
Capital Projects Funds	(8,642)	(2,533)	(31,476)	—
Sick Leave Trust Fund	(1,624)	(1,700)	(1,362)	—
Early Redemption Fund	(5,160)	(5,740)	(17,320)	(2,400)
Developers Assistance Fund	(3,500)	(1,500)	5,750	—
GO Arbitrage Rebate Debt Service Fund	—	—	61	—
Net Deposit to Refunding Escrow	—	—	(5,262)	—
FUND BALANCES, BEGINNING OF YEAR	<u>375,974</u>	<u>454,044</u>	<u>566,145</u>	<u>590,400</u>
Total Resources Available for Expenditures	<u>2,172,102</u>	<u>2,480,197</u>	<u>2,592,175</u>	<u>2,717,514</u>

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Schedules of Revenues, Expenditures and Encumbrances
All Operating Funds
(Unaudited, Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

	2000	Actual 2001	2002	Estimated 2003(1)
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
General Government	\$ 84,500	\$ 86,338	\$ 86,438	\$ 81,015
Criminal Justice	307,808	326,062	336,420	373,011
Public Safety	144,887	149,821	157,265	167,612
Transportation				
Streets and Traffic	47,641	50,451	48,257	54,415
Transit	49,096	85,260	99,123	114,115
Public Works	16,119	18,054	14,009	15,658
Community and Economic Development				
Development Services	24,979	27,918	30,405	33,808
Neighborhood Services and Housing	73,318	76,748	82,602	108,434
Other Economic Development	9,814	15,822	17,100	20,102
Community Enrichment				
Parks and Recreation	72,766	78,545	79,409	90,945
Libraries	23,162	25,893	26,863	30,415
Other Community Enrichment	5,713	5,255	10,063	6,074
Human Services	52,116	56,119	60,356	62,418
Total Governmental Expenditures	911,919	1,002,286	1,048,310	1,158,022
Enterprise Funds				
Aviation	90,011	99,298	119,222	139,548
Phoenix Civic Plaza	28,848	30,143	24,247	34,830
Water System and Val Vista	94,789	100,164	110,914	120,834
Wastewater and SROG	53,058	52,077	54,424	54,740
Solid Waste	59,791	59,289	69,332	79,184
Golf Courses	6,733	6,950	6,567	6,766
Total Operating Expenditures	1,245,149	1,350,207	1,433,016	1,593,924
Capital Improvement				
Governmental Funds				
General Government	259	3,481	506	764
Public Safety	633	3,106	863	—
Transportation	57,792	92,010	135,399	230,377
Public Works	8,248	3,806	1,517	124
Community and Economic Development	2,469	6,375	3,290	43,231
Community Enrichment	4,359	26,623	24,662	44,707
Enterprise Funds				
Aviation	35,114	43,734	33,578	27,451
Phoenix Civic Plaza	6,415	4,474	2,943	3,320
Water System and Val Vista	32,467	44,703	52,564	59,127
Wastewater and SROG	14,633	19,356	26,801	16,462
Solid Waste	2,122	2,019	2,687	3,059
Golf Courses	341	62	9	—
Total Capital Expenditures	164,852	249,749	284,819	428,622

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Schedules of Revenues, Expenditures and Encumbrances
All Operating Funds
(Unaudited, Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

		Actual		Estimated
	2000	2001	2002	2003(1)
Debt Service				
General Obligation Bonds				
Various Purpose				
Principal	\$ 27,860	\$ 28,070	\$ 27,799	\$ 26,750
Interest	34,553	33,705	30,161	36,612
Early Redemption	3,290	10,507	4,082	4,066
Arbitrage Rebate and Fees	2	2	162	—
Airport				
Principal	6,195	3,270	—	3,250
Interest	2,800	2,430	1,898	1,879
Water				
Principal	14,538	14,525	12,655	12,240
Interest	10,513	9,620	8,786	8,181
Solid Waste				
Principal	5,160	5,380	6,325	6,495
Interest	3,504	3,962	2,860	2,802
Sanitary Sewer				
Principal	12,712	9,310	5,650	6,378
Interest	6,061	4,656	4,200	4,013
Revenue Bonds				
Street & Highway User				
Principal	19,966	17,775	18,615	11,395
Interest	16,034	15,223	13,270	11,896
Public Housing				
Principal	310	335	345	370
Interest	232	215	195	174
Airport				
Principal	14,460	15,380	—	8,270
Interest	5,525	4,741	3,895	33,747
Water				
Principal	13,025	13,410	15,030	15,190
Interest	16,955	16,304	16,386	25,850
Sanitary Sewer				
Principal	—	—	620	2,840
Interest	4,001	12,607	11,232	11,419
Total Debt Service	217,696	221,427	184,166	233,817
Lease-Purchase Payments	90,361	92,669	99,774	103,892
Total Expenditures and Encumbrances	1,718,058	1,914,052	2,001,775	2,360,255
FUND BALANCES, END OF YEAR	\$ 454,044	\$ 566,145	\$ 590,400	\$ 357,259

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Fund Balances
All Operating Funds
(Unaudited, Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)

<u>Funds</u>	<u>Actual</u>			<u>Estimated 2003(1)</u>
	<u>2000</u>	<u>2001</u>	<u>2002</u>	
GENERAL FUND	\$ 59,206	\$ 46,478	\$ 52,688	\$ 49,781
SPECIAL REVENUE FUNDS				
Highway User Revenue	26,440	41,861	38,062	15,680
Parks and Recreation	12,377	14,200	20,011	663
Development Services	10,479	13,190	15,346	11,643
Development Fees and Participations	24,083	35,023	54,366	20,174
Local Transportation Assistance	—	—	236	360
Transit	12,193	64,685	83,288	13,143
Public Housing	22,049	25,009	25,949	5,025
Court Awards	147	3,080	4,001	3,961
Sports Facilities	4,761	5,662	8,416	11,366
Capital Construction	19,171	19,453	19,770	8,989
Other Restricted	—	—	1,240	2,358
DEBT SERVICE FUNDS				
Secondary Property Tax	100	100	100	100
ENTERPRISE FUNDS				
Aviation	42,942	50,372	45,545	36,178
Phoenix Civic Plaza	19,179	21,300	24,814	25,914
Water System and Val Vista	131,169	149,073	126,634	98,868
Wastewater and SROG	57,177	57,695	51,598	40,015
Solid Waste	11,691	18,749	18,247	12,823
Golf Courses	880	215	89	218
Total Operating Funds	<u>\$454,044</u>	<u>\$566,145</u>	<u>\$590,400</u>	<u>\$357,259</u>

(1) Based on seven months' actual data, with balance of year estimated.

The fund balances shown above are net of interfund transfers, which include transfers to the General Fund of staff and administrative costs from the Aviation, Civic Plaza, Water System, Wastewater and Solid Waste Enterprise Funds and in-lieu taxes from the Water System, Wastewater and Solid Waste Enterprise Funds and the Public Housing Special Revenue Fund. A schedule detailing all operating fund transfers is shown on the following pages.

City of Phoenix, Arizona
Transfers
All Operating Funds
(Unaudited, Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)

	<u>2000</u>	<u>Actual</u> <u>2001</u>	<u>2002</u>	<u>Estimated</u> <u>2003(1)</u>
GENERAL FUND				
<i>Transfers From</i>				
Excise Tax	\$538,896	\$561,134	\$563,266	\$575,786
Cable Communications	2,755	2,850	1,354	1,610
Development Services	5,440	6,379	3,079	3,584
Public Housing	285	278	270	262
Sports Facilities	157	150	153	224
Transit	—	988	—	—
Aviation	3,276	3,541	3,605	4,840
Phoenix Civic Plaza	2,142	2,155	2,281	2,052
Water System and Val Vista	11,382	11,579	12,432	13,480
Wastewater and SROG	6,251	6,983	7,560	7,752
Solid Waste	4,305	4,490	4,643	4,542
Industrial Insurance	—	—	156	5,350
Total	574,889	600,527	598,799	619,482
<i>Transfers To</i>				
Library	22,570	25,216	25,403	28,699
Parks and Recreation	63,607	69,318	67,263	75,939
Transit	29,852	—	—	—
Capital Projects	4,642	—	—	—
Sick Leave Trust	1,225	1,336	972	—
Total	121,896	95,870	93,638	104,638
LIBRARY				
<i>Transfers From</i>				
General	22,570	25,216	25,403	28,699
PARKS AND RECREATION				
<i>Transfers From</i>				
General	63,607	69,318	67,263	75,939
Excise Tax	14,297	21,986	22,081	22,201
Golf Courses	155	169	—	401
Total	78,059	91,473	89,344	98,541
EXCISE TAX				
<i>Transfers To</i>				
General	538,896	561,134	563,266	575,786
Parks and Recreation	14,297	21,986	22,081	22,201
Transit	7,089	85,663	87,918	88,806
Sports Facilities	12,624	12,683	11,296	12,242
Capital Construction	16,447	18,409	18,447	18,000
City Improvement	17,645	16,878	18,239	17,627
Phoenix Civic Plaza	37,465	37,799	37,030	36,576
Developers Assistance	3,500	1,500	300	—
Total	647,963	756,052	758,577	771,238

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Transfers
All Operating Funds
(Unaudited, Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

	<u>2000</u>	<u>Actual</u> <u>2001</u>	<u>2002</u>	<u>Estimated</u> <u>2003(1)</u>
CABLE COMMUNICATIONS				
<i>Transfers To</i>				
General	\$ 2,755	\$ 2,850	\$ 1,354	\$ 1,610
DEVELOPMENT SERVICES				
<i>Transfers To</i>				
General	5,440	6,379	3,079	3,584
DEVELOPMENT FEES & PARTICIPATION				
<i>Transfers From</i>				
Developers Assistance	—	—	6,050	—
TRANSIT				
<i>Transfers To</i>				
General	—	988	—	—
City Improvement	—	799	809	812
Total	—	1,787	809	812
<i>Transfers From</i>				
General	29,852	—	—	—
Excise Tax	7,089	85,663	87,918	88,806
Total	36,941	85,663	87,918	88,806
PUBLIC HOUSING				
<i>Transfers To</i>				
General	285	278	270	262
Capital Projects	—	—	740	—
Total	285	278	1,010	262
<i>Transfers From</i>				
Capital Projects	—	—	333	—
SPORTS FACILITIES				
<i>Transfers To</i>				
General	157	150	153	224
Early Redemption	2,160	5,740	2,320	2,400
Capital Projects	4,000	—	—	—
Total	6,317	5,890	2,473	2,624
<i>Transfers From</i>				
Excise Tax	12,624	12,683	11,296	12,242
CAPITAL CONSTRUCTION				
<i>Transfers From</i>				
Excise Tax	16,447	18,409	18,447	18,000
OTHER RESTRICTED				
<i>Transfers From</i>				
Expendable Trusts	—	—	1,240	—
SECONDARY PROPERTY TAX				
<i>Transfers To</i>				
Early Redemption	—	—	15,000	—
<i>Transfers From</i>				
G.O. Arbitrage Rebate	—	—	61	—
CITY IMPROVEMENT				
<i>Transfers From</i>				
Excise Tax	17,645	16,878	18,239	17,627
Transit	—	799	809	812
Total	17,645	17,677	19,048	18,439

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Transfers
All Operating Funds
(Unaudited, Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

	<u>2000</u>	<u>Actual 2001</u>	<u>2002</u>	<u>Estimated 2003(1)</u>
G.O. ARBITRAGE REBATE				
<i>Transfers To</i>				
Secondary Property Tax	\$ —	\$ —	\$ 61	\$ —
INDUSTRIAL INSURANCE				
<i>Transfers To</i>				
General	—	—	156	5,350
EXPENDABLE TRUSTS				
<i>Transfers To</i>				
Other Restricted Special Revenue	—	—	1,240	—
CAPITAL PROJECTS				
<i>Transfers To</i>				
Public Housing	—	—	333	—
Civic Plaza	—	—	8	—
Total	—	—	341	—
<i>Transfers From</i>				
General	4,642	—	—	—
Sports Facilities	4,000	—	—	—
Public Housing	—	—	740	—
Solid Waste	—	2,533	1,077	—
Water System and Val Vista	—	—	30,000	—
Total	8,642	2,533	31,817	—
AVIATION				
<i>Transfers To</i>				
General	3,276	3,541	3,605	4,840
Sick Leave Trust	116	48	43	—
Total	3,392	3,589	3,648	4,840
PHOENIX CIVIC PLAZA				
<i>Transfers From</i>				
Excise Tax	37,465	37,799	37,030	36,576
Capital Projects	—	—	8	—
Total	37,465	37,799	37,038	36,576
<i>Transfers To</i>				
General	2,142	2,155	2,281	2,052
Sick Leave Trust	—	9	29	—
Total	2,142	2,164	2,310	2,052
WATER SYSTEM AND VAL VISTA				
<i>Transfers To</i>				
General	11,382	11,579	12,432	13,480
Capital Projects	—	—	30,000	—
Sick Leave Trust	106	182	241	—
Total	11,488	11,761	42,673	13,480
WASTEWATER AND SROG				
<i>Transfers To</i>				
General	6,251	6,983	7,560	7,752
Sick Leave Trust	63	71	28	—
Total	6,314	7,054	7,588	7,752

(1) Based on seven months' actual data, with balance of year estimated.

City of Phoenix, Arizona
Transfers
All Operating Funds
(Unaudited, Non-GAAP Budgetary Basis)
Fiscal Years Ended June 30
(in thousands)
(Continued)

		<u>Actual</u>		<u>Estimated</u>
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003(1)</u>
SOLID WASTE				
<i>Transfers To</i>				
General	\$ 4,305	\$ 4,490	\$ 4,643	\$ 4,542
Capital Projects	—	2,533	1,077	—
Early Redemption	3,000	—	—	—
Sick Leave Trust	114	54	41	—
Total	7,419	7,077	5,761	4,542
GOLF COURSES				
<i>Transfers To</i>				
Parks and Recreation	155	169	—	401
Sick Leave Trust	—	—	8	—
Total	155	169	8	401
SICK LEAVE TRUST				
<i>Transfers From</i>				
General	1,225	1,336	972	—
Aviation	116	48	43	—
Water System and Val Vista	106	182	241	—
Wastewater and SROG	63	71	28	—
Civic Plaza	—	9	29	—
Solid Waste	114	54	41	—
Golf	—	—	8	—
Total	1,624	1,700	1,362	—
EARLY REDEMPTION				
<i>Transfers From</i>				
Sports Facilities	2,160	5,740	2,320	2,400
Secondary Property Tax	—	—	15,000	—
Solid Waste	3,000	—	—	—
Total	5,160	5,740	17,320	2,400
DEVELOPERS ASSISTANCE				
<i>Transfers From</i>				
Excise Tax	3,500	1,500	300	—
<i>Transfers To</i>				
Development Fees & Participation	—	—	6,050	—
Total Transfers From	<u>\$815,566</u>	<u>\$900,920</u>	<u>\$945,776</u>	<u>\$923,185</u>
Total Transfers To	<u>\$815,566</u>	<u>\$900,920</u>	<u>\$945,776</u>	<u>\$923,185</u>

(1) Based on seven months' actual data, with balance of year estimated.

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APPENDIX C

CITY SALES AND STATE SHARED REVENUES

The following information was compiled from annual financial reports of the City and from information provided by the City's Finance Department.

City Privilege License (Sales) Taxes

The City's privilege license (sales) tax rate for most business activity categories is 1.8%, while the rate for utilities is 2.7%, advertising is 0.5%, transient room rental is 4.8%, short-term car rental is 3.8%, telecommunications is 4.7% and commercial real estate rental is 1.9%. The City collected \$367,234,000 from all privilege license tax categories in fiscal year 1998-99, \$416,431,000 in fiscal year 1999-00, \$514,522,000 in fiscal year 2000-01 and \$516,011,000 in fiscal year 2001-02. The estimate for 2002-03 is \$523,482,000.

Privilege License Tax Rates by Category

<u>Category</u>	<u>Rate(1)</u>
Amusement	1.8%
Advertising	0.5
Contracting	1.8
Printing	1.8
Publishing	1.8
Hotel/Motel	4.8
Apartments/Rooming Homes/Trailer Courts	1.8
Commercial Real Estate Rentals	1.9
Residential Real Estate Rentals	1.8
Mining	0.1
Restaurants and Bars	1.8
Retail	1.8(2)
Short-Term Car Rental	3.8
Telecommunications	4.7
Transportation	1.8
Leasing/Rental of Tangible Personal Property	1.8
Utilities	2.7

- (1) On October 5, 1993, City of Phoenix voters approved a 0.1% increase in the City's privilege license (sales) tax rate. The revenues produced by the increase must be used to add police officers and firefighters and to expand neighborhood programs designed to deter crime. The increase affects all privilege license tax categories except advertising, utilities and mining and became effective December 1, 1993. The increase generated \$14.5 million in 1994-95, \$16.4 million in 1995-96, \$17.5 million in 1996-97, \$18.5 million in 1997-98, \$20.3 million in 1998-99, \$21.8 million in 1999-00, \$22.1 million in 2000-01 and \$22.2 million in 2001-02. The estimate for 2002-03 is \$22.2 million.

On September 7, 1999, City of Phoenix voters approved a 0.1% increase in the City's privilege license (sales) tax rate to be levied for a 10-year period. The revenues produced by the increase will be used for the acquisition of desert preserve open space and the development and improvement of regional and neighborhood parks located within the City. The increase affects all privilege license tax categories except advertising, utilities, cable television, jet fuel, telecommunications, and mining and became effective November 1, 1999. The increase generated \$14.3 million in 1999-00, \$21.9 million in 2000-01, \$22.1 million in 2001-02 and is expected to generate \$22.2 million in 2002-03.

On March 14, 2000, City of Phoenix voters approved a 0.4% increase in the City's privilege license (sales) tax rate to be levied for a 20-year period. The revenues produced by the increase will be used for expanded bus service, the construction of a light rail system and other transportation improvements. The increase affects all privilege license tax categories except advertising, utilities, cable television, jet fuel,

telecommunications, and mining and became effective June 1, 2000. The increase generated \$7.1 million in 1999-00, \$85.6 million in 2000-01, \$88.0 million in 2001-02 and is expected to generate \$88.8 million in 2002-03.

- (2) Sales of food are exempt from the 1.8% tax.

State Shared Revenues

The City received a total of \$350,405,000 in State-shared revenues in fiscal year 1998-99, \$378,156,000 in fiscal year 1999-00, \$392,170,000 in fiscal year 2000-01 and \$393,746,000 in fiscal year 2001-02. The estimate for 2002-03 is \$405,613,000.

State Sales Tax

Effective July 1, 1986 the State sales tax became a combined tax, including the previous transaction privilege tax, education excise tax, special education excise tax and business excise tax. Cities throughout Arizona share 25% of the "distribution share" of such combined tax revenues in relation to their population as shown by the latest census.

State Sales Tax Taxable Activities, Tax Rates and Distribution Share

<u>Taxable Activities</u>	<u>Combined Tax Rate</u>	<u>Distribution Share</u>
Mining — Severance	2.5%	80%
Mining, Oil & Gas	3.125	32
Transportation & Towing	5.6	20
Utilities	5.6	20
Communications	5.6	20
Railroads & Aircraft	5.6	20
Publishing	5.6	20
Printing	5.6	20
Private Car/Pipelines	5.6	20
Contracting	5.6	20
Restaurants & Bars	5.6	40
Amusements	5.6	40
Rentals/Personal Property	5.6	40
Retail(1)	5.6	40
Hotel/Motel	5.5	50
Membership Camping	5.6	40
Rental Occupancy	3	66.67
Use	5.6	0
Jet Fuel (1st 10 million Gallons)	\$0.0305/gal	40
Timbering — Ponderosa Pine	\$2.13/1,000 board ft.	80
Timbering — Severance — Other	\$1.51/1,000 board ft.	80

- (1) Effective July 1, 1980 sales of food were exempted from the tax.

State Sales Tax Receipts

<u>Fiscal Year</u>	<u>Amount</u>
2002-03 Estimated	\$104,620,000
2001-02	102,211,000
2000-01	105,331,000
1999-00	101,708,000
1998-99	92,459,000
1997-98	86,169,000
1996-97	81,449,000
1995-96	80,443,000
1994-95	75,821,000
1993-94	69,257,000
1992-93	63,754,000

State Income Tax

For fiscal years 2002-03 and 2003-04, cities throughout Arizona will share in 14.8% of the State personal and corporate income taxes collected two years previously in relation to their population as determined by the latest census. This reduction from 15.0% is a result of the 2002 legislative session and is approved for two fiscal years. For fiscal year 1999-2000, the applicable percentage was increased to 15.8% in order to hold cities harmless for cuts made in prior years that went into effect in 1997-98. Further reductions in state income tax rates enacted in the 1998 legislative session are expected to result in reductions in the City's state income tax distribution. Because the amount to be distributed is based on amounts collected for the fiscal year two years prior to the current fiscal year, the first decrease was not expected to occur until fiscal year 2000-01 and was expected to be approximately \$1.9 million for Phoenix and increase to approximately \$3.5 million the following fiscal year and for each fiscal year thereafter.

The 1999 legislative session resulted in the approval of a reduction in the portion of income taxes shared with cities and towns from 15.8% to 15.0%. This resulted in a \$7.1 million reduction for Phoenix in 2000-01 and is estimated to reduce revenues by approximately the same amount each year thereafter.

State Income Tax Receipts

<u>Fiscal Year</u>	<u>Amount</u>
2002-03 Estimated	\$140,606,000
2001-02	137,787,000
2000-01	133,684,000
1999-00	127,374,000
1998-99	114,788,000
1997-98	98,326,000
1996-97	87,054,000
1995-96	75,392,000
1994-95	70,945,000
1993-94	64,131,000
1992-93	63,578,000

HIGHWAY USER REVENUES

In 1981, the Arizona Legislature concluded a special session on transportation by enacting a 10-year highway and transportation financing program. All the provisions of this legislation, except for the legislated increase in motor vehicle fuel and use fuel taxes, became effective in October 1981. The 1981 legislation had increased the motor vehicle fuel and use fuel taxes from \$0.08 per gallon to 8% of the average retail price of gasoline, converted to a cents-per-gallon tax rate.

In February 1982, the Legislature repealed the 1981 fuel tax increase by adopting a new bill which reinstated the \$0.08 per gallon fuel tax and added an additional \$0.02 per gallon on July 1, 1982, with an additional \$0.02 increase effective July 1, 1983 and a final \$0.01 increase effective July 1, 1984, for a total motor vehicle fuel and use fuel tax rate of \$0.13 per gallon.

The 1981 legislation increased other highway user tax revenue sources. Revenues from the vehicle license (in lieu) tax were increased due to an alteration in the method of determining the depreciated value of a vehicle to which the vehicle license tax applies. The rates of the motor carrier ton-mile tax and other commercial fees were also increased. In addition, the legislation provided for a redistribution of certain "auto-related" revenue from the State's general fund to the highway user revenue fund.

In 1985, the Arizona Legislature enacted transportation finance legislation providing potential funding for controlled access highways and regional public transportation, raising additional Highway User Tax Revenues and providing additional funding sources for the state highway system. Additional Highway User Revenues were provided through an increase in the motor vehicle fuel and use fuel taxes of \$0.03, from \$0.13 to \$0.16 per gallon, effective January 1, 1986, and by an additional \$0.01 to \$0.17 per gallon effective August 31, 1988. Effective October 1, 1990, the tax on motor vehicle fuel and use fuel was increased by an additional \$0.01 to \$0.18 per gallon for vehicles under 26,001 pounds and other qualifying vehicles. The use fuel tax rate for all other vehicles is \$0.26 per gallon (decreased from \$0.27 per gallon on July 1, 2000).

The highway user revenue fund distribution formula has been changed several times, with the last change made in the 1997 regular session of the legislature. Under the revised formula, the Arizona Department of Transportation (ADOT) receives 50.5%, counties 19%, cities 27.5%, and cities with a population over 300,000 3%. The distribution of revenues to cities and towns (the 27.5% portion) is made on the following basis:

One-half of the highway user tax revenues is distributed to each incorporated city and town in the proportion that the population of each bears to the population of all cities and towns within the State, and

One-half is distributed first on the basis of the county origin of sales of motor vehicle fuels within the State. This amount is then apportioned among the incorporated cities and towns within each county in the proportion that the population of each city or town bears to the total population of all cities and towns within the county.

The most recent regular or special United States census of population is used as the basis of apportionments of Highway User Tax Revenues.

The 1981 legislation phased the Arizona Department of Public Safety (DPS) out of the Highway User Revenue Fund. However, in 1991, the Legislature amended the law to require that moneys be distributed each year from the Highway User Revenue Fund and the State Highway Fund to the DPS for funding a portion of highway patrol costs in any amount required by legislative appropriation. The State Legislature enacted legislation in 1995 that reduced the transfer of Highway User Revenues to the DPS by \$2.5 million each year for four years beginning in 1996-97 and ending in 1999-00. However, legislation enacted in 1999 kept the distribution from the Highway User Revenue Fund at the then current \$12.5 million. In 1998-99, 1999-00, and 2000-01, the total distributions to the DPS were approximately \$25 million, consisting of the \$12.5 million directly distributed from the Highway User Revenue Fund and \$12.5 million from the State Highway Fund. For 2001-02, the distribution to DPS totaled approximately \$65 million (\$52 million from the Highway User Revenue Fund and \$13 million from the State Highway Fund). The distribution from the Highway User Revenue Fund included approximately \$30 million in additional distributions authorized in 2001-02 by the Arizona Legislature from the Highway User Revenue Fund to be made prior to the distribution to local governments. For 2002-03, the estimated distribution to DPS totals approximately \$68 million (\$54 million from the Highway User Revenue Fund and \$14 million from the State Highway Fund), including an estimated \$42 million in additional distributions from the Highway User Revenue Fund authorized by the Arizona Legislature.

As noted above, the latest distribution formula for highway user revenue funds provides for the distribution of a 3% portion to incorporated cities with a population of 300,000 or more. This funding can be

used for the acquisition of rights-of-way or construction of streets or highways. The 1997 legislation removed language which had previously restricted this distribution of funds from being used for controlled-access purposes. Based on the 1995 special census, effective July 1, 1996, the city of Mesa became eligible to share in this distribution, along with Phoenix and Tucson. The inclusion of Mesa in the special distribution of the 3% portion resulted in an estimated reduction to the City of Phoenix of approximately \$3.0 million annually beginning in 1996-97.

City of Phoenix, Arizona

Highway User Tax Revenues		Vehicle License Tax Receipts	
Fiscal Year	Amount	Fiscal Year	Amount
2002-03 Estimated	\$103,300,000	2002-03 Estimated	\$49,700,000
2001-02	100,405,000	2001-02	45,844,000
2000-01	102,598,000	2000-01	43,221,000
1999-00	100,348,000	1999-00	41,243,000
1998-99	97,729,000	1998-99	37,802,000
1997-98	88,302,000	1997-98	32,583,000
1996-97	89,147,000	1996-97	31,339,000
1995-96	88,642,000	1995-96	26,907,000
1994-95	81,716,000	1994-95	28,329,000
1993-94	77,712,000	1993-94	22,497,000
1992-93	72,311,000	1992-93	17,901,000

LOCAL TRANSPORTATION ASSISTANCE

The 1981 State transportation financing program also provided for the creation of a Local Transportation Assistance Fund (LTAF) for local city transportation purposes (transit, streets, airports, etc.). The 1981 bill was amended in February 1982, restricting the use of these funds by cities of over 300,000 population to mass transit operating costs and related capital purposes. The LTAF is funded from a portion of the receipts of the State Lottery. It is to provide up to \$23 million (maximum) to be allocated to incorporated cities and towns in proportion to the population each bears to the total population of all cities and towns. The City received \$7,726,000 in 1994-95, \$7,624,000 in 1995-96, \$7,522,000 in 1996-97, \$7,719,000 in 1997-98 and \$7,627,000 in 1998-99, \$7,483,000 in 1999-00, \$7,336,000 in 2000-01 and \$7,499,000 in 2001-02. The estimate for 2002-03 is \$7,387,000. Cities may spend up to 10% of their allocation for recreational, cultural and historic purposes if matched by non-public funds, provided that the annual allocation to cities is \$23,000,000.

In addition, on August 31, 1998 Governor Jane Hull signed into law a transit funding bill that provides additional state funding for public transit through fiscal year 2003. The bill also changed the distribution of Power Ball lottery funds from the Regional Public Transportation Authority (RPTA) directly to the cities and towns in Maricopa County based on population. As a result of this bill, the City received \$1,778,000 in 1998-99, \$4,612,000 in 1999-00 and \$3,880,000 in 2000-01. In 2001, the major funding portion of this transit-funding bill was repealed. Although the Power Ball distribution remains, the City did not receive any funding in 2001-02 and does not expect to receive any funding in 2002-03.

TRANSPORTATION PROGRAM PASSED BY MARICOPA COUNTY VOTERS

In 1985, the Arizona Legislature enacted transportation finance legislation which, among its provisions, provided potential funding for controlled access highways and regional public transportation.

As a result, in Maricopa County, a countywide special election was held on October 8, 1985 to levy a one-half percent transportation excise tax (sales tax) within the county. The measure was passed by the voters by more than a 2 to 1 margin. The transportation excise tax became effective January 1, 1986 for a period not to exceed twenty years. The greatest portion of these funds is earmarked for controlled-access highways,

determined by the cities and County through their regional planning agency, the Maricopa Association of Governments. A limited portion of the increase is designated for regional public transportation needs.

With passage of the transportation excise tax in Maricopa County, the Regional Public Transportation Authority was created within the boundaries of the County on January 1, 1986. Each city in the Authority area and the County has the option to participate in the Authority. Each city that participates must use a portion of its Local Transportation Assistance Fund monies for public transportation, with Phoenix and Mesa required to use all of its LTA funds for this purpose.

The Authority is headed by a Board of Directors consisting of one elected official appointed from each participating municipality and the County. The Board is responsible for the development of a regional public transportation system plan for a regional rapid transit system. The Board is also responsible for establishing and operating a regional bus system and may contract with the City of Phoenix to provide the service. In 1986-87, \$2.7 million from the initial sales tax increase was allocated to the Board for regional bus service and community based service, while \$4.7 million was allocated in 1987-88, \$3.9 million was allocated in 1988-89, \$4.0 million was allocated in 1989-90, \$5.0 million was allocated in 1990-91, \$6.1 million was allocated in 1991-92 and \$6.1 million was allocated in 1992-93. The allocation was \$6.3 million for 1993-94, \$6.5 million for 1994-95, \$6.6 million for 1995-96, \$6.8 million for 1996-97, \$6.9 million for 1997-98, \$7.0 million for 1998-99, \$7.1 million for 1999-00, \$7.2 million for 2000-01, \$7.3 million in 2001-02, and the estimate for 2002-03 is \$7.5 million.

The Maricopa County Board of Supervisors called a referendum election on March 28, 1989 for the purpose of considering an additional 0.5% sales tax to fund the development and operation of the Authority's adopted Public Transportation Plan over the next 30 years. The referendum was defeated with 61% of the votes cast against the referendum. After the referendum was defeated, former Mayor Goddard initiated an effort to involve the Phoenix urban village planning committees in developing a future transportation program for the City. This resulted in the creation of a Citywide Transit Committee. This committee devised a comprehensive transit plan which offered a variety of services. The plan was adopted by the City Council in July 1990 and incorporated into the citizen-based Regional Transit Plan which was adopted by the RPTA Board of Directors in July 1992. Legislation adopted by the State Legislature and signed by the Governor in 1990 allowed the Maricopa Association of Governments and the RPTA to call for a 1/2 cent sales tax to be split equally between freeways and transit. MAG and RPTA did call for that election and the Maricopa Board of Supervisors placed the issue on the November 8, 1994 general election ballot. The proposition was defeated, with 54% of the votes cast against the proposition.

On March 14, 2000 City of Phoenix residents approved a 0.4% 20-year sales tax dedicated to transit improvements. Transit improvements include expanded local bus and Dial-A-Ride service, bus rapid transit service, neighborhood circulators, and the construction and operation of a light rail line. In addition, the tax will provide funding for 500 bus pull-outs, 100 miles of bike lanes and left-turn arrows at all major intersections. Voters approved the tax by a 2 to 1 margin providing an estimated \$2.9 billion in funding through May 31, 2020.

APPENDIX D

STATE EXPENDITURE LIMITATION

Beginning in fiscal year 1982-83, the City became subject to the annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the City's actual expenditures for fiscal year 1979-80, with this base adjusted annually to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempted from the limit, with these including expenditures made from federal funds and bond sale proceeds, as well as payments for debt service and other lawful long-term obligations. Expenditures from State aid for the City's transit system, which was established under the State Transportation Financing Program enacted by the Arizona Legislature in 1981 and funded from revenues of the State Lottery, have been ruled exempt from the expenditure limitation by the State Attorney General. The limitation can be exceeded for certain emergency expenditures or if approved by the voters. The Constitutional provisions which relate to the expenditure limitation provide four processes to exceed the spending limit: a local home rule option, a permanent base adjustment, a one-time override, and a capital project accumulation.

On November 3, 1981, the Phoenix voters approved five propositions referred to them by the City Council to exceed the expenditure limit. A local home rule option was approved which allowed the City to exclude the expenditures in its Aviation, Water, Sanitary Sewer and Civic Plaza operations from the State expenditure limit in the four fiscal years, 1982-83 through 1985-86.

The four other propositions which were approved allow the City to accumulate and expend local revenues for "pay-as-you-go" capital improvements without being subject to the State spending limit. These capital improvement exclusions include annual amounts of up to \$5,000,000 for Aviation, \$6,000,000 for Sanitary Sewers, \$2,000,000 for Streets and \$6,000,000 for Water. These exclusions were approved on a permanent basis and do not require voter reapproval except to raise or lower the annual amounts.

On November 5, 1985, the voters approved a home rule option which provided for the exclusion of expenditures directly cost recovered up to 100% of actual costs from sales, rentals, user fees and charges for materials, services, and facilities provided by the following City programs: Airport Operations, Water System, Wastewater System, and Sanitation Service. It further provided for the exclusion of expenditures from the Water and Wastewater development occupational fees. This home rule option was effective for four fiscal years, 1986-87 through 1989-90.

On October 1, 1991, Phoenix voters approved a home rule option which exempted from the State expenditure limitation all expenditures associated with the Aviation, Water, Wastewater and Solid Waste Funds for the fiscal years 1992-93 through 1995-96.

On October 3, 1995, Phoenix voters approved a home rule option which provided for the exclusion from the State expenditure limitation of all expenditures incurred in connection with Aviation Operations, Water Systems and Wastewater Systems for the fiscal years 1996-97 through 1999-2000.

