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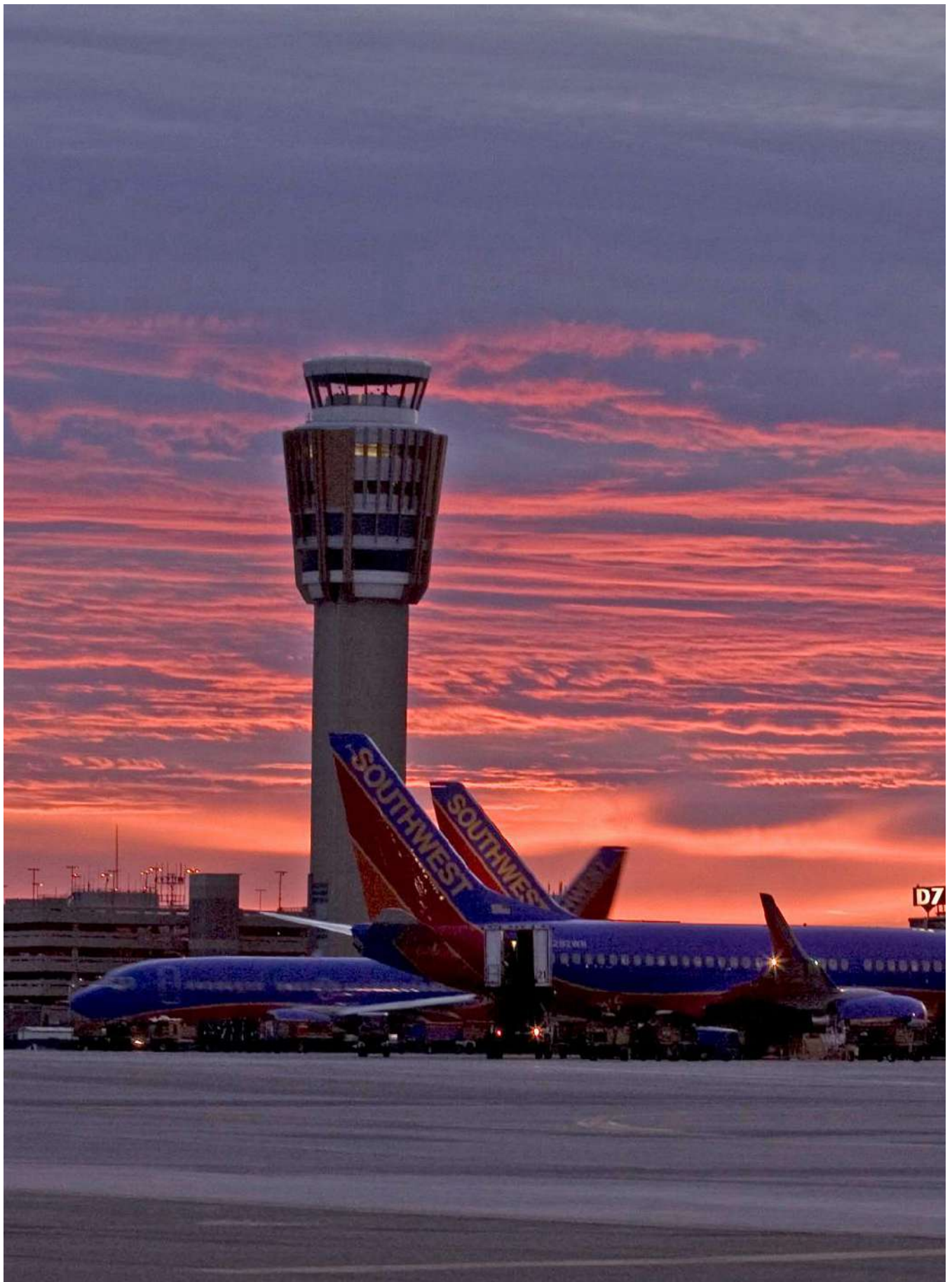
CITY OF PHOENIX AVIATION DEPARTMENT
An Enterprise Fund of the City of Phoenix, Arizona

Comprehensive
Annual
Financial Report

FOR THE FISCAL YEARS ENDED JUNE 30

2020 AND 2019





PHX DVT BYR

CITY OF PHOENIX AVIATION DEPARTMENT

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2020 and 2019
An Enterprise Fund of the City of Phoenix, Arizona



Prepared by:
Aviation Department
and
Finance Department

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**Introductory
section**

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CITY OF PHOENIX AVIATION DEPARTMENT

December 11, 2020

Honorable Mayor, City Council and City Manager:

We are pleased to submit the Comprehensive Annual Financial Report of the Aviation Department (an enterprise fund of the City of Phoenix, Arizona) for the fiscal years ended June 30, 2020 and 2019. These financial statements are prepared and presented in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB).

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

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

PROFILE OF THE REPORTING ENTITY

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

Phoenix Sky Harbor International Airport (PHX)

Phoenix Deer Valley Airport (DVT)

Phoenix Goodyear Airport (GYR)

Phoenix Sky Harbor International Airport (the Airport) has been owned and operated by the City since 1935. The Airport occupies approximately 3,400 acres of land located about four miles east of the downtown Phoenix area. It is the only Arizona airport designated as a large hub by the Federal Aviation Administration (FAA) and is the principal commercial service airport serving metropolitan Phoenix and most of the State's population. There are no other U.S. large-hub commercial service airports within a 5-hour drive of Phoenix, with the closest being Las Vegas' McCarran International Airport (approximately 290 miles to the northwest). The Airport served over 17.3 million enplaned passengers in fiscal year 2020.

The City serves the area's general aviation traffic activity through two reliever airports. Phoenix Deer Valley Airport is located in the northern part of the City, and Phoenix Goodyear Airport is located to the west. Together, these two facilities handled 553,842 general aviation operations in fiscal year 2020.

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

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

The City Council establishes the major policies relating to the development and operation of the airports. The City Council appoints the City Manager to act as the chief operating officer. The City Manager appoints the Director of Aviation Services (the Director), who reports to an Assistant City Manager.

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

The Director is responsible for executing the City Council's aviation policies and administering the operations of the airports. Reporting to the Director are four Assistant Directors. The Director and Assistant Directors lead the Department staff.

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

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

AIRPORT PASSENGERS

The ten largest U.S. passenger airlines provide regular service at the Airport, providing nonstop passenger service to more than 70 destinations. The following passenger and cargo airlines currently provide service at the Airport:

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

The composition of enplaned passengers by segment has not materially changed over the past several years, as the Airport remained primarily a domestic origin and destination (O&D) market. For more detailed information on enplaned passengers, please refer to Schedules 20, 21, and 22 in the Airport Statistics schedules of the Supplementary Information.

On average, 95.8% of passengers are enplaned on domestic flights, while the remaining 4.2% board international flights. In fiscal year 2020, Domestic passengers decreased by 23.7%, while international passengers decreased by 32.0% from fiscal year 2019. Overall, enplaned passengers decreased by 24.1% in fiscal year 2020.

In fiscal year 2020, 69.5% of enplaned passengers traveled directly from or to the Airport as O&D passengers. Of the total O&D passengers, 45.5% were residents initiating their trips at the Airport and 54.5% were visitors who initiated their trips at other airports and were making their return journey from the Airport. The remaining enplaned passengers connected through the Airport.

INITIATIVES AND DEVELOPMENTS

Terminal 3 Modernization

The Airport is preparing for future terminal needs through an incremental development plan for its second busiest terminal. The first phase of the modernized Terminal 3 opened to the public in December 2016. Features of this phase of the modernization include a new consolidated security checkpoint, additional airline ticket counters, and more baggage handling capacity. The second phase, which opened in January 2019, included new concessions as well as a new 15-gate south concourse. The final phase was completed and opened to the public in February 2020. This final phase modernized the north concourse including food and beverage concessions and enhanced customer amenities.

As a result of the final phase being completed, Terminal 2, the Airport’s oldest terminal, has been closed.

PHX Sky Train®

The PHX Sky Train® currently provides a quick, convenient connection among all three terminals, East Economy Parking and Valley Metro Light Rail. Construction on phase 2 of the PHX Sky Train®, which will further connect travelers from the terminals to the Rental Car Center, continues to progress and is expected to be completed in 2022.

Terminal 4 New Concourse

The Airport began work on the design and construction of the eighth and final concourse at Terminal 4. The new concourse will add eight new gates and approximately 130,000 square feet for use by passengers at Terminal 4. Southwest Airlines has committed to leasing these gates to support its future growth in Phoenix. This project is expected to be completed in 2022.

ECONOMIC CONDITION AND OUTLOOK

Travel and Tourism

On average, the Airport provides service to more than 124,000 passengers with approximately 1,200 aircraft arriving and departing every day. A discussion on the initial impacts of the COVID-19 pandemic follows this section. Flights at Phoenix Sky Harbor International Airport serve more than 100 domestic and 22 international destinations. The Airport serves the entire Phoenix metropolitan area including the major cities of Glendale, Mesa, Scottsdale, and Tempe, plus all of Maricopa and Pinal counties. The area is widely known for its mild winters, warm summers, and low annual rainfall averaging 8.3 inches per year.

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

COVID-19 Pandemic

Early in calendar year 2020, commercial airports across the United States, including Phoenix Sky Harbor International Airport, saw passenger traffic numbers drop to near zero as the global economy began to face impacts of the COVID-19 pandemic.

Shortly after the pandemic began, Aviation Department staff developed three enplanement impact scenarios (Low, Medium, and High) based on local passenger trends, discussions with airline partners, and rating agency predictions. The Aviation Enterprise Fund is preparing for the high impact scenario, which forecasts a more prolonged trough and gradual growth that doesn't fully recover until the end of fiscal year 2022. These impact scenarios provided the bases for financial modeling and associated recovery plans.

Although recent passenger traffic has recovered at a slightly faster rate than early pandemic forecasts predicted, the effects on the aviation industry have been unprecedented. Estimates of the severity and duration of this pandemic on airport traffic vary significantly. Financial modeling shows the revenue impact of the projected passenger decreases may be more than \$200 million until traffic recovers. Current projections assume \$130 million of those revenue losses will occur in fiscal year 2021. Many of these losses are expected to come from non-aeronautical sources like parking, rental cars, and terminal concessions.

The Coronavirus Aid, Recovery, and Economic Security Act (CARES) was signed into law in March 2020. Phoenix Sky Harbor International Airport has been awarded \$147.9 million in CARES grant funding. The CARES Act funds will be strategically applied to support strong financial metrics, provide funding for ongoing operating costs, and maintain the airport as an affordable place to do business for the airlines. Although the CARES financial grant may cover all or part of the airport's projected revenue losses, staff is implementing aggressive spending cuts to its operating and capital budgets. These reductions are intended to minimize spending of the airport's limited reserves, as well as mitigate rate impacts on the airlines, rental car companies, and other tenants. The Airport used \$8.9 million of the CARES grant in fiscal year 2020 and plans to use the remaining amount in fiscal years 2021 and 2022.

FINANCIAL POLICIES

Management is focused on maintaining sound financial performance which is evident in the strong financial metrics and high bond ratings achieved. In fiscal year 2020, the Airport’s bond ratings remain among the highest airport ratings in the United States. Standard and Poor’s Ratings Services (S&P) and Moody’s Investors Service (Moody’s) affirmed the Airport’s double-A category ratings (AA- and Aa3 respectively) on the outstanding senior lien revenue bonds. S&P and Moody’s also affirmed the Airport’s single-A category ratings (A+ and A1 respectively) on the Airport’s outstanding junior lien revenue bonds. In affirming their ratings, these organizations noted the Airport’s strong financial performance, maintenance of a low-cost, low-debt facility, vibrant O&D market, extremely strong management and governance, and excellent integration of Airport and City decision-making.

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

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

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

Cash and Liquidity: Management has established a target of at least 475 Days Cash on Hand. Days cash on hand is defined as unrestricted cash and investments available for operations, divided by the annual operating expenses, times 365 days. Furthermore, management has an active Revolving Credit Agreement program that provides liquidity and supports short-term capital needs.

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

FINANCIAL TARGETS AND MANAGEMENT POLICIES			
Three Year Results			
	2020	2019	2018
Debt Service Coverage			
Senior Lien Bond Debt Service Coverage	1.83x	2.73x	2.75x
Aggregate Debt Service Coverage	1.60x	2.47x	2.48x
PFC Leveraging	73%	50%	53%
Cash and Liquidity - Days Cash on Hand	704	615	586
Cost Per Enplanement	\$8.44	\$6.38	\$6.26

ACCOUNTING AND BUDGETING CONTROLS

Internal Controls

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

Budgetary Controls

The City maintains budgetary controls which are designed to ensure compliance with legal provisions of the annual budget adopted by the City Council. An operating budget is legally adopted by ordinance each fiscal year for the Aviation Enterprise Fund on a modified accrual basis plus encumbrances. Legal budget control is maintained at the fund level.

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

Cash Management

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

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

Airline Rates and Charges

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

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

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

INDEPENDENT AUDITS

The City Charter requires an annual audit by independent certified public accountants. The independent audit firm of BKD, LLP was selected to perform the audit of the City’s Comprehensive Annual Financial Report (City CAFR) as well as this separately issued Comprehensive Annual Financial Report for the Aviation Enterprise Fund, for fiscal year 2020. Included in the financial section of this report is the Independent Auditor’s Report on the financial statements of the Aviation Enterprise Fund.

The City is also required to undergo an annual single audit in conformity with the provisions of *Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost of Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, which superseded OMB Circular A-133 and other related documents. BKD, LLP was also contracted to perform the single audit of the City’s major grant programs. Due to the size and complexity

of the City's financial systems, the single audit report is issued separately from the City's CAFR and other financial reports.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Aviation Enterprise Fund for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the fourth consecutive year that the Aviation Enterprise Fund has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Aviation Enterprise Fund must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

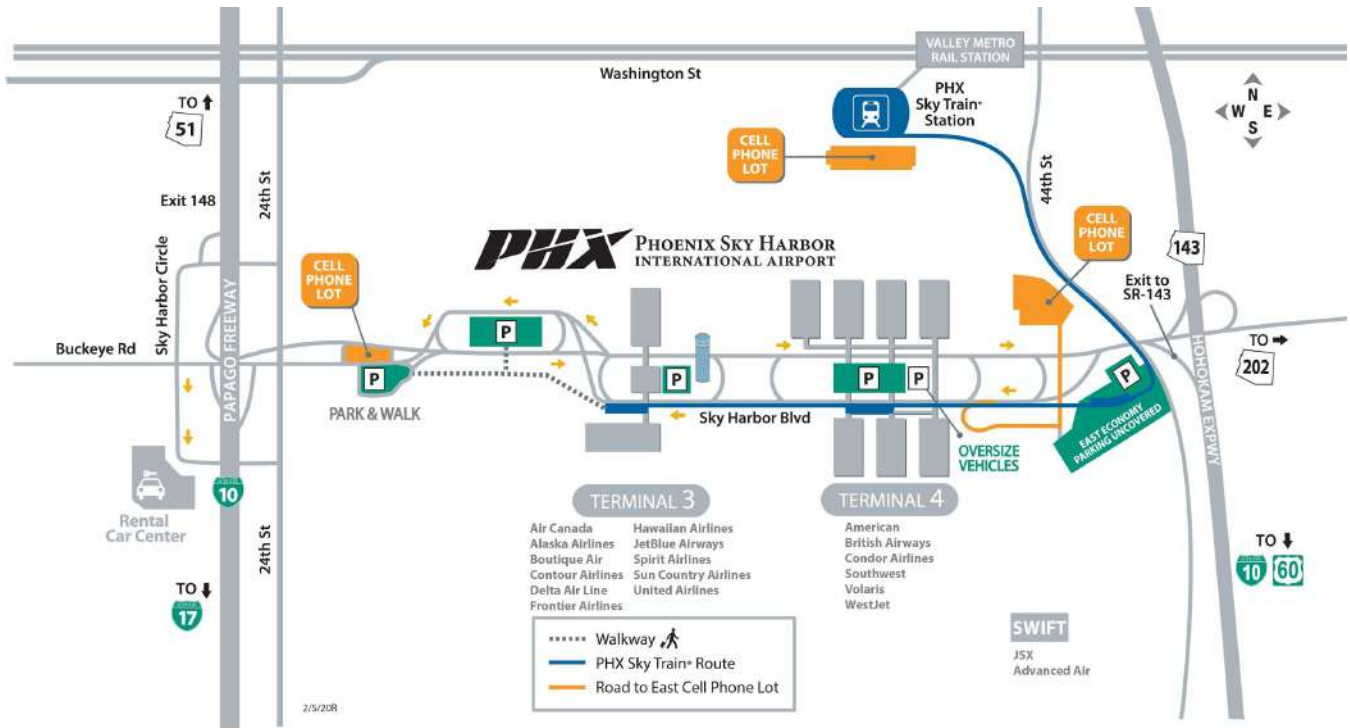
ACKNOWLEDGMENTS

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

Respectfully submitted,

Denise M. Olson
Chief Financial Officer
Finance Department

Charlene Reynolds
Interim Director of Aviation Services
Aviation Department





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

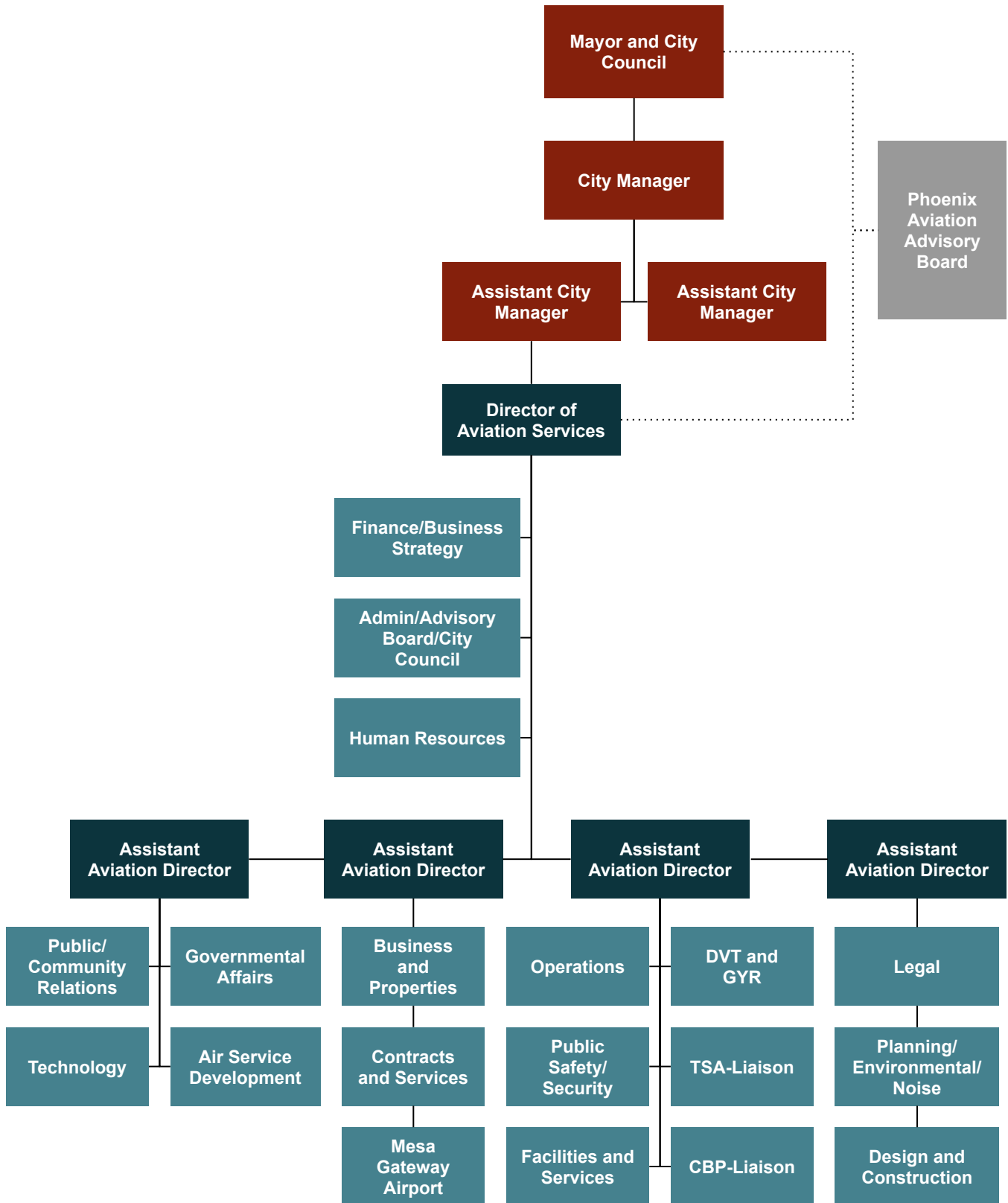
**City of Phoenix Aviation Department
Arizona**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



PHX DVT GYR
 **CITY OF PHOENIX AVIATION DEPARTMENT**

MAYOR AND CITY COUNCIL

Kate Gallego, Mayor
Thelda Williams, District 1
Jim Waring, District 2
Debra Stark, District 3
Laura Pastor, District 4
Betty Guardado, Vice Mayor, District 5
Sal DiCiccio, District 6
Michael Nowakowski, District 7
Carlos Garcia, District 8

CITY MANAGER'S OFFICE

Ed Zuercher, City Manager

AVIATION DEPARTMENT

Charlene Reynolds, Interim Director of Aviation Services

FINANCE DEPARTMENT

Denise M. Olson, Chief Financial Officer





↑ ✈️ Gates F4-F15

↑ ♿ Nursing Room
🐾 Animal Relief Area

Gate
F4

Gate
F5

Gate
F6

Financial section

The financial section includes an independent auditor's report by BKD, LLP, the management's discussion and analysis, the audited financial statements, notes to the financial statements, and the required supplementary information.





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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Aviation Enterprise Fund of the City of Phoenix, Arizona (Aviation Enterprise Fund), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements which collectively comprise the Aviation Enterprise Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Aviation Enterprise Fund of the City of Phoenix, Arizona as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Honorable Mayor and Members of the City Council
City of Phoenix, Arizona
Page 2

Emphasis of Matter

Reporting Entity

As discussed in *Note 1*, the financial statements present only the Aviation Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City of Phoenix, Arizona, as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Dallas, Texas
December 11, 2020

A large circular graphic element is centered on the page. It features a white border and a semi-transparent background that reveals a landscape scene. The scene includes a town with buildings and a road in the foreground, and a range of mountains in the background under a hazy sky. The text "Management's Discussion and Analysis" is overlaid on this circle.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

(unaudited)

The following Management's Discussion and Analysis (MD&A) is a narrative overview and analysis of the financial activities of the City of Phoenix (the City) Aviation Enterprise Fund. It provides an introduction and discussion of the financial statements of Phoenix Sky Harbor International Airport (the Airport) and two general aviation airports, Phoenix Goodyear Airport and Phoenix Deer Valley Airport (collectively, the Aviation Enterprise Fund) as of and for the fiscal years ended June 30, 2020 and 2019, with selected comparable data for the fiscal year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statements of Net Position present information on all of the Aviation Enterprise Fund's assets, liabilities, deferred inflows and outflows of resources, and net position as of June 30, 2020 and 2019. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether the Aviation Enterprise Fund's financial condition is improving or deteriorating.

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

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

FINANCIAL HIGHLIGHTS

Fiscal Year 2020

- Total net position for the Aviation Enterprise Fund at June 30, 2020 was \$1.69 billion, a decrease of \$31.7 million or 1.8%.
- Total revenues decreased \$64.1 million in fiscal year 2020. The decrease is due primarily to the impact of the global COVID-19 pandemic.
- Total expenses increased by \$29.1 million in fiscal year 2020, due in part to an increase in interest on capital debt.

