

**PHX DVT EYR**

**CITY OF PHOENIX AVIATION DEPARTMENT**

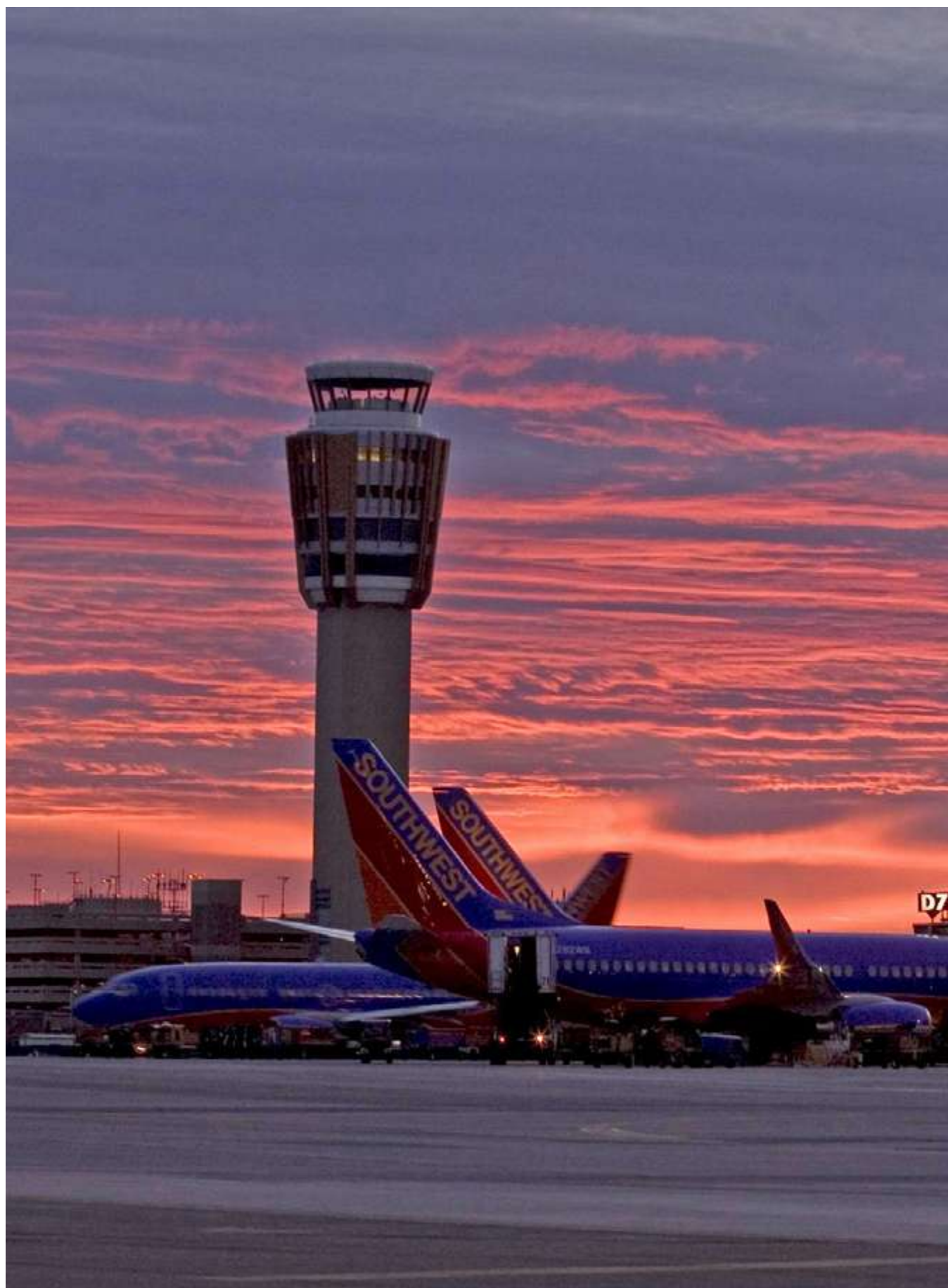
An Enterprise Fund of the City of Phoenix, Arizona

# Annual Comprehensive Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30

**2022**







## Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022  
An Enterprise Fund of the City of Phoenix, Arizona



Prepared by:  
**Aviation Department**  
**and**  
**Finance Department**

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## Introductory section



December 8, 2022

Honorable Mayor, City Council and City Manager:

We are pleased to submit the Annual Comprehensive Financial Report of the Aviation Department (an enterprise fund of the City of Phoenix, Arizona) for the fiscal year ended June 30, 2022. 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 the associated financial statements, notes, and other schedules.

## **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' Harry Reid International Airport (approximately 290 miles to the northwest). The Airport served over 22.0 million enplaned passengers in fiscal year 2022.

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 350,901 general aviation operations in fiscal year 2022.

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

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

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

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

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

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

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

## AIRPORT PASSENGERS

The ten largest U.S. passenger airlines provide regular service at the Airport, providing non stop passenger service to 116 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 Airlines	Advanced Air	Air Canada	ABX Air Inc.
Allegiant	Breeze Airways	British Airways	Air Cargo Carriers
American Airlines	Boutique Air	Condor Airlines	Air Transport International
Delta Airlines	Contour Airlines	Jazz Aviation (Air Canada)	Ameriflight
Frontier Airlines	Denver Air Connection	Volaris	Atlas Air (DHL)
Hawaiian Airlines	Mesa Airlines (American Eagle, United Express)	WestJet	Empire
JetBlue Airways			Federal Express
Southwest Airlines	Skywest (American Eagle, Delta Connection, United Express)		Kalitta (DHL)
Spirit Airlines			Swift (DHL)
Sun Country Airlines	Southern Airways Express		UPS
United Airlines			

The composition of enplaned passengers saw a gradual increase in Origination and Destination (O&D) traffic, though the international 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.

In fiscal year 2022, 96.1% of passengers enplaned on domestic flights, while the remaining 3.9% boarded international flights. Domestic passengers increased by 62.6%, while international passengers increased by 122.1% from fiscal year 2021, due to the rebound from the global pandemic. Overall, enplaned passengers increased by 64.3% in fiscal year 2022.

In fiscal year 2022, 71.3% of enplaned passengers traveled directly from or to the Airport as O&D passengers. Of the total O&D passengers, 45.7% were residents initiating their trips at the Airport and 54.3% 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

### PHX Sky Train®

The PHX Sky Train® currently provides a quick, convenient connection between the Airport's two 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, is complete and expected to begin carrying passengers in December 2022.

### **Terminal 4 New Concourse**

The Airport opened the eighth and final concourse at Terminal 4 on June 20, 2022. The new concourse added eight new gates, operated by Southwest Airlines, and approximately 130,000 square feet for use by passengers.

### **Terminal 3 New Concourse**

The Airport is currently in the planning stages to build a second north concourse at Terminal 3, just east of the existing north concourse. Procurement for the contractor is underway, with design expected to commence in early 2023.

### **New Crossfield Taxiway**

Design for a new cross field taxiway was procured in 2022. The new taxiway, to be named Taxiway Uniform, will be located on the west side of the airport, and will connect Taxiway Charlie on the north to Taxiway Delta on the south. A portion of this project will be paid for using Bipartisan Infrastructure Law grant funds.

## **ECONOMIC CONDITION AND OUTLOOK**

### **Travel and Tourism**

The Airport typically 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.

Beginning in the spring of 2021 and continuing through 2022, the Airport has experienced steady passenger growth. This has led to enplanement levels comparable to those achieved in 2019. Enplaned passengers increased 64.3% in fiscal year 2022 compared to fiscal year 2021, only 3.2% less than pre-pandemic numbers in fiscal year 2019.

## **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 2022, the Airport's bond ratings remain among the highest airport ratings in the United States. Although Standard and Poor's Ratings Services (S&P) downgraded its Sky Harbor bond ratings at the beginning of the pandemic, the outlook is now stable. Subsequently, in October 2022, S&P announced that it raised its rating to AA- from A+ for the Senior lien revenue bonds and junior lien revenue bonds to A+ from A. Moody's Investors Service (Moody's) affirmed the Airport's Aa3 rating on the outstanding senior lien revenue bonds. Moody's also affirmed the Airport's A1 rating on the Airport's outstanding junior lien revenue bonds. In affirming its ratings, Moody's 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 (excluding depreciation), 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				
Four Year Results				
	2022	2021	2020	2019
Debt Service Coverage <sup>(1)</sup>				
Senior Lien Bond Debt Service Coverage	171.68x	12.65x	1.83x	2.73x
Aggregate Debt Service Coverage	56.28x	7.36x	1.60x	2.47x
PFC Leveraging	62%	43%	73%	50%
Cash and Liquidity - Days Cash on Hand	674	585	704	615
Cost Per Enplanement <sup>(2)</sup>	\$5.34	\$8.98	\$8.44	\$6.38

<sup>(1)</sup> The coverage is dramatically inflated in fiscal years 2021 and 2022 due to the master ordinance handling of the federal (COVID) grants.

<sup>(2)</sup> The use of COVID related grants for debt service resulted in lower costs of operation included in airline fees in fiscal years 2021 and 2022.

## 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 by the City 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 rate setting methodology, the Department bears the risk of any non-airline revenue shortfall and retains any surplus in non-airline revenue for its own discretionary expenditures. Rates and charges are typically set at the beginning of each fiscal year after the Department has reviewed proposed rate changes and capital expenditures with airline representatives. However, the Department retains its proprietary right to adjust fees and to determine its capital expenditures without airline approval. The Department also has the ability to adjust terminal rates and landing fees at any time to reflect changes in cost. Any such adjustment is subject to federal law and regulations.

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

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

### **INDEPENDENT AUDITS**

The City Charter requires an annual audit by independent certified public accountants. The independent audit firm of Forvis, LLP was selected to perform the audit of the City's Annual Comprehensive Financial Report (City ACFR) as well as this separately issued Annual Comprehensive Financial Report for the Aviation Enterprise Fund, for fiscal year 2022. 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. Forvis, 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 ACFR 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 annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the sixth 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 annual comprehensive 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 annual comprehensive 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.

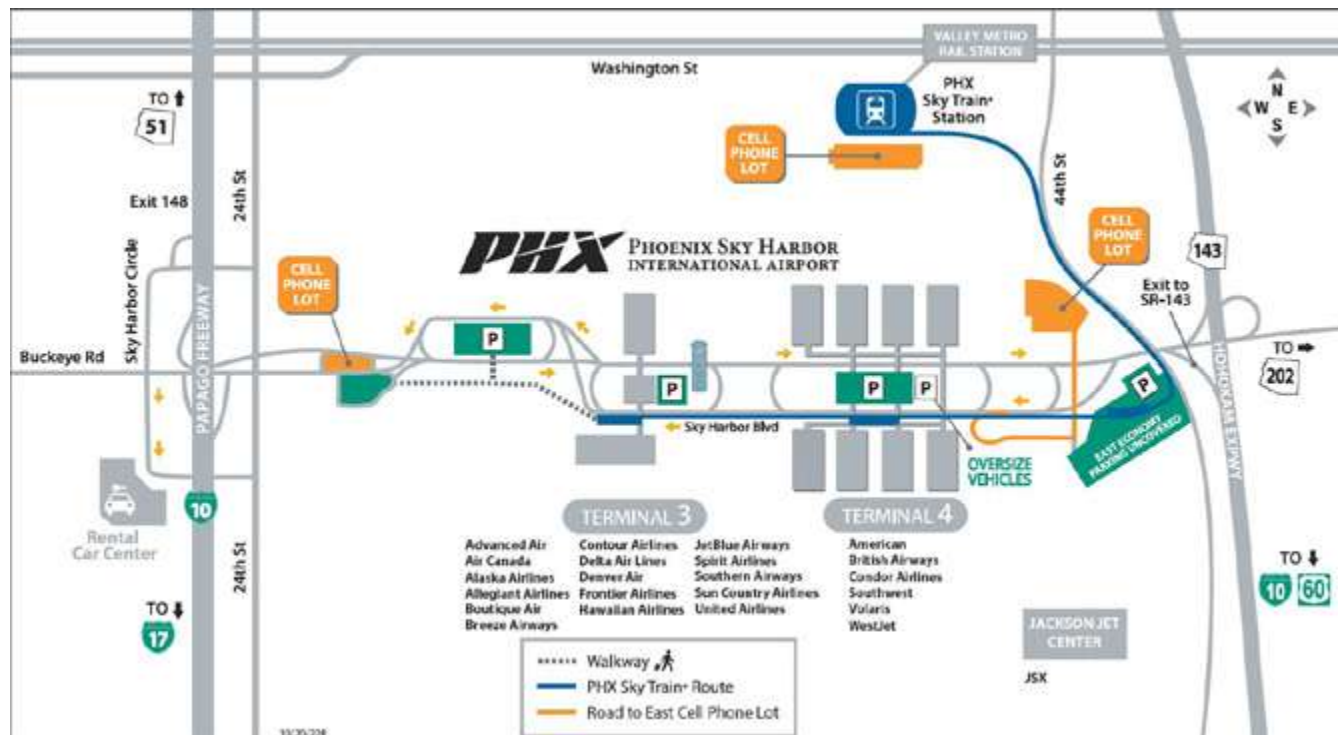
### **ACKNOWLEDGMENTS**

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

Respectfully submitted,

Kathleen Gitkin  
Chief Financial Officer  
Finance Department

Chad R. Makovsky, C.M.  
Director of Aviation Services  
Aviation Department





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

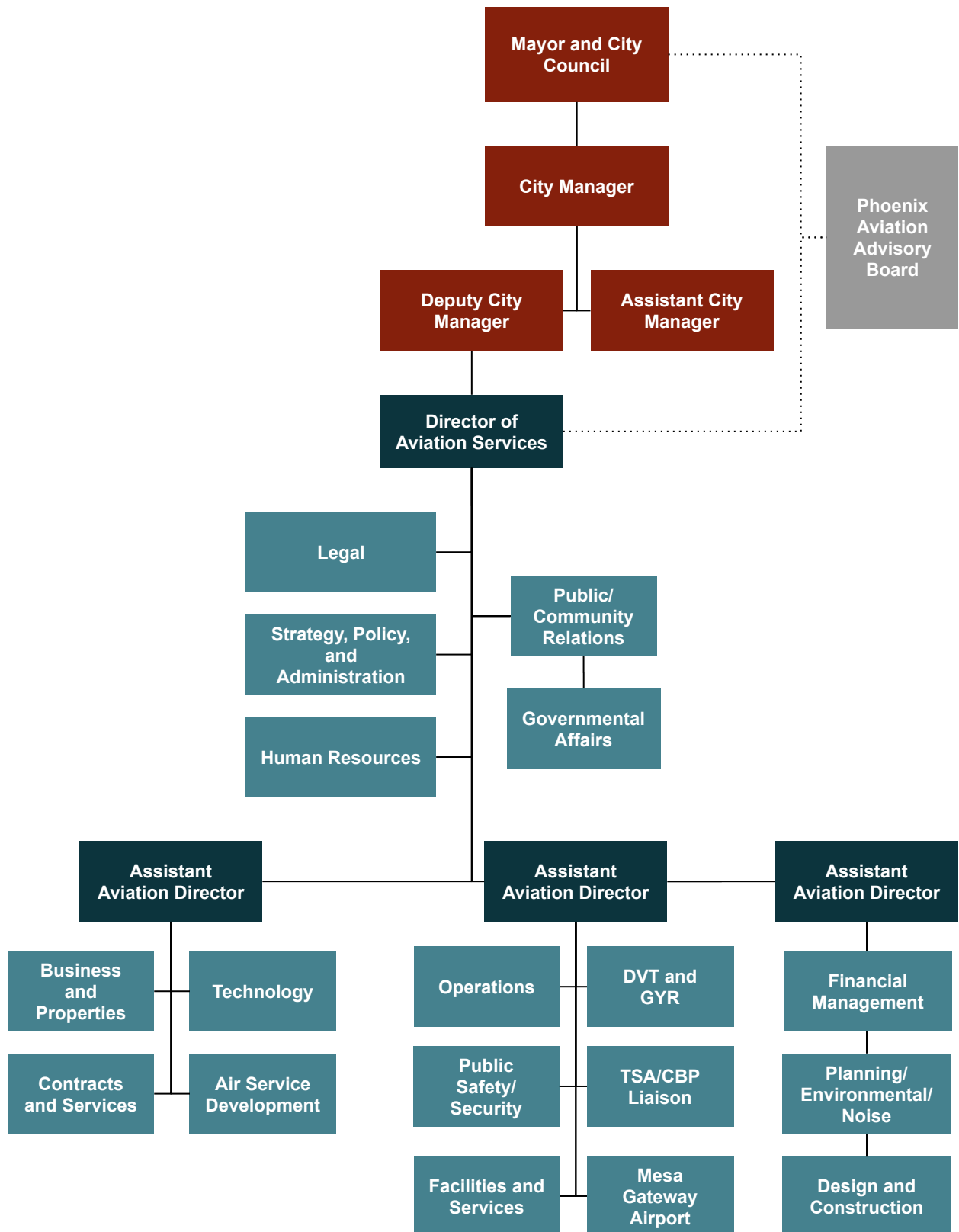
**City of Phoenix Aviation Department  
Arizona**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Merrill*

Executive Director/CEO





**MAYOR AND CITY COUNCIL**

Kate Gallego, Mayor  
Ann O'Brien, District 1  
Jim Waring, District 2  
Debra Stark, District 3  
Laura Pastor, District 4  
Betty Guardado, District 5  
Sal DiCiccio, District 6  
Yassamin Ansari, District 7  
Carlos Garcia, Vice Mayor, District 8

**CITY MANAGER'S OFFICE**

Jeffrey J. Barton, City Manager

**AVIATION DEPARTMENT**

Chad Makovsky, Director of Aviation Services

**FINANCE DEPARTMENT**

Kathleen Gitkin, Chief Financial Officer





## Financial section

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

## FORVIS

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### Independent Auditor's Report

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

#### **Opinion**

We have audited the financial statements of the Aviation Enterprise Fund of the City of Phoenix, Arizona (Aviation Enterprise Fund), as of and for the year ended June 30, 2022, 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.

