

**FINANCIAL MANAGEMENT SERVICES
MONTHLY FINANCIAL REPORT
JUNE 16, 2017**

ECONOMIC HIGHLIGHTS

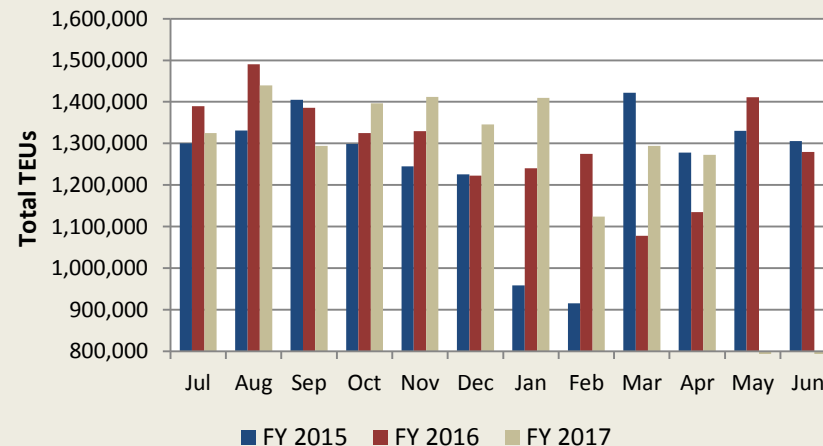
Arizona Indicators

- Combined container volume at the Port of Los Angeles and the Port of Long Beach was 12.1 percent higher in April 2017 than in April 2016.
- The U.S. Energy Information Administration reported the price of West Coast No 2 diesel was \$2.86 per gallon in April 2017, up from \$2.36 per gallon in April 2016. The Arizona average price per gallon for regular unleaded gas was \$2.30 in April 2017, compared to \$2.16 in April 2016.
- The Arizona seasonally adjusted unemployment rate, as reported by the Arizona Office of Economic Opportunity, fell from 5.4 percent in April 2016 to 5.0 percent in April 2017.

Greater Phoenix Area Indicators

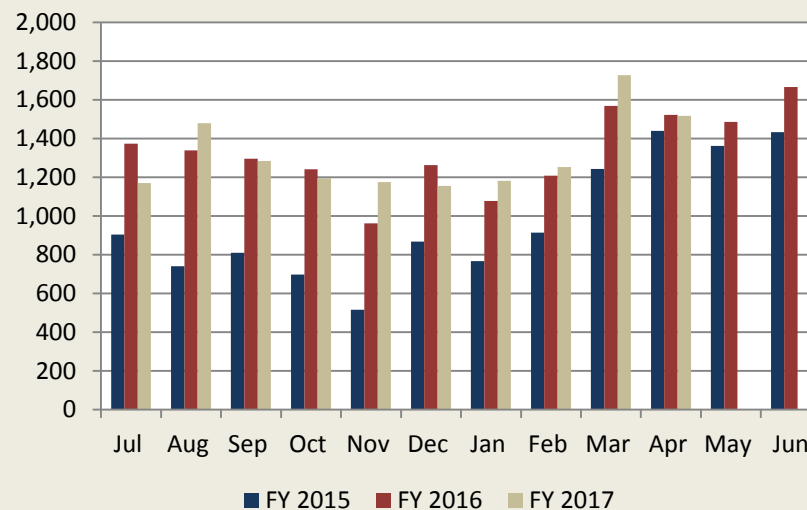
- The number of new single-family building permits issued in Maricopa County in April 2017 fell 0.3 percent compared to the same month of 2016.
- The April Employment Report published by the Arizona Office of Economic Opportunity stated the construction sector in the Greater Phoenix Area gained 5,500 jobs year-over-year from April 2016 to April 2017, an increase of 5.3 percent.
- The Greater Phoenix Area unadjusted unemployment rate was 3.9 percent in April 2017, down from 4.5 percent in April 2016.