Fiscal Year 2019

- Total net position for the Aviation Enterprise Fund at June 30, 2019 was \$1.73 billion, an increase of \$52.4 million or 3.1%.
- Total revenues increased \$37.5 million in fiscal year 2019. The increase is due in part to a higher terminal rental rate along with higher than expected unrealized gain on investments.
- Total expenses increased \$4.2 million in fiscal year 2019, due in part to an increase in interest on capital debt.

NET POSITION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Unrestricted Current Assets	\$ 524,662	\$ 448,963	\$ 418,163
Restricted Current Assets	762,573	314,410	304,419
Noncurrent Assets			
Capital Assets	3,289,587	3,041,937	2,861,220
Other Noncurrent Assets	<u>185,217</u>	<u>141,106</u>	<u>122,753</u>
Total Assets	<u>4,762,039</u>	<u>3,946,416</u>	<u>3,706,555</u>
Deferred Outflows of Resources	<u>72,382</u>	<u>33,855</u>	<u>37,798</u>
Liabilities			
Current Liabilities Payable from Current Assets	33,272	45,389	42,952
Current Liabilities Payable from Restricted Assets	230,335	324,016	312,230
Noncurrent Liabilities	<u>2,862,047</u>	<u>1,878,286</u>	<u>1,704,833</u>
Total Liabilities	<u>3,125,654</u>	<u>2,247,691</u>	<u>2,060,015</u>
Deferred Inflows of Resources	<u>14,904</u>	<u>6,985</u>	<u>11,165</u>
Net Position			
Net Investment in Capital Assets	1,288,177	1,296,340	1,229,519
Restricted	122,541	252,510	296,139
Unrestricted	<u>283,145</u>	<u>176,746</u>	<u>147,515</u>
Total Net Position	<u>\$ 1,693,863</u>	<u>\$ 1,725,596</u>	<u>\$ 1,673,173</u>

Fiscal Year 2020 Compared to Fiscal Year 2019

Total assets increased to \$4.8 billion in fiscal year 2020 from \$3.9 billion in fiscal year 2019. Capital assets make up the majority of the Aviation Enterprise Funds assets. Net capital assets increased \$247.6 million primarily due to continued construction on Terminal 3 and phase 2 of the PHX Sky Train®.

Total liabilities increased to \$3.1 billion in fiscal year 2020. Current liabilities decreased \$105.8 million in fiscal year 2020. This decrease reflects the elimination of the short term obligations that occurred when the new revenue bonds were issued in 2019. The noncurrent liabilities, which make up approximately 92% of the total liabilities are comprised of long-term bonds payable and net pension liabilities. Noncurrent liabilities increased \$983.8 million in fiscal year 2020, due to the new revenue bond issued in December 2019. For more detail on these liabilities, see note 5 in the Notes to the Financial Statements.

Total net position decreased by \$31.7 million, or 1.8%, in fiscal year 2020. As of June 30, 2020, \$1.3 billion was an investment in capital assets and \$283.1 million was unrestricted and available for short term operations and ongoing obligations. The amount restricted for debt service decreased to \$75.4 million in fiscal year 2020. The amounts restricted for Passenger Facility Charges (PFC) and Rental Car Customer Facility Charges (CFC) totaled \$45.6 million for fiscal year 2020, a total decrease of \$106 million. The decrease in the number of passengers due to the global COVID-19 pandemic resulted in reduced PFC collections by \$20.4 million and reduced CFC collections by \$11.9 million. The remaining decrease in restricted for CFC is due to reserves being used in the refunding of bonds.

Fiscal Year 2019 Compared to Fiscal Year 2018

Total assets increased to \$3.9 billion in fiscal year 2019 from \$3.7 billion in fiscal year 2018. Capital assets make up the majority of the Aviation Enterprise Funds assets. Net capital assets increased \$180.7 million primarily due to continued construction on Terminal 3 and phase 2 of the PHX Sky Train®.

Total liabilities increased to \$2.2 billion in fiscal year 2019. Current liabilities increased \$14.2 million in fiscal year 2019. The noncurrent liabilities, which make up approximately 83% of the total liabilities are comprised of long-term bonds payable and net pension liabilities. Noncurrent liabilities increased \$173.5 million in fiscal year 2019. Increases in liabilities are due to a new revenue bond issuance and an increase of \$7.4 million in Net Pension Liability. For more detail on these liabilities, see notes 5 and 12 in the Notes to the Financial Statements.

Total net position increased by \$52.4 million, or 3.1%, in fiscal year 2019. As of June 30, 2019, \$1.3 billion was an investment in capital assets and \$176.7 million was unrestricted and available for short term operations and ongoing obligations. The amount restricted for debt service decreased to \$98.9 million in fiscal year 2019. The amounts restricted for Passenger Facility Charges and Rental Car Customer Facility Charges totaled \$151.6 million for fiscal year 2019, a decrease of \$31.5 million. This decrease is due in part to the continued airport improvement projects throughout the airport.

The following is a summary of changes in net position for the fiscal years ended June 30 (in thousands):

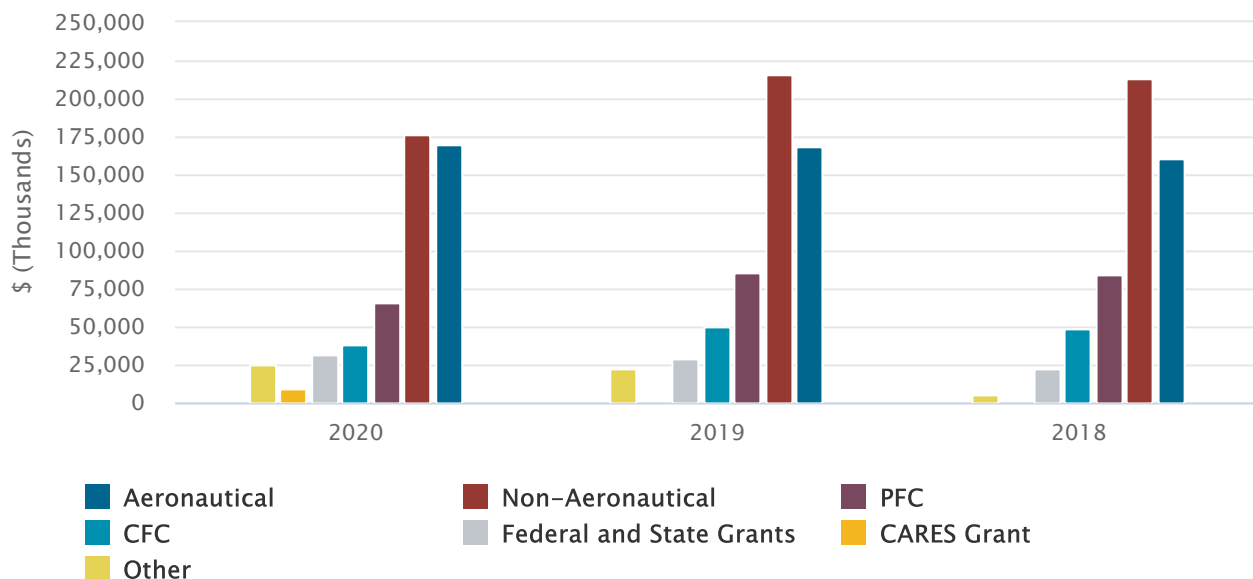
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 346,852	\$ 384,400	\$ 373,893
Operating Expenses	(459,557)	(441,306)	(445,339)
Operating Loss	(112,705)	(56,906)	(71,446)
Nonoperating Revenues	138,475	158,858	137,689
Nonoperating Expenses	(88,033)	(77,156)	(68,932)
Capital Contributions	31,231	28,291	22,569
Transfers	(701)	(664)	(780)
Change in Net Position	(31,733)	52,423	19,100
Net Position, July 1	1,725,596	1,673,173	1,654,073
Net Position, June 30	<u>\$ 1,693,863</u>	<u>\$ 1,725,596</u>	<u>\$ 1,673,173</u>

REVENUES

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues			
Aeronautical Revenue	\$ 170,109	\$ 169,017	\$ 160,900
Non-Aeronautical Revenue	176,743	215,383	212,993
Passenger Facility Charges	65,717	86,091	83,885
Customer Facility Charges	38,588	50,460	49,210
CARES Grant	9,073	-	-
Capital Contributions	31,231	28,291	22,569
Other	25,345	22,591	4,762
Total Revenues	<u>\$ 516,806</u>	<u>\$ 571,833</u>	<u>\$ 534,319</u>

Total Revenues



Phoenix Sky Harbor International Airport is the largest of the three airports and thus comprises a majority of Aviation Enterprise Fund revenue. In fiscal year 2020, Sky Harbor accounted for 98% of total revenue, while Phoenix Deer Valley Airport and Phoenix Goodyear Airport together accounted for the remaining 2%.

Fiscal Year 2020 Compared to Fiscal Year 2019

The COVID-19 pandemic had a significant impact on passenger traffic through the airport. Passenger counts were trending upward during the first eight months of the fiscal year. Then in March of 2020, the worldwide COVID-19 pandemic caused passenger traffic to drop to unprecedented low levels. This resulted in an overall decrease of 24.1% in enplaned passengers. Many of the Airport's revenue areas are affected by fluctuations in passenger traffic.

Total revenues decreased to \$516.8 million in 2020 from \$571.8 million in fiscal year 2019, a decrease of \$55.0 million, or 9.6%.

Aeronautical revenue increased in fiscal year 2020 to \$170.1 million, with a total change of \$1.1 million, or 0.6%. The majority of the aeronautical revenue is composed of terminal and landing fees paid by the commercial airlines at Phoenix Sky Harbor International Airport. These fees are established each year to recover the cost of operations, maintenance and debt service related to the airfield and terminal space. The terminal fee increased to \$135.72 per square foot in fiscal year 2020 from \$128.28 per square foot in fiscal year 2019. This increase was due to higher cost of operation of the terminal space and debt financing costs related to the new Terminal 3 north concourse which opened to the public in February 2020.

Non-aeronautical revenue decreased \$38.6, or 17.9%. These revenues are the combination of several lines of business, with the largest being parking, rental cars, and terminal concessions. Parking and rental car revenues make up the majority of the decrease, \$28.9 million, while terminal food and beverage and retail decreased \$6.4 million in fiscal year 2020. The decrease in non-aeronautical revenue is a result of the impact the Airport has seen because of the global COVID-19 pandemic.

Passenger Facility Charges (PFC) decreased 23.7% to \$65.7 million in fiscal year 2020, due to the decrease in passenger activity related to the global COVID-19 pandemic. PFCs are collected by the airlines at the time the customer books the flight, then remitted to the Airport. Most enplaned passengers are assessed this fee. However, based on the enabling federal legislation, PFCs are not paid by non-revenue passengers.

Customer Facility Charges (CFC) totaled \$38.6 million, a 23.5% decrease in fiscal year 2020. CFCs are assessed to rental car customers at the rate of \$6 per transaction day. These fees are collected by the rental car companies and then remitted to the Airport.

Federal and state grant revenue, reported as capital contributions, increased \$2.9 million, or 10.4% in fiscal year 2020. The amount of the grant receipts varies from year to year based on the amount of funds allocated to the airport, along with the amount of construction that is completed during the year.

Fiscal Year 2019 Compared to Fiscal Year 2018

Total revenues increased to \$571.8 million in 2019 from \$534.3 million in fiscal year 2018, an increase of \$37.5 million, or 7.0%.

Aeronautical revenue increased in fiscal year 2019 to \$169.0 million, with a total change of \$8.1 million, or 5.0%. The majority of the aeronautical revenue is composed of terminal and landing fees paid by the commercial airlines at Phoenix Sky Harbor International Airport. These fees are established each year to recover the cost of operations, maintenance and debt service related to the airfield and terminal space. The terminal fee increased to \$128.28 per square foot in fiscal year 2019 from \$120.00 per square foot in fiscal year 2018. This increase was due to higher cost of operation of the terminal space, as the Terminal 3 south concourse opened to the public.

Non-aeronautical revenue increased \$2.4 million, or 1.1%. These revenues are the combination of several lines of business, with the largest being parking, rental cars, and terminal concessions. Rental Car revenues have remained steady in fiscal year 2019. Terminal concessions saw an increase in both food and beverage and retail revenue primarily due to the opening of the Terminal 3 south concourse.

Passenger Facility Charges (PFC) increased 2.6% to \$86.1 million in fiscal year 2019, in line with the increase in passengers. PFCs are collected by the airlines at the time the customer books the flight, then remitted to the Airport. Most enplaned passengers are assessed this fee. However, based on the enabling federal legislation, PFCs are not paid by non-revenue passengers.

Customer Facility Charges (CFC) totaled \$50.5 million, a 2.5% increase in fiscal year 2019, consistent with the 2.8% increase in passengers. CFCs are assessed to rental car customers at the rate of \$6 per transaction day. These fees are collected by the rental car companies and then remitted to the Airport.

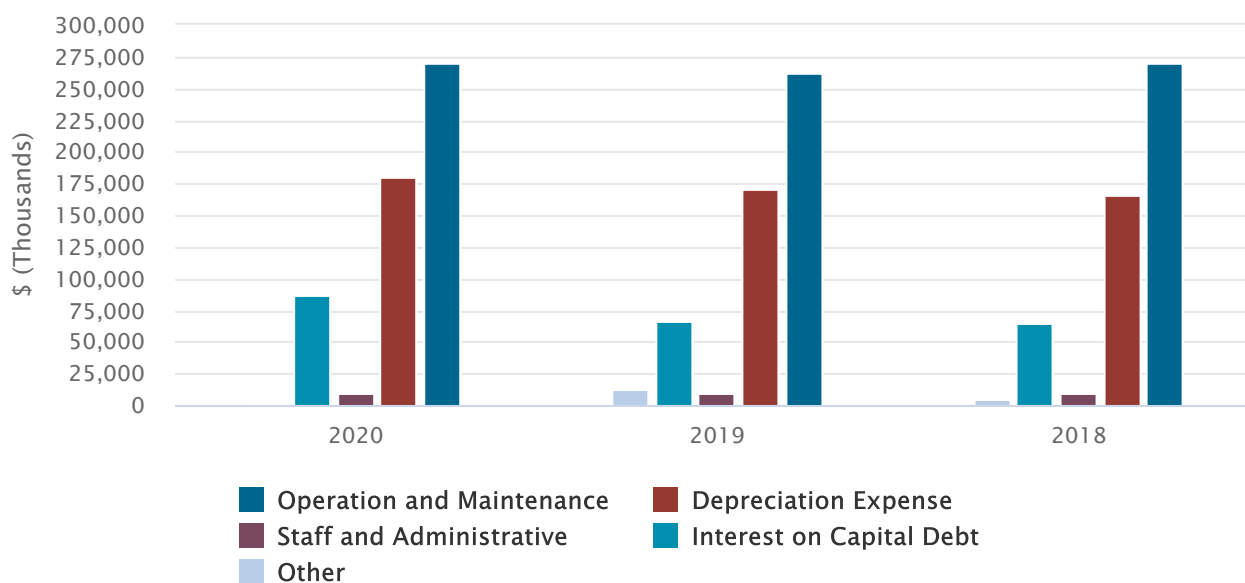
Federal and state grant revenue, reported as capital contributions, increased \$5.7 million, or 25.4% in fiscal year 2019. The amount of the grant receipts varies from year to year based on the amount of funds allocated to the airport, along with the amount of construction that is completed during the year.

EXPENSES

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

	2020	2019	2018
Operating Expenses			
Operation and Maintenance	\$ 269,829	\$ 261,620	\$ 270,053
Depreciation Expense	179,992	170,274	166,145
City Staff and Administrative	9,736	9,412	9,141
Interest on Capital Debt	86,810	65,739	64,403
Other	2,172	12,365	5,477
Total Expenses	\$ 548,539	\$ 519,410	\$ 515,219

Total Expenses



Fiscal Year 2020 Compared to Fiscal Year 2019

Total expenses increased by \$29.1 million, or 5.6%, in fiscal year 2020. Operation and maintenance, depreciation, and interest on capital debt make up approximately 98% of total expenses.

Operation and maintenance expenses increased \$8.2 million, or 3.1%, in fiscal year 2020. A decrease in costs relating to the Net Pension Liability reduced personal services while Contractual services saw an increase of \$10.0 million fiscal year 2020.

Depreciation expense increased 5.7% to \$180 million in fiscal year 2020. The increase is primarily due to the opening of the new Terminal 3 concourse.

Interest on Capital Debt increased by 32.1% in fiscal year 2020. The interest due each year for the municipal corporation obligations is based on payment schedules set by the related bond documents. The interest increased in fiscal year 2020 due to new bonds issued in December 2019.

Fiscal Year 2019 Compared to Fiscal Year 2018

Total expenses increased \$4.2 million, or 0.8%, in fiscal year 2019. Operation and maintenance, depreciation, and interest on capital debt make up approximately 98% of total expenses.

Operation and maintenance expenses decreased \$8.4 million, or 3.1%, in fiscal year 2019. A decrease in costs relating to the Net Pension Liability reduced personal services this year. Contractual services decreased \$4.3 million while equipment and minor improvement expenses increased \$1.2 million in fiscal year 2019.

Depreciation expense increased 2.5% to \$170.3 million in fiscal year 2019. The increase is primarily due to the opening of the new south concourse in Terminal 3.

Interest on Capital Debt increased by 2.1% in fiscal year 2019. The interest due each year for the municipal corporation obligations is based on payment schedules set by the related bond documents. The interest increased in fiscal year 2019 due to new bonds issued in November 2018.

LONG-TERM DEBT

City of Phoenix Civic Improvement Corporation Airport Revenue Bonds

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

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

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Senior Lien Bonds	\$ 726,000	\$ 757,575	\$ 554,005
Junior Lien Bonds	1,364,955	652,955	669,935
Rental Car Facility Charge Bonds	<u>302,320</u>	<u>154,895</u>	<u>165,885</u>
Total Revenue Bond Principal Outstanding	<u>\$ 2,393,275</u>	<u>\$ 1,565,425</u>	<u>\$ 1,389,825</u>

The CIC issued \$226.2 million of Senior Lien Airport Revenue Bonds during fiscal year 2019. The CIC also issued \$244.2 million of Rental Car Facility Charge Bonds, \$60.3 million of Rental Car Facility Charge Refunding Bonds, \$733.1 million of Junior Lien Airport Revenue Bonds, and \$29.4 million of Junior Lien Airport Revenue Bonds during fiscal year 2020.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Senior Lien Bonds	\$ 63,490	\$ 63,490	\$ 45,707
Junior Lien Bonds	99,602	54,394	54,394
Rental Car Facility Charge Bonds	<u>20,545</u>	<u>21,278</u>	<u>21,278</u>
Total Debt Service Reserve Requirements	<u>\$ 183,637</u>	<u>\$ 139,162</u>	<u>\$ 121,379</u>

Airport General Obligation Bonds

In FY 2020 and FY 2019, the Aviation Enterprise Fund had \$0 and \$3.3 million principal of general obligation bonds payable, respectively. The debt service requirements of Airport General Obligation Bonds have been paid from Net Airport Revenues remaining after payment of senior lien and junior lien airport revenue bonded debt service requirements.

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

CAPITAL ASSETS

The Aviation Enterprise Fund's capital assets, net of accumulated depreciation, was \$3.3 billion in fiscal year 2020, \$3.0 billion in fiscal year 2019 and \$2.9 billion in fiscal year 2018.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Major construction projects:			
Terminal 3 Modernization	\$ 72,215	\$ 98,314	\$ 141,697
PHX Sky Train	244,346	164,799	59,985
Terminal 4 South 1 Concourse	77	15,861	-
RCC Reconfiguration	201	5,005	7,626
Other construction projects:			
Airfield and runway projects	42,219	33,328	20,760
Terminal projects	57,578	9,254	18,590
Land acquisition	1,928	1,381	76
Other	11,950	12,097	20,073

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

REQUESTS FOR FINANCIAL INFORMATION

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

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

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CITY OF PHOENIX AVIATION DEPARTMENT

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

(in thousands)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 45,571	\$ 76,258
Investments	455,630	357,407
Receivables		
Accounts Receivable, Net of Allowance for Doubtful Accounts (2020, \$211 and 2019, \$0)	10,953	11,785
Intergovernmental	9,010	119
Deposits in Escrow	326	326
Inventories	<u>3,172</u>	<u>3,068</u>
Total Unrestricted Current Assets	<u>524,662</u>	<u>448,963</u>
Restricted Assets		
Debt Service		
Cash and Securities with Fiscal Agents/Trustees	145,965	95,722
Customer Facility Charges		
Cash and Cash Equivalents	158	-
Cash and Securities with Fiscal Agents/Trustees	16,688	91,444
Investments	-	22,758
Accounts Receivable	1,453	3,663
Capital Projects		
Cash and Cash Equivalents	16,389	6,241
Investments	570,215	75,395
Receivables		
Intergovernmental	7,437	7,761
Passenger Facility Charges	2,956	11,276
Accrued Interest Receivable	<u>1,312</u>	<u>150</u>
Total Restricted Current Assets	<u>762,573</u>	<u>314,410</u>
Total Current Assets	<u>1,287,235</u>	<u>763,373</u>
Noncurrent Assets		
Restricted Cash with Fiscal Agent	<u>183,641</u>	<u>139,162</u>
Capital Assets		
Land	576,650	576,413
Buildings	2,025,668	1,935,346
Improvements Other Than Buildings	1,770,411	1,732,444
Equipment and Artwork	760,948	724,528
Intangibles	29,249	28,533
Construction in Progress	648,869	392,583
Less: Accumulated Depreciation	<u>(2,522,208)</u>	<u>(2,347,910)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>3,289,587</u>	<u>3,041,937</u>
Net OPEB Asset	<u>1,576</u>	<u>1,944</u>
Total Noncurrent Assets	<u>3,474,804</u>	<u>3,183,043</u>
Total Assets	<u>4,762,039</u>	<u>3,946,416</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding Bonds	55,734	26,546
Pension Related	15,618	7,000
OPEB Related	<u>1,030</u>	<u>309</u>
Total Deferred Outflows of Resources	<u>72,382</u>	<u>33,855</u>

The accompanying notes are an integral part of these financial statements

STATEMENTS OF NET POSITION (CONTINUED)

June 30, 2020 and 2019

(in thousands)

LIABILITIES	<u>2020</u>	<u>2019</u>
Current Liabilities Payable from Current Assets		
Accounts Payable	\$ 22,327	\$ 30,011
Trust Liabilities and Deposits	384	354
Advance Payments	9,610	13,999
Current Portion of Pollution Remediation	75	75
Current Portion of Accrued Compensated Absences	876	950
	<u>33,272</u>	<u>45,389</u>
Current Liabilities Payable from Restricted Assets		
Debt Service		
Short Term Obligations	-	100,000
Matured Bonds Payable	55,785	55,100
Interest Payable	60,231	40,479
Current Portion of General Obligation Bonds	-	3,345
Current Portion of Municipal Corporation Obligations:		
Current Portion of Rental Car Facility Revenue Bonds	7,500	11,645
Current Portion of Aviation Revenue Bonds	42,545	49,380
Capital Projects		
Accounts Payable	64,274	64,067
	<u>230,335</u>	<u>324,016</u>
Total Current Liabilities Payable from Restricted Assets		
	<u>263,607</u>	<u>369,405</u>
Noncurrent Liabilities		
General Obligation Bonds	-	31
Municipal Corporation Obligations:		
Rental Car Facility Revenue Bonds	340,658	143,250
Aviation Revenue Bonds	2,316,878	1,530,429
Pollution Remediation	1,350	1,425
Accrued Compensated Absences	6,000	5,640
Net Pension Liability	183,692	184,619
Net OPEB Liability	13,469	12,892
	<u>2,862,047</u>	<u>1,878,286</u>
Total Noncurrent Liabilities		
	<u>3,125,654</u>	<u>2,247,691</u>
Total Liabilities		
	<u>3,125,654</u>	<u>2,247,691</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding Bonds	756	633
Pension Related	13,693	5,823
OPEB Related	455	528
	<u>14,904</u>	<u>6,984</u>
Total Deferred Inflows of Resources		
	<u>14,904</u>	<u>6,984</u>
NET POSITION		
Net Investment in Capital Assets	1,288,177	1,296,340
Restricted for:		
Debt Service	75,350	98,939
Passenger Facility Charges	32,453	45,079
Rental Car Customer Facility Charges	13,162	106,548
OPEB	1,576	1,944
Unrestricted	283,145	176,746
	<u>1,693,863</u>	<u>1,725,596</u>
Total Net Position		
	<u>\$ 1,693,863</u>	<u>\$ 1,725,596</u>

