

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

NEW ISSUE — BOOK-ENTRY-ONLY

RATINGS: Moody's: Aa2
S&P: AA-

PRELIMINARY OFFICIAL STATEMENT DATED MAY 2, 2023

In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming compliance with certain tax covenants, interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, except for interest on any Series 2023 Bonds for any period during which such Series 2023 Bond is owned by a person who is a substantial user of the Refinanced Property (as defined herein) or any person considered to be related to such person (within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended). Interest on the Series 2023 Bonds will be treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") on applicable corporations (as defined in Section 59(k) of the Code), interest on the Series 2023 Bonds is not excluded from the determination of adjusted financial statement income. Bond Counsel is further of the opinion that assuming interest is so excludable for federal income tax purposes, the interest on the Series 2023 Bonds is exempt from income taxation under the laws of the State of Arizona. See "TAX EXEMPTION" herein for a description of certain other federal tax consequences of ownership of the Bonds.

\$102,935,000*

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
Senior Lien Airport Revenue Refunding Bonds,
Series 2023 (AMT)

Dated: Date of Delivery

Due: July 1, as shown on inside front cover

Principal of, and premium, if any, on the Senior Lien Airport Revenue Bonds, Series 2023 (AMT) (the "Series 2023 Bonds") will be paid by U.S. Bank Trust Company, National Association, as trustee (the "Trustee," also referred to herein as the "Registrar," and the "Paying Agent"). The Series 2023 Bonds will be issued as fully registered bonds in amounts of \$5,000 each or any integral multiple thereof of principal due on specified maturity dates. The Series 2023 Bonds, when issued, will be registered in the name of The Depository Trust Company ("DTC") or its nominee and will be available to purchasers initially only through the book-entry-only system maintained by DTC. So long as the book-entry-only system is maintained, no physical delivery of the Series 2023 Bonds will be made to the ultimate purchasers thereof and all payments of principal of and premium, if any, and interest on the Series 2023 Bonds will be made to such purchasers through DTC. Interest on the Series 2023 Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2024, by the Trustee. The Series 2023 Bonds are being issued pursuant to a Bond Indenture, dated as of June 1, 2023, between the City of Phoenix Civic Improvement Corporation (the "Corporation") and the Trustee.

The Series 2023 Bonds are subject to redemption prior to maturity as described herein.*

The Series 2023 Bonds are special revenue obligations of the Corporation and are payable solely from payments required to be paid by the City of Phoenix, Arizona (the "City"), to the Corporation pursuant to the City Purchase Agreement dated as of June 1, 2023 (the "City Purchase Agreement"), between the City and the Corporation. **The obligations of the City to make payments under the City Purchase Agreement are absolute and unconditional, but do not constitute a pledge of the full faith and credit or the ad valorem taxing power of the City.** Except to the extent the City appropriates other lawfully available funds for such payments, the City's payments under the City Purchase Agreement are payable solely from Net Airport Revenues (as defined herein) to be derived from operation of the City's Airport, as defined herein. The pledge of Net Airport Revenues to amounts due under the City Purchase Agreement is on a parity with amounts owed with respect to outstanding Senior Lien Obligations (as defined herein) and Senior Lien Obligations which may be issued in the future. See "SECURITY AND SOURCES OF PAYMENT" herein.

This cover page contains only a brief description of the Series 2023 Bonds and the security therefor, and is designed for quick reference only. This cover page is not a summary of all material information with respect to the Series 2023 Bonds or of investment risks involved with the purchase of the Series 2023 Bonds, and investors are advised to read this entire Official Statement, giving particular attention to the matters discussed under "CERTAIN BONDHOLDERS' RISKS," in order to obtain information essential to making an informed investment decision.

The Series 2023 Bonds are offered when, as and if issued and received by the Underwriters, and subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed upon for the Underwriters by Squire Patton Boggs (US) LLP, counsel to the Underwriters. It is expected that the Series 2023 Bonds will be available for delivery in book-entry-only form through the facilities of DTC on or about June _____, 2023.