In our opinion, the accompanying 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, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Aviation Enterprise Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matters**

##### *Reporting Entity*

As discussed in *Note 1*, the financial statements present only the Aviation Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City of Phoenix, Arizona, as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

##### *Change in Accounting Principle*

As discussed in *Note 8* to the financial statements, in fiscal year 2022 the Aviation Enterprise Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Aviation Enterprise Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Honorable Mayor and Members of the City Council  
City of Phoenix, Arizona  
Page 3

***Other Information***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**FORVIS, LLP**

Dallas, Texas  
December 8, 2022



## **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 year ended June 30, 2022, with selected comparable data for the fiscal year ended June 30, 2021. 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 Statement of Net Position presents information on all of the Aviation Enterprise Fund's assets, liabilities, deferred inflows and outflows of resources, and net position as of June 30, 2022. 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 Statement of Revenues, Expenses, and Changes in Net Position presents financial information showing how the Aviation Enterprise Fund's net position changed during the fiscal year. 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 the statement for some items that will result in cash flows in future fiscal years.

The Statement of Cash Flows presents information showing how the Aviation Enterprise Fund's cash and cash equivalents changed during the fiscal year. Consequently, only transactions that affect the cash and cash equivalent balances of the Aviation Enterprise Fund are recorded in the statement. A reconciliation follows the statement to assist in understanding the difference between operating loss and cash flows from operating activities.

### FINANCIAL HIGHLIGHTS

- Total net position for the Aviation Enterprise Fund at June 30, 2022 was \$1.84 billion, an increase of \$188.4 million or 11.4% from the prior fiscal year.
- Total revenues increased \$192.1 million in fiscal year 2022. The increase is due in part to an increase in Federal and State grants, including the Federal COVID grants received by the Airport.
- Total expenses decreased \$38.0 million in fiscal year 2022, due to a decrease in personal services and pension expense.

**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>2022</u>	<u>2021</u>
Assets		
Unrestricted Current Assets	\$ 625,543	\$ 464,143
Restricted Current Assets	408,056	473,160
Noncurrent Assets		
Capital Assets	3,397,045	3,441,457
Other Noncurrent Assets	<u>467,993</u>	<u>186,116</u>
Total Assets	<u>4,898,637</u>	<u>4,564,876</u>
Deferred Outflows of Resources	<u>49,156</u>	<u>52,438</u>
Liabilities		
Current Liabilities Payable from Current Assets	62,933	112,494
Current Liabilities Payable from Restricted Assets	220,344	210,625
Noncurrent Liabilities	<u>2,514,010</u>	<u>2,613,379</u>
Total Liabilities	<u>2,797,287</u>	<u>2,936,498</u>
Deferred Inflows of Resources	<u>309,878</u>	<u>28,615</u>
Net Position		
Net Investment in Capital Assets	1,168,267	1,199,517
Restricted	159,217	156,312
Unrestricted	<u>513,144</u>	<u>296,372</u>
Total Net Position	<u>\$ 1,840,628</u>	<u>\$ 1,652,201</u>

Total assets increased to \$4.9 billion in fiscal year 2022 from \$4.6 billion in fiscal year 2021. The increase can be attributed to the required implementation of GASB 87 (Leases) which resulted in the recognition of \$316.0 million in lease receivables at year end. Capital assets make up the majority of the Aviation Enterprise Funds assets. Net capital assets remained steady at \$3.4 billion in both fiscal years.

Total liabilities decreased to \$2.8 billion in fiscal year 2022. Current liabilities decreased \$39.8 million during the fiscal year. This decrease, in part, reflects the \$70.0 million payment to the City of Phoenix Employees' Retirement System that was recorded as a payable at the end of 2021. The noncurrent liabilities, which make up approximately 90% of the total liabilities are long-term bonds payable and OPEB liabilities. Noncurrent liabilities decreased \$99.4 million in fiscal year 2022, primarily due to a decrease in bonds payable. For more detail on these liabilities, see note 5 in the Notes to the Financial Statements.

Total net position increased by \$188.4 million, or 11.4%, in fiscal year 2022. As of June 30, 2022, \$1.2 billion was an investment in capital assets and \$513.1 million was unrestricted and available for short term operations and ongoing obligations. The amount restricted for debt service decreased to \$19.6 million in fiscal year 2022. The amounts restricted for Passenger Facility Charges (PFC) and Rental Car Customer Facility Charges (CFC) totaled \$138.3 million for fiscal year 2022, a total increase of \$54.1 million. A portion of the debt service expenses for PFC and CFC were paid using federal COVID grant funds. This reduced the Airports need to use amounts collected from passengers for debt service payments during the fiscal year.

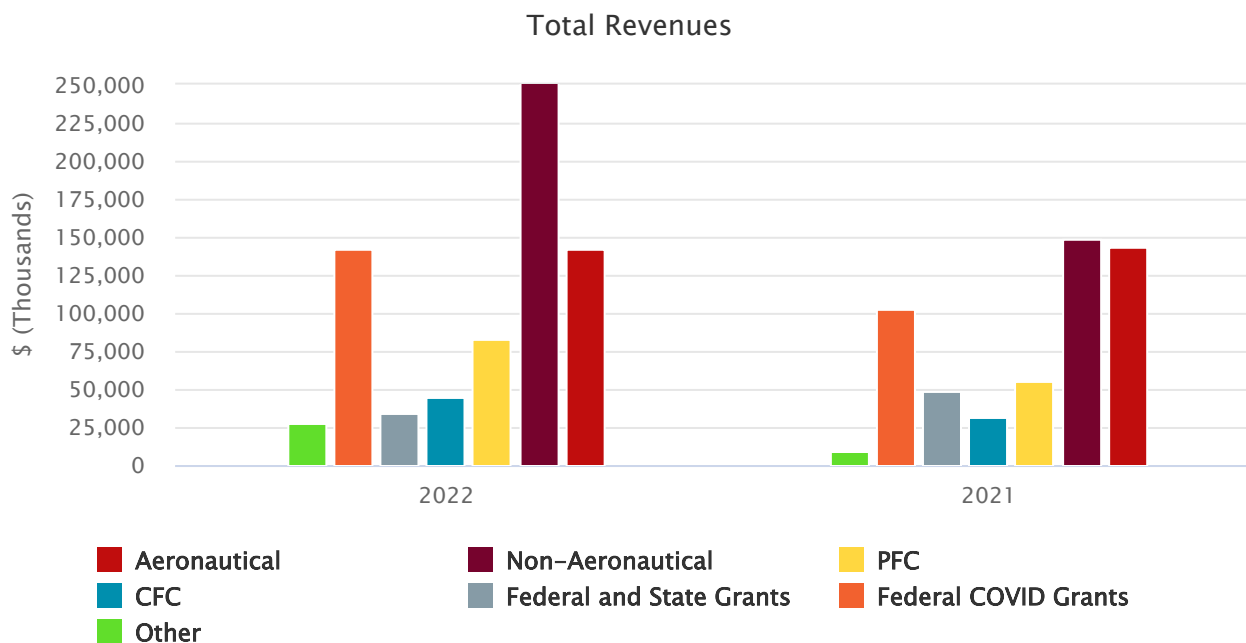
The following is a summary of changes in net position for the fiscal years ended June 30 (in thousands):

	2022	2021
Operating Revenues	\$ 397,492	\$ 292,068
Operating Expenses	(439,708)	(466,193)
Operating Loss	(42,216)	(174,125)
Nonoperating Revenues	296,734	195,185
Nonoperating Expenses	(99,664)	(110,464)
Capital Contributions	33,557	48,661
Transfers	16	(919)
Change in Net Position	188,427	(41,662)
Net Position, July 1	1,652,201	1,693,863
Net Position, June 30	<u>\$ 1,840,628</u>	<u>\$ 1,652,201</u>

## REVENUES

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

	2022	2021
Operating Revenues		
Aeronautical Revenue	\$ 142,572	\$ 143,266
Non-Aeronautical Revenue	254,920	148,802
Passenger Facility Charges	83,103	55,037
Customer Facility Charges	44,625	31,448
Federal COVID Grants	141,921	102,936
Capital Contributions	33,557	48,661
Other	27,274	5,764
Total Revenues	<u>\$ 727,972</u>	<u>\$ 535,914</u>



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 2022, Sky Harbor accounted for 98% of total revenue, while Phoenix Deer Valley Airport and Phoenix Goodyear Airport together accounted for the remaining 2%.

The COVID-19 pandemic had a significant impact on passenger traffic through the airport. Although passenger traffic has rebounded, many of the Airport's revenue areas were affected by fluctuations in passenger traffic in the last two fiscal years.

Total revenues increased to \$728.0 million in 2022 from \$535.9 million in fiscal year 2021, an increase of \$192.1 million, or 35.8%.

Aeronautical revenue remained stable in fiscal year 2022, decreasing 0.5% or \$0.7 million. Most 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 decreased to \$100.44 per square foot in fiscal year 2022 from \$124.20 per square foot in fiscal year 2021. Landing Fees increased in fiscal year 2022 to \$2.18 per 1,000 pounds from \$1.82 per 1,000 pounds in fiscal year 2021.

Non-aeronautical revenue increased \$106.8 million, or 71.3%. These revenues are the combination of several lines of business, with the largest being parking, rental cars, and terminal concessions. Parking revenues increased \$49.6 million, due to an increase in parking rates as well as higher passenger traffic compared to the prior fiscal year. Terminal food and beverage and retail increased \$18.0 million in fiscal year 2022. This increase is due to the concessionaire rent relief expiring, as well as the increase in passenger traffic in fiscal year 2022.

Passenger Facility Charges (PFC) increased 51.0% to \$83.1 million in fiscal year 2022, due to the increase in passenger activity related to the recovery from 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 \$44.6 million, an 41.9% increase in fiscal year 2022. 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. The increase in CFC revenue can be attributed to the rebound in passenger activity related to continued recovery from the global COVID-19 pandemic.

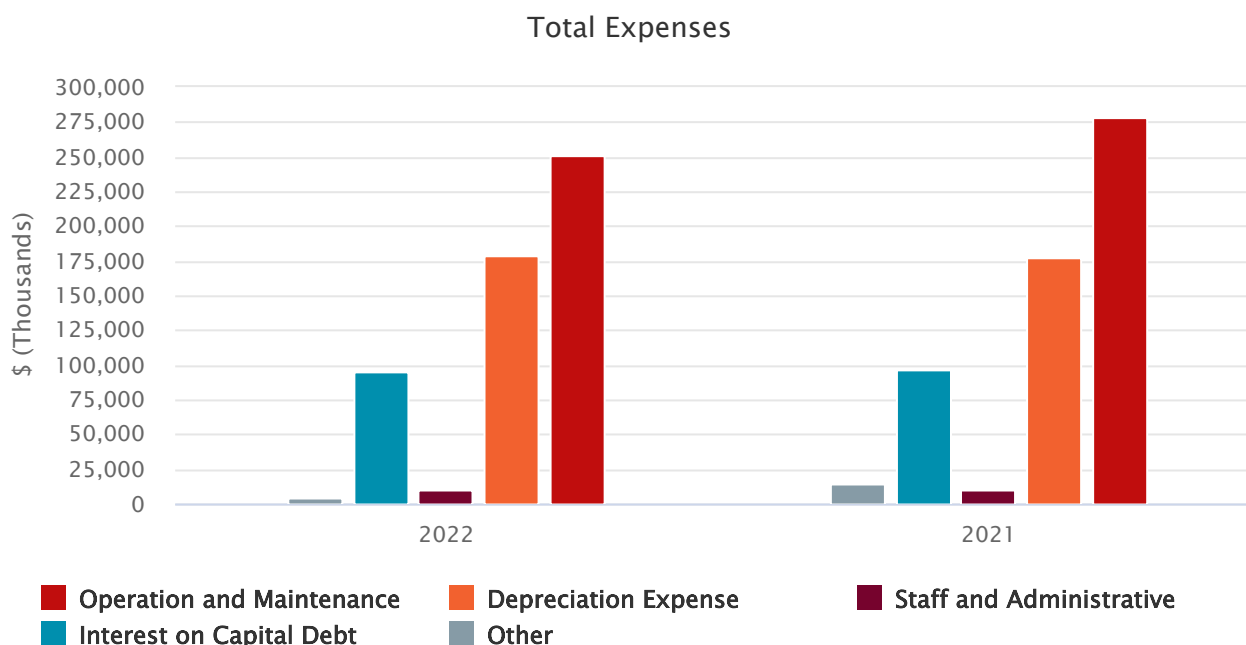
The federal COVID grants (CARES, CRRSA, ARPA) were approved by the United States Congress and signed into law by the President in 2020 and 2021. Revenues from these grants totaled \$141.9 million in fiscal year 2022 and \$102.9 million in fiscal year 2021.

Federal and state grant revenue, reported as capital contributions, decreased \$15.1 million in fiscal year 2022. 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. The Airport also received a building as contributed capital. The building was constructed on an Aviation parcel of land and reverted to the City once the lease ended. The building, valued at \$16.2 million, is included in the total contributed capital amount.

## EXPENSES

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

	2022	2021
Operating Expenses		
Operation and Maintenance	\$ 250,985	\$ 278,070
Depreciation Expense	178,490	178,006
City Staff and Administrative	10,233	10,117
Interest on Capital Debt	94,957	96,781
Other	4,880	14,602
Total Expenses	<u>\$ 539,545</u>	<u>\$ 577,576</u>



Total expenses decreased by \$38.0 million, or 6.6%, in fiscal year 2022. Operation and maintenance, depreciation, and interest on capital debt make up approximately 98% of total expenses.

Operation and maintenance expenses decreased \$27.1 million, or 9.7%, in fiscal year 2022. A decrease in costs for personal services and pension expense accounted for much of the decrease.

Depreciation expense, interest on capital debt, and central service costs saw no major fluctuations compared to last fiscal year. Other expenses, such as the loss on disposal of assets saw a net decrease of \$9.9 million in fiscal year 2022. Compared to fiscal year 2021, there were not any major retirement of assets that were not fully depreciated.

## 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 December 5, 2019. 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>2022</u>	<u>2021</u>
Senior Lien Bonds	\$ 677,345	\$ 702,200
Junior Lien Bonds	1,326,530	1,346,210
Rental Car Facility Charge Bonds	287,165	294,820
Total Revenue Bond Principal Outstanding	<u>\$ 2,291,040</u>	<u>\$ 2,343,230</u>

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

	<u>2022</u>	<u>2021</u>
Senior Lien Bonds	\$ 63,490	\$ 63,490
Junior Lien Bonds	99,602	99,602
Rental Car Facility Charge Bonds	20,545	20,545
Total Debt Service Reserve Requirements	<u>\$ 183,637</u>	<u>\$ 183,637</u>

## CAPITAL ASSETS

The Aviation Enterprise Fund's capital assets, net of accumulated depreciation, was \$3.4 billion in fiscal years 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Major construction projects:		
Terminal 3 Modernization	\$ 1,669	\$ 10,960
PHX Sky Train	36,798	172,614
Terminal 4 South 1 Concourse	74,215	112,574
Other construction projects:		
Airfield and runway projects	10,413	52,479
Terminal projects	2,016	415
Other	8,790	6,530

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>.