On September 7, 1999, Phoenix voters approved a home rule alternative expenditure limitation option whereby the City shall, as part of the annual budget process, adopt an expenditure limitation to govern the City budget. No expenditures may be made in excess of such budget, nor may expenditures exceed available revenues. Established exclusions shall continue to apply. This alternative expenditure limitation is effective for fiscal years 2000-01 through 2003-04.

The Arizona Attorney General has issued an opinion that a political subdivision may legally carry forward to later years revenues which are not subject to the expenditure limitation and which were not expended in the year of receipt. Pursuant to advice from the Arizona Auditor General, the City now carries forward each year, all unexpended excludable revenues that are not needed to meet the expenditure limitation for that year, to help maximize spending capacity in future years. As of June 30, 2002, non-restricted carryforwards totalled \$320,272,384.

The City reported expenditures for 1993-94 subject to the limitation of \$507,498,716 which equalled the State limit. The State expenditure limitation for the City for 1994-95 was \$529.2 million. As a result of carryforwards from prior years, the amount of the 1994-95 budget subject to the limitation was \$529.2 million, or equal to the State limit.

The 1995-96 expenditure limit provided by the State of Arizona Economic Estimates Commission was \$704,808,252. The City reduced this limit to \$546,983,895 to adjust for additional voter-approved exclusions. As a result of carryforwards from prior years, the amount of the 1995-96 budget subject to the limitation was \$546,983,895, or equal to the State limit.

The 1996-97 expenditure limit provided by the State of Arizona Economic Estimates Commission was \$730,388,848. The City reduced this limit to \$571,417,000 to adjust for additional voter-approved exclusions. As a result of carryforwards from prior years, the amount of the 1996-97 budget subject to the limitation was \$571,417,000, or equal to the State limit.

The 1997-98 expenditure limit provided by the State of Arizona Economic Estimates Commission was \$812,668,371. The City reduced this limit to \$635,799,083 to adjust for additional voter-approved exclusions. As a result of carryforwards from prior years, the amount of the 1997-98 budget subject to the limitation was \$635,799,083, or equal to the State limit.

The 1998-99 expenditure limit provided by the State of Arizona Economic Estimates Commission was \$849,979,627. The City reduced this limit to \$664,978,718 to adjust for additional voter-approved exclusions. As a result of exclusions and carryforwards from prior years, the amount of the 1998-99 budget subject to the limitation was \$664,978,718, or equal to the State limit.

The 1999-00 expenditure limit provided by the State of Arizona Economic Estimates Commission was \$864,696,736. The City reduced this limit to \$676,515,302 to adjust for additional voter-approved exclusions. As a result of exclusions and carryforwards from prior years, the amount of the 1999-00 budget subject to the limitation was \$676,515,302, or equal to the State limit.

The 2000-01 expenditure limit provided by the State of Arizona Economic Estimates Commission was \$849,182,900. The alternative expenditure limitation, approved by the voters on September 7, 1999, was equal to the City's annual budget of \$3,783,376,000. As a result of allowable exclusions and carryforwards from prior years, the amount of the 2000-01 budget subject to the limitation was \$1,645,199,005, or \$2,138,176,995 less than the alternative expenditure limitation.

The 2001-02 expenditure limit provided by the State of Arizona Economic Estimates Commission was \$885,718,186. The alternative expenditure limitation, approved by the voters of September 7, 1999, was equal to the City's annual budget of \$3,966,742,911. As a result of allowable exclusions and carryforwards from prior years, the amount of the 2001-02 budget subject to the limitation was \$1,355,171,540, or \$2,611,571,371 less than the alternative expenditure limitation.

APPENDIX E

RETIREMENT AND PENSION PLANS

Substantially all full-time employees and elected officials of the City are covered by one of three pension plans: the City of Phoenix, Arizona Employees' Retirement Plan, the State of Arizona Public Safety Personnel Retirement System or the Elected Officials' Retirement Plan.

City of Phoenix, Arizona Employees' Retirement Plan

The City of Phoenix, Arizona Employees' Retirement Plan, a single-employer defined benefit pension plan, covers all full-time general employees of the City, with the exception of sworn City police and fire personnel. Periodic employer contributions to the pension plan are determined on an actuarial basis using the "entry age normal cost method." Normal cost is funded on a current basis. The unfunded actuarial accrued liability is amortized over a 20 year period from June 30, 2002. Periodic contributions for both normal cost and the amortization of the actuarial accrued liability are based on the level percentage of payroll method. The funding strategy for normal cost and the actuarial liability should provide sufficient resources to pay employee pension benefits on a timely basis.

The general employees contribute 5% of their compensation to the plan. City of Phoenix contributions for 2001-02 were \$28,295,000, equivalent to 7.24% of the estimated annual active member payroll, compared with 6.1% in 2000-01. The annual active member covered payroll for the year ended June 30, 2002 was \$404,414,000.

Significant actuarial assumptions used to compute the pension contribution requirements are as follows: The rate of return on investments is assumed to be 8.0%. Mortality rates equal the 1971 Group Annuity Mortality Table projected to 2000, set back 6 years for females. Salaries are expected to rise 4.5% due to inflation, 0.5% for other across-the-board factors, and from 0% to 4%, based on age, for merit and longevity. Probabilities of retirement at specific ages are based on past experience. Assumptions for separation from active employment and for disability are according to a table based on past experience.

The actuarial accrued liability of the Plan is measured in accordance with the requirements of Governmental Accounting Standards Board Statement No. 25 and No. 27. As of June 30, 2002, net assets available for benefits were less than the actuarial accrued liability by \$116,542,000, compared with \$31,774,000 assets in excess of the actuarial accrued liability at June 30, 2001. The total actuarial accrued liability increased \$130,709,000 from 2001 to 2002.

Rodwan and Nichols, Actuaries & Consultants commented in their June 30, 2002 valuation report of the plan:

The overall experience of the Retirement Plan during the year ended June 30, 2002 was significantly less favorable than expected based on long-term assumptions. The primary source of unfavorable experience was the recognized rate of investment return.

The accrued actuarial condition of the Retirement Plan continues to be excellent.

Despite the Plan's experience during the past year, the actuaries concluded that the accrued actuarial condition of the Retirement Plan continues to be excellent.

State of Arizona Public Safety Personnel Retirement System

The City of Phoenix also contributes to an agent multiple-employer retirement plan, the Arizona Public Safety Personnel Retirement System (APSPRS), for sworn police officers and fire fighters. The APSPRS functions as an investment and administrative agent for the City of Phoenix with respect to the plans for police officers and fire fighters.

Periodic employer contributions to the pension plans are determined on an actuarial basis using the entry age normal cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded over an open twenty-year period. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level percentage of payroll method. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

Significant actuarial assumptions used to compute the pension contribution requirements are as follows: The rate of return on investments is assumed to be 9%. Non-disability mortality rates equal the 1971 Group Annuity Mortality Table projected to 2000 set back 6 years for females. Salaries are expected to rise 5.5% due to inflation and from 1% to 4%, based on age, for merit and longevity. Probabilities of retirement at specific ages are based on past experience. Assumptions for separation from active employment and for disability are according to a table based on past experience.

Members contribute 7.65% of compensation. The City contributes a level percent of payroll normal cost less a credit (spread over twenty years) for the amount by which valuation assets exceed the actuarial accrued liability. In 2001-02 the City's contribution amounted to 2.0% for police and 2.0% for fire.

For the year ended June 30, 2002, covered payroll was \$161,091,000 for police, and \$86,243,000, for fire.

The actuarial accrued liability of the Plan is measured in accordance with the requirements of Governmental Accounting Standards Board Statement No. 25 and No. 27. For police, net assets available for benefits exceeded the actuarial accrued liability as of June 30, 2002 and June 30, 2001 by \$136,685,000 and \$239,405,000, respectively.

For fire, net assets available for benefits exceeded the actuarial accrued liability as of June 30, 2002 and June 30, 2001 by \$79,177,000 and \$124,880,000, respectively.

Elected Officials' Retirement Plan

This is a cost sharing multiple-employer defined benefit pension plan of which the City of Phoenix is a contributing employer and covers the Mayor and City Council, effective January 4, 1988. As a condition of coverage, members are required to contribute 7% of compensation.

The City contributes an actuarially determined rate, 6.97% for the year ended June 30, 2002, to fully fund benefits for active members. Total contributions for the fiscal year ended June 30, 2002 were \$48,000, which consisted of \$24,000 from the City and \$24,000 from members.

APPENDIX F

**CITY OF PHOENIX, ARIZONA
AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2002**

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City of Phoenix

Audited Financial Statements

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Phoenix, AZ 85004

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Phoenix, Arizona (the City) as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Phoenix, Arizona, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison statements for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the City adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statements Note Disclosures*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*", effective July 1, 2001.





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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the schedule of funding progress included in Note 17 to the basic financial statements on pages F-6 through F-14 and F-70 through F-71, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and other supplementary information included on pages F-74 through F-97 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The non-major governmental funds combining and individual fund financial statements on pages F-74 through F-84 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplementary information included on pages F-86 through F-97 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

January 10, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Phoenix, Arizona, we offer the following narrative overview and analysis of the financial activities of the City of Phoenix, Arizona (the City) for the fiscal year ended June 30, 2002.

FINANCIAL HIGHLIGHTS

- The total assets of the City exceeded its total liabilities at the close of the fiscal year by \$4.5 billion (net assets). Of this amount, \$663.4 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$597.2 million.
- As of the close of the fiscal year, the City's Governmental Funds reported combined ending fund balances of \$933.4 million, an increase of \$152.3 million from last fiscal year.
- Approximately 57.7 percent of this amount, or \$538.5 million, is available for spending at the City's discretion (*unreserved fund balance*).
- At the close of the fiscal year, unreserved fund balance for the general fund was \$229.4 million, or 80.6 percent of the total general fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's Basic Financial Statements. The Basic Financial Statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the Basic Financial Statements themselves.

The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37 – *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments – Omnibus*, GASB Statement No. 38 – *Certain Financial Statements Note Disclosures*, and GASB Interpretation No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* effective July 1, 2001. Statement No. 34 represents changes in the new financial reporting model. Under the new model, the basic financial statements include both Government-Wide and Fund Financial Statements.

Some of the major changes include the Government-Wide Financial Statements, Fund Financial Statements, full accrual method of accounting in the Government-Wide Statements, infrastructure reporting, changes in budgetary reporting and this narrative, the "management discussion and analysis" (MD&A). Detail regarding these topics follows.

1) Basic Financial Statements - Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They are presented beginning on page F-15 of this report. Summarized versions of these statements are included in this MD&A and can be found on pages F-7 and F-10.

The *Statement of Net Assets*, presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of changes in the City's financial position.

The *Statement of Activities*, presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. This is the full-

accrual method of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, e.g., uncollected taxes.

Both the Statement of Net Assets and the Statement of Activities divide the functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*Business-Type Activities*). The Governmental Activities of the City include general government, criminal justice, public safety, transportation, public works, community enrichment and community development. The Business-Type Activities of the City include airports, Civic Plaza (convention center), water, wastewater, solid waste disposal and golf course activities.

Government-Wide Financial Statement Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2002. The prior year's financial position and results have not been restated in GASB 34 format, therefore complete comparative information is not presented. In future years, a comparative analysis of government-wide data will be presented in the MD&A. Comparative analysis of certain key data is included in the following discussion.

Net Assets. As noted above, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Phoenix, assets exceeded liabilities by \$4.5 billion at the close of the fiscal year.

The largest portion of the City's net assets (\$3.2 billion or 71.9 percent) reflects its investments in capital assets, e.g., land, buildings, improvements, machinery and equipment, park facilities and infrastructure, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The following table summarizes the detailed Statement of Net Assets.

City of Phoenix Net Assets June 30, 2002 (in thousands)

	Governmental Activities	Business-Type Activities	Total Government
Current and other assets	\$ 1,128,635	\$ 1,486,179	\$ 2,614,814
Capital assets	2,606,972	3,316,687	5,923,659
Total assets	<u>3,735,607</u>	<u>4,802,866</u>	<u>8,538,473</u>
Other Liabilities	106,522	78,709	185,231
Long-term liabilities outstanding	1,570,931	2,265,070	3,836,001
Total liabilities	<u>1,677,453</u>	<u>2,343,779</u>	<u>4,021,232</u>
Net assets:			
Invested in capital assets, net of related debt	1,390,460	1,857,544	3,248,004
Restricted	568,862	36,930	605,792
Unrestricted	98,832	564,613	663,445
Total net assets	<u>\$ 2,058,154</u>	<u>\$ 2,459,087</u>	<u>\$ 4,517,241</u>

The *restricted* portion of the City's net assets (\$605.8 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance, or the *unrestricted net assets* (\$663.4 million) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the City is reporting positive balances in all three categories of net assets (1-invested in capital assets net of related debt, 2-restricted and 3-unrestricted), both for the government as a whole, as well as its separate Governmental and Business-Type Activities.

Capital Assets. As seen above in the summarized table of Net Assets, the City's investment in capital assets for the fiscal year ended June 30, 2002, was \$5.9 billion, net of accumulated depreciation. This represents an increase from the prior fiscal year (not shown) of \$651.5 million, an increase of \$418.3 million for Governmental Activities and \$233.2 million for Business-Type Activities.

Major additions to capital assets during the fiscal year included the following:

- The Public Safety & Public Service Radio Replacement Project continued its progress towards completion with the value of the assets added this fiscal year valued at \$47.5 million.
- A variety of street construction projects throughout the City valued at \$39.9 million.
- New buses for Public Transit at a cost of \$34.9 million.
- Expansion of Sky Harbor International Airport's Terminal Four Parking Garage was completed at a cost this fiscal year of \$15.2 million with the total project valued at \$104.3 million.
- New solids handling facilities were constructed at the Deer Valley and Squaw Peak water treatment plants at a cost this fiscal year of \$14.3 million for a total project value of \$65.3 million.

The following table provides a listing of the capital assets at June 30, 2002.

**City of Phoenix
Capital Assets
(net of depreciation)
June 30, 2002
(in thousands)**

	Governmental Activities	Business-Type Activities	Total Government
Buildings	\$ 506,194	\$ 553,464	\$ 1,059,658
Improvements	89,367	1,158,426	1,247,793
Equipment	211,309	163,969	375,278
Artwork	6,698	2,548	9,246
Land	418,372	367,010	785,382
Infrastructure	1,063,670	539,710	1,603,380
Construction in Progress	311,362	531,560	842,922
Total	<u>\$ 2,606,972</u>	<u>\$ 3,316,687</u>	<u>\$ 5,923,659</u>

Additional information regarding the City's capital assets can be found in Note 8 of this report.

Long-term Liabilities. As shown in the summarized table of Net Assets, the City had total long-term liabilities or obligations of \$3.8 billion (which is comprised primarily of bonded debt) at the end of the fiscal year. Of this amount, general obligation bonds that are backed by the full faith and credit of the city comprises \$1.0 billion, while municipal corporation obligations account for

\$2.0 billion of the total. Revenue bonds total \$277.9 million and an additional \$7.4 million are special assessment bonds where the City is contingently liable in the event that the assessment revenues are insufficient to satisfy the debt payments.

Under Arizona law, cities can issue general obligation bonds for purposes of water, sewer, artificial light, open space preserves, parks, playgrounds and recreational facilities up to an amount not exceeding 20% of secondary assessed valuation. General obligation bonds for all other purposes may be issued up to an amount not exceeding 6% of secondary assessed valuation.

The City's available debt margin at June 30, 2002 was \$454.4 million in the 6% capacity and \$1.0 billion in the 20% capacity. Additional information regarding the debt limitations and capacities can be found in Note 11 on page F-62.

The following table illustrates the long-term obligations of the City as of June 30, 2002.

City of Phoenix Long-Term Liabilities June 30, 2002 (in thousands)			
	Governmental Activities	Business-Type Activities	Total Government
General obligation bonds	\$ 693,110	\$ 332,814	\$ 1,025,924
Revenue bonds	213,626	64,340	277,966
Certificates of Participation	21,200	-	21,200
Municipal Corporation Obligations	272,708	1,689,069	1,961,777
Special assessment bonds	7,401	-	7,401
Insurance claims payable	160,713	-	160,713
Compensated absences	130,431	15,022	145,453
Capital leases	-	2,694	2,694
Utility repayment agreements	-	3,420	3,420
Rebatable arbitrage	-	1,782	1,782
Landfill Closure/Post-closure costs	-	27,590	27,590
Other	71,742	128,339	200,081
Total	\$ 1,570,931	\$ 2,265,070	\$ 3,836,001

The City's total long-term obligations increased by \$869.4 million during the fiscal year just ended. Key factors in the increase included several bond issuances with the most material being: 1) the April 2002 issuance of Civic Improvement Corporation Airport Revenue Bonds totaling \$414.2 million; 2) the June 2002 issuance of General Obligation Bonds totaling \$259.1 million, and, 3) the March 2002 issuance of Civic Improvement Corporation Junior Lien Water System Revenue Bonds in the amount of \$220.0 million.

The City maintains the following ratings on its general obligation debt: "AA+" from Standard and Poors and "Aa1" from Moody's.

Further detail pertaining to the City's long-term obligations is available in Note 9.

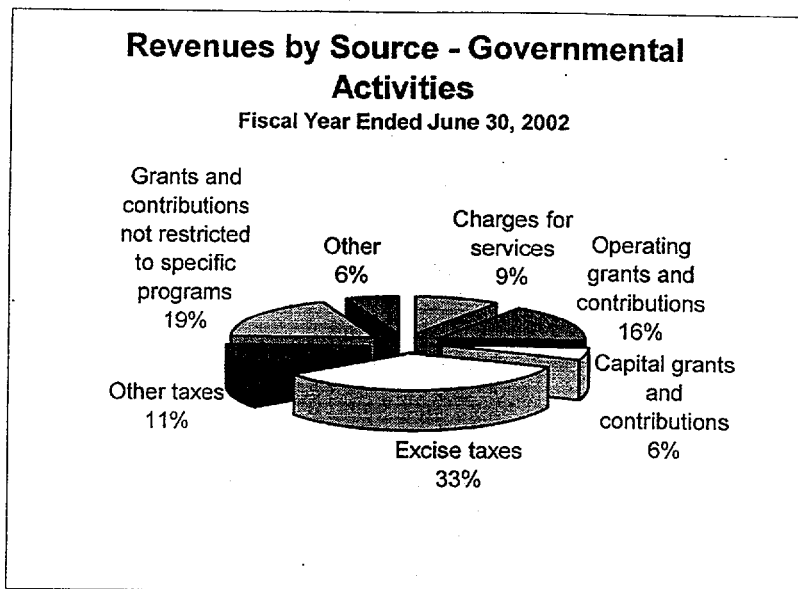
Changes in Net Assets. Detail of the following summarized information can be found in the Statement of Activities.

City of Phoenix
Changes in Net Assets
Fiscal Year Ended June 30, 2002
(in thousands)

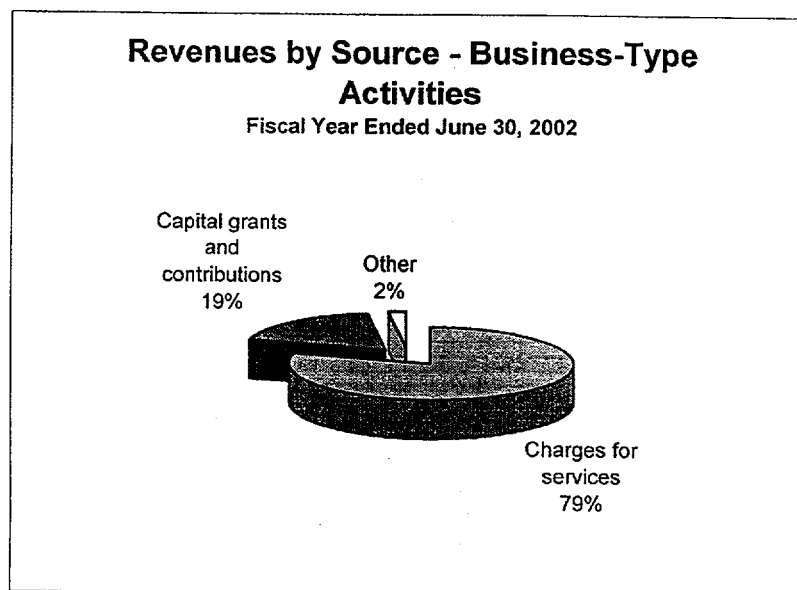
	Governmental Activities	Business-Type Activities	Total Government
Revenues:			
Program revenues			
Charges for services	\$ 138,757	\$ 602,199	\$ 740,956
Operating grants and contributions	246,738	-	246,738
Capital grants and contributions	87,295	145,327	232,622
General revenues			
Excise taxes	516,011	-	516,011
Other taxes	162,901	-	162,901
Grants and contributions not restricted to specific programs	288,839	-	288,839
Other	88,358	14,204	102,562
Total revenues	<u>1,528,899</u>	<u>761,730</u>	<u>2,290,629</u>
Expenses			
General government	63,036	-	63,036
Criminal justice	334,656	-	334,656
Public safety	157,625	-	157,625
Transportation	136,828	-	136,828
Public works	11,598	-	11,598
Community enrichment	169,750	-	169,750
Community development	128,227	-	128,227
Interest on long-term debt	55,910	-	55,910
Aviation	-	196,375	196,375
Phoenix Civic Plaza	-	50,774	50,774
Water services	-	192,404	192,404
Wastewater services	-	113,828	113,828
Solid waste	-	74,459	74,459
Golf courses	-	7,949	7,949
Total expenses	<u>1,057,630</u>	<u>635,789</u>	<u>1,693,419</u>
Increase in net assets before transfers	471,269	125,941	597,210
Transfers	(36,430)	36,430	-
Increase in net assets	434,839	162,371	597,210
Net Assets - July 1	1,623,315	2,296,716	3,920,031
Net Assets - June 30	<u>\$ 2,058,154</u>	<u>\$ 2,459,087</u>	<u>\$ 4,517,241</u>

As can be seen, Governmental Activities increased the City's net assets by \$434.8 million, thereby accounting for 72.8 percent of the total growth in the net assets of the City. Business-Type Activities increased the City's net assets by \$162.4 million, or 27.2 percent of the total growth in net assets.

The sources of the revenues shown above are portrayed in the following charts by percentage for the Governmental Activities and then the Business-Type Activities.



As can be seen, excise taxes, which include city sales and franchise taxes, are the largest source of revenue for the Governmental Activities comprising thirty-three percent of the total.



As can be seen in this chart, charges for services account for the majority of the Business-Type Activities revenues.

2) Basic Financial Statements - Fund Financial Statements

The Fund Financial Statements are presented in this report beginning on page F-18. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal activities. All of the funds of the City can be divided into three categories: Governmental Funds, Enterprise Funds and Fiduciary Funds.

Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *Governmental Activities* in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, which are on a full accrual basis, Governmental Fund Financial Statements focus on *near-term inflow and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year, which is the modified accrual basis of accounting. Reconciliations are provided on F-19 and F-21 to account for the differences between the Governmental Fund Financial Statements, including the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances, and the *Governmental Activities* portion of the Government-Wide Financial Statements.

The City maintains twenty-eight individual Governmental Funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement for Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Excise Tax Special Revenue Fund, both of which are considered to be major funds under GASB 34. Data from the other twenty-six Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major Governmental Funds is provided in the form of *combining statements* later in this report.

The City adopts an annual appropriated budget for all City funds. A Budgetary Comparison Statement has been provided for the General Fund on page F-22 and the Excise Tax Special Revenue Fund on page F-23 to demonstrate compliance with this budget.

Enterprise Funds. *Enterprise Funds* are a type of Proprietary Fund, but are the only type of Proprietary Fund currently maintained by the City. Enterprise Funds are used to report the same functions presented as *Business-Type Activities* in the Government-Wide Financial Statements. Enterprise Funds are used to account for the operation of the City's Sky Harbor International Airport and two regional airports, Civic Plaza (convention center), water system, wastewater system, solid waste disposal and the city golf courses.

Enterprise Fund Financial Statements provide the same type of information as the Government-Wide Financial Statements, only in more detail. The Enterprise Fund Financial Statements on pages F-24 through F-29 provide separate information for each of the six Enterprise Funds noted above as all are considered to be major funds of the City.

Fund Financial Statement Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related budgetary and legal requirements. The following is a brief discussion of financial highlights from the Fund Financial Statements.

Governmental Funds. The focus of the Governmental Fund Financial Statements is to provide information on near-term inflows, outflows and balances of spendable resources (modified accrual basis). All major Governmental Funds are presented on these financial statements, while the non-major funds are combined into a single column. Combining statements for the non-major funds can be found on pages F-74 and F-80. The following table summarizes information found in the Governmental Fund Financial Statements.

City of Phoenix
Changes in Governmental Fund Balances
Fiscal Year Ended June 30, 2002
(in thousands)

	Fund Balances July 1, 2001	Net Change in Fund Balances	Fund Balances June 30, 2002
General	\$ 186,655	\$ 98,125	\$ 284,780
Excise Tax	-	-	-
Nonmajor Governmental	594,407	54,246	648,653
Total	<u>\$ 781,062</u>	<u>\$ 152,371</u>	<u>\$ 933,433</u>

As shown in the above table, at the end of the fiscal year, the City's Governmental Funds reported combined ending fund balances of \$933.4 million, an increase of \$152.4 million from last fiscal year. Of the total governmental funds combined ending balances, approximately 57.7 percent of this amount, or \$538.5 million, constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of the combined fund balance is *reserved*. This indicates that it is not available for new spending because it has already been committed 1) to liquidate contract and purchase orders for the prior year (\$129.3 million), 2) to pay debt service (\$255.9 million), and 3) to pay for supply inventories (\$9.7 million).

The General Fund is the chief operating fund of the City and accounts for many of the major functions of the government including general government, criminal justice, public safety, transportation, public works, community enrichment and community development. As can be seen in the table, the General Fund increased by \$98.1 million. Of this increase, \$75.5 million is attributable to a change in accounting for certain long-term liabilities. The other major fund under GASB 34, the Excise Tax Special Revenue Fund, is used to account for city sales and franchise taxes. The balance of the Excise Tax Special Revenue Fund at the end of each fiscal year is transferred to other funds resulting in an ending fund balance of zero as shown above.

Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the Fund Financial Statements within the Basic Financial Statements, or as required supplementary information after the Notes to the Financial Statements. The City has chosen to present these budgetary statements as part of the Basic Financial Statements (pages F-22 and F-23). Additionally, governments are required to disclose certain information about employee pension funds. The City has provided this information in Note 17 to the financial statements.

The change between the original general fund budget and the final amended general fund budget for the fiscal year ended June 30, 2002, was a \$5.3 million decrease in criminal justice and public works appropriations. These appropriation decreases reflect lease purchase payments for the City's Municipal Court facility and the Adams Street garage that are now accounted for in the City Improvement funds instead of General Funds. This was an accounting change only. The final amended general fund budget projected fiscal year expenditures of \$771.2 million. The actual general fund expenditures for the fiscal year ended June 30, 2002 were \$676.5 million. The difference of budget to actual reflects expenditure reductions that were part of the City's effort to address the effects of a weaker economy.

Enterprise Funds. The Enterprise Fund Financial Statements are prepared and presented using the same accounting basis and measurement focus as the Government-Wide Financial Statements, but in more detail. The following table summarizes the Enterprise Fund Financial Statements.

City of Phoenix
Changes in Enterprise Fund Net Assets
Fiscal Year Ended June 30, 2002
(in thousands)

	Net Assets July 1, 2001	Change in Net Assets	Net Assets June 30, 2002
Aviation	\$ 999,548	\$ 62,164	\$ 1,061,712
Phoenix Civic Plaza	166,420	-2,662	163,758
Water System	743,846	76,729	820,575
Wastewater	410,864	12,386	423,250
Solid Waste	-32,042	14,249	-17,793
Golf Courses	8,080	-495	7,585
Total	<u>\$ 2,296,716</u>	<u>\$ 162,371</u>	<u>\$ 2,459,087</u>

As shown in the table, Net Assets for the all of the Enterprise Funds increased \$162.4 million during the fiscal year. The Water System and Aviation Funds comprised the majority of this total with increases of \$76.7 million and \$62.1 million respectively (85.5 percent). The Water System and Aviation Funds also comprise 76.5 percent (\$820.6 million and \$1.1 billion respectively) of the total Enterprise Fund Net Assets at June 30, 2002.

3. Basic Financial Statements - Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the financial statements can be found beginning on page F-32 of this report.

ECONOMIC FACTORS

- The unemployment rate in the Phoenix-Mesa metropolitan area as of October 2002 registered 5.2% versus 5.7% for Arizona and 5.7% for the U.S. The prior year (as of October 2001), the unemployment rates were 4.6% in the Phoenix-Mesa area, 5.2% for Arizona and 5.4% nationally.
- Due to a weaker economy, City Council approved nearly \$23 million in expenditure reductions and the use of a lease-purchase pool that brought the 2001-02 budget back into balance without impacting any city services.
- In 2001 Phoenix's employment growth rate was 0.7% - this compares to eight other benchmark cities whose rates ranged from -4.8% up to 1.2%.
- New business licenses issued has remained steady over the last four fiscal years, ranging from 29,000 issued in 1998-99 to 31,000 in 2001-02.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide a general overview of the City of Phoenix' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Phoenix, Calvin C. Goode Municipal Building, Ninth Floor, 251 W. Washington, Phoenix, Arizona, 85003.

City of Phoenix, Arizona
Government-Wide Financial Statements
Statement of Net Assets
June 30, 2002
(in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Investments	\$ 480,381	\$ 241,668	\$ 722,049
Cash Deposits	1,197	129	1,326
Cash and Securities with Fiscal Agents/Trustees	71,275	-	71,275
Investments	386,448	9,945	396,393
Internal Balances	20,907	(20,907)	-
Receivables, Net of Allowances	156,151	62,842	218,993
Prepaid Items	2,590	4,717	7,307
Inventories	9,686	3,988	13,674
Restricted Assets	-	847,351	847,351
Capital Assets, at Cost, Net of Accumulated Depreciation	2,606,972	3,316,687	5,923,659
Excess of Cost Over Net Assets Acquired, Net of Accumulated Amortization	-	157	157
Water Rights, Net of Accumulated Amortization	-	32,900	32,900
Investment in Joint Use Agreement	-	303,389	303,389
Total Assets	3,735,607	4,802,866	8,538,473
LIABILITIES			
Warrants and Accounts Payable	64,187	28,679	92,866
Trust Liabilities and Deposits	42,335	161	42,496
Deferred Revenue	-	2,642	2,642
Liabilities Payable from Restricted Assets	-	46,622	46,622
Utility Repayment Agreements	-	605	605
Noncurrent Liabilities			
Due Within One Year			
Current Portion of Insurance Claims Payable	68,220	-	68,220
Current Portion of Accrued Compensated Absences	9,500	1,558	11,058
Current Portion of Accrued Landfill Postclosure Care Costs	-	1,114	1,114
Matured Bonds and Certificates Payable	38,526	77,248	115,774
Interest Payable	24,749	46,077	70,826
Current Portion of General Obligation Bonds	26,750	28,363	55,113
Current Portion of Revenue Bonds	8,965	9,390	18,355
Current Portion of Certificates of Participation	745	-	745
Current Portion of Municipal Corporation Obligations	7,459	35,036	42,495
Current Portion of Special Assessment Bonds	1,434	-	1,434
Due in More Than One Year			
Insurance Claims Payable	92,493	-	92,493
Accrued Compensated Absences	120,931	13,464	134,395
General Obligation Bonds	666,360	304,451	970,811
Revenue Bonds	204,661	54,950	259,611
Certificates of Participation	20,455	-	20,455
Municipal Corporation Obligations	265,249	1,654,033	1,919,282
Special Assessment Bonds	5,967	-	5,967
Unamortized Premium/(Discount)	8,467	5,014	13,481
Capital Leases	-	2,694	2,694
Utility Repayment Agreements	-	3,420	3,420
Rebatable Arbitrage	-	1,782	1,782
Accrued Landfill Closure and Postclosure Care Costs	-	26,476	26,476
Total Liabilities	1,677,453	2,343,779	4,021,232
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,390,460	1,857,544	3,248,004
Restricted For:			
Capital Projects	78,562	-	78,562
Debt Service	255,926	36,930	292,856
Other Purposes	234,374	-	234,374
Unrestricted	98,832	564,613	663,445
Total Net Assets	\$ 2,058,154	\$ 2,459,087	\$ 4,517,241

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

City of Phoenix, Arizona
Government-Wide Financial Statements
Statement of Activities
For the Year Ended June 30, 2002
(in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 63,036	\$ 13,645	\$ 1,542	\$ -
Criminal Justice	334,656	12,733	10,974	8,102
Public Safety	157,625	17,576	1,868	-
Transportation	136,828	23,010	121,149	68,116
Public Works	11,598	1,207	68	-
Community Enrichment	169,750	7,348	44,924	6,448
Community Development	128,227	63,238	66,213	4,629
Interest on Long-Term Debt	55,910	-	-	-
Total Governmental Activities	1,057,630	138,757	246,738	87,295
Business-Type Activities				
Aviation	196,375	188,505	-	60,466
Phoenix Civic Plaza	50,774	9,669	-	121
Water Services	192,404	210,634	-	49,364
Wastewater Services	113,828	99,075	-	35,005
Solid Waste	74,459	86,872	-	371
Golf Courses	7,949	7,444	-	-
Total Business-Type Activities	635,789	602,199	-	145,327
Total Primary Government	\$ 1,693,419	\$ 740,956	\$ 246,738	\$ 232,622
General Revenues (Expenses)				
Taxes				
Excise Taxes				
Property Taxes, Levied for General Purposes				
Property Taxes, Levied for Debt Service				
Special Assessment Taxes				
In-Lieu Property Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Investment Earnings, Net				
Equity Interest in Joint Use Agreement Operating Loss				
Loss on Disposal of Capital Assets				
Miscellaneous				
Transfers - Internal Activities				
Total General Revenues, General Expenses and Transfers				
Change in Net Assets				
Net Assets - July 1				
Net Assets - June 30				

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (47,849)	\$ -	\$ (47,849)
(302,847)	-	(302,847)
(138,181)	-	(138,181)
75,447	-	75,447
(10,323)	-	(10,323)
(111,030)	-	(111,030)
5,853	-	5,853
(55,910)	-	(55,910)
(584,840)	-	(584,840)
-	52,596	52,596
-	(40,984)	(40,984)
-	67,594	67,594
-	20,252	20,252
-	12,784	12,784
-	(505)	(505)
-	111,737	111,737
(584,840)	111,737	(473,103)
516,011	-	516,011
62,153	-	62,153
81,942	-	81,942
2,163	-	2,163
16,643	-	16,643
288,839	-	288,839
55,311	32,705	88,016
-	(13,917)	(13,917)
(4,077)	(4,584)	(8,661)
37,124	-	37,124
(36,430)	36,430	-
1,019,679	50,634	1,070,313
434,839	162,371	597,210
1,623,315	2,296,716	3,920,031
\$ 2,058,154	\$ 2,459,087	\$ 4,517,241

City of Phoenix, Arizona
Fund Financial Statements
Balance Sheet
Governmental Funds

June 30, 2002
(in thousands)

	General	Excise Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash and Investments	\$ 153,127	\$ -	\$ 327,254	\$ 480,381
Cash Deposits	872	-	325	1,197
Cash and Securities with Fiscal Agents/Trustees	-	-	71,275	71,275
Investments	121	-	386,327	386,448
Due from Other Funds	136,976	-	18,786	155,762
Receivables, Net of Allowance				
Accounts Receivable	11,316	153	12,508	23,977
Taxes Receivable	9,165	46,783	1,844	57,792
Delinquent Taxes Receivable	1,454	-	1,945	3,399
Intergovernmental	1,818	17,744	37,854	57,416
Accrued Interest	-	-	1,099	1,099
Notes Receivable	-	-	12,468	12,468
Prepaid Items	-	-	2,590	2,590
Inventories	7,423	-	2,263	9,686
Total Assets	<u>\$ 322,272</u>	<u>\$ 64,680</u>	<u>\$ 876,538</u>	<u>\$ 1,263,490</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to Other Funds	-	64,579	70,276	134,855
Warrants and Accounts Payable	24,168	101	39,918	64,187
Insurance Claims Payable	86	-	-	86
Trust Liabilities and Deposits	10,609	-	31,726	42,335
Matured Bonds Payable	-	-	38,526	38,526
Interest Payable	-	-	24,749	24,749
Deferred Revenue	2,629	-	22,690	25,319
Total Liabilities	<u>37,492</u>	<u>64,680</u>	<u>227,885</u>	<u>330,057</u>
Fund Balances				
Reserved for				
Encumbrances	9,409	-	119,921	129,330
Debt Service	38,529	-	217,397	255,926
Inventories	7,423	-	2,263	9,686
Unreserved				
Designated for Insurance Claims	153,714	-	2,635	156,349
Designated for Unrealized Gain on Investments	8,565	-	30,191	38,756
Undesignated	67,140	-	276,246	343,386
Total Fund Balances	<u>284,780</u>	<u>-</u>	<u>648,653</u>	<u>933,433</u>
Total Liabilities and Fund Balances	<u>\$ 322,272</u>	<u>\$ 64,680</u>	<u>\$ 876,538</u>	<u>\$ 1,263,490</u>

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

City of Phoenix, Arizona
Fund Financial Statements
Reconciliation of the Balance Sheet
to the Statement of Net Assets
Governmental Funds
 June 30, 2002
 (in thousands)

Fund balances - total governmental funds balance sheet	\$	933,433
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	3,420,345	
Accumulated depreciation	<u>(813,373)</u>	
		2,606,972

Other assets used in governmental activities are not available to pay for current period expenditures and, therefore, are deferred in the funds.	25,319
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Governmental bonds payable	(1,216,512)	
Compensated absences	(130,431)	
Insurance claims payable	<u>(160,627)</u>	
		(1,507,570)

Net assets of governmental activities - statement of net assets	<u>\$</u>	<u>2,058,154</u>
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The accompanying notes are an integral part of these financial statements.