The accompanying notes are an integral part of these financial statements

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● CITY OF PHOENIX AVIATION DEPARTMENT

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

For the Fiscal Years Ended June 30, 2020 and 2019

(in thousands)

	2020	2019
Operating Revenues		
Aeronautical Revenue		
Terminal Fees	\$ 94,460	\$ 93,027
Landing Fees	53,072	49,506
Air Cargo and Hangar Rental	8,668	8,679
Other	13,909	17,805
Non-Aeronautical Revenue		
Parking	70,330	90,878
Rental Cars	46,471	54,840
Terminal - Food and Beverage	18,462	23,081
Terminal - Retail	10,829	12,625
Rental Revenue	18,938	20,151
Ground Transportation	7,242	9,229
Other	4,471	4,579
Total Operating Revenues	<u>346,852</u>	<u>384,400</u>
Operating Expenses		
Operation and Maintenance		
Personal Services	127,199	130,174
Contractual Services	122,786	112,768
Supplies	11,945	11,060
Equipment/Minor Improvements	7,899	7,618
Depreciation	179,992	170,274
City Staff and Administrative	9,736	9,412
Total Operating Expenses	<u>459,557</u>	<u>441,306</u>
Operating Loss	<u>(112,705)</u>	<u>(56,906)</u>
Nonoperating Revenues (Expenses)		
Passenger Facility Charges	65,717	86,091
Rental Car Customer Facility Charges	38,588	50,460
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	6,950	9,728
Interest	18,147	12,579
CARES Grant	9,073	-
Interest on Capital Debt	(86,810)	(65,739)
Loss on Disposal of Capital Assets	(1,223)	(11,417)
Total Nonoperating Revenues (Expenses)	<u>50,442</u>	<u>81,702</u>
Income (Loss) Before Contributions and Transfers	(62,263)	24,796
Capital Contributions	31,231	28,291
Transfer from City of Phoenix	248	284
Transfer to Capital Projects Fund	(949)	(948)
Change in Net Position	<u>(31,733)</u>	<u>52,423</u>
Net Position, July 1	<u>1,725,596</u>	<u>1,673,173</u>
Net Position, June 30	<u>\$ 1,693,863</u>	<u>\$ 1,725,596</u>

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2020 and 2019

(in thousands)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Receipts from Customers	\$ 343,325	\$ 385,406
Payments to Suppliers	(192,003)	(168,179)
Payments to Employees	(86,927)	(85,637)
Payment of Staff and Administrative Expenses	(9,736)	(9,412)
	<u>54,659</u>	<u>122,178</u>
Net Cash Provided by Operating Activities		
Cash Flows from Noncapital Financing Activities		
Non-Capital Grants	167	-
Transfers from Other Funds	248	284
Transfers to Other Funds	(949)	(948)
	<u>(534)</u>	<u>(664)</u>
Net Cash Used by Noncapital Financing Activities		
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	908,894	246,603
Principal Paid on Capital Debt	(55,100)	(67,810)
Interest Paid on Capital Debt	(79,731)	(74,303)
Acquisition and Construction of Capital Assets	(428,674)	(352,607)
Proceeds from Sales of Capital Assets	16	181
Passenger Facility Charges	74,037	85,842
Rental Car Customer Facility Charges	40,798	50,851
Capital Contributions	31,570	33,031
	<u>491,810</u>	<u>(78,212)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities		
Cash Flows from Investing Activities		
Purchases of Investment Securities	(2,160,838)	(702,187)
Proceeds from Sale and Maturities of Investment Securities	1,648,768	660,394
Net Activity for Short-Term Investments	(58,215)	(1,913)
Interest on Investments	23,935	22,232
	<u>(546,350)</u>	<u>(21,474)</u>
Net Cash Used by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(415)	21,828
Cash and Cash Equivalents, July 1	<u>409,153</u>	<u>387,325</u>
Cash and Cash Equivalents, June 30	<u>\$ 408,738</u>	<u>\$ 409,153</u>

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS (CONTINUED)
For the Fiscal Years Ended June 30, 2020 and 2019
(in thousands)

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Loss to		
Net Cash Provided by Operating Activities		
Operating Loss	\$ (112,705)	\$ (56,906)
Adjustments		
Depreciation	179,992	170,274
Deferred Outflows - Pension and OPEB	(9,339)	2,549
Deferred Inflows - Pension and OPEB	7,797	(4,138)
Change in Assets and Liabilities		
Receivables	621	2,267
Allowance for Doubtful Accounts	211	-
Inventories	(104)	(115)
Net OPEB Asset	368	(570)
Accounts Payable	(7,684)	3,703
Trust Liabilities and Deposits	30	-
Advance Payments	(4,389)	(1,261)
Pollution Remediation	(75)	(600)
Accrued Compensated Absences	286	(437)
Net Pension Liability	(927)	7,437
Net OPEB Liability	577	(25)
	<u>\$ 54,659</u>	<u>\$ 122,178</u>
Net Cash Provided by Operating Activities		
Noncash Investing, Capital and Financing Activities		
Amortization of Deferred Gains/Losses on Bond Refundings	\$ 5,141	\$ 1,351
Unrealized Gain (Loss) on Investments	4,120	7,693
Accounts Payable Related to Capital Asset Additions	64,274	64,067
	<u>\$ 73,535</u>	<u>\$ 73,111</u>
Total Noncash Capital and Financing Activities		
Cash and Cash Equivalents		
Unrestricted		
Cash and Cash Equivalents	\$ 45,571	\$ 76,258
Deposits in Escrow	326	326
	<u>45,897</u>	<u>76,584</u>
Total Unrestricted		
Restricted		
Cash and Cash Equivalents		
Customer Facility Charge	158	-
Capital Projects	16,389	6,241
Cash and Securities with Fiscal Agents/Trustees:		
Debt Service	145,965	95,722
Customer Facility Charge	16,688	91,444
	<u>179,200</u>	<u>193,407</u>
Total Restricted		
Noncurrent		
Cash and Securities with Fiscal Agents/Trustees	183,641	139,162
	<u>183,641</u>	<u>139,162</u>
Total Cash and Cash Equivalents	<u>\$ 408,738</u>	<u>\$ 409,153</u>

The accompanying notes are an integral part of these financial statements





**Notes to the Financial
Statements**



NOTES TO THE FINANCIAL STATEMENTS

- 1 Summary of Significant Accounting Policies
- 2 Cash and Investments
- 3 Receivables
- 4 Capital Assets
- 5 Financial Obligations
- 6 Refunded, Refinanced and Defeased Obligations
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- 14 Capital Contributions
- 15 Passenger Facility Charges
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- 17 Subsequent Events

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

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

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

The Phoenix-Mesa Gateway Airport Authority is a nonprofit corporation established and funded by the City of Phoenix, City of Mesa, Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base that was closed in September 1993 to become the Phoenix-Mesa Gateway Airport. The Board of Directors consists of the mayors for the respective municipalities and the governor of the tribal community. The Aviation Enterprise Fund contributes \$1.3 million per year (inception to date \$23.4 million) to the Phoenix-Mesa Gateway Airport Authority operating and capital budget.

c) Basis of Accounting

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

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

d) Pooled Cash and Investments

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

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

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

e) Accounts Receivable

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

f) Deposits in Escrow

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

g) **Inventories**

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

h) **Capital Assets**

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

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

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

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

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

i) **Compensated Absences**

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

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

j) **Long-Term Obligations**

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

k) **Net Position**

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

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

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

l) **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the pension plans described in Note 12 and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

m) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about fiduciary net position of the City's defined benefit other postemployment benefit plans, as described in Note 13, and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

n) Statements of Cash Flows

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

o) Rates and Charges

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

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 a number of estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows of resources, and net position, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

q) CARES Act

CARES Act grant is the *Coronavirus Aid, Relief, and Economic Security Act* approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans, and loan guarantees for passenger and cargo airlines. The Aviation Enterprise Fund was awarded \$148.1 million in CARES Act grant funds. The Aviation Enterprise Fund drew \$8.9 million of the CARES Act grant in FY 2020.

r) New Accounting Pronouncements

New Accounting Pronouncements Adopted in 2020:

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, requires that governments replace citations of the London Interbank Offered Rate (LIBOR) with one or more acceptable benchmark reference rates. The requirements of this Statement are effective for reporting periods beginning after December 31, 2021. The Aviation Enterprise Fund has determined there is no impact to the financial statements as a result of the Statement.

Pronouncements Issued But Not Yet Effective:

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

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
84	<i>Fiduciary Activities</i>	2021
87	<i>Leases</i>	2022
90	<i>Majority Equity Interests</i>	2021
91	<i>Conduit Debt Obligations</i>	2023
94	<i>Public-Private and Public-Private Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements (SBITA)</i>	2023
97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i>	2022

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents at June 30, 2020 and 2019, was composed of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Cash in Bank	\$ 965	\$ 709
Cash on Hand	2	2
Short-Term Pooled Investments	38,959	66,050
Short-Term Non-Pooled Investments	22,518	16,063
Cash with Fiscal Agents/Trustees	346,294	305,051
Securities with Fiscal Agents/Trustees	-	21,278
Total Cash and Cash Equivalents	<u>\$ 408,738</u>	<u>\$ 409,153</u>

A summary of Aviation Enterprise Fund cash and cash equivalents, including deposits in escrow, at June 30, 2020, and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Unrestricted	\$ 45,897	\$ 76,584
Restricted	<u>362,841</u>	<u>332,569</u>
Total Cash and Cash Equivalents	<u>\$ 408,738</u>	<u>\$ 409,153</u>

Deposits

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of a bank failure, the Aviation Enterprise Fund's deposits through the City may not be returned. The Aviation Enterprise Fund's deposits through the City during the year and at fiscal year-end were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name. There was one day during fiscal year 2020 that had undercollateralized deposit liabilities. The Aviation Enterprise Fund's deposits at June 30, 2020 and 2019 were (in thousands):

	<u>2020</u>	<u>2019</u>
Deposits		
Carrying Amount	\$ 965	\$ 709
Bank Ledger Balance	616	755

Cash with fiscal agents and trustees are subject to custodial risk. The Aviation Enterprise Fund's contracts through the City with the fiscal agents and trustees call for these deposits to be fully covered by collateral held in the fiscal agents' and trustees' trust departments but not in the City's name. Each trust department pledges a pool of collateral against all trust deposits it holds. The Aviation Enterprise Fund's cash and securities with fiscal agents were (in thousands):

	<u>2020</u>	<u>2019</u>
Cash with Fiscal Agent		
Carrying Amount	\$ 346,294	\$ 305,050
Bank Ledger Balance	346,294	305,050
Securities with Fiscal Agent		
Carrying Amount	-	21,787
Bank Ledger Balance	-	21,787

Investments

Aviation Enterprise Fund investments are included in the City's pooled investments. The City Charter and ordinances authorize the City to invest in U.S. Treasury securities, securities guaranteed, insured or backed by the full faith and credit of the U.S. Government, U.S. Government agency securities, repurchase agreements, commercial paper, money market accounts, certificates of deposit, the State Treasurer's Local

Government Investment Pool "LGIP", highly rated securities issued or guaranteed by any state or political subdivision thereof rated in the highest short-term or second highest long-term category, and investment grade corporate bonds, debentures, notes and other evidence of indebtedness issued or guaranteed by a solvent U.S. corporation which are not in default as to principal or interest. Investments are carried at fair value. It is the City's policy generally to hold investments until maturity.

The Aviation Enterprise Fund maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool. The following table summarizes the amounts reported as "Investments" at June 30, 2020 and 2019 (in thousands):

City Investments	Credit Quality Rating	June 30, 2020		June 30, 2019	
		Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Pooled Investments					
Repurchase Agreements collateralized by U.S. Treasury Securities	Not Rated	\$ -		\$ 55,273	0.005
U.S. Treasury Securities	AA+	254,787	1.224	163,038	1.541
U.S. Government Agency Securities					
Housing and Urban Development	AA+	8,022	0.743	970	0.951
FFCB Notes	AA+	29,643	2.683	46,304	1.919
FNMA Notes	AA+	3,646	2.671	23,996	0.887
FAMCA Notes	AA+	2,561	0.003	5,981	0.755
FHLMC Notes	AA+	14,313	3.253	23,698	0.913
FHLB Notes	AA+	40,304	1.398	43,271	1.941
Total U.S. Government Agency Securities		98,489	2.287	144,220	1.650
Pre-Refunded Municipal Securities	N/A ⁽¹⁾	71,727	0.901	24,379	1.144
Certificates of Deposit	N/A ⁽²⁾	30,852	0.228	23,287	0.191
Commercial Paper	A-1	5,062	0.167	7,241	0.105
Mortgage Backed Securities					
GNMA	AA+	21,322	2.141	19,118	2.471
FHLMC Notes	AA+	7,509	4.961	2,713	5.225
Total Mortgage Backed Securities		28,831	2.875	21,831	2.813
Total Pooled Investments		489,748	1.292	439,269	1.292
Less: Short-Term Pooled Investments		(61,876)		(78,961)	
Net Pooled Investments		427,872		360,308	
Non-Pooled Investments					
Repurchase Agreements Collateralized by U.S. Treasury Securities	Not Rated	-		6,715	0.008
U.S. Treasury Securities	AA+	532,912	0.448	73,182	0.362
U.S. Government Agency Securities					
FHLB Notes	AA+	65,061	0.326	22,070	0.000
Total U.S. Government Agency Securities		65,061		22,070	0.000
Total Non-Pooled Investments		597,973	0.435	101,967	0.294
Less: Short-Term Non-Pooled Investments		-		(6,715)	
Net Non-Pooled Investments		597,973		95,252	
Total Investments		\$ 1,025,845		\$ 455,560	

Notes:

⁽¹⁾ Pre-Refunded Municipal Securities for which the payment of interest, and ultimately the repayment of principal, is backed by U.S. Government Securities.

⁽²⁾ All Certificates of Deposit are insured by the FDIC.

Fair Value Hierarchy

Aviation Enterprise Fund pooled investments are included in the City's pooled investments. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices in active markets for identical financial assets that the City has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the financial asset, either directly or indirectly. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These prices are obtained from a pricing source.
- Level 3 inputs are unobservable inputs for the financial asset.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2020 and 2019 (in thousands):

Investments by Fair Value Level	06/30/20	Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
U.S. Government securities	\$ 787,699	\$ 5,103	\$ 782,596	\$ -
U.S. Government agency obligations	163,550	-	163,550	-
U.S. Government agency MBS/CMO	28,831	-	28,831	-
Municipal bonds	71,727	-	71,727	-
Commercial Paper	5,062	-	5,062	-
Total Investments, including those classified as cash equivalents, by fair value level	<u>\$ 1,056,869</u>	<u>\$ 5,103</u>	<u>\$ 1,051,766</u>	<u>\$ -</u>

Investments by Fair Value Level	06/30/19	Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
U.S. Government securities	\$ 298,208	\$ 2,817	\$ 295,391	\$ -
U.S. Government agency obligations	166,290	-	166,290	-
U.S. Government agency MBS/CMO	21,831	-	21,831	-
Municipal bonds	24,379	-	24,379	-
Commercial Paper	7,241	-	7,241	-
Total Investments, including those classified as cash equivalents, by fair value level	<u>\$ 517,949</u>	<u>\$ 2,817</u>	<u>\$ 515,132</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Aviation Enterprise Fund follows the City's policies for interest rate risk. In order to limit interest rate risk, the City's investment policy limits maturities as follows:

U.S. Treasury Securities	5 year final maturity
Securities guaranteed, insured, or backed by the full faith and credit of the U.S. Government	5 year final maturity
U.S. Government Agency Securities	5 year final maturity
Repurchase Agreements	60 days
Municipal Obligations	5 years for long-term issuances
Money Market Mutual Funds	90 days
Commercial Paper	270 days

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

Credit Risk

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

Concentration of Credit Risk

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

<u>Issuer</u>	<u>2020</u>	<u>2019</u>
Federal Home Loan Bank	9.69%	12.07%
Federal Farm Credit Bank	*	8.56%

* Investment is less than 5%

3. RECEIVABLES

Receivables at June 30, 2020 and 2019 are stated net of the allowance for doubtful accounts, and are summarized as follows (in thousands):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Unrestricted		
Accounts Receivable	\$ 10,953	\$ 11,785
Intergovernmental Receivable	9,010	119
Restricted		
Passenger Facility Charge Receivable	2,956	11,276
Customer Facility Charge Receivable	1,453	3,663
Intergovernmental Receivable	7,437	7,761
Interest Receivable	1,312	150
Total Receivable	<u>\$ 33,121</u>	<u>\$ 34,754</u>

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

An allowance for doubtful accounts of \$211 thousand has been recorded as of June 30, 2020 compared to \$0 at June 30, 2019. Accounts Receivable includes unbilled charges of \$5.0 million at June 30, 2020 and \$9.0 million at June 30, 2019.

4. CAPITAL ASSETS

Capital asset activity for the Aviation Enterprise Fund for the fiscal years ended June 30, 2020 and 2019, was as follows (in thousands):

	Balances July 1, 2019	Additions	Deletions	Balances June 30, 2020
Non-depreciable assets:				
Land	\$ 576,413	\$ 237	\$ -	\$ 576,650
Artwork	8,616	38	-	8,654
Construction-in-Progress	392,583	308,679	(52,393)	648,869
Total non-depreciable assets	<u>977,612</u>	<u>308,954</u>	<u>(52,393)</u>	<u>1,234,173</u>
Depreciable assets:				
Buildings	1,935,346	90,322	-	2,025,668
Improvements	1,732,444	38,027	(60)	1,770,411
Equipment	715,912	42,709	(6,327)	752,294
Intangible Assets	28,533	736	(20)	29,249
Total depreciable assets	<u>4,412,235</u>	<u>171,794</u>	<u>(6,407)</u>	<u>4,577,622</u>
Less accumulated depreciation for:				
Buildings	(891,864)	(63,104)	-	(954,968)
Improvements	(1,070,190)	(68,782)	53	(1,138,919)
Equipment	(369,823)	(44,898)	5,623	(409,098)
Intangible Assets	(16,033)	(3,209)	19	(19,223)
Total accumulated depreciation	<u>(2,347,910)</u>	<u>(179,993)</u>	<u>5,695</u>	<u>(2,522,208)</u>
Total depreciable assets, net	<u>2,064,325</u>	<u>(8,199)</u>	<u>(712)</u>	<u>2,055,414</u>
Total capital assets, net	<u>\$ 3,041,937</u>	<u>\$ 300,755</u>	<u>\$ (53,105)</u>	<u>\$ 3,289,587</u>
	Balances July 1, 2018	Additions	Deletions	Balances June 30, 2019
Non-depreciable assets:				
Land	\$ 574,238	\$ 2,175	\$ -	\$ 576,413
Artwork	7,261	1,355	-	8,616
Construction-in-Progress	390,231	230,593	(228,241)	392,583
Total non-depreciable assets	<u>971,730</u>	<u>234,123</u>	<u>(228,241)</u>	<u>977,612</u>
Depreciable assets:				
Buildings	1,744,334	203,831	(12,819)	1,935,346
Improvements	1,661,086	73,941	(2,583)	1,732,444
Equipment	664,686	72,796	(21,570)	715,912
Intangible Assets	24,355	6,138	(1,960)	28,533
Total depreciable assets	<u>4,094,461</u>	<u>356,706</u>	<u>(38,932)</u>	<u>4,412,235</u>
Less accumulated depreciation for:				
Buildings	(839,431)	(57,330)	4,897	(891,864)
Improvements	(1,005,903)	(66,448)	2,161	(1,070,190)
Equipment	(344,845)	(43,657)	18,679	(369,823)
Intangible Assets	(14,792)	(2,839)	1,598	(16,033)
Total accumulated depreciation	<u>(2,204,971)</u>	<u>(170,274)</u>	<u>27,335</u>	<u>(2,347,910)</u>
Total depreciable assets, net	<u>1,889,490</u>	<u>186,432</u>	<u>(11,597)</u>	<u>2,064,325</u>
Total capital assets, net	<u>\$ 2,861,220</u>	<u>\$ 420,555</u>	<u>\$ (239,838)</u>	<u>\$ 3,041,937</u>

5. FINANCIAL OBLIGATIONS

Long-Term Obligations

Changes in long-term obligations for the fiscal years ended June 30, 2020 and 2019 are summarized as follows (in thousands):

	<u>Balances July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Bonds and Notes Payable:					
General Obligation Bonds	\$ 3,345	\$ -	\$ (3,345)	\$ -	\$ -
Municipal Corporation Obligations					
Rental Car Facility Revenue Bonds	154,895	304,730	(157,305)	302,320	7,500
Aviation Revenue Bonds	1,410,530	762,535	(82,110)	2,090,955	42,545
Subtotal	1,568,770	1,067,265	(242,760)	2,393,275	50,045
Discounts/Premiums	169,310	163,618	(18,622)	314,306	-
Total Bonds and Notes Payable	<u>1,738,080</u>	<u>1,230,883</u>	<u>(261,382)</u>	<u>2,707,581</u>	<u>50,045</u>
Other Liabilities:					
Accrued Compensated Absences	6,590	6,876	(6,590)	6,876	876
Pollution Remediation	1,500	-	(75)	1,425	75
Net Pension Liability	184,619	-	(927)	183,692	-
Net OPEB Liability	12,892	577	-	13,469	-
Total Other Liabilities	<u>205,601</u>	<u>7,453</u>	<u>(7,592)</u>	<u>205,462</u>	<u>951</u>
Total Long-Term Obligations	<u>\$ 1,943,681</u>	<u>\$ 1,238,336</u>	<u>\$ (268,974)</u>	<u>\$ 2,913,043</u>	<u>\$ 50,996</u>

	<u>Balances July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Bonds and Notes Payable:					
General Obligation Bonds	\$ 7,865	\$ -	\$ (4,520)	\$ 3,345	\$ 3,345
Municipal Corporation Obligations					
Rental Car Facility Revenue Bonds	165,885	-	(10,990)	154,895	11,645
Aviation Revenue Bonds	1,223,940	226,180	(39,590)	1,410,530	49,380
Subtotal	1,397,690	226,180	(55,100)	1,568,770	64,370
Discounts/Premiums	162,097	20,423	(13,210)	169,310	-
Total Bonds and Notes Payable	<u>1,559,787</u>	<u>246,603</u>	<u>(68,310)</u>	<u>1,738,080</u>	<u>64,370</u>
Other Liabilities:					
Accrued Compensated Absences	7,027	6,590	(7,027)	6,590	950
Pollution Remediation	2,100	-	(600)	1,500	75
Net Pension Liability	177,182	7,437	-	184,619	-
Net OPEB Liability	12,917	-	(25)	12,892	-
Total Other Liabilities	<u>199,226</u>	<u>14,027</u>	<u>(7,652)</u>	<u>205,601</u>	<u>1,025</u>
Total Long-Term Obligations	<u>\$ 1,759,013</u>	<u>\$ 260,630</u>	<u>\$ (75,962)</u>	<u>\$ 1,943,681</u>	<u>\$ 65,395</u>