Container Statistics for Port of LA and Port of Long Beach



TEU (Twenty-foot equivalent unit) - a maritime industry standardized measurement used for counting cargo containers of differing lengths.

Maricopa County New Single-family Building Permits

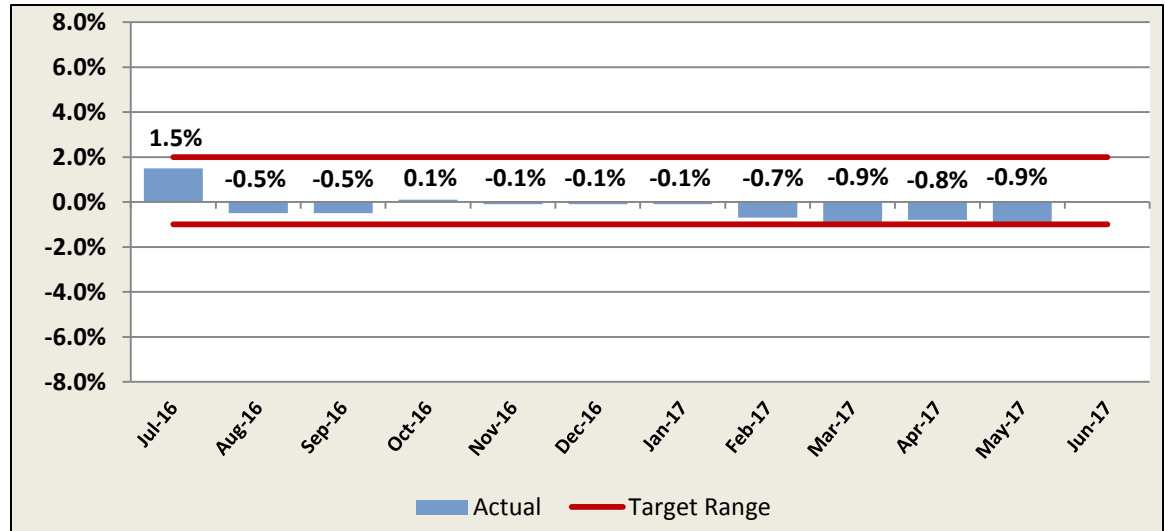


HIGHWAY USER REVENUE FUND (HURF) THROUGH MAY 31, 2017

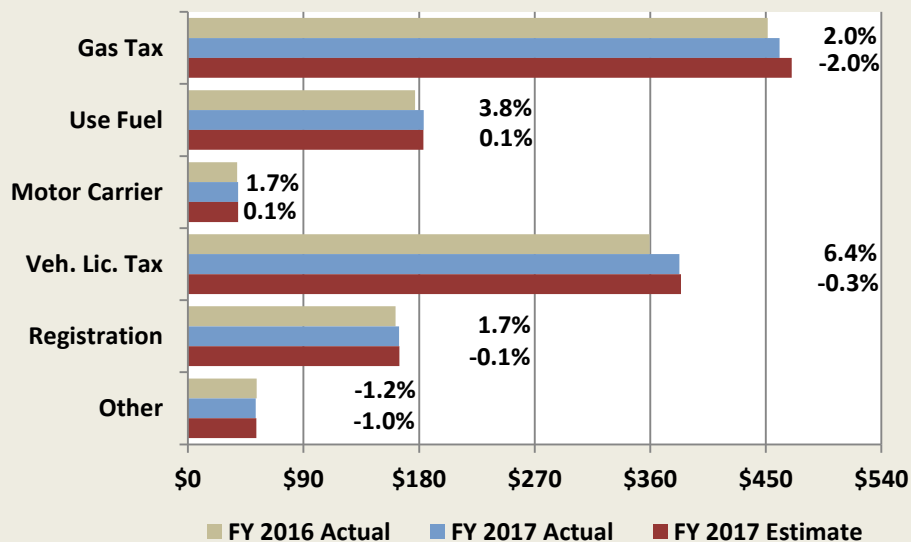
Highlights

- Year-to-date revenues in HURF's largest category, gas tax, have increased 2.0 percent compared to the same period last year.
- Arizona gas prices were nearly unchanged in May, with the Arizona average price per gallon decreasing one cent to \$2.29 for regular unleaded gas. Arizona gas prices were 14 cents per gallon higher than in May 2016.
- In the first eleven months of FY 2017, vehicle license tax revenues grew 6.4 percent compared to the same period last year. Vehicle renewal registrations and new car registrations are up 3.9 percent and 6.8 percent, respectively, over the same period.