City of Phoenix, Arizona
Fund Financial Statements
Statement of Revenues, Expenditures and Changes
in Fund Balance - Governmental Funds

For the Fiscal Year Ended June 30, 2002
(in thousands)

	General	Excise Tax	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
City Taxes	\$ 58,264	\$ 516,011	\$ 87,490	\$ 661,765
Licenses and Permits	4,704	2,568	6,250	13,522
Intergovernmental	48,836	239,998	334,038	622,872
Charges for Services	32,929	-	81,919	114,848
Fines and Forfeitures	14,060	-	-	14,060
Parks and Recreation	-	-	6,241	6,241
In-Lieu Property Taxes	11,865	-	-	11,865
Special Assessments	-	-	1,835	1,835
Investment Income				
Net Increase (Decrease) in Fair Value of Investments	3,983	-	12,661	16,644
Interest	18,102	-	20,565	38,667
Dwelling Rentals	-	-	6,881	6,881
Other	11,603	-	10,286	21,889
Total Revenues	204,346	758,577	568,166	1,531,089
EXPENDITURES				
Current Operating				
General Government	46,706	-	8,211	54,917
Criminal Justice	273,544	-	13,814	287,358
Public Safety	147,130	-	4,316	151,446
Transportation	34,580	-	89,926	124,506
Public Works	8,190	-	68	8,258
Community Enrichment	21,189	-	147,402	168,591
Community Development	21,977	-	105,434	127,411
Capital	20,320	-	380,432	400,752
Debt Service				
Principal	-	-	41,187	41,187
Interest	-	-	54,933	54,933
Bond Issuance Costs	-	-	484	484
Arbitrage Rebate and Fiscal Agent Fees	-	-	493	493
Total Expenditures	573,636	-	846,700	1,420,336
Excess (Deficiency) of Revenues Over Expenditures	(369,290)	758,577	(278,534)	110,753
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	568,974	-	307,950	876,924
Transfers to Other Funds	(101,559)	(758,577)	(53,218)	(913,354)
Proceeds				
General Obligation and Revenue Bonds	-	-	99,505	99,505
Premium/(Discount) on General Obligation and Revenue Bonds	-	-	850	850
Special Assessment Bonds	-	-	443	443
Refunding Bonds	-	-	264,674	264,674
Deposit to Refunding Escrow	-	-	(287,424)	(287,424)
Total Other Financing Sources and Uses	467,415	(758,577)	332,780	41,618
Net Change in Fund Balances	98,125	-	54,246	152,371
FUND BALANCES, JULY 1	186,655	-	594,407	781,062
FUND BALANCES, JUNE 30	\$ 284,780	\$ -	\$ 648,653	\$ 933,433

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

City of Phoenix, Arizona
Fund Financial Statements
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2002
(in thousands)

Net change in fund balances - total governmental funds	\$ 152,371
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital acquisitions (\$512,010) exceeded depreciation (\$89,639) and loss on disposals of capital assets (\$4,077) in the current period.	418,294
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,887
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which acquisitions (\$365,472) exceeded repayments and amounts refunded (\$328,611).	(36,861)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (\$23,042 compensated absences and \$77,810 insurance claims payable)	<u>(100,852)</u>
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Change in net assets of governmental activities - statement of activities	<u>\$ 434,839</u>
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The accompanying notes are an integral part of these financial statements.

City of Phoenix, Arizona
Fund Financial Statements
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2002
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
REVENUES				
City Taxes	\$ 59,000	\$ 59,000	\$ 58,264	\$ (736)
Licenses and Permits	2,393	2,393	4,704	2,311
Intergovernmental	44,877	44,877	48,320	3,443
Charges for Services	35,523	35,523	32,929	(2,594)
Fines and Forfeitures	16,590	16,590	13,825	(2,765)
Interest	9,272	9,272	7,156	(2,116)
Miscellaneous	10,542	10,542	10,739	197
Total Revenues	178,197	178,197	175,937	(2,260)
EXPENDITURES AND ENCUMBRANCES				
Current Operating				
General Government	84,428	84,428	78,734	5,694
Criminal Justice	338,643	334,243	321,719	12,524
Public Safety	158,050	158,050	153,298	4,752
Transportation	64,636	64,636	56,759	7,877
Public Works	18,545	17,645	14,529	3,116
Community Enrichment	26,785	26,785	25,116	1,669
Community Development	26,951	26,951	24,332	2,619
Capital	17,369	17,369	-	17,369
Lease-Purchase Payments	6,992	6,992	2,052	4,940
Contingency	34,150	34,150	-	34,150
Total Expenditures and Encumbrances	776,549	771,249	676,539	94,710
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	(598,352)	(593,052)	(500,602)	92,450
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds				
Staff and Administrative	22,630	22,630	22,158	(472)
In-Lieu Property Taxes	12,119	12,119	11,865	(254)
Miscellaneous	608,092	608,092	564,776	(43,316)
Transfers to Other Funds	(99,683)	(99,683)	(93,638)	6,045
Recovery of Prior Years Expenditures	-	-	1,651	1,651
Total Other Financing Sources and Uses	543,158	543,158	506,812	(36,346)
Net Change in Fund Balance	<u>\$ (55,194)</u>	<u>\$ (49,894)</u>	6,210	<u>\$ 56,104</u>
Fund Balance, July 1			46,478	
Fund Balance, June 30			<u>\$ 52,688</u>	

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

City of Phoenix, Arizona
Fund Financial Statements
Budgetary Comparison Statement
Excise Tax Special Revenue Fund
 For the Fiscal Year Ended June 30, 2002
 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
REVENUES				
City Taxes	\$ 549,984	\$ 549,984	\$ 516,011	\$ (33,973)
Licenses and Permits	2,565	2,565	2,568	3
Intergovernmental	247,367	247,367	239,998	(7,369)
Charges for Services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	-	-	-	-
Miscellaneous	5,750	5,750	-	(5,750)
Total Revenues	805,666	805,666	758,577	(47,089)
OTHER FINANCING USES				
Transfers to Other Funds				
General Fund	(600,036)	(600,036)	(563,266)	36,770
Transit	(93,131)	(93,131)	(87,918)	5,213
Parks and Preserves	(23,783)	(23,783)	(22,081)	1,702
Sports Facilities	(13,256)	(13,256)	(11,296)	1,960
Capital Construction	(24,346)	(24,346)	(18,447)	5,899
City Improvement	(13,305)	(13,305)	(18,239)	(4,934)
Phoenix Civic Plaza	(37,809)	(37,809)	(37,030)	779
Developers Assistance Fund	-	-	(300)	(300)
Total Other Financing Sources and Uses	(805,666)	(805,666)	(758,577)	47,089
Net Change in Fund Balance	\$ -	\$ -	-	\$ -
Fund Balance, July 1			-	
Fund Balance, June 30			\$ -	

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

City of Phoenix, Arizona
Fund Financial Statements
Enterprise Funds
Statement of Net Assets

June 30, 2002
(in thousands)

	Aviation	Phoenix Civic Plaza
<u>ASSETS</u>		
Current Assets		
Equity in Pooled Cash and Investments	\$ 59,229	\$ 27,195
Investments	-	-
Receivables, Net of Allowances	4,790	60
Prepaid Items	1,530	-
Cash Deposits	129	-
Inventories, at Average Cost	870	110
Total Current Assets	66,548	27,365
Noncurrent Assets		
Restricted Assets		
Equity in Pooled Cash and Investments	98,877	433
Cash Deposits	-	638
Cash and Securities with Fiscal Agents/Trustees	36,833	6,725
Investments	378,600	8,123
Due from Other Funds	-	-
Receivables, Net of Allowances	2,283	1,237
Total Restricted Assets	516,593	17,156
Capital Assets, at Cost, Net of Accumulated Depreciation	1,289,381	219,726
Excess of Cost Over Net Assets Acquired, Net of Accumulated Amortization	-	-
Water Rights, Net of Accumulated Amortization	-	-
Investment in Joint Use Agreement	-	-
Total Noncurrent Assets	1,805,974	236,882
Total Assets	1,872,522	264,247
<u>LIABILITIES</u>		
Current Liabilities Payable from Current Assets		
Warrants and Accounts Payable	8,221	1,578
Trust Liabilities and Deposits	157	-
Utility Repayment Agreements	-	-
Deferred Revenue	2,567	-
Accrued Landfill Postclosure Care Costs	-	-
Current Portion of Accrued Compensated Absences	397	138
Total Current Liabilities Payable from Current Assets	11,342	1,716
Current Liabilities Payable from Restricted Assets		
Warrants and Accounts Payable	11,090	14
Due to Other Funds	-	-
Trust Liabilities and Deposits	-	638
Bond Anticipation Notes Payable	-	-
Matured Bonds and Certificates Payable	24,440	3,825
Interest Payable	12,393	2,900
Current Portion of General Obligation Bonds	3,250	-
Current Portion of Revenue Bonds	3,510	-
Current Portion of Municipal Corporation Obligations	9,685	4,040
Accrued Landfill Closure Costs	-	-
Total Current Liabilities Payable from Restricted Assets	64,368	11,417
Noncurrent Liabilities		
General Obligation Bonds, Net of Deferred Interest Expense Adjustment	29,126	-
Revenue Bonds, Net of Deferred Interest Expense Adjustment	44,950	-
Municipal Corporation Obligations, Net of Deferred Interest Expense Adjustment	654,223	86,430
Unamortized Premium (Discount)	461	(210)
Capital Leases	2,694	-
Utility Repayment Agreements	-	-
Rebutable Arbitrage	-	-
Accrued Landfill Closure and Postclosure Care Costs	-	-
Accrued Compensated Absences	3,646	1,136
Total Noncurrent Liabilities	735,100	87,356
Total Liabilities	810,810	100,489
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	852,583	132,153
Restricted for Debt Service	29,300	2,833
Unrestricted	179,829	28,772
Total Net Assets (Deficiencies)	\$ 1,061,712	\$ 163,758

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

(Continued)

Water System	Wastewater	Solid Waste	Golf Courses	Total
\$ 106,194	\$ 29,247	\$ 19,542	\$ 261	\$ 241,668
9,945	-	-	-	9,945
37,795	12,757	7,333	107	62,842
3,187	-	-	-	4,717
-	-	-	-	129
2,231	611	-	166	3,988
159,352	42,615	26,875	534	323,289
45,159	60,514	17,957	-	222,940
6,674	395	64	-	7,771
42,504	50,145	9,577	692	146,476
69,605	1,789	33	-	458,150
1,484	-	-	-	1,484
8,294	200	-	-	12,014
173,720	113,043	27,631	692	848,835
1,096,545	628,348	65,841	16,846	3,316,687
157	-	-	-	157
32,900	-	-	-	32,900
92,645	210,744	-	-	303,389
1,395,967	952,135	93,472	17,538	4,501,968
1,555,319	994,750	120,347	18,072	4,825,257
10,956	4,595	3,273	56	28,679
-	-	-	4	161
165	440	-	-	605
37	-	-	38	2,642
-	-	1,114	-	1,114
658	129	177	59	1,558
11,816	5,164	4,564	157	34,759
14,148	9,773	3,709	-	38,734
-	-	21,184	1,207	22,391
1,877	395	64	-	2,974
-	-	-	-	-
27,685	12,830	7,997	471	77,248
14,819	14,165	1,579	221	46,077
12,240	6,378	6,495	-	28,363
5,880	-	-	-	9,390
9,310	9,745	1,760	496	35,036
-	-	4,914	-	4,914
85,959	53,286	47,702	2,395	265,127
148,187	78,602	48,536	-	304,451
10,000	-	-	-	54,950
466,094	431,225	8,677	7,384	1,654,033
7,040	(3,172)	730	165	5,014
-	-	-	-	2,694
-	3,420	-	-	3,420
-	1,782	-	-	1,782
-	-	26,476	-	26,476
5,648	1,193	1,455	386	13,464
636,969	513,050	85,874	7,935	2,066,284
734,744	571,500	138,140	10,487	2,366,170
549,454	323,214	(8,354)	8,494	1,857,544
4,797	-	-	-	36,930
266,324	100,036	(9,439)	(909)	564,613
\$ 820,575	\$ 423,250	\$ (17,793)	\$ 7,585	\$ 2,459,087

City of Phoenix, Arizona
Fund Financial Statements
Enterprise Funds
Statement of Revenues, Expenses and
Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2002
(in thousands)

	Aviation	Phoenix Civic Plaza
Operating Revenues		
Landing and Terminals Fees	\$ 104,874	\$ -
Sales	-	-
Rentals	68,746	1,965
Sewer Service Charges	-	-
Sanitation and Landfill Fees	-	-
Golf Fees	-	-
Concessions	-	6,667
Other	14,885	1,037
Total Operating Revenues	188,505	9,669
Operating Expenses		
Administration and Engineering	-	8,785
Operation and Maintenance	126,884	22,661
Promotion	-	711
Depreciation and Amortization	48,503	9,790
Staff and Administrative	3,648	2,310
Payment in Lieu of Property Taxes	-	-
Other	-	694
Total Operating Expenses	179,035	44,951
Operating Income (Loss)	9,470	(35,282)
Non-Operating Revenues (Expenses)		
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	3,049	400
Interest on Investments	6,498	996
Interest on Capital Debt	(17,340)	(5,823)
Equity Interest in Joint Use Agreement Operating Loss	-	-
Gain (Loss) on Disposal of Fixed Assets	21	(104)
Total Non-Operating Revenues (Expenses)	(7,772)	(4,531)
Income (Loss) Before Contributions and Transfers	1,698	(39,813)
Capital Contributions	60,466	121
Transfers from Other Funds	-	37,030
Transfers to Other Funds	-	-
Change in Net Assets	62,164	(2,662)
Net Assets, July 1	999,548	166,420
Net Assets, June 30	\$ 1,061,712	\$ 163,758

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

Water System	Wastewater	Solid Waste	Golf Courses	Total
\$ -	\$ -	\$ -	\$ -	\$ 104,874
190,996	-	-	-	190,996
-	-	-	-	70,711
-	74,726	-	-	74,726
-	-	82,073	-	82,073
-	-	-	5,616	5,616
-	-	-	1,738	8,405
19,638	24,349	4,799	90	64,798
210,634	99,075	86,872	7,444	602,199
23,240	6,836	16,071	235	55,167
94,812	45,693	36,853	6,387	333,290
-	-	-	-	711
40,062	27,527	8,607	921	135,410
6,056	1,414	4,092	-	17,520
5,914	5,088	593	-	11,595
-	3,691	4,786	-	9,171
170,084	90,249	71,002	7,543	562,864
40,550	8,826	15,870	(99)	39,335
3,370	747	419	3	7,988
10,816	5,675	729	3	24,717
(22,320)	(23,579)	(3,457)	(406)	(72,925)
(4,445)	(9,472)	-	-	(13,917)
(246)	(4,576)	317	4	(4,584)
(12,825)	(31,205)	(1,992)	(396)	(58,721)
27,725	(22,379)	13,878	(495)	(19,386)
49,364	35,005	371	-	145,327
-	-	-	-	37,030
(360)	(240)	-	-	(600)
76,729	12,386	14,249	(495)	162,371
743,846	410,864	(32,042)	8,080	2,296,716
\$ 820,575	\$ 423,250	\$ (17,793)	\$ 7,585	\$ 2,459,087

City of Phoenix, Arizona
Fund Financial Statements
Enterprise Funds
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2002
(in thousands)

	Aviation	Phoenix Civic Plaza
Cash Flows from Operating Activities		
Receipts from Customers	\$ 190,608	\$ 9,610
Payments to Suppliers	(87,410)	(21,020)
Payments to Employees	(39,403)	(11,576)
Payment of Staff and Administrative Expenses	(3,648)	(2,310)
Payment in Lieu of Property Taxes	-	-
Net Cash Provided (Used) by Operating Activities	60,147	(25,296)
Cash Flows from Noncapital Financing Activities		
Transfers from Other Funds	-	37,030
Transfers to Other Funds	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	37,030
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	414,655	-
Principal Paid on Capital Debt	(24,914)	(3,630)
Interest Paid on Capital Debt	(19,366)	(5,905)
Receipts of Passenger Facility Charges	8,392	-
Loans to Developers	-	-
Loans to Other Funds	-	-
Acquisition and Construction of Capital Assets	(130,450)	(1,376)
Proceeds from Sales of Capital Assets	28	3
Capital Contributions	58,404	-
Net Cash Provided (Used) by Capital and Related Financing Activities	306,749	(10,908)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(1,602,567)	(128,878)
Proceeds from Sale and Maturities of Investment Securities	1,253,595	127,957
Interest on Investments	11,247	1,406
Proceeds from Collections of Long-Term Receivable	-	303
Net Cash Provided (Used) by Investing Activities	(337,725)	788
Net Increase (Decrease) in Cash and Cash Equivalents	29,171	1,614
Cash and Cash Equivalents, July 1	165,768	33,377
Cash and Cash Equivalents, June 30	\$ 194,939	\$ 34,991
Reconciliation of Operating Income (Loss) to		
Net Cash Provided (Used) by Operating Activities	\$ 9,470	\$ (35,282)
Operating Income (Loss)		
Adjustments		
Depreciation and Amortization	48,503	9,790
(Increase) Decrease in Assets		
Deposit for Plan Six	-	-
Receivables	1,076	20
Allowance for Doubtful Accounts	395	-
Prepaid Items	170	-
Inventories	(211)	(89)
Increase (Decrease) in Liabilities		
Warrants and Accounts Payable	(406)	295
Trust Liabilities and Deposits	1	(79)
Deferred Revenue	631	-
Accrued Compensated Absences	518	49
Accrued Landfill Closure and Postclosure Care Costs	-	-
Net Cash Provided (Used) by Operating Activities	\$ 60,147	\$ (25,296)
Noncash Transactions Affecting Financial Position		
Contributions of Fixed Assets	\$ -	\$ 121
Bond Capital Appreciation	-	-
Refunding Issuance in Excess of Bond Retirement	(316)	-
Increase (Decrease) in Fair Value of Investments	588	(79)
Total Noncash Transactions Affecting Financial Position	\$ 272	\$ 42
Cash and Cash Equivalents		
Unrestricted		
Equity in Pooled Cash and Investments	\$ 59,229	\$ 27,195
Restricted		
Equity in Pooled Cash and Investments	98,877	433
Cash with Fiscal Agents/Trustees	36,833	6,725
Customer and Other Deposits	-	638
(Total 2002 restricted assets of \$848,835 include \$499,595 of noncash assets)	135,710	7,796
	\$ 194,939	\$ 34,991

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

(Continued)

Water System	Wastewater	Solid Waste	Golf Courses	Total
\$ 209,024	\$ 98,611	\$ 86,670	\$ 7,391	\$ 601,914
(59,778)	(47,836)	(41,251)	(2,122)	(259,417)
(55,747)	(9,988)	(23,697)	(4,460)	(144,872)
(6,056)	(1,414)	(4,092)	-	(17,520)
(5,914)	(5,088)	(593)	-	(11,595)
81,529	34,284	17,037	809	168,510
-	-	-	-	37,030
(360)	(240)	-	-	(600)
(360)	(240)	-	-	36,430
223,574	7,572	67	-	645,868
(178,100)	(14,702)	(7,003)	(486)	(228,835)
(26,586)	(28,322)	(4,205)	(454)	(84,838)
-	-	-	-	8,392
(8,000)	-	-	-	(8,000)
6,300	-	-	-	6,300
(146,799)	(63,712)	(2,375)	(200)	(344,912)
338	30,084	390	6	30,849
14,169	7,842	371	-	80,786
(115,104)	(61,238)	(12,755)	(1,134)	105,610
(518,092)	(60,620)	(85,772)	-	(2,395,929)
529,626	116,145	96,200	-	2,123,523
13,294	7,012	1,105	6	34,070
-	-	-	-	303
24,828	62,537	11,533	6	(238,033)
(9,107)	35,343	15,815	(319)	72,517
204,841	81,808	31,325	1,272	518,391
\$ 195,734	\$ 117,151	\$ 47,140	\$ 953	\$ 590,908
\$ 40,550	\$ 8,826	\$ 15,870	\$ (99)	\$ 39,335
40,062	27,527	8,607	921	135,410
(137)	-	-	-	(137)
(1,858)	(673)	(273)	(53)	(1,761)
(56)	35	53	-	427
98	-	-	-	268
(176)	(21)	-	(12)	(509)
1,571	(1,406)	923	(11)	966
303	174	18	-	417
1	-	-	-	632
1,171	(178)	16	63	1,639
-	-	(8,177)	-	(8,177)
\$ 81,529	\$ 34,284	\$ 17,037	\$ 809	\$ 168,510
\$ 35,196	\$ 27,163	\$ -	\$ -	\$ 62,480
421	53	-	-	474
749	1,358	120	-	1,911
(236)	(2)	(6)	-	265
\$ 36,130	\$ 28,572	\$ 114	\$ -	\$ 65,130
\$ 106,194	\$ 29,247	\$ 19,542	\$ 261	\$ 241,668
45,159	60,514	17,957	-	222,940
42,504	26,995	9,577	692	123,326
1,877	395	64	-	2,974
89,540	87,904	27,598	692	349,240
\$ 195,734	\$ 117,151	\$ 47,140	\$ 953	\$ 590,908

City of Phoenix, Arizona
Fund Financial Statements
Fiduciary Funds
Statement of Fiduciary Net Assets
 June 30, 2002
 (in thousands)

	General Employees' Retirement Plan	Payroll Agency Fund	Totals
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ -	\$ 30,231	\$ 30,231
Investments	1,291,747	-	1,291,747
Receivables			
Accounts Receivable	13,033	-	13,033
Interest Purchased and Receivable	2,767	-	2,767
Total Assets	<u>\$ 1,307,547</u>	<u>\$ 30,231</u>	<u>\$ 1,337,778</u>
<u>LIABILITIES</u>			
Due to General Fund	\$ 5,117	\$ -	\$ 5,117
Accounts Payable	58,027	-	58,027
Accrued Payroll Payable	-	30,231	30,231
Total Liabilities	<u>63,144</u>	<u>\$ 30,231</u>	<u>93,375</u>
<u>NET ASSETS</u>			
Held in Trust for Pension Benefits	<u>\$ 1,244,403</u>		<u>\$ 1,244,403</u>

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

City of Phoenix, Arizona
Fund Financial Statements
Fiduciary Funds
Statement of Changes in Fiduciary
Net Assets

For the Fiscal Year Ended June 30, 2002
(in thousands)

	General Employees' Retirement Plan
<u>ADDITIONS</u>	
Contributions	
City of Phoenix	\$ 28,295
Employees	25,191
Inter-System Transfers	1,053
Total Contributions	54,539
Investment Income	
From Investing Activities	
Net Increase (Decrease) in Fair	
Value of Investments	(125,458)
Interest	31,213
Dividends	8,285
Other	304
Investment Income/(Loss)	(85,656)
Less: Investment Expense	2,918
Net Investment Income (Loss)	
from Investing Activities	(88,574)
Net Income from Security Lending Activity	91
Total Net Investment Income/(Loss)	(88,483)
Total Additions	(33,944)
<u>DEDUCTIONS</u>	
Benefit Payments	64,289
Refunds of Contributions	3,484
Inter-System Transfers	657
Other	75
Total Deductions	68,505
NET INCREASE (DECREASE)	(102,449)
Net Assets Held in Trust for	
Pension Benefits	
Beginning of Year, July 1	1,346,852
End of Year, June 30	\$ 1,244,403

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

City of Phoenix, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

The City of Phoenix was incorporated on February 25, 1881. On October 11, 1913, voters ratified a city charter providing for a Council-Manager form of government. The government of the City of Phoenix is operated by authority of its charter, as limited by the state legislature.

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.

GASB No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

The City's other significant accounting policies are described below:

a. Reporting Entity

The accompanying financial statements include the City and all of its component units, collectively referred to as "the financial reporting entity". In accordance with GASB No. 14, the component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

City of Phoenix Employees' Retirement Plan ("COPERS")

All full-time general employees participate in COPERS, which is governed by a nine member Retirement Board (the "Board"). Four statutory Board members are members of City management. Three Board members are elected from and by the plan's active members. One Board member is a citizen and one is a retiree. Employees contribute 5% of their covered compensation, with the City funding all remaining costs based on actuarial valuations. COPERS is reported in the accompanying financial statements as the Pension Trust Fund. Separate financial statements for COPERS can be obtained through COPERS administrative office at 101 S. Central Avenue, Suite 600, Phoenix, Arizona, 85004.

**City of Phoenix Civic Improvement Corporation/
Phoenix Civic Plaza Building Corporation**

These nonprofit corporations are organized under the laws of the State of Arizona to assist the City in the acquisition and financing of municipal projects and facilities. Both corporations are governed by self-perpetuating boards of directors, who are responsible for approving the corporations' respective bond sales. Bond sales must also be ratified by the Mayor and City Council. Although they are legally separate from the City, the corporations are reported as if they were part of the primary government, using the blending method, because their sole purpose is to finance and construct public facilities for the City. Separate financial statements for the corporations can be obtained from the City's Finance Department, through the City Controller's Office on the 5th Floor of 251 W. Washington Street, Phoenix, Arizona, 85003.

b. Jointly Governed Organizations

Regional Public Transportation Authority (the "Authority")

The Authority is a voluntary association of local governments, including Phoenix, Tempe, Scottsdale, Glendale, Mesa and Maricopa County. Its purpose is to create a regional public transportation plan for Maricopa County. The Board of Directors consists of the mayors of those cities and a member of the County Board of Supervisors. The Authority is accounted for using the equity method.

Arizona Municipal Water Users Association ("AMWUA")

AMWUA is a nonprofit corporation established and funded by cities in Maricopa County for the development of an urban water policy and to represent the cities' interests before the Arizona legislature. In addition, AMWUA contracts with the cities jointly using the 91st Avenue Wastewater Treatment Plant to perform certain accounting, administrative and support services (see Note 16). The City accounts for AMWUA using the equity method.

c. Basic Financial Statements - GASB #34

The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37 – *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments – Omnibus*, GASB Statement No. 38 – *Certain Financial Statements Note Disclosures*, and GASB Interpretation No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* effective July 1, 2001. Statement No. 34 represents changes in the new financial reporting model. Under the new model, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (statement of net assets and statement of activities) report on the City and its component units as a whole, excluding fiduciary activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. All activities, both governmental and business type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statement. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The City does not utilize any internal service funds.

Interdepartmental services performed by one department for another are credited to the performing department and charged to the receiving department to reflect the accurate costs of programs. The rates used are intended to reflect full costs in accordance with generally accepted cost accounting principles.

The government-wide Statement of Net Assets reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Notes to the Financial Statements

(Continued)

Reservations or designations of net assets imposed by the reporting government, whether by administrative policy or legislative actions of the reporting government, are not shown on the government-wide financial statements.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt and depreciation expense on assets shared by multiple functions are not allocated to the various functions. Program revenues include: 1) charges to customers of users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other revenues not identifiable with particular functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although the new model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. The City has opted to add some funds as major funds because of outstanding debt or community focus. Other non-major funds are combined in a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues, and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary (enterprise) fund and fiduciary fund financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements, but be included in the fund columns in the proprietary fund financial statements.

d. Fund Accounting

The City uses funds to report its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses.

The City uses the following fund categories, further divided by fund type:

Governmental Funds

Governmental funds are those through which most of the governmental functions of the City are financed. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

The City reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund will always be considered a major fund in the basic financial statements.

Excise Tax Special Revenue Fund

The Excise Tax Fund is the only special revenue fund that is presented as a major fund in the basic financial statements. Revenues received for various sales and franchise taxes are recorded in the Excise Tax Fund and then subsequently transferred to the specific fund that has been budgeted to utilize the taxes.

The City reports the following non-major governmental funds:

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector and where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The measurement focus is based upon determination of net income, changes in net assets, financial position and cash flows.

Enterprise Funds

Enterprise funds are used to account for operations that provide services to the general public for a fee. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs. The City has six enterprise funds, which are all presented as major funds in the basic financial statements and are used to account for the operation of the City's Sky Harbor International Airport and two regional airports, Civic Plaza convention center, water system, wastewater system, solid waste disposal and the city golf courses.

Notes to the Financial Statements

(Continued)

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs.

Pension Trust Funds

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans. The City has one Pension Trust Fund to account for the activities of the City of Phoenix Employees' Retirement Plan.

Agency Funds

Agency funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units and other funds.

e. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Enterprise funds and pension trust funds are accounted for on a flow of economic resources measurement focus whereby all assets and liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used by governmental funds. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days after year-end.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues susceptible to accrual include property tax, privilege license tax, highway user tax, state shared sales tax, vehicle license tax, and interest earned on investments. Licenses and permits, charges for services, fines and forfeitures, parks and recreation charges and miscellaneous revenues are recorded when received in cash since they are generally not measurable until actually received.

The accrual basis of accounting is followed for all enterprise funds and the Pension Trust Fund, whereby revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized when incurred. Employee contributions to the Pension Trust Fund are recognized as revenue in the period in which employee services are performed and the contributions are therefore earned. Employer contributions are recognized at the same time, as the City is formally committed to contribute the actuarially determined amount each year. Benefit payments received the first of each month by retirees are recognized as an expense of the prior month; and refunds are recognized as expenses when paid out, in accordance with the terms of the plan.

Enterprise funds distinguish operating revenues and expenses 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 for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

Notes to the Financial Statements

(Continued)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus.

f. Budget and Budgetary Accounting

An operating budget is legally adopted by ordinance each fiscal year for the General, Special Revenue (except for the Parks Gift Fund, which is administered by the Parks and Recreation Board, and is reported as part of the Parks Special Revenue Fund), Secondary Property Tax Debt Service, City Improvement Debt Service and Enterprise funds on a modified accrual basis plus encumbrances. The level of legal budgetary control is by fund, except for the General Fund, for which the control is by program. For the applicable level of control, the budget can be amended only by City Council action subject to state law limitations. Transfers of sums within any specific appropriation may be made, but require the City Manager's approval. The General Fund, Development Services Fund, Transit 2000 Fund, and several enterprise funds include an appropriation for contingencies. Expenditures may be made from these appropriations only with City Council approval.

Unexpended appropriations, including those encumbered, lapse at fiscal year end. Since all expenditures must be covered by an appropriation, the City reappropriates all encumbrances outstanding at year-end. For 2001-02, the reappropriation budget was \$666,000,000.

Expenditure Limitation

Since fiscal year 1982-83, the City has been subject to an annual expenditure limitation imposed by the Arizona Constitution. This limitation is based upon the City's actual 1979-80 expenditures adjusted annually for subsequent growth in population and inflation. The 2001-02 expenditure limit supplied by the Economic Estimates Commission was \$885,353,000. The City increased this limit to \$3,966,746,000 to adjust for additional voter-approved modifications, as described below.

The Constitution exempts certain expenditures from the limitation. The principal exemptions for the City of Phoenix are payments for debt service and other long-term obligations, as well as expenditures of federal funds and certain state-shared revenues. Exemptions associated with revenues not expended in the year of receipt may be carried forward and used in later years. The 1979-80 expenditure base may also be adjusted for the transfer of functions between governmental jurisdictions.

The Constitution provides four processes, all requiring voter approval, to modify the expenditure limitation:

1. A four-year home rule option.
2. A permanent adjustment to the 1979-80 base.
3. A one-time override for the following fiscal year.
4. An accumulation for pay-as-you-go capital expenditures.

Phoenix voters have approved four-year home rule options on a regular basis since the implementation of the Expenditure Limitation. The current home rule option which was approved in 1999 allows the City Council, after hearings are held for each council district, to establish the annual budget as the limit. This four-year home rule option will be in effect through 2003-04. Previously established exclusions for pay-as-you-go capital projects continue to apply.