Barclays

BofA Securities
RBC Capital Markets

Citigroup
Cabrera Capital Markets, LLC

* Subject to change.

MATURITY SCHEDULE*
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

\$102,935,000*
Senior Lien Airport Revenue Refunding Bonds,
Series 2023 (AMT)

<u>Maturity July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2024	\$ 9,040,000		
2025	9,830,000		
2026	10,330,000		
2027	10,840,000		
2028	11,385,000		
2029	11,950,000		
2030	12,550,000		
2031	13,175,000		
2032	13,835,000		

* Subject to change.

CITY OF PHOENIX, ARIZONA
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

Michael R. Davis
President and Director

Bruce Covill
Vice President and Director

James H. Lundy
Secretary-Treasurer and Director

Rosellen Papp
Director

Barbara Barone
Director

Marian Yim
Director

CITY OF PHOENIX, ARIZONA
MAYOR AND CITY COUNCIL

Kate Gallego, *Mayor*

Yassamin Ansari, *Vice Mayor*
District 7

Laura Pastor, *Member*
District 4

Ann O'Brien, *Member*
District 1

Betty Guardado, *Member*
District 5

Jim Waring, *Member*
District 2

Kevin Robinson, *Member*
District 6

Debra Stark, *Member*
District 3

Kesha Hodge Washington, *Member*
District 8

ADMINISTRATIVE OFFICIALS

Jeffrey J. Barton
City Manager

Lori Bays
Assistant City Manager

Mario Paniagua
Deputy City Manager

Chad Makovsky
Director of Aviation Services

Kathleen Gitkin
Chief Financial Officer

Julie Kriegh
City Attorney

Denise Archibald
City Clerk

SPECIAL SERVICES

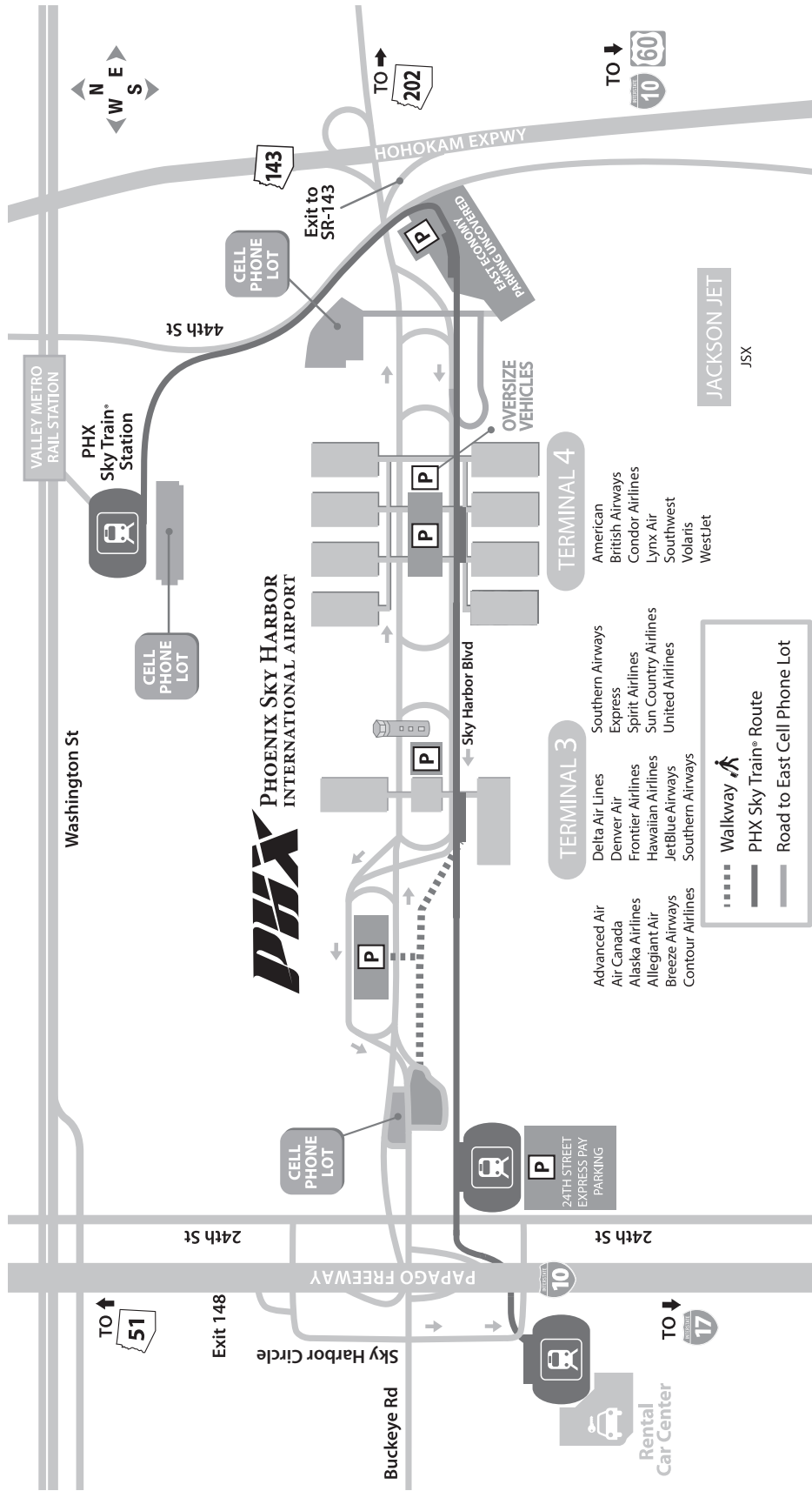
GREENBERG TRAURIG, LLP
Phoenix, Arizona
Bond Counsel