Variance from Forecast Year-to-date



Revenue Category Performance Year-to-date (\$ in Millions)



Monthly Comparisons (\$ in Thousands)

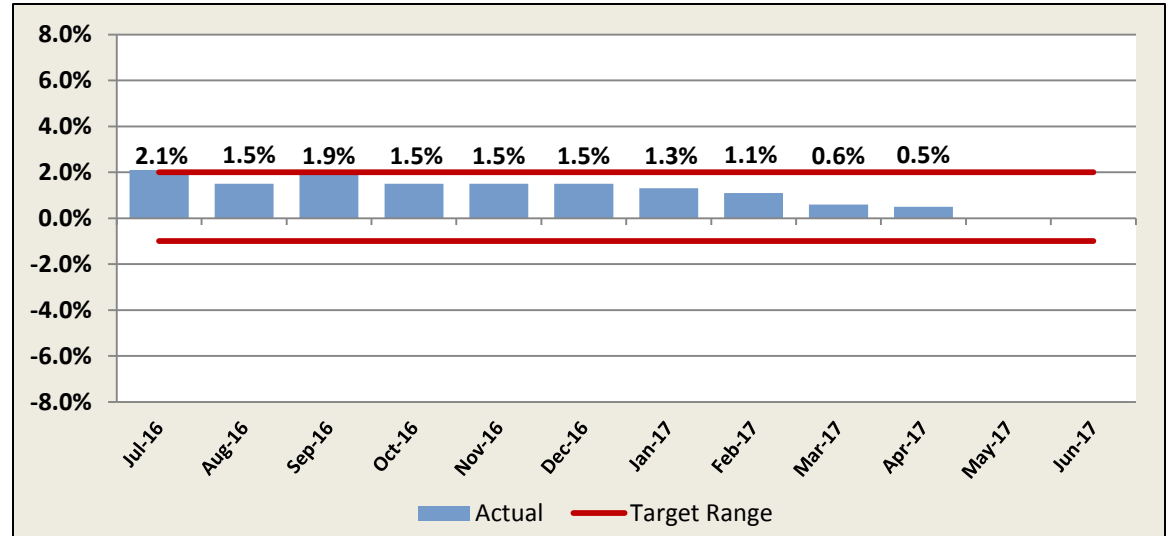
| | FY 2016 Actual | FY 2017 Actual | Change | FY 2017 Estimate | Change |
|-----------------|--------------------|--------------------|-------------|--------------------|--------------|
| July | \$112,198 | \$118,728 | 5.8% | \$116,922 | 1.5% |
| August | 108,456 | 111,347 | 2.7% | 114,394 | -2.7% |
| September | 110,398 | 115,423 | 4.6% | 116,068 | -0.6% |
| October | 110,199 | 115,306 | 4.6% | 113,070 | 2.0% |
| November | 108,351 | 110,796 | 2.3% | 112,002 | -1.1% |
| December | 111,965 | 117,255 | 4.7% | 117,336 | -0.1% |
| January | 114,573 | 118,957 | 3.8% | 119,054 | -0.1% |
| February | 113,786 | 115,727 | 1.7% | 121,163 | -4.5% |
| March | 119,020 | 116,522 | -2.1% | 119,696 | -2.7% |
| April | 121,891 | 128,380 | 5.3% | 128,559 | -0.1% |
| May | 110,563 | 114,841 | 3.9% | 116,107 | -1.1% |
| Subtotal | \$1,241,400 | \$1,283,281 | 3.4% | \$1,294,371 | -0.9% |
| June | | 115,352 | | 121,229 | |
| Total | \$1,356,752 | \$1,283,281 | | \$1,415,600 | |