The City uses only those exemptions needed to comply with the expenditure limitation. Exemptions that are not needed are carried forward to future years and used for future spending capacity. As of June 30, 2001, non-restricted carryforwards totaled \$199,183,562.

Notes to the Financial Statements

(Continued)

Budget Calendar

Each year the City Manager issues a budget calendar giving specific completion dates for various phases of the budget process. Both the City Charter and State Statutes are followed by completing each step by the earliest of the two legal "deadlines", described below:

Action	City Charter	State Statutes
City Manager's proposed budget for ensuing year submitted to Council	On or before the first Tuesday in June	No provision
Publish general summary of budget and notice of public hearing	Publish in newspaper of general circulation at least two weeks prior to first public hearing	No provision
Public hearing and tentative budget adoption	On or before the last day of June	On or before the third Monday in July
Publish budget summary and notice of public hearing	No provision	Once a week for two consecutive weeks following tentative adoption
Public hearing and final budget adoption	No provision	No later than the second Monday in August
Property tax levy adoption	No later than the last regular Council meeting in July	No sooner than seven days following final budget adoption and no later than the third Monday in August

Final adoption of the Operating Budget is by Ordinance. Differences between the basis of accounting used for budgetary purposes and that used for reporting in accordance with GAAP are discussed in Note 2.

g. Reservations and Designations

Reservations and designations of fund equity are recorded to signify that a portion of fund equity is not appropriable for expenditure, or is legally segregated or earmarked by management for specific future use.

h. Pooled Cash and Investments

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer. Excluded from this pool are the investments of COPERS 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 City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools. As a governmental entity, other than an external investment pool, the City's investments are stated at fair value, except for repurchase agreements with maturities when purchased of one year or less. Fair value is based on quoted market prices as of the valuation date.

Notes to the Financial Statements

(Continued)

i. Inventories

Inventories consist of expendable supplies held for consumption. Inventories in governmental funds are stated at average cost. Enterprise fund inventories are stated at the lower of average cost or market. Inventories are primarily accounted for on the consumption method. The reserve for inventory in the governmental funds is equal to the amount of inventory to indicate that a portion of the fund balance is not available for future expenditure.

j. Capital Assets

Prior to GASB Statement No. 34, capital assets for governmental funds were recorded in the General Fixed Assets Account Group and were not depreciated. The new model requires that all capital assets, whether owned by governmental activities or business-type activities, be recorded and depreciated (unless the modified approach is used) in the government-wide financial statements. The City has chosen not to apply the modified approach to any networks or subsystems of infrastructure assets. No long-term assets or depreciation are shown in the governmental fund financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market 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 for the enterprise funds. See Note 8 for presentation of capital additions and interest costs incurred and capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Property, plant and equipment is depreciated or amortized using the straight-line method and the following estimated useful lives:

Buildings and improvements	5 to 50 years
Motor vehicles and motorized equipment	3 to 25 years
Furniture, machinery and equipment	5 to 25 years
General government infrastructure	6 to 100 years
Mains, hydrants, meters and service connections	5 to 50 years

Gain or loss is recognized when assets are retired from service or are otherwise disposed of. Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

k. 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 City's obligation is attributable to employees' services already rendered.
2. It is probable that 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 City will compensate the employees through cash payments conditioned on the employees' termination or retirement. For governmental funds, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. For the government-wide financial statements, as well as the enterprise fund financial statements, all of the outstanding compensated absences are recorded as a liability.

Notes to the Financial Statements

(Continued)

I. Long-Term Obligations

In the government-wide financial statements, and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs in the period in which the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

m. Fund Deficits

The Solid Waste Enterprise Fund had deficit net assets of \$17,793,000 at June 30, 2002, which management anticipates will be recovered from future earnings.

n. Interfund Transactions

Interfund transactions, consisting of services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services and as a reimbursement reducing expenditures in the fund performing the services, except for sales of water to other City departments, which are recorded as revenue, and in-lieu property taxes, which are recorded as revenue in the General Fund and expenses in the Enterprise funds. In addition, operating transfers are made between funds to shift resources from a fund legally authorized to receive revenue to a fund authorized to expend the revenue.

o. Statements of Cash Flows

For purposes of the statements of cash flows, all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased are considered to be cash equivalents. The "Equity in Pooled Cash and Investments" balances, net of unrealized gains or losses, are also considered to be cash equivalents due to the fact that the Enterprise funds may deposit or withdraw cash at any time without prior notice or penalty. Under the provisions of GASB No. 9, pension trust funds are not required to present statements of cash flows.

p. 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 estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

q. Comparative Data

Comparative data for the prior year have been presented in the accompanying notes to the financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain prior year data have been reclassified to conform to current year presentation

Notes to the Financial Statements
(Continued)

2. Budget Basis of Accounting

The City's budget is adopted on a basis other than GAAP. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the General and major Special Revenue Funds (Exhibits B-5 and B-6) are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP bases are:

	Budget	GAAP
Encumbrances	The equivalent of expenditures	A reservation of fund balance
Grant Revenues	Recognized on a modified cash basis	Recognized on the accrual basis
Investment Income	Unrealized gain or loss on investments not recognized	Unrealized gain or loss on investments recognized
Reservations of Fund Balance	Not recognized	Recognized
Designation of Fund Balance for Unrealized Gains on Investments	Not recognized	Recognized
In-Lieu Property Taxes	Interfund Transfers	Revenues and expenses
Staff and Administrative Costs	Interfund Transfers	Reimbursable expenses

Subfunds without legally adopted budgets (and, therefore, not included in the budgetary balances) are reported for GAAP. In addition, certain revenues, expenditures and transfers not recognized in the budgetary year are accrued for GAAP purposes.

Adjustments necessary to convert the results of operations for the fiscal year ended June 30, 2002 on the budget basis to the GAAP basis are as follows (in thousands):

	Excess of Sources of Financial Resources Over Uses of Financial Resources	
	General	Excise Tax Special Revenue
Budget basis	\$ 6,210	\$ -
Entity differences - amounts not budgeted	13,370	-
Transfers not recognized for budget purposes	1,009	-
Accrued/(deferred) revenue not recognized for budget purposes (net of reversals of prior year accruals)	821	-
Accrued expenditures not recognized for budget purposes (net of reversals of prior year accruals)	84,821	-
Unrealized gain or loss on investments	9,522	-
Encumbrances at June 30 recognized as expenditures for budget purposes	(17,628)	-
GAAP basis	\$ 98,125	\$ -

Notes to the Financial Statements

(Continued)

Adjustments necessary to convert the fund balances at June 30, 2002 on the budget basis to the GAAP basis are as follows (in thousands):

	Fund Balances at June 30	
	General	Excise Tax Special Revenue
Budget basis	\$ 52,688	\$ -
Entity differences - amounts not budgeted	127,339	-
Transfers not recognized for budget purposes	(1,683)	-
Accrued/(deferred) revenue not recognized for budget purposes (net of reversals of prior year accruals)	1,189	-
Accrued expenditures not recognized for budget purposes (net of reversals of prior year accruals)	67,163	-
Unrealized gain or loss on investments	28,418	-
Encumbrances at June 30 recognized as expenditures for budget purposes	9,666	-
GAAP basis	<u>\$ 284,780</u>	<u>\$ -</u>

3. Property Tax

Levy, Assessment and Collection

Arizona's property tax system provides for two separate tax systems:

1. A primary system for taxes levied to pay current operation and maintenance expenses.
2. A secondary system for taxes levied to pay principal and interest on bonded indebtedness as well as for the determination of the maximum permissible bonded indebtedness.

Specific provisions are made under each system for determining the full cash and limited values of property, the basis of assessment, and the maximum annual tax levies on certain types of property and by certain taxing authorities. Under the primary system, the limited value of locally-assessed real property (residential, commercial, industrial, agricultural and unimproved property) may increase by more than 10% annually only under certain circumstances. Under the secondary system, there is no limitation on the annual increase in full cash value of any property. Primary levies are limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. In addition, levies may be increased by an amount equal to payments made during the year by the City pursuant to involuntary tort judgments. Secondary tax levies do not have a limitation. City of Phoenix assessed valuations for 2002 are: primary \$8,268,924,766 and secondary \$8,802,883,478.

The City Council adopts the annual tax levy not later than the last regularly scheduled meeting in July. The City's property tax is levied each year on or before the third Monday in August. The basis of this levy is the full cash value as determined by the Maricopa County Assessor. For locally assessed property, the full cash value is determined as of January 1 of the year preceding the tax year, known as the valuation year. For utilities and other centrally valued properties, the full cash value is determined as of January 1 of the tax year. The City has a legal enforceable claim to the property when the property tax is levied. The County collects all property taxes on behalf of the City and all other tax levying jurisdictions within the County. Property Taxes Receivable for the year were as follows (in thousands):

Notes to the Financial Statements
(Continued)

	2001 Levy			Prior Levies	Total
	Primary	Secondary	Total		
Taxes Receivable, July 1	\$ -	\$ -	\$ -	\$ 3,507	\$ 3,507
Current Tax Levy	62,753	82,642	145,395	-	145,395
Adjustments by County Assessor	(388)	(465)	(853)	(448)	(1,301)
	62,365	82,177	144,542	3,059	147,601
Less: Collections	(60,520)	(79,668)	(140,188)	(2,709)	(142,897)
Taxes Receivable, June 30	\$ 1,845	\$ 2,509	\$ 4,354	\$ 350	\$ 4,704

In fiscal 2001-02, current property tax collections were \$140,187,000, or 96.4% of the tax levy, and were recognized as revenue when received. At fiscal year end, the delinquent property tax expected to be collected within 60 days was recognized as revenue and recorded as a receivable for the governmental funds. As delinquent payments are received in 2002-03, the receivable will be credited until the full amount has been satisfied. Any additional collections will be credited to revenue. Property tax revenues on the government-wide statements are recognized, net of estimated uncollectible amounts, in the period for which the taxes are levied.

The year end fund balance in the Secondary Property Tax Debt Service Fund must remain in that fund and be used for future debt service payments. Any year that total primary tax collections, excluding delinquent collections, exceed the primary tax levy, the excess amount must be deducted from the maximum levy of the following year.

Taxes Due and Payable

Property taxes are due and payable at the office of the County Treasurer in two equal installments on October 1 and March 1 following the levy date, and become delinquent the first business day of November and May, respectively. Interest at 16% per annum attaches on the first and second installments following their delinquent dates. Interest on delinquent taxes is retained by the County. The County Treasurer remits to the City on the 15th day of each month all monies collected the previous month on property taxes due the City.

Delinquent Taxes - Sales and Redemption

Public auctions for sale of delinquent real estate taxes are held in the office of the County Treasurer in February following the May 1 date upon which the second half taxes become delinquent. Tax bills are sold to the highest bidder who offers to pay the accumulated amount of tax and to charge thereon the lowest rate of interest. The maximum amount of interest provided by law is 16% per annum. The purchaser is given a Certificate of Purchase issued by the County Treasurer. Five years from the date of sale, the holder of a Certificate of Purchase, which has not been redeemed, may demand of the County Treasurer a County Treasurer's Deed. However, at the end of three full years, a holder of a Certificate may institute a quiet title action. If the suit is successful, the Court will instruct the County Treasurer to issue a County Treasurer's Deed.

Redemption may be made by the owner or any interested party by payment in full of all accumulated charges at any time before issuance of the tax deed.

Unsecured Personal Property

The foregoing is applicable to real property, improvements thereon and secured personal property (personal property attached to real property), utilities and other centrally assessed property. During fiscal 2001-02, 0.3% of the total property tax collections represented taxes on unsecured personal property, which are assessed on a monthly basis using different procedures than those applicable to secured property.

Notes to the Financial Statements
(Continued)

4. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds except for the investments of the Pension Trust Fund (COPERS) which is held separately. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". In addition, investments are separately held by several of the City's funds. The Pooled Cash and Investments Account was comprised of the following (in thousands):

	June 30	
	2002	2001
Cash in Bank	\$ 7,905	\$ 3,558
Cash on Hand	188	188
Investments	1,001,273	947,863
Less: SROG Equity in Pooled Cash	(32,968)	(24,192)
Less: Val Vista Equity in Pooled Cash	(1,178)	(2,202)
Total	975,220	925,215
Less: Restricted Equity in Pooled Cash	(222,940)	(135,940)
Unrestricted Equity in Pooled Cash	<u>\$ 752,280</u>	<u>\$ 789,275</u>

A summary of Equity in Pooled Cash and Investments by fund follows (in thousands):

	June 30	
	2002	2001
Unrestricted		
General Fund	\$ 153,127	\$ 198,642
Non-Major Governmental Funds	327,254	291,296
Fiduciary Funds		
Expendable Trust		
Special Purpose	-	2,017
Payroll Agency	30,231	37,829
Enterprise Funds		
Aviation	59,229	58,794
Phoenix Civic Plaza	27,195	24,644
Water System	106,194	125,842
Wastewater	29,247	31,680
Solid Waste	19,542	17,979
Golf Courses	261	552
Total Unrestricted	752,280	789,275
Restricted		
Enterprise Funds		
Aviation	98,877	72,799
Phoenix Civic Plaza	433	1,387
Water System	45,159	36,528
Wastewater	60,514	21,268
Solid Waste	17,957	3,958
Total Restricted	222,940	135,940
	<u>\$ 975,220</u>	<u>\$ 925,215</u>

Notes to the Financial Statements

(Continued)

Deposits

The City's deposits during the year and at fiscal year end were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name. The carrying amount of the City's deposits at June 30, 2002 was \$7,905,000 and the bank ledger balance was \$9,538,000.

Cash and securities with fiscal agents and trustees totaled \$217,751,000 at June 30, 2002. The City's contracts 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.

Investments

The City Charter and ordinances authorize the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, money market accounts, certificates of deposit, the State Treasurer's investment pool, highly rated obligations 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 evidences 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. In addition to the types of investments described above, COPERS is also authorized to invest in certain types of investment grade domestic preferred and common stocks, and real property. The City Charter allows up to a 60% investment in common stocks.

The City's investments are categorized as follows to give an indication of the level of risk assumed at year end:

- Category 1** Investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.
- Category 2** Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.
- Category 3** Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

All of the investments at June 30, 2002 were included in category 1, except short-term investment funds which, in accordance with GASB No. 3, are not categorized.

Total investments held by the City at June 30, 2002, stated at fair value, were \$3,147,562. This total is comprised of investments reported as "Investments", and investments reported within "Equity in Pooled Cash and Investments". The following summarizes those amounts reported in "Investments" in the accompanying financial statements (in thousands):

	Unrestricted			Restricted
	Governmental Funds	COPERS	Enterprise Funds	Enterprise Funds
U.S. Government Securities	\$ 273,038	\$ 380,250	\$ 9,945	\$ 663,233
Mortgage Backed Securities	-	25,443	-	25,443
Corporate Bonds	-	91,007	-	91,007
Municipal Securities	6,435	-	-	6,435
Common Stocks	-	709,990	-	709,990
Short-Term Investment Funds	106,975	85,057	-	192,032
	<u>\$ 386,448</u>	<u>\$ 1,291,747</u>	<u>\$ 9,945</u>	<u>\$ 1,688,140</u>
				<u>\$ 458,150</u>

The following summarizes the portion of total investments reported in "Equity in Pooled Cash and Investments"

Notes to the Financial Statements

(Continued)

in the accompanying financial statements (in thousands):

U.S. Government Securities	\$	796,932
Repurchase Agreements		76,603
Mortgage Backed Securities		127,738
	\$	<u>1,001,273</u>

COPERS' investments are managed by seven professional fund managers and are held by a plan custodian who is COPERS' agent. There were no situations that occurred during the year, which posed greater credit risk than at June 30, 2002.

5. Receivables

Receivables are stated net of the Allowance for Doubtful Accounts, and are summarized as follows (in thousands):

	Accounts	Taxes	Interest	Intergov- ernmental	Notes	June 30	
						2002	2001
Unrestricted							
Governmental Activities							
General Fund	\$ 11,316	\$ 10,619	\$ -	\$ 1,818	\$ -	\$ 23,753	\$ 16,094
Excise Tax	153	46,783	-	17,744	-	64,680	63,728
Non-Major	12,508	3,789	1,099	37,854	12,468	67,718	47,745
	23,977	61,191	1,099	57,416	12,468	156,151	127,567
Business-Type Activities							
Aviation	4,790	-	-	-	-	4,790	6,261
Civic Plaza	60	-	-	-	-	60	80
Water System	35,349	-	978	1,468	-	37,795	34,988
Wastewater	10,472	-	-	2,285	-	12,757	12,196
Solid Waste	7,333	-	-	-	-	7,333	7,113
Golf Courses	107	-	-	-	-	107	55
	58,111	-	978	3,753	-	62,842	60,693
	82,088	61,191	2,077	61,169	12,468	218,993	188,260
Restricted							
Business-Type Activities							
Aviation	10	-	209	2,064	-	2,283	9,100
Civic Plaza	-	-	35	1,202	-	1,237	1,550
Water System	-	-	294	-	8,000	8,294	295
Wastewater	-	-	14	186	-	200	140
Solid Waste	-	-	-	-	-	-	41
Golf Courses	-	-	-	-	-	-	-
	10	-	552	3,452	8,000	12,014	11,126
	\$ 82,098	\$ 61,191	\$ 2,629	\$ 64,621	\$ 20,468	\$ 231,007	\$ 199,386

Notes to the Financial Statements
(Continued)

The following is a summary of the Allowance for Doubtful Accounts for all funds and the Bad Debt Expense for the enterprise funds (in thousands):

		Allowance for Doubtful Accounts			
				June 30	
		Accounts	Taxes	2002	2001
Governmental					
General Fund	\$	21,456	\$ -	\$ 21,456	\$ 7,775
Excise Tax		-	2,670	2,670	4,817
Non-Major		80	-	80	86
Business-Type					
Aviation		1,757	-	1,757	1,362
Water System		642	-	642	698
Wastewater		290	-	290	255
Solid Waste		314	-	314	261
	\$	24,539	\$ 2,670	\$ 27,209	\$ 15,254

Enterprise fund Accounts Receivable included unbilled charges as follows (in thousands):

		June 30	
		2002	2001
Aviation	\$	4,195	\$ 3,699
Water System		15,253	13,431
Wastewater		4,784	4,231
Solid Waste		3,878	3,319
	\$	28,110	\$ 24,680

The City has entered into a loan agreement with Native American Connections, Inc. (NACI) for the sale of property to NACI. The loan agreement has been recorded as a note receivable in the Municipal Buildings and Service Centers Capital Project Fund. The note amount is \$1,000,000, with a maturity date of June 30, 2040, and an interest rate of 5.06%.

The City has also entered into various loan agreements with third parties related to its public housing programs. These loan agreements have been recorded as notes receivable within the Public Housing Special Revenue Fund. Under these agreements, the City has loaned money to nonprofit corporations for the purpose of establishing and/or improving public housing units. The loans are secured by an interest in the property being acquired and/or improved. The following is a summary of these notes:

Notes to the Financial Statements
(Continued)

Note Amount	Dated	Due	Interest Rate	Monthly Payments		Balance June 30, 2002
				Amount	Commencing	
\$ 250,000	12/30/93	07/01/26	2%	\$ 417	07/01/96	\$ 250,000
250,000	05/10/94	05/01/19	4%	1,471	09/01/95	210,493
150,000	05/10/94	05/01/19	4%	883	09/01/95	126,296
248,660	01/01/95	01/01/25	2%	919	02/01/95	199,701
86,000	02/01/95	09/01/19	2%	370	03/01/95	64,512
64,000	02/01/95	09/01/19	2%	276	03/01/95	48,008
250,000	04/01/95	12/01/19	2%	1,076	06/01/95	189,058
52,350	04/01/95	05/01/10	2%	337	05/01/95	28,711
250,000	06/01/95	06/01/20	4%	1,320	07/01/95	237,345
43,521	06/01/95	07/01/15	2%	220	07/01/95	30,221
250,000	06/30/95	12/31/21	4%	1,290	01/01/96	209,977
250,000	12/31/95	05/01/26	4%	1,202	05/01/96	219,096
197,803	01/01/96	02/01/21	2%	838	02/01/96	155,466
91,000	06/27/96	12/01/26	2%	336	12/01/96	77,920
52,310	07/01/95	11/01/16	2%	265	11/01/96	49,070
62,030	07/01/95	11/01/16	2%	316	11/01/96	47,450
250,061	09/19/96	10/01/21	2%	1,077	04/01/97	205,538
207,355	11/27/96	05/01/27	2%	766	05/01/97	179,892
225,000	12/20/96	06/01/27	2%	832	06/01/97	196,210
134,000	10/10/97	03/01/28	2%	495	04/01/98	119,536
81,766	11/20/98	05/01/19	2%	414	06/01/99	71,190
250,000	05/01/98	09/01/28	2%	924	10/01/98	230,113
250,000	07/22/99	07/01/29	4%	1,194	08/01/99	237,457
250,000	12/07/98	02/01/30	4%	1,194	03/01/00	239,447
250,000	12/22/00	02/01/37	4%	1,107	03/01/02	248,900
500,000	01/23/01	01/01/41	4%	12,782	07/01/02	500,000
250,000	04/17/00	05/01/37	4%	1,207	06/01/02	272,296
250,000	01/13/01	05/01/39	4%	1,198	06/01/04	250,000
250,000	10/15/01	12/01/32	4%	1,246	04/01/03	250,000
250,000	12/27/01	10/01/32	2%	924	11/01/02	250,000
1,000,000	06/26/01	07/01/09	6%	4,100	07/01/09	1,000,000
1,000,000	various	various	4%	various	various	490,209
2,167,507	various	various	4%	various	various	1,792,801
4,505,227	various	various	4%	various	various	2,791,167
						<u>\$ 11,468,080</u>

6. Interfund Transactions

Net interfund receivables and payables between governmental activities and business-type activities in the amount of \$20,907,000, are included in the government-wide financial statements at June 30, 2002. The following amounts due to other funds or due from other funds are included in the fund financial statements at June 30, 2002 (in thousands):

	<u>Due To</u>	<u>Due From</u>
Unrestricted		
Governmental Funds		
General Fund	\$ -	\$ 136,976
Excise Tax	64,579	-
Non-major Governmental	70,276	18,786
Total Governmental Funds	<u>134,855</u>	<u>155,762</u>
Restricted		
Enterprise Funds		
Water System	-	1,484
Solid Waste	21,184	-
Golf Courses	1,207	-
Total Enterprise Funds	<u>22,391</u>	<u>1,484</u>
Total Due To/Due From	<u>\$ 157,246</u>	<u>\$ 157,246</u>

Interfund balances at June 30, 2002 are short-term loans to cover temporary cash deficits in various funds.

Notes to the Financial Statements
(Continued)

This occasionally occurs prior to bond sales or grant reimbursements. All interfund balances outstanding at June 30, 2002 are expected to be repaid within one year.

Net transfers of \$36,430,000 from governmental activities to business-type activities on the government-wide statement of activities is primarily the result of the monthly transfer of earmarked excise tax to the Civic Plaza Enterprise fund. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2002.

	<u>Transfer Out</u>	<u>Transfer In</u>
Governmental Funds		
General Fund	\$ 101,559	\$ 568,974
Excise Tax	758,577	-
Non-major Governmental	53,218	307,950
Total Governmental Funds	<u>913,354</u>	<u>876,924</u>
Enterprise Funds		
Civic Plaza	-	37,030
Water System	360	-
Wastewater	240	-
Total Enterprise Funds	<u>600</u>	<u>37,030</u>
Total Transfers	<u>\$ 913,954</u>	<u>\$ 913,954</u>

Interfund transfers are primarily used for 1) debt service payments made from a debt service fund, but funded from an operating fund; 2) subsidy transfers from unrestricted general funds; or 3) transfers to move excise tax revenues from the excise tax fund to the various funds that receive earmarked excise tax revenues and to the general fund.

7. Restricted Assets and Liabilities Payable from Restricted Assets

Restricted assets and liabilities payable from restricted assets are summarized as follows (in thousands):

	<u>June 30</u>	
	<u>2002</u>	<u>2001</u>
Restricted Assets		
Equity in Pooled Cash and Investments	\$ 222,940	\$ 135,940
Cash Deposits	7,771	7,218
Cash and Securities with Fiscal Agents/Trustees	146,476	199,828
Investments	458,150	130,027
Receivables, Net of Allowances	12,014	11,126
Subtotal	<u>847,351</u>	<u>484,139</u>
Due From Other Funds	1,484	7,784
Total Restricted Assets	<u>\$ 848,835</u>	<u>\$ 491,923</u>
Liabilities Payable from Restricted Assets		
Warrants and Accounts Payable	\$ 38,734	\$ 39,892
Trust Liabilities and Deposits	2,974	2,558
Bond Anticipation Notes Payable	-	150,000
Accrued Landfill Closure Costs	4,914	7,131
Subtotal	<u>46,622</u>	<u>199,581</u>
Due to Other Funds	22,391	8,662
Matured Bonds and Certificates Payable	77,248	77,814
Interest Payable	46,077	42,588
Current Portion of General Obligation Bonds	28,363	28,015
Current Portion of Revenue Bonds	9,390	22,140
Current Portion of Municipal Corporation Obligations	35,036	27,093
Total Liabilities Payable from Restricted Assets	<u>\$ 265,127</u>	<u>\$ 405,893</u>

Notes to the Financial Statements

(Continued)

8. Capital Assets

A summary of capital asset activity for the government-wide financial statements follows (in thousands):

	Balances July 1, 2001	Additions	Deletions	Transfers	Balances June 30, 2002
Governmental activities:					
Non-depreciable assets:					
Land	\$ 271,605	\$ 129,035	\$ (550)	\$ 18,282	\$ 418,372
Infrastructure	294,643	8,515	-	8	303,166
Artwork	6,435	72	-	191	6,698
Construction-in-Progress	164,770	233,169	(11,990)	(74,587)	311,362
Total non-depreciable assets	737,453	370,791	(12,540)	(56,106)	1,039,598
Depreciable assets:					
Buildings	676,073	20,346	(389)	26,055	722,085
Improvements	162,781	8,109	(1,045)	16,802	186,647
Infrastructure	1,007,108	64,248	-	296	1,071,652
Equipment	355,524	60,920	(29,034)	12,953	400,363
Total depreciable assets	2,201,486	153,623	(30,468)	56,106	2,380,747
Less accumulated depreciation for:					
Buildings	(195,699)	(20,401)	209	-	(215,891)
Improvements	(90,962)	(7,150)	832	-	(97,280)
Infrastructure	(281,074)	(30,074)	-	-	(311,148)
Equipment	(182,526)	(32,014)	25,486	-	(189,054)
Total accumulated depreciation	(750,261)	(89,639)	26,527	-	(813,373)
Total depreciable assets, net	1,451,225	63,984	(3,941)	56,106	1,567,374
Governmental activities, capital assets, net	\$ 2,188,678	\$ 434,775	\$ (16,481)	\$ -	\$ 2,606,972
Business-type activities:					
Non-depreciable assets:					
Land	\$ 338,568	\$ 2,693	\$ (18)	\$ 25,767	\$ 367,010
Artwork	2,517	-	(42)	73	2,548
Construction-in-Progress	691,644	225,475	(16,444)	(369,115)	531,560
Total non-depreciable assets	1,032,729	228,168	(16,504)	(343,275)	901,118
Depreciable assets:					
Buildings	828,275	15,824	(1,415)	57,340	900,024
Improvements	1,531,754	96,688	(44,366)	195,566	1,779,642
Hydrants, mains, etc.	701,712	58,971	(619)	58,746	818,810
Equipment	253,509	21,479	(5,364)	31,623	301,247
Total depreciable assets	3,315,250	192,962	(51,764)	343,275	3,799,723
Less accumulated depreciation for:					
Buildings	(315,012)	(32,714)	1,166	-	(346,560)
Improvements	(567,375)	(63,515)	9,674	-	(621,216)
Hydrants, mains, etc.	(260,970)	(18,328)	198	-	(279,100)
Equipment	(121,102)	(23,126)	6,950	-	(137,278)
Total accumulated depreciation	(1,264,459)	(137,683)	17,988	-	(1,384,154)
Total depreciable assets, net	2,050,791	55,279	(33,776)	343,275	2,415,569
Business-type activities, capital assets, net	\$ 3,083,520	\$ 283,447	\$ (50,280)	\$ -	\$ 3,316,687

Notes to the Financial Statements

(Continued)

Depreciation expense was charged to governmental functions in the government-wide financial statements as follows (in thousands):

General Government	\$ 6,163
Criminal Justice	9,188
Public Safety	4,729
Transportation	42,833
Public Works	7,537
Community Enrichment	14,516
Community Development	4,673
	<u>\$ 89,639</u>

Net enterprise fund interest cost incurred and the portion capitalized were as follows (in thousands):

	Fiscal Year Ended June 30			
	2002		2001	
	Incurred	Capitalized	Incurred	Capitalized
Aviation	\$ 22,343	\$ 4,687	\$ 21,566	\$ 3,976
Phoenix Civic Plaza	5,828	5	6,034	5
Water System	28,552	6,981	28,017	6,891
Wastewater	28,442	6,221	30,783	6,838
Solid Waste	3,356	19	4,629	21
	<u>\$ 88,521</u>	<u>\$ 17,913</u>	<u>\$ 91,029</u>	<u>\$ 17,731</u>

Notes to the Financial Statements

(Continued)

9. Long-Term Obligations

Changes in long-term obligations during fiscal 2001-02 are summarized as follows (in thousands):

	Balances July 1	Additions (1)	Reductions	Balances June 30	Amounts Due Within One Year
Governmental activities					
Bonds and notes payable:					
General Obligation Bonds	\$ 629,848	\$ 232,605	\$ 169,343	\$ 693,110	26,750
Revenue Bonds					
Street and Highway User Revenue	235,826	123,125	148,235	210,716	8,595
Housing Revenue	3,255	-	345	2,910	370
Certificates of Participation	21,910	-	710	21,200	745
Municipal Corporation Obligations	280,370	-	7,662	272,708	7,459
Special Assessment Bonds	8,442	443	1,484	7,401	1,434
	1,179,651	356,173	327,779	1,208,045	45,353
Deferred Loss on Refunding	-	-	(14,904)	14,904	-
Total bonds and notes payable	1,179,651	356,173	312,875	1,222,949	45,353
Other liabilities:					
Insurance Claims Payable	82,817	77,896	-	160,713	68,220
Accrued Compensated Absences	107,389	23,042	-	130,431	9,500
Total other liabilities	190,206	100,938	-	291,144	77,720
Total governmental activities	\$ 1,369,857	\$ 457,111	\$ 312,875	\$ 1,514,093	123,073
Business-type activities					
Bonds and notes payable:					
General Obligation Bonds	354,350	33,739	55,275	332,814	28,363
Revenue Bonds	84,581	1,899	22,140	64,340	9,390
Municipal Corporation Obligations	1,086,324	902,628	299,883	1,689,069	35,036
	1,525,255	938,266	377,298	2,086,223	72,789
Deferred Loss on Refunding	33,871	(4,757)	(17,116)	46,230	-
Cummulative capital appreciation on general obligation minibonds	(3,163)	(474)	-	(3,637)	-
Total bonds and notes payable	1,555,963	933,035	360,182	2,128,816	72,789
Other liabilities:					
Accrued Compensated Absences	13,383	1,639	-	15,022	1,558
Capital Leases	3,113	-	419	2,694	-
Utility Repayment Agreements (2)	4,033	-	613	3,420	-
Rebatable Arbitrage	1,293	619	130	1,782	-
Accrued Landfill Closure and Postclosure Care Costs	32,314	-	4,724	27,590	1,114
Total other liabilities	54,136	2,258	5,886	50,508	2,672
Total business-type activities	\$ 1,610,099	\$ 935,293	\$ 366,068	\$ 2,179,324	75,461

(1) Additions include \$474,000 for accrued interest on capital appreciation enterprise general obligation minibonds.

The amounts reported above have been reduced by deposits made with the City's fiscal agent for July 1, 2002 maturities, a portion of which is included in restricted assets for the Enterprise Funds. These deposits were as follows (in thousands):

	Principal	Interest	Total
Governmental Funds			
General Obligation Bonds	\$ 27,799	\$ 13,966	\$ 41,765
Street and Highway User Revenue Bonds	2,355	2,323	4,678
Certificates of Participation	710	585	1,295
Municipal Corporation Obligations	7,662	7,631	15,293
	38,526	24,505	63,031
Enterprise Funds			
General Obligation Bonds	28,015	8,543	36,558
Revenue Bonds	22,140	2,508	24,648
Municipal Corporation Obligations	27,093	35,026	62,119
	77,248	46,077	123,325
	\$ 115,774	\$ 70,582	\$ 186,356

Notes to the Financial Statements

(Continued)

Issues of long-term debt, excluding deferred losses of \$61,134,000 and accumulated appreciation on general obligation mini-bonds of (\$3,637,000) were as follows at June 30, 2002 (dollars in thousands):

Issue Date	Purpose	Maturity Dates	Net Interest Rate	Effective Interest Rate	Average Life (Years)	Original Amount	Balance Outstanding	Unamortized Discount (Premium) (2)
General Obligation Bonds								
12/01/89	Various Improvements	7/1/00-10	7.01	(1)	14.7	\$ 12,242	\$ 2,456	\$ -
12/06/91	Sanitary Sewer	7/1/95-11	4.62	4.56	13.9	30,000	20,664	-
04/01/92	Refunding	7/1/95-13	6.31	6.27	10.6	237,945	30,620	-
04/15/93	Refunding	7/1/95-16	5.48	5.45	13.4	335,165	213,285	-
09/15/93	Refunding	7/1/94-16	5.11	5.12	15.2	70,550	52,690	(42)
12/01/93	Water Improvements	7/1/04-14	5.03	4.98	13.8	17,229	17,229	-
03/01/94	Various Improvements	7/1/96-11	5.22	5.24	10.2	70,635	8,250	8
01/01/95	Various Improvements	7/1/97-12	5.93	5.94	11.4	30,000	5,415	1
07/01/95	Refunding	7/1/10-19	5.59	5.56	19.9	85,000	51,225	-
11/01/95	Various Improvements	7/1/01-20	5.26	5.35	17.0	60,000	34,440	-
02/01/96	Refunding	7/1/96-14	4.86	4.85	10.3	35,280	20,590	-
01/15/97	Various Improvements	7/1/99-20	5.39	5.32	14.7	32,000	15,990	6
01/15/98	Various Improvements	7/1/01-22	4.74	4.67	15.9	75,000	61,555	33
01/15/99	Refunding	7/1/99-20	4.47	4.44	12.4	163,820	156,810	(738)
02/01/99	Various Improvements	7/1/01-23	4.77	4.74	15.8	58,000	49,585	(57)
07/15/00	Various Improvements	7/1/03-25	5.48	5.42	16.9	50,000	31,420	(17)
12/07/01	Sanitary Sewer	7/1/03-21	3.70	3.70	18.0	6,075	6,075	-
05/22/02	Various Improvements-Taxable	7/1/08-10	5.65	5.66	7.1	10,000	10,000	-
05/22/02	Refunding	7/1/03-18	4.46	4.37	8.4	144,495	144,495	(867)
05/22/02	Various Improvements	7/1/11-27	5.11	5.11	18.3	89,970	89,970	-
05/22/02	Refunding	7/1/14-15	4.83	4.77	12.4	14,680	14,680	-
Total General Obligation Bonds						1,628,086	1,037,444	(1,673)
Revenue Bonds								
02/01/92	Street/Highway Improvements	7/1/07	6.55	6.76	17.8	55,490	5,815	-
03/15/92	Street/Highway Refunding	7/1/93-11	6.50	6.72	13.4	117,880	11,195	-
12/15/92	Street/Highway Refunding (3)	7/1/94-13	7.96	6.33	15.0	58,226	17,991	-
03/01/93	Water Refunding (3)	7/1/95-22	5.07	5.03	10.6	54,570	15,880	116
09/15/93	Street/Highway Refunding	7/1/95-11	5.03	5.04	13.3	64,725	49,950	-
05/01/94	Airport Improvements (3)	7/1/03-12	6.44	6.52	14.1	31,500	31,500	176
05/01/94	Airport Refunding (3)	7/1/95-12	5.56	5.65	5.7	42,340	2,250	17
05/01/94	Airport Refunding (3)	7/1/95-12	6.31	6.41	11.1	21,650	14,710	85
08/01/95	Municipal Housing Refunding	12/1/95-09	6.06	6.03	7.7	4,960	2,910	-
01/01/99	Street/Highway Refunding	7/1/99-11	4.40	4.65	9.1	10,375	9,995	-
05/10/02	Street/Highway Refunding (3)	7/1/03-11	3.61	3.76	5.3	123,125	123,125	-
Total Revenue Bonds						584,841	285,321	394
Certificates of Participation								
06/01/93	Amphitheatre Refunding (3) (4b)	8/1/95-19	5.43	5.89	16.8	14,080	11,320	-
07/01/93	Amphitheatre, Stadium and Housing (3) (4b)	8/1/94-23	5.18	5.67	18.5	11,975	9,880	-
Total Certificates of Participation						26,055	21,200	-

(Continued)

- (1) Effective rate equals the net interest rate.
- (2) Enterprise Funds only.
- (3) Insured by a municipal bond insurance policy, a reserve account surety bond, a debt service reserve fund, or an irrevocable direct pay letter of credit.
- (4) The City has pledged excise taxes as security. The taxes pledged are as follows:
 - (a) Senior lien pledge on all outstanding excise tax obligations.
 - (b) Subordinated junior lien pledge on all outstanding excise tax obligations.