Issues of long-term debt were as follows at June 30, 2020 and 2019 (dollars in thousands):

June 30, 2020								
Issue Date	Purpose	Maturity Dates	Effective Interest Rate	Average Life (Years)	Original Amount	Principal Outstanding	Interest Outstanding	Unamortized Discount (Premium)
Municipal Corporation Obligations ⁽¹⁾								
03/05/13	Airport Revenue Refunding (AMT) (2a)	7/1/14-32	3.28	11.8	\$ 196,600	\$ 144,005	\$ 50,963	\$ 14,679
11/21/17	Airport Revenue (AMT) (2a)	7/1/18-47	3.84	18.7	190,930	182,905	154,352	25,379
11/21/17	Airport Revenue Refunding (Non-AMT) (2a)	7/1/21-38	3.23	13.5	173,440	173,440	94,520	27,339
11/21/17	Airport Revenue Refunding (Taxable) (2a)	7/1/18-21	2.23	2.2	35,745	4,820	106	-
11/28/18	Airport Revenue (AMT) (2a)	7/1/19-48	4.22	19.3	226,180	220,830	195,253	18,736
Total Sr. Lien Obligations					822,895	726,000	495,194	86,133
09/01/10	Airport Revenue (Taxable) (2b) ⁽³⁾⁽⁴⁾	7/1/40	3.67	29.8	21,345	21,345	28,175	-
12/15/15	Airport Revenue (Non-AMT) (2b) ⁽³⁾	7/1/16-45	3.99	18.6	95,785	88,345	66,286	8,845
12/15/15	Airport Revenue Refunding (Non-AMT) (2b) ⁽³⁾	7/1/34	4.08	18.5	18,655	18,655	13,059	1,848
12/21/17	Airport Revenue Refunding (Non-AMT) (2b) ⁽³⁾	7/1/21-40	3.36	14.2	474,725	474,725	256,597	58,367
12/11/19	Airport Revenue (Non-AMT) (2b)	7/1/41-49	3.61	25.9	341,095	341,095	387,082	49,827
12/11/19	Airport Revenue (AMT) (2b)	7/1/20-49	3.44	19.1	392,005	391,355	337,655	63,448
12/11/19	Airport Refunding (Taxable)	7/1/23-25	2.38	4.6	29,435	29,435	2,705	-
Total Jr. Lien Obligations					1,373,045	1,364,955	1,091,559	182,335
12/05/19	Rental Car Facility (Taxable)	7/1/28-45	3.33	18.4	244,245	244,245	205,097	45,838
12/05/19	Rental Car Facility Refunding (Taxable)	7/1/20-28	2.60	4.6	60,485	58,075	6,143	-
Total Rental Car Facility Obligations					304,730	302,320	211,240	45,838
Total Aviation Enterprise Fund Bonds					2,500,670	2,393,275	1,797,993	314,306

June 30, 2019								
Issue Date	Purpose	Maturity Dates	Effective Interest Rate	Average Life (Years)	Original Amount	Principal Outstanding	Interest Outstanding	Unamortized Discount (Premium)
Municipal Corporation Obligations ⁽¹⁾								
03/05/13	Airport Revenue Refunding (AMT) (2a)	7/1/14-32	3.28	11.8	\$ 196,600	\$ 152,620	\$ 58,595	\$ 16,877
11/21/17	Airport Revenue (AMT) (2a)	7/1/18-47	3.84	18.7	190,930	186,095	163,657	26,910
11/21/17	Airport Revenue Refunding (Non-AMT) (2a)	7/1/21-38	3.23	13.5	173,440	173,440	103,192	29,847
11/21/17	Airport Revenue Refunding (Taxable) (2a)	7/1/18-21	2.23	2.2	35,745	21,190	539	-
11/28/18	Airport Revenue (AMT) (2a)	7/1/19-48	4.22	19.3	226,180	224,230	206,264	19,792
Total Sr. Lien Obligations					822,895	757,575	532,247	93,426
09/01/10	Airport Revenue (Non-AMT) (2b) ⁽³⁾	7/1/13-40	4.69	19.0	642,680	16,025	759	33
09/01/10	Airport Revenue (Taxable) (2b) ⁽³⁾⁽⁴⁾	7/1/40	3.67	29.8	21,345	21,345	29,584	-
09/01/10	Airport Revenue Refunding (Non-AMT) (2b)	7/1/23-25	4.33	13.9	32,080	32,080	8,072	886
12/15/15	Airport Revenue (Non-AMT) (2b) ⁽³⁾	7/1/16-45	3.99	18.6	95,785	90,125	70,692	9,433
12/15/15	Airport Revenue Refunding (Non-AMT) (2b) ⁽³⁾	7/1/34	4.08	18.5	18,655	18,655	13,991	1,980
12/21/17	Airport Revenue Refunding (Non-AMT) (2b) ⁽³⁾	7/1/21-40	3.36	14.2	474,725	474,725	279,252	63,521
Total Jr. Lien Obligations					1,285,270	652,955	402,350	75,853
06/02/04	Rental Car Facility (Taxable) ⁽⁵⁾	7/1/07-29	6.20	16.5	260,000	154,895	57,862	-
Total Municipal Corporation Obligations					2,368,165	1,565,425	992,459	169,279
General Obligation Bonds								
06/24/14	Refunding	7/1/19-20	2.71	5.4	7,865	3,345	83	31
Total Aviation Enterprise Fund Bonds					\$ 2,376,030	\$ 1,568,770	\$ 992,542	\$ 169,310

Notes:

- (1) Enhanced by a municipal bond insurance policy, a reserve account surety bond, or a debt service reserve fund.
- (2) The City has pledged net airport revenues as security for these bonds. The net revenues pledged are as follows:
- (a) Senior lien pledge on all outstanding airport obligations.
 - (b) Junior lien pledge on all outstanding airport obligations.
- (3) The City has further pledged an irrevocable commitment of 100% of net proceeds of a passenger facility charge for these bonds, with the exception of the Series 2015A bonds. The Series 2015A bonds have a pledge equivalent to 30% of the principal and interest requirement. The Passenger Facility Charge (PFC) is currently imposed at the rate of \$4.50 per qualifying enplaned passenger.
- (4) The City has irrevocably elected to treat these bonds as RZEDB for purposes of the American Recovery and Reinvestment Act of 2009 and the Internal Revenue Code of 1986. The RZEDB subsidy payments rebate 45% of the interest requirement for these bonds. On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, which has resulted in a reduction of the federal subsidy payments by 5.9% and 6.2% (the Sequester Reductions) for the fiscal years 2020 and 2019, respectively. However, the City does not expect the Sequester Reductions to have a material adverse effect on its ability to make payments of interest on this issue.
- (5) The City has made a first priority pledge of a \$4.50 per day car rental usage fee to be paid by rental car customers arriving at Phoenix Sky Harbor International Airport as security for the bonds.

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

Municipal Corporation Obligations

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

In November 2018, the CIC issued \$226,180,000 of Senior Lien Airport Revenue Bonds, Series 2018 (AMT). Proceeds of the bonds refunded \$100,000,000 outstanding under a Revolving Credit Agreement with remaining proceeds applied to the Terminal 3 Modernization Project. The bonds have an average life of 19.3 years and were sold at an all-in true interest cost of 4.22%.

In December 2019, the CIC issued \$341,095,000 of Junior Lien Airport Revenue Bonds, Series 2019A (Non-AMT), with \$50,918,805.75 of premium. Proceeds of the bonds refunded \$100,000,000 outstanding under a Revolving Credit Agreement with remaining proceeds applied to the PHX Sky Train automated transportation system at Sky Harbor and a police hangar at Phoenix-Deer Valley Airport. The bonds have an average life of 25.9 years and were sold at an all-in true interest cost of 3.61%.

In December 2019, the CIC issued \$392,005,000 of Junior Lien Airport Revenue Bonds, Series 2019B (AMT), with \$65,370,974.95 of premium. Proceeds of the bonds will be used to pay costs of the Terminal 3 and Terminal 4 Modernization Project at Sky Harbor. The bonds have an average life of 19.1 years and were sold at an all-in true interest cost of 3.44%.

In December 2019, the CIC issued \$29,435,000 of Junior Lien Airport Revenue Refunding Bonds, Taxable Series 2019C. Proceeds of the bonds refunded \$32,080,000 of Junior Lien Airport Revenue Refunding Bonds, Series 2010C. The bonds have an average life of 4.6 years, were sold at an all-in true interest cost of 2.38% and produced present value savings, net of transaction costs, of \$2,776,184.64.

In December 2019, the CIC issued \$244,245,000 of Rental Car Facility Charge Revenue Bonds, Series 2019A (Non-AMT), with \$47,328,247.15 of premium. Proceeds of the bonds will be used to pay the cost of improvements to the PHX Sky Train which will extend services from Terminal 3 to a future West Ground Transportation Center. The bonds have an average life of 18.4 years and were sold at an all-in true interest cost of 3.33%.

In December 2019, the CIC issued \$60,485,000 of Rental Car Facility Charge Revenue Refunding Bonds, Taxable Series 2019B. Proceeds of the bonds along with cash on hand refunded \$154,895,000 of Rental Car Facility Charge Revenue Bonds, Series 2004. The bonds have an average life of 4.6 years, were sold at an all-in true interest cost of 2.60% and produced present value cost, net of transaction costs, of \$9,282,897.75. Transaction costs included a make-whole call premium of \$34,403,790.01.

In the event of non-payment of CIC bond principal and interest, the remedy is specific performance. Specific performance is when a bondholder has the right to ask a judge to order the City to raise applicable revenue

sources for the defaulted bond in an amount needed to pay any past or current amounts due. CIC bonds are not subject to acceleration.

General Obligation Bonds

The Aviation Enterprise Fund, through the City, has issued General Obligation Bonds for capital programs. The debt service requirements have been paid from Net Airport Revenues remaining after payment of senior lien and junior lien airport revenue bonded debt service requirements. There were no General Obligation Bonds outstanding at June 30, 2020.

Debt Service Requirements

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

Fiscal Year	Municipal Corporation Obligations					
	Senior Lien		Junior Lien		Rental Car Facility	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 23,800	\$ 35,965	\$ 18,745	\$ 63,645	\$ 7,500	\$ 13,043
2022	24,855	34,910	19,680	62,708	7,655	12,885
2023	24,455	33,667	36,215	61,724	7,825	12,720
2024	25,690	32,445	37,760	60,182	7,995	12,545
2025	26,970	31,160	39,380	58,564	8,185	12,359
2026 - 2030	156,490	134,170	170,290	268,093	44,760	57,950
2031 - 2035	148,510	93,414	215,825	221,292	56,280	46,441
2036 - 2040	120,260	59,195	274,150	164,593	71,815	30,894
2041 - 2045	101,400	33,124	288,740	100,389	90,305	12,403
2046 - 2049	73,570	7,144	264,170	30,369	-	-
Total	\$ 726,000	\$ 495,194	\$ 1,364,955	\$ 1,091,559	\$ 302,320	\$ 211,240

Debt Service Reserve

Debt service reserve balances at June 30 are as follows (in thousands):

Bond Series	2020	2019
Airport Revenue Bonds		
Junior Lien Airport Debt Service Reserve for Series 2010A, 2010B, 2010C	\$ 2,134	\$ 8,855
Airport Revenue Refunding Bonds, Series 2013 (AMT) Reserve	16,251	16,251
Airport Revenue Refunding Bonds, Series 2015B (Non-AMT) Reserves	1,866	1,866
Senior Lien Airport Parity Reserve for Series 2017A, 2017B, 2017C, 2018	47,239	47,239
Junior Lien Airport Parity Reserve for Series 2015A, 2017D, 2019A, 2019B, 2019C	95,602	43,673
Airport Rental Car Facility Bonds		
Airport Rental Car Bonds Taxable Series 2004	-	21,278
Rental Car Facility Parity Reserve for Series 2019A, 2019B	20,545	-
Total	\$ 183,637	\$ 139,162

Pollution Remediation

This liability is primarily a result of leaking underground storage tanks at the Airport and Phoenix Goodyear Airport. The tanks at the Airport were discovered to be leaking in 1988 and the Aviation Enterprise Fund is implementing a corrective action plan which was approved by the Arizona Department of Environmental Quality (ADEQ) to ensure the contamination does not spread. The remediation of a fuel release at Phoenix Goodyear Airport discovered in the 1980's is being implemented as approved by the United States Environmental Protection Agency (US EPA). The total remaining liability for all remediation activities for the Aviation Enterprise Fund as of June 30, 2020 and 2019 is \$1.4 million and \$1.5 million, respectively. This liability is based on estimates completed by engineers in respect to the efforts needed to complete the remediation.

Short-Term Obligations

Changes in short-term obligations are summarized as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Airport Revolving Credit Facility		
Balance, July 1	\$ 100,000	\$ 100,000
Additions		
Issuance in March 2019	-	100,000
Reductions	<u>(100,000)</u>	<u>(100,000)</u>
Total Short Term Obligations Payable	<u>\$ -</u>	<u>\$ 100,000</u>

Included in additions and reductions are new borrowings and repayments.

Issues of the Airport Revolving Credit Facility short-term debt were as follows at June 30 (in thousands):

<u>Issuing Bank</u>	<u>Expiration Date</u>	<u>Line of Credit</u>	<u>2020</u>		<u>2019</u>	
			<u>Amount Outstanding</u>	<u>Unused Line of Credit</u>	<u>Amount Outstanding</u>	<u>Unused Line of Credit</u>
Bank of America, N.A.	09/18/20	\$ 200,000	\$ -	-	\$ 100,000	\$ 100,000

Airport Revolving Credit Facility

The Revolving Credit Agreement provides for a three-year loan period with Bank of America, N.A., ending on September 18, 2020 but terminated on June 8, 2020. during which the Airport may borrow, repay, and re-borrow amounts. Loans made under the Revolving Credit Agreement (such loans, together with any obligations on a parity therewith, the “Junior Subordinate Lien Obligations”) are payable from designated Airport revenues, junior and subordinate to the Junior Lien Obligations (“Junior Subordinate Lien Revenues”). If any loans under the Revolving Credit Agreement are outstanding on September 18, 20210, the City can, subject to certain conditions, convert the borrowing to a three-year term loan payable in twelve equal quarterly principal installments ending on September 18, 2023.

6. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS

Bonds are refunded to retire all or a portion of an outstanding bond issue. Most typically, refundings are done to refinance at a lower interest rate to reduce overall debt service. Prior to January 2019, certain issues of bonds could have been refunded prior to the call date, known as an advanced refunding. The Tax Cuts and Jobs Act of 2018 prohibits refunding tax-exempt bonds before their call date, unless the bonds are refunded with taxable bonds. In most cases an advanced refunding of tax-exempt bonds with taxable bonds would not be financially beneficial. However, there may be circumstances when the benefits of the advanced refunding outweigh the disadvantages of issuing taxable bonds.

Future principal and interest payments on refunded bonds have been provided through advanced refunding bond issues whereby refunding bonds are issued and the net proceeds, plus any additional resources that may be required, are used to purchase securities issued and guaranteed by the United States government, when available. When U.S. government securities are not available, conventional treasury securities will be purchased. These securities are then deposited in an irrevocable trust under an escrow agreement which states that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flows generated by the securities, will be sufficient to service the previously issued bonds.

Refundings

During fiscal year 2020, the City issued Junior Lien Airport Revenue Refunding Bonds, Series 2019C and Rental Car Facility Refunding Bonds, Series 2019B. The refunding bonds reduced the present value of future debt service payments. These savings were available due to improved municipal bond market conditions (i.e., lower interest rates) during the year. The effects of the refundings are summarized as follows (in thousands):

	<u>Rental Car Facility</u>	<u>Junior Lien Airport Revenue</u>
Series	2019B	2019C
Closing Date	12/05/19	12/11/19
Net Interest Rate	2.56%	2.35%
Refunding Bonds Issued	\$ 60,485	\$ 29,435
Premium	-	-
Underwriter's Discount	(184)	(84)
Issuance Costs and Insurance	(120)	(39)
Net Proceeds	<u>\$ 60,181</u>	<u>\$ 29,312</u>
Refunded Amount	\$ 154,895	\$ 32,080
Decrease in Debt Service	130,545	6,928
Economic Gain (Loss)	(9,283)	2,776
Number of Years Affected	10	6

The deferred and amortized amounts of accounting gains and losses on bond refundings (which are reported as deferred inflows or deferred outflows of resources) at June 30, 2020 and 2019, are summarized as follows (in thousands):

	<u>June 30, 2020</u>			
	<u>Deferred Amount July 1</u>	<u>Additions (Gains)/Losses</u>	<u>Amortization Gains/(Losses)</u>	<u>Deferred Amount June 30</u>
Deferred Outflows of Resources				
Municipal Corporation Obligations	\$ 26,546	\$ 34,404	\$ (5,216)	\$ 55,734
Deferred Inflows of Resources				
Municipal Corporation Obligations	(633)	(198)	75	(756)
Total	<u>\$ 25,913</u>	<u>\$ 34,206</u>	<u>\$ (5,141)</u>	<u>\$ 54,978</u>

	<u>June 30, 2019</u>			
	<u>Deferred Amount July 1</u>	<u>Additions (Gains)/Losses</u>	<u>Amortization Gains/(Losses)</u>	<u>Deferred Amount June 30</u>
Deferred Outflows of Resources				
Municipal Corporation Obligations	\$ 27,940	-	\$ (1,394)	\$ 26,546
Deferred Inflows of Resources				
Municipal Corporation Obligations	(676)	-	43	(633)
Total	<u>\$ 27,264</u>	<u>\$ -</u>	<u>\$ (1,351)</u>	<u>\$ 25,913</u>

7. RISK MANAGEMENT

The Aviation Enterprise Fund maintained a combination of commercial insurance and self-insurance during the fiscal years ended June 30, 2020 and 2019, as described below.

Liability - The Aviation Enterprise Fund purchased commercial airport liability insurance specifically covering Airport premises and operations for the Department. The stand-alone insurance program provides first dollar coverage through a combination of both primary and excess liability policies. Additionally, general Aviation Enterprise Fund liabilities other than airport operations are covered under the City's self-insurance program, which has a \$5.0 million retention. Excess liability coverage was purchased for losses that exceed the self-insured retention.

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

Workers' Compensation - As City employees, Aviation Enterprise Fund employees have the same benefits package as their City co-workers, whether purchased commercially or self-insured. The City maintained a self-insured retention of \$10.0 million for its workers' compensation exposure. Excess workers' compensation insurance was purchased for losses exceeding the self-insured retention.

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

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

The Aviation Enterprise Fund is included in the City's self-insurance reserve. Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This determination is based on an actuarial analysis of reported claims and estimates of claims incurred but not reported.

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

Long-term disability benefits for Aviation Enterprise Fund employees were self-insured through the City of Phoenix Long-Term Disability Trust fiduciary fund.

For additional information regarding the City's Risk Management policies, including information on fiduciary funds, please refer to Note 13 in the Notes to the Financial Statements in the City CAFR.

8. OPERATING LEASES

The Aviation Enterprise Fund leases certain airport facilities to third parties. Minimum future rental revenues on non-cancelable operating leases at June 30, 2020 were as follows (in thousands):

Years Ending June 30		
2021	\$	57,554
2022		76,719
2023		74,402
2024		54,999
2025		49,752
Thereafter		<u>318,641</u>
Total	\$	<u>632,067</u>

The above amounts do not include contingent rentals, which also may be received under the Aviation Enterprise Fund facilities leases, primarily as a percentage of sales in excess of stipulated minimums. Contingent rentals amounted to \$13.4 million for the fiscal year ended June 30, 2020, and \$18.8 million for the fiscal year ended June 30, 2019. A summary of the assets leased to third parties under the Aviation Enterprise Fund operating lease agreements at June 30, 2020 and 2019, is as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Buildings	\$ 1,405,224	\$ 1,318,237
Less: Accumulated Depreciation	<u>(734,247)</u>	<u>(688,626)</u>
Net Book Value	<u>\$ 670,977</u>	<u>\$ 629,611</u>

9. CONTRACTUAL AND OTHER COMMITMENTS

The Aviation Enterprise Fund has entered into various construction contracts and these commitments have not been recorded in the accompanying financial statements. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements. Commitments of \$391.0 million and \$642.7 million are remaining at June 30, 2020 and 2019, respectively.

10. CONTINGENT LIABILITIES AND OTHER CONTINGENCIES

Pending Litigation

The Aviation Enterprise Fund, through the City, is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. As discussed in Note 7 (and in more detail in Note 13 in the Notes to the Financial Statements of the City CAFR), the Aviation Enterprise Fund, through the City, is primarily self-insured, and has accrued a liability for estimated claims outstanding. As with any risk retention program, however, the Aviation Enterprise Fund, through the City, is contingently liable in respect to claims beyond those currently accrued. In the opinion of City management, based on the advice of the City Attorney, the outcome of such claims will not have a material adverse effect on the Aviation Enterprise Fund’s financial position, results of operations or liquidity as of and for the fiscal year ended June 30, 2020.

Sick Leave

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

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

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

Sick leave is accrued as a liability (accrued compensated absences) as it is earned by the employees only if the leave is attributable to past service and it is probable that the employees will be compensated through cash payments conditioned on the employees’ termination or retirement. In accordance with these criteria, a portion of the sick leave accumulated by general employees as described above has been accrued as a liability in the accompanying financial statements. The June 30, 2020 actuarial valuation of the sick leave liability was based on the termination method, with the liability prorated 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 prorated based on the employee’s current service to date over the projected service to retirement increased by the cost of salary related fringe benefits.

The Aviation Enterprise Fund employees’ sick leave benefit balances (both accrued and unaccrued) at June 30, 2020 and 2019, were as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Sick Leave Benefit	\$ 14,826	\$ 15,051
Less: Amount Accrued as a Liability	<u>(1,925)</u>	<u>(1,922)</u>
Total Sick Leave Benefit Balance	<u>\$ 12,901</u>	<u>\$ 13,129</u>

Liabilities Under Grants

The Aviation Enterprise Fund participates in a number of federal and state assisted grant programs. The audits of these programs for earlier years and the year ended June 30, 2020 have not been completed in all cases; accordingly, final determination of the Aviation Enterprise Fund's compliance with applicable grant requirements will be determined at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although City management believes any such claims would be immaterial to the Aviation Enterprise Fund's financial position at June 30, 2020.

Other Contingencies

The dynamic nature of the COVID-19 pandemic is the cause of numerous uncertainties, some of which include the ultimate duration or extent of the pandemic; the duration or expansion of travel restrictions and warnings; to what extent the COVID-19 pandemic will disrupt the local or global economy; the extent to which such disruption will adversely impact construction, or other operations at the Airport; actions that may be taken by governmental authorities to contain the outbreak or to treat its impact; and duration or extent to which any of the foregoing may have a material adverse effect on the financial position, results of operations and cash flows of the Airport, including reduction in the overall investment position and declines in passenger traffic. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

11. DEFERRED COMPENSATION PLAN (DCP)

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

The Deferred Compensation Plan was created in accordance with Internal Revenue Code Section 457. It allowed eligible employees to defer up to \$19,500 of their salaries during calendar year 2020 and \$19,000 during calendar year 2019. The plan has numerous investment options and allows enrollment or changes on an ongoing basis. A 1996 federal law requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of participants and their beneficiaries. On September 23, 1998, the City Council approved Ordinance No.S-25613 that amended the Plan to comply with the 1996 federal law. The Ordinance established a trust into which all assets of the Plan were transferred December 4, 1998.