# STATEMENT OF NET POSITION

June 30, 2022

(in thousands)

	<b>2022</b>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 80,811
Investments	434,373
Receivables	
Accounts Receivable, Net of Allowance for Doubtful Accounts (\$682)	19,036
Intergovernmental	55,049
Leases	32,986
Deposits in Escrow	10
Inventories	3,278
Total Unrestricted Current Assets	625,543
Restricted Assets	
Debt Service	
Cash and Securities with Fiscal Agents/Trustees	107,442
Customer Facility Charges	
Cash and Securities with Fiscal Agents/Trustees	36,424
Accounts Receivable	3,308
Capital Projects	
Cash and Cash Equivalents	25,606
Investments	222,147
Receivables	
Intergovernmental	5,800
Passenger Facility Charges	7,277
Accrued Interest Receivable	52
Total Restricted Current Assets	408,056
Total Current Assets	1,033,599
Noncurrent Assets	
Capital Assets	
Land	577,047
Buildings	2,160,778
Improvements Other Than Buildings	1,839,671
Equipment and Artwork	838,221
Intangibles	37,510
Construction in Progress	757,516
Less: Accumulated Depreciation	(2,813,698)
Total Capital Assets, Net of Accumulated Depreciation	3,397,045
Other Noncurrent Assets	
Restricted Cash with Fiscal Agent	183,650
Leases Receivable	282,968
Net OPEB Asset	1,375
Total Noncurrent Assets	3,865,038
Total Assets	4,898,637
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Loss on Refunding Bonds	45,396
OPEB Related	3,760
Total Deferred Outflows of Resources	49,156

The accompanying notes are an integral part of this financial statement

**STATEMENT OF NET POSITION (CONTINUED)**

June 30, 2022

(in thousands)

	<b>2022</b>
<b>LIABILITIES</b>	
Current Liabilities Payable from Current Assets	
Accounts Payable	\$ 27,094
Trust Liabilities and Deposits	39
Advance Payments	34,743
Current Portion of Pollution Remediation	75
Current Portion of Accrued Compensated Absences	982
	<u>62,933</u>
Total Current Liabilities Payable from Current Assets	
Current Liabilities Payable from Restricted Assets	
Debt Service	
Matured Bonds Payable	52,190
Interest Payable	55,252
Current Portion of Municipal Corporation Obligations:	
Current Portion of Rental Car Facility Revenue Bonds	7,825
Current Portion of Aviation Revenue Bonds	60,670
Capital Projects	
Accounts Payable	44,407
	<u>220,344</u>
Total Current Liabilities Payable from Restricted Assets	
	<u>283,277</u>
Noncurrent Liabilities	
Municipal Corporation Obligations:	
Rental Car Facility Revenue Bonds	319,970
Aviation Revenue Bonds	2,175,275
Pollution Remediation	1,200
Accrued Compensated Absences	6,198
Net OPEB Liability	11,367
	<u>2,514,010</u>
Total Noncurrent Liabilities	
	<u>2,797,287</u>
Total Liabilities	
	<u>2,797,287</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Gain on Refunding Bonds	606
OPEB Related	2,399
Leases Related	306,873
	<u>309,878</u>
Total Deferred Inflows of Resources	
	<u>309,878</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,168,267
Restricted for:	
Debt Service	19,565
Passenger Facility Charges	103,681
Rental Car Customer Facility Charges	34,596
OPEB	1,375
Unrestricted	513,144
	<u>1,840,628</u>
Total Net Position	
	<u>\$ 1,840,628</u>

The accompanying notes are an integral part of this financial statement



**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**For the Fiscal Year Ended June 30, 2022  
(in thousands)

	<b>2022</b>
Operating Revenues	
Aeronautical Revenue	
Terminal Fees	\$ 76,463
Landing Fees	39,958
Air Cargo and Hangar Rental	7,417
Other	18,734
Non-Aeronautical Revenue	
Parking	101,054
Rental Cars	68,000
Terminal - Food and Beverage	23,446
Terminal - Retail	15,593
Rental Revenue	22,316
Ground Transportation	18,426
Other	6,085
Total Operating Revenues	<u>397,492</u>
Operating Expenses	
Operation and Maintenance	
Personal Services	98,279
Contractual Services	120,765
Supplies	11,543
Equipment/Minor Improvements	20,398
Depreciation	178,490
City Staff and Administrative	10,233
Total Operating Expenses	<u>439,708</u>
Operating Loss	<u>(42,216)</u>
Nonoperating Revenues (Expenses)	
Passenger Facility Charges	83,103
Rental Car Customer Facility Charges	44,625
Investment Income:	
Net Increase in Fair Value of Investments	11,112
Interest	5,518
Interest Income from Leases	10,455
Federal COVID Grants	141,921
Interest on Capital Debt	(94,957)
Loss on Disposal of Capital Assets	(4,707)
Total Nonoperating Revenues (Expenses)	<u>197,070</u>
Income Before Contributions and Transfers	154,854
Capital Contributions	33,557
Transfer from City of Phoenix	189
Transfer to City of Phoenix - Capital Projects Fund	<u>(173)</u>
Change in Net Position	188,427
Net Position, July 1	<u>1,652,201</u>
Net Position, June 30	<u><u>\$ 1,840,628</u></u>

The accompanying notes are an integral part of this financial statement

**STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended June 30, 2022

(in thousands)

	<b>2022</b>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 405,200
Payments to Suppliers	(197,405)
Payments to Employees	(89,576)
Pension Liability Paydown	(70,000)
Payment of Staff and Administrative Expenses	(10,233)
Net Cash Provided by Operating Activities	37,986
Cash Flows from Noncapital Financing Activities	
Non-Capital Grants	144,022
Transfers from Other Funds	189
Transfers to Other Funds	(173)
Net Cash Provided by Noncapital Financing Activities	144,038
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Capital Debt	(50,045)
Interest Paid on Capital Debt	(111,578)
Acquisition and Construction of Capital Assets	(151,552)
Proceeds from Sales of Capital Assets	5,111
Passenger Facility Charges	87,749
Rental Car Customer Facility Charges	44,435
Interest Income from Leases	10,455
Capital Contributions	35,658
Net Cash Used by Capital and Related Financing Activities	(129,767)
Cash Flows from Investing Activities	
Purchases of Investment Securities	(749,441)
Proceeds from Sale and Maturities of Investment Securities	893,023
Net Activity for Short-Term Investments	(176,037)
Interest on Investments	16,964
Net Cash Used by Investing Activities	(15,491)
Net Increase in Cash and Cash Equivalents	36,766
Cash and Cash Equivalents, July 1	397,177
Cash and Cash Equivalents, June 30	<u>\$ 433,943</u>

The accompanying notes are an integral part of this financial statement

**STATEMENT OF CASH FLOWS (CONTINUED)**

For the Fiscal Year Ended June 30, 2022

(in thousands)

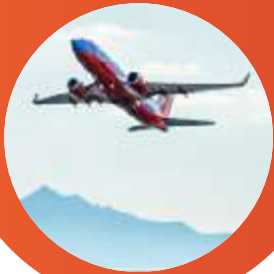
	<u>2022</u>
Reconciliation of Operating Loss to	
Net Cash Provided by Operating Activities	
Operating Loss	\$ (42,216)
Adjustments	
Depreciation	178,490
Deferred Outflows - Pension and OPEB	(1,840)
Deferred Inflows - Pension and OPEB	(25,535)
Change in Assets and Liabilities	
Receivables	(3,237)
Allowance for Doubtful Accounts	161
Leases Receivable	(9,081)
Inventories	(14)
Net OPEB Asset	1,100
Accounts Payable	587
Due to Fiduciary Fund	(70,000)
Advance Payments	19,865
Pollution Remediation	(75)
Accrued Compensated Absences	(72)
Net Pension Liability	(12,783)
Net OPEB Liability	2,636
Net Cash Provided by Operating Activities	<u>\$ 37,986</u>
Noncash Investing, Capital and Financing Activities	
Amortization of Deferred Gains/Losses on Bond Refundings	\$ 5,047
Unrealized Gain on Investments	9,965
Accounts Payable Related to Capital Asset Additions	44,407
Total Noncash Capital and Financing Activities	<u>\$ 59,419</u>
Cash and Cash Equivalents	
Unrestricted	
Cash and Cash Equivalents	\$ 80,811
Deposits in Escrow	10
Total Unrestricted	<u>80,821</u>
Restricted	
Cash and Cash Equivalents	
Capital Projects	25,606
Cash and Securities with Fiscal Agents/Trustees:	
Debt Service	107,442
Customer Facility Charge	36,424
Total Restricted	<u>169,472</u>
Noncurrent	
Cash and Securities with Fiscal Agents/Trustees	<u>183,650</u>
Total Cash and Cash Equivalents	<u>\$ 433,943</u>

The accompanying notes are an integral part of this financial statement





## **Notes to the Financial Statements**



## NOTES TO THE FINANCIAL STATEMENTS

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- 1 Summary of Significant Accounting Policies
- 2 Cash, Cash Equivalents, and Investments
- 3 Receivables
- 4 Capital Assets
- 5 Financial Obligations
- 6 Refunded, Refinanced and Defeased Obligations
- 7 Risk Management
- 8 Leases
- 9 Contractual and Other Commitments
- 10 Contingent Liabilities and Other Contingencies
- 11 Deferred Compensation Plan (DCP)
- 12 Pension Plan
- 13 Other Postemployment Benefits (OPEB) Plans
- 14 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 \$26.0 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) Leases

The Aviation Enterprise Fund, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term.

The deferred inflow of resources should be measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

g) **Deposits in Escrow**

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

h) **Inventories**

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

i) **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.

j) **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.

k) **Long-Term Obligations**

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

l) **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.

m) **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.

n) **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.

o) **Statement of Cash Flows**

For purposes of the Statement 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.

p) **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.

q) **Capital Contributions**

The Aviation Enterprise Fund periodically receives grant revenues from federal and state agencies which are for capital projects. Revenue is considered earned as the related approved capital outlays are incurred. Revenues from capital grants are reported as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. In fiscal year 2022, the Department received \$17.4 million in federal and state grants. The airport also acquired a building, valued at \$16.2 million. This building reverted to the City as a result of an expired land lease.

r) **Passenger Facility Charges**

The Passenger Facility Charge Program allows the collection of PFC fees up to \$4.50 for boarded passengers 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.

s) **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.

t) **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.

u) **Coronavirus Relief**

The federal COVID grants revenue consists of the following three programs:

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.

CRRSA Act grant is the Coronavirus Response and Relief Supplemental Appropriation Act signed into law on December 27, 2020. It includes funds to be awarded to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA established the Airport Coronavirus Response Grant Program (ACRGP) to make grants available to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public owned general aviation airports.

ARPA is the American Rescue Plan Act of 2021. These funds provide economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. Funds provided under this grant must only be used for airport operational expenses or debt service payments.

The Aviation Enterprise fund's total grant awards for these programs, as well as revenue for these grants in fiscal year 2022 is as follows:

	CARES	CRRSA	ARPA	Total
Sky Harbor	\$ 147,883,988	\$ 33,866,073	\$ 138,810,067	\$ 320,560,128
Concession Rent Relief	-	4,804,683	19,218,730	24,023,413
Deer Valley	157,000	57,000	148,000	362,000
Goodyear	69,000	57,162	59,000	185,162
Total	<u>\$ 148,109,988</u>	<u>\$ 38,784,918</u>	<u>\$ 158,235,797</u>	<u>\$ 345,130,703</u>
FY 2022 Revenue	<u>\$ 37,023,286</u>	<u>\$ 38,750,756</u>	<u>\$ 66,147,067</u>	<u>\$ 141,921,109</u>

v) **New Accounting Pronouncements**

New Accounting Pronouncements Adopted in 2022:

GASB Statement No. 87, *Leases*, establishes new guidance for lease accounting for lessees and lessors and eliminates the classification of leases as either operating or capital leases. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Lessees will recognize a lease liability and an intangible right-to-use lease asset. Lessors will recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Aviation Enterprise Fund has implemented this Statement in fiscal year 2022. See note 8 for additional information.

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
91	<i>Conduit Debt Obligations</i>	2023
94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements (SBITA)</i>	2023
99	<i>Omnibus 2022</i>	2023
100	<i>Accounting Changes and Error Corrections</i>	2024
101	<i>Compensated Absences</i>	2025

**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and cash equivalents at June 30, 2022 was composed of the following (in thousands):

	<u>2022</u>
Cash in Bank	\$ 66
Cash on Hand	2
Short-Term Investments	106,359
Cash with Fiscal Agents/Trustees	<u>327,516</u>
Total Cash and Cash Equivalents	<u>\$ 433,943</u>

A summary of Aviation Enterprise Fund cash and cash equivalents, including deposits in escrow, at June 30, 2022 (in thousands):

	<u>2022</u>
Unrestricted	\$ 80,821
Restricted	<u>353,122</u>
Total Cash and Cash Equivalents	<u>\$ 433,943</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 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 2022 that had undercollateralized deposit liabilities. The Aviation Enterprise Fund's deposits at June 30, 2022 were (in thousands):

	<u>2022</u>
Deposits	
Carrying Amount	\$ 66
Bank Ledger Balance	34

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 with fiscal agents was (in thousands):

	<u>2022</u>
Cash with Fiscal Agent	
Carrying Amount	\$ 327,516
Bank Ledger Balance	327,516

**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, 2022 (in thousands):

Aviation Portion of City Investments	June 30, 2022	
	Fair Value	Weighted Average Maturity (Years)
Pooled Investments		
Repurchase Agreements collateralized by U.S. Treasury Securities	\$ 46,025	0.014
U.S. Treasury Securities	326,744	0.821
U.S. Government Agency Securities		
Housing and Urban Development	2,057	1.179
FFCB Notes	17,864	1.265
FNMA Notes	7,742	2.464
FHLMC Notes	26,456	1.639
FHLB Notes	79,439	2.305
Total U.S. Government Agency Securities	133,558	2.026
Pre-Refunded Municipal Securities	35,745	0.534
Certificates of Deposit	19,499	0.024
Commercial Paper	28,286	0.121
Mortgage Backed Securities		
GNMA	4,393	2.164
FHLMC Notes	4,967	3.477
Total Mortgage Backed Securities	9,360	2.861
Total Pooled Investments	599,217	0.984
Less: Short-Term Pooled Investments	(94,171)	
Net Pooled Investments	505,046	
Non-Pooled Investments		
U.S. Treasury Securities	151,474	0.301
U.S. Government Agency Securities		
FHLB Notes	13,845	0.161
Total Non-Pooled Investments	165,319	0.291
Less: Short-Term Non-Pooled Investments	(13,845)	
Net Non-Pooled Investments	151,474	
Total Investments	\$ 656,520	

## 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, 2022 (in thousands):

Investments by Fair Value Level	Fair Value Measurement Using:			
	06/30/22	Level 1	Level 2	Level 3
U.S. Government securities	\$ 524,242	\$ 2,609	\$ 521,633	\$ -
U.S. Government agency obligations	147,404	-	147,404	-
U.S. Government agency MBS/CMO	9,360	-	9,360	-
Municipal bonds	35,745	-	35,745	-
Commercial Paper	28,286	-	28,286	-
Total Investments, including those classified as cash equivalents, by fair value level	<u>\$ 745,037</u>	<u>\$ 2,609</u>	<u>\$ 742,428</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, excluding U.S. Treasury Securities, that represent 5% or more of total Aviation Enterprise Fund investments are as follows:

Issuer	2022
Federal Home Loan Bank	14.21%

## 3. RECEIVABLES

Receivables, excluding leases which are discussed in note 8, at June 30, 2022 are stated net of the allowance for doubtful accounts, and are summarized as follows (in thousands):

	June 30, 2022
Unrestricted	
Accounts Receivable	\$ 19,036
Intergovernmental Receivable	55,049
Restricted	
Passenger Facility Charge Receivable	7,277
Customer Facility Charge Receivable	3,308
Intergovernmental Receivable	5,800
Interest Receivable	52
Total Receivable	<u>\$ 90,522</u>

<sup>(1)</sup> Intergovernmental Receivables include monies due from other governmental entities for grants.

An allowance for doubtful accounts of \$682 thousand has been recorded as of June 30, 2022. Accounts Receivable includes unbilled charges of \$11.9 million.