FRASCA & ASSOCIATES, LLC
New York, New York
Financial Advisor

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

SAMUEL KLEIN AND COMPANY
New York, New Jersey
In Conjunction With
PUBLIC FINANCE PARTNERS, LLC
Minneapolis, Minnesota
Escrow Verification Agent

Phoenix Sky Harbor International Airport



This Official Statement does not constitute an offering of any security other than the original offering of the Series 2023 Bonds of the Corporation identified on the cover page hereof. No person has been authorized by the Corporation, the City, the Financial Advisor or the Underwriters to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the Corporation, the City, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Series 2023 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Corporation or the City since the date hereof. There is no obligation on the part of the City or the Corporation to provide any continuing secondary market disclosure other than as described herein under the heading "CONTINUING DISCLOSURE" and in "APPENDIX G - Form of Continuing Disclosure Undertaking."

Upon issuance, the Series 2023 Bonds will not be registered by the Corporation, the City or the Underwriters under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2023 Bonds for sale.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2023 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The City currently maintains an investor relations website, which includes information specific to the City's Aviation Department. However, unless specifically incorporated by reference herein, the information presented on the website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2023 Bonds.

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
THE AIRPORT	2
General	2
Airport System Management	3
Finance Department Management	4
PLAN OF REFUNDING	5
SOURCES AND APPLICATIONS OF FUNDS	6
SERIES 2023 BONDS	6
Authorization and Purpose	6
General Description	6
Book-Entry-Only System	7
Redemption Provisions	9
SECURITY AND SOURCES OF PAYMENT	10
Pledge of Net Airport Revenues	10
Certain Covenants and Remedies	10
Rate Covenants	11
Irrevocable Commitment of Passenger Facility Charge Revenues to Debt Service on Certain Junior Bonds	12
Irrevocable Commitment of 2010 RZEDB Subsidy Payments to Interest on Certain Junior Bonds	12
Flow of Funds	13
Bond Reserve Funds	16
Outstanding Senior Lien Obligations	18
Additional Senior Lien Obligations	19
Outstanding Junior Lien Obligations	20
Additional Junior Lien Obligations	22
Junior Subordinate Lien Obligations	22
AIRPORT FINANCIAL INFORMATION	22
Aviation Department Financial Policies	22
Debt Service Requirements	23
Certain Effects of the COVID-19 Pandemic	25
Historical Revenues, Expenditures and Changes in Fund Balances	25
Enplaned Passenger Activity	27
Sky Harbor's Role as a Connecting Hub	29
Aviation Capital Improvement Program	30
Airport Rates and Charges	32
Passenger Facility Charge Program	32
CERTAIN BONDHOLDERS' RISKS	36
Certain Factors Affecting the Air Transportation Industry and the Airport	36
Cost and Availability of Aviation Fuel	37
Economic Conditions	37
Financial Condition and Activity Level of Airlines Serving the Airport	37
Airline Consolidations, Bankruptcy and Financial Considerations	38
Airline Agreements and Federal Regulation Regarding Rates and Charges	39