The Defined Contribution Plan was created in accordance with Internal Revenue Code Section 401(a) and provides employees with an additional option for tax-deferred retirement savings. Eligible employees may make personal contributions to the Plan by electing to defer a designated percentage of their salary to the Plan. Employee contribution elections are irrevocable. The annual contribution limit was \$57,000 in 2020 and \$56,000 in 2019. The City also contributes to the Plan on behalf of eligible employees in an amount equal to a percentage of employee's base annual salary. The Aviation Enterprise Fund, through the City, contributed \$2,248,487 for the year ended June 30, 2020, and \$2,149,221 for the year ended June 30, 2019.

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

12. PENSION PLAN**Plan Description**

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

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

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

	June 30	
	2020	2019
Active Members		
Tier 1	515	551
Tier 2	66	70
Tier 3	270	221
Subtotal	851	842
Terminated Vested	109	107
In-Pay Members		
Service Retirees	648	637
Beneficiaries	123	118
Disabled Retirees	25	26
Subtotal	796	781
Total Members	1,756	1,730

Plan Benefits

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

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

- i) Age 60 years, with 10 or more years of credited service.
- ii) Age 62 years, with 5 or more years of credited service.
- iii) Any age, which added to years of credited service equals 80.

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

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

- i) Age 60 years, with 10 or more years of credited service.
- ii) Age 62 years, with 5 or more years of credited service.
- iii) Any age, which added to years of credited service, equals 87.

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

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

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

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

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

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

Contributions and Funding Policy

The City contributes an actuarially determined percentage of payroll to COPERS, as required by City Charter, to fully fund benefits for active members and to amortize any unfunded actuarial liability as a level percent of projected member payroll over a closed 21 year period. For the fiscal years ended June 30, 2020 and 2019, the total contribution rates were 38.51% and 37.98%, respectively, of compensation. Tier 1 employees contributed 5% of compensation and beginning January 1, 2016, Tier 2 and Tier 3 employees contributed 11.0% and the Aviation Enterprise Fund contributed the remainder, \$18.7 million and \$17.6 million for fiscal years 2020 and 2019, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of these same dates. The Aviation Enterprise Fund's net pension liability is the proportionate share of the City's total net pension liability, 10.6% in fiscal years 2020 and 2019. The Aviation Enterprise Fund's proportionate share of the City's total net pension liability is based on the Fund's proportionate share of the City contributions into COPERS for the fiscal years ended June 30, 2020 and 2019. The schedule below details the changes in the Aviation Enterprise Fund's net pension liability (in thousands) for the years ended June 30, 2020 and 2019:

	Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (NPL) (a)-(b)
Balance at July 1, 2019	\$ 441,820	\$ 257,201	\$ 184,619
Changes for the Year:			
Service Cost	8,599	-	8,599
Interest	33,220	-	33,220
Differences between Expected and Actual Experience	(8,236)	-	(8,236)
Changes in Assumptions	(6,613)	-	(6,613)
Contributions - Employer	-	18,650	(18,650)
Contributions - Member	-	4,172	(4,172)
Net Investment Income	-	5,341	(5,341)
Benefit Payments	(25,667)	(25,667)	-
Administrative Expense	-	(266)	266
Net Changes	<u>1,303</u>	<u>2,230</u>	<u>(927)</u>
Balance at June 30, 2020	<u>\$ 443,123</u>	<u>\$ 259,431</u>	<u>\$ 183,692</u>
Balance at July 1, 2018	\$ 423,187	\$ 246,005	\$ 177,182
Changes for the Year:			
Service Cost	7,765	-	7,765
Interest	31,858	-	31,858
Differences between Expected and Actual Experience	4,173	-	4,173
Changes in Assumptions	-	-	-
Contributions - Employer	-	17,574	(17,574)
Contributions - Member	-	3,715	(3,715)
Net Investment Income	-	15,154	(15,154)
Benefit Payments	(25,163)	(25,163)	-
Administrative Expense	-	(84)	84
Net Changes	<u>18,633</u>	<u>11,196</u>	<u>7,437</u>
Balance at June 30, 2019	<u>\$ 441,820</u>	<u>\$ 257,201</u>	<u>\$ 184,619</u>

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

Actuarial Assumptions

Actuarial assumptions used to determine the total pension liability in the June 30, 2020 and 2019 valuations were based on the results of the actuarial experience study covering the period from July 1, 2014 through June 30, 2020. Those assumptions, applied to all periods included in the measurement, are as follows:

Investment Rate of Return	7% (7.25% in 2019)
Inflation	2.3% (2.50% in 2019)
Salary Increase Rate	Individual salary increases are composed of a price inflation component, a real wage growth component, and a merit or longevity component that varies by age. Total salary increases range from 7.00% at 1-7 attained service to 2.80% for 15+ attained service.
COLA (cost of living adjustments)	0.50% through 2024, 1.00% from 2025-2029 and then 1.25% thereafter.
Administrative Expenses	Assumed to be equal to the prior year's amount, increased by 2.50%.

Mortality rates were based on CalPERS mortality tables with adjustment factors, projected with MP-2015.

Based on the assumption that employee and City contributions to COPERS will continue to follow the established contribution policy and the sufficiency of the Fiduciary Net Position, the long-term expected rate of return on COPERS investments, 7% (7.25% in 2019), was applied as the single rate to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Asset Class	Target Allocation	Expected Real Rate of Return (Arithmetic)
US Equity	16.0%	7.0%
Developed Market Equity (Non-U.S.)	9.0	9.5
Emerging Market Equity	8.0	11.7
Private Equity	9.0	10.0
Investment Grade Bonds	15.0	2.4
TIPS	7.0	2.5
High Yield Bonds	5.0	4.9
Bank Loans	3.0	5.3
Emerging Market Bonds	3.0	4.6
Infrastructure	4.0	7.7
Natural Resources	4.0	11.0
Hedge Funds	5.0	4.0
Real Estate	12.0	8.2
GTAA	-	4.3
Cash	-	1.9

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

The table below presents the net pension liability of the Aviation Enterprise Fund calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were calculated using the discount rate that is 1.0% lower (6.00%) or 1.0% higher (8.00%) than the current rate at June 30, 2020 (in thousands):

	<u>1% Decrease (6.00%)</u>	<u>Current Single Discount Rate Assumption (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net Pension Liability	\$ 239,576	\$ 183,692	\$ 134,843

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

For the years ended June 30, 2020 and 2019, the Aviation Enterprise Fund recognized pension expense of \$15.2 million and \$20.5 million, respectively. At June 30, 2020 and 2019, the Aviation Enterprise Fund reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (in thousands):

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Differences Between Expected and Actual Experience	\$ 2,513	\$ 3,357
Changes in Assumptions	51	102
Net Difference Between Projected and Actual on Pension Plan Investments	<u>13,054</u>	<u>3,541</u>
Total	<u>\$ 15,618</u>	<u>\$ 7,000</u>
Deferred Inflows of Resources		
Differences Between Expected and Actual Experience	8,403	4,351
Changes in Assumptions	<u>5,290</u>	<u>1,472</u>
Total	<u>\$ 13,693</u>	<u>\$ 5,823</u>

Amounts reported as deferred outflows and deferred inflows of resources at June 30, 2020 will be recognized in pension expense as follows:

	<u>Year Ending June 30</u>
2021	\$ (770)
2022	937
2023	1,729
2024	<u>29</u>
Total	<u>\$ 1,925</u>

13. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Postemployment Healthcare and Long-Term Disability Program

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

Medical Expense Reimbursement Plan

Plan Description

Employees eligible to retire in 15 years or less from August 1, 2007 will receive a monthly subsidy from the City's Medical Expense Reimbursement Plan (MERP) when they retire. The MERP is a single-employer, defined benefit other postemployment benefit plan.

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

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

Plan Benefits

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

The Aviation Enterprise Fund employees covered by MERP at June 30, 2019 (the valuation date), are:

	<u>2019</u>
Plan Members Currently Receiving Benefits	608
Active Plan Members	<u>229</u>
Total Plan Members	<u><u>837</u></u>

Contributions

Contributions by the City (plus earnings thereon) are the sole source of funding for the MERP. The City's Board of Trustees, subject to oversight by the City Council has the authority to establish and amend the contribution requirements of the City and active employees. The Board of Trustees establishes the rates based on an actuarially determined rate recommended by an independent actuary. The actuarial determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Aviation Enterprise Fund contributed \$1.8 million and \$1.6 million for the years ended June 30, 2020 and 2019, respectively. Employees are not required to contribute to the MERP.

Net OPEB Liability

The Aviation Enterprise Fund's net OPEB liability is the proportionate share of the City's liability, 6.5% in 2020 and 6.6% in 2019. The Aviation Enterprise Fund's proportionate share of the City's net OPEB liability for MERP

is based on the Fund's proportionate share of the City contributions into MERP for the fiscal years ended June 30, 2020 and 2019. The net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020. The net OPEB liability is measured as the total OPEB liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 6.75% (7.00% in 2019) was used to measure the total OPEB liability as of June 30, 2020 and 2019, respectively. This single discount rate was based on an expected rate of return on OPEB plan investments of 6.75% and 7.00%, respectively. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The Aviation Enterprise Fund's changes in net OPEB liability for MERP is (in thousands):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (NPL) (a)-(b)
Balance at July 1, 2019	\$ 24,358	\$ 11,466	\$ 12,892
Changes for the Year:			
Service Cost	289	-	289
Interest	1,661	-	1,661
Changes of assumptions	543	-	543
Contributions - Employer	-	1,762	(1,762)
Net Investment Income	-	262	(262)
Benefit Payments	(1,769)	(1,769)	-
Other	109	1	108
Net Changes	833	256	577
Balance at June 30, 2020	<u>\$ 25,191</u>	<u>\$ 11,722</u>	<u>\$ 13,469</u>
Balance at July 1, 2018	\$ 24,036	\$ 11,119	\$ 12,917
Changes for the Year:			
Service Cost	278	-	278
Interest	1,634	-	1,634
Changes in benefit terms	1,289	-	1,289
Difference between expected and actual experience	(1,179)	-	(1,179)
Changes in assumptions	(41)	-	(41)
Contributions - Employer	-	1,567	(1,567)
Net Investment Income	-	440	(440)
Benefit Payments	(1,659)	(1,659)	-
Other	-	(1)	1
Net Changes	322	347	(25)
Balance at June 30, 2019	<u>\$ 24,358</u>	<u>\$ 11,466</u>	<u>\$ 12,892</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified

Valuation date	6/30/19
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	6.75% (7.00% in 2019)
Projected salary increase	3.50%

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

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

Asset Class	Target Allocation
Domestic Equities	29.0%
International Equities	29.0
Fixed Income	23.0
Marketable Alternatives	14.0
Real Estate	5.0

Sensitivity of the Aviation Enterprise Fund's Net OPEB Liability to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the Aviation Enterprise Fund's net OPEB liability for MERP to changes in the discount rate as of June 30, 2020. In particular, the table presents the Aviation Enterprise Fund's net OPEB liability if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the current single discount rate (in thousands):

	1% Decrease (5.75%)	Current Single Discount Rate Assumption (6.75%)	1% Increase (7.75%)
Net OPEB Liability for MERP	\$ 15,962	\$ 13,469	\$ 11,448

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the years ended June 30, 2020 and 2019, the Aviation Enterprise Fund recognized OPEB expense of \$1.9 million and \$1.3 million, respectively. At June 30, 2020 and 2019, the Aviation Enterprise Fund reported deferred outflows of resources related to OPEB from the following sources (in thousands):

	2020	2019
Net Difference Between Projected and Actual on OPEB Plan Investments	\$ 738	\$ 224
Total	<u>\$ 738</u>	<u>\$ 224</u>

Amounts reported as deferred outflows of resources at June 30, 2020 will be recognized in OPEB expense as follows:

Year Ending June 30	
2021	\$ 204
2022	204
2023	186
2024	<u>144</u>
Total	<u>\$ 738</u>

Postemployment Health Plan

Employees eligible to retire in more than 15 years from August 1, 2007 who have payroll deductions for City medical insurance coverage are entitled to a \$150 monthly contribution by the Aviation Enterprise Fund to the employee's Postemployment Health Plan (PEHP) account in lieu of MERP subsidies. PEHP is a single-employer defined contribution plan administered by Nationwide Retirement Solutions. Funds accumulated in the employee's account can be used upon termination of employment for qualified medical expenses. The Aviation Enterprise Fund had expenses related to PEHP of \$1 million for both fiscal year 2020 and 2019.

Long-Term Disability Program

Plan Description

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

Plan Benefits

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

The number of Aviation Enterprise Fund participants as of June 30, 2019 (the valuation date), the effective date of the biennial OPEB valuation, follows.

	<u>2019</u>
Current Active Employees	644
Currently Disabled Employees	<u>15</u>
Total Covered Participants	<u>659</u>

Contributions

Contributions by the City (plus earnings thereon) are the sole source of funding for the LTD program. The City's Board of Trustees, subject to oversight by the City Council has the authority to establish and amend the contribution requirements of the City and active employees. The Board of Trustees establishes the rates based on an actuarially determined rate recommended by an independent actuary. The actuarial determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2020 and 2019, the Aviation Enterprise Fund contributed \$59 thousand and \$90 thousand, respectively. Employees are not required to contribute to the LTD program.

Net OPEB Asset

The Aviation Enterprise Fund's net OPEB asset is the proportionate share of the City's total net OPEB asset, 5.1% in 2020 and 5.4% in 2019. The Aviation Enterprise Fund's proportionate share of the City's net OPEB liability for LTD is based on the Fund's proportionate share of the City contributions into LTD for the fiscal years ended June 30, 2020 and 2019. The net OPEB asset was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020. The net OPEB asset is measured as the total OPEB liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 6.75% in 2020 and 7.00% in 2019 was used to measure the total OPEB liability as of June 30, 2020 and 2019, respectively. This single discount rate was based on an expected rate of return on OPEB plan investments of 6.75% and 7.00%, respectively. Based on the stated assumptions and the

projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The schedule below indicates changes in the Aviation Enterprise Fund's net OPEB asset for LTD (in thousands):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance at July 1, 2019	\$ 2,255	\$ 4,199	\$ (1,944)
Changes for the Year:			
Service Cost	183	-	183
Interest	162	-	162
Changes of assumptions	33	-	33
Contributions - Employer	-	59	(59)
Net Investment Income	-	33	(33)
Benefit Payments	(197)	(197)	-
Administrative Expense	63	(19)	82
Net Changes	244	(124)	368
Balance at June 30, 2020	<u>\$ 2,499</u>	<u>\$ 4,075</u>	<u>\$ (1,576)</u>
Balance at July 1, 2018	\$ 2,644	\$ 4,018	\$ (1,374)
Changes for the Year:			
Service Cost	188	-	188
Interest	184	-	184
Difference between expected and actual experience	(142)	-	(142)
Changes of assumptions	(409)	-	(409)
Contributions - Employer	-	90	(90)
Net Investment Income	-	324	(324)
Benefit Payments	(210)	(210)	-
Administrative Expense	-	(19)	19
Other	-	(4)	4
Net Changes	(389)	181	(570)
Balance at June 30, 2019	<u>\$ 2,255</u>	<u>\$ 4,199</u>	<u>\$ (1,944)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified

Valuation date	6/30/19
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	6.75% (7.00% in 2019)
Projected salary increase	3.50%
Inflation rate	3.00%

Mortality rates are based on the sex-distinct employee and annuitant mortality tables described below, including adjustment factors applied to the published tables for each group. Half of active member deaths are assumed to be duty related.

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

Asset Class	Target Allocation
Domestic Equities	29.0%
International Equities	29.0
Fixed Income	23.0
Marketable Alternatives	14.0
Real Estate	5.0

Sensitivity of the Aviation Enterprise Fund's Net OPEB Asset for LTD to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the Aviation Enterprise Fund's net OPEB asset to changes in the discount rate as of June 30, 2020. In particular, the table presents the Aviation Enterprise Fund's net OPEB asset if it were calculated using a Single Discount Rate that is one percentage point lower or one percentage point higher than the current Single Discount Rate (in thousands):

	1% Decrease (5.75%)	Current Single Discount Rate Assumption (6.75%)	1% Increase (7.75%)
Net OPEB Liability for MERP	\$ (1,415)	\$ (1,576)	\$ (1,716)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the years ended June 30, 2020 and 2019, the City recognized OPEB expense of \$94.3 thousand and \$92.2 thousand, respectively. At June 30, 2020 and 2019 the Aviation Enterprise Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	2020	2019
Deferred Outflows of Resources		
Changes in Assumptions	\$ 30	\$ -
Net Difference Between Projected and Actual on OPEB Plan Investments	262	85
Total	<u>\$ 292</u>	<u>\$ 85</u>
Deferred Inflows of Resources		
Differences Between Expected and Actual Experience	117	136
Changes in Assumptions	338	392
Total	<u>\$ 455</u>	<u>\$ 528</u>

Amounts reported as deferred inflows and outflows of resources at June 30, 2020, will be recognized in OPEB expense as follows (in thousands):

	Year Ending June 30
2021	\$ 21
2022	21
2023	14
2024	(2)
2025	(52)
Thereafter	<u>(163)</u>
Total	<u>\$ (163)</u>

14. CAPITAL CONTRIBUTIONS

The Aviation Enterprise Fund periodically receives grant revenues from federal and state agencies which are either for capital projects or operating purposes. Revenue is considered earned as the related approved capital outlays or expenses are incurred. Revenues from capital grants are reported as capital contributions on the Statements of Revenues, Expenses, and Changes in Net Position and revenues from operating grants

are reported as non-aeronautical operating revenue. In fiscal years 2020 and 2019, the Department received \$31.2 million and \$28.3 million, respectively, in federal and state grants combined.

15. PASSENGER FACILITY CHARGES

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

The Airport recorded \$65.7 million and \$86.1 million in passenger facility charges for the years ended June 30, 2020 and 2019, respectively.

16. CUSTOMER FACILITY CHARGES

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

The Airport recorded \$38.6 million and \$50.5 million in customer facility charges for the years ended June 30, 2020 and 2019, respectively.

17. SUBSEQUENT EVENTS

Bond Ratings

On August 21, 2020, S&P Global Ratings (“S&P”) announced that it lowered its financial strength rating on the Airport Revenue Bonds to ‘A+’ from ‘AA-’ on the Senior Lien Airport Revenue Bonds and to ‘A’ from ‘A+’ on the Junior Lien Airport Revenue Bonds. The outlook is negative.

On August 21, 2020, S&P announced that it lowered its financial strength rating on the Rental Car Facility Charge Revenue Bonds to ‘BBB+’ from ‘A’. The outlook is negative.

On November 20, 2020, Moody’s Investor Service (“Moody’s”) announced that it lowered its financial strength rating on the Rental Car Facility Charge Revenue Bonds to ‘A3’ from ‘A2’. The outlook is stable.

Director of Aviation Services

After five years of serving as Director of Aviation Services, James Bennett retired on October 31, 2020. Following a nationwide search for a permanent Director, City Manager Ed Zuercher appointed Chad Makovsky to be the next Director of Aviation Services. Mr. Makovsky has most recently served as Executive Vice President of Operations for Dallas-Fort Worth International Airport since March 2017. Before that, he was an Assistant Aviation Director for the City of Phoenix Aviation Department. Chad will assume the director role in Phoenix on March 29, 2021 after completing his commitments to DFW. In the meantime, Assistant Aviation Director, Charlene Reynolds is serving as interim Director of Aviation Services.



**Required Supplementary
Information**

City of Phoenix Employees' Retirement System (COPERS)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability			
Service cost	\$ 8,599	\$ 7,765	\$ 7,746
Interest (includes interest on service cost)	33,220	31,858	31,152
Changes of benefit terms	-	-	-
Differences between expected and actual experience of total pension liability	(8,236)	4,173	(4,535)
Changes of assumption	(6,613)	-	-
Benefit payments, including refunds of employee contributions	<u>(25,667)</u>	<u>(25,163)</u>	<u>(24,123)</u>
Net change in total pension liability	1,303	18,633	10,240
Total pension liability - beginning	<u>441,820</u>	<u>423,187</u>	<u>412,947</u>
Total pension liability - ending	<u>\$ 443,123</u>	<u>\$ 441,820</u>	<u>\$ 423,187</u>
Plan fiduciary net position			
Contributions - employer	\$ 18,650	\$ 17,574	\$ 16,855
Contributions - employees	4,172	3,715	3,534
Net investment income	5,341	15,154	9,070
Benefit payments, including refunds of employee contributions	(25,667)	(25,163)	(24,123)
Pension plan administrative expense	<u>(266)</u>	<u>(84)</u>	<u>(40)</u>
Net change in plan fiduciary net position	\$ 2,230	\$ 11,196	\$ 5,296
Plan fiduciary net position - beginning	<u>257,201</u>	<u>246,005</u>	<u>240,709</u>
Plan fiduciary net position - ending	<u>\$ 259,431</u>	<u>\$ 257,201</u>	<u>\$ 246,005</u>
Net pension liability - ending	<u>\$ 183,692</u>	<u>\$ 184,619</u>	<u>\$ 177,182</u>
Plan fiduciary net position as a percentage of the total pension liability	58.55%	58.21%	58.13%
Covered payroll (in thousands)	\$ 60,217	\$ 59,565	\$ 55,827
Net pension liability as a percentage of covered payroll	305.05%	309.94%	317.38%

The information in this schedule has been determined as of the measurement date 06/30/20 of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods of which such information is available are presented.

City of Phoenix Employees' Retirement System (COPERS)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 7,288	\$ 8,076	\$ 7,531
Interest (includes interest on service cost)	29,326	29,321	26,636
Changes of benefit terms	-	(323)	-
Differences between expected and actual experience of total pension liability	43	(7,689)	(3,101)
Changes of assumption	242	(6,942)	25,487
Benefit payments, including refunds of employee contributions	<u>(22,367)</u>	<u>(21,619)</u>	<u>(20,440)</u>
Net change in total pension liability	14,532	824	36,113
Total pension liability - beginning	<u>398,415</u>	<u>397,591</u>	<u>361,478</u>
Total pension liability - ending	<u>\$ 412,947</u>	<u>\$ 398,415</u>	<u>\$ 397,591</u>
Plan fiduciary net position			
Contributions - employer	\$ 15,215	\$ 11,984	\$ 11,709
Contributions - employees	3,087	2,952	2,786
Net investment income	27,184	917	2,672
Benefit payments, including refunds of employee contributions	<u>(22,367)</u>	<u>(23,216)</u>	<u>(20,440)</u>
Pension plan administrative expense	<u>(38)</u>	<u>(23)</u>	<u>(41)</u>
Net change in plan fiduciary net position	\$ 23,081	\$ (7,386)	\$ (3,314)
Plan fiduciary net position - beginning	<u>217,628</u>	<u>225,014</u>	<u>228,328</u>
Plan fiduciary net position - ending	<u>\$ 240,709</u>	<u>\$ 217,628</u>	<u>\$ 225,014</u>
Net pension liability - ending	<u>\$ 172,238</u>	<u>\$ 180,787</u>	<u>\$ 172,577</u>
Plan fiduciary net position as a percentage of the total pension liability	58.29%	54.62%	56.59%
Covered payroll (in thousands)	\$ 52,130	\$ 47,397	\$ 48,431
Net pension liability as a percentage of covered payroll	330.40%	381.43%	356.34%

City of Phoenix Employees' Retirement System (COPERS)

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a percentage of Covered Payroll</u>
2020	\$ 18,650	\$ 18,650	\$ -	\$ 60,217	30.97%
2019	17,574	17,574	-	59,565	29.50%
2018	16,855	16,855	-	55,827	30.19%
2017	15,215	15,215	-	52,130	29.19%
2016	11,984	11,984	-	47,397	25.28%
2015	11,709	11,709	-	48,431	24.18%
2014	11,063	11,063	-	51,875	21.33%
2013	11,524	11,524	-	52,465	21.97%
2012	11,471	11,471	-	54,079	21.21%
2011	10,568	10,568	-	54,139	19.52%

Notes to Schedule

Valuation date: July 1, 2018. Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the current measurement period. The rates for fiscal year end June 30, 2020 were determined based on the July 1, 2018 valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	The UAL as of June 30, 2013 is amortized as a level percentage of payroll over a closed 25-year period. The impact of the September 2013 assumption change is amortized over a closed 25-year period with a four-year phase-in. The impact of the August 2015 assumption change is amortized over a closed 25-year period with a four-year phase-in. Future gains and losses are amortized over closed 20-year periods. However, future gains will not be amortized over a shorter period than the remaining period on the amortization of the 2013 UAL.
Asset valuation method	4-Year smoothed market, 25% corridor
Salary increases	3.00% plus merit component based on age ranging from 6.60% at age 20 to 0.00% for members age 65 and older.
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2009-2014.
Mortality	CalPERS mortality tables with adjustment factors, projected with MP-2015
COLA	1.25%
Other:	The City of Phoenix Employees' Retirement System adopted new assumptions based on the experience study performed for the period beginning July 1, 2014 through June 30, 2020. These assumptions will be effective beginning with the June 30, 2020 Actuarial Valuation.