REGIONAL AREA ROAD FUND (RARF) THROUGH APRIL 30, 2017

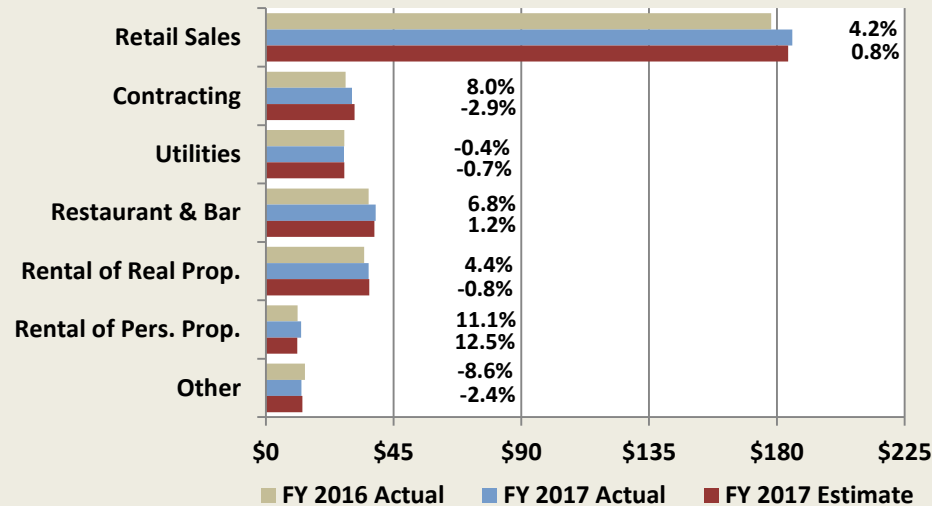
Highlights

- Total year-to-date RARF revenue in FY 2017 surpassed revenue in the same period of FY 2016 by 4.1 percent and was 0.5 percent above the estimate.
- Retail sales, the largest revenue category of RARF, grew 4.2 percent year-to-date when compared to the same period last year.
- Year-to-date RARF contracting revenues increased 8.0 percent compared to the same period last year, and was 2.9 percent below forecast. The interest rate on 30 year mortgages in April 2017 was 4.05 percent, higher than the 3.61 percent experienced in April 2016.

Variance from Forecast Year-to-date



Revenue Category Performance Year-to-date (\$ in Millions)



Monthly Comparisons (\$ in Thousands)

| | FY 2016 Actual | FY 2017 Actual | Change | FY 2017 Estimate | Change |
|-----------------|------------------|------------------|-------------|------------------|-------------|
| July | \$31,765 | \$33,492 | 5.4% | \$32,816 | 2.1% |
| August | 31,814 | 33,126 | 4.1% | 32,817 | 0.9% |
| September | 31,444 | 33,575 | 6.8% | 32,678 | 2.7% |
| October | 32,122 | 33,071 | 3.0% | 33,007 | 0.2% |
| November | 32,117 | 33,115 | 3.1% | 32,640 | 1.5% |
| December | 32,154 | 34,058 | 5.9% | 33,505 | 1.6% |
| January | 37,384 | 39,652 | 6.1% | 39,455 | 0.5% |
| February | 31,504 | 32,662 | 3.7% | 32,793 | -0.4% |
| March | 33,192 | 32,961 | -0.7% | 34,034 | -3.2% |
| April | 36,015 | 37,452 | 4.0% | 37,748 | -0.8% |
| Subtotal | \$329,509 | \$343,163 | 4.1% | \$341,493 | 0.5% |
| May | | 33,455 | | 34,619 | |
| June | | 33,846 | | 35,288 | |
| Total | \$396,810 | \$343,163 | | \$411,400 | |