Notes to the Financial Statements

(Continued)

Issue Date	Purpose	Maturity Dates	Net Interest Rate	Effective Interest Rate	Average Life (Years)	Original Amount	Balance Outstanding	Unamortized Discount (Premium) (2)
Municipal Corporation Obligations								
09/01/92	Wtr. Rights Land Acq. Ref. (3) (6)	8/1/97-17	6.07	6.16	18.4	\$ 31,485	\$ 28,760	\$ 397
09/01/92	Superblock Refinancing (3) (4b)	8/1/00-17	6.11	6.21	20.2	15,560	15,160	-
01/01/93	Wastewater System (7)	7/1/97-05	6.24	6.36	21.1	250,000	17,720	55
06/01/93	Patriots Sq. Park. Garage Ref. (3) (4b)	7/1/96-09	5.25	5.61	10.4	14,350	8,410	-
09/01/93	New City Hall (4a)	7/1/99-28	5.04	5.22	23.8	50,000	46,645	-
10/01/93	Wastewater Refunding (7)	7/1/99-23	4.87	5.27	22.1	235,735	231,565	6,115
01/01/94	Water System Improvements (6)	7/1/95-24	5.45	5.49	19.5	110,000	7,465	-
05/01/94	Airport Refunding (5)	7/1/95-14	6.09	6.13	11.7	33,705	27,600	110
08/01/94	Civic Plaza (4a)	7/1/05-14	5.98	5.98	16.0	43,250	43,250	-
08/01/94	Civic Plaza Refunding (4a)	7/1/96-05	5.09	5.76	6.4	24,395	6,935	5
11/01/94	Municipal Facilities (3) (4b)	7/1/95-05	6.53	6.47	7.2	33,410	1,795	-
04/25/95	Airport Improvements (3) (9)	6/1/10-20	(8)	(8)	22.0	31,000	31,000	-
06/15/96	Water System Improvements (6)	7/1/00-08	5.82	5.78	15.2	150,000	21,440	(3)
01/15/97	Municipal Facilities Refunding (3) (4b)	7/1/99-21	5.47	5.43	14.4	9,935	9,635	-
07/01/97	Wastewater System (3) (12)	7/1/03-22	5.35	5.32	17.2	75,000	26,645	(50)
01/01/98	Civic Plaza East Garage (3) (4b)	7/1/00-22	6.66	6.63	16.2	43,000	40,285	205
01/15/98	Multipurpose Arena Refunding (3) (4b)	7/1/98-19	6.83	6.64	14.1	48,740	45,590	-
02/01/98	Airport Refunding (5)	7/1/98-14	4.67	4.68	9.6	38,355	30,305	(397)
05/01/98	Water System Refunding (3) (6)	7/1/99-19	5.05	5.03	16.3	109,155	107,100	715
08/01/98	Airport Revenue (10)	7/1/03-25	5.06	5.08	18.1	165,000	165,000	(109)
06/01/99	Phoenix Municipal Courthouse (4a)	7/1/05-29	5.35	5.32	20.7	79,000	79,000	-
06/01/99	Adams Street Garage (4a)	7/1/05-29	5.34	5.31	20.7	15,000	15,000	-
02/01/00	Bus Acquisition Special Revenue (3) (13)	7/1/00-12	5.40	5.42	6.7	18,320	14,570	-
06/01/00	Wastewater System Revenue (3) (12)	7/1/05-24	5.97	5.91	16.4	135,000	25,690	(94)
08/01/00	Municipal Facilities Revenue (3) (4b)	7/1/01-20	5.11	4.94	8.2	65,000	55,220	(353)
07/01/01	Wastewater System Refunding (12)	7/1/02-24	5.06	5.02	16.4	166,260	165,640	(2,680)
08/01/01	Water System Refunding (3) (6)	7/1/02-24	4.88	4.68	14.1	99,980	98,795	(5,180)
04/01/02	Water System Revenue (3) (6)	7/1/07-26	5.10	5.08	16.3	220,000	220,000	(2,483)
05/01/02	Airport Sr. Lien Refunding (3) (10)	7/1/08-13	5.40	5.51	20.1	23,225	23,225	(1,473)
05/01/02	Airport Sr. Lien Revenue (3) (10)	7/1/14-32	5.40	5.51	20.1	231,390	231,390	2,487
05/01/02	Airport Jr. Lien Revenue (3) (11)	7/1/05-29	5.40	5.51	20.1	159,565	159,565	(1,002)
Total Municipal Corporation Obligations						2,724,815	2,000,400	(3,735)
Special Assessment Bonds								
Various	Unredeemed Matured Bonds	-	-	-	-	44	44	-
1990	Various Improvements	1/1/00-06	6.90-7.00	(1)	10.0	5,300	1,990	-
1992	Various Improvements	1/1/02-07	6.50-6.90	(1)	10.0	4,724	1,655	-
1993	Various Improvements	1/1/02-09	5.38-6.90	(1)	10.0	2,788	1,450	-
1994	Various Improvements	1/1/04	6.90	(1)	10.0	167	20	-
1995	Various Improvements	1/1/05	6.35-6.90	(1)	10.0	3,336	1,145	-
1996	Various Improvements	1/1/06	6.90	(1)	10.0	327	132	-
1997	Various Improvements	1/1/07	6.90	(1)	10.0	327	130	-
1999	Various Improvements	1/1/09	6.21	(1)	10.0	278	193	-
2000	Various Improvements	1/1/10	6.90	(1)	10.0	274	217	-
2001	Various Improvements	1/1/02-11	6.90	(1)	10.0	174	156	-
2001	Various Improvements	1/1/03-12	6.90	(1)	10.0	268	268	-
Total Special Assessment Bonds						18,007	7,400	-
						\$ 4,981,804	\$ 3,351,765	\$ (5,014)

- (5) The City has pledged excise taxes on a senior lien basis as security; however, debt service requirements on these obligations are paid from airport revenues.
- (6) The City has pledged designated Water System revenues as security. This pledge is junior to the pledge of net operating revenues for payment of the City's outstanding water revenue bonds.
- (7) The City has pledged designated Wastewater System revenues, subject to annual appropriation.
- (8) Variable rate demand bonds. The interest rate cannot exceed 18%.
- (9) The City has pledged excise taxes on a subordinated junior lien basis as security; however, debt service requirements on these obligations are paid from airport revenues.
- (10) The City has pledged net airport revenues on a senior lien basis as security for these bonds.
- (11) The City has pledged designated airport revenues as security. This pledge is junior to the pledge of net airport revenues for payment of the City's outstanding senior lien airport bonds.
- (12) The City has made a junior lien pledge of Wastewater System revenues as security for these bonds.

Notes to the Financial Statements

(Continued)

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

General Obligation Bonds

As a general rule, the City has given priority to using general obligation bonds for capital programs of general government departments (non-enterprise departments). These include fire, police, library, parks and recreation, mountain preserves, and storm sewers. The annual debt service on these bonds is paid from secondary property taxes. Under State law, the City's secondary property tax levy can only be used for payment of principal and interest on long-term debt.

The City has also used general obligation bonds for airport, solid waste, sanitary sewer and water purposes, when deemed appropriate, with annual debt service on these bonds paid from the revenues of these enterprises, not from property taxes or other general revenues. This has been the case with the water system since 1942, with airport operations since 1967, with the sanitary sewer system since 1981, and with solid waste operations since 1991.

In December 2001, the City issued \$6,075,000 Sanitary Sewer General Obligation Bonds, Series 2001. The bonds have an average life of 18.0 years and were sold at a true interest cost of 3.70%.

In June 2002, the City issued the following General Obligation Bonds:

Various Purpose General Obligation Bonds, Taxable Series 2002A, in the amount of \$10,000,000. The bonds have an average life of 7.1 years and were sold at a true interest cost of 5.66%.

Various Purpose General Obligation Bonds, Series 2002B, in the amount of \$89,970,000. The bonds have an average life of 18.3 years and were sold at a true interest cost of 5.11%.

General Obligation Refunding Bonds, Series 2002A, in the amount of \$144,495,000. The bonds have an average life of 8.4 years and were sold at a true interest cost of 4.37%.

General Obligation Refunding Bonds, Series 2002B, in the amount of \$14,680,000. The bonds have an average life of 12.4 years and were sold at a true interest cost of 4.37%.

Revenue Bonds

In addition to general obligation bonds, under Arizona State law the City is authorized to issue voter-approved highway user revenue and utility revenue bonds, which in Phoenix's case include water revenue and airport revenue bonds. The water and airport revenue bonds are secured by a pledge of revenues from these enterprises, and do not constitute a general obligation of the City backed by general taxing authority. The highway user revenue bonds are secured by State-shared gas taxes and other highway user fees and charges, and are also not a general obligation of the City.

The City has also issued a relatively small amount of public housing revenue bonds since 1974. Debt service on these bonds is paid with housing assistance payments from the federal government and from tenant income derived from the operation of the various housing projects.

In May 2002, The City issued \$123,125,000 Junior Lien Street and Highway User Revenue Refunding Bonds, Series 2002. The bonds have an average life of 5.3 years and were sold at a true interest cost of 3.76%.

Certificates of Participation

The City has pledged excise taxes as security for the certificates of participation. The pledge is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations.

Notes to the Financial Statements

(Continued)

Municipal Corporation Obligations

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

In June 2001, the CIC issued \$166,260,000 Civic Improvement Corporation Jr. Lien Wastewater System Revenue Refunding Bonds, Series 2001. The bonds have an average life of 16.4 years and were sold at a true interest cost of 5.02%.

In August 2001, the CIC issued \$99,980,000 Civic Improvement Corporation Jr. Lien Water System Revenue Refunding Bonds, Series 2001. The bonds have an average life of 14.1 years and were sold at a true interest cost of 4.68%.

In March 2002, the CIC issued \$220,000,000 Civic Improvement Corporation Jr. Lien Water System Revenue Refunding Bonds, Series 2002. The bonds have an average life of 16.3 years and were sold at a true interest cost of 5.08%.

In April 2002, the City issued the following Civic Improvement Corporation Airport Revenue Bonds:

Senior Lien Airport Revenue Refunding Bonds, Series 2002A (AMT), in the amount of \$23,225,000. The bonds have an average life of 9.5 years and were sold at a true interest cost of 4.82%.

Senior Lien Airport Revenue Bonds, Series 2002B (AMT), in the amount of \$231,390,000. The bonds have an average life of 22.7 years and were sold at a true interest cost of 5.53%.

Junior Lien Airport Revenue Bonds, Series 2002 (AMT), in the amount of \$159,565,000. The bonds have an average life of 17.8 years and were sold at a true interest cost of 5.54%.

Special Assessment Bonds

Proceeds from special assessment bonds are used for improvements such as paving, sidewalks and sewers. Payments made by the assessed property owners are pledged to pay debt service on the bonds. In the event of default by a property owner, the lien created by the assessment is sold at public auction and the proceeds are used to offset the defaulted assessment. If there is no purchase at the public auction, the City is required to buy the property with funds appropriated from the General Fund.

In September 2001, the City issued the following Improvement District Bonds with an average life of 10.0 years and were sold at a true interest cost of 6.90%:

Series 1298 in the amount of \$166,487

Series 1299 in the amount of \$7,902

Series 1300 in the amount of \$268,360

Notes to the Financial Statements

(Continued)

Debt Service Requirements

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

Fiscal Years	City of Phoenix Bonds						Total Other Obligations (1)	Total Debt Service
	General Obligation	Highway User Revenue	Housing Revenue	Airport Revenue	Water Revenue	Totals		
2003	\$ 108,597	\$ 19,749	\$ 544	\$ 6,489	\$ 6,721	\$ 142,100	\$ 152,168	\$ 294,268
2004	116,471	29,150	546	6,489	550	153,206	151,623	304,829
2005	105,174	29,150	547	6,489	550	141,910	159,992	301,902
2006	102,488	31,248	542	6,492	550	141,320	158,303	299,623
2007	104,664	31,243	554	6,492	550	143,503	161,060	304,563
2008	109,751	31,246	543	6,488	550	148,578	162,783	311,361
2009-13	440,900	137,738	319	28,001	2,750	609,708	808,526	1,418,234
2014-18	284,304	-	-	-	5,650	289,954	766,320	1,056,274
2019-23	135,745	-	-	-	8,011	143,756	627,686	771,442
2024-28	39,412	-	-	-	-	39,412	306,345	345,757
2029-32	-	-	-	-	-	-	97,209	97,209
	1,547,506	309,524	3,595	66,940	25,882	1,953,447	3,552,015	5,505,462
Less: Interest	(510,062)	(91,453)	(685)	(18,480)	(10,002)	(630,682)	(1,523,015)	(2,153,697)
	<u>\$ 1,037,444</u>	<u>\$ 218,071</u>	<u>\$ 2,910</u>	<u>\$ 48,460</u>	<u>\$ 15,880</u>	<u>\$ 1,322,765</u>	<u>\$ 2,029,000</u>	<u>\$ 3,351,765</u>
Authorized	\$ 2,687,755	\$ 565,686	\$ 4,960	\$ 144,440	\$ 54,570	\$ 3,457,411		
Unissued	\$ 664,107	\$ -	\$ -	\$ -	\$ -	\$ 664,107		
Interest Rates on Outstanding Bonds	3.5 - 7.4%	3.3 - 7.6%	5.2 - 6.3%	4.7 - 8.7%	4.0 - 5.5%			

(1) Other obligations consist of the following (in thousands):

Fiscal Years	Certificates of Participation	Muni. Corp.	Special Assess. Bonds	Total Other Obligations
2003	\$ 1,879	\$ 148,382	\$ 1,907	\$ 152,168
2004	1,881	147,931	1,811	151,623
2005	1,881	156,377	1,734	159,992
2006	1,874	155,082	1,347	158,303
2007	1,883	158,474	703	161,060
2008	1,889	160,194	700	162,783
2009-13	9,418	798,596	512	808,526
2014-18	8,608	757,712	-	766,320
2019-23	4,513	623,173	-	627,686
2024-28	-	306,345	-	306,345
2029-32	-	97,209	-	97,209
	33,826	3,509,475	8,714	3,552,015
Less: Interest	(12,626)	(1,509,075)	(1,314)	(1,523,015)
	<u>\$ 21,200</u>	<u>\$ 2,000,400</u>	<u>\$ 7,400</u>	<u>\$ 2,029,000</u>

Notes to the Financial Statements

(Continued)

Capital Leases

The City has entered into a lease agreement with an independent third-party for the purpose of acquiring structural improvements at Sky Harbor International Airport. The leased assets totaled \$4,332,000 at June 30, 2002. Interest on the capital lease in the amount of \$2,245,000 has been fully expensed and is included in the amount reported as a component of the capital leases obligation. The following is a schedule of future minimum lease payments, as of June 30, 2002 (in thousands):

<u>Years Ending June 30</u>	<u>Aviation Enterprise Fund</u>
2003	\$ 458
2004	458
2005	458
2006	458
2007	458
2008-2012	862
Total Minimum Lease Payments	3,152
Less: Current Portion	(458)
Future Minimum Lease Payments	<u>\$ 2,694</u>

Accrued Landfill Closure and Postclosure Care Costs

The Solid Waste Enterprise Fund ("Solid Waste") currently operates one landfill, the Skunk Creek Landfill, and monitors four additional closed landfills. Federal and state regulations require that certain postclosure care costs be incurred to maintain and monitor closed landfills for thirty years after closure to mitigate and prevent future environmental damage. In addition, numerous costs are incurred in the process of closing a landfill. These closure costs include the capping of the landfill with soil, installing such items as drainage and monitoring systems, and remediation of any environmental damage caused by the landfill. These costs are estimated based on what it would cost to perform all closure and postclosure care for the landfills at June 30, 2002 and are subject to change due to inflation, technology changes and applicable legal or regulatory requirements.

Total closure and postclosure care costs for the Skunk Creek Landfill (which is still operating) are currently estimated to be \$42,938,000, including \$11,652,000 that has already been paid out and an estimated \$31,286,000 that will be paid out in future years. Of the unpaid amount, \$25,654,000 has been recorded as a liability in the accompanying financial statements based on the use of approximately 82% of the estimated capacity of the landfill. The accrual for these costs for fiscal 2001-02 was decreased by \$7,560,000. The Skunk Creek Landfill is expected to be closed in the year 2005.

Total closure and postclosure care costs for the four closed landfills are currently estimated to be \$53,941,000, including \$47,091,000 that has already been paid out and an estimated \$6,850,000 that will be paid out in future years as postclosure care efforts continue. The entire unpaid amount has been reported as a liability in the accompanying financial statements. The accrual for these costs was decreased by \$617,000 during fiscal 2001-02 in connection with these landfills.

Of the liabilities discussed above, \$4,914,000 is included in liabilities payable from restricted assets.

Certain environmental remediation costs associated with one of the closed landfills are recoverable from third parties. The City has recovered a total of \$29,015,000 from third parties. These recoveries are used to reduce remediation expense in the year the recovery is assured. A total of \$11,099,000 (which includes recoveries and applicable interest earnings) has been included in restricted assets on the Enterprise Fund balance sheet. Any postclosure care costs not recovered from third parties will be funded from revenues of the Solid Waste Enterprise Fund.

Notes to the Financial Statements

(Continued)

10. Refunded and Refinanced Obligations

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

The outstanding balance of the refunded debt and the related assets held in trust are not included in the accompanying financial statements. During fiscal 2001-02, the City issued the following refunding bonds (dollars in thousands):

	City of Phoenix			Civic Improvement Corporation
	General Obligation Bonds	Street and Highway User Revenue	Senior Lien Airport Revenue	
Series	2002A	2002B	2002	2002A
Closing Date	06/12/02	06/12/02	06/05/02	05/08/02
Net Interest Rate	4.46%	4.83%	3.90%	4.91%
Refunding Bonds Issued	\$ 144,495	\$ 14,680	\$ 123,125	\$ 23,225
Premium (Discount)	4,089	309	5,666	1,384
Issuance Costs and Insurance	(236)	(26)	(714)	(142)
Net Proceeds	<u>\$ 148,348</u>	<u>\$ 14,963</u>	<u>\$ 128,077</u>	<u>\$ 24,467</u>
Refunded Amount	\$ 144,350	\$ 15,000	\$ 138,525	\$ 24,440
Decrease in Debt Service	\$ 11,389	\$ N/A	\$ 9,420	\$ N/A
Economic Gain	\$ 7,190	\$ N/A	\$ 9,591	\$ N/A
Number of Years Affected	16	1	10	1

Notes to the Financial Statements

(Continued)

The General Obligation Refunding Bonds, Series 2002A and Street and Highway User Revenue Refunding Bonds, Series 2002 were issued to reduce 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 and refinancings are summarized as follows (in thousands):

Fund	Issue	Decrease in Debt Service	Economic Gain	Number of Years Affected
Secondary Property Tax	G.O. Refunding, Series 2002A	\$ 7,236	\$ 6,910	16
Aviation	G.O. Refunding, Series 2002A	13	11	12
Solid Waste	G.O. Refunding, Series 2002A	20	15	16
Wastewater System	G.O. Refunding, Series 2002A	14	11	11
Water System	G.O. Refunding, Series 2002A	6	5	7
		<u>\$ 7,289</u>	<u>\$ 6,952</u>	

The refundings and refinancings discussed above resulted in the recognition of accounting losses (the difference between the dollar amount required for the refunding/refinancing and the net carrying amount of the refunded/refinanced debt) of \$1,040,000 in the Secondary Property Tax Fund \$475,000 in the Aviation Enterprise Fund, \$435,000 in the Solid Waste Enterprise Fund, \$85,000 in the Wastewater Enterprise Fund and \$190,000 in the Water System Enterprise Fund. These accounting losses are deferred and amortized (using the straight-line method) as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred amounts are reported in the accompanying financial statements as a deduction from or addition to the new debt liability.

The General Obligation Refunding Bonds, Series 2002B and Senior Lien Airport Revenue Refunding Bonds, Series 2002A were issued to refund and restructure debt service due July 1, 2002.

The deferred and amortized amounts of accounting losses on bond refundings (which are netted against outstanding bond obligations) at June 30, 2002, are summarized as follows (in thousands):

	Deferred Amount July 1	Additions	Reductions due to Refundings	Amortization	Deferred Amount June 30
General Government					
General Obligation	\$ -	\$ 7,549	\$ -	\$ -	\$ 7,549
Revenue	-	7,355	-	-	7,355
	<u>\$ -</u>	<u>\$ 14,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,904</u>
Enterprise Funds					
Aviation					
General Obligation	\$ 399	\$ 731	\$ (3)	\$ (89)	\$ 1,038
Airport Revenue	1,899	-	(1,899)	-	-
Civic Improvement Corporation	2,601	2,115	(206)	(333)	4,177
Civic Plaza					
Water					
General Obligation	3,408	281	-	(327)	3,362
Civic Improvement Corporation	4,003	4,574	-	(421)	8,156
Wastewater					
General Obligation	1,461	152	-	(111)	1,502
Civic Improvement Corporation	19,017	8,521	-	(1,247)	26,291
Solid Waste					
General Obligation	1,084	740	-	(120)	1,704
	<u>\$ 33,872</u>	<u>\$ 17,114</u>	<u>\$ (2,108)</u>	<u>\$ (2,648)</u>	<u>\$ 46,230</u>

Notes to the Financial Statements

(Continued)

Advanced refunding arrangements at June 30, 2002 were as follows (in thousands):

Date Refunded	Refunded Bonds		Balance Outstanding	Assets Held in Trust (1)
	Issue Dates	Type		
05/07/86	03/01/81 - 12/01/85	General Obligation General Government Aviation	\$ 6,530 27,545 <u>\$ 34,075</u>	<u>\$ 39,923</u>
05/07/86	10/01/74 - 05/01/83	Water System Revenue	<u>\$ 5,725</u>	<u>\$ 6,113</u>
03/04/92	05/15/86 - 07/01/90	Junior Lien Street and Highway User Revenue	<u>\$ 19,065</u>	<u>\$ 17,679</u>
12/16/92	03/15/87 - 02/01/92	Junior Lien Street and Highway User Revenue	<u>\$ 7,750</u>	<u>\$ 10,170</u>
04/27/93	12/01/78 - 12/06/91	General Obligation General Government Water System Sanitary Sewer	\$ 10,953 1,625 495 <u>\$ 13,073</u>	<u>\$ 19,248</u>
11/04/93	01/01/93	Civic Improvement Corporation Wastewater System Lease Revenue	<u>\$ 206,585</u>	<u>\$ 227,138</u>
02/28/96	01/01/90 - 01/01/95	General Obligation General Government Solid Waste	\$ 1,690 250 <u>\$ 1,940</u>	<u>\$ 2,784</u>
02/12/97	11/01/94	Civic Improvement Corporation Municipal Facilities	<u>\$ 8,635</u>	<u>\$ 9,033</u>
06/10/98	06/15/96	Civic Improvement Corporation Water System Revenue	<u>\$ 102,385</u>	<u>\$ 105,232</u>
02/17/99	01/01/89 - 01/30/96	General Obligation General Government Sanitary Sewer Solid Waste Water System	\$ 52,110 10,000 15,695 49,775 <u>\$ 127,580</u>	<u>\$ 132,521</u>
07/10/01	07/01/97 - 06/01/00	Civic Improvement Corporation Wastewater System Revenue	<u>\$ 157,665</u>	<u>\$ 166,993</u>
08/30/01	01/01/94 - 06/15/96	Civic Improvement Corporation Water System Revenue	<u>\$ 99,915</u>	<u>\$ 108,910</u>
06/05/02	02/01/92 - 12/15/92	Junior Lien Street and Highway User Revenue	<u>\$ 2,500</u>	<u>\$ 3,061</u>
06/12/02	04/01/91 - 07/15/00	General Obligation General Government Aviation Sanitary Sewer Solid Waste	\$ 72,065 5 2,310 7,310 <u>\$ 81,690</u>	<u>\$ 85,760</u>

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

Notes to the Financial Statements

(Continued)

11. Legal Debt Margin

As discussed in Note 3, secondary property taxes are used to finance bond principal and interest payments. Under Arizona law, general obligation bonds for water, sewer, artificial light, open space preserves, parks, playgrounds and recreational facilities may not exceed 20% of a city's secondary assessed valuation. General obligation bonds for all other purposes may not exceed 6% of the secondary assessed valuation. The total debt margin available at July 1, 2002 was as follows (in thousands):

Six Percent Bonds	\$ 454,443
Twenty Percent Bonds	<u>1,017,209</u>
	<u>\$ 1,471,652</u>

12. Risk Management

The City maintained a \$5,000,000 self-insured retention during the fiscal year ended June 30, 2002, for most public liability exposures. Losses exceeding that amount are covered by commercial insurance. Effective July 1, 2002, the self-insured retention amount was increased to \$7,500,000. Airport and aircraft liability exposures, as well as other specialty liability exposures, are fully insured through the purchase of commercial insurance. For the fiscal year ended June 30, 2002, workers' compensation claims for Phoenix Transit employees were self-insured up to a \$250,000 self-insured retention, and commercial insurance is purchased for losses exceeding that amount.

Effective July 1, 2002, the Phoenix Transit workers' compensation self-insured retention amount was increased to \$350,000. Unemployment and long-term disability benefits are fully self-insured. Employee medical and dental benefits are insured by a commercial health insurance provider through a loss sensitive, minimum premium funding arrangement. 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 reported pending claims, estimates of claims incurred but not reported, and actuarial analyses of the total value of outstanding claims and claim related expenses. For the year ended June 30, 2002, there were no reductions in insurance coverage from the prior year. Settled claims have not exceeded insurance coverage for the past three fiscal years.

The City reports its self-insurance activities in the General Fund, the Transit Special Revenue Fund (for transit related claims only) and the Government-Wide Statement of Net Assets, with the other funds reimbursing the General Fund for their share of the cost of the City's self-insurance program. At June 30, 2002, claims payable totaled \$160.7 million. Changes in this liability for the last two fiscal years follow (in thousands):

	<u>Year Ended June 30</u>	
	<u>2002</u>	<u>2001</u>
Claims Payable, July 1	\$ 145,872	\$ 115,432
Current Year Claims and Changes in Estimates	127,367	123,483
Claim Payments	<u>(112,526)</u>	<u>(93,043)</u>
Claims Payable, June 30	<u>\$ 160,713</u>	<u>\$ 145,872</u>

Notes to the Financial Statements

(Continued)

Claims that are expected to be paid with expendable available financial resources are accounted for in the General Fund and the Transit Special Revenue Fund. All other claims are accounted for in the Government-Wide Statement of Net Assets. These balances were as follows (in thousands):

	June 30	
	2002	2001
Amounts due within one year	\$ 68,220	\$ 63,055
Amounts due in more than one year	92,493	82,817
	<u>\$ 160,713</u>	<u>\$ 145,872</u>

In addition, cash and investments of \$153,714,371 and \$2,635,055 are held in the General Fund and Transit Special Revenue Fund, respectively, at June 30, 2002 for purposes of funding the claims liability reported in the Government Wide Statement of Net Assets. As a result, \$153,714,371 of the General Fund balance and \$2,635,055 of the Transit Special Revenue Fund balance are designated for payment of claims.

13. Operating Leases

The City's public housing program leases housing facilities that are, in turn, subleased to low income and elderly tenants. These lease obligations are subsidized by the federal government. Total rental expense for these leases was \$27,903,887 and \$23,720,621 for the fiscal years ended June 30, 2002 and 2001, respectively. In addition, \$3,168,585 was paid during fiscal year 2001-02 on contracts, which the Housing Department administers for HUD.

The City also leases certain airport facilities to third parties. Minimum future rentals on noncancellable operating leases at June 30, 2002 were as follows (in thousands):

Years Ending June 30	
2003	\$ 45,926
2004	25,187
2005	14,935
2006	9,622
2007	7,044
Thereafter	<u>82,454</u>
	<u>\$ 185,168</u>

The above amounts do not include contingent rentals, which also may be received under the airport facilities leases, primarily as a percentage of sales in excess of stipulated minimums. Contingent rentals amounted to \$23,640,000 and \$20,268,000 for the fiscal years ended June 30, 2002 and 2001, respectively. A summary of the assets leased to third parties under the airport operating lease agreements at June 30, 2002 is as follows (in thousands):

Buildings	\$ 508,458
Less: Accumulated Depreciation	<u>(230,755)</u>
	<u>\$ 277,703</u>

Notes to the Financial Statements

(Continued)

14. Contractual and Other Commitments

Public Transit

The City provides public transit service through the following private contractors: ATC/VANCOM Management Services Inc., Laidlaw Transit Services, and Arnett Transportation Services. In addition, the City purchases fixed route bus service from the Regional Public Transportation Authority. The services provided by these contractors, the expiration dates of the current agreements and the estimated contract amount to be provided by the City through June 30, 2003 are as follows (in thousands):

Contractor	Type of Service	Expiration Date	Estimated Annual Subsidy
Laidlaw Transit Services	Bus Service	June 30, 2003	\$ 10,985
MV Transportation Services	Dial-a-Ride	June 30, 2006	9,021
Arnett Transportation Svcs.	Downtown Area Shuttle	June 30, 2005	627
ATC/VANCOM Management Services, Inc.	Bus Service	June 30, 2003	63,349
Regional Public Transportation Authority	Bus Service	June 30, 2003	4,329
MV Transportation Services	ALEX	June 30, 2003	898
			<u>\$ 89,209</u>

Approximately 7.5% of the total net transit costs will be reimbursed to the City by adjacent communities and the RPTA. In addition, the City will apply for funding to support daily operations from the Department of Transportation, Federal Transit Administration. This grant will be used to fund approximately 10.1% of the total transit costs for fiscal 2001-02. The City has been the designated recipient for these grants since 1975.

Plan Six Funding Agreements

The Plan Six Funding Agreement provides for a cost sharing arrangement to ensure timely completion of the Plan Six facilities of the Central Arizona Project. These facilities include the new Waddell Dam on the Agua Fria River and modifications of the Roosevelt and Stewart Mountain dams on the Salt River. The parties to this agreement include the United States government, the State of Arizona, the Central Arizona Water Conservation District, Maricopa County Flood Control District, the Salt River Project, and the cities of Phoenix, Chandler, Glendale, Mesa, Scottsdale, Tempe and Tucson. The federal government has determined that the Plan Six Agreement does not constitute a joint venture.

Deposited funds from prior fiscal years are held in the State Treasurer's trust for Plan Six and, as disbursements are made from this fund, the City records an asset (water rights). Upon completion, the City will amortize this asset over a 40-year life. No further contributions are required.

Notes to the Financial Statements

(Continued)

Other Contracts

The City's enterprise funds have entered into construction contracts having remaining commitments at June 30, 2002 as follows (in thousands):

Aviation	\$ 89,170
Phoenix Civic Plaza	1,171
Water System	91,159
Wastewater	87,935
Solid Waste	6,273
	<u>\$ 275,708</u>

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.

15. Contingent Liabilities

Pending Litigation

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. As discussed in Note 12, the City is primarily self-insured, and has accrued a liability for estimated claims outstanding. As with any risk retention program, however, 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 City's financial position, results of operations or liquidity at June 30, 2002.

Housing Authority Bonds and Public Housing Notes Payable

Excluded from the City's long-term obligations in the accompanying financial statements are Housing Authority Bonds and Public Housing Notes Payable. These obligations were incurred in connection with the City's public housing activities, but are entirely supported by the federal government. The City would be obligated to pay the debt service on these bonds only in the event of default by the federal government. The outstanding balances on these bonds and notes at June 30, 2002 were \$265,000 and \$1,008,498, respectively.

Sick Leave

Sick leave is continuously accumulated at the rate of 15 days per year but can only be taken in the event of illness. With the exception of police, firefighters, and supervisory, professional, middle management and executive employees, sick leave is not convertible to a cash benefit. However, 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.

Police who have accumulated 1,000 qualifying hours or more of unused sick leave at the time of normal service retirement (1,400 qualifying hours or more for employees not on a 40 hour per week work schedule) are eligible to receive a payment equal to 35% or more (depending on the number of qualifying hours) of their base hourly rate for hours in excess of 500 hours (700 hours for employees not on a 40 hour per week work schedule).