**4. CAPITAL ASSETS**

Capital asset activity for the Aviation Enterprise Fund for the fiscal year ended June 30, 2022 was as follows (in thousands):

	Balances July 1, 2021	Additions	Deletions	Balances June 30, 2022
Non-depreciable assets:				
Land	\$ 576,695	\$ 352	\$ -	\$ 577,047
Artwork	8,682	-	-	8,682
Construction-in-Progress	896,129	36,774	(175,387)	757,516
Total non-depreciable assets	1,481,506	37,126	(175,387)	1,343,245
Depreciable assets:				
Buildings	2,006,590	171,448	(17,260)	2,160,778
Improvements	1,827,184	12,487	-	1,839,671
Equipment	741,132	98,166	(9,759)	829,539
Intangible Assets	37,454	56	-	37,510
Total depreciable assets	4,612,360	282,157	(27,019)	4,867,498
Less accumulated depreciation for:				
Buildings	(996,998)	(62,856)	11,027	(1,048,827)
Improvements	(1,193,353)	(65,578)	-	(1,258,931)
Equipment	(439,515)	(46,513)	6,174	(479,854)
Intangible Assets	(22,543)	(3,543)	-	(26,086)
Total accumulated depreciation	(2,652,409)	(178,490)	17,201	(2,813,698)
Total depreciable assets, net	1,959,951	103,667	(9,818)	2,053,800
Total capital assets, net	<u>\$ 3,441,457</u>	<u>\$ 140,793</u>	<u>\$ (185,205)</u>	<u>\$ 3,397,045</u>

**5. FINANCIAL OBLIGATIONS****Long-Term Obligations**

Changes in long-term obligations for the fiscal year ended June 30, 2022 are summarized as follows (in thousands):

	Balances July 1, 2021	Additions	Reductions	Balances June 30, 2022	Amounts Due Within One Year
Bonds and Notes Payable:					
Municipal Corporation Obligations					
Rental Car Facility Revenue Bonds	\$ 294,820	\$ -	\$ (7,655)	\$ 287,165	\$ 7,825
Aviation Revenue Bonds	2,048,410	-	(44,535)	2,003,875	60,670
Subtotal	2,343,230	-	(52,190)	2,291,040	68,495
Discounts/Premiums	293,293	-	(20,593)	272,700	-
Total Bonds and Notes Payable	2,636,523	-	(72,783)	2,563,740	68,495
Other Liabilities:					
Accrued Compensated Absences	7,252	7,180	(7,252)	7,180	982
Pollution Remediation	1,350	-	(75)	1,275	75
Net Pension Liability	12,783	-	(12,783)	-	-
Net OPEB Liability	8,731	2,636	-	11,367	-
Total Other Liabilities	30,116	9,816	(20,110)	19,822	1,057
Total Long-Term Obligations	<u>\$ 2,666,639</u>	<u>\$ 9,816</u>	<u>\$ (92,893)</u>	<u>\$ 2,583,562</u>	<u>\$ 69,552</u>

Issues of long-term debt were as follows at June 30, 2022 (dollars in thousands):

June 30, 2022								
Issue Date	Purpose	Maturity Dates	Effective Interest Rate	Average Life (Years)	Original Amount	Principal Outstanding	Interest Outstanding	Unamortized Discount (Premium)
Municipal Corporation Obligations <sup>(1)</sup>								
03/05/13	Airport Revenue Refunding (AMT) (2a)	7/1/14-32	3.28	11.8	\$ 196,600	\$ 125,455	\$ 37,015	\$ 10,661
11/21/17	Airport Revenue (AMT) (2a)	7/1/18-47	3.84	18.7	190,930	176,045	136,229	22,400
11/21/17	Airport Revenue Refunding (Non-AMT) (2a)	7/1/21-38	3.23	13.5	173,440	162,340	77,326	22,366
11/28/18	Airport Revenue (AMT) (2a)	7/1/19-48	4.22	19.3	226,180	213,505	173,749	16,672
Total Sr. Lien Obligations					787,150	677,345	424,319	72,099
09/01/10	Airport Revenue (Taxable) (2b) <sup>(3) (4)</sup>	7/1/40	3.67	29.8	21,345	21,345	25,358	-
12/15/15	Airport Revenue (Non-AMT) (2b) <sup>(3)</sup>	7/1/16-45	3.99	18.6	95,785	84,515	57,745	7,706
12/15/15	Airport Revenue Refunding (Non-AMT) (2b) <sup>(3)</sup>	7/1/34	4.08	18.5	18,655	18,655	11,193	1,584
12/21/17	Airport Revenue Refunding (Non-AMT) (2b) <sup>(3)</sup>	7/1/21-40	3.36	14.2	474,725	442,590	212,071	48,239
12/11/19	Airport Revenue (Non-AMT) (2b) <sup>(3)</sup>	7/1/41-49	3.61	25.9	341,095	341,095	356,544	45,895
12/11/19	Airport Revenue (AMT) (2b)	7/1/20-49	3.44	19.1	392,005	388,895	300,929	56,547
12/11/19	Airport Refunding (Taxable) (2b)	7/1/23-25	2.38	4.6	29,435	29,435	1,366	-
Total Jr. Lien Obligations					1,373,045	1,326,530	965,206	159,971
12/05/19	Rental Car Facility (Taxable) <sup>(5)</sup>	7/1/28-45	3.33	18.4	244,245	244,245	181,794	40,630
12/05/19	Rental Car Facility Refunding (Taxable) <sup>(5)</sup>	7/1/20-28	2.60	4.6	60,485	42,920	3,517	-
Total Rental Car Facility Obligations					304,730	287,165	185,311	40,630
Total Aviation Enterprise Fund Bonds					\$ 2,464,925	\$ 2,291,040	\$ 1,574,836	\$ 272,700

Notes:

<sup>(1)</sup> Enhanced by a municipal bond insurance policy, a reserve account surety bond, or a debt service reserve fund.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 and 2019A bonds. The Series 2015A bonds have a pledge equivalent to 30% of the principal and interest requirement. The Series 2019A bonds have a pledge equivalent to 93% of the principal and interest requirement. The Passenger Facility Charge (PFC) is currently imposed at the rate of \$4.50 per qualifying enplaned passenger.

<sup>(4)</sup> 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 5.7% (the Sequester Reduction) for the fiscal year 2022. 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.

<sup>(5)</sup> The City has made a first priority pledge of a \$6.00 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 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.

**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
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	28,325	29,812	30,820	56,858	8,385	12,157
2027	29,735	28,395	32,355	55,317	8,605	11,939
2028 - 2032	172,530	118,130	187,745	250,639	48,650	54,061
2033 - 2037	130,420	79,004	237,710	199,552	62,040	40,673
2038 - 2042	101,880	47,618	279,385	139,521	78,945	23,768
2043 - 2047	111,640	22,883	307,265	73,472	56,535	5,089
2048 - 2050	25,700	1,205	137,895	9,376	-	-
Total	<u>\$ 677,345</u>	<u>\$ 424,319</u>	<u>\$ 1,326,530</u>	<u>\$ 965,205</u>	<u>\$ 287,165</u>	<u>\$ 185,311</u>

**Debt Service Reserve**

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

Bond Series	2022
Airport Revenue Bonds	
Junior Lien Airport Debt Service Reserve for Series 2010A, 2010B, 2010C	\$ 2,134
Airport Revenue Refunding Bonds, Series 2013 (AMT) Reserve	16,251
Airport Revenue Refunding Bonds, Series 2015B (Non-AMT) Reserves	1,866
Senior Lien Airport Parity Reserve for Series 2017A, 2017B, 2018	47,239
Junior Lien Airport Parity Reserve for Series 2015A, 2017D, 2019A, 2019B, 2019C	95,602
Airport Rental Car Facility Bonds	
Rental Car Facility Parity Reserve for Series 2019A, 2019B	20,545
Total	<u>\$ 183,637</u>

**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, 2022 is \$1.3 million. This liability is based on estimates completed by engineers in respect to the efforts needed to complete the remediation.

**6. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS**

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

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

trust, along with future cash flows generated by the securities, will be sufficient to service the previously issued bonds.

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, 2022 are summarized as follows (in thousands):

	June 30, 2022			
	Deferred Amount July 1	Additions (Gains)/Losses	Amortization Gains/(Losses)	Deferred Amount June 30
Deferred Outflows of Resources Municipal Corporation Obligations	\$ 50,518	\$ -	\$ (5,122)	\$ 45,396
Deferred Inflows of Resources Municipal Corporation Obligations	(681)	-	75	(606)
Total	<u>\$ 49,837</u>	<u>\$ -</u>	<u>\$ (5,047)</u>	<u>\$ 44,790</u>

## 7. RISK MANAGEMENT

The Aviation Enterprise Fund maintained a combination of commercial insurance and self-insurance during the fiscal year ended June 30, 2022, 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 \$7.5 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 ACFR.

## 8. LEASES

The Department leases a portion of its properties to various third parties who use the space to conduct their operations on the Airport grounds. As lessor, the related asset is recognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable at the commencement of the lease term that relates to future periods.

For the purposes of the GASB No. 87 implementation, Airport leases have been categorized as follows:

1. GASB No. 87 Leases – Included
2. GASB No. 87 Leases – Excluded Leases – Regulated
3. GASB No. 87 Leases – Excluded Leases – Short Term
4. GASB No. 87 Leases – Excluded Leases – Other

### GASB No. 87 Leases - Included

The Department recognized a lease receivable and a deferred inflow of resources at the implementation of GASB No. 87 of \$297,016,309. For the year ended June 30, 2022, the Department reported total revenue under these contracts of \$61,796,599, which is comprised of lease revenue of \$37,931,200, interest revenue of \$10,454,549 and variable revenue of \$13,410,850. These leases are summarized as follows:

### Terminal Concessions - Food and Beverage

The Department entered into contracts with several lessees for the use of terminal space for food and beverage locations in Terminals 3 and 4. The contracts for Terminal 4 began in June 2021 and will conclude in August 2026. The contracts for Terminal 3 began in February 2018 and will conclude in January 2033. The terms of the contracts include a minimum rent component and a variable component based on gross sales. For the year ended June 30, 2022, the Department recognized total revenue under these contracts of \$26,635,976, which is comprised of lease revenue of \$17,654,229, interest of \$3,178,710 and variable revenue of \$5,803,037.

The following is a schedule by year of minimum payments to be received under the Terminal Concessions - Food and Beverage leases that are included in the measurement of the lease receivable as of June 30, 2022 (in thousands):

Fiscal Year	Principal	Interest	Total
2023	\$ 17,083	\$ 2,636	\$ 19,719
2024	17,644	2,075	19,719
2025	18,223	1,495	19,718
2026	18,821	897	19,718
2027	5,323	487	5,810
2028-2032	12,346	1,195	13,541
2033-2034	1,463	12	1,475
Total	<u>\$ 90,903</u>	<u>\$ 8,797</u>	<u>\$ 99,700</u>

### Terminal Concessions - Retail

The Department entered into contracts with several lessees for the use of terminal space for retail locations in Terminals 3 and 4. The contracts for Terminal 4 began in October 2016 and May 2017. These contracts will conclude in December 2029 and November 2030. The contracts for Terminal 3 began in February 2018 and will conclude in January 2033. The terms of the contracts include a minimum rent component and a variable component based on gross sales. For the year ended June 30, 2022, the Department recognized total revenue under these contracts of \$15,198,230, which is comprised of lease revenue of \$6,198,174, interest of \$1,732,654 and variable revenue of \$7,267,402.

The following is a schedule by year of minimum payments to be received under the Terminal Concessions - Retail leases that are included in the measurement of the lease receivable as of June 30, 2022 (in thousands):

Fiscal Year	Principal	Interest	Total
2023	\$ 5,671	\$ 1,552	\$ 7,223
2024	5,858	1,366	7,224
2025	5,737	1,179	6,916
2026	5,608	996	6,604
2027	5,763	813	6,576
2028-2032	21,495	1,469	22,964
2033-2034	1,042	9	1,051
Total	<u>\$ 51,174</u>	<u>\$ 7,384</u>	<u>\$ 58,558</u>

#### Advertising

The Department entered into two contracts for outdoor advertising and one contract for in-terminal advertising. These contracts have various start dates from July 2010 through November 2021. The in-terminal advertising contract will conclude in May 2023 and the outdoor contracts will conclude in October and December 2031. The terms of the contracts include a minimum rent component and a variable component based on gross sales. For the year ended June 30, 2022, the Department recognized total revenue under these contracts of \$3,842,107, which is comprised of lease revenue of \$3,247,081, interest of \$254,615 and variable revenue of \$340,411.

The following is a schedule by year of minimum payments to be received under the Advertising contracts that are included in the measurement of the lease receivable as of June 30, 2022 (in thousands):

Fiscal Year	Principal	Interest	Total
2023	\$ 3,133	\$ 195	\$ 3,328
2024	497	143	640
2025	513	127	640
2026	530	110	640
2027	547	93	640
2028-2032	2,618	186	2,804
Total	<u>\$ 7,838</u>	<u>\$ 854</u>	<u>\$ 8,692</u>

#### Rental Car Service Site Land Rent

The Department entered into contracts with Avis, Enterprise and Hertz for overflow parking outside of the Consolidated Rental Car Center. These contracts began in January 2006 and will conclude in June 2029. The terms of the contracts include an annual adjustment based on the Consumer Price Index (CPI). Revenue recognized under these lease contracts during the year ended June 30, 2022 was \$2,809,918, which includes lease revenue of \$2,261,306 and interest of \$548,612.

The following is a schedule by year of minimum payments to be received under the rental car service site land rent contracts that are included in the measurement of the lease receivable as of June 30, 2022 (in thousands):

Fiscal Year	Principal	Interest	Total
2023	\$ 2,080	\$ 482	\$ 2,562
2024	2,148	414	2,562
2025	2,219	344	2,563
2026	2,292	271	2,563
2027	2,367	196	2,563
2028-2029	4,970	155	5,125
Total	<u>\$ 16,076</u>	<u>\$ 1,862</u>	<u>\$ 17,938</u>

## Building and Land Rent

The Department entered into numerous contracts for land and/or building rent in areas surrounding the airports. These contracts have various end dates ranging from January 2026 to July 2071. The terms of the contracts include periodic rent adjustments which could be set in the contract or based on CPI. Revenue recognized under these lease contracts during the year ended June 30, 2022 was \$13,310,368, which includes lease revenue of \$8,570,410 and interest of \$4,739,958.

The following is a schedule by year of minimum payments to be received under the building and land contracts that are included in the measurement of the lease receivable as of June 30, 2022 (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,019	\$ 4,690	\$ 9,709
2024	6,695	4,547	11,242
2025	7,167	4,327	11,494
2026	5,878	4,102	9,980
2027	3,376	3,972	7,348
2028-2032	15,928	18,242	34,170
2033-2037	9,795	16,264	26,059
2038-2042	10,976	14,612	25,588
2043-2047	14,073	12,599	26,672
2048-2052	17,697	10,036	27,733
2053-2057	15,573	7,279	22,852
2058-2062	17,922	4,663	22,585
2063-2067	13,196	2,037	15,233
2068-2072	6,668	405	7,073
Total	<u>\$ 149,963</u>	<u>\$ 107,775</u>	<u>\$ 257,738</u>

## **GASB No. 87 Excluded Leases - Regulated**

In accordance with GASB No. 87, the Department does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. Regulated leases include the following:

### Airline Use Agreements

The Airport has entered into a Letter of Authorization (LOA) with each airline for the use of exclusive space in the terminals. By definition, these LOAs are considered to be regulated leases under GASB No. 87. Each LOA includes a provision that either party may terminate the agreement with 30 days' written notice. The Airlines currently have exclusive use of 113,868 sq ft in Terminal 3 and 531,755 sq ft in Terminal 4. This represents 26% of the total building space. The rental rate for the exclusive space is computed on a cost-reimbursement rate. The revenue recognized for exclusive use terminal space during the year ended June 30, 2022 was \$62,548,702.

In addition to the exclusive use space, the Department recognized revenue from the Airlines on a usage basis for common use gates, baggage fees and landing fees. The revenue recognized for these usage- based fees during the year ended June 30, 2022 was \$77,493,114.

Due to the variable nature of the above revenues from year to year, expected future minimum payments are indeterminable.

### Airline Hangar Buildings

The Department has entered into lease agreements with American Airlines and Southwest Airlines for use of two large maintenance hangars located on the east side of the airport. The lease with American Airlines began in October 1986 and will end in September 2026. The lease with Southwest Airlines began in August 1992 and will end in July 2047. These contracts include periodic rate adjustments based on CPI. The revenue recognized for these Hangar contracts during the year ended June 30, 2022 was \$2,547,597.

Future Minimum lease payments are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>
2023	\$ 1,691
2024	1,691
2025	1,691
2026	1,691
2027	1,151
2028-2032	4,336
2033-2037	3,911
2038-2042	3,911
2043-2047	3,617
Total	<u>\$ 23,690</u>

#### Fixed Based Operators

The Department has entered into several contracts with Fixed Base Operators (FBO) for the lease of certain airport land and buildings. An FBO is a commercial enterprise that provides aeronautical services such as fueling, aircraft parking and storage to the general aviation community, and therefore is considered to be a regulated lease. These contracts have various start dates ranging from 1998 to 2021 and end dates ranging from 2028 to 2061. The revenue recognized for these FBO contracts during the year ended June 30, 2022 was \$1,546,075.