INVESTMENT PERFORMANCE THROUGH APRIL 30, 2017 (\$ IN THOUSANDS)

| Investment Pools | Monthly Average Invested Balance | Percent Invested | April | | Year-to-date (YTD) | |
|-----------------------------------|---|---------------------|----------------------|------------------|----------------------|--------------|
| | | | Interest Received | Current Yield | Interest Received | YTD Yield |
| Pool 2 | | | | | | |
| Highway | \$197,068 | 99.80% | \$135 | 0.83% | \$1,346 | 0.84% |
| MAG/PAG 12.6% & 2.6% and PAG STAN | \$362,671 | 99.98% | \$245 | 0.83% | \$2,583 | 0.84% |
| HURF Bond Redemption | \$89,883 | 100.00% | \$60 | 0.83% | \$350 | 0.84% |
| HURF 2013A Proceeds | \$38,098 | 99.48% | \$26 | 0.83% | \$684 | 0.84% |
| Other/1 | \$52,145 | 99.54% | \$37 | 0.83% | \$334 | 0.84% |
| Subtotal | \$739,865 | 99.88% | \$504 | 0.83% | \$5,296 | 0.84% |
| Pool 3 Revised | | | | | | |
| HELP/2 | \$59,746 | 100.00% | \$61 | 1.25% | \$534 | 1.08% |
| Other/3 | \$7,074 | 99.42% | \$7 | 1.25% | \$70 | 1.08% |
| Subtotal | \$66,819 | 99.94% | \$69 | 1.25% | \$604 | 1.08% |
| Pool 4 | | | | | | |
| RARF Bond Redemption | \$71,075 | 100.00% | \$55 | 0.96% | \$273 | 0.83% |
| Regional Area Road Fund | \$388,342 | 99.93% | \$306 | 0.96% | \$2,520 | 0.83% |
| Subtotal | \$459,416 | 99.94% | \$362 | 0.96% | \$2,794 | 0.83% |
| Total | \$1,266,100 | 99.90% | \$934 | 0.91% | \$8,694 | 0.85% |

Note: Numbers may not add due to rounding.

Source: State Treasurer's Office Statement of Accounts.

/1 Pool 2 Other includes HURF, Aviation, STAN TOC, Equipment, Highway Postage, STAN RORS and GANS redemption funds.

/2 HELP: Highway Expansion and Extension Loan Program.

/3 Pool 3 Other includes Economic Strength, Magazine, Storage Tank, Special Plates and Safety Enforcement funds.

HIGHWAY EXPANSION AND EXTENSION LOAN PROGRAM (HELP) CASH STATUS AS OF MAY 31, 2017

| Revenues: | Inception to Date |
|---|-------------------------------|
| Federal Capitalization | \$46,185,974 |
| State Match | 2,791,729 |
| Board Funding Obligation, Series 1999 | 100,000,000 |
| Board Funding Obligation, Series 2000 | 100,000,000 |
| Board Funding Obligation, Series 2002 | 40,000,000 |
| Board Funding Obligation, Series 2003 | 140,000,000 |
| Board Funding Obligation, Series 2007 | 50,000,000 |
| Highway Fund Transfer | 20,000,000 |
| General Fund Appropriation | 20,000,000 |
| Interest Received on Loans | 27,031,891 |
| Interest Income | 45,712,163 |
| Principal Repaid on Loans | 545,578,522 |
| Total Revenues | <u>\$1,137,300,279</u> |
| | |
| Expenditures: | |
| Loan Draws | \$545,578,522 |
| BFO Payment to Treasurer - Principal | 430,000,000 |
| BFO Payment to Treasurer - Interest | 39,667,756 |
| Highway Fund Repayment | 20,000,000 |
| General Fund Reversion | 40,000,000 |
| Administration | 2,226,371 |
| Total Expenditures | <u>\$1,077,472,649</u> |
| | |
| Final Cash Balance as of 5/31/17 | \$59,827,630 |

Although HELP currently has a cash balance, the budget recently passed by the Arizona legislature will sweep \$60 million from HELP over the next two years, effectively eliminating all available funds within HELP.