MERP

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 289	\$ 278	\$ 305	\$ 295
Interest (includes interest on service cost)	1,661	1,634	1,614	1,591
Changes of benefit terms	-	1,289	-	-
Differences between expected and actual experience	-	(1,179)	-	-
Changes of assumptions	543	(41)	-	-
Benefit payments, including refunds of employee contributions	(1,769)	(1,659)	(1,567)	(1,556)
Other	109	-	-	-
	<u>833</u>	<u>322</u>	<u>352</u>	<u>330</u>
Net change in OPEB liability				
Total OPEB liability - beginning	24,358	24,036	23,684	23,354
	<u>\$ 25,191</u>	<u>\$ 24,358</u>	<u>\$ 24,036</u>	<u>\$ 23,684</u>
Total OPEB liability - ending				
Plan fiduciary net position				
Contributions - employer	\$ 1,762	\$ 1,567	\$ 1,682	\$ 1,811
Net investment income	262	440	83	1,682
Benefit payments, including refunds of employee contributions	(1,769)	(1,659)	(1,567)	(1,556)
Other	1	(1)	-	-
	<u>256</u>	<u>347</u>	<u>198</u>	<u>1,937</u>
Net change in plan fiduciary net position				
Plan fiduciary net position - beginning	11,466	11,119	10,921	8,984
	<u>\$ 11,722</u>	<u>\$ 11,466</u>	<u>\$ 11,119</u>	<u>\$ 10,921</u>
Plan fiduciary net position - ending				
Net OPEB liability - ending	<u>\$ 13,469</u>	<u>\$ 12,892</u>	<u>\$ 12,917</u>	<u>\$ 12,763</u>
Plan fiduciary net position as a percentage of the total OPEB liability	46.53%	47.07%	46.26%	46.11%
Covered payroll (in thousands)	\$ 18,285	\$ 17,589	\$ 21,449	\$ 20,723
Net OPEB liability as a percentage of covered payroll	73.66%	73.30%	60.22%	61.59%

Note to Schedule

Service Cost determined under the Entry Age Normal Method

The information in this schedule has been determined as of the measurement date 06/30/19 of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods of which such information is available are presented.

MERP

Schedule of Employer Contributions - OPEB

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2020	\$ 1,418	\$ 1,762	\$ (344)	\$ 18,284	9.64%
2019	1,460	1,567	(107)	17,589	8.91%
2018	1,460	1,682	(222)	21,449	7.84%
2017	1,811	1,811	-	20,723	8.74%

Notes to Schedule

Valuation date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Projected Unit Credit

Amortization method: Level dollar, closed

Remaining amortization period: 23 years

Asset Valuation method: Market

Projected payroll increases: 3.50%

Investment rate of return: 7.00%

Health care trend rates: Applies only to Duty Related Death Benefits: Rates starting at 7.50% in 2020 grading down to 4.50% in 2034

Expenses: Investment expenses are paid from investment returns

Other Information:

Notes: Since the prior valuation, demographic assumptions for Public Safety member have been updated to reflect the assumptions used in the Arizona Public Safety Personnel Retirement System Actuarial Valuation as of June 30, 2018, and the Qualified City Contribution MERP benefit for Medicare eligible retirees has been reinstated.

The information in this schedule has been determined as of the measurement date 06/30/20 of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods of which such information is available are presented.

LTD

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 183	\$ 188	\$ 181	\$ 175
Interest (includes interest on service cost)	162	184	174	165
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(142)	-	-
Changes of assumptions	33	(409)	-	-
Benefit payments, including refunds of employee contributions	(197)	(210)	(204)	(219)
Other	63	-	-	-
	<u>244</u>	<u>(389)</u>	<u>151</u>	<u>121</u>
Net change in OPEB liability				
Total OPEB liability - beginning	2,255	2,644	2,493	2,372
	<u>\$ 2,499</u>	<u>\$ 2,255</u>	<u>\$ 2,644</u>	<u>\$ 2,493</u>
Total OPEB liability - ending				
Plan fiduciary net position				
Contributions - employer	\$ 59	\$ 90	\$ 84	\$ 70
Net investment income	33	324	192	470
Benefit payments, including refunds of employee contributions	(197)	(210)	(204)	(219)
Administrative Expense	(19)	(19)	(21)	(14)
Other	-	(4)	9	7
	<u>(124)</u>	<u>181</u>	<u>60</u>	<u>314</u>
Net change in plan fiduciary net position				
Plan fiduciary net position - beginning	4,199	4,018	3,959	3,645
	<u>\$ 4,075</u>	<u>\$ 4,199</u>	<u>\$ 4,019</u>	<u>\$ 3,959</u>
Plan fiduciary net position - ending				
Net OPEB liability - ending	<u>\$ (1,576)</u>	<u>\$ (1,944)</u>	<u>\$ (1,375)</u>	<u>\$ (1,466)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	163.07%	186.21%	152.00%	158.80%
Covered payroll (in thousands)	\$ 44,984	\$ 42,417	\$ 42,475	\$ 41,044
Net OPEB liability as a percentage of covered payroll	-3.50%	-4.58%	-3.24%	-3.57%

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

The information in this schedule has been determined as of the measurement date 06/30/19 of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods of which such information is available are presented.

LTD

Schedule of Employer Contributions - OPEB

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2020	\$ 61	\$ 59	\$ 2	44,984	0.13%
2019	90	90	-	42,417	0.21%
2018	88	84	4	42,475	0.20%
2017	77	70	7	41,044	0.17%

Notes to Schedule

Valuation date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market
Inflation	3.00%
Projected payroll increases	Use actual salary scale
Investment rate of return	7.00%
Health care trend rates	Due to the nature of the benefit, health care trend rates are not applicable to the calculation of contribution rates
Expenses	Investment expenses are paid from investment returns

Other Information:

Notes: There are no benefit changes during the year

The information in this schedule has been determined as of the measurement date 06/30/20 of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods of which such information is available are presented.





Statistical section

The statistical section contains unaudited information about the aviation enterprise fund or the airport.

- 1 Financial Trends
- 2 Revenue Capacity
- 3 Debt Capacity
- 4 Demographic and Economic Information
- 5 Operating Information

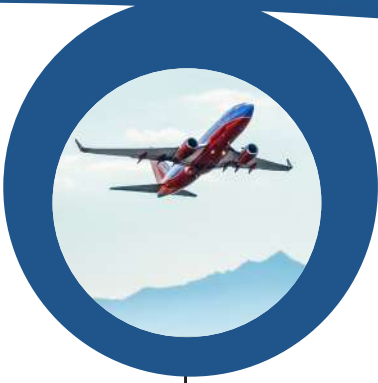




Financial Trends

These schedules contain trend information to show how the Aviation Enterprise Fund's financial performance and position have changed over time.





THE FINANCIAL TRENDS SCHEDULES INCLUDE:

- 1 Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances (non-GAAP)
- 2 Reconciliation of Airport Cash on Hand to Available Fund Balance per Budgetary Presentation
- 3 Reconciliation of GAAP Operating Revenues and Expenses to Revenues and Expenditures per Budgetary Presentation
- 4 Changes in Net Position

SCHEDULE 1

City of Phoenix, Aviation Enterprise Fund

**COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (NON - GAAP)**

(In Expense Priority Established by the Airport Bond Ordinance)

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

	<u>2020</u>	<u>2019</u>
REVENUES		
Aeronautical Revenue		
Terminal Fees	\$ 100,876	\$ 93,759
Landing Fees	45,756	50,149
Air Cargo and Hangar Rental	9,206	8,469
Other	15,863	16,077
Non-Aeronautical Revenue		
Parking	71,334	90,686
Rental Cars	40,684	57,012
Terminal - Food and Beverage	17,343	22,989
Terminal - Retail	10,525	12,941
Rental Revenue	18,909	19,928
Ground Transportation	7,567	9,213
Interest	10,417	9,241
Other	4,959	4,769
Total Revenues before Reimbursement	353,439	395,233
Transportation O&M Expense Reimbursement ⁽¹⁾	15,459	15,142
Total Revenues	<u>368,898</u>	<u>410,375</u>
EXPENDITURES AND ENCUMBRANCES		
Cost of Operation and Maintenance		
Personal Services	128,315	125,184
Contractual Services	117,751	116,721
Supplies	11,376	11,850
Equipment/Minor Improvements	2,424	3,590
Total Cost of Operation and Maintenance ⁽¹⁾	<u>259,866</u>	<u>257,345</u>
Net Airport Revenue Available for Debt Service (Net Airport Revenues)	109,032	153,030
Total Senior Lien Airport Revenue Bond Debt Service ⁽²⁾	<u>59,721</u>	<u>55,957</u>
Net Airport Revenue Available After Senior Lien Revenue Bond Debt Service (Designated Revenues)	49,311	97,073
Total Junior Lien Airport Revenue Bond Debt Service ⁽³⁾	<u>8,560</u>	<u>5,935</u>
Net Airport Revenue Available After Senior and Junior Lien Revenue Bond Debt Service	<u>40,751</u>	<u>91,138</u>
Other Expenditures		
Capital Improvements	20,366	168,013
General Obligation Bond Debt Service	3,428	4,717
Early Defeasance of Debt	-	2,653
Short Term Interest	758	1,176
Total Other Expenditures	<u>24,552</u>	<u>176,559</u>
Total Expenditures and Encumbrances	<u>352,699</u>	<u>495,796</u>
Excess of Revenues Over Expenditures and Encumbrances	<u>16,199</u>	<u>(85,421)</u>

SCHEDULE 1

City of Phoenix, Aviation Enterprise Fund

**COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (NON - GAAP) (CONTINUED)**

(In Expense Priority Established by the Airport Bond Ordinance)

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

	<u>2020</u>	<u>2019</u>
OTHER FINANCING SOURCES (USES)		
Recovery of Prior Years Expenditures	\$ 1,980	\$ 5,117
Transfer to General Fund:		
Staff and Administrative - Central Service	(9,736)	(9,412)
Transfers (to) from Other Funds		
Transfers to Other Funds	(949)	(2,202)
Transfers from Other Funds	<u>101,644</u>	<u>10,535</u>
Total Other Financing Sources (Uses)	<u>92,939</u>	<u>4,038</u>
Net Increase in Fund Balance	109,138	(81,383)
FUND BALANCE, JULY 1	<u>272,617</u>	<u>354,000</u>
FUND BALANCE, JUNE 30	381,755	272,617
Non-Cash Budgetary Transactions ⁽⁴⁾	<u>119,446</u>	<u>161,048</u>
Total Airport Cash on Hand, June 30	<u>\$ 501,201</u>	<u>\$ 433,665</u>
Days Cash Calculation ⁽⁵⁾		
Total Airport Cash on Hand, June 30	\$ 501,201	\$ 433,665
Total Cost of Maintenance and Operation	259,866	257,345
Days Cash on Hand	704	615

Notes:

⁽¹⁾ Rental Car Center Transportation O&M Expenses as defined in the CFC Bond Documents are included as a Cost of Operation and Maintenance. Amounts reimbursed to the City by the CFC trustee to pay the rental car busing service expenses (included as a Cost of Operation and Maintenance) are included as Revenues.

⁽²⁾ Debt service is net of the CARES grant reimbursement.

⁽³⁾ Debt service is net of the Junior Lien Passenger Facility Charge Credits, capitalized interest, and the Recovery Zone Economic Development Bonds subsidy from the United States Treasury.

⁽⁴⁾ Consists of budgetary encumbrances, revenue recoveries and other timing differences.

⁽⁵⁾ Days cash on hand is calculated as follows: Total airport cash on hand divided by total cost of maintenance and operation multiplied by 365.

SCHEDULE 2

City of Phoenix, Aviation Enterprise Fund

RECONCILIATION OF AIRPORT CASH ON HAND TO AVAILABLE FUND

BALANCE PER BUDGETARY PRESENTATION

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

	<u>2020</u>	<u>2019</u>
Comparative Statements of Net Position		
Cash and Cash Equivalents (Unrestricted)	\$ 45,571	\$ 76,258
Investments (Unrestricted)	<u>455,630</u>	<u>357,407</u>
Total Airport Cash on Hand, June 30	501,201	433,665
Adjusted For:		
Non-Cash Budgetary Transactions ⁽¹⁾	<u>(119,446)</u>	<u>(161,048)</u>
Available Fund Balance per Budgetary Presentation ⁽²⁾	<u>\$ 381,755</u>	<u>\$ 272,617</u>

Notes:

⁽¹⁾ Consists of budgetary encumbrances, revenue recoveries and other timing differences.

⁽²⁾ Budgetary Presentation is shown on Schedule 1 - City of Phoenix Aviation Enterprise Fund Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balances

SCHEDULE 3

City of Phoenix, Aviation Enterprise Fund

**RECONCILIATION OF GAAP OPERATING REVENUES AND EXPENSES
TO REVENUES AND EXPENDITURES PER BUDGETARY PRESENTATION**

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

	<u>2020</u>	<u>2019</u>
Revenues		
Total GAAP Operating Revenues	\$ 346,852	\$ 384,400
Adjusted for:		
Transportation O&M Expense Reimbursement	15,459	15,142
Year-end Revenue Accruals	(3,847)	1,411
Interest Income	10,417	9,241
Proceeds from Disposal of Assets	17	181
Revenues per Budgetary Presentation ⁽²⁾	<u>\$ 368,898</u>	<u>\$ 410,375</u>
Operating Expenses/Expenditures		
Total GAAP Operating Expenses	\$ 459,703	\$ 441,306
Adjusted for:		
Depreciation	(179,992)	(170,274)
Staff and Administration	(9,736)	(9,412)
Net Pension Liability Increase	1,676	(5,526)
Net OPEB Liability Increase	(297)	-
Year-end Expenditure Accruals	2,077	1,512
Expensed Capital ⁽³⁾	(7,438)	(7,083)
Other ⁽¹⁾	(6,127)	6,822
Operation and Maintenance Expenditures per Budgetary Presentation ⁽²⁾	<u>\$ 259,866</u>	<u>\$ 257,345</u>
Senior Lien Coverage Calculation		
Revenue	\$ 368,898	\$ 410,375
Operating Expenditures	<u>259,866</u>	<u>257,345</u>
Designated Revenue for Senior Lien Debt Service	<u>\$ 109,032</u>	<u>\$ 153,030</u>
Senior Lien Debt Service	\$ 68,627	\$ 55,957
Adjusted for CARES Grant Reimbursement	<u>(8,906)</u>	<u>-</u>
Net Senior Lien Debt Service	<u>\$ 59,721</u>	<u>\$ 55,957</u>
Senior Lien Debt Service Coverage ⁽⁴⁾	1.83	2.73
Junior Lien Coverage Calculation		
Designated Revenue for Senior Lien Debt Service	\$ 109,032	\$ 153,030
Senior Lien Debt Service	<u>59,721</u>	<u>55,957</u>
Designated Revenue for Junior Lien Debt Service	<u>\$ 49,311</u>	<u>\$ 97,073</u>
Junior Lien Debt Service	\$ 68,431	\$ 49,574
Adjusted for:		
Junior Lien PFC Credit	(49,352)	(43,044)
2010 RZEDB Subsidy Payments	(597)	(595)
2019 Bond Capitalized Interest	(8,319)	-
Debt Service Reserve Used for Final Payment	(1,603)	-
Net Junior Lien Debt Service	<u>\$ 8,560</u>	<u>\$ 5,935</u>
Junior Lien Debt Service Coverage ⁽⁴⁾	5.76	16.36
Aggregate Senior & Junior Liens Coverage Calculation		
Designated Revenue for Debt Service	\$ 109,032	\$ 153,030
Aggregate Senior & Junior Liens Debt Service	<u>68,281</u>	<u>61,892</u>
Aggregate Senior & Junior Liens Debt Service Coverage	1.60	2.47

Notes:

⁽¹⁾ Includes budgetary encumbrances and revenue recoveries.

⁽²⁾ Budgetary Presentation is shown on the City of Phoenix Aviation Enterprise Fund Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances.

⁽³⁾ Includes repairs and studies that do not result in a major improvement to the Aviation Enterprise Fund.

⁽⁴⁾ As defined in the City Purchase Agreement.

SCHEDULE 4

City of Phoenix, Aviation Enterprise Fund

CHANGES IN NET POSITION

Last Ten Fiscal Years

(in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues				
Aeronautical Revenue	\$ 170,109	\$ 169,017	\$ 160,900	\$ 154,209
Non-Aeronautical Revenue	176,743	215,383	212,993	202,209
Total Operating Revenue	<u>346,852</u>	<u>384,400</u>	<u>373,893</u>	<u>356,418</u>
Operating Expenses				
Operation and Maintenance				
Personal Services	127,199	130,174	134,785	127,792
Contractual Services	122,786	112,768	117,162	103,158
Supplies	11,945	11,060	11,731	9,300
Equipment/Minor Improvements	7,899	7,618	6,375	11,145
Environmental, Studies and Noise	-	-	-	959
City Staff and Administrative	9,736	9,412	9,141	8,373
Depreciation	179,992	170,274	166,145	165,826
Total Operating Expenses	<u>459,557</u>	<u>441,306</u>	<u>445,339</u>	<u>426,553</u>
Net Operating Loss	<u>(112,705)</u>	<u>(56,906)</u>	<u>(71,446)</u>	<u>(70,135)</u>
Non-Operating Revenues (Expenses)				
Passenger Facility Charges	65,717	86,091	83,885	83,577
Rental Car Customer Facility Charges	38,588	50,460	49,210	47,348
Investment Income	25,097	22,307	4,594	2,555
CARES Grant	9,073	-	-	-
Interest on Capital Debt	(86,810)	(65,739)	(64,403)	(67,915)
Loss on Disposal of Capital Assets	(1,223)	(11,417)	(4,529)	(1,417)
Total Non-Operating Revenues (Expenses)	<u>50,442</u>	<u>81,702</u>	<u>68,757</u>	<u>64,148</u>
Capital Contributions	31,231	28,291	22,569	26,639
Transfer from Other Funds	248	284	168	-
Transfer to Other Funds	(949)	(948)	(948)	(370)
Change in Net Position	<u>(31,733)</u>	<u>52,423</u>	<u>19,100</u>	<u>20,282</u>
Net Position - July 1	1,725,596	1,673,173	1,654,073	1,645,405
Restatement of Beginning Net Position	-	-	-	(11,614)
Net Position - July 1, as restated	<u>1,725,596</u>	<u>1,673,173</u>	<u>1,654,073</u>	<u>1,633,791</u>
Net Position - June 30	<u>\$ 1,693,863</u>	<u>\$ 1,725,596</u>	<u>\$ 1,673,173</u>	<u>\$ 1,654,073</u>
Net Position - June 30				
Net Investment in Capital Assets	\$ 1,288,177	\$ 1,296,340	\$ 1,229,519	\$ 1,164,073
Restricted	122,541	252,510	296,139	308,800
Unrestricted	283,145	176,746	147,515	181,200
Total Net Position	<u>\$ 1,693,863</u>	<u>\$ 1,725,596</u>	<u>\$ 1,673,173</u>	<u>\$ 1,654,073</u>

SCHEDULE 4

City of Phoenix, Aviation Enterprise Fund

CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years

(in thousands)

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 144,093	\$ 145,046	\$ 141,633	\$ 129,026	\$ 124,112	\$ 118,580
189,322	195,921	184,411	176,660	175,655	170,080
<u>333,415</u>	<u>340,967</u>	<u>326,044</u>	<u>305,686</u>	<u>299,767</u>	<u>288,660</u>
119,938	86,172	65,339	72,791	71,987	69,189
104,735	115,486	124,360	114,748	103,669	104,365
11,925	10,771	11,014	11,797	11,061	11,294
23,305	31,128	26,045	32,850	31,225	36,026
1,956	2,600	5,099	8,361	8,218	15,364
7,716	7,969	7,262	6,869	5,889	4,364
166,829	163,691	158,760	146,034	127,699	128,697
<u>436,404</u>	<u>417,817</u>	<u>397,879</u>	<u>393,450</u>	<u>359,748</u>	<u>369,299</u>
<u>(102,989)</u>	<u>(76,850)</u>	<u>(71,835)</u>	<u>(87,764)</u>	<u>(59,981)</u>	<u>(80,639)</u>
83,449	84,774	79,672	78,184	78,807	79,870
47,118	44,839	43,113	41,457	41,253	39,274
6,591	2,988	3,831	519	2,750	2,609
-	-	-	-	-	-
(67,141)	(65,051)	(64,863)	(70,785)	(75,927)	(70,612)
(759)	(47)	(29)	(153)	16	7,803
<u>69,258</u>	<u>67,503</u>	<u>61,724</u>	<u>49,222</u>	<u>46,899</u>	<u>58,944</u>
27,803	20,970	27,184	14,516	32,694	33,832
2	1	-	31	-	-
(330)	(365)	(166)	-	-	-
<u>(6,256)</u>	<u>11,259</u>	<u>16,907</u>	<u>(23,995)</u>	<u>19,612</u>	<u>12,137</u>
1,651,661	1,640,402	1,765,618	1,789,613	1,770,001	1,757,864
-	-	(142,123)	-	-	-
<u>1,651,661</u>	<u>1,640,402</u>	<u>1,623,495</u>	<u>1,789,613</u>	<u>1,770,001</u>	<u>1,757,864</u>
<u>\$ 1,645,405</u>	<u>\$ 1,651,661</u>	<u>\$ 1,640,402</u>	<u>\$ 1,765,618</u>	<u>\$ 1,789,613</u>	<u>\$ 1,770,001</u>
\$ 1,104,662	\$ 1,170,752	\$ 1,241,513	\$ 1,255,699	\$ 1,325,444	\$ 1,312,605
350,755	343,472	272,624	266,673	106,337	106,350
189,988	137,437	126,265	243,246	357,832	351,046
<u>\$ 1,645,405</u>	<u>\$ 1,651,661</u>	<u>\$ 1,640,402</u>	<u>\$ 1,765,618</u>	<u>\$ 1,789,613</u>	<u>\$ 1,770,001</u>





Revenue Capacity

These schedules present information on the Aviation Enterprise Fund's Aeronautical and Non-Aeronautical revenues.