Future minimum lease payments are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>
2023	\$ 1,014
2024	1,014
2025	1,023
2026	1,023
2027	1,023
2028-2032	4,666
2033-2037	4,143
2038-2042	4,143
2043-2047	4,143
2048-2052	1,859
2053-2057	1,076
2058-2062	796
Total	<u>\$ 25,923</u>

#### GASB No. 87 Excluded Leases – Short-Term

In accordance with GASB No. 87, the Department does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that, at the commencement of the lease term, have a maximum possible term under the lease contract of 12 months or less.

#### Hangars and Tie-Downs

Phoenix Deer Valley Airport has 779 hangars and 380 covered and uncovered tie-down spaces, leased on a month-to-month basis. Revenue recognized under these lease contracts during the year ended June 30, 2022 was \$2,475,958.

Phoenix Goodyear Airport has 147 hangars and 22 tie-down spaces, leased on a month-to-month basis. Revenue recognized under these lease contracts during the year ended June 30, 2022 was \$1,086,998.

#### GASB No. 87 Excluded Leases – Other

The Department entered into leases with five rental car companies for space in the Consolidated Rental Car Center (RCC). Contracts with Avis, Enterprise and Hertz began in July 2017 and will end in June 2029, while contracts with Fox and SIXT began in January 2018 and will end in December 2022. The terms of the contracts include a minimum rent component and a variable component based on gross sales. The

RCC contracts include language that abates the minimum rent component in the event of a significant drop in passenger traffic at the Airport. Due to this contractual provision, the rent on these contracts has been deemed to not be fixed in substance. Revenue recognized under these lease contracts during the year ended June 30, 2022 was \$58,492,446.

## **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 \$70.5 million are remaining at June 30, 2022.

## **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 ACFR), the Aviation Enterprise Fund, through the City, is primarily self-insured. 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, 2022.

### **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, 2022 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, 2022 and 2021, were as follows (in thousands):

	<u>2022</u>
Sick Leave Benefit	\$ 14,815
Less: Amount Accrued as a Liability	<u>(1,923)</u>
Total Sick Leave Benefit Balance	<u>\$ 12,892</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, 2022 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, 2022.

## 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 \$20,500 of their salaries during calendar year 2022. 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 \$61,000 in 2022. The City also contributes to the Plan on behalf of eligible employees in an amount equal to a percentage of the employee's base annual salary. The Aviation Enterprise Fund, through the City, contributed \$2,474,230 for the year ended June 30, 2022.

A governing board makes decisions about investment options available within each plan, but all investment decisions are made by employees. All assets and income earned thereon are held in trust for the exclusive benefit of Plan participants. The Plans are administered by Nationwide Investment Services, which also serves as trustee of the assets.

## 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 2022
Active Members	
Tier 1	436
Tier 2	57
Tier 3	348
Subtotal	841
Terminated Vested	118
In-Pay Members	
Service Retirees	674
Beneficiaries	127
Disabled Retirees	24
Subtotal	825
Total Members	1,784

## 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 17 year period. For the fiscal year ended June 30, 2022, the total contribution rate was 37.60% 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, \$18.9 million for fiscal year 2022.

### Net Pension Liability

The City's net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the same date. The City requires the Aviation Enterprise Fund to pay its share of the total net pension liability. Therefore, the Aviation Enterprise Fund has recognized its portion of the total net pension liability, related pension expense and other pension-related measures. The Aviation Enterprise Fund's share of the City's total net pension liability is based on the Fund's share of the City contributions into COPERS for the fiscal year ended June 30, 2022. The schedule below details the changes in the Aviation Enterprise Fund's net pension liability (in thousands) for the year ended June 30, 2022:

	<b>Total Pension Liability (TPL) (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (NPL) (a)-(b)</b>
Balance at July 1, 2021	\$ 456,657	\$ 443,874	\$ 12,783
Changes for the Year:			
Service Cost	8,466	-	8,466
Interest	33,033	-	33,033
Differences between Expected and Actual Experience	5,581	-	5,581
Changes in Assumptions	-	-	-
Contributions - Employer	-	18,902	(18,902)
Contributions - Member	-	5,655	(5,655)
Net Investment Income	-	35,578	(35,578)
Benefit Payments	(27,842)	(27,842)	-
Administrative Expense	-	(272)	272
Net Changes	19,238	32,021	(12,783)
Balance at June 30, 2022	\$ 475,895	\$ 475,895	\$ -

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 Annual Comprehensive Financial Report available online at [www.phoenix.gov/copers](http://www.phoenix.gov/copers).

## Actuarial Assumptions

Actuarial assumptions used to determine the total pension liability in the June 30, 2022 valuation 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	7.00%
Inflation	2.30%
Salary Increase Rate	2.80% plus merit component based on service ranging from 4.20% at 1 year of service to 0.00% for members with 15 or more years of 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, 7.00%, 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	Actual Allocation	Expected Real Rate of Return (Arithmetic)
US Equity	16.0%	20.1%	6.8%
Developed Market Equity (Non-U.S.)	9.0	11.4	8.1
Emerging Market Equity	8.0	5.0	10.3
Private Equity	9.0	8.1	11.9
Investment Grade Bonds	15.0	11.0	1.8
TIPS	7.0	4.6	1.8
High Yield Bonds	5.0	4.4	3.8
Bank Loans	3.0	2.6	3.1
Emerging Market Bonds	3.0	2.1	4.2
Infrastructure	4.0	1.6	8.2
Natural Resources	4.0	1.0	9.2
Hedge Funds	5.0	4.3	3.6
Real Estate	12.0	15.7	7.5
GTAA	-	2.9	3.9
Cash	-	5.1	1.1

## Pension Expense

For the year ended June 30, 2022, the Aviation Enterprise Fund recognized pension expense of \$17.1 million.

### 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 four plans to choose from: United Healthcare (UHC) - Retiree Choice HSA, UHC - Retiree Choice PPO, UHC - Retiree HMO, and UHC - Retiree HDHP. The City also sponsors a retiree exchange through UHC 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, 2022 (the valuation date), are:

	<u>2022</u>
Plan Members Currently Receiving Benefits	623
Active Plan Members	<u>172</u>
Total Plan Members	<u><u>795</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 for the year ended June 30, 2022. Employees are not required to contribute to the MERP.

## Net OPEB Liability

The Aviation Enterprise Fund's share of the City's net OPEB liability for MERP is based on the Fund's share of the City contributions into MERP for the fiscal year ended June 30, 2022. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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 6.50% was used to measure the total OPEB liability as of June 30, 2022. This single discount rate was based on an expected rate of return on OPEB plan investments of 6.50%. 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, 2021	\$ 23,638	\$ 14,907	\$ 8,731
Changes for the Year:			
Service Cost	223	-	223
Interest	1,538	-	1,538
Difference between expected and actual experience	-	-	-
Changes of assumptions	522	-	522
Contributions - Employer	-	1,768	(1,768)
Net Investment Income	-	(2,152)	2,152
Benefit Payments	(1,770)	(1,770)	-
Other	(72)	(41)	(31)
Net Changes	441	(2,195)	2,636
Balance at June 30, 2022	\$ 24,079	\$ 12,712	\$ 11,367

### Actuarial Assumptions

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

Valuation date	6/30/21
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Investment rate of return	6.50%
Projected payroll increases	3.50%
Healthcare Trend Rates	Rates starting at 7.5% in 2020 grading down to 4.5% in 2034

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	30.0%
International Equities	30.0
Fixed Income	25.0
Marketable Alternatives	10.0
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, 2022. 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 (5.50%)	Current Single Discount Rate Assumption (6.50%)	1% Increase (7.50%)
Net OPEB Liability for MERP	\$ 13,719	\$ 11,367	\$ 9,367

**Sensitivity of the Aviation Enterprise Fund's Net OPEB Liability to the Healthcare Cost Trend Rates Assumption**

Below is a table providing the sensitivity of the Aviation Enterprise Fund's net OPEB liability for MERP to changes in the healthcare cost trend rates as of June 30, 2022. In particular, the table presents the Aviation Enterprise Fund's net OPEB liability for MERP if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Healthcare Cost Trend Rates Assumption	1% Increase
Net OPEB Liability	\$ 11,349	\$ 11,367	\$ 11,387

**OPEB Expense and Deferred Outflows of Resources Related to OPEB**

For the year ended June 30, 2022, the Aviation Enterprise Fund recognized an OPEB expense of \$1.7 million. At June 30, 2022, the Aviation Enterprise Fund reported deferred outflows of resources related to OPEB from the following sources (in thousands):

	2022
Deferred Outflows of Resources	
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 2,806
Total	<u>\$ 2,806</u>
Deferred Inflows of Resources	
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,453
Total	<u>\$ 1,453</u>

Amounts reported as deferred outflows and deferred inflows of resources at June 30, 2022 will be recognized in OPEB expense as follows:

	Year Ending June 30
2023	\$ 318
2024	278
2025	137
2026	620
Total	<u>\$ 1,353</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 \$1.1 million in fiscal year 2022.

**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, 2022 (the valuation date), the effective date of the biennial OPEB valuation, follows.

	<u>2022</u>
Current Active Employees	632
Currently Disabled Employees	<u>15</u>
Total Covered Participants	<u><u>647</u></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 year ended June 30, 2022, the Aviation Enterprise Fund contributed \$71 thousand to the LTD program, even though it is fully funded. Employees are not required to contribute to the LTD program.

### Net OPEB Asset

The Aviation Enterprise Fund's share of the City's net OPEB liability for LTD is based on the Fund's share of the City contributions into LTD for the fiscal year ended June 30, 2022. The net OPEB asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. 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 6.50% was used to measure the total OPEB asset as of June 30, 2022. This single discount rate was based on an expected rate of return on OPEB plan investments of 6.50%. 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 asset.

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, 2021	\$ 2,481	\$ 4,956	\$ (2,475)
Changes for the Year:			
Service Cost	196	-	196
Interest	160	-	160
Difference between expected and actual experience	-	-	-
Changes of assumptions	40	-	40
Contributions - Employer	-	71	(71)
Net Investment Income	-	(831)	831
Benefit Payments	(245)	(245)	-
Administrative Expense	-	(28)	28
Other	(85)	(1)	(84)
Net Changes	66	(1,034)	1,100
Balance at June 30, 2022	<u>\$ 2,547</u>	<u>\$ 3,922</u>	<u>\$ (1,375)</u>

### Actuarial Assumptions

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

Valuation date	6/30/21
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Investment rate of return	6.50%
Projected payroll increases	Use Actual Salary Scale
Inflation	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	30.0%
International Equities	30.0
Fixed Income	25.0
Marketable Alternatives	10.0
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, 2022. 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 (5.50%)	Current Single Discount Rate Assumption (6.50%)	1% Increase (7.50%)
Net OPEB Asset for LTD	\$ (1,204)	\$ (1,375)	\$ (1,529)

### OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized an OPEB expense of \$106.3 thousand. At June 30, 2022 the Aviation Enterprise Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	2022
Deferred Outflows of Resources	
Changes in Assumptions	\$ 58
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	896
Total	<u>\$ 954</u>
Deferred Inflows of Resources	
Differences Between Expected and Actual Experience	193
Changes in Assumptions	251
Projected vs Actual Earnings	502
Total	<u>\$ 946</u>

Amounts reported as deferred inflows and outflows of resources at June 30, 2022, will be recognized in OPEB expense as follows (in thousands):

	Year Ending June 30
2023	\$ 32
2024	17
2025	(32)
2026	135
2027	(60)
Thereafter	(84)
Total	<u>\$ 8</u>

## 14. SUBSEQUENT EVENTS

### Bond Ratings

On October 19, 2022, Standard & Poor's Rating Services ("S&P") announced that it raised its financial strength rating on the City of Phoenix Civic Improvement Corporation Airport Revenue bonds, to "AA-" from "A+" for the Senior Lien Revenue Bonds and to "A+" from "A" for the Junior Lien Revenue Bonds. Both credits have a stable outlook.

On October 19, 2022, Standard & Poor's Rating Services ("S&P") announced that it raised its financial strength rating on the City of Phoenix Civic Improvement Corporation Rental Car Facility Revenue bonds, to "A" from "BBB+" with a stable outlook.



## **Required Supplementary Information**

**City of Phoenix Employees' Retirement System (COPERS)**

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

	2022	2021	2020
Total pension liability			
Service cost	\$ 8,466	\$ 8,336	\$ 8,599
Interest (includes interest on service cost)	33,033	32,129	33,220
Changes of benefit terms	-	-	-
Differences between expected and actual experience of total pension liability	5,581	(461)	(8,236)
Changes of assumption	-	-	(6,613)
Benefit payments, including refunds of employee contributions	(27,842)	(26,470)	(25,667)
Net change in total pension liability	19,238	13,534	1,303
Total pension liability - beginning	456,657	443,123	441,820
Total pension liability - ending	<u>\$ 475,895</u>	<u>\$ 456,657</u>	<u>\$ 443,123</u>
Plan fiduciary net position			
Contributions - employer	\$ 18,902	\$ 186,929	\$ 18,650
Contributions - employees	5,655	4,299	4,172
Net investment income	35,578	19,890	5,341
Benefit payments, including refunds of employee contributions	(27,842)	(26,470)	(25,667)
Pension plan administrative expense	(272)	(205)	(266)
Net change in plan fiduciary net position	\$ 32,021	\$ 184,443	\$ 2,230
Plan fiduciary net position - beginning	443,874	259,431	257,201
Plan fiduciary net position - ending	<u>\$ 475,895</u>	<u>\$ 443,874</u>	<u>\$ 259,431</u>
Net pension liability - ending	<u>\$ -</u>	<u>\$ 12,783</u>	<u>\$ 183,692</u>
Plan fiduciary net position as a percentage of the total pension liability	100.00%	97.20%	58.55%
Covered payroll (in thousands)	\$ 63,102	\$ 61,528	\$ 60,217
Net pension liability as a percentage of covered payroll	0.00%	20.78%	305.05%

The information in this schedule has been determined as of the measurement date 06/30/22 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)

	2019	2018	2017	2016
Total pension liability				
Service cost	\$ 7,765	\$ 7,746	\$ 7,288	\$ 8,076
Interest (includes interest on service cost)	31,858	31,152	29,326	29,321
Changes of benefit terms	-	-	-	(323)
Differences between expected and actual experience of total pension liability	4,173	(4,535)	43	(7,689)
Changes of assumption	-	-	242	(6,942)
Benefit payments, including refunds of employee contributions	(25,163)	(24,123)	(22,367)	(21,619)
Net change in total pension liability	18,633	10,240	14,532	824
Total pension liability - beginning	423,187	412,947	398,415	397,591
Total pension liability - ending	<u>\$ 441,820</u>	<u>\$ 423,187</u>	<u>\$ 412,947</u>	<u>\$ 398,415</u>
Plan fiduciary net position				
Contributions - employer	\$ 17,574	\$ 16,855	\$ 15,215	\$ 11,984
Contributions - Aviation	-	-	-	-
Contributions - employees	3,715	3,534	3,087	2,952
Net investment income	15,154	9,070	27,184	917
Benefit payments, including refunds of employee contributions	(25,163)	(24,123)	(22,367)	(23,216)
Pension plan administrative expense	(84)	(40)	(38)	(23)
Net change in plan fiduciary net position	\$ 11,196	\$ 5,296	\$ 23,081	\$ (7,386)
Plan fiduciary net position - beginning	246,005	240,709	217,628	225,014
Plan fiduciary net position - ending	<u>\$ 257,201</u>	<u>\$ 246,005</u>	<u>\$ 240,709</u>	<u>\$ 217,628</u>
Net pension liability - ending	<u>\$ 184,619</u>	<u>\$ 177,182</u>	<u>\$ 172,238</u>	<u>\$ 180,787</u>
Plan fiduciary net position as a percentage of the total pension liability	58.21%	58.13%	58.29%	54.62%
Covered payroll (in thousands)	\$ 59,565	\$ 55,827	\$ 52,130	\$ 47,397
Net pension liability as a percentage of covered payroll	309.94%	317.38%	330.40%	381.43%

## City of Phoenix Employees' Retirement System (COPERS)

### Schedule of Employer Contributions (in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2022	\$ 17,791	\$ 18,902	\$ (1,111)*	\$ 63,102	29.95%
2021	16,929	186,929	(170,000)*	61,528	303.81%
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%

\* The Aviation Enterprise Fund made additional contributions in fiscal years 2021 and 2022.