Competition, Travel Alternatives and Other Issues	39
Delays and Cost Increases to Capital Improvement Program	39
Future Encroachment from Residential Housing	40
Uncertainties of Projections, Forecasts and Assumptions	40
Limitation of Rights and Remedies	40
Future Legislation and Regulation	40
Growth of Transportation Network Companies	41
Climate Change and Other Force Majeure Events	41
Industry Workforce Shortage	42
Impact of Federal Sequestration	42
AIRLINE INFORMATION	43
THE CITY	43
THE CORPORATION	43
LITIGATION	43
TAX EXEMPTION	44
General	44
Changes in Federal and State Tax Law	45
Information Reporting and Backup Withholding	45
Original Issue Discount and Original Issue Premium	46
VERIFICATION OF MATHEMATICAL COMPUTATIONS	46
LEGAL MATTERS	47
RATINGS	47
UNDERWRITING	47
CONTINUING DISCLOSURE	48
INDEPENDENT AUDITORS AND INCORPORATION BY REFERENCE OF CITY'S ANNUAL COMPREHENSIVE FINANCIAL REPORT	48
MISCELLANEOUS	49
APPENDIX A — City of Phoenix, Arizona – Description	A-1
APPENDIX B — State Expenditure Limitation	B-1
APPENDIX C — Retirement and Pension Plans	C-1
APPENDIX D — Health Care Benefits for Retired Employees	D-1
APPENDIX E — Summary of Certain Provisions of Legal Documents	E-1
APPENDIX F — Proposed Form of Legal Opinion of Bond Counsel	F-1
APPENDIX G — Form of Continuing Disclosure Undertaking	G-1
APPENDIX H — COVID-19	H-1

**OFFICIAL STATEMENT
RELATING TO**

\$102,935,000*

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

**Senior Lien Airport Revenue Refunding Bonds,
Series 2023 (AMT)**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices attached hereto, is to set forth certain information concerning the City of Phoenix Civic Improvement Corporation (the “*Corporation*”), the City of Phoenix, Arizona (the “*City*”) and the captioned bonds (collectively, the “*Series 2023 Bonds*”). The offering of the Series 2023 Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Series 2023 Bonds. Accordingly, prospective Series 2023 Bond purchasers should read this entire Official Statement before making their investment decision.

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

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

For the definitions of certain capitalized terms used in this Official Statement and for certain provisions of the Bond Indenture, dated as of June 1, 2023 (the “*Indenture*”), between the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “*Trustee*” and also referred to herein as the “*Registrar*” and the “*Paying Agent*”), pursuant to which the Series 2023 Bonds are being issued, and the City Purchase Agreement dated as of June 1, 2023 (the “*City Purchase Agreement*”), between the Corporation and the City, see “APPENDIX E — Summary of Certain Provisions of Legal Documents — Certain Definitions.” The City Purchase Agreement incorporates by reference covenants and agreements of Ordinance No. S-21974, adopted by the Mayor and Council of the City on April 20, 1994, as amended to date and as further supplemented and amended from time to time (the “*Airport Revenue Bond Ordinance*”) and are applicable to the Series 2023 Bonds. See “SECURITY AND SOURCES OF PAYMENT — Rate Covenants,” “— Additional Senior Lien Obligations” and “— Additional Junior Lien Obligations” and “APPENDIX E — Summary of Certain Provisions of Legal Documents — The Airport Revenue Bond Ordinance.”