Firefighters who have accumulated 900 qualifying hours or more of unused sick leave at the time of normal service retirement (1,260 qualifying hours or more for employees not on a 40 hour per week work schedule) are eligible to receive a payment equal to 35% or more (depending on the number of qualifying hours) of their base hourly rate for hours in excess of 450 hours (630 hours for employees not on a 40 hour per week work schedule).

Notes to the Financial Statements

(Continued)

Supervisory and Professional, Middle Management, and Executive 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 20% of the hours in excess of 250 hours. Additionally, Confidential Office and Clerical, Field Unit 1, Field Unit 2, and Office and Clerical employees who have accumulated 1,000 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 20% of the hours in excess of 500 hours.

Sick leave is accrued as a liability 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 police, firefighters, and general employees as described above has been accrued as a liability in the accompanying financial statements. The June 30, 2002, 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 sick leave benefit balances (both accrued and unaccrued) at June 30 were as follows (in thousands):

	June 30	
	2002	2001
General	\$ 122,142	\$ 115,013
Police	88,880	81,146
Fire	39,686	36,251
	250,708	232,410
Less: Amounts Accrued as a Liability	(84,369)	(72,719)
	<u>\$ 166,339</u>	<u>\$ 159,691</u>

Liabilities Under Grants

The City 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, 2002 have not been completed in all cases; accordingly, final determination of the City's compliance with applicable grant requirements will be established at some 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 City's financial position at June 30, 2002.

Notes to the Financial Statements
(Continued)

16. Joint Use Agreements

Wastewater

Phoenix participates with the cities of Glendale, Mesa, Scottsdale and Tempe in the Subregional Operating Group ("SROG") Agreement for the construction, operation and maintenance of jointly used facilities, including the 91st Avenue Wastewater Treatment Plant, the Salt River Outfall Sewer, the Southern Avenue Interceptor and related transportation facilities. As lead agency, the City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. Phoenix provides all management personnel and financing arrangements and accepts federal grants on behalf of the participants. The other participants pay for costs of operation and maintenance based on sewage flows and strengths, and for purchased capacity in plant and related transportation facilities based on approved engineering billing schedules.

The City of Phoenix holds title to the land comprising the plant site and rights of way. The City's investment under the joint use agreement is included in the Wastewater Enterprise Fund financial statements as part of the total wastewater system. The SROG members participate in each facility at varying rates depending on their needs at the time each facility was constructed. The system has no bonded debt outstanding. Summary financial information on the joint use agreement as of and for the fiscal years ended June 30, 2002 and 2001 is provided below (in thousands).

	June 30	
	2002	2001
Assets		
Equity in Pooled Cash and Investments	\$ 32,968	\$ 24,192
Receivables	10,922	12,177
Inventories, at average cost	705	684
Capital Assets, Net of Accumulated Depreciation	398,881	360,914
Total Assets	443,476	397,967
Liabilities	(32,320)	(25,698)
Net Assets	\$ 411,156	\$ 372,269
 Total Revenues	 \$ 82,614	 \$ 82,836
Total Expenses	(43,727)	(35,017)
Increase in Net Assets	\$ 38,887	\$ 47,819

Separate financial statements for the activity under the joint use agreement can be obtained through the AMWUA office at 4041 N. Central Avenue, Phoenix, Arizona 85012.

Notes to the Financial Statements

(Continued)

Water

Phoenix participates with the City of Mesa in the Val Vista Water Treatment Plant and Transmission Line agreement for the construction, operation and maintenance of the jointly used facilities. As lead agency, the City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the Plant. Phoenix provides all management personnel and financing arrangements. The City of Mesa pays for costs of operation and maintenance based on flows and purchased capacity, and for purchased capacity in the Plant and related transmission line based on approved engineering billing schedules.

The City's investment under the joint use agreement is included in the Water Enterprise Fund financial statements as part of the total water system. The plant has no bonded debt outstanding. Summary financial information on the joint use agreement as of and for the fiscal years ended June 30, 2002 and 2001 is provided below (in thousands).

	June 30	
	2002	2001
Assets		
Equity in Pooled Cash and Investments	\$ 1,178	\$ 2,202
Receivables	4,296	4,465
Capital Assets, Net of Accumulated Depreciation	155,682	151,485
Total Assets	161,156	158,152
Liabilities	(3,009)	(4,472)
Net Assets	\$ 158,147	\$ 153,680
Total Revenues	\$ 22,372	\$ 21,657
Total Expenses	(17,905)	(14,458)
Increase in Net Assets	\$ 4,467	\$ 7,199

Separate financial statements for the activity under the joint use agreement can be obtained through the City of Phoenix, Finance Department, Utilities Accounting Division, 305 W. Washington Street, Phoenix, Arizona 85003.

Notes to the Financial Statements

(Continued)

17. Pension Plans

Plan Descriptions

Substantially all full-time employees and elected officials of the City are covered by one of three contributory pension plans. In addition to normal retirement benefits, all of the plans also provide for disability and survivor benefits, as well as deferred pensions for former employees. Pension benefits vest after five years for general City employees and elected officials, and after ten years for public safety employees.

The City of Phoenix Employees' Retirement Plan ("COPERS") is a single-employer defined benefit pension plan for all full-time classified civil service general City employees. Members are eligible for retirement benefits upon meeting one of the following age and service requirements:

1. Age 60 years, with ten or more years of credited service.
2. Age 62 years, with five or more years of credited service.
3. Any age, which added to years of credited service equals 80 (Rule of 80).

The Plan is authorized by and administered in accordance with Chapter XXIV of the Charter of the City of Phoenix. Authority to make amendments to the plan rests with City voters. The Plan is administered by a nine-member Retirement Board. COPERS has been included as part of the City's reporting entity as a pension trust fund. Copies of the separately issued COPERS financial report, which includes financial statements and required supplemental information, may be obtained from COPERS, Barrister Place, 101 South Central Avenue, Suite 600, Phoenix, Arizona 85004.

The Arizona Public Safety Personnel Retirement System ("APSPRS") is an agent multiple-employer defined benefit pension plan for all sworn police officers and fire fighters. Members are eligible for normal retirement benefits after 20 years of service or at age 62 with completion of 15 years of service. It is authorized by and administered in accordance with Arizona Revised Statutes Title 38, Chapter 5, Article 4, Section 38.841-855. Authority to make amendments rests with the Arizona State Legislature. The Plan is administered by local boards consisting of the City Mayor, two members elected by employees and two citizens appointed by the mayor and approved by the City Council. The same board administers both the Fire Fighters and Police pension plans for the City.

The Elected Officials' Retirement Plan of Arizona ("EORPA") is a cost-sharing multiple-employer defined benefit pension plan for all elected officials of the City. Members are eligible for retirement benefits upon meeting one of the following age and service requirements:

1. Age 60 years, with 25 or more years of credited service.
2. Age 62 years, with ten or more years of credited service.
3. Age 65 years, with five or more years of credited service.
4. Age 50 years, with ten or more years of credited service (reduced pension).

Benefits are based on 4% of the member's final annual salary multiplied by the years of credited service. The maximum is 80% of the member's final annual salary. Benefits for early retirees (option 4 above) are reduced by 3/12 of 1% for each month that early retirement precedes age 65. EORPA is authorized by and administered in accordance with Arizona Revised Statutes Title 38, Chapter 5, Article 3, Section 802 as amended. The authority to make amendments rests with the Arizona State Legislature. The Plan is administered by the Arizona Public Safety Personnel Retirement System.

Copies of the publicly available financial reports for the APSPRS and EORPA may be obtained from Arizona Public Safety Personnel Retirement System, 1020 East Missouri, Phoenix, Arizona 85014-2613.

Notes to the Financial Statements

(Continued)

Funding Policy and Annual Pension Cost (Unaudited)

The City contributes an actuarially determined amount to COPERS to fully fund benefits for active members and to amortize any unfunded actuarial liability as a level percent of projected member payroll over a period of 20 years from June 30, 2002. The employee contribution rate is 5% of compensation.

In addition to funding the plan for benefits, the City pays the administrative costs of the plan as a City expense. Investment expenses are paid by the plan from investment earnings.

Contribution rates for APSPRS are specified by State statute, with a 7.65% employee share and an employer's share equal to a level percent of compensation to fund normal cost and unfunded accrued liability over an open period of 20 years from July 1, 2002. Optionally, the employer may increase its contributions in order to lower the employees' share.

Contribution rates for EORPA are specified by State statute, with a 7% employee share and an employer's share equal to a level percent of compensation to fund normal cost and unfunded accrued liability over an open period of 20 years from July 1, 2002.

The City's annual pension costs for the current year and related information for each plan is as follows:

	COPERS	APSPRS		EORPA
		Police	Fire	
Contribution Rates:				
City	7.24%	1.44%	1.87%	6.97%
Plan Members	5.00%	7.65%	7.65%	7.00%
Annual Pension Costs (thousands) (1)	\$ 28,295	\$ 3,265	\$ -	\$ 24
Contributions Made (thousands)	\$ 28,295	\$ 3,265	\$ -	\$ 24
Actuarial Valuation Date	6/30/02	6/30/01	6/30/01	6/30/01
Actuarial Cost Method	Entry Age, Normal Cost	Entry Age, Normal Cost	Entry Age, Normal Cost	Entry Age, Normal Cost
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open
Remaining Amortization Period	20 years	20 years	20 years	20 years
Asset Valuation Method	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial Assumptions:				
Investment Rate of Return	8.0%	9.0%	9.0%	9.0%
Projected Salary Increases *	5.0 - 9.0%	6.5 - 9.5%	6.5 - 9.5%	7.0%
* Includes Inflation at	4.5%	5.5%	5.5%	5.5%
Cost-of-Living Adjustments	-	-	-	-

Notes to the Financial Statements
(Continued)

Three-year trend information follows:

Contributions Required and Contributions Made				
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
General City Employees	6/30/02	\$ 28,294,889	100 %	N/A
	6/30/01	22,329,387	100	N/A
	6/30/00	26,802,219	100	N/A
Public Safety Employees - Police	6/30/02	\$ 3,264,728	100 %	N/A
	6/30/01	5,032,488	100	N/A
	6/30/00	7,737,525	100	N/A
Public Safety Employees - Fire	6/30/02	\$ -	100 %	N/A
	6/30/01	2,276,410	100	N/A
	6/30/00	2,148,964	100	N/A
Elected Officials	6/30/02	\$ 24,015	100 %	N/A
	6/30/01	35,155	100	N/A
	6/30/00	32,963	100	N/A

Schedule of Funding Progress (in thousands)							
	Actuarial Valuation Date	Funding Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
General City Employees	6/30/02	\$ 1,273,731	\$ 1,390,273	\$ 116,542	91.6 %	\$ 404,414	28.8 %
	6/30/01	1,291,338	1,259,564	(31,774)	102.5	376,913	N/A
	6/30/00	1,219,892	1,199,871	(20,021)	101.7	360,654	N/A
Public Safety Employees - Police	6/30/02	\$ (1)	\$ (1)	\$ (1)	(1) %	\$ (1)	(1) %
	6/30/01	1,082,395	842,990	(239,405)	128.4	161,300	N/A
	6/30/00	997,234	766,099	(231,135)	130.2	148,948	N/A
Public Safety Employees - Fire	6/30/02	\$ (1)	\$ (1)	\$ (1)	(1) %	\$ (1)	(1) %
	6/30/01	614,674	489,794	(124,880)	125.5	89,345	N/A
	6/30/00	561,139	440,568	(120,571)	127.4	80,639	N/A

(1) Information not available

Notes to the Financial Statements

(Continued)

18. Deferred Compensation Plan

The City offers its employees a Deferred Compensation Plan ("Plan") created in accordance with Internal Revenue Code Section 457. The plan permits the employees to defer a portion of their salaries until future years. The amount deferred is not available to employees until termination, retirement, death, or unforeseeable emergency.

In prior years, the Internal Revenue Code specified that the plan assets were the property of the City until paid or made available to participants, subject only on an equal basis to the claims of the City's general creditors. Therefore, the plan assets were recorded in an Agency Fund. A 1996 federal law now 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 the participants and their beneficiaries. On September 23, 1998, the City Council approved Ordinance No. S-25613 which amended the City's Plan to comply with the 1996 federal law. The Ordinance establishes a trust into which all assets of the Plan were transferred December 4, 1998. The Plan is administered by the International City Management Association Retirement Corporation ("ICMA-RC"). Consequently, the Plan's assets and liabilities have been removed from the City's financial statements.

19. Postemployment Health and Life Insurance Benefits

In accordance with the compensation plan adopted by the City Council each fiscal year, the City offers continuation of group medical and conversion of group life insurance to retirees or to those on long-term disability benefits. At June 30, 2002, approximately 4,333 former employees were eligible for these benefits. If converted, the life insurance premium must be paid in full by the retiree, but the City continues to contribute toward the medical insurance premium. Continuation of the City's contribution towards medical coverage is dependent on the annual budget authorization by the City Council.

Medical insurance benefits are the same as those offered to active employees and include hospital, doctor and prescription drug charges. Retirees may choose single or family coverage. The City contribution to the medical insurance varies with length of service, from \$117 per month for retirees with less than five years of active credited service to \$202 per month for retirees with 25 or more years of active credited service.

General retirees who were supervisory level or above and who retired before July 1, 1996, with 500 hours or more of unused sick leave were eligible for an additional City contribution of \$20 per month. Police and Fire retirees who were supervisors or above, and who retired between August 1979 and July 1984 with 1,000 hours or more of sick leave, were eligible for an additional City contribution of \$30 per month. Beginning August 1, 1998, all general retirees in the Supervisory, Professional, Middle Manager, Executive and City Manager categories may have an additional \$100 monthly benefit added to their medical insurance contribution if they meet the following conditions: a) they enroll in the City's medical insurance; b) they enroll for family coverage; c) no one in the family is eligible for Medicare; and d) the retiree is under the age of 65.

The total medical insurance premium is collected from retirees monthly. The City provides a pay-as-you-go contribution. The cost to the City for retiree medical insurance for the fiscal years ended June 30, 2002 and 2001 was \$7,939,718 and \$6,863,236, respectively. All eligible retirees receive the City's medical insurance contribution in cash. This medical insurance contribution is tax free when used for eligible health-related expenses during the calendar year in which it is received. If all the tax-free medical insurance contribution is not used for health-related expenses, the money must be returned to the City.

The City offers a flexible medical insurance plan which provides the services of a staff model type of health maintenance organization ("HMO"), an independent practice association type of health maintenance organization ("IPA"), a preferred provider network ("PPO") and an indemnity plan. Coverage is provided for retirees, covered surviving dependents and other eligible dependents. If a retiree with family coverage dies, coverage for dependents may be continued. The length of coverage is dependent upon the survivor's pension. The City's contribution for surviving dependents is the same as for a retiree except that it does not include the sick leave conversion benefit.

Notes to the Financial Statements

(Continued)

Long-term disability benefits are available to all regular, benefit-eligible employees who meet certain age requirements and have been employed by the City for at least 12 consecutive months. Employees receiving long-term disability benefits are entitled to continuation of group medical, dental and life insurance for a specified period. The cost of these benefits for the fiscal years ended June 30, 2002 and 2001 was approximately \$285,000 and \$296,300, respectively. The City funds this cost on a pay-as-you-go basis.

City of Phoenix, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
 June 30, 2002
 (in thousands)

Special Revenue Funds					
	Cable Communi- cations	Highway User Revenue	Local Trans- portation Assistance	Transit	Municipal Court
ASSETS					
Equity in Pooled Cash and Investments	\$ -	\$ 69,262	\$ 236	\$ 111,532	\$ 5,036
Cash Deposits	60	265	-	-	-
Cash and Securities with Fiscal Agents/Trustees	-	-	-	-	-
Investments	-	537	-	-	-
Due from Other Funds	-	-	-	-	-
Receivables, Net of Allowance					
Accounts Receivable	1,594	12	-	895	2
Taxes Receivable	-	-	-	-	-
Delinquent Taxes Receivable	-	-	-	-	-
Intergovernmental	-	9,022	-	2,353	-
Accrued Interest	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Inventories	-	1,661	-	120	-
Total Assets	\$ 1,654	\$ 80,759	\$ 236	\$ 114,900	\$ 5,038
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ 1,513	\$ -	\$ -	\$ -	\$ -
Warrants and Accounts Payable	36	5,653	-	5,873	103
Insurance Claims Payable	-	-	-	-	-
Trust Liabilities and Deposits	60	1,456	-	29	532
Matured Bonds Payable	-	-	-	-	-
Interest Payable	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Accrued Compensated Absences	-	-	-	-	-
Total Liabilities	1,609	7,109	-	5,902	635
Fund Balances					
Reserved					
Encumbrances	45	27,884	-	23,597	456
Debt Service	-	-	-	7,579	-
Inventories	-	1,661	-	120	-
Unreserved					
Designated for Insurance Claims	-	-	-	2,635	-
Designated for Unrealized Gain on Investments	-	1,133	17	1,735	74
Undesignated	-	42,972	219	73,332	3,873
Total Fund Balances	45	73,650	236	108,998	4,403
Total Liabilities and Fund Balances	\$ 1,654	\$ 80,759	\$ 236	\$ 114,900	\$ 5,038

Special Revenue Funds

Library	Parks and Recreation	Develop- ment Services	Grants	Public Housing	Sports Facilities	Capital Construction	Other Restricted	Total
\$ 629	\$ 29,836	\$ 59,728	\$ 1,215	\$ -	\$ 8,712	\$ 33,249	\$ 2,164	\$ 321,599
-	-	-	-	-	-	-	-	325
-	-	2,116	-	2,952	-	-	-	5,068
-	-	-	-	31,814	-	-	-	32,351
-	-	-	-	-	-	-	-	-
-	49	2,120	609	330	-	-	1	5,612
-	74	-	-	-	-	-	-	74
-	-	-	-	-	-	-	-	-
-	18	57	13,843	4,936	-	-	-	30,229
-	-	-	-	197	-	-	-	197
-	-	-	-	11,468	-	-	-	11,468
-	-	-	-	2,590	-	-	-	2,590
-	413	-	-	69	-	-	-	2,263
\$ 629	\$ 30,390	\$ 64,021	\$ 15,667	\$ 54,356	\$ 8,712	\$ 33,249	\$ 2,165	\$ 411,776
\$ -	\$ 1,484	\$ -	\$ -	\$ 527	\$ -	\$ -	\$ -	\$ 3,524
355	1,779	480	3,113	3,252	3	1,576	229	22,452
-	-	-	-	-	-	-	-	-
49	776	2,971	2,535	22,501	-	-	-	30,909
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	6	2,950	10,019	66	-	-	-	13,041
-	-	-	-	-	-	-	-	-
404	4,045	6,401	15,667	26,346	3	1,576	229	69,926
57	4,790	635	1,672	810	272	9,423	53	69,694
-	1,895	-	-	-	851	1,535	-	11,860
-	413	-	-	69	-	-	-	2,263
-	-	-	-	-	-	-	-	2,635
23	529	1,042	-	303	121	534	-	5,511
145	18,718	55,943	(1,672)	26,828	7,465	20,181	1,883	249,887
225	26,345	57,620	-	28,010	8,709	31,673	1,936	341,850
\$ 629	\$ 30,390	\$ 64,021	\$ 15,667	\$ 54,356	\$ 8,712	\$ 33,249	\$ 2,165	\$ 411,776

City of Phoenix, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2002
(in thousands)

(Continued)

Capital Projects Funds					
	Street Improve- ments	Police and Fire Protection	Storm Sewers	Parks, Recreation and Libraries	Public Housing
ASSETS					
Equity in Pooled Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Deposits	-	-	-	-	-
Cash and Securities with Fiscal Agents/Trustees	-	-	-	-	-
Investments	1,523	43,038	6,558	19,476	8,558
Due from Other Funds	595	-	14,202	2,884	-
Receivables, Net of Allowance					
Accounts Receivable	335	-	2	1	-
Taxes Receivable	-	-	-	-	-
Delinquent Taxes Receivable	-	-	-	-	-
Intergovernmental	101	6,482	-	-	296
Accrued Interest	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Inventories	-	-	-	-	-
Total Assets	\$ 2,554	\$ 49,520	\$ 20,762	\$ 22,361	\$ 8,854
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ -	\$ 41,712	\$ -	\$ -	\$ 9,406
Warrants and Accounts Payable	690	2,490	405	2,621	1,745
Insurance Claims Payable	-	-	-	-	-
Trust Liabilities and Deposits	-	-	-	723	2
Matured Bonds Payable	-	-	-	-	-
Interest Payable	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Accrued Compensated Absences	-	-	-	-	-
Total Liabilities	690	44,202	405	3,344	11,153
Fund Balances					
Reserved					
Encumbrances	6,433	13,107	7,020	3,157	1,171
Debt Service	-	-	-	-	-
Inventories	-	-	-	-	-
Unreserved					
Designated for Insurance Claims	-	-	-	-	-
Designated for Unrealized Gain on Investments	1	21	57	13	4
Undesignated	(4,570)	(7,810)	13,280	15,847	(3,474)
Total Fund Balances	1,864	5,318	20,357	19,017	(2,299)
Total Liabilities and Fund Balances	\$ 2,554	\$ 49,520	\$ 20,762	\$ 22,361	\$ 8,854

Capital Projects Funds				Debt Service Funds			
Municipal Buildings and Service Centers	Transit	Sports and Cultural Facilities	Total	General Obligation/ Secondary Property Tax	Streets and Highways	Public Housing	City Improve- ment
\$ -	\$ -	\$ -	\$ -	2,938	\$ -	\$ -	\$ 549
-	-	-	-	-	-	-	-
-	-	942	942	43,755	4,678	-	16,588
47,507	1,414	6,915	134,989	216,822	126	-	2,039
-	1,105	-	18,786	-	-	-	-
-	-	-	338	-	-	-	-
-	-	-	-	1,770	-	-	-
-	-	-	-	1,945	-	-	-
100	646	-	7,625	-	-	-	-
213	-	-	213	608	-	-	47
1,000	-	-	1,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 48,820</u>	<u>\$ 3,165</u>	<u>\$ 7,857</u>	<u>\$ 163,893</u>	<u>\$ 267,838</u>	<u>\$ 4,804</u>	<u>\$ -</u>	<u>\$ 19,223</u>
4,773	-	10,861	66,752	-	-	-	-
1,653	6,883	367	16,854	-	15	-	596
-	-	-	-	-	-	-	-
-	-	-	725	-	-	-	-
-	-	-	-	27,799	2,355	-	8,372
-	-	-	-	13,966	2,323	-	8,216
1,000	-	-	1,000	1,945	-	-	-
-	-	-	-	-	-	-	-
<u>7,426</u>	<u>6,883</u>	<u>11,228</u>	<u>85,331</u>	<u>43,710</u>	<u>4,693</u>	<u>-</u>	<u>17,184</u>
2,646	14,784	1,909	50,227	-	-	-	-
-	-	-	-	201,921	9	-	1,644
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,841	36	3	1,976	22,207	102	-	395
36,907	(18,538)	(5,283)	26,359	-	-	-	-
41,394	(3,718)	(3,371)	78,562	224,128	111	-	2,039
<u>\$ 48,820</u>	<u>\$ 3,165</u>	<u>\$ 7,857</u>	<u>\$ 163,893</u>	<u>\$ 267,838</u>	<u>\$ 4,804</u>	<u>\$ -</u>	<u>\$ 19,223</u>

City of Phoenix, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
 June 30, 2002
 (in thousands)

(Continued)

Debt Service Funds			
	Special Assess- ment	Total	Total Non-Major
ASSETS			
Equity in Pooled Cash and Investments	\$ 2,168	\$ 5,655	\$ 327,254
Cash Deposits	-	-	325
Cash and Securities with Fiscal Agents/Trustees	244	65,265	71,275
Investments	-	218,987	386,327
Due from Other Funds	-	-	18,786
Receivables, Net of Allowance	-	-	-
Accounts Receivable	6,558	6,558	12,508
Taxes Receivable	-	1,770	1,844
Delinquent Taxes Receivable	-	1,945	1,945
Intergovernmental	-	-	37,854
Accrued Interest	34	689	1,099
Notes Receivable	-	-	12,468
Prepaid Items	-	-	2,590
Inventories	-	-	2,263
Total Assets	\$ 9,004	\$ 300,869	\$ 876,538
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to Other Funds	\$ -	\$ -	70,276
Warrants and Accounts Payable	1	612	39,918
Insurance Claims Payable	-	-	-
Trust Liabilities and Deposits	92	92	31,726
Matured Bonds Payable	-	38,526	38,526
Interest Payable	244	24,749	24,749
Deferred Revenue	6,704	8,649	22,690
Accrued Compensated Absences	-	-	-
Total Liabilities	7,041	72,628	227,885
Fund Balances			
Reserved			
Encumbrances	-	-	119,921
Debt Service	1,963	205,537	217,397
Inventories	-	-	2,263
Unreserved			
Designated for Insurance Claims	-	-	2,635
Designated for Unrealized Gain on Investments	-	22,704	30,191
Undesignated	-	-	276,246
Total Fund Balances	1,963	228,241	648,653
Total Liabilities and Fund Balances	\$ 9,004	\$ 300,869	\$ 876,538

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City of Phoenix, Arizona
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Funds

For the Fiscal Year Ended June 30, 2002
(in thousands)

	Special Revenue Funds				
	Cable Communi- cations	Highway User Revenue	Local Trans- portation Assistance	Transit	Municipal Court
REVENUES					
City Taxes	\$ -	\$ -	\$ -	\$ -	-
Licenses and Permits	6,250	-	-	-	-
Intergovernmental	-	95,698	7,499	17,889	-
Charges for Services	-	635	-	19,953	3,074
Parks and Recreation	-	-	-	-	-
Investment Income	-	-	-	-	-
Net Increase (Decrease) in Fair Value of Investments	-	809	-	1,045	34
Interest	-	3,172	-	3,905	136
Dwelling Rentals	-	-	-	-	-
Other	2	188	-	2,999	-
Total Revenues	6,252	100,502	7,499	45,791	3,244
EXPENDITURES					
Current Operating					
General Government	4,292	-	-	-	138
Criminal Justice	-	-	-	-	1,803
Public Safety	-	-	-	-	-
Transportation	301	19,445	7,157	62,955	-
Public Works	-	-	-	-	-
Community Enrichment	82	-	106	156	-
Community Development	-	-	-	-	-
Capital	-	53,194	-	39,547	81
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Arbitrage Rebate and Fiscal Agent Fees	-	-	-	-	-
Other	-	-	-	-	-
Total Expenditures	4,675	72,639	7,263	102,658	2,022
Excess (Deficiency) of Revenues Over Expenditures	1,577	27,863	236	(56,867)	1,222
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	-	-	-	87,918	-
Transfers to Other Funds	(1,532)	(31,411)	-	(2,727)	(22)
Proceeds					
General Obligation and Revenue Bonds	-	-	-	-	-
Premium/(Discount) on General Obligation and Revenue Bonds	-	-	-	-	-
Certificates of Participation and Municipal Corporation Obligations	-	-	-	-	-
Premium/(Discount) on Certificates of Participation and Municipal Corporation Obligations	-	-	-	-	-
Special Assessment Bonds	-	-	-	-	-
Refunding Bonds	-	-	-	-	-
Deposit to Refunding Escrow	-	-	-	-	-
Total Other Financing Sources and Uses	(1,532)	(31,411)	-	85,191	(22)
Net Change in Fund Balances	45	(3,548)	236	28,324	1,200
FUND BALANCES, JULY 1	-	77,198	-	80,674	3,203
FUND BALANCES, JUNE 30	\$ 45	\$ 73,650	\$ 236	\$ 108,998	\$ 4,403

Special Revenue Funds

Library	Parks and Recreation	Develop- ment Services	Grants	Public Housing	Sports Facilities	Capital Construction	Other Restricted	Total
\$ -	\$ 5,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,931
-	-	-	-	-	-	-	-	6,250
-	-	-	76,639	49,013	-	-	5	246,743
937	-	57,206	83	9	-	-	22	81,919
-	6,065	-	-	-	-	-	176	6,241
7	333	595	82	427	54	367	1	3,754
10	848	2,146	275	1,610	195	1,279	61	13,637
15	-	-	1	6,865	-	-	-	6,881
26	458	(149)	826	101	-	62	4,145	8,658
995	13,635	59,798	77,906	58,025	249	1,708	4,410	380,014
-	-	-	1,542	-	-	-	2,239	8,211
-	-	-	10,974	-	883	-	154	13,814
-	-	1,938	1,868	-	-	-	510	4,316
-	-	-	63	-	-	-	5	89,926
-	-	-	68	-	-	-	-	68
26,348	77,949	-	41,256	84	-	-	1,421	147,402
-	-	33,214	17,200	53,963	1,057	-	-	105,434
101	19,192	14,081	4,935	606	187	21,645	92	153,661
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
26,449	97,141	49,233	77,906	54,653	2,127	21,645	4,421	522,832
(25,454)	(83,506)	10,565	-	3,372	(1,878)	(19,937)	(11)	(142,818)
25,403	89,344	4,087	-	333	11,296	18,447	-	236,828
-	(2,796)	-	-	(1,384)	(6,991)	-	-	(46,863)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
25,403	86,548	4,087	-	(1,051)	4,305	18,447	-	189,965
(51)	3,042	14,652	-	2,321	2,427	(1,490)	(11)	47,147
276	23,303	42,968	-	25,689	6,282	33,163	1,947	294,703
\$ 225	\$ 26,345	\$ 57,620	\$ -	\$ 28,010	\$ 8,709	\$ 31,673	\$ 1,936	\$ 341,850

City of Phoenix, Arizona
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Funds
For the Fiscal Year Ended June 30, 2002
(in thousands)

(Continued)

	Capital Projects Funds				
	Street Improve- ments	Police and Fire Protection	Storm Sewers	Parks, Recreation and Libraries	Public Housing
REVENUES					
City Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Intergovernmental	11,407	8,102	-	6,448	4,629
Charges for Services	-	-	-	-	-
Parks and Recreation	-	-	-	-	-
Investment Income					
Net Increase (Decrease) in Fair Value of Investments	2	88	270	448	67
Interest	-	1	314	146	46
Dwelling Rentals	-	-	-	-	-
Other	335	241	226	424	361
Total Revenues	11,744	8,432	810	7,466	5,103
EXPENDITURES					
Current Operating					
General Government	-	-	-	-	-
Criminal Justice	-	-	-	-	-
Public Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Public Works	-	-	-	-	-
Community Enrichment	-	-	-	-	-
Community Development	-	-	-	-	-
Capital	9,533	58,177	16,471	21,366	18,972
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond Issuance Costs	-	119	-	-	-
Arbitrage Rebate and Fiscal Agent Fees	-	-	-	-	-
Other	-	-	-	-	-
Total Expenditures	9,533	58,296	16,471	21,366	18,972
Excess (Deficiency) of Revenues Over Expenditures	2,211	(49,864)	(15,661)	(13,900)	(13,869)
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	-	22	-	2,796	769
Transfers to Other Funds	(1,094)	-	(7)	(16)	(345)
Proceeds					
General Obligation and Revenue Bonds	1,987	54,375	8,476	6,658	10,593
Premium/(Discount) on General Obligation and Revenue Bonds	19	515	71	54	35
Certificates of Participation and Municipal Corporation Obligations	-	-	-	-	-
Premium/(Discount) on Certificates of Participation and Municipal Corporation Obligations	-	-	-	-	-
Special Assessment Bonds	443	-	-	-	-
Refunding Bonds	-	-	-	-	-
Deposit to Refunding Escrow	-	-	-	-	-
Total Other Financing Sources and Uses	1,355	54,912	8,540	9,492	11,052
Net Change in Fund Balances	3,566	5,048	(7,121)	(4,408)	(2,817)
FUND BALANCES, JULY 1	(1,702)	270	27,478	23,425	518
FUND BALANCES, JUNE 30	\$ 1,864	\$ 5,318	\$ 20,357	\$ 19,017	\$ (2,299)

Capital Projects Funds				Debt Service Funds			
Municipal Buildings and Service Centers	Transit	Sports and Cultural Facilities	Total	General Obligation/ Secondary Property Tax	Streets and Highways	Public Housing	City Improve- ment
\$ -	\$ -	\$ -	\$ -	\$ 81,559	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	56,709	-	87,295	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,117	145	66	2,203	6,498	-	-	114
898	105	136	1,646	4,937	-	-	351
-	-	-	-	-	-	-	-
-	-	8	1,595	7	-	-	-
2,015	56,959	210	92,739	93,001	-	-	465
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13,752	60,090	28,410	226,771	-	-	-	-
-	-	-	-	27,799	2,355	345	9,204
-	-	-	-	30,161	8,453	195	15,600
-	-	-	119	161	204	-	-
-	-	-	-	456	-	-	37
-	-	-	-	-	-	-	-
13,752	60,090	28,410	226,890	58,577	11,012	540	24,841
(11,737)	(3,131)	(28,200)	(134,151)	34,424	(11,012)	(540)	(24,376)
5,519	-	408	9,514	5,300	28,611	540	26,800
(2,097)	-	(327)	(3,886)	-	-	-	(2,322)
8,472	-	8,944	99,505	-	-	-	-
80	-	76	850	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	443	-	-	-	-
-	-	-	-	136,282	128,392	-	-
-	-	-	-	(141,544)	(145,880)	-	-
11,974	-	9,101	106,426	38	11,123	540	24,478
237	(3,131)	(19,099)	(27,725)	34,462	111	-	102
41,157	(587)	15,728	106,287	189,666	-	-	1,937
\$ 41,394	\$ (3,718)	\$ (3,371)	\$ 78,562	\$ 224,128	\$ 111	\$ -	\$ 2,039

City of Phoenix, Arizona
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non-Major Funds
For the Fiscal Year Ended June 30, 2002
(in thousands)

(Continued)