THE REVENUE CAPACITY SCHEDULES INCLUDE:

- 5 Principal Revenue Sources
- 6 Rates and Charges

SCHEDULE 5

City of Phoenix, Aviation Enterprise Fund

PRINCIPAL REVENUE SOURCES

for Operating Revenues over Ten Percent of Total Operating Revenues

Last Ten Fiscal Years

	2020	2019	Fiscal Year 2018	2017	2016
Terminal Fees					
Amount	\$ 94,459,521	\$ 93,026,988	\$ 89,389,493	\$ 80,955,779	\$ 75,114,921
Percent of Operating Revenue	27.23%	24.20%	23.91%	22.71%	22.53%
Landing Fees					
Amount	\$ 53,071,955	\$ 49,506,122	\$ 50,029,798	\$ 51,278,003	\$ 49,869,087
Percent of Operating Revenue	15.30%	12.88%	13.38%	14.39%	14.96%
Parking					
Amount	\$ 70,330,167	\$ 90,877,610	\$ 88,189,599	\$ 84,150,595	\$ 84,585,621
Percent of Operating Revenue	20.28%	23.64%	23.59%	23.61%	25.37%
Rental Cars					
Amount	\$ 46,471,450	\$ 54,840,393	\$ 54,901,712	\$ 53,594,924	\$ 46,668,644
Percent of Operating Revenue	13.40%	14.27%	14.68%	15.04%	14.00%
	2015	2014	Fiscal Year 2013	2012	2011
Terminal Fees					
Amount	\$ 78,422,082	\$ 73,089,595	\$ 64,904,028	\$ 56,745,994	\$ 45,524,353
Percent of Operating Revenue	23.00%	22.42%	18.93%	15.77%	15.18%
Landing Fees					
Amount	\$ 48,497,053	\$ 49,860,459	\$ 46,892,628	\$ 42,970,142	\$ 41,504,514
Percent of Operating Revenue	14.22%	15.29%	14.33%	12.45%	14.43%
Parking					
Amount	\$ 81,094,038	\$ 76,964,416	\$ 74,913,811	\$ 72,753,006	\$ 69,837,852
Percent of Operating Revenue	23.78%	23.61%	24.27%	24.19%	24.77%
Rental Cars					
Amount	\$ 52,103,343	\$ 49,627,460	\$ 47,793,301	\$ 47,094,786	\$ 45,684,285
Percent of Operating Revenue	15.28%	15.22%	15.71%	15.83%	16.49%

SCHEDULE 6

City of Phoenix, Aviation Enterprise Fund

RATES AND CHARGES

for Principal Revenue Sources

Last Ten Fiscal Years

	Fiscal Year				
	2020	2019	2018	2017	2016
Airline Terminal Fees					
Fee per square foot					
Terminal 2	\$ 135.72	\$ 128.28	\$ 120.00	\$ 109.80	\$ 106.68
Terminal 3	135.72	128.28	120.00	109.80	106.68
Terminal 4	135.72	128.28	120.00	109.80	106.68
Landing Fees					
Fee per 1,000 pounds	1.99	1.97	1.99	1.98	1.98
Parking Rates					
Terminal Garages (per hour)	4.00	4.00	4.00	4.00	4.00
Terminal Garages (daily max)					
Terminal 2/West Economy Garage	12.00	26.00	26.00	25.00	25.00
Terminal 3	27.00	27.00	27.00	25.00	25.00
Terminal 4	27.00	27.00	27.00	25.00	25.00
Terminal 2 Economy Covered	-	12.00	12.00	11.00	11.00
Terminal 2 Economy Uncovered	-	10.00	10.00	9.00	9.00
West Economy Park and Walk	7.00	7.00	7.00	7.00	7.00
East Economy Covered	14.00	14.00	14.00	11.00	11.00
East Economy Uncovered	12.00	12.00	12.00	9.00	9.00
Rental Car Center Rates					
Percent of Gross Rent	10%	10%	10%	10%	10%

	Fiscal Year				
	2015	2014	2013	2012	2011
Airline Terminal Fees					
Fee per square foot					
Terminal 2	\$ 118.26	\$ 112.80	\$ 110.65	\$ 79.99	\$ 75.80
Terminal 3	118.26	112.80	110.65	83.73	81.92
Terminal 4	118.26	112.80	110.65	104.56	90.90
Landing Fees					
Fee per 1,000 pounds	1.87	1.99	1.93	1.67	1.59
Parking Rates					
Terminal Garages (per hour)	4.00	4.00	4.00	4.00	4.00
Terminal Garages (daily max)					
Terminal 2	25.00	25.00	25.00	25.00	25.00
Terminal 3	25.00	25.00	25.00	25.00	25.00
Terminal 4	25.00	25.00	25.00	25.00	25.00
Terminal 2 Economy Covered	11.00	11.00	11.00	11.00	11.00
Terminal 2 Economy Uncovered	9.00	9.00	9.00	9.00	9.00
West Economy Park and Walk	7.00	9.00	9.00	9.00	9.00
East Economy Covered	11.00	11.00	11.00	11.00	11.00
East Economy Uncovered	9.00	9.00	9.00	9.00	9.00
Rental Car Center Rates					
Percent of Gross Rent	10%	10%	10%	10%	10%



Debt Capacity

These schedules present information regarding the Aviation Enterprise Fund's current levels of outstanding debt and debt service requirements.



THE DEBT CAPACITY SCHEDULES INCLUDE:

- 7 Outstanding Debt, per Enplaned Passenger
- 8 Debt Service Paid from General Airport Revenue, per Enplaned Passenger
- 9 Bond Ratings
- 10 Senior Lien Airport Revenue Bonds - Schedule of Outstanding Debt
- 11 Senior Lien Airport Revenue Bonds - Schedule of Debt Service Requirements
- 12 Junior Lien Airport Revenue Bonds - Schedule of Outstanding Debt
- 13 Junior Lien Airport Revenue Bonds - Schedule of Debt Service Requirements
- 14 Rental Car Facility Charge Revenue Bonds - Schedule of Outstanding Debt
- 15 Rental Car Facility Charge Revenue Bonds - Schedule of Debt Service Requirements

SCHEDULE 7

City of Phoenix, Aviation Enterprise Fund

**OUTSTANDING DEBT PAYABLE FROM GENERAL AIRPORT REVENUE,
PER ENPLANED PASSENGER**

Last Ten Fiscal Years

	Fiscal Year				
	2020	2019	2018	2017	2016
Outstanding Debt (in thousands)					
Revenue Bonds					
Senior Lien Bonds	\$ 726,000	\$ 757,575	\$ 554,005	\$ 447,660	\$ 472,895
Junior Lien Bonds	1,364,955	652,955	669,935	724,405	739,900
Rental Car Facility Bonds	302,320	154,895	165,885	176,225	186,050
General Obligation Bonds	-	3,345	7,865	7,865	7,865
Premiums/Discounts (net)	314,306	169,310	162,097	53,947	59,184
Total Outstanding Debt	<u>\$ 2,707,581</u>	<u>\$ 1,738,080</u>	<u>\$ 1,559,787</u>	<u>\$ 1,410,102</u>	<u>\$ 1,465,894</u>
Enplaned Passengers	17,337,118	22,831,945	22,218,915	21,820,386	22,055,907
Outstanding Debt per Enplaned Passenger with Discounts/Premiums	\$ 156.17	\$ 76.12	\$ 70.20	\$ 64.62	\$ 66.46
Outstanding Debt per Enplaned Passenger without Discounts/Premiums	\$ 138.04	\$ 68.71	\$ 62.91	\$ 62.15	\$ 63.78

	Fiscal Year				
	2015	2014	2013	2012	2011
Outstanding Debt (in thousands)					
Revenue Bonds					
Senior Lien Bonds	\$ 496,905	\$ 519,775	\$ 542,920	\$ 599,615	\$ 625,270
Junior Lien Bonds	659,585	672,290	684,395	696,105	696,105
Rental Car Facility Bonds	195,305	204,055	212,340	220,185	227,620
General Obligation Bonds	7,865	7,870	8,905	9,615	10,500
Premiums/Discounts (net)	51,069	55,996	60,721	29,488	31,953
Total Outstanding Debt	<u>\$ 1,410,729</u>	<u>\$ 1,459,986</u>	<u>\$ 1,509,281</u>	<u>\$ 1,555,008</u>	<u>\$ 1,591,448</u>
Enplaned Passengers	21,488,569	20,518,748	20,235,788	20,278,458	19,681,233
Outstanding Debt per Enplaned Passenger with Discounts/Premiums	\$ 65.65	\$ 71.15	\$ 74.58	\$ 76.68	\$ 80.86
Outstanding Debt per Enplaned Passenger without Discounts/Premiums	\$ 63.27	\$ 68.42	\$ 71.58	\$ 75.23	\$ 79.24

Notes:

Includes a portion of the Senior Lien Excise Tax Revenue Refunding Bonds, Series 2007, which were issued for Airport, in fiscal years 2008 through 2012. The Airport portion on the bonds were paid in full in fiscal year 2012.

SCHEDULE 8

City of Phoenix, Aviation Enterprise Fund

**DEBT SERVICE PAID FROM GENERAL AIRPORT REVENUE,
PER ENPLANED PASSENGER**

Last Ten Fiscal Years

	Fiscal Year				
	2020	2019	2018	2017	2016
Debt Service (in thousands)					
Revenue Bonds					
Principal	\$ 50,030	\$ 39,590	\$ 44,898	\$ 40,730	\$ 38,135
Interest	87,018	65,941	61,281	60,654	60,442
Short Term Obligations					
Interest	758	1,176	810	1,021	125
General Obligation Bonds					
Principal	3,345	4,520	-	-	-
Interest	83	197	197	197	197
Total Debt Service	\$ 141,234	\$ 111,424	\$ 107,186	\$ 102,602	\$ 98,899
Enplaned Passengers	17,337,118	22,831,945	22,218,915	21,820,386	22,055,907
Debt Service per Enplaned Passenger	\$ 8.15	\$ 4.88	\$ 4.82	\$ 4.70	\$ 4.48
	Fiscal Year				
	2015	2014	2013	2012	2011
Debt Service (in thousands)					
Revenue Bonds					
Principal	\$ 35,575	\$ 35,250	\$ 33,615	\$ 25,655	\$ 20,610
Interest	59,626	61,248	64,495	66,925	62,453
Short Term Obligations					
Interest	-				
General Obligation Bonds					
Principal	-	500	710	885	850
Interest	201	359	395	430	464
Total Debt Service	\$ 95,402	\$ 97,357	\$ 99,215	\$ 93,895	\$ 84,377
Enplaned Passengers	21,488,569	20,518,748	20,235,788	20,278,458	19,681,233
Debt Service per Enplaned Passenger	\$ 4.44	\$ 4.74	\$ 4.90	\$ 4.63	\$ 4.29

Source:

City of Phoenix, Aviation Department

Note:

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

SCHEDULE 9

City of Phoenix, Aviation Enterprise Fund

BOND RATINGS

(as of June 30, 2020)

Series	Rating	
	Moody's	S & P
City of Phoenix Civic Improvement Corporation		
Senior Lien Revenue Bonds		
2013 Airport Revenue Refunding Bonds (AMT)	Aa3	AA-
2017A Airport Revenue Bonds (AMT)		
2017B Airport Revenue Refunding Bonds (Non-AMT)		
2017C Airport Revenue Refunding Bonds (Taxable)		
2018 Airport Revenue Bonds (AMT)		
Junior Lien Revenue Bonds		
2010B Airport Revenue Bonds (Taxable)	A1	A+
2015A Airport Revenue Bonds (Non-AMT)		
2015B Airport Revenue Refunding Bonds (Non-AMT)		
2017D Airport Revenue Refunding Bonds (Non-AMT)		
2019A Airport Revenue Bonds (Non-AMT)		
2019B Airport Revenue Bonds (AMT)		
2019C Airport Revenue Refunding Bonds (Taxable)		
Rental Car Facility Charge Revenue Bonds		
2019A Rental Car Facility Bonds (Taxable)	A2	A
2019B Rental Car Facility Refunding Bonds (Taxable)		

Source:
City of Phoenix, Finance Department

SCHEDULE 10

City of Phoenix, Aviation Enterprise Fund

SENIOR LIEN AIRPORT REVENUE BONDS

SCHEDULE OF OUTSTANDING DEBT

(as of June 30, 2020)

<u>Delivery Date</u>	<u>Series</u>	<u>Original Issuance</u>	<u>Maturity Dates</u>	<u>Coupons</u>	<u>Bonds Outstanding ⁽¹⁾</u>
03/05/13	2013 ⁽²⁾	\$ 196,600,000	7/1/14-32	3.00% - 5.00%	\$ 144,005,000
11/21/17	2017A	190,930,000	7/1/18-47	5.00%	182,905,000
11/21/17	2017B ⁽²⁾	173,440,000	7/1/21-38	5.00%	173,440,000
11/21/17	2017C ⁽²⁾	35,745,000	7/1/18-21	1.501% - 2.207%	4,820,000
11/28/18	2018	226,180,000	7/1/19-48	4.00% - 5.00%	220,830,000
Total					<u>\$ 726,000,000</u>

Notes:

⁽¹⁾ Does not include bonds maturing on July 1, 2020.

⁽²⁾ Series 2013, 2017B and 2017C were used for refunding purposes.

SCHEDULE 11

City of Phoenix, Aviation Enterprise Fund

SENIOR LIEN AIRPORT REVENUE BONDS

SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2021	\$ 23,800,000	\$ 35,965,377	\$ 59,765,377
2022	24,855,000	34,910,000	59,765,000
2023	24,455,000	33,667,250	58,122,250
2024	25,690,000	32,444,500	58,134,500
2025	26,970,000	31,160,000	58,130,000
2026	28,325,000	29,811,500	58,136,500
2027	29,735,000	28,395,250	58,130,250
2028	31,225,000	26,908,500	58,133,500
2029	32,780,000	25,347,250	58,127,250
2030	34,425,000	23,708,250	58,133,250
2031	36,145,000	21,987,000	58,132,000
2032	37,955,000	20,179,750	58,134,750
2033	23,600,000	18,282,000	41,882,000
2034	24,785,000	17,102,000	41,887,000
2035	26,025,000	15,862,750	41,887,750
2036	27,325,000	14,561,500	41,886,500
2037	28,685,000	13,195,250	41,880,250
2038	30,120,000	11,761,000	41,881,000
2039	16,650,000	10,255,000	26,905,000
2040	17,480,000	9,422,500	26,902,500
2041	18,355,000	8,548,500	26,903,500
2042	19,275,000	7,630,750	26,905,750
2043	20,240,000	6,667,000	26,907,000
2044	21,250,000	5,655,000	26,905,000
2045	22,280,000	4,622,500	26,902,500
2046	23,365,000	3,538,500	26,903,500
2047	24,505,000	2,400,250	26,905,250
2048	25,700,000	1,205,000	26,905,000
Total	\$ 726,000,000	\$ 495,194,127	\$ 1,221,194,127

SCHEDULE 12

City of Phoenix, Aviation Enterprise Fund

JUNIOR LIEN AIRPORT REVENUE BONDS

SCHEDULE OF OUTSTANDING DEBT

(as of June 30, 2020)

Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding⁽¹⁾
09/01/10	2010B ⁽³⁾⁽⁴⁾	\$ 642,680,000	7/1/13-40	2.00% - 5.25%	\$ 21,345,000
12/15/15	2015A ⁽⁵⁾	95,785,000	7/1/16-45	4.00% - 5.00%	88,345,000
12/15/15	2015B ⁽²⁾⁽³⁾	18,655,000	7/1/34	5.00%	18,655,000
12/21/17	2017D ⁽²⁾	474,725,000	7/1/21-40	3.125% - 5.00%	474,725,000
12/11/19	2019A ⁽⁶⁾	341,095,000	7/1/41-49	3.00% - 5.00%	341,095,000
12/11/19	2019B	392,005,000	7/1/20-49	3.25% - 5.00%	391,355,000
12/11/19	2019C ⁽²⁾	29,435,000	7/1/23-25	2.20% - 2.37%	29,435,000
Total					\$ 1,364,955,000

Notes:

⁽¹⁾ Does not include bonds maturing on July 1, 2020.

⁽²⁾ Series 2015B, 2017D, and 2019C were used for refunding purposes.

⁽³⁾ 100% of debt service due on or before July 1, 2027 on these bonds is also secured by an irrevocable commitment of net proceeds of a passenger facility charge (the PFC) imposed by the City and collected on behalf of the City by non-exempt passenger air carriers at Phoenix Sky Harbor International Airport. The PFC is currently imposed at the rate of \$4.50 per qualifying enplaned passenger and is required to be remitted to the City less any accrued interest and an \$0.11 per PFC airline collection fee.

⁽⁴⁾ Represents bonds issued as RZEDB Bonds for purposes of the American Recovery and Reinvestment Act of 2010, and the Internal Revenue Code of 1986. Subject to the City's compliance with certain requirements of the Code, the City expects to receive semiannual cash subsidy payments rebating a portion of the interest on these bonds from the United States Treasury in an amount equal to 45% of the interest payable each respective interest payment date. The debt service shown above has not been reduced by the expected subsidy payments. On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, which has resulted in a reduction of the federal subsidy by 5.9% and 6.2% (the Sequester Reductions), in fiscal years 2020 and 2019, respectively. However, the City does not expect the Sequester Reductions to have a material adverse effect on its ability to make payments of interest on the RZEDB Bonds.

⁽⁵⁾ 30% of debt service due on or before July 1, 2026 on these bonds is also secured by an irrevocable commitment of net proceeds of a passenger facility charge imposed by the City and collected on behalf of the City by non-exempt passenger air carriers at Phoenix Sky Harbor International Airport.

⁽⁶⁾ 93% of debt service due on or before July 1, 2026 on these bonds is also secured by an irrevocable commitment of net proceeds of a passenger facility charge imposed by the City and collected on behalf of the City by non-exempt passenger air carriers at Phoenix Sky Harbor International Airport.

SCHEDULE 13

City of Phoenix, Aviation Enterprise Fund

JUNIOR LIEN AIRPORT REVENUE BONDS

SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2021	\$ 18,745,000	\$ 63,645,152	\$ 82,390,152
2022	19,680,000	62,707,903	82,387,903
2023	36,215,000	61,723,902	97,938,902
2024	37,760,000	60,181,812	97,941,812
2025	39,380,000	58,563,587	97,943,587
2026	30,820,000	56,858,377	87,678,377
2027	32,355,000	55,317,376	87,672,376
2028	33,980,000	53,699,626	87,679,626
2029	35,675,000	52,000,626	87,675,626
2030	37,460,000	50,216,877	87,676,877
2031	39,325,000	48,343,876	87,668,876
2032	41,305,000	46,377,626	87,682,626
2033	43,365,000	44,312,376	87,677,376
2034	44,190,000	42,144,126	86,334,126
2035	47,640,000	40,113,970	87,753,970
2036	50,015,000	37,731,970	87,746,970
2037	52,500,000	35,249,670	87,749,670
2038	54,960,000	32,787,970	87,747,970
2039	57,185,000	30,567,170	87,752,170
2040	59,490,000	28,256,170	87,746,170
2041	52,655,000	25,170,950	77,825,950
2042	55,095,000	22,738,600	77,833,600
2043	57,630,000	20,194,250	77,824,250
2044	60,290,000	17,533,700	77,823,700
2045	63,070,000	14,751,250	77,821,250
2046	61,750,000	11,885,375	73,635,375
2047	64,525,000	9,107,925	73,632,925
2048	67,430,000	6,205,200	73,635,200
2049	70,465,000	3,171,138	73,636,138
Total	<u>\$ 1,364,955,000</u>	<u>\$ 1,091,558,550</u>	<u>\$ 2,456,513,550</u>

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

SCHEDULE 14

City of Phoenix, Aviation Enterprise Fund

RENTAL CAR FACILITY CHARGE REVENUE BONDS

SCHEDULE OF OUTSTANDING DEBT

(as of June 30, 2020)

<u>Delivery Date</u>	<u>Series</u>	<u>Original Issuance</u>	<u>Maturity Dates</u>	<u>Coupons</u>	<u>Bonds Outstanding ⁽¹⁾</u>
12/05/19	2019A	\$ 244,245,000	7/1/28-45	4.00% - 5.00%	\$ 244,245,000
12/05/19	2019B ⁽²⁾	60,485,000	7/1/20-28	2.007% - 2.796%	<u>58,075,000</u>
					<u>\$ 302,320,000</u>

Note:

⁽¹⁾ Does not include bonds maturing on July 1, 2020.

⁽²⁾ Series 2019B was used for refunding purposes.

SCHEDULE 15

City of Phoenix, Aviation Enterprise Fund

RENTAL CAR FACILITY CHARGE REVENUE BONDS

SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2021	\$ 7,500,000	\$ 13,043,152	\$ 20,543,152
2022	7,655,000	12,885,127	20,540,127
2023	7,825,000	12,719,550	20,544,550
2024	7,995,000	12,545,365	20,540,365
2025	8,185,000	12,359,401	20,544,401
2026	8,385,000	12,156,577	20,541,577
2027	8,605,000	11,938,735	20,543,735
2028	8,835,000	11,705,023	20,540,023
2029	9,235,000	11,305,700	20,540,700
2030	9,700,000	10,843,950	20,543,950
2031	10,185,000	10,358,950	20,543,950
2032	10,695,000	9,849,700	20,544,700
2033	11,230,000	9,314,950	20,544,950
2034	11,790,000	8,753,450	20,543,450
2035	12,380,000	8,163,950	20,543,950
2036	12,995,000	7,544,950	20,539,950
2037	13,645,000	6,895,200	20,540,200
2038	14,330,000	6,212,950	20,542,950
2039	15,045,000	5,496,450	20,541,450
2040	15,800,000	4,744,200	20,544,200
2041	16,515,000	4,028,950	20,543,950
2042	17,255,000	3,285,000	20,540,000
2043	18,030,000	2,511,450	20,541,450
2044	18,835,000	1,706,900	20,541,900
2045	19,670,000	870,150	20,540,150
Total	\$ 302,320,000	\$ 211,239,780	\$ 513,559,780





Demographic and Economic Information

These schedules offer demographic and economic indicators for the Aviation Enterprise fund.



THE DEMOGRAPHIC AND ECONOMIC INFORMATION SCHEDULES INCLUDE:

- 16 Demographic Statistics for the Airport Service Area
- 17 Principal Employers
- 18 Airport Employee Trends
- 19 Capital Assets and Other Airport Information

SCHEDULE 16

City of Phoenix, Aviation Enterprise Fund

DEMOGRAPHIC STATISTICS FOR THE AIRPORT SERVICE AREA

June 30, 2020

Fiscal Year	Population (July 1)	Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2020 ⁽¹⁾	-	\$ -	\$ -	9.8%
2019	4,948,203	237,836,502	48,065	4.6%
2018	4,857,962	224,072,100	46,125	4.2%
2017	4,737,270	208,895,900	44,096	4.5%
2016	4,661,537	196,801,479	42,218	5.3%
2015	4,574,531	186,693,084	40,811	6.0%
2014	4,489,109	178,871,199	39,846	6.8%
2013	4,404,129	170,637,978	38,745	7.4%
2012	4,330,974	166,686,196	38,487	8.7%
2011	4,254,149	158,211,801	37,190	9.6%

Sources:

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

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

U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov

Notes:

The data in this table is for the Phoenix-Mesa-Chandler, AZ Metropolitan Statistical Area

⁽¹⁾ Population, Personal Income, and Per Capita Income are not available for June 30, 2020 as of the date of publication.