* Subject to change.

THE AIRPORT

General

The City owns and operates, through its Aviation Department, Phoenix Sky Harbor International Airport (“Sky Harbor”) and two general aviation airports, Phoenix Goodyear Airport (“Goodyear”) and Phoenix Deer Valley Airport (“Deer Valley”) (collectively, the “Airport System” or “Airport”). The City has operated the Airport System as a self-supporting enterprise since 1967.

Sky Harbor, located approximately four miles east of the downtown Phoenix area, was established in 1935. Sky Harbor is the only Arizona airport classified as a large-hub by the Federal Aviation Administration (the “FAA”) and is the principal commercial service airport serving metropolitan Phoenix and most of the State’s population. There is no other U.S. large-hub airport within a five-hour driving distance of Phoenix, with the closest being Las Vegas Harry Reid International Airport (290 miles to the northwest). In fiscal year 2021-22, Sky Harbor served over 22.0 million enplaned passengers. During fiscal year 2021-22, airline service at Sky Harbor was provided by Advanced Air, Air Canada, Alaska, Allegiant, American, Breeze Airways, British Airways, Boutique Air, Condor, Contour, Delta, Denver Air Connection, Envoy Air (operating as American Eagle), Frontier, Hawaiian, Horizon (operating as Alaska Horizon), Jazz Aviation (operating as Air Canada Express), JetBlue, Mesa (operating as American Eagle), SkyWest (operating as Alaska SkyWest, American Eagle, Delta Connection and United Express), Southern Airways Express, Southwest, Spirit, Sun Country, United, Volaris and WestJet. Sky Harbor served 427,096 commercial, general aviation and military aircraft operations in fiscal year 2021-22.

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. 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. 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. Advanced Air, Air Canada, Alaska, Boutique, Breeze, Contour, Delta, Denver Air Connection, Frontier, Hawaiian, JetBlue, Spirit, Sun Country, and United serve passengers through Terminal 3.

Terminal 4 opened in 1990, with five concourses, with two additional concourses added later for a total of seven. Terminal 4 contains approximately 2.3 million square feet, 81 gates and the Airport’s international arriving passenger processing facilities. The newest concourse opened in June 2022 and added 8 gates. American, British Airways, Condor, Southwest, Volaris, and WestJet serve passengers from 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 (the “Rental Car Center”) opened in 2006, 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.

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 two terminal buildings, East Economy parking, the Rental Car Center, and the Valley Metro Light Rail.

The City also serves some of the area’s general aviation traffic activity through the two reliever airports that it owns and operates. Deer Valley Airport is located in the northern part of the City, and Goodyear Airport is located west of the City in Goodyear, Arizona. These two general aviation facilities handled, 350,901 operations in aggregate in fiscal year 2021-22. Other general aviation airports not operated by the City as part of the Airport System are located in the metropolitan area. Deer Valley and Goodyear are part of the Airport System for the purpose of issuing obligations payable from Net Airport Revenues (as defined herein). Such obligations are payable from Net Airport Revenues (“*Senior Lien Obligations*”), as well as obligations payable from Designated Revenues (as defined herein) (“*Junior Lien Obligations*”), and obligations payable from Designated Revenues, on a junior and subordinate basis to Junior Lien Obligations (“*Junior Subordinate Lien Obligations*”) can be issued for improvements at Deer Valley and Goodyear Airport. The revenues of these two airports, along with the revenues of Sky Harbor, are Airport Revenues (as defined herein) which form the basis of determining Net Airport Revenues, which are pledged to the payment of principal of and interest on Senior Lien Obligations; Designated Revenues, which are pledged to the payment of principal of and interest on Junior Lien Obligations; and Junior Subordinate Lien Revenues, which are pledged to the payment of Junior Subordinate Lien Obligations.