	<u>Debt Service Funds</u>		
	<u>Special Assess- ment</u>	<u>Total</u>	<u>Total Non-Major</u>
REVENUES			
City Taxes	\$ -	\$ 81,559	\$ 87,490
Licenses and Permits	-	-	6,250
Intergovernmental	-	-	334,038
Charges for Services	-	-	81,919
Parks and Recreation	-	-	6,241
Special Assessments	1,835	1,835	1,835
Investment Income			
Net Increase (Decrease) in Fair Value of Investments	92	6,704	12,661
Interest	(6)	5,282	20,565
Dwelling Rentals	-	-	6,881
Other	26	33	10,286
Total Revenues	1,947	95,413	568,166
EXPENDITURES			
Current Operating			
General Government	-	-	8,211
Criminal Justice	-	-	13,814
Public Safety	-	-	4,316
Transportation	-	-	89,926
Public Works	-	-	68
Community Enrichment	-	-	147,402
Community Development	-	-	105,434
Capital	-	-	380,432
Debt Service			
Principal	1,484	41,187	41,187
Interest	524	54,933	54,933
Bond Issuance Costs	-	365	484
Arbitrage Rebate and Fiscal Agent Fees	-	493	493
Other	-	-	-
Total Expenditures	2,008	96,978	846,700
Excess (Deficiency) of Revenues Over Expenditures	(61)	(1,565)	(278,534)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	357	61,608	307,950
Transfers to Other Funds	(147)	(2,469)	(53,218)
Proceeds			
General Obligation and Revenue Bonds	-	-	99,505
Premium/(Discount) on General Obligation and Revenue Bonds	-	-	850
Certificates of Participation and Municipal Corporation Obligations	-	-	-
Premium/(Discount) on Certificates of Participation and Municipal Corporation Obligations	-	-	-
Special Assessment Bonds	-	-	443
Refunding Bonds	-	264,674	264,674
Deposit to Refunding Escrow	-	(287,424)	(287,424)
Total Other Financing Sources and Uses	210	36,389	332,780
Net Change in Fund Balances	149	34,824	54,246
FUND BALANCES, JULY 1	1,814	193,417	594,407
FUND BALANCES, JUNE 30	\$ 1,963	\$ 228,241	\$ 648,653

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City of Phoenix, Arizona
Aviation Enterprise Fund
Comparative Statements of Net Assets
June 30, 2002 and 2001
(in thousands)

	2002	2001
<u>ASSETS</u>		
Current Assets		
Equity in Pooled Cash and Investments	\$ 59,229	\$ 58,794
Receivables		
Accounts Receivable, Net of Allowance for		
Doubtful Accounts (2002, \$1,757 and 2001, \$1,362)	4,790	6,261
Deposits in Escrow	129	129
Prepaid Items	1,530	1,700
Inventories, at Average Cost	870	659
Total Current Assets	66,548	67,543
Noncurrent Assets		
Restricted Assets		
Debt Service		
Investments	16,914	-
Cash with Fiscal Agent/Trustee	36,833	34,175
Revenue Bond Reserve		
Investments	29,300	29,628
Accrued Interest Receivable	209	696
Airport Improvement Reserve		
Equity in Pooled Cash and Investments	39,564	39,564
Passenger Facility Charge		
Equity in Pooled Cash and Investments	28,657	4,676
Accounts Receivable	10	8,402
Capital Projects		
Equity in Pooled Cash and Investments	30,656	28,559
Investments	332,386	-
Receivables		
Intergovernmental	2,064	2
Total Restricted Assets	516,593	145,702
Capital Assets		
Land	217,775	217,790
Buildings	508,458	496,408
Improvements Other Than Buildings	642,045	522,037
Equipment	39,465	37,489
Construction in Progress	367,344	373,856
Less: Accumulated Depreciation	(485,706)	(438,858)
Total Capital Assets, Net of Accumulated Depreciation	1,289,381	1,208,722
Total Noncurrent Assets	1,805,974	1,354,424
Total Assets	1,872,522	1,421,967

	2002	2001
<u>LIABILITIES</u>		
Current Liabilities Payable from Current Assets		
Warrants Payable	2,987	1,745
Accounts Payable	4,776	6,424
Trust Liabilities and Deposits	157	156
Deferred Revenue	2,567	1,937
Capital Leases	458	458
Current Portion of Accrued Compensated Absences	397	391
Total Current Liabilities Payable from Current Assets	11,342	11,111
Current Liabilities Payable from Restricted Assets		
Debt Service		
Matured Bonds Payable	24,440	24,495
Interest Payable	12,393	9,680
Current Portion of General Obligation Bonds	3,250	3,385
Current Portion of Revenue Bonds	3,510	16,365
Current Portion of Municipal Corporation Obligations	9,685	4,690
Capital Projects		
Warrants Payable	3,849	2,344
Accounts Payable	7,241	13,539
Total Current Liabilities Payable from Restricted Assets	64,368	74,498
Noncurrent Liabilities		
General Obligation Bonds, Net of Deferred Interest Expense Adjustment (2002, \$1,039 and 2001, \$399)	29,126	32,541
Revenue Bonds, Net of Deferred Interest Expense Adjustment (2002, \$0 and 2001, \$1,899)	44,950	46,561
Municipal Corporation Obligations, Net of Deferred Interest Expense Adjustment (2002, \$4,177 and 2001, \$2,601)	654,223	251,304
Unamortized Premium (Discount)	461	157
Capital Leases	2,694	3,113
Accrued Compensated Absences	3,646	3,134
Total Noncurrent Liabilities	735,100	336,810
Total Liabilities	810,810	422,419
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	852,583	829,381
Restricted for Bond Retirement	29,300	29,628
Unrestricted	179,829	140,539
Total Net Assets	\$ 1,061,712	\$ 999,548

City of Phoenix, Arizona
Aviation Enterprise Fund
Comparative Statements of Revenues, Expenses and
Changes in Fund Net Assets

For the Fiscal Years Ended June 30, 2002 and 2001
(in thousands)

	2002	2001
Operating Revenues		
Landing and Terminals Fees	\$ 104,874	\$ 98,910
Parking and Car Rentals	68,746	75,527
Other	14,885	14,587
Total Operating Revenues	188,505	189,024
Operating Expenses		
Operation and Maintenance	126,884	112,006
Depreciation	48,503	44,066
Staff and Administrative	3,648	3,595
Total Operating Expenses	179,035	159,667
Operating Income	9,470	29,357
Non-Operating Revenues (Expenses)		
Investment Income		
Net Increase (Decrease) in Fair		
Value of Investments	3,049	6,363
Interest	6,498	11,044
Interest on Capital Debt	(17,340)	(18,449)
Gain (Loss) on Disposal of Fixed Assets	21	(60)
Total Non-Operating Revenues (Expenses)	(7,772)	(1,102)
Net Income Before Contributions	1,698	28,255
Capital Contributions	60,466	75,708
Change in Net Assets	62,164	103,963
Net Assets, July 1	999,548	440,066
Prior Period Adjustment	-	455,519
Net Assets, July 1, as restated	999,548	895,585
Net Assets, June 30	\$ 1,061,712	\$ 999,548

City of Phoenix, Arizona
Aviation Enterprise Fund
Comparative Statements of Cash Flows
For the Fiscal Years Ended June 30, 2002 and 2001
(in thousands)

	2002	2001
Cash Flows from Operating Activities		
Receipts from Customers	\$ 190,608	\$ 187,842
Payments to Suppliers	(87,410)	(76,959)
Payments to Employees	(39,403)	(36,940)
Payment of Staff and Administrative Expenses	(3,648)	(3,595)
Net Cash Provided by Operating Activities	60,147	70,348
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	414,655	-
Principal Paid on Capital Debt	(24,914)	(26,722)
Interest Paid on Capital Debt	(19,366)	(22,291)
Receipts of Passenger Facility Charges	8,392	(843)
Acquisition and Construction of Capital Assets	(130,450)	(230,137)
Proceeds from Sales of Capital Assets	28	40
Capital Contributions	58,404	82,117
Net Cash Provided (Used) by Capital and Related Financing Activities	306,749	(197,836)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(1,602,567)	(22,487)
Proceeds from Sale and Maturities of Investment Securities	1,253,595	64,031
Interest on Investments	11,247	18,190
Net Cash Provided (Used) by Investing Activities	(337,725)	59,734
Net Increase (Decrease) in Cash and Cash Equivalents	29,171	(67,754)
Cash and Cash Equivalents, July 1	165,768	233,522
Cash and Cash Equivalents, June 30	\$ 194,939	\$ 165,768
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	\$ 9,470	\$ 29,357
Adjustments		
Depreciation	48,503	44,066
(Increase) Decrease in Assets		
Receivables	1,076	(402)
Allowance for Doubtful Accounts	395	594
Deposits in Escrow	-	49
Prepaid Items	170	(1,700)
Inventories	(211)	41
Increase (Decrease) in Liabilities		
Warrants Payable	1,242	253
Accounts Payable	(1,648)	(1,351)
Trust Liabilities and Deposits	1	(49)
Deferred Revenue	631	(1,325)
Accrued Compensated Absences	518	815
Net Cash Provided by Operating Activities	\$ 60,147	\$ 70,348
Noncash Transactions Affecting Financial Position		
Refunding Issuance in Excess of Bond Retirement	\$ (316)	\$ 859
Increase (Decrease) in Fair Value of Investments	588	(110)
Total Noncash Transactions Affecting Financial Position	\$ 272	\$ 749

City of Phoenix, Arizona
Water System Enterprise Fund
Comparative Statements of Net Assets
June 30, 2002 and 2001
(in thousands)

	2002	2001
<u>ASSETS</u>		
Current Assets		
Equity in Pooled Cash and Investments	\$ 106,194	\$ 125,842
Investments	9,945	9,385
Receivables		
Accounts Receivable, Net of Allowance for Doubtful Accounts (2002, \$642 and 2001, \$698)	35,349	33,831
Intergovernmental	1,468	1,072
Accrued Interest	978	85
Prepaid Items	3,187	3,285
Inventories, at Average Cost	2,231	2,055
Total Current Assets	159,352	175,555
Noncurrent Assets		
Restricted Current Assets		
Debt Service		
Cash with Fiscal Agent	42,504	40,897
Capital Projects		
Equity in Pooled Cash and Investments	45,159	36,528
Deposit with State Treasurer's Trust for Plan Six	4,797	4,660
Investments	69,605	81,699
Due From Other Funds	1,484	7,784
Receivables		
Notes Receivable	8,000	-
Accrued Interest	294	295
Customer and Other Deposits	1,877	1,574
Total Restricted Current Assets	173,720	173,437
Capital Assets		
Land	53,844	41,369
Buildings	91,231	43,196
Improvements Other Than Buildings	369,638	291,181
Equipment	104,516	70,779
Mains, Hydrants, Meters and Service Connections	818,810	701,712
Construction in Progress	111,993	221,772
Less: Accumulated Depreciation	(453,487)	(412,638)
Total Capital Assets, Net of Accumulated Depreciation	1,096,545	957,371
Other Assets		
Excess of Cost Over Net Assets Acquired, Less Accum- ulated Amortization (2002, \$285 and 2001, \$264)	157	178
Water Rights, Less Accumulated Amortization (2002, \$8,264 and 2001, \$7,252)	32,900	33,913
Investment in Val Vista Treatment Plant Joint Use Agreement	92,645	89,949
Total Other Assets	125,702	124,040
Total Noncurrent Assets	1,395,967	1,254,848
Total Assets	1,555,319	1,430,403

	2002	2001
<u>LIABILITIES</u>		
Current Liabilities Payable from Current Assets		
Warrants Payable	2,383	1,837
Accounts Payable	8,573	7,548
Utility Repayment Agreements	165	165
Deferred Revenue	37	36
Current Portion of Accrued Compensated Absences	658	592
Total Current Liabilities Payable from Current Assets	11,816	10,178
Current Liabilities Payable from Restricted Assets		
Debt Service		
Bond Anticipation Notes Payable	-	150,000
Matured Bonds Payable	27,685	27,935
Interest Payable	14,819	12,962
Current Portion of General Obligation Bonds	12,240	12,655
Current Portion of Revenue Bonds	5,880	5,775
Current Portion of Municipal Corporation Obligations	9,310	9,255
Capital Projects		
Warrants Payable	4,408	5,597
Accounts Payable	9,740	11,600
Customer and Other Deposits	1,877	1,574
Total Current Liabilities Payable from Restricted Assets	85,959	237,353
Noncurrent Liabilities		
General Obligation Bonds, Net of Deferred Interest		
Expense Adjustment (2002, \$3,363 and 2001, \$3,408)	148,187	159,770
Revenue Bonds	10,000	15,880
Municipal Corporation Obligations, Net of Deferred Interest		
Expense Adjustment (2002, \$8,156 and 2001, \$4,003)	466,094	259,492
Unamortized Premium (Discount)	7,040	(824)
Utility Repayment Agreements	-	165
Accrued Compensated Absences	5,648	4,543
Total Noncurrent Liabilities	636,969	439,026
Total Liabilities	734,744	686,557
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	549,454	407,217
Restricted for Plan Six	4,797	4,660
Unrestricted	266,324	331,969
Total Net Assets	\$ 820,575	\$ 743,846

City of Phoenix, Arizona
Water System Enterprise Fund
Comparative Statements of Revenues, Expenses and
Changes in Fund Net Assets
For the Fiscal Years Ended June 30, 2002 and 2001
(in thousands)

	2002	2001
Operating Revenues		
Water Sales	\$ 190,996	\$ 175,977
Environmental Charges	10,855	10,442
Other	8,783	12,413
Total Operating Revenues	210,634	198,832
Operating Expenses		
Administration and Engineering	23,240	19,428
Operation and Maintenance		
Customer Service	14,611	14,032
Production and Treatment	42,127	41,905
Distribution and Centralized Functions	38,074	19,550
Depreciation and Amortization	40,062	37,436
Staff and Administrative	6,056	5,898
Payment in Lieu of Property Taxes	5,914	5,177
Total Operating Expenses	170,084	143,426
Operating Income	40,550	55,406
Non-Operating Revenues (Expenses)		
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	3,370	7,046
Interest	10,816	9,712
Interest on Capital Debt	(22,320)	(21,675)
Equity Interest in Joint Use Agreement Operating Loss	(4,445)	(2,806)
Loss on Disposal of Fixed Assets	(246)	(473)
Total Non-Operating Revenues (Expenses)	(12,825)	(8,196)
Net Income Before Contributions and Transfers	27,725	47,210
Capital Contributions	49,364	30,579
Operating Transfers to Capital Projects Funds	(360)	(2,360)
Change in Net Assets	76,729	75,429
Net Assets, July 1	743,846	371,145
Prior Period Adjustment	-	297,272
Net Assets, July 1, as restated	743,846	668,417
Net Assets, June 30	\$ 820,575	\$ 743,846

City of Phoenix, Arizona
Water System Enterprise Fund
Comparative Statements of Cash Flows
For the Fiscal Years Ended June 30, 2002 and 2001
(in thousands)

	2002	2001
Cash Flows from Operating Activities		
Receipts from Customers	\$ 209,024	\$ 193,984
Payments to Suppliers	(59,778)	(40,931)
Payments to Employees	(55,747)	(48,689)
Payment of Staff and Administrative Expenses	(6,056)	(5,898)
Payment in Lieu of Property Taxes	(5,914)	(5,177)
Net Cash Provided by Operating Activities	81,529	93,289
Cash Flows from Noncapital Financing Activities		
Operating Transfers to Other Funds	(360)	(2,360)
Net Cash Used by Noncapital Financing Activities	(360)	(2,360)
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	223,574	150,000
Principal Paid on Capital Debt	(178,100)	(28,048)
Interest Paid on Capital Debt	(26,586)	(28,184)
Loans to Developers	(8,000)	-
Proceeds from Loans/(Loans) to Other Funds	6,300	(7,784)
Acquisition and Construction of Capital Assets	(146,799)	(140,384)
Proceeds from Sales of Capital Assets	338	198
Capital Contributions	14,169	13,367
Net Cash Used by Capital and Related Financing Activities	(115,104)	(40,835)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(518,092)	(239,878)
Proceeds from Sales and Maturities of Investment Securities	529,626	189,772
Interest on Investments	13,294	14,972
Net Cash Provided (Used) by Investing Activities	24,828	(35,134)
Net Increase (Decrease) in Cash and Cash Equivalents	(9,107)	14,960
Cash and Cash Equivalents, July 1	204,841	189,881
Cash and Cash Equivalents, June 30	\$ 195,734	\$ 204,841
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	\$ 40,550	\$ 55,406
Adjustments		
Depreciation and Amortization	40,062	37,436
(Increase) Decrease in Assets		
Deposit for Plan Six	(137)	(297)
Receivables	(1,858)	(5,035)
Allowance for Doubtful Accounts	(56)	89
Prepaid Expenses	98	157
Inventories	(176)	50
Increase (Decrease) in Liabilities		
Warrants Payable	546	776
Accounts Payable	1,025	3,209
Deferred Revenue	1	2
Customer and Other Deposits	303	96
Accrued Compensated Absences	1,171	1,400
Net Cash Provided by Operating Activities	\$ 81,529	\$ 93,289
Noncash Transactions Affecting Financial Position		
Contributions of Fixed Assets	\$ 35,196	\$ 17,212
Bond Capital Appreciation	421	399
Refunding Issuance in Excess of Bond Retirement	749	549
Increase (Decrease) in Fair Value of Investments	(236)	1,653
Total Noncash Transactions Affecting Financial Position	\$ 36,130	\$ 19,813

City of Phoenix, Arizona
Wastewater Enterprise Fund
Comparative Statements of Net Assets
June 30, 2002 and 2001
(in thousands)

	2002	2001
<u>ASSETS</u>		
Current Assets		
Equity in Pooled Cash and Investments	\$ 29,247	\$ 31,680
Receivables		
Accounts Receivable, Net of Allowance for		
Doubtful Accounts (2002, \$290 and 2001, \$255)	10,472	9,615
Intergovernmental	2,285	2,581
Inventories, at Average Cost	611	590
Total Current Assets	42,615	44,466
Noncurrent Assets		
Restricted Assets		
Debt Service		
Cash with Fiscal Agent	26,995	28,639
Capital Projects		
Equity in Pooled Cash and Investments	60,514	21,268
Cash and Securities with Trustee	23,150	79,426
Investments	1,789	1,038
Receivables		
Intergovernmental	186	109
Accrued Interest	14	31
Customer Deposits and Other Trust Liabilities	395	221
Total Restricted Assets	113,043	130,732
Capital Assets		
Land	16,962	15,165
Buildings	45,389	33,825
Improvements Other Than Buildings	729,199	683,196
Equipment	93,516	86,600
Construction in Progress	45,506	82,874
Less: Accumulated Depreciation	(302,224)	(285,292)
Total Capital Assets, Net of Accumulated Depreciation	628,348	616,368
Other Assets		
Investment in SROG Joint Use Agreement	210,744	193,632
Total Noncurrent Assets	952,135	940,732
Total Assets	994,750	985,198

	2002	2001
<u>LIABILITIES</u>		
Current Liabilities Payable from Current Assets		
Warrants Payable	288	311
Accounts Payable	4,307	5,690
Utility Repayment Agreements	440	429
Current Portion of Accrued Compensated Absences	129	155
Total Current Liabilities Payable from Current Assets	5,164	6,585
Current Liabilities Payable from Restricted Assets		
Debt Service		
Matured Bonds Payable	12,830	14,265
Interest Payable	14,165	14,374
Current Portion of General Obligation Bonds	6,378	5,650
Current Portion of Municipal Corporation Obligations	9,745	7,180
Capital Projects		
Warrants Payable	4,038	1,049
Accounts Payable	5,735	5,069
Customer Deposits and Other Trust Liabilities	395	221
Total Current Liabilities Payable from Restricted Assets	53,286	47,808
Noncurrent Liabilities		
General Obligation Bonds, Net of Deferred Interest Expense Adjustment (2002, \$1,502 and 2001, \$1,461)	78,602	78,808
Municipal Corporation Obligations, Net of Deferred Interest Expense Adjustment (2002, \$26,290 and 2001, \$19,017)	431,225	439,648
Unamortized Premium (Discount)	(3,172)	(4,937)
Utility Repayment Agreements	3,420	3,868
Rebatable Arbitrage	1,782	1,209
Accrued Compensated Absences	1,193	1,345
Total Noncurrent Liabilities	513,050	519,941
Total Liabilities	571,500	574,334
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	323,214	344,943
Unrestricted	100,036	65,921
Total Net Assets	\$ 423,250	\$ 410,864

City of Phoenix, Arizona
Wastewater Enterprise Fund
Comparative Statements of Revenues, Expenses and
Changes in Fund Net Assets
For the Fiscal Years Ended June 30, 2002 and 2001
(in thousands)

	2002	2001
Operating Revenues		
Sewer Service Charges	\$ 74,726	\$ 69,513
Environmental Charges	20,464	19,392
Other	3,885	3,014
Total Operating Revenues	99,075	91,919
Operating Expenses		
Administration	6,836	6,190
Operation	26,566	15,864
Maintenance	19,127	14,190
Depreciation	27,527	25,556
Staff and Administrative	1,414	1,331
Payment in Lieu of Property Taxes	5,088	4,639
Industrial Waste/Pre-Treatment	3,691	3,994
Total Operating Expenses	90,249	71,764
Operating Income	8,826	20,155
Non-Operating Revenues (Expenses)		
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	747	1,989
Interest	5,675	9,365
Interest on Capital Debt	(23,579)	(24,920)
Equity Interest in Joint Use Agreement Operating Loss	(9,472)	(6,374)
Loss on Disposal of Fixed Assets	(4,576)	(275)
Total Non-Operating Revenues (Expenses)	(31,205)	(20,215)
Net Loss Before Contributions and Transfers	(22,379)	(60)
Capital Contributions	35,005	29,253
Transfers to Capital Projects Funds	(240)	(240)
Change in Net Assets	12,386	28,953
Net Assets, July 1	410,864	89,131
Prior Period Adjustment	-	292,780
Net Assets, July 1, as restated	410,864	381,911
Net Assets, June 30	\$ 423,250	\$ 410,864

City of Phoenix, Arizona
Wastewater Enterprise Fund
Comparative Statements of Cash Flows
For the Fiscal Years Ended June 30, 2002 and 2001
(in thousands)

	2002	2001
Cash Flows from Operating Activities		
Receipts from Customers	\$ 98,611	\$ 89,151
Payments to Suppliers	(47,836)	(27,834)
Payments to Employees	(9,989)	(10,891)
Payment of Staff and Administrative Expenses	(1,414)	(1,331)
Payment in Lieu of Property Taxes	(5,088)	(4,639)
Net Cash Provided by Operating Activities	34,284	44,456
Cash Flows from Noncapital Financing Activities		
Operating Transfers to Other Funds	(240)	(240)
Net Cash Used by Noncapital Financing Activities	(240)	(240)
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	7,572	-
Principal Paid on Capital Debt	(14,702)	(16,483)
Interest Paid on Capital Debt	(28,322)	(27,475)
Acquisition and Construction of Capital Assets	(63,712)	(73,007)
Proceeds from Sales of Capital Assets	30,084	39
Capital Contributions	7,842	6,971
Net Cash Used by Capital and Related Financing Activities	(61,238)	(109,955)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(60,620)	(33,593)
Proceeds from Sales and Maturities of Investment Securities	116,145	92,191
Interest on Investments	7,012	11,580
Net Cash Provided by Investing Activities	62,537	70,178
Net Increase in Cash and Cash Equivalents	35,343	4,439
Cash and Cash Equivalents, July 1	81,808	77,369
Cash and Cash Equivalents, June 30	\$ 117,151	\$ 81,808
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	\$ 8,826	\$ 20,155
Adjustments		
Depreciation	27,527	25,556
(Increase) Decrease in Assets		
Receivables	(673)	(2,817)
Allowance for Doubtful Accounts	35	3
Inventories	(21)	(87)
Increase (Decrease) in Liabilities		
Warrants Payable	(23)	(23)
Accounts Payable	(1,383)	1,375
Customer Deposits	174	46
Accrued Compensated Absences	(178)	248
Net Cash Provided by Operating Activities	\$ 34,284	\$ 44,456
Noncash Transactions Affecting Financial Position		
Contributions of Fixed Assets	\$ 27,163	\$ 22,284
Refunding Issuance in Excess of Bond Retirement	1,358	975
Bond Capital Appreciation	53	50
Increase (Decrease) in Fair Value of Investments	(2)	(86)
Total Noncash Transactions Affecting Financial Position	\$ 28,572	\$ 23,223

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APPENDIX G
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
AND THE LEASEBACK AGREEMENT

Certain Definitions

The following terms used in this Official Statement and not otherwise defined herein, have the following meanings:

"Act" means Title 10, Chapter 5, Arizona Revised Statutes, as enacted and amended from time to time.

"Authenticating Agent" means the Trustee and the Registrar for the Bonds and any bank, trust company or other Person designated as an Authenticating Agent for the Bonds by or in accordance with the Indenture, each of which shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934, as amended.

"Bond Counsel" means a firm of attorneys of national reputation experienced in the field of municipal bonds designated by the City Representative whose opinions are generally accepted by purchasers of municipal bonds, acceptable to the Trustee, and who is independent.

"Bond Insurance Policy" means the Financial Guaranty Insurance Policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Bonds.

"Bond Insurer" means MBIA Insurance Corporation, a stock insurance corporation of the State of New York and its successors.

"Bond Fund" means the Bond Fund established pursuant to the Indenture.

"Bond Resolution" means the resolution providing for the issuance of the Bonds and approving the Lease, the Leaseback Agreement, the Indenture and related matters.

"Bond Service Charges" means, for any period or time, the principal of and premium, if any, and interest on the Bonds for that period or payable at that time, whether due at maturity or upon redemption.

"City Representative" means the Finance Director of the City or any other person duly authorized by the City to act on behalf of the City under or with respect to the Indenture.

"Corporation Representative" means the Finance Director of the City or a person designated by the Finance Director, any member of the Board of Directors of the Corporation, or any person authorized to act on behalf of the Corporation under or with respect to the Indenture, as evidenced by a resolution confirming such authorization adopted by the Corporation.

"Defeasance Obligations" means

- (i) Cash;
- (ii) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series — "SLGs");
- (iii) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRs and similar securities;
- (iv) The interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form;
- (v) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals;

(vi) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

(a) U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

(b) Farmers Home Administration (FmHA)

Certificate of beneficial ownership

(c) Federal Financing Bank

Certificates of beneficial ownership

(d) General Services Administration

Participation certificates

(e) U.S. Maritime Administration

Participation certificates

(f) U.S. Department of Housing and Urban Development (HUD) Project Notes, Local Authority Bonds consisting of (1) New Communities Debentures — U.S. government guaranteed debentures or (2) U.S. Public Housing Notes and Bonds — U.S. government guaranteed public housing notes and bonds.

"Event of Bankruptcy" means the filing of a petition in bankruptcy by or against the specified Person under the United States Bankruptcy Code.

"Event of Default" means an event of default under the Indenture.

"Interest Fund" means the Interest Fund established pursuant to the Indenture.

"Interest Payment Date" means January 1 and July 1 of each year, commencing January 1, 2004.

"Lease" means the Lease dated as of May 1, 2003, between the City as lessor and the Corporation as lessee by which the City leases the Project to the Corporation.

"Lease Payment Date" means any date on which Lease Payments are to be paid as set forth in the Leaseback Agreement.

"Lease Payments" means all payments required to be paid by the City on any date required by the Leaseback Agreement.

"Leaseback Agreement" means the Leaseback Agreement dated as of May 1, 2003, between the Corporation as lessor, and the City, as Lessee, together with any duly authorized and executed amendments or supplements thereto.

"Outstanding Bonds," "Bonds Outstanding" or "Outstanding" as applied to Bonds, mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except;

(a) Bonds, or the portion thereof, cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption on or prior to that date;

(b) Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited with the Trustee or any Paying Agents on or prior to that date for that purpose (whether upon or prior to the maturity or redemption date of those Bonds); provided, that if any of those Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Owners of that notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and

(d) Bonds in lieu of which others have been authenticated under the Indenture.

"Owner" or "Bondowner" or "Owner of a Bond" means the Person in whose name a Bond is registered on the Register.

"Paying Agent" means any bank or trust company designated as a Paying Agent by or in accordance with the Indenture.

"Permitted Investments" means

(a) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations");

(b) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA's"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA's"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities;

(c) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service ("Moody's") and "A" or better by Standard & Poor's Ratings Group ("S&P"), or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;

(d) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;

(e) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P;

(f) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(g) Investments in money-market funds rated "AAA" or "AAAm-G" by S&P and the highest applicable rating by Moody's.

(h) Repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMC's with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any

commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured and unguaranteed obligation rated "P-1" or "A-3" or better by Moody's, and "A-1" or "A—" or better by S&P provided:

1. a master repurchase agreement or specific written repurchase agreement governs the transaction; and

2. the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million; and

3. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

4. the repurchase agreement has a term of 180 days or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

5. the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest is equal to at least 103; and

(i) Investment Agreements acceptable to the Bond Insurer;

provided that any investment or deposit described above is not prohibited by applicable law.

"Person" or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"President" means the President of the Board of Directors of the Corporation.

"Principal Payment Date" means, as to the Bonds, July 1 in the years specified herein for the stated amount of principal to be retired at maturity, or any other date on which the principal of the Bonds is payable as a result of redemption.

"Project" means the real and personal property subject to the Leaseback Agreement.

"Register" means the books kept and maintained by the Registrar for registration and transfer of Bonds pursuant to the Indenture.

"Registrar" means the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of this Indenture which shall be a transfer agent registered in accordance with Section 17(A)(c) of the Securities Exchange Act of 1934, as amended.

"Revenue Fund" means the Revenue Fund established pursuant to the Indenture.

"Revenues" means (a) Lease Payments with respect to the Bonds due under the Leaseback Agreement, (b) all other moneys with respect to the Bonds received or to be received by the Corporation or the Trustee in respect of the Leaseback Agreement, including without limitation moneys and investments in the Bond Fund, the Interest Fund and the Revenue Fund, and (c) all income and profit from the investment of the foregoing moneys. The term "Revenues" does not include any moneys or investments in the Rebate Fund.

"Secretary" means the Secretary-Treasurer of the Board of Directors of the Corporation.

"Supplemental Indenture" means any indenture supplemental to the Indenture entered into between the Corporation and the Trustee in accordance with the Indenture.

"Unassigned Corporation's Rights" means all of the rights of the Corporation to receive additional payments under the Leaseback Agreement and to give or withhold consent to amendments, changes, modifications and alterations of the Leaseback Agreement and its right to enforce such rights.

Summary of Certain Provisions of the Indenture

The following, along with the information included under the heading "THE BONDS," summarizes or paraphrases certain provisions of the Indenture. This summary does not purport to be complete, and reference is made to the Indenture for a full and complete statement of such provisions. Capitalized terms used in this summary are defined in the Indenture and have the same meaning herein as therein unless the context hereof requires some other meaning.

Pledge and Security. To secure the payment of Bond Service Charges, the Corporation has absolutely assigned to the Trustee the following described property (i) all rights and interests of the Corporation, in, under and pursuant to the Lease and the Leaseback Agreement except for Unassigned Corporation's Rights, including any supplements thereto, the Corporation, however, to remain liable to observe and perform all the conditions and covenants in said Lease and Leaseback Agreement provided to be observed and performed by it, (ii) all of the rents, issues and profits payable to or received by the Corporation pursuant to such Leaseback Agreement described in paragraph (i) above, including without limitation, all of the applicable Lease Payments and the amounts to be paid to the Corporation or the Trustee under the terms of such Leaseback Agreement; and (iii) the applicable Revenues; excluding, however, any money or investments in the applicable Rebate Fund.

Receipt of Revenues. The amounts to be paid by the City with respect to the Bonds pursuant to the terms of the Leaseback Agreement have been assigned by the Corporation to the Trustee so that such moneys shall be paid by the City directly to the Trustee, and the Trustee shall credit such moneys to the Revenue Fund. The Trustee shall, at least fifteen days prior to the date amounts are due pursuant to the Leaseback Agreement, determine the amount required to be deposited for the next such payment which shall be the sum of (i) the amount which, when added to the moneys in the Revenue Fund available for the payment of Bond Service Charges, is sufficient to pay into the Interest Fund and Bond Fund, respectively, the amounts due therein on the next Interest Payment Date, and (ii) any other amounts due and payable from the Corporation thereunder. The Trustee shall inform the City, fifteen business days prior to any date amounts are due pursuant to the Leaseback Agreement, of the amount required to be deposited by the City to pay such amount. If the amount required to be deposited with the Trustee has not been received by the Trustee on the due date thereof, then the Trustee shall immediately notify the Bond Insurer and its fiscal agent pursuant to the terms of the Bond Insurance Policy as described in the Indenture.

Flow of Funds. The Trustee shall make transfers from the Revenue Fund as follows:

(i) **Interest Fund:** On each Interest Payment Date, the Trustee shall deposit in the Interest Fund an amount equal to the amount of the interest becoming due and payable on the Outstanding Bonds on said Interest Payment Date, and each such deposit shall be made so that adequate moneys for the payment of interest will be available in such account on each date that interest payments are to be made hereunder. Money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable.

(ii) **Bond Fund:** On each Principal Payment Date, the Trustee shall deposit in the Bond Fund the principal of the Bonds as each amount shall become due and payable. Investment of Bond Fund, Revenue Fund, and Interest Fund. Moneys in each of the Bond Fund, Revenue Fund and Interest Fund, (collectively, the "Funds") shall be invested, sold and reinvested by the Trustee in Permitted Investments at the oral or written direction of the City Representative or, in the absence of any such oral or written direction, in Permitted Investments described in paragraph (g) of the definition thereof. An investment made from moneys credited to the Funds shall constitute part of that respective fund, and each respective fund shall be credited with all proceeds of sale and income from investment of moneys credited thereto. For purposes of the Indenture, those investments shall be valued by the Trustee at market value at the times provided in the Indenture. Each investment of moneys in the Funds shall mature or be redeemable at such time as may be necessary to make the required payments from such funds. Amounts credited to any fund may be invested, together with amounts credited to one or more other funds, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of the Indenture as they apply to each fund for which the joint investment is

made and (ii) the Trustee maintains separate records for each fund and such investments are accurately reflected therein. Any of those Permitted Investments may be purchased from or sold to the Trustee, the Registrar, an Authenticating Agent or a Paying Agent, or any bank, trust company or savings and loan association affiliated with any of the foregoing. The Trustee shall sell at the best price obtainable, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made.

Enforcement of Revenue Pledge. As provided in the Leaseback Agreement, the Trustee shall have the right of specific performance of the pledge of receipts and revenues of the City described in the Leaseback Agreement by appropriate court action, in the name of the Trustee on behalf of the Owners of the Bonds, in the name of the Corporation, or in the names of both. Nothing contained in the Indenture and the Leaseback Agreement shall be deemed to create a lien of any kind upon the property which is the subject of the Leaseback Agreement or any other property acquired with the proceeds of the Bonds.

Intervention by the Trustee. The Trustee may intervene on behalf of the Owners, and shall intervene if requested to do so in writing by the Owners of at least 25 percent of the aggregate principal amount of the Bonds then Outstanding or the Bond Insurer as described in the Indenture, in any judicial proceeding to which the Corporation or the City is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Owners of the Bonds. The rights and obligations of the Trustee are subject to the approval of that intervention by a court of competent jurisdiction. The Trustee may require that a satisfactory indemnity bond be provided to it in accordance with the Indenture before it takes such action.