#### Notes to Schedule

Valuation date: June 30, 2020. 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, 2022 were determined based on the July 1, 2020 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	2.80% plus merit component based on age ranging from 4.20% at 1 year of service to 0.00% for members with 15 or more years of service.
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2014-2019.
Mortality	Pub-2010, Amount-Weighted, General mortality tables with adjustments, projected with the MP-2019 Ultimate Scale
COLA	0.5% through 2024, 1.00% from 2025-2029, and then 1.25% thereafter.
Other:	None



**MERP**

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

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 223	\$ 232	\$ 289	\$ 278	\$ 305	\$ 295
Interest (includes interest on service cost)	1,538	1,616	1,661	1,634	1,614	1,591
Changes of benefit terms	-	-	-	1,289	-	-
Differences between expected and actual experience	-	(392)	-	(1,179)	-	-
Changes of assumptions	522	(771)	543	(41)	-	-
Benefit payments, including refunds of employee contributions	(1,770)	(1,740)	(1,769)	(1,659)	(1,567)	(1,556)
Other	(72)	(498)	109	-	-	-
Net change in OPEB liability	441	(1,553)	833	322	352	330
Total OPEB liability - beginning	23,638	25,191	24,358	24,036	23,684	23,354
Total OPEB liability - ending	<u>\$ 24,079</u>	<u>\$ 23,638</u>	<u>\$ 25,191</u>	<u>\$ 24,358</u>	<u>\$ 24,036</u>	<u>\$ 23,684</u>
Plan fiduciary net position						
Contributions - employer	\$ 1,768	\$ 1,984	\$ 1,762	\$ 1,567	\$ 1,682	\$ 1,811
Net investment income	(2,152)	2,980	262	440	83	1,682
Benefit payments, including refunds of employee contributions	(1,770)	(1,740)	(1,769)	(1,659)	(1,567)	(1,556)
Other	(41)	(39)	1	(1)	-	-
Net change in plan fiduciary net position	(2,195)	3,185	256	347	198	1,937
Plan fiduciary net position - beginning	14,907	11,722	11,466	11,119	10,921	8,984
Plan fiduciary net position - ending	<u>\$ 12,712</u>	<u>\$ 14,907</u>	<u>\$ 11,722</u>	<u>\$ 11,466</u>	<u>\$ 11,119</u>	<u>\$ 10,921</u>
Net OPEB liability - ending	<u>\$ 11,367</u>	<u>\$ 8,731</u>	<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	52.79%	63.06%	46.53%	47.07%	46.26%	46.11%
Covered payroll (in thousands)	\$ 14,180	\$ 13,743	\$ 18,285	\$ 17,589	\$ 21,449	\$ 20,723
Net OPEB liability as a percentage of covered payroll	80.16%	63.53%	73.66%	73.30%	60.22%	61.59%

**Note to Schedule**

Service Cost determined under the Entry Age Normal Method  
June 30, 2022, assumption changes reflect the change in  
discount rate from 6.75% to 6.50%.

The information in this schedule has been determined as of the measurement date 06/30/22 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
2022	\$ 1,015	\$ 1,767	\$ (752)	\$ 14,180	12.46%
2021	1,456	1,984	(528)	13,742	14.44%
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, 2021

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, closed
Remaining amortization period	21 years
Asset Valuation method	Market
Projected payroll increases	3.50%
Investment rate of return	6.75%
Health care trend rates	Applies only to Duty Related Death Benefits: Rates starting at 7.00% in 2022 grading down to 4.25% in 2035
Expenses	Investment expenses are paid from investment returns

#### Other Information:

Notes The discount rate was updated to 6.50% as of June 30, 2022.

The information in this schedule has been determined as of the measurement date 06/30/22 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)**

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 196	\$ 189	\$ 183	\$ 188	\$ 181	\$ 175
Interest (includes interest on service cost)	160	167	162	184	174	165
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(139)	-	(142)	-	-
Changes of assumptions	40	(6)	33	(409)	-	-
Benefit payments, including refunds of employee contributions	(245)	(230)	(197)	(210)	(204)	(219)
Other	(85)	1	63	-	-	-
Net change in OPEB liability	66	(18)	244	(389)	151	121
Total OPEB liability - beginning	2,481	2,499	2,255	2,644	2,493	2,372
Total OPEB liability - ending	<u>\$ 2,547</u>	<u>\$ 2,481</u>	<u>\$ 2,499</u>	<u>\$ 2,255</u>	<u>\$ 2,644</u>	<u>\$ 2,493</u>
Plan fiduciary net position						
Contributions - employer	\$ 71	\$ -	\$ 59	\$ 90	\$ 84	\$ 70
Net investment income	(831)	1,133	33	324	192	470
Benefit payments, including refunds of employee contributions	(245)	(230)	(197)	(210)	(204)	(219)
Administrative Expense	(28)	(24)	(19)	(19)	(21)	(14)
Other	(1)	2	-	(4)	9	7
Net change in plan fiduciary net position	(1,034)	881	(124)	181	60	314
Plan fiduciary net position - beginning	4,956	4,075	4,199	4,018	3,959	3,645
Plan fiduciary net position - ending	<u>\$ 3,922</u>	<u>\$ 4,956</u>	<u>\$ 4,075</u>	<u>\$ 4,199</u>	<u>\$ 4,019</u>	<u>\$ 3,959</u>
Net OPEB asset - ending	<u>\$ (1,375)</u>	<u>\$ (2,475)</u>	<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	153.97%	199.76%	163.07%	186.21%	152.00%	158.80%
Covered payroll (in thousands)	\$ 45,474	\$ 45,752	\$ 44,984	\$ 42,417	\$ 42,475	\$ 41,044
Net OPEB asset as a percentage of covered payroll	-3.02%	-5.41%	-3.50%	-4.58%	-3.24%	-3.57%

**Note to Schedule**

Service Cost determined under the Entry Age Normal Method June 30, 2022, the assumption change reflects the change in discount rate from 6.75% to 6.50%.

The information in this schedule has been determined as of the measurement date 06/30/22 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
2022	\$ 68	\$ 71	\$ (3)	\$ 45,474	0.16%
2021	81	-	81	45,752	0.00%
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, 2021

#### 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	2.50%
Projected payroll increases	Use actual salary scale
Investment rate of return	6.75%
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 The discount rate has been updated to 6.50% as of June 30, 2022 from 6.75% as of June 30, 2021.

The information in this schedule has been determined as of the measurement date 06/30/22 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

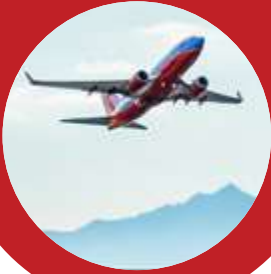




## Financial Trends

*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:**

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- 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 SCHEDULE OF REVENUES, EXPENDITURES**

**AND CHANGES IN FUND BALANCES (NON - GAAP)**

(In Expense Priority Established by the Airport Bond Ordinance)

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

	<b>2022</b>	<b>2021</b>
<b>REVENUES</b>		
Aeronautical Revenue		
Terminal Fees	\$ 67,574	\$ 78,704
Landing Fees	65,000	42,248
Air Cargo and Hangar Rental	7,382	8,116
Other	19,839	11,478
Non-Aeronautical Revenue		
Parking	101,282	50,464
Rental Cars	71,121	44,966
Terminal - Food and Beverage	27,000	10,685
Terminal - Retail	17,690	7,784
Rental Revenue	22,864	18,545
Ground Transportation	17,941	8,002
Interest	2,312	3,407
Other	11,488	4,842
Total Revenues before Reimbursement	431,493	289,241
Transportation O&M Expense Reimbursement <sup>(1)</sup>	18,312	15,190
Total Revenues	449,805	304,431
<b>EXPENDITURES AND ENCUMBRANCES</b>		
Cost of Operation and Maintenance		
Personal Services	134,931	126,783
Contractual Services	127,532	104,201
Supplies	12,898	8,544
Equipment/Minor Improvements	3,625	2,610
Total Cost of Operation and Maintenance <sup>(1)</sup>	278,986	242,138
Net Airport Revenue Available for Debt Service (Net Airport Revenues)	170,819	62,293
Total Senior Lien Airport Revenue Bond Debt Service <sup>(2)</sup>	995	4,926
Net Airport Revenue Available After Senior Lien Revenue Bond Debt Service (Designated Revenues)	169,824	57,367
Total Junior Lien Airport Revenue Bond Debt Service <sup>(3)</sup>	2,040	3,542
Net Airport Revenue Available After Senior and Junior Lien Revenue Bond Debt Service	167,784	53,825
Other Expenditures		
Capital Improvements	18,738	27,116
Total Other Expenditures	18,738	27,116
Total Expenditures and Encumbrances	300,759	277,722
Excess of Revenues Over Expenditures and Encumbrances	149,046	26,709

## 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)

	2022	2021
OTHER FINANCING SOURCES (USES)		
Pension Liability Paydown	\$ (70,000)	\$ (100,000)
COVID Grant Reimbursements	55,307	-
Recovery of Prior Years Expenditures	6,803	5,716
Transfer to General Fund:		
Staff and Administrative - Central Service	(10,233)	(10,117)
Transfers (to) from Other Funds		
Transfers to Other Funds	(173)	(919)
Transfers from Other Funds	12,689	63,146
Total Other Financing Sources (Uses)	(5,607)	(42,174)
Net Increase in Fund Balance	143,439	(15,465)
FUND BALANCE, JULY 1	366,290	381,755
FUND BALANCE, JUNE 30	509,729	366,290
Non-Cash Budgetary Transactions <sup>(4)</sup>	5,455	21,469
Total Airport Cash on Hand, June 30	\$ 515,184	\$ 387,759
Days Cash Calculation <sup>(5)</sup>		
Total Airport Cash on Hand, June 30	\$ 515,184	\$ 387,759
Total Cost of Maintenance and Operation	278,986	242,138
Days Cash on Hand	674	585

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Debt service is net of the CARES grant reimbursement.

<sup>(3)</sup> 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.

<sup>(4)</sup> Consists of budgetary encumbrances, revenue recoveries and other timing differences.

<sup>(5)</sup> Days cash on hand is calculated as follows: Total unrestricted airport cash, cash equivalents and investments 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 year ended June 30; in thousands)

	<u>2022</u>
<b>Statement of Net Position</b>	
Cash and Cash Equivalents (Unrestricted)	\$ 80,811
Investments (Unrestricted)	<u>434,373</u>
Total Airport Cash on Hand, June 30	515,184
Adjusted For:	
Non-Cash Budgetary Transactions <sup>(1)</sup>	<u>(5,455)</u>
<b>Available Fund Balance per Budgetary Presentation <sup>(2)</sup></b>	<u><u>\$ 509,729</u></u>

Notes:

<sup>(1)</sup> Consists of budgetary encumbrances, revenue recoveries and other timing differences.

<sup>(2)</sup> 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 year ended June 30; in thousands)

	<u>2022</u>
Revenues	
Total GAAP Operating Revenues	\$ 397,492
Adjusted for:	
Transportation O&M Expense Reimbursement	18,312
Year-end Revenue Accruals	30,168
Interest Income	2,313
GASB 87 Leases	1,373
Proceeds from Disposal of Assets	147
Revenues per Budgetary Presentation <sup>(2)</sup>	<u>\$ 449,805</u>
Operating Expenses/Expenditures	
Total GAAP Operating Expenses	\$ 439,708
Adjusted for:	
Depreciation	(178,490)
Staff and Administration	(10,233)
Year-end Expenditure Accruals	37,942
Expensed Capital <sup>(3)</sup>	(20,859)
Other <sup>(1)</sup>	10,918
Operation and Maintenance Expenditures per Budgetary Presentation <sup>(2)</sup>	<u>\$ 278,986</u>
Senior Lien Coverage Calculation	
Revenue	\$ 449,805
Operating Expenditures	278,986
Designated Revenue for Senior Lien Debt Service	<u>\$ 170,819</u>
Senior Lien Debt Service	\$ 59,766
Adjusted for	
CARES Grant Reimbursement	(58,771)
Net Senior Lien Debt Service	<u>\$ 995</u>
Senior Lien Debt Service Coverage <sup>(4)</sup>	171.68
Junior Lien Coverage Calculation	
Designated Revenue for Senior Lien Debt Service	\$ 170,819
Senior Lien Debt Service	995
Designated Revenue for Junior Lien Debt Service	<u>\$ 169,824</u>
Junior Lien Debt Service	\$ 82,389
Adjusted for:	
COVID Grant Reimbursement	(13,617)
Junior Lien PFC Credit	(51,162)
2010 RZEDB Subsidy Payments	(595)
2019 Bond Capitalized Interest	(14,975)
Net Junior Lien Debt Service	<u>\$ 2,040</u>
Junior Lien Debt Service Coverage <sup>(4)</sup>	83.25
Aggregate Senior & Junior Liens Coverage Calculation	
Designated Revenue for Debt Service	\$ 170,819
Aggregate Senior & Junior Liens Debt Service	3,035
Aggregate Senior & Junior Liens Debt Service Coverage	56.28

Notes:

<sup>(1)</sup> Includes budgetary encumbrances and revenue recoveries.

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

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

<sup>(4)</sup> 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)

	2022	2021	2020	2019
Operating Revenues				
Aeronautical Revenue	\$ 142,572	\$ 143,266	\$ 170,109	\$ 169,017
Non-Aeronautical Revenue	254,920	148,802	176,743	215,383
Total Operating Revenue	397,492	292,068	346,852	384,400
Operating Expenses				
Operation and Maintenance				
Personal Services	98,279	148,966	127,199	130,174
Contractual Services	120,765	102,198	122,786	112,768
Supplies	11,543	8,325	11,945	11,060
Equipment/Minor Improvements	20,398	18,581	7,899	7,618
Environmental, Studies and Noise	-	-	-	-
City Staff and Administrative	10,233	10,117	9,736	9,412
Depreciation	178,490	178,006	179,992	170,274
Total Operating Expenses	439,708	466,193	459,557	441,306
Net Operating Loss	(42,216)	(174,125)	(112,705)	(56,906)
Non-Operating Revenues (Expenses)				
Passenger Facility Charges	83,103	55,037	65,717	86,091
Rental Car Customer Facility Charges	44,625	31,448	38,588	50,460
Investment Income	16,630	5,764	25,097	22,307
Interest Income from Leases	10,455	-	-	-
Federal COVID Grants	141,921	102,936	9,073	-
Interest on Capital Debt	(94,957)	(96,781)	(86,810)	(65,739)
Loss on Disposal of Capital Assets	(4,707)	(13,683)	(1,223)	(11,417)
Total Non-Operating Revenues (Expenses)	197,070	84,721	50,442	81,702
Capital Contributions	33,557	48,661	31,231	28,291
Transfer from Other Funds	189	-	248	284
Transfer to Other Funds	(173)	(919)	(949)	(948)
Change in Net Position	188,427	(41,662)	(31,733)	52,423
Net Position - July 1	1,652,201	1,693,863	1,725,596	1,673,173
Restatement of Beginning Net Position	-	-	-	-
Net Position - July 1, as restated	1,652,201	1,693,863	1,725,596	1,673,173
Net Position - June 30	\$ 1,840,628	\$ 1,652,201	\$ 1,693,863	\$ 1,725,596
Net Position - June 30				
Net Investment in Capital Assets	\$ 1,168,267	\$ 1,199,517	\$ 1,288,177	\$ 1,296,340
Restricted	159,217	156,312	122,541	252,510
Unrestricted	513,144	296,372	283,145	176,746
Total Net Position	\$ 1,840,628	\$ 1,652,201	\$ 1,693,863	\$ 1,725,596

### SCHEDULE 4

#### City of Phoenix, Aviation Enterprise Fund

#### CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years

(in thousands)

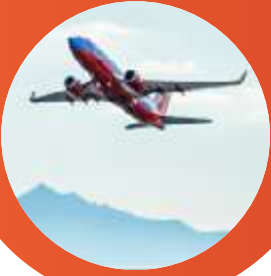
2018	2017	2016	2015	2014	2013
\$ 160,900	\$ 154,209	\$ 144,093	\$ 145,046	\$ 141,633	\$ 129,026
212,993	202,209	189,322	195,921	184,411	176,660
373,893	356,418	333,415	340,967	326,044	305,686
134,785	127,792	119,938	86,172	65,339	72,791
117,162	103,158	104,735	115,486	124,360	114,748
11,731	9,300	11,925	10,771	11,014	11,797
6,375	11,145	23,305	31,128	26,045	32,850
-	959	1,956	2,600	5,099	8,361
9,141	8,373	7,716	7,969	7,262	6,869
166,145	165,826	166,829	163,691	158,760	146,034
445,339	426,553	436,404	417,817	397,879	393,450
(71,446)	(70,135)	(102,989)	(76,850)	(71,835)	(87,764)
83,885	83,577	83,449	84,774	79,672	78,184
49,210	47,348	47,118	44,839	43,113	41,457
4,594	2,555	6,591	2,988	3,831	519
-	-	-	-	-	-
-	-	-	-	-	-
(64,403)	(67,915)	(67,141)	(65,051)	(64,863)	(70,785)
(4,529)	(1,417)	(759)	(47)	(29)	(153)
68,757	64,148	69,258	67,503	61,724	49,222
22,569	26,639	27,803	20,970	27,184	14,516
168	-	2	1	-	31
(948)	(370)	(330)	(365)	(166)	-
19,100	20,282	(6,256)	11,259	16,907	(23,995)
1,654,073	1,645,405	1,651,661	1,640,402	1,765,618	1,789,613
-	(11,614)	-	-	(142,123)	-
1,654,073	1,633,791	1,651,661	1,640,402	1,623,495	1,789,613
\$ 1,673,173	\$ 1,654,073	\$ 1,645,405	\$ 1,651,661	\$ 1,640,402	\$ 1,765,618
\$ 1,229,519	\$ 1,164,073	\$ 1,104,662	\$ 1,170,752	\$ 1,241,513	\$ 1,255,699
296,139	308,800	350,755	343,472	272,624	266,673
147,515	181,200	189,988	137,437	126,265	243,246
\$ 1,673,173	\$ 1,654,073	\$ 1,645,405	\$ 1,651,661	\$ 1,640,402	\$ 1,765,618