In fiscal year 2006-07, the City entered into an intergovernmental agreement with the City of Mesa, the Town of Queen Creek, the Town of Gilbert, and the Gila River Indian Community to become a voting member of the Phoenix-Mesa Gateway Airport Authority, which owns and operates Phoenix-Mesa Gateway Airport (“*Mesa-Gateway*”). Mesa-Gateway is located approximately 30 miles east of Sky Harbor and serves as a commercial reliever airport with scheduled flights on Allegiant, Flair, Sun Country, Swoop and WestJet, as of January 2023. In calendar year 2022, Mesa-Gateway was served by 17 average daily departures to 57 airports in the U.S. and Canada, with some service not offered year round. Mesa-Gateway also serves significant general aviation operations. The revenues of Mesa-Gateway are not included in the definition of Airport Revenues and cannot be pledged for the payment of principal and interest on the Senior Lien Obligations, Junior Lien Obligations or Junior Subordinate Lien Obligations.

Airport System Management

Direct supervision of the Airport is exercised by the Aviation Department. Management of the Airport is led by the Director of Aviation Services with 923 full-time equivalent employees as of March, 2023. The Director of Aviation Services currently reports to a Deputy City Manager.

Jeff Barton, City Manager, was appointed City Manager in October 2021 after serving as Assistant City Manager since February 2021. Mr. Barton’s career with the City of Phoenix started in 1999 as an Internal Auditor in the City Auditor Department. Over the years he held a variety of roles that focused on the City’s sound financial stewardship, including multiple auditing positions, Management Assistant, Deputy Budget and Research Director, Budget and Research Director, and most recently as Deputy City Manager. Mr. Barton holds a Master of Public Administration from Shippensburg University of Pennsylvania and a bachelor’s degree in Political Science from Morehouse College.

Lori Bays, Assistant City Manager, was appointed Assistant City Manager in October 2021. Ms. Bays joined the City in 2017 as a Chief Human Resources Officer where she has managed human resources strategy and operations for the City’s workforce of 14,000 employees. In this role, Ms. Bays has led efforts to develop a Total Compensation and Rewards Strategy for the City, designed and implemented the PHXRespect initiative, as well as served on the leadership team for the Racial Equity Dialogue Series. Prior to working for the City, she was the Chief Administrative Officer for Salt Lake County, which has a population of more than one million residents. Ms. Bays holds a Master’s degree in Clinical Psychology and a bachelor’s degree in Psychology.

Mario Paniagua, Deputy City Manager, oversees the Aviation, Public Works, Public Transit/Light Rail Departments, and the Office of Sustainability. Mr. Paniagua also oversees the City’s multi-departmental implementation of the federal Infrastructure Investment and Jobs Act, and directs the implementation of Transportation 2050, a plan designed to improve Phoenix’s multi-modal transportation infrastructure and services. Mr. Paniagua began his career with the City of Phoenix in 1998 and has served as the Budget and

Research Director, Phoenix City Clerk, worked in the City Council Office and Family Advocacy Center as a Management Assistant, and also served as a Human Resources Analyst. Prior to joining the City, Mr. Paniagua served in the US Air Force. He holds a bachelor's degree in Global Business from Arizona State University.

Chad Makovsky, Director of Aviation Services, was named City of Phoenix Director of Aviation Services in March 2021. In this role he provides executive leadership and strategic direction for the Airport. Mr. Makovsky has over 32 years of aviation experience with the City Aviation Department, Dallas/Fort Worth International Airport, Burbank Airport, John F. Kennedy International Airport, and America West Airlines. Mr. Makovsky is a Certified Member with the American Association of Airport Executives where he serves on their International Board (IAAE) and national Policy Review Council. He holds a private pilot's license, a Master of Business Administration from Arizona State University, and a bachelor's degree in Science in Aviation Operations from St. Cloud State University.