SCHEDULE 17

City of Phoenix, Aviation Enterprise Fund

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2020			2011		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Banner Health	47,000	1	2.46%	28,220	3	1.67%
State of Arizona	41,847	2	2.19%	49,282	1	2.92%
Arizona State University	35,730	3	1.87%	12,221	8	0.72%
Wal-Mart Stores, Inc.	33,460	4	1.75%	30,608	2	1.81%
Fry's Food Stores	21,738	5	1.14%			
University of Arizona	20,462	6	1.07%			
Wells Fargo	17,217	7	0.90%	13,100	5	0.78%
City of Phoenix	14,858	8	0.78%	15,544	4	0.92%
Maricopa County	13,933	9	0.73%	12,458	7	0.74%
Intel Corporation	12,190	10	0.64%	9,700	10	0.58%
Apollo Group				13,000	6	0.77%
Bank of America				12,000	9	0.71%

Sources:
Phoenix Business Journal Book of Lists

Arizona Department of Commerce, Workforce Development

Note:
Top employers in Maricopa County.

SCHEDULE 18

City of Phoenix, Aviation Enterprise Fund

AVIATION DEPARTMENT EMPLOYEE TREND

Last Ten Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Division/Group					
Administration	10	10	10	10	8
Business and Properties	23	26	31	20	19
Contracts and Services	17	18	17	19	8
Design and Construction Services	23	28	33	35	29
Facilities and Services	397	397	409	385	381
Financial Management	21	24	27	26	27
Human Resources	11	11	12	16	15
Technology	38	40	38	41	39
Operations	142	146	152	189	186
Planning and Environmental	19	22	19	19	19
Public Relations	15	17	15	16	13
Public Safety and Security	51	50	49	-	-
Other	10	4	3	8	4
Total	<u>777</u>	<u>793</u>	<u>815</u>	<u>784</u>	<u>748</u>
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Division/Group					
Administration	12	9	10	15	12
Business and Properties	18	20	20	18	20
Contracts and Services	-	-	-	-	-
Design and Construction Services	30	36	37	28	30
Facilities and Services	374	384	374	367	380
Financial Management	30	32	31	30	35
Human Resources	12	12	13	13	14
Technology	37	41	39	41	45
Operations	181	188	185	187	183
Planning and Environmental	19	21	21	29	27
Public Relations	14	13	12	13	14
Public Safety and Security	-	-	-	-	-
Other	5	18	27	30	29
Total	<u>732</u>	<u>774</u>	<u>769</u>	<u>771</u>	<u>789</u>

Source:
City of Phoenix, Aviation Department

SCHEDULE 19

City of Phoenix, Aviation Enterprise Fund

CAPITAL ASSETS AND OTHER AIRPORT INFORMATION

PHOENIX SKY HARBOR INTERNATIONAL AIRPORT (PHX)

About the Airport

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

Terminal, Parking and Rental Car Facilities

The Airport currently has two active passenger terminal buildings, Terminals 3, and 4. Terminal 1 was constructed in 1952 and Terminal 2 opened in 1962. Terminals were added over the years to accommodate increasing traffic, but the other terminals were never renumbered. Terminal 1 was demolished in 1991 and Terminal 2 was permanently closed in 2020. The carriers that had been operating in Terminal 2 were relocated to the newly modernized Terminal 3.

Terminal 3 opened in 1979 with construction costs at \$35 million. In 2020, the Airport completed a Terminal 3 modernization project, designed to provide consistent and enhanced customer service and more efficient operations for airlines and concessionaires. The modernized Terminal 3 contains approximately 710,000 square feet and 25 gates. Air Canada, Alaska, Boutique, Contour, Delta, Frontier, Hawaiian, JetBlue, Spirit, Sun Country, and United airlines serve passengers through Terminal 3.

Terminal 4 opened in 1990, at an initial cost of \$248 million. The Terminal opened with five concourses, later adding two additional concourses for a total of seven. Terminal 4 contains approximately 2.3 million square feet and 81 gates. The Terminal 4 new concourse project will add 8 new gates when completed in 2022. American, British Airways, Condor, Southwest, Volaris, and WestJet airlines serve passengers through Terminal 4.

The Airport has approximately 26,000 public and employee parking spaces in five parking garages and five surface lots.

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

PHX Sky Train®

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

Runways

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

PHOENIX DEER VALLEY AIRPORT (DVT)

About the Airport

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

Terminal and Hangar Facilities

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

Runways

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

PHOENIX GOODYEAR AIRPORT (GYR)

About the Airport

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

Terminal and Hangar Facilities

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

Runway

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



Operating Information

These schedules contain financial information relating to the services provided by the Aviation Enterprise fund.



THE OPERATING INFORMATION SCHEDULES INCLUDE:

- 20 Schedule of Annual Passenger Enplanements by Type of Passenger
- 21 Schedule of Annual Passenger Enplanements by Flight Destination
- 22 Schedule of Enplaned Passengers by Airline
- 23 Schedule of Annual Average Cost Per Enplanement
- 24 Schedule of PFC Approvals and Revenues
- 25 Schedule of Annual PFC Collections
- 26 Rental Car Facility Charge Revenue Bonds - Schedule of Annual Receipts, Net Annual CFC Revenues, and Debt Service Coverage

SCHEDULE 20

City of Phoenix, Aviation Enterprise

Fund Phoenix Sky Harbor International Airport

SCHEDULE OF ANNUAL PASSENGER ENPLANEMENTS

BY TYPE OF PASSENGER

Last Ten Fiscal Years

Fiscal Year	Origin-Destination (O&D)			By Type of Passenger		Percent of Total	
	Resident	Visitor	Total O&D	Connecting	Total	O&D	Connecting
2020	5,479,296	6,572,993	12,052,289	5,284,829	17,337,118	69.5%	30.5%
2019	7,111,877	8,569,216	15,681,093	7,150,852	22,831,945	68.7%	31.3%
2018	6,846,360	8,200,666	15,047,026	7,171,889	22,218,915	67.7%	32.3%
2017	6,558,400	7,827,022	14,385,422	7,434,964	21,820,386	65.9%	34.1%
2016	6,147,109	7,391,369	13,538,478	8,517,429	22,055,907	61.4%	38.6%
2015	5,750,807	6,987,079	12,737,886	8,750,683	21,488,569	59.3%	40.7%
2014	5,518,158	6,637,193	12,155,351	8,363,397	20,518,748	59.2%	40.8%
2013	5,512,623	6,462,505	11,975,128	8,260,660	20,235,788	59.2%	40.8%
2012	5,441,823	6,501,508	11,943,331	8,335,127	20,278,458	58.9%	41.1%
2011	5,155,409	6,205,267	11,360,676	8,320,557	19,681,233	57.7%	42.3%

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

SCHEDULE 21
City of Phoenix, Aviation Enterprise Fund
Phoenix Sky Harbor International Airport
SCHEDULE OF ANNUAL PASSENGER ENPLANEMENTS
BY FLIGHT DESTINATION
 Last Ten Fiscal Years

Fiscal Year	By flight destination			Percent of Total	
	Domestic	International	Total	Domestic	International
2020	16,614,966	722,152	17,337,118	95.8%	4.2%
2019	21,769,398	1,062,547	22,831,945	95.3%	4.7%
2018	21,177,581	1,041,334	22,218,915	95.3%	4.7%
2017	20,812,795	1,007,591	21,820,386	95.4%	4.6%
2016	20,984,439	1,071,468	22,055,907	95.1%	4.9%
2015	20,348,751	1,139,818	21,488,569	94.7%	5.3%
2014	19,399,997	1,118,751	20,518,748	94.5%	5.5%
2013	19,094,138	1,141,650	20,235,788	94.4%	5.6%
2012	19,134,426	1,144,032	20,278,458	94.4%	5.6%
2011	18,592,674	1,088,559	19,681,233	94.5%	5.5%

Source:

City of Phoenix, Aviation Department



SCHEDULE 22

City of Phoenix, Aviation Enterprise Fund

Phoenix Sky Harbor International Airport

SCHEDULE OF ENPLANED PASSENGERS BY AIRLINE

Last Ten Fiscal Years

	Fiscal Year				
	2020	2019	2018	2017	2016
Enplaned Passengers					
American Airlines Group	7,986,712	10,486,029	10,360,041	10,129,895	10,962,440
Southwest	5,689,668	7,768,715	7,546,946	7,382,859	7,149,550
Delta	1,208,532	1,529,781	1,438,843	1,388,510	1,401,639
United	892,780	1,228,311	1,164,730	1,131,353	1,080,742
Alaska	413,734	474,431	432,478	420,940	376,264
Frontier	403,247	361,348	388,761	459,477	235,602
WestJet	152,159	232,839	234,570	229,727	219,614
Air Canada	114,286	162,610	140,171	117,966	104,995
Spirit	113,676	121,595	96,545	146,760	165,376
JetBlue	104,791	114,125	92,201	92,321	91,947
MN Airlines (Sun Country)	90,152	100,119	80,518	77,946	48,984
Hawaiian	61,988	85,053	86,558	88,388	87,094
British Airways	53,078	112,075	111,514	108,487	105,173
All Other	52,315	54,914	45,039	45,757	26,487
Total	17,337,118	22,831,945	22,218,915	21,820,386	22,055,907
Enplaned Passengers					
American Airlines Group	46.0%	46.0%	46.7%	46.4%	49.7%
Southwest	32.8	34.0	34.0	33.8	32.4
Delta	7.0	6.7	6.5	6.4	6.4
United	5.1	5.4	5.2	5.2	4.9
Alaska	2.4	2.1	1.9	1.9	1.7
Frontier	2.3	1.6	1.7	2.1	1.1
WestJet	0.9	1.0	1.1	1.1	1.0
Air Canada	0.7	0.7	0.6	0.5	0.5
Spirit	0.7	0.5	0.4	0.7	0.7
JetBlue	0.6	0.5	0.4	0.4	0.4
MN Airlines (Sun Country)	0.5	0.4	0.4	0.4	0.2
Hawaiian	0.4	0.4	0.4	0.4	0.4
British Airways	0.3	0.5	0.5	0.5	0.5
All Other	0.3	0.2	0.2	0.2	0.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source:
City of Phoenix, Aviation Department Monthly Statistics Reports

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

SCHEDULE 22

City of Phoenix, Aviation Enterprise Fund

Phoenix Sky Harbor International Airport

SCHEDULE OF ENPLANED PASSENGERS BY AIRLINE (CONTINUED)

Last Ten Fiscal Years

	Fiscal Year				
	2015	2014	2013	2012	2011
Enplaned Passengers					
American Airlines Group	10,978,341	10,734,648	10,620,512	10,443,129	10,168,306
Southwest	6,750,373	6,305,923	6,294,553	6,353,423	6,036,115
Delta	1,325,051	1,262,548	1,240,735	1,296,941	1,256,788
United	981,702	960,710	984,130	1,058,382	1,121,492
Alaska	370,801	339,086	324,218	343,867	328,390
Frontier	279,517	207,590	218,072	217,964	253,391
WestJet	214,812	179,257	163,247	150,795	116,551
Air Canada	101,417	81,683	78,611	79,454	78,022
Spirit	148,673	106,036	-	-	-
JetBlue	90,195	87,332	90,743	109,521	99,601
MN Airlines (Sun Country)	35,032	31,773	22,915	22,341	29,694
Hawaiian	85,368	83,715	85,553	86,867	85,197
British Airways	103,408	99,380	91,609	92,099	85,600
All Other	23,879	39,067	20,890	23,675	22,086
Total	21,488,569	20,518,748	20,235,788	20,278,458	19,681,233
Enplaned Passengers					
American Airlines Group	51.0%	52.2%	52.5%	51.6%	51.6%
Southwest	31.4	30.7	31.1	31.3	30.7
Delta	6.2	6.2	6.1	6.4	6.4
United	4.6	4.7	4.9	5.2	5.7
Alaska	1.7	1.7	1.6	1.7	1.7
Frontier	1.3	1.0	1.1	1.1	1.3
WestJet	1.0	0.9	0.8	0.7	0.6
Air Canada	0.5	0.4	0.4	0.4	0.4
Spirit	0.7	0.5	-	-	-
JetBlue	0.4	0.4	0.4	0.5	0.5
MN Airlines (Sun Country)	0.2	0.2	0.1	0.1	0.2
Hawaiian	0.4	0.4	0.4	0.4	0.4
British Airways	0.5	0.5	0.5	0.5	0.4
All Other	0.1	0.2	0.1	0.1	0.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

SCHEDULE 23

City of Phoenix, Aviation Enterprise Fund

Phoenix Sky Harbor International Airport

SCHEDULE OF ANNUAL AVERAGE COST PER ENPLANEMENT

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Airline Revenues</u> (in thousands)	<u>Enplaned Passengers</u>	<u>Cost Per Enplanement</u>
2020	\$ 146,262	17,337	\$ 8.44
2019	145,561	22,832	6.38
2018	139,033	22,219	6.26
2017	133,581	21,820	6.12
2016	127,708	22,056	5.79
2015	128,596	21,489	5.98
2014	118,747	20,519	5.79
2013	111,911	20,236	5.53
2012	106,121	20,278	5.23
2011	101,270	19,681	5.15

Source:
 City of Phoenix, Aviation Department



SCHEDULE 24

City of Phoenix, Aviation Enterprise Fund

Phoenix Sky Harbor International Airport

SCHEDULE OF PFC APPROVALS AND REVENUES

(as of June 30, 2020)

	<u>Approval Amount</u>	<u>Revenues ⁽¹⁾</u>	<u>Remaining Authority</u>
PFC Approvals			
Closed PFC Approvals			
PFC 1	\$ 93,230,839	\$ 93,230,839	\$ -
PFC 2	147,875,677	147,875,677	-
PFC 3	208,085,801	208,085,801	-
PFC 4	246,977,086	246,977,086	-
PFC 5	<u>179,036,442</u>	<u>179,036,442</u>	<u>-</u>
Subtotal	<u>875,205,845</u>	<u>875,205,845</u>	<u>-</u>
Active PFC Approvals			
PFC 6	1,972,404,781	757,535,796	1,214,868,985
PFC 7	82,163,209	78,712,397	3,450,812
PFC 8	69,959,779	59,314,886	10,644,893
PFC 9	<u>22,460,400</u>	<u>1,871,175</u>	<u>20,589,225</u>
Subtotal	<u>2,146,988,169</u>	<u>897,434,254</u>	<u>1,249,553,915</u>
Total PFC Approvals	<u>\$ 3,022,194,014</u>	<u>\$ 1,772,640,099</u>	<u>\$ 1,249,553,915</u>

Source:
City of Phoenix Aviation Department

Note:
⁽¹⁾ Revenues include PFC collections plus related interest income.

SCHEDULE 25

City of Phoenix, Aviation Enterprise Fund

Phoenix Sky Harbor International Airport

SCHEDULE OF ANNUAL PFC COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	PFC Rate	Airline		Net PFC Rate	Enplaned Passengers		Total PFC Collections (in thousands) ⁽²⁾
		Admin Fee			Total (in thousands)	PFC Eligible ⁽¹⁾	
2020	\$ 4.50	\$ 0.11		\$ 4.39	17,337	92.2%	\$ 70,153
2019	4.50	0.11		4.39	22,832	85.5%	85,724
2018	4.50	0.11		4.39	22,219	86.0%	83,917
2017	4.50	0.11		4.39	21,820	87.3%	83,600
2016	4.50	0.11		4.39	22,056	86.3%	83,595
2015	4.50	0.11		4.39	21,489	90.1%	84,976
2014	4.50	0.11		4.39	20,519	88.2%	79,406
2013	4.50	0.11		4.39	20,236	88.1%	78,273
2012	4.50	0.11		4.39	20,278	88.8%	79,092
2011	4.50	0.11		4.39	19,681	93.4%	80,682

Source:
City of Phoenix, Aviation Department

Notes:

⁽¹⁾ Imputed from enplaned passengers, net PFC rate, and total PFC collections. Timing variances exist between when PFCs are collected by air lines and when they are remitted to the airport, which can result in annual fluctuations of PFC collections and percent eligible passengers.

⁽²⁾ Total PFC Collections represent amounts that were received from the airlines during the fiscal year. Adjustments have not been made for receivables at fiscal year-end. These amounts are calculated on a different basis than the revenues reported in the Basic Financial Statements.

SCHEDULE 26

City of Phoenix, Aviation Enterprise Fund

Phoenix Sky Harbor International Airport

RENTAL CAR FACILITY CHARGE REVENUE BONDS

**SCHEDULE OF ANNUAL RECEIPTS, NET ANNUAL CFC REVENUES,
AND DEBT SERVICE COVERAGE**

Last Ten Fiscal Years

Fiscal Year	Transaction Days ⁽¹⁾ (in thousands)	Pledged CFC Rate ⁽²⁾	Annual Receipts ⁽³⁾			Administrative Costs
			Pledged CFCs	Additional Deposits	Annual Receipts ⁽⁴⁾	
(in thousands)						
2020	6,763	\$ 4.50	\$ 30,436	\$ 10,147	\$ 40,583	4
2019	8,475	4.50	38,138	12,714	50,852	13
2018	8,128	4.50	36,576	12,189	48,765	14
2017	7,814	4.50	35,163	11,719	46,882	22
2016	7,828	4.50	35,226	11,743	46,969	24
2015	7,650	4.50	34,425	11,474	45,899	25
2014	6,976	4.50	31,394	10,464	41,858	28
2013	6,763	4.50	30,434	10,145	40,579	19
2012	6,923	4.50	31,154	10,385	41,539	22
2011	6,565	4.50	29,541	9,847	39,388	146

Source:
City of Phoenix, Aviation Department

Notes:

⁽¹⁾ Imputed from Trustee records using Annual Receipts, reflects Transaction Days on deposits for July 1 through June 30.

⁽²⁾ Effective January 1, 2009, the Customer Facility Charge (CFC) collection rate increased to \$6.00 per transaction day from \$4.50 per transaction day. \$4.50 of the \$6.00 collection rate is considered Pledged Revenues and is required to be deposited into the Trustee-held Revenue Fund. The Pledged Revenues must be used to fund various accounts established under the Bond Indenture. The City may, but is not required to, deposit the CFC receipts generated by the additional \$1.50 into the Trustee-held Revenue Fund. If the additional \$1.50 is deposited into the Trustee-held Revenue Fund, the monies become Pledged Revenues.

⁽³⁾ Includes CFC receipts generated by the \$4.50 Pledged collection rate and \$1.50 additional non-pledged collection rate.

⁽⁴⁾ Annual CFC Receipts represent amounts that were received from the Rental Car Companies during the fiscal year. Adjustments have not been made for receivables at fiscal year-end. These amounts are calculated on a different basis than the revenues reported in the Basic Financial Statements.

SCHEDULE 26

City of Phoenix, Aviation Enterprise Fund

Phoenix Sky Harbor International Airport

RENTAL CAR FACILITY CHARGE REVENUE BONDS

**SCHEDULE OF ANNUAL RECEIPTS, NET ANNUAL CFC REVENUES,
AND DEBT SERVICE COVERAGE (CONTINUED)**

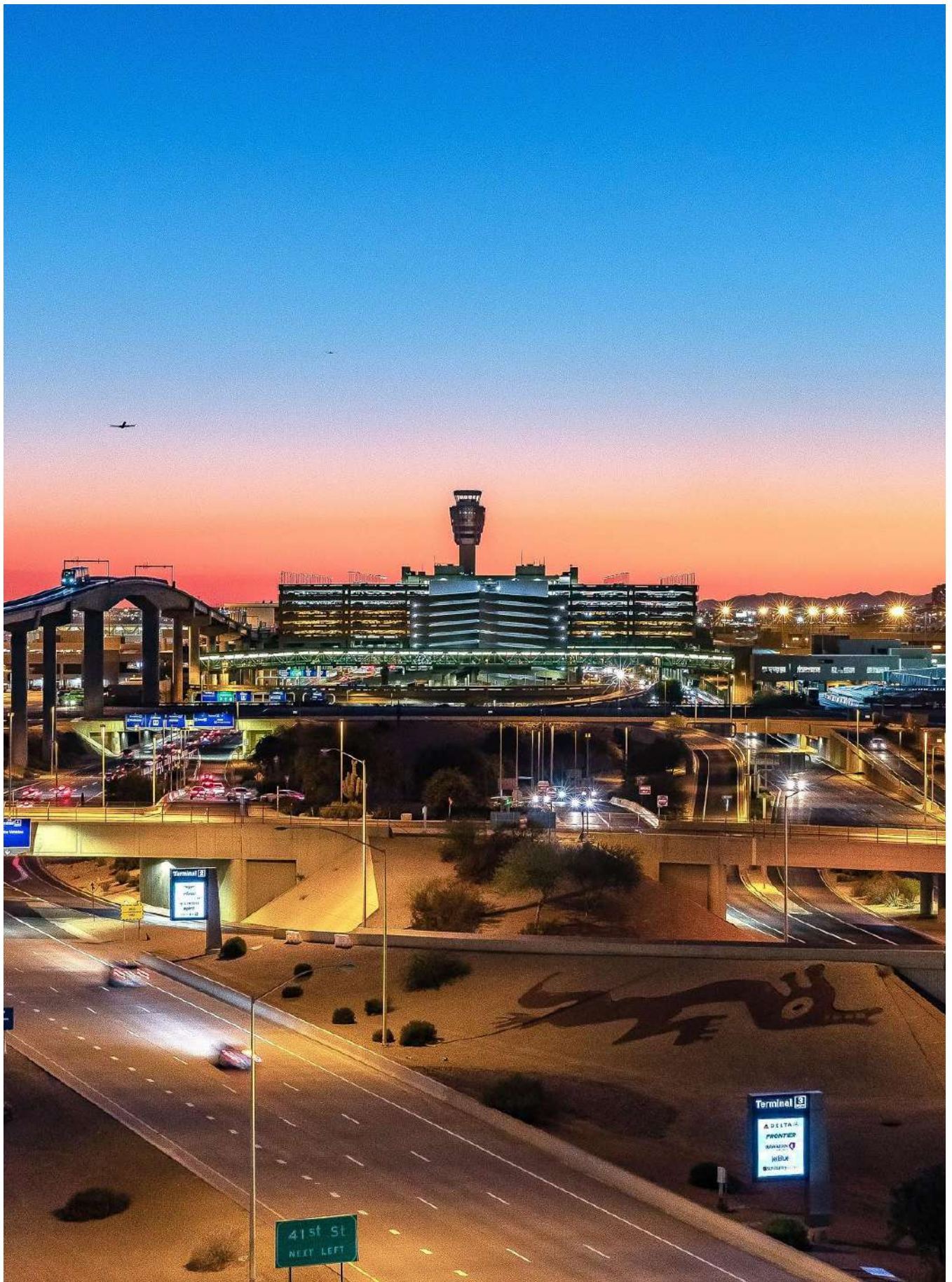
Last Ten Fiscal Years

Fiscal Year	Net Annual CFC Receipts	Amount Available In Debt Service Coverage Fund	Fiscal Year	Net Annual CFC Receipts Available for Debt Service	CFC Bonds ⁽¹⁾ Debt Service	Debt Service Coverage	
						By Net Annual CFC Receipts	By Net Annual CFC Receipts and Debt Service Coverage Fund
2020	\$ 40,579	\$ 5,137	2020	\$ 45,716	\$ 14,020	2.89	3.26
2019	50,838	5,475	2019	56,313	21,274	2.39	2.65
2018	48,751	5,390	2018	54,141	21,273	2.29	2.55
2017	46,860	5,338	2017	52,198	21,273	2.20	2.45
2016	46,945	5,337	2016	52,282	21,277	2.21	2.46
2015	45,874	5,332	2015	51,206	21,277	2.16	2.41
2014	41,830	5,327	2014	47,157	21,277	1.97	2.22
2013	40,560	5,320	2013	45,880	21,276	1.91	2.16
2012	41,517	5,320	2012	46,837	21,273	1.95	2.20
2011	39,242	5,320	2011	44,562	21,274	1.84	2.09

Notes:

⁽¹⁾ Includes debt service on the 2004 CFC Bonds through fiscal year 2020 and 2019 CFC Bonds beginning in fiscal year 2020.





PHX DVT GYR

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