## 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

			Fiscal Year		
	2022	2021	2020	2019	2018
<b>Terminal Fees</b>					
Amount	\$ 76,462,677	\$ 77,776,082	\$ 94,459,521	\$ 93,026,988	\$ 89,389,493
Percent of Operating Revenue	19.24%	26.63%	27.23%	24.20%	23.91%
<b>Landing Fees</b>					
Amount	\$ 39,958,156	\$ 45,161,915	\$ 53,071,955	\$ 49,506,122	\$ 50,029,798
Percent of Operating Revenue	10.05%	15.46%	15.30%	12.88%	13.38%
<b>Parking</b>					
Amount	\$ 101,053,887	\$ 51,484,783	\$ 70,330,167	\$ 90,877,610	\$ 88,189,599
Percent of Operating Revenue	25.42%	17.63%	20.28%	23.64%	23.59%
<b>Rental Cars</b>					
Amount	\$ 68,000,476	\$ 45,016,627	\$ 46,471,450	\$ 54,840,393	\$ 54,901,712
Percent of Operating Revenue	17.11%	15.41%	13.40%	14.27%	14.68%

			Fiscal Year		
	2017	2016	2015	2014	2013
<b>Terminal Fees</b>					
Amount	\$ 80,955,779	\$ 75,114,921	\$ 78,422,082	\$ 73,089,595	\$ 64,904,028
Percent of Operating Revenue	22.71%	22.53%	23.00%	22.42%	18.93%
<b>Landing Fees</b>					
Amount	\$ 51,278,003	\$ 49,869,087	\$ 48,497,053	\$ 49,860,459	\$ 46,892,628
Percent of Operating Revenue	14.39%	14.96%	14.22%	15.29%	14.33%
<b>Parking</b>					
Amount	\$ 84,150,595	\$ 84,585,621	\$ 81,094,038	\$ 76,964,416	\$ 74,913,811
Percent of Operating Revenue	23.61%	25.37%	23.78%	23.61%	24.27%
<b>Rental Cars</b>					
Amount	\$ 53,594,924	\$ 46,668,644	\$ 52,103,343	\$ 49,627,460	\$ 47,793,301
Percent of Operating Revenue	15.04%	14.00%	15.28%	15.22%	15.71%

**SCHEDULE 6**

**City of Phoenix, Aviation Enterprise Fund**

**RATES AND CHARGES**

for Principal Revenue Sources

Last Ten Fiscal Years

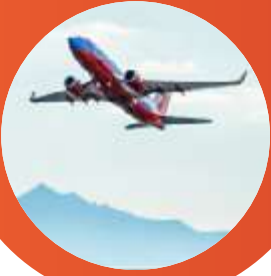
	Fiscal Year				
	2022	2021	2020	2019	2018
<b>Airline Terminal Fees</b>					
Fee per square foot					
Terminal 2	\$ 100.44	\$ 124.20	\$ 135.72	\$ 128.28	\$ 120.00
Terminal 3	100.44	124.20	135.72	128.28	120.00
Terminal 4	100.44	124.20	135.72	128.28	120.00
<b>Landing Fees</b>					
Fee per 1,000 pounds	2.18	1.82	1.99	1.97	1.99
<b>Parking Rates</b>					
Terminal Garages (per hour)	4.00	4.00	4.00	4.00	4.00
Terminal Garages (daily max)					
Terminal 2/West Economy Garage	16.00	12.00	12.00	26.00	26.00
Terminal 3	30.00	27.00	27.00	27.00	27.00
Terminal 4	30.00	27.00	27.00	27.00	27.00
Terminal 2 Economy Covered	-	-	-	12.00	12.00
Terminal 2 Economy Uncovered	-	-	-	10.00	10.00
West Economy Park and Walk	9.00	-	7.00	7.00	7.00
East Economy Covered	16.00	14.00	14.00	14.00	14.00
East Economy Uncovered	14.00	12.00	12.00	12.00	12.00
<b>Rental Car Center Rates</b>					
Percent of Gross Rent	10%	10%	10%	10%	10%

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Airline Terminal Fees</b>					
Fee per square foot					
Terminal 2	\$ 109.80	\$ 106.68	\$ 118.26	\$ 112.80	\$ 110.65
Terminal 3	109.80	106.68	118.26	112.80	110.65
Terminal 4	109.80	106.68	118.26	112.80	110.65
<b>Landing Fees</b>					
Fee per 1,000 pounds	1.98	1.98	1.87	1.99	1.93
<b>Parking Rates</b>					
Terminal Garages (per hour)	4.00	4.00	4.00	4.00	4.00
Terminal Garages (daily max)					
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	7.00	7.00	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
<b>Rental Car Center Rates</b>					
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 Payable from General Airport Revenues, 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				
	2022	2021	2020	2019	2018
Outstanding Debt (in thousands)					
Revenue Bonds					
Senior Lien Bonds	\$ 677,345	\$ 702,200	\$ 726,000	\$ 757,575	\$ 554,005
Junior Lien Bonds	1,326,530	1,346,210	1,364,955	652,955	669,935
Rental Car Facility Bonds	287,165	294,820	302,320	154,895	165,885
General Obligation Bonds	-	-	-	3,345	7,865
Premiums/Discounts (net)	272,700	293,293	314,306	169,310	162,097
Total Outstanding Debt	<u>\$ 2,563,740</u>	<u>\$ 2,636,523</u>	<u>\$ 2,707,581</u>	<u>\$ 1,738,080</u>	<u>\$ 1,559,787</u>
Enplaned Passengers	22,091,621	13,442,029	17,337,118	22,831,945	22,218,915
Outstanding Debt per Enplaned Passenger with Discounts/Premiums	\$ 116.05	\$ 196.14	\$ 156.17	\$ 76.12	\$ 70.20
Outstanding Debt per Enplaned Passenger without Discounts/Premiums	\$ 103.71	\$ 174.32	\$ 138.04	\$ 68.71	\$ 62.91

	Fiscal Year				
	2017	2016	2015	2014	2013
Outstanding Debt (in thousands)					
Revenue Bonds					
Senior Lien Bonds	\$ 447,660	\$ 472,895	\$ 496,905	\$ 519,775	\$ 542,920
Junior Lien Bonds	724,405	739,900	659,585	672,290	684,395
Rental Car Facility Bonds	176,225	186,050	195,305	204,055	212,340
General Obligation Bonds	7,865	7,865	7,865	7,870	8,905
Premiums/Discounts (net)	53,947	59,184	51,069	55,996	60,721
Total Outstanding Debt	<u>\$ 1,410,102</u>	<u>\$ 1,465,894</u>	<u>\$ 1,410,729</u>	<u>\$ 1,459,986</u>	<u>\$ 1,509,281</u>
Enplaned Passengers	21,820,386	22,055,907	21,488,569	20,518,748	20,235,788
Outstanding Debt per Enplaned Passenger with Discounts/Premiums	\$ 64.62	\$ 66.46	\$ 65.65	\$ 71.15	\$ 74.58
Outstanding Debt per Enplaned Passenger without Discounts/Premiums	\$ 62.15	\$ 63.78	\$ 63.27	\$ 68.42	\$ 71.58

## Notes:

Includes a portion of the Senior Lien Excise Tax Revenue Refunding Bonds, Series 2007, which were issued for Airport, in fiscal years 2010 through 2014. The Airport portion on the bonds were paid in full in fiscal year 2014.

**SCHEDULE 8**

**City of Phoenix, Aviation Enterprise Fund**

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

Last Ten Fiscal Years

	Fiscal Year				
	2022	2021	2020	2019	2018
Debt Service (in thousands)					
Revenue Bonds					
Principal	\$ 44,535	\$ 42,545	\$ 50,030	\$ 39,590	\$ 44,898
Interest	97,618	99,611	87,018	65,941	61,281
Short Term Obligations					
Interest	-	-	758	1,176	810
General Obligation Bonds					
Principal	-	-	3,345	4,520	-
Interest	-	-	83	197	197
Total Debt Service	<u>\$ 142,153</u>	<u>\$ 142,156</u>	<u>\$ 141,234</u>	<u>\$ 111,424</u>	<u>\$ 107,186</u>
Enplaned Passengers	22,091,621	13,442,029	17,337,118	22,831,945	22,218,915
Debt Service per Enplaned Passenger	\$ 6.43	\$ 10.58	\$ 8.15	\$ 4.88	\$ 4.82

	Fiscal Year				
	2017	2016	2015	2014	2013
Debt Service (in thousands)					
Revenue Bonds					
Principal	\$ 40,730	\$ 38,135	\$ 35,575	\$ 35,250	\$ 33,615
Interest	60,654	60,442	59,626	61,248	64,495
Short Term Obligations					
Interest	1,021	125	-		
General Obligation Bonds					
Principal	-	-	-	500	710
Interest	197	197	201	359	395
Total Debt Service	<u>\$ 102,602</u>	<u>\$ 98,899</u>	<u>\$ 95,402</u>	<u>\$ 97,357</u>	<u>\$ 99,215</u>
Enplaned Passengers	21,820,386	22,055,907	21,488,569	20,518,748	20,235,788
Debt Service per Enplaned Passenger	\$ 4.70	\$ 4.48	\$ 4.44	\$ 4.74	\$ 4.90

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, 2022)

Series		Rating <sup>(1)(2)</sup>	
		Moody's	S & P <sup>(3)</sup>
<b>City of Phoenix Civic Improvement Corporation</b>			
<b>Senior Lien Revenue Bonds</b>		Aa3	A+
2013	Airport Revenue Refunding Bonds (AMT)		
2017A	Airport Revenue Bonds (AMT)		
2017B	Airport Revenue Refunding Bonds (Non-AMT)		
2018	Airport Revenue Bonds (AMT)		
<b>Junior Lien Revenue Bonds</b>		A1	A
2010B	Airport Revenue Bonds (Taxable)		
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)		
<b>Rental Car Facility Charge Revenue Bonds</b>		A3	BBB+
2019A	Rental Car Facility Bonds (Taxable)		
2019B	Rental Car Facility Refunding Bonds (Taxable)		

Notes:

<sup>(1)</sup> The ratings are subject to change at any time.

<sup>(2)</sup> Represents underlying rating.

<sup>(3)</sup> On October 19, 2022, Standard and Poor's Ratings Services (S&P) announced that it raised its financial strength rating for the City of Phoenix Civic Improvement Corporation Airport Revenue and Rental Car Facility Revenue Bonds.

**SCHEDULE 10**

**City of Phoenix, Aviation Enterprise Fund**

**SENIOR LIEN AIRPORT REVENUE BONDS**

**SCHEDULE OF OUTSTANDING DEBT**

(as of June 30, 2022)

<u>Delivery Date</u>	<u>Series</u>	<u>Original Issuance</u>	<u>Maturity Dates</u>	<u>Coupons</u>	<u>Bonds Outstanding <sup>(1)</sup></u>
03/05/13	2013 <sup>(2)</sup>	\$ 196,600,000	7/1/14-32	3.00% - 5.00%	\$ 125,455,000
11/21/17	2017A	190,930,000	7/1/18-47	5.00%	176,045,000
11/21/17	2017B <sup>(2)</sup>	173,440,000	7/1/21-38	5.00%	162,340,000
11/28/18	2018	226,180,000	7/1/19-48	4.00% - 5.00%	213,505,000
Total					<u>\$ 677,345,000</u>

Notes:

<sup>(1)</sup> Does not include bonds maturing on July 1, 2022.

<sup>(2)</sup> Series 2013 and 2017B were used for refunding purposes.

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 677,345,000</b>	<b>\$ 424,318,750</b>	<b>\$ 1,101,663,750</b>

**SCHEDULE 12**

**City of Phoenix, Aviation Enterprise Fund**

**JUNIOR LIEN AIRPORT REVENUE BONDS**

**SCHEDULE OF OUTSTANDING DEBT**

(as of June 30, 2022)

Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding <sup>(1)</sup>
09/01/10	2010B <sup>(3)(6)</sup>	\$ 21,345,000	7/1/40	2.00% - 5.25%	\$ 21,345,000
12/15/15	2015A <sup>(4)</sup>	95,785,000	7/1/16-45	4.00% - 5.00%	84,515,000
12/15/15	2015B <sup>(2)(3)</sup>	18,655,000	7/1/34	5.00%	18,655,000
12/21/17	2017D <sup>(2)</sup>	474,725,000	7/1/21-40	3.125% - 5.00%	442,590,000
12/11/19	2019A <sup>(5)</sup>	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%	388,895,000
12/11/19	2019C <sup>(2)</sup>	29,435,000	7/1/23-25	2.20% - 2.37%	29,435,000
Total					<u>\$ 1,326,530,000</u>

Notes:

<sup>(1)</sup> Does not include bonds maturing on July 1, 2022.

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

<sup>(3)</sup> 100% of debt service due on or before July 1, 2029 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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.

<sup>(6)</sup> Represents bonds issued as RZEDB Bonds for purposes of the American Recovery and Reinvestment Act of 2009, and the Internal Revenue Code of 1986. Subject to the City's compliance with certain requirements of the Code, the City expects to receive semiannual cash subsidy payments rebating a portion of the interest on these bonds from the United States Treasury in an amount equal to 45% of the interest payable each respective interest payment date. The debt service shown above has not been reduced by the expected subsidy payments. On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, which has resulted in a reduction of the federal subsidy by 5.7% (the Sequester Reduction), in fiscal year 2022. 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.

## SCHEDULE 13

### City of Phoenix, Aviation Enterprise Fund

### JUNIOR LIEN AIRPORT REVENUE BONDS

### SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
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	\$ 1,326,530,000	\$ 965,205,495	\$ 2,291,735,495

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, 2022)

<u>Delivery Date</u>	<u>Series</u>	<u>Original Issuance</u>	<u>Maturity Dates</u>	<u>Coupons</u>	<u>Bonds Outstanding <sup>(1)</sup></u>
12/05/19	2019A	\$ 244,245,000	7/1/28-45	4.00% - 5.00%	\$ 244,245,000
12/05/19	2019B <sup>(2)</sup>	60,485,000	7/1/20-28	2.007% - 2.796%	42,920,000
Total					<u>\$ 287,165,000</u>

Note:

<sup>(1)</sup> Does not include bonds maturing on July 1, 2022.

<sup>(2)</sup> 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

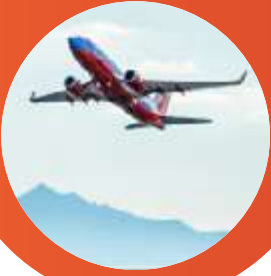
Fiscal Year	Principal	Interest	Total
2023	\$ 7,825,000	\$ 12,719,550	\$ 20,544,550
2024	7,995,000	12,545,365	20,540,365
2025	8,185,000	12,359,401	20,544,401
2026	8,385,000	12,156,577	20,541,577
2027	8,605,000	11,938,735	20,543,735
2028	8,835,000	11,705,023	20,540,023
2029	9,235,000	11,305,700	20,540,700
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	<u>\$ 287,165,000</u>	<u>\$ 185,311,501</u>	<u>\$ 472,476,501</u>





## **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, 2022

<b>Fiscal Year</b>	<b>Population (July 1)</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
2022 <sup>(1)</sup>	-	\$ -	\$ -	3.4%
2021	4,946,145	288,401,314	58,308	6.6%
2020	5,059,909	262,362,901	51,851	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%

## Sources:

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

## Notes:

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

<sup>(1)</sup> Population, Personal Income, and Per Capita Income are not available for June 30, 2022 as of the date of publication.