Sarah Demory, Assistant Aviation Director, Chief Operating Officer, was appointed to this position in November 2017. In this role, she oversees Operations, Public Safety Services, General Aviation, and Facilities and Services, at Sky Harbor Airport, as well as the Deer Valley and Goodyear airports. Prior to joining the City, Ms. Demory served as Airport Deputy Director for Operations and Security at Boise Idaho Airport, and held positions in operations and emergency management at Seattle-Tacoma International Airport. Ms. Demory has a commercial pilot license and is an Accredited Airport Executive with the AAAE. She is also an AAAE Certified Member, Certified Airport Security Coordinator and Airport Certified Employee — Operations. Ms. Demory holds a Master of Science in Aviation and a Bachelor of Business Administration from the University of North Dakota.

Jay DeWitt, Assistant Aviation Director, Chief Development Officer, was appointed to this position in August 2021. His 28-year professional career with the City has spanned multiple city departments and has included some of the highest-profile construction projects the City has undertaken. As the Assistant Director, Chief Development Officer for the Aviation Department, Mr. DeWitt oversees the airport's capital and development-related divisions, including Planning and Environmental, Design and Construction Services, and Financial Management. Mr. DeWitt has extensive experience in the areas of accounting, infrastructure finance, project management, and airport finance. Mr. DeWitt holds both master's and bachelor's degrees in business administration from Arizona State University and is a Certified Member of the American Association of Airport Executives.

Roxann Favors, Assistant Aviation Director, Chief Revenue Officer, is responsible for the Aviation Business and Properties, Contracts and Services, and Technology divisions, and Sky Harbor's air service development program. Ms. Favors began working with the City in 2003 in the City's management internship program. Ms. Favors has held the position as Deputy Aviation Director of the Business and Properties division and was selected as the Major Events Administrator for the City of Phoenix. Ms. Favors holds a Master's in Public and International Affairs, and a Bachelor of Political Science, both from the University of Pittsburgh. In addition, Ms. Favors is a Certified Member of the American Association of Airport Executives.

Finance Department Management

The City's Finance Department oversees the issuance of debt and performs certain accounting, financing, treasury and related functions for the Airport. The Finance Department is led by the Chief Financial Officer.

Kathleen Gitkin, Chief Financial Officer, was appointed Chief Financial Officer in July 2021. She began her career with the City in 2004 with the Finance Department, working as an Accountant II in the Utilities Accounting Division and an Accountant III, Accountant IV and Investment and Debt Manager in the Treasury and Debt Management Division. She became Deputy Finance Director/City Treasurer in November 2014 and was promoted to Assistant Finance Director in July 2020. Throughout her career she has managed financial planning, city controller functions, real estate, risk management, banking and cashiering, investments and debt issuances to fund capital expenditures. Ms. Gitkin has a Master of Business Administration from the University of Phoenix and a bachelor's degree in Accountancy from New Mexico State University.

PLAN OF REFUNDING

The net proceeds of the Series 2023 Bonds remaining after deduction of issuance costs and a deposit to the Senior Lien Parity Reserve Fund, together with certain other legally available funds of the City, will be placed in an irrevocable escrow account (the “*Escrow Account*”) with U.S. Bank Trust Company, National Association, Phoenix, Arizona, as bond trustee and escrow agent (the “*Escrow Agent*”), to be applied to the payment or redemption of the bonds listed in the Schedule of Maturities and Call Dates of the Bonds Being Refunded (collectively, the “*Bonds Being Refunded*”).

Schedule of Maturities and Call Dates of the Bonds Being Refunded*

Issue Series	Maturity Date July 1	Principal Amount Outstanding	Principal Amount Being Refunded	Coupon	Expected Call Date	Call Premium as a Percentage of Principal	Refunded CUSIP**
Series 2013	2023	\$ 9,970,000	\$ 9,970,000	5.000%	N/A	0.0%	71883MHW7
	2024	10,475,000	10,475,000	5.000	07/01/23	0.0	71883MHX5
	2025	10,995,000	10,995,000	5.000	07/01/23	0.0	71883MHY3
	2026	11,550,000	11,550,000	5.000	07/01/23	0.0	71883MHZ0
	2027	12,125,000	12,125,000	5.000	07/01/23	0.0	71883MJA3
	2028	12,730,000	12,730,000	5.000	07/01/23	0.0	71883MJB1
	2029	13,365,000	13,365,000	5.000	07/01/23	0.0	71883MJC9
	2030	14,035,000	14,035,000	5.000	07/01/23	0.0	71883MJD7
	2031	14,735,000	14,735,000	5.000	07/01/23	0.0	71883MJE5
	2032	15,475,000	15,475,000	5.000	07/01/23	0.0	71883MJF2
			<u>\$125,455,000</u>	<u>\$125,455,000</u>			

** CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“*CGS*”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriters, the Financial Advisor or their respective counsel or agents takes responsibility for the accuracy of such matters.