Removal of the Trustee. The Trustee may be removed at any time by the City with, under certain circumstances, the consent of the Bond Insurer or by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee with copies thereof mailed to the Corporation, the Registrar, any Paying Agents and the Bond Insurer and signed by or on behalf of the Owners of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding, in each case with the consent of the Bond Insurer under circumstances described in the Indenture. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Corporation or the Owners of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding with the consent of the Bond Insurer under circumstances described in the Indenture.

Appointment of Successor Trustee. If (i) the Trustee shall resign, shall be removed, shall be dissolved, or shall become otherwise incapable of acting hereunder, (ii) the Trustee shall be taken under the control of any public officer or officers, or (iii) a receiver shall be appointed for the Trustee by a court, then a successor Trustee shall be appointed by the Corporation; provided, that if a successor Trustee is not so appointed within ten days after (a) a notice of resignation or an instrument or document of removal is received by the Corporation, as provided in the Indenture, respectively, or (b) the Trustee is dissolved, taken under control, becomes otherwise incapable of acting or a receiver is appointed, in each case, as provided above, then, so long as the Corporation shall not have appointed a successor Trustee, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding may designate a successor Trustee by an instrument or document or concurrent instruments or documents in writing signed by or on behalf of those Owners with the consent of the Bond Insurer as described in the Indenture. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions, the Owner of any Bond Outstanding or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, under such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Events of Default. The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Indenture:

- (i) Notwithstanding any payment paid with respect thereto pursuant to the terms of the Bond Insurance Policy, payment of any interest on any Bond shall not be made when and as that interest shall become due and payable;

(ii) Notwithstanding any payment paid with respect thereto pursuant to the terms of the Bond Insurance Policy, payment of the principal of or any premium on any Bond shall not be made when and as that principal or premium shall become due and payable, whether at stated maturity, by redemption or otherwise;

(iii) Failure by the Corporation to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Bonds, which failure shall have continued for a period of 30 days after written notice of such failure, by registered or certified mail, shall have been given to the Corporation and the City, requesting that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Owners of not less than 25 percent in aggregate principal amount of Bonds than Outstanding;

(iv) The occurrence and continuance of any event of default as defined in the Leaseback Agreement; and

(v) The occurrence of an Event of Bankruptcy as to the Corporation or the Corporation shall commence a proceeding under any federal or State insolvency, reorganization or similar law, or having such a proceeding commenced against it and either having an order of insolvency or reorganization entered against it or having the proceeding remain undismissed and unstayed for 90 days or (ii) have a receiver, conservator, liquidator or trustee appointed for it or for the whole or any substantial part of its property. The declaration of an Event of Default under this provision and the exercise of remedies upon any such declaration shall be subject to any applicable limitations of federal or State law affecting or precluding such declaration or exercise during the pendency of or immediately following any liquidation or reorganization proceedings.

Notice of Default. If an Event of Default shall occur, the Trustee shall give written notice of the Event of Default, by registered or certified mail, to, among others, the Corporation, the City, the Registrar, and any Paying Agent, within five days after the Trustee has notice of the Event of Default. If an Event of Default occurs of which the Trustee has notice pursuant to the Indenture, the Trustee shall give written notice thereof, within 30 days after the receipt by the Trustee of notice of its occurrence, to the Owners of all Bonds then Outstanding and affected thereby as shown by the Register at the close of business 15 days prior to the mailing of that notice; provided that, except in the case of a default in the payment of the principal of or any premium or interest on any Bond or the occurrence of an Event of Bankruptcy as to the Corporation, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determine that the withholding of notice to the Owners is in the interests of the Owners.

Remedies, No Right of Acceleration. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon request of the Owners affected thereby as provided in the Indenture shall, exercise the remedy granted pursuant to the Leaseback Agreement; provided, however, that notwithstanding anything therein or in the Indenture to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Bonds or otherwise to declare any amounts due pursuant to the Leaseback Agreement, as applicable, not then past due or in default to be immediately due and payable.

Application of Moneys. After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee in the collection of moneys pursuant to any right given or action taken under the provisions of the Indenture or the provisions of the Leaseback Agreement, (including without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under the Indenture) and after any required deposit into the Rebate Fund, all moneys received by the Trustee, unless the principal of all of the Bonds shall have become due and payable, shall be deposited in the Revenue Fund and shall be applied:

First — To the Interest Fund for the payment to the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any

particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds; and

Second — To the Bond Fund for the payment to the Owners entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), whether at stated maturity or by redemption, in the order of their due dates, beginning with the earliest due date, with interest on those Bonds from the respective dates upon which they may become due at the rates specified in those Bonds, and if the amount available is not sufficient to pay in full all Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

If principal of all the Bonds shall have become due, all of those moneys shall be deposited in the Bond Fund and shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest, of interest over principal, of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied pursuant to the provisions of the Indenture, those moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made, and upon the date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor. The Trustee shall give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of the Indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee shall not be required to make payment of principal of and any premium on a Bond to the Owner thereof, until the Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

Remedies Vested in Trustee. All rights of action (including without limitation, the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto. The sole remedy of the Trustee under the Indenture is that of specific performance as set forth in the Indenture and the Leaseback Agreement. Any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining any Owners as plaintiffs or defendants. Any recovery of judgment shall be for the benefit of the Owners of the Outstanding Bonds entitled thereto, subject to the provisions of the Indenture.

Rights and Remedies of Owners. An Owner shall not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, for the execution of any trust hereof, or for the exercise of any other remedy hereunder, harmless:

(i) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in the Indenture or of which it is deemed to have notice pursuant to the Indenture;

(ii) the Owners of at least 25 percent in aggregate principal amount of the Bonds then Outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in the Indenture; and

(iii) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name.

No one or more Owners of the Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Indenture by its or their action, or to enforce, except in the manner provided herein, any remedy, right or power thereunder. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided herein for the benefit of the Owners of all Bonds then Outstanding. Nothing in the Indenture shall affect or impair, however, the right of any Owner to enforce the payment of the Bond Service Charges on any Bond owned by that Owner at and under the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

Effect of Bond Insurance Policy. Notwithstanding the foregoing discussion under the captions "Events of Default," "Remedies, No Right of Acceleration," "Application of Moneys," "Remedies Vested in Trustee" and "Rights and Remedies of Owners," the Bond Insurer shall be deemed to be the sole holder of the Bonds for so long as the Bond Insurer is not in default under the Bond Insurance Policy and none of the insurance companies comprising the Bond Insurer is then bankrupt or insolvent or in receivership or contesting its obligations.

Supplemental Indentures Not Requiring Consent of Owners. Without the consent of, or notice, to, any of the Owners, the Corporation Representative on behalf of the Corporation and the Trustee may enter into certain indentures supplemental to the Indenture as provided in the Indenture which shall not, in the opinion of the Corporation Representative and the Trustee, be inconsistent with the terms and provisions of the Indenture.

Supplemental Indentures Requiring Consent of Owners. Exclusive of Supplemental Indentures to which reference is made in the preceding paragraph and subject to the terms, provisions and limitations contained in this paragraph, and not otherwise, with the consent of the Owners of not less than a majority in aggregate principal amount of Bonds at the time Outstanding and the Bond Insurer, if the Bond Insurer is not then in default with respect to the Bond Insurance Policy, evidenced as provided in the Indenture, the Corporation and the Trustee may also execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of this Indenture or any Supplemental Indenture or restricting in any manner the rights of the Owners. Nothing in this paragraph or the preceding paragraph shall permit, however, or be construed as permitting:

(i) without the consent of the Owner of each Bond so affected, and the Bond Insurer, if the Bond Insurer is not then in default with respect to the Bond Insurance Policy, (i) an extension of the maturity of the principal of or the interest on any Bond or (ii) a reduction in the principal amount of any Bond or the rate of interest or premium thereon or

(ii) without the consent of the owners of all Bonds then Outstanding, and the Bond Insurer, if the Bond Insurer is not then in default with respect to the Bond Insurance Policy, (i) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (ii) a reduction in the aggregate principal amount of the Bonds required for consent to a Supplemental Indenture.

If the Corporation shall request that the Trustee execute and deliver any Supplemental Indenture for any of such purposes of the Indenture, upon being satisfactorily indemnified with respect to its expenses in connection therewith, the Trustee shall cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first class mail, postage prepaid, and to all Owners of Bonds affected thereby then Outstanding at their addresses as they appear on the Register at the close of business on the fifteenth day preceding that mailing. The notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners affected thereby. If the Trustee shall receive, within a period prescribed by the Corporation, of not less than 60 days, but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Trustee does not reasonably object, purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (which instrument or document or instruments or documents shall refer to the proposed Supplemental Indenture in the form described in the notice and specifically shall consent to the Supplemental Indenture in substantially that form), the Trustee shall, but shall not otherwise, execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being

on file with the Trustee, without liability or responsibility to any Owner, regardless of whether that Owner shall have consented thereto. Any consent shall be binding upon the Owner of the Bond giving the consent and, anything herein to the contrary notwithstanding, upon any subsequent Owner of that Bond and of any Bond issued in exchange therefor (regardless of whether the subsequent Owner has notice of the consent to the Supplemental Indenture). A consent may be revoked in writing, however, by the Owner who gave the consent or by a subsequent Owner of the Bond by a revocation of such consent received by the Trustee prior to the execution and delivery by the Trustee of the Supplemental Indenture. At any time after the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Corporation a written statement that the Owners of the required percentage of Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed. If the Owners of the required percentage in aggregate principal amount of Bonds Outstanding shall have consented to the Supplemental Indenture, as provided in this Section, no Owner shall have any right (i) to object to (a) the execution or delivery of the Supplemental Indenture, (b) any of the terms and provisions contained therein, or (c) the operation thereof, (ii) to question the propriety of the execution and delivery thereof, or (iii) to enjoin or restrain the Trustee or the Corporation from that execution or delivery or from taking any action pursuant to the provisions thereof.

Notwithstanding the foregoing, the Bond Insurer shall be deemed to be the Owner of all Outstanding Bonds for the purpose of obtaining consent to any Supplemental Indenture which requires consent of the Owners of a majority in aggregate principal amount of Bonds Outstanding (but not those Supplemental Indentures which require the consent of the Owners of all Outstanding Bonds) and shall be provided with a full transcript of all proceedings relating to the execution thereof so long as the Bond Insurer is not in default under the Bond Insurance Policy relating to the Bonds as the case may be, and none of the insurance companies comprising the Bond Insurer is then bankrupt or insolvent or in receivership.

Modification by Unanimous Consent. Notwithstanding anything contained elsewhere in the Indenture, the rights and obligations of the Corporation and of the Owners, and the terms and provisions of the Bonds and the Indenture or any Supplemental Indenture may be modified or altered in any respect with the consent of (i) the Corporation, (ii) the Owners of all of the Bonds then Outstanding, (iii) the Trustee and (iv) the Bond Insurer, so long as the Bond Insurer is not then in default under the Bond Insurance Policy.

Release of Indenture. If (i) the Corporation shall pay all of the Outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Owners of the Outstanding Bonds, all Bond Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other sums payable under the Indenture, then the Indenture shall cease, determine and become null and void (except as otherwise provided in the Indenture), and the covenants, agreements and obligations of the Corporation hereunder shall be released, discharged and satisfied. Thereupon, and subject to the other provisions of the Indenture then applicable,

(i) the Trustee shall release the Indenture (except for those provisions surviving otherwise by reason of the Indenture), and shall execute and deliver to the Corporation any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Corporation, and

(ii) the Trustee and any other Paying Agents shall assign and deliver to the City any property subject at the time to the pledge of the Indenture which then may be in their possession, except amounts in the Bond Fund required otherwise to be held by the Trustee and the Paying agents under the Indenture or otherwise for the payment of Bond Service Charges.

Payment and Discharge of Bonds. All of any part of the Bonds shall be deemed to have been paid and discharged within the meaning of the Indenture if:

(i) the Trustee as paying agent and any Paying Agents or any qualified trustee shall have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(ii) the Trustee or any qualified trustee shall have received, in trust for and irrevocably committed thereto, Defeasance Obligations which are certified by an Independent public accounting firm of national

reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys to which reference is made above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided herein),

for the payment of all Bond Service Charges on those Bonds, at their maturity or redemption dates, as the case may be, or if a default in payment shall have occurred on any maturity or redemption date, then for the payment of all Bond Service Charges thereon to the date of the tender of payment to the Owners of the Bonds as to which such default exists; provided, that if any of those Bonds are to be redeemed prior to the maturity thereof, notice of that redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of that notice and if a forward supply contract is employed the requirements of the Indenture with respect thereto are satisfied.

Any moneys held by the Trustee or any qualified trustee in accordance with these provisions may be invested by the Trustee or such other trustee only in obligations described above having maturity dates, or having redemption dates which, at the option of the owner of those obligations, shall be not later than the date or dates at which moneys will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, the investments held under these provisions is determined in accordance with the certification described in the Indenture, from time to time by the Trustee or any qualified trustee to be in excess of the amount required to be held by the Trustee or any qualified trustee for the purposes of this Section, that income, interest or increment shall be transferred at the time of that determination to the City.

If any Bonds shall be deemed paid and discharged pursuant to these provisions, then within 15 days after such Bonds are so deemed paid and discharged the Trustee or such other trustee shall cause a written notice to be given to each Owner as shown on the Register on the date on which such Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds deemed paid and discharged or state that all of the Bonds are deemed paid and discharged, set forth a description of the obligations held pursuant to the Indenture and specify any date or dates on which any of the Bonds are to be redeemed pursuant to notice of redemption given or irrevocable provisions made for such notice pursuant to the Indenture.

Maintenance of Offices for Payment. So long as the Bonds or any of them shall be Outstanding, the Corporation shall cause offices or agencies where the Bonds may be presented for payment to be maintained in the City or at the office of the Trustee as provided in the form of the Bonds.

Payments Due on Saturdays, Sundays and Holidays. If any Interest Payment Date or Principal Payment Date is a Saturday, Sunday or a day on which (i) the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of Bond Service Charges need not be made by the Trustee or any Paying Agent on such Interest Payment Date or Principal Payment Date, but that payment may be made on the next succeeding business day on which the Trustee and the Paying Agent are open for business with the same force and effect as if that payment were made on the Interest Payment Date or Principal Payment Date, and no interest shall accrue for the period after such Interest Payment Date, or (ii) a Paying Agent is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of Bond Service Charges need not be made by that Paying Agent on that date, but that payment may be made on the next succeeding business day on which that Paying Agent is open for business with the same force and effect as if that payment were made on the Interest Payment Date or Principal Payment Date, and no interest shall accrue for the period after that date; provided, that if the Trustee is open for business on the applicable Interest Payment Date or Principal Payment Date, it shall make any payment required hereunder with respect to payment of Bond Service Charges on Bonds presented to it for payment, regardless of whether any Paying Agent shall be open for business or closed on the applicable Interest Payment Date or Principal Payment Date.

Summary of Certain Provisions of the Leaseback Agreement

The following summarizes or paraphrases certain provisions of the Leaseback Agreement (the "Leaseback Agreement"). This summary is not purported to be complete, and reference is made to the full text of the Leaseback Agreement for a complete recital of its terms, including definitions of capitalized terms herein.

General. The Leaseback Agreement has been entered into between the City of Phoenix as lessee and the City of Phoenix Civic Improvement Corporation as lessor. The real and personal property (the "Project") which is subject to the Leaseback Agreement has been leased to the Corporation pursuant to the Lease. The Leaseback Agreement contains the terms and conditions under which the Project is leased to the City.

Lease Term. The Lease Term commences on the date of execution and delivery of the Leaseback Agreement, and extends, unless terminated prior thereto, through the later of July 2, 2033, or the date following the final payment of the principal, interest, and premium, if any, due on all Bonds issued under the Indenture, whichever shall occur later.

The Lease Term will terminate upon the earliest of the following events:

- (a) payment by the City of all Lease Payments scheduled to be paid by the City during the entire Lease Term; or
- (b) prepayment in full of all remaining Lease Payments pursuant to the Leaseback Agreement; or
- (c) expiration of the Lease.

Upon termination of the Lease Term, title to the Project shall pass from the Corporation to the City.

Lease Payments. On each Lease Payment Date, the City will pay to the Trustee, in lawful money of the United States of America, the Lease Payment with respect to the Bonds for such Lease Payment Date, such Lease Payment being the amount necessary to pay debt service on all Bonds Outstanding under the Indenture on the next Bond Payment Date together with any other amounts due under the Leaseback Agreement with respect to the Bonds.

The obligation of the City to make the Lease Payments is absolute and unconditional but does not constitute a general obligation of the City and does not constitute an indebtedness of the City, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation restrictions. The City's obligation to make the Lease Payments is enforceable solely against the Excise Taxes. The City may, at its sole option, make Lease Payments from other funds as permitted by law, but the Corporation shall have no claim to such other funds.

Additional Payments. In the event that the City should fail for any reason to make any payment or perform any obligations under the Leaseback Agreement with respect to the Bonds, the Corporation, or the Trustee on its behalf, may at its own option make any such payment or perform any such duty. The amount of such payment and all expenses reasonably incurred by the Corporation and the Trustee in making such payment and performing such duty shall be paid by the City immediately upon receipt by the City of invoices sent to the City by the Corporation or the Trustee with interest at the rate of eight percent (8%) per annum from the date said payment was made to the date of payment by the City.

Option to Prepay. The City has the option to make Lease Payments in advance and may require the Corporation to redeem Bonds, when callable, prior to their maturity. Prior to the call date (and thereafter, if the cost is less than the redemption price) the City may make prepayments of the purchase price for the purpose of repurchasing Bonds in the open market for cancellation, in which event the amounts of the Lease Payments will be readjusted to fully pay the debt service on all Bonds remaining outstanding.

Parity Obligations. Under the Leaseback Agreement, the City reserves the right to incur obligations payable from the Excise Taxes in the future on a parity with the obligations to make Lease Payments

thereunder, but only if upon the incurring of such future obligation or obligations the following conditions are met:

(a) The pledged Excise Taxes received by the City during the completed fiscal year immediately preceding the incurring of the proposed parity obligation are at least equal to the highest combined total, for any succeeding 12 month period, of amounts due on Senior Obligations and Junior Obligations during such period plus two times the interest and principal requirements for all Bonds and parity obligations then outstanding and all proposed parity obligations to be secured by a pledge of taxes during such period using the applicable maximum interest rates where variable rate obligations are involved in such computations; and

(b) The City shall certify through its Finance Director or other appropriate official that it is not in default in any payment under the Leaseback Agreement or with respect to any obligation described and included within that Section.

Maintenance, Utilities, Taxes, and Assessments. During such time as the City is in possession of the Project, all maintenance and repair thereof and utilities therefore are the responsibility of the City. The City shall also pay all taxes and assessments of any type or nature, if any, charged to the Corporation or to the City affecting the Projects.

Insurance. The Leaseback Agreement requires the City to maintain or cause to be maintained, liability insurance coverage in protection of the City, its members, officers, agents and employees. Such insurance may be carried in conjunction with any other liability insurance coverage, and may be provided by self-insurance by the City with the self-insured retention limit to be determined by the City. The City may also, at its option, insure the Project against physical loss or damage, however caused, in an amount equal to the full replacement cost of the Project. The City may, at its option, self-insure the Project for physical damage as it does all its other real and personal property.

Condemnation. In the event that title to or temporary use of the Project or any part thereof should be taken under the exercise of the power of eminent domain, the net proceeds of any condemnation award shall be paid to the City.

Assignment. City shall not assign, transfer, pledge or grant a security interest in the Leaseback Agreement or the Project without the prior written consent of the Trustee. However, the City may enter into arrangements with others for the operation and management of the Projects. Also, the City may grant easements across, in, under and over the Projects upon certification of the City that such easement shall not substantially interfere with the use of the Projects. The City shall at all times remain liable for the performance of all the covenants and conditions on its part to be performed, notwithstanding any assigning, transferring or subletting which may be made.

Pursuant to the Indenture the Corporation's rights under the Leaseback Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City, have been assigned to the Trustee for the benefit of the owners of the Bonds.

Defaults and Remedies. The following are events of default under the Leaseback Agreement:

(a) Failure by the City to pay any Lease Payment or other payment required to be paid with respect to the Bonds under the Leaseback Agreement at the time specified therein;

(b) Failure by the City to observe and perform any other covenant and condition on its part to be observed or performed under the Leaseback Agreement for a period of 30 days under written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation or the Trustee; and

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with

creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the federal bankruptcy laws.

Upon the occurrence and continuance of an event of default, the Corporation will be entitled to enforce the Leaseback Agreement by appropriate action to collect any amounts due and owing or to cause the Lessee to perform its other obligations under the Leaseback Agreement. The Corporation's sole remedy under the Leaseback Agreement is that of specific performance. Notwithstanding anything in the Leaseback Agreement or in the Indenture to the contrary, there shall be no right under any circumstances to accelerate or otherwise to declare any Lease Payment not then past due or in default to be immediately due and payable. The City shall be liable for all expenses and costs which the Corporation incurs or may incur in connection with the enforcement of any of its remedies in the Leaseback Agreement, including reasonable attorney's fees to the extent permitted by law.

Tax Covenants. Under the Leaseback Agreement, the City and the Corporation covenant that each shall not make use of the Projects or the proceeds of the Tax-Exempt Bonds or take any action which would adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes.

Amendments to Lease Agreement. The Corporation and the Trustee may, without the consent of or notice to any of the Holders, consent to and join with the City in the execution and delivery of any amendment, change or modification of the Lease Agreement; provided the Trustee reserves an opinion of nationally recognized bond counsel to the effect that such amendment (i) does not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes and (ii) does not adversely affect the interests of the owners.

APPENDIX H
[LETTERHEAD OF GREENBERG TRAURIG, LLP]
[TO BE DATED CLOSING DATE]

PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

We hereby certify that we have examined certified copy of the proceedings of the City of Phoenix Civic Improvement Corporation (the "Corporation") passed preliminary to the issue of its Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A (the "Series 2003A Bonds") in the aggregate original principal amount of \$80,000,000, Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2003B (the "Series 2003B Bonds" and together with the Series 2003A Bonds, the "Tax-Exempt Bonds") in the aggregate original principal amount of \$25,000,000, Municipal Facilities Subordinated Excise Tax Revenue Bonds, Taxable Series 2003C (the "Series 2003C Taxable Bonds") in the aggregate original principal amount of \$25,000,000 and Municipal Facilities Subordinated Excise Tax Revenue Bonds, Taxable Series 2003D (the "Series 2003D Taxable Bonds" and together with the Series 2003C Taxable Bonds, the "Taxable Bonds" and together with the Tax-Exempt Bonds, the "Bonds") in the aggregate original principal amount of \$10,000,000 in fully registered form, dated as of May 1, 2003. The Series 2003A Bonds are being issued to pay for certain improvements to the solid waste system of the City of Phoenix, Arizona (the "City") and the Series 2003B Bonds and the Taxable Bonds are being issued to pay for various municipal improvements of the City.

We have examined the law and such documents and matters as we have deemed necessary to render this opinion, including, without limitation, the original or a copy identified to our satisfaction as being a true copy of the Indenture, the Lease and the Leaseback Agreement (each as defined herein).

As to questions of fact material to the opinions expressed herein, we have relied upon, and have assumed due compliance with the provisions of, the proceedings and other documents, and have relied upon certifications and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the use to be made of the proceeds of the Bonds. Reference is made to certifications of and opinions of counsel to parties other than the Corporation with respect to the existence and powers of such parties to enter into and perform the instruments referred to, the authorization, execution and delivery of such instruments by such parties and such instruments being binding upon and enforceable against such parties; we express no opinion as to such matters.

Said Bonds are being issued pursuant to a Trust Indenture, dated as of May 1, 2003 between the Corporation and U.S. Bank National Association, as trustee (the "Indenture"). The Bonds are payable solely, as to both principal and interest, from payments made by the City under the Leaseback Agreement between the Corporation as lessor and the City, as lessee, dated as of May 1, 2003 (the "Leaseback Agreement").

Based upon the foregoing, we are of the opinion as of this date, which is the date of initial delivery of the Bonds against payment therefor, that:

1. The Indenture, the Lease dated as of May 1, 2003 between the City as lessor and the Corporation as lessee (the "Lease"), the Leaseback Agreement and the Bonds have been duly authorized, executed and delivered by the Corporation and are valid and binding upon and enforceable against the Corporation.

2. The Bonds constitute special obligations of the Corporation, and the principal of and interest and any premium on the Bonds (collectively, "debt service"), unless paid from other sources, are payable solely from the revenues and other moneys pledged and assigned by the Indenture to secure that payment. Those revenues and other moneys include payments required to be made by the City under the Leaseback Agreement, and the City's obligation to make those payments is secured by a junior subordinate lien pledge of certain excise taxes levied and collected by the City and shared taxes received from the State of Arizona. The Indenture creates the pledge which it purports to create in the pledged revenues and of other moneys in the funds and accounts created by the Indenture (other than the Rebate Fund), which pledge will be perfected only as to the revenue and other moneys on deposit in the funds and accounts created by the Indenture. The Bonds and the payment

of debt service are not secured by an obligation or pledge of any moneys raised by taxation other than the specified excise and shared taxes; the Bonds do not represent or constitute a debt or pledge of the general credit of the Corporation, the City or the State of Arizona; and the Leaseback Agreement, including the City's obligation to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

3. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City and the Corporation must continue to meet after the issuance of the Bonds in order that interest on the Tax-Exempt Bonds not be included in gross income for federal income tax purposes. The failure of the City and the Corporation to meet these requirements may cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City and the Corporation have covenanted to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. (Subject to the limitations in the last paragraph hereof, the City and the Corporation have full legal power and authority to comply with such covenants). Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the last sentence of this paragraph, interest on the Tax-Exempt Bonds is excludible from the gross income of the owners thereof for federal income tax purposes, and, if the foregoing is the case, the interest on the Tax-Exempt Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Tax-Exempt Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Tax-Exempt Bonds. In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Tax-Exempt Bonds in order that interest on the Tax-Exempt Bonds not be included in gross income for federal tax purposes.

4. Interest on the Taxable Bonds is includible in gross income of the owners thereof for federal and State of Arizona income tax purposes and therefore is not exempt from present federal income taxation or State of Arizona income taxation. Ownership of the Taxable Bonds may result in other federal or State of Arizona income tax consequences to certain taxpayers and we express no opinion regarding any such collateral consequences arising with respect to the Taxable Bonds.

This opinion is written upon reliance upon certifications of the Corporation and the City with respect to certain material facts solely within the Corporation's knowledge relating to application of the proceeds of the Bonds. Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

The rights of the owners of the Bonds and the enforceability of those rights under the Bonds and the documents referred to above may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

APPENDIX I

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking" or the "Agreement") dated as of May , 2003 is executed and delivered by the City of Phoenix, Arizona (the "City") in connection with the issuance of \$80,000,000 City of Phoenix Civic Improvement Corporation Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A (the "Series 2003A Bonds"), \$25,000,000 City of Phoenix Civic Improvement Corporation Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2003B (the "Series 2003B Bonds" and together with the Series 2003A Bonds, the "Tax-Exempt Bonds"), \$25,000,000 City of Phoenix Civic Improvement Corporation Municipal Facilities Subordinated Excise Tax Revenue Bonds, Taxable Series 2003C (the "Series 2003C Taxable Bonds") and \$10,000,000 City of Phoenix Civic Improvement Corporation Municipal Facilities Subordinated Excise Tax Revenue Bonds, Taxable Series 2003D (the "Series 2003D Taxable Bonds" and together with the Series 2003C Taxable Bonds, the "Taxable Bonds" and together with the Tax-Exempt Bonds, the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture dated as of May 1, 2003 by and between the City of Phoenix Civic Improvement Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

1. *Purpose of this Undertaking.* This Undertaking is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The City represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. *Definitions.* The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data set forth in *Exhibit I*.

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

Audited Financial Statements means the audited financial statements of the City prepared pursuant to the standards and as described in *Exhibit I*.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent's successors and assigns.

Event means the occurrence of any of the events set forth in *Exhibit II*.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Leaseback Agreement means, the Leaseback Agreement dated as of May 1, 2003 and by and between the City and the Corporation.

Material Event means the occurrence of events set forth in *Exhibit II* that are material, as materiality is interpreted under the Exchange Act.

Material Events Disclosure means dissemination of disclosure concerning a Material Event as set forth in Section 5.

MSRB means the Municipal Securities Rulemaking Board.

NRMSIRs means, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Securities and Exchange Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repositories
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
E-Mail: NRMSIR@FTID.com

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmsir@dpcdata.com

Standard & Poor's J.J. Kenny Repository
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Rule means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SID means any public or private repository designated by the State as the state repository and recognized as such by the Securities and Exchange Commission for purposes of the Rule. As of the date of this Agreement, no SID exists within the State. The name and address of the SID, if any, should be verified each time information is delivered pursuant to this Agreement.

State means the State of Arizona.

Undertaking means the obligations of the City pursuant to Sections 4 and 5 hereof.

3. *CUSIP Number/Final Official Statement.* The CUSIP Numbers of the Bonds are as follows:

**Subordinated Excise Tax Revenue Bonds
(Solid Waste Improvements)
Series 2003A**

<u>CUSIP No.</u>	<u>Maturity Date</u>	<u>CUSIP No.</u>	<u>Maturity Date</u>
71884AGK9	07/01/04	71884AGV5	07/01/14
71884AGL7	07/01/05	71884AGW3	07/01/15
71884AGM5	07/01/06	71884AGX1	07/01/16
71884AGN3	07/01/07	71884AGY9	07/01/17
71884AGP8	07/01/08	71884AGZ6	07/01/18
71884AGQ6	07/01/09	71884AHA0	07/01/19
71884AGR4	07/01/10	71884AHB8	07/01/20
71884AGS2	07/01/11	71884AHC6	07/01/21
71884AGT0	07/01/12	71884AHD4	07/01/22
71884AGU7	07/01/13	71884AHE2	07/01/23

**Subordinated Excise Tax Revenue Bonds
Municipal Facilities
Series 2003B**

<u>CUSIP No.</u>	<u>Maturity Date</u>	<u>CUSIP No.</u>	<u>Maturity Date</u>
71884AHF9	07/01/05	71884AHS1	07/01/16
71884AHG7	07/01/06	71884AHT9	07/01/17
71884AHH5	07/01/07	71884AHU6	07/01/18
71884AHJ1	07/01/08	71884AHV4	07/01/19
71884AHK8	07/01/09	71884AHW2	07/01/20
71884AHL6	07/01/10	71884AHX0	07/01/21
71884AHM4	07/01/11	71884AHY8	07/01/22
71884AHN2	07/01/12	71884AHZ5	07/01/23
71884AHP7	07/01/13	71884AJA8	07/01/24
71884AHQ5	07/01/14	71884AKC2	07/01/25
71884AHR3	07/01/15		

**Subordinated Excise Tax Revenue Bonds
Municipal Facilities
Taxable Series 2003C**

<u>CUSIP No.</u>	<u>Maturity Date</u>	<u>CUSIP No.</u>	<u>Maturity Date</u>
71884AJB6	07/01/09	71884AJH3	07/01/15
71884AJC4	07/01/10	71884AJJ9	07/01/16
71884AJD2	07/01/11	71884AJK6	07/01/17
71884AJE0	07/01/12	71884AJL4	07/01/18
71884AJF7	07/01/13	71884AJR1	07/01/23
71884AJG5	07/01/14	71884AKB4	07/01/33

**Subordinated Excise Tax Revenue Bonds
Municipal Facilities
Taxable Series 2003D**

<u>CUSIP No.</u>	<u>Maturity Date</u>	<u>CUSIP No.</u>	<u>Maturity Date</u>
71884BED5	07/01/09	71884BEK9	07/01/15
71884BEE3	07/01/10	71884BEL7	07/01/16
71884BEF0	07/01/11	71884BEM5	07/01/17
71884BEG8	07/01/12	71884BEN3	07/01/23
71884BEH6	07/01/13	71884BEP8	07/01/33
71884BEJ2	07/01/14		

The Final Official Statement relating to the Bonds is dated April 30, 2003 (the "Final Official Statement").

4. *Annual Financial Information Disclosure.* Subject to Section 9 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any, (in the form and by the dates set forth in *Exhibit I*) to all NRMSIRs and to the SID, if any. The City is required to deliver such information in such manner and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. *Material Events Disclosure.* Subject to Section 9 of this Undertaking, the City hereby covenants that it will disseminate in a timely manner Material Events Disclosure to each NRMSIR or the MSRB, and to the SID, if any. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any of the Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indenture.

6. *Duty to Update NRMSIRs/SID.* The City shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. *Consequences of Failure of the City to Provide Information.* The City shall give notice in a timely manner to each NRMSIR or to the MSRB, and to the SID, if any, of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Leaseback Agreement or the Indenture, and the sole remedy available to Bondholders under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

8. *Amendments; Waiver.* Notwithstanding any other provision of this Agreement, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the Bondholders pursuant to the Indenture at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the generally accepted accounting principles ("GAAP") to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the Fiscal Year of the City changes, the City shall file a notice of such change in the same manner as for a notice of material event.

9. *Termination of Undertaking.* The Undertaking of the City shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Bonds under the Leaseback

Agreement. The City shall give notice in a timely manner if such event occurs, to each NRMSIR or to the MSRB, and to the SID, if any.

10. *Dissemination Agent.* The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

11. *Additional Information.* Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Material Events Disclosure.

12. *Beneficiaries.* This Undertaking has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. *Recordkeeping.* The City shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. *Assignment.* The City shall not transfer obligations under the Leaseback Agreement unless the transferee agrees to assume all obligations of the City under this Agreement or to execute an Undertaking meeting the requirements of the Rule.

15. *Governing Law.* This Undertaking shall be governed by the laws of the State.

CITY OF PHOENIX, ARIZONA

By Frank Fairbanks
Its City Manager

By: _____
Kevin Keogh
Finance Director

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

EXHIBIT I
ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED
FINANCIAL STATEMENTS

"Annual Financial Information" means financial information and operating data of the type contained in the Final Official Statement under the following captions: "SECURITY AND SOURCE OF PAYMENT — OUTSTANDING SENIOR AND JUNIOR OBLIGATIONS," "OUTSTANDING SUBORDINATED JUNIOR OBLIGATIONS," "EXCISE TAXES AND COVERAGE — ACTUAL EXCISE TAX RECEIPTS FOR THE FISCAL YEARS ENDED JUNE 30" AND "APPENDIX B — CITY OF PHOENIX, ARIZONA — FINANCIAL DATA — OTHER LONG-TERM OBLIGATIONS".

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR and to the SID, if any, or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR, the SID or the Commission. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, by February 1 of each year, commencing February 1, 2004, 210 days after the last day of the City's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to Accounting Principles Generally Accepted in the United States of America (GAAP), as applied to governmental units as modified by State law. Audited Financial Statements will be provided to each NRMSIR and to the SID, if any within 30 days after availability to the City.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the City will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the Tax-Exempt Bonds
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes

APPENDIX J
FORM OF MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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