**SCHEDULE 17**

**City of Phoenix, Aviation Enterprise Fund**

**PRINCIPAL EMPLOYERS**

Current Year and Nine Years Ago

Employer	2022			2013		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Banner Health	41,435	1	1.80%	25,270	3	1.44%
Amazon.com Inc	40,000	2	1.74%			
State of Arizona	39,172	3	1.71%	49,278	1	2.80%
Walmart Inc.	38,309	4	1.67%	32,169	2	1.83%
Arizona State University	34,421	5	1.50%	12,222	7	0.70%
Fry's Food Stores	21,012	6	0.92%			
University of Arizona	19,823	7	0.86%			
Dignity Health Arizona	16,525	8	0.72%			
City of Phoenix	16,525	9	0.68%	14,983	4	0.85%
Wells Fargo	15,500	10	0.68%	14,713	5	0.84%
Maricopa County				12,698	6	0.72%
Intel Corp				11,900	8	0.68%
JP Morgan Chase				11,042	9	0.63%
Bank of America				11,000	10	0.63%

Sources:  
Phoenix Business Journal Book of Lists

Note:  
Top employers in the State of Arizona. Employee count is inclusive of all Arizona employees  
City Employment is the Phoenix-Mesa-Scottsdale MSA total nonfarm employment, seasonally adjusted.

**SCHEDULE 18****City of Phoenix, Aviation Enterprise Fund****AVIATION DEPARTMENT EMPLOYEE TREND**

Last Ten Fiscal Years Ended June 30

	2022	2021	2020	2019	2018
Division/Group					
Administration	11	9	10	10	10
Business and Properties	30	27	23	26	31
Contracts and Services	15	19	17	18	17
Design and Construction Services	23	24	23	28	33
Facilities and Services	392	387	397	397	409
Financial Management	22	23	21	24	27
Human Resources	10	10	11	11	12
Technology	37	39	38	40	38
Operations	131	129	142	146	152
Planning and Environmental	19	15	19	22	19
Public Relations	15	14	15	17	15
Public Safety and Security	60	54	51	50	49
Other	6	1	10	4	3
Total	<u>771</u>	<u>751</u>	<u>777</u>	<u>793</u>	<u>815</u>

	2017	2016	2015	2014	2013
Division/Group					
Administration	10	8	12	9	10
Business and Properties	20	19	18	20	20
Contracts and Services	19	8	-	-	-
Design and Construction Services	35	29	30	36	37
Facilities and Services	385	381	374	384	374
Financial Management	26	27	30	32	31
Human Resources	16	15	12	12	13
Technology	41	39	37	41	39
Operations	189	186	181	188	185
Planning and Environmental	19	19	19	21	21
Public Relations	16	13	14	13	12
Public Safety and Security	-	-	-	-	-
Other	8	4	5	18	27
Total	<u>784</u>	<u>748</u>	<u>732</u>	<u>774</u>	<u>769</u>

**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 new concourse opened in June 2022 and added 8 new gates. 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 December 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 Phoenix Sky Harbor International Airport of general aviation traffic. 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 (GYR) has been owned and operated by the City of Phoenix as a General Aviation (GA) reliever airport since 1968. The Airport occupies approximately 789 acres of land located inside the City of Goodyear city limits. The airport is located 25 miles west of downtown Phoenix approximately 2 miles south of I-10 on Litchfield Road. GYR is one of three airports in the Phoenix Metro area that can support aircraft up to a B-747.

### Business Operations

There are three key business operations at the airport; Maintenance, Repair and Overhaul (MRO) of large aircraft, airline flight training, and a Fixed Base Operator (FBO) serving business and corporate aircraft. The airport currently has 80,000 aircraft take offs and landings per year and is expected to grow significantly in the next 5 years. The airport has 147 hangars, 22 tie-down spaces, and 238 based aircraft.

### Runway

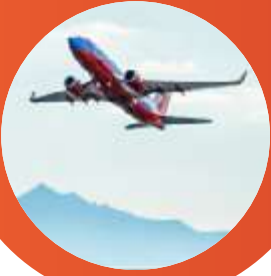
Phoenix Goodyear Airport has a single runway, 03/21 is 8,500 feet long and 150 feet wide.





## Operating Information

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



**THE OPERATING INFORMATION SCHEDULES INCLUDE:**

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- 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	By Type of Passenger					Percent of Total	
	Origin-Destination (O&D)			Connecting	Total	O&D	Connecting
	Resident	Visitor	Total O&D				
2022	7,194,552	8,561,422	15,755,974	6,335,647	22,091,621	71.3%	28.7%
2021	4,150,488	5,383,008	9,533,496	3,908,533	13,442,029	70.9%	29.1%
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%

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
2022	21,236,681	854,940	22,091,621	96.1%	3.9%
2021	13,057,050	384,979	13,442,029	97.1%	2.9%
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%



**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				
	2022	2021	2020	2019	2018
Enplaned Passengers					
American Airlines Group	9,336,658	5,780,470	7,986,712	10,486,029	10,360,041
Southwest	7,625,366	4,717,444	5,689,668	7,768,715	7,546,946
Delta	1,637,448	1,023,513	1,208,532	1,529,781	1,438,843
United	1,269,510	695,998	892,780	1,228,311	1,164,730
Frontier	678,828	437,103	403,247	361,348	388,761
Alaska	653,662	453,241	413,734	474,431	432,478
Spirit	187,361	79,582	113,676	121,595	96,545
JetBlue	177,660	88,381	104,791	114,125	92,201
Sun Country	124,189	79,745	90,152	100,119	80,518
WestJet	96,857	10,105	152,159	232,839	234,570
Air Canada	90,754	3,090	114,286	162,610	140,171
Hawaiian	87,312	39,249	61,988	85,053	86,558
British Airways	53,451	-	53,078	112,075	111,514
All Other	72,565	34,108	52,315	54,914	45,039
<b>Total</b>	<b>22,091,621</b>	<b>13,442,029</b>	<b>17,337,118</b>	<b>22,831,945</b>	<b>22,218,915</b>
Enplaned Passengers					
American Airlines Group	42.4%	42.8%	46.0%	46.0%	46.7%
Southwest	34.5	35.1	32.8	34	34
Delta	7.4	7.6	7.0	6.7	6.5
United	5.7	5.2	5.1	5.4	5.2
Frontier	3.1	3.3	2.3	1.6	1.7
Alaska	3.0	3.4	2.4	2.1	1.9
Spirit	0.8	0.6	0.7	0.5	0.4
JetBlue	0.8	0.7	0.6	0.5	0.4
Sun Country	0.6	0.6	0.5	0.4	0.4
WestJet	0.4	0.1	0.9	1.0	1.1
Air Canada	0.4	-	0.7	0.7	0.6
Hawaiian	0.4	0.3	0.4	0.4	0.4
British Airways	0.2	-	0.3	0.5	0.5
All Other	0.3	0.3	0.3	0.2	0.2
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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				
	2017	2016	2015	2014	2013
Enplaned Passengers					
American Airlines Group	10,129,895	10,962,440	10,978,341	10,734,648	10,620,512
Southwest	7,382,859	7,149,550	6,750,373	6,305,923	6,294,553
Delta	1,388,510	1,401,639	1,325,051	1,262,548	1,240,735
United	1,131,353	1,080,742	981,702	960,710	984,130
Frontier	459,477	235,602	279,517	207,590	218,072
Alaska	420,940	376,264	370,801	339,086	324,218
Spirit	146,760	165,376	148,673	106,036	-
JetBlue	92,321	91,947	90,195	87,332	90,743
Sun Country	77,946	48,984	35,032	31,773	22,915
WestJet	229,727	219,614	214,812	179,257	163,247
Air Canada	117,966	104,995	101,417	81,683	78,611
Hawaiian	88,388	87,094	85,368	83,715	85,553
British Airways	108,487	105,173	103,408	99,380	91,609
All Other	45,757	26,487	23,879	39,067	20,890
Total	<u>21,820,386</u>	<u>22,055,907</u>	<u>21,488,569</u>	<u>20,518,748</u>	<u>20,235,788</u>
Enplaned Passengers					
American Airlines Group	46.4%	49.7%	51.0%	52.2%	52.5%
Southwest	33.8	32.4	31.4	30.7	31.1
Delta	6.4	6.4	6.2	6.2	6.1
United	5.2	4.9	4.6	4.7	4.9
Frontier	2.1	1.1	1.3	1	1.1
Alaska	1.9	1.7	1.7	1.7	1.6
Spirit	0.7	0.7	0.7	0.5	-
JetBlue	0.4	0.4	0.4	0.4	0.4
Sun Country	0.4	0.2	0.2	0.2	0.1
WestJet	1.1	1	1	0.9	0.8
Air Canada	0.5	0.5	0.5	0.4	0.4
Hawaiian	0.4	0.4	0.4	0.4	0.4
British Airways	0.5	0.5	0.5	0.5	0.5
All Other	0.2	0.1	0.1	0.2	0.1
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**SCHEDULE 23**

**City of Phoenix, Aviation Enterprise Fund**

**Phoenix Sky Harbor International Airport**

**SCHEDULE OF ANNUAL AVERAGE COST PER ENPLANEMENT**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Total Airline Revenues <sup>(1)</sup> (in thousands)</b>	<b>Enplaned Passengers</b>	<b>Cost Per Enplanement</b>
2022	\$ 117,974	22,092	\$ 5.34
2021	120,744	13,442	8.98
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

<sup>(1)</sup> The use of COVID related grants for debt service resulted in lower costs of operation included in airline fees in fiscal years 2021 and 2022.



**SCHEDULE 24**

**City of Phoenix, Aviation Enterprise Fund**

**Phoenix Sky Harbor International Airport**

**SCHEDULE OF PFC APPROVALS AND REVENUES**

(as of June 30, 2022)

	<b>Approval Amount</b>	<b>Revenues <sup>(1)</sup></b>	<b>Remaining Authority</b>
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	1,932,404,781	889,893,175	1,042,511,606
PFC 7	82,163,209	78,712,397	3,450,812
PFC 8	69,959,779	60,709,570	9,250,209
PFC 9	<u>22,460,400</u>	<u>3,375,312</u>	<u>19,085,088</u>
Subtotal	<u>2,106,988,169</u>	<u>1,032,690,454</u>	<u>1,074,297,715</u>
Total PFC Approvals	<u>\$ 2,982,194,014</u>	<u>\$ 1,907,896,299</u>	<u>\$ 1,074,297,715</u>

Note:

<sup>(1)</sup> 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 Admin Fee	Net PFC Rate	Enplaned Passengers		Total PFC Collections (in thousands) <sup>(2)</sup>
				Total (in thousands)	PFC Eligible <sup>(1)</sup>	
2022	\$ 4.50	\$ 0.11	\$ 4.39	22,092	86.3%	\$ 83,728
2021	4.50	0.11	4.39	13,442	86.3%	50,902
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

Notes:

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

<sup>(2)</sup> 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 <sup>(1)</sup>	Pledged CFC Rate <sup>(2)</sup>	Annual Receipts <sup>(3)</sup>				Administrative Costs
			Pledged CFCs	Additional Deposits	Grant Receipts <sup>(5)</sup>	Annual Receipts <sup>(4)</sup>	
	(in thousands)	(in thousands)					
2022	7,500	\$ 6.00	\$ 45,001	\$ -	\$ 14,453	\$ 59,454	\$ 2
2021	4,906	6.00	29,435	-	5,000	34,435	2
2020	6,763	4.50	30,436	10,147	-	40,583	4
2019	8,475	4.50	38,138	12,714	-	50,852	14
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

Notes:

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

<sup>(2)</sup> The City has made a first priority pledge of a \$6.00 per day car rental usage fee to be paid by rental car customers arriving at Phoenix Sky Harbor International Airport as security for the bond.

<sup>(3)</sup> Includes CFC receipts generated by the \$6.00 Pledged collection rate.

<sup>(4)</sup> 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.

<sup>(5)</sup> Grant Receipts represent COVID related grant amounts used for debt service.

## 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)

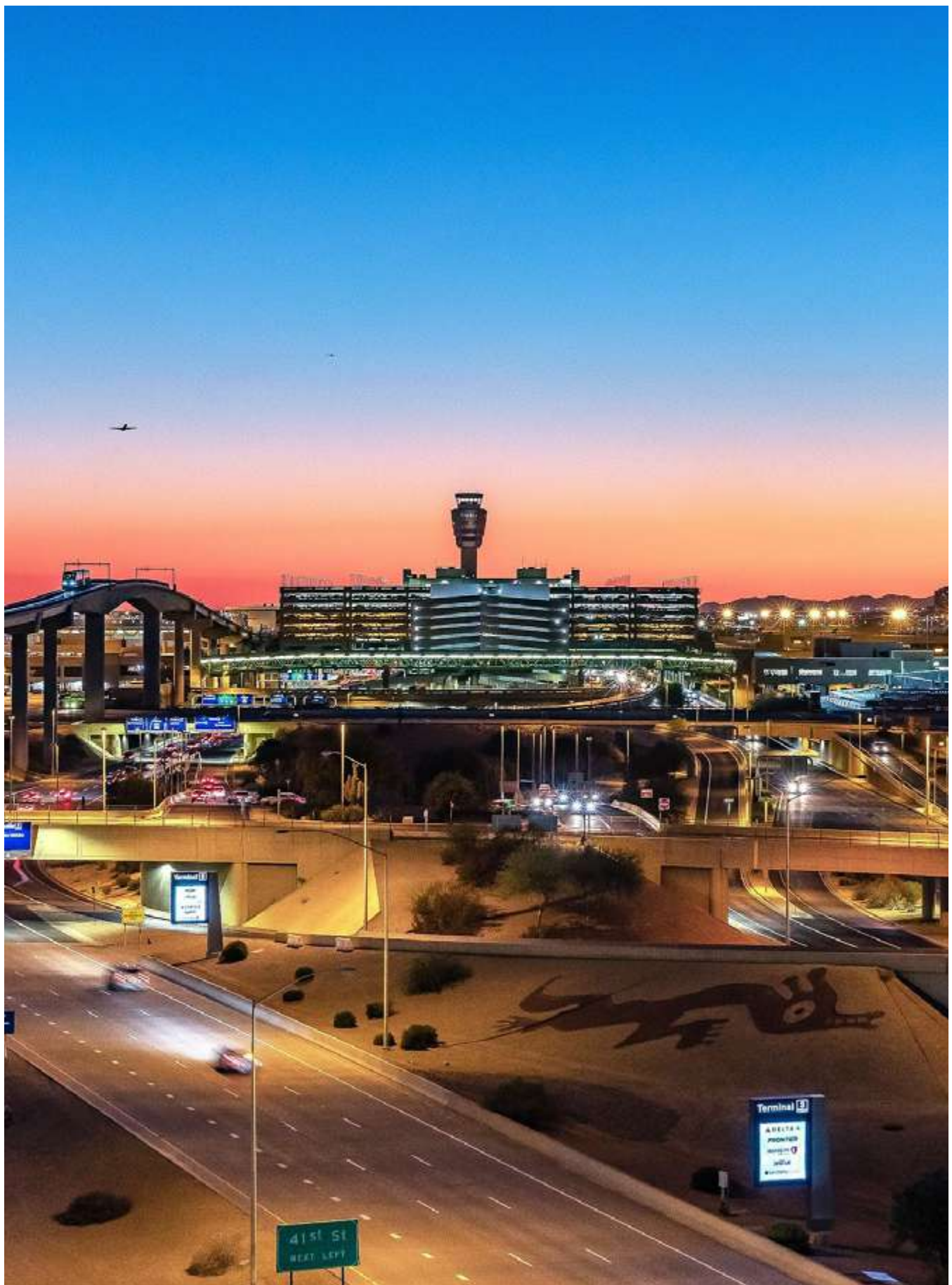
Last Ten Fiscal Years

Fiscal Year					Debt Service Coverage	
	Net Annual CFC Receipts	Amount Available In Debt Service Coverage Fund	Net Annual CFC Receipts Available for Debt Service	CFC Bonds <sup>(1)</sup> Debt Service	By Net Annual CFC Receipts	By Net Annual CFC Receipts and Debt Service Coverage Fund
Fiscal Year	Fiscal Year					
2022	\$ 59,452	\$ 5,139	\$ 64,591	\$ 20,540	2.89	3.14
2021	34,333	5,137	39,570	20,543	1.68	1.93
2020	40,579	5,137	45,716	14,020	2.89	3.26
2019	50,838	5,475	56,313	21,274	2.39	2.65
2018	48,751	5,390	54,141	21,273	2.29	2.55
2017	46,860	5,338	52,198	21,273	2.20	2.45
2016	46,945	5,337	52,282	21,277	2.21	2.46
2015	45,874	5,332	51,206	21,277	2.16	2.41
2014	41,830	5,327	47,157	21,277	1.97	2.22
2013	40,560	5,320	45,880	21,276	1.91	2.16

Notes:

<sup>(1)</sup> 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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