The funds held in the Escrow Account by the Escrow Agent will be used to acquire obligations issued or guaranteed by the United States of America (“*Government Obligations*”) the principal of and interest on which, when due, are calculated to be sufficient, together with the initial cash balance in the Escrow Account, to provide moneys to pay the principal, premium, if any, and interest to become due on the Bonds Being Refunded. (See “*VERIFICATION OF MATHEMATICAL COMPUTATIONS*” herein.)

The Escrow Account will be held by the Escrow Agent irrevocably in trust for the payment of such principal on the Bonds Being Refunded pursuant to the terms of an Escrow Agent Agreement between the City and the Escrow Agent dated as of June 1, 2023. Upon issuance of the Series 2023 Bonds and the establishment of the Escrow Account, the Bonds Being Refunded will no longer be outstanding under the bond indenture pursuant to which they were issued and will no longer be secured by Net Airport Revenues.

* Subject to change.

SOURCES AND APPLICATIONS OF FUNDS

Sources:

Par Amount of the Series 2023 Bonds	\$
Net Original Issue Premium (Discount)	
Debt Service Reserve Fund for Bonds Being Refunded	
Other Available Funds	
Total	\$

Applications:

Escrow Account for Bonds Being Refunded	\$
Deposit to Senior Lien Parity Reserve Fund	
Cost of Issuance	
Underwriters' Discount	
Total	\$

SERIES 2023 BONDS

Authorization and Purpose

The Series 2023 Bonds are being issued by the Corporation under the terms of the Indenture for the purpose of (a) refunding the Bonds Being Refunded, (b) making a deposit to the Senior Lien Parity Reserve Fund and (c) paying the costs of issuance of the Series 2023 Bonds. The payments pursuant to the City Purchase Agreement (“*Purchase Payments*”) are scheduled to be sufficient to make payments on the Series 2023 Bonds and certain other expenses. To secure amounts due under the City Purchase Agreement with respect to all of the Series 2023 Bonds, the City has made a first lien pledge of the Net Airport Revenues (as defined herein). The City Purchase Agreement and the City’s obligations thereunder constitute Parity Bonds under the Airport Revenue Bond Ordinance on a parity with other outstanding Senior Lien Obligations. See “SECURITY AND SOURCES OF PAYMENT.”

General Description

The Series 2023 Bonds will be issued as fully registered bonds, without coupons, in book-entry-only form and will be registered to Cede & Co. as described below under “Book-Entry-Only System.” AS LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE Series 2023 Bonds, AS NOMINEE OF THE DEPOSITORY TRUST COMPANY (“*DTC*”), REFERENCES HEREIN TO THE OWNERS OF THE SERIES 2023 BONDS (OTHER THAN UNDER THE CAPTION “TAX EXEMPTION” WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2023 BONDS. PRINCIPAL, PREMIUM, IF ANY, AND INTEREST PAYMENTS ON THE SERIES 2023 BONDS ARE TO BE MADE TO DTC AND ALL SUCH PAYMENTS WILL BE VALID AND EFFECTIVE TO SATISFY FULLY AND TO DISCHARGE THE OBLIGATIONS OF THE CORPORATION AND THE CITY WITH RESPECT TO, AND TO THE EXTENT OF, THE AMOUNTS SO PAID.

The Series 2023 Bonds will be dated the date of initial authentication and delivery thereof, will bear interest payable semiannually on January 1 and July 1 of each year (each an “*Interest Payment Date*”), commencing January 1, 2024. The Series 2023 Bonds will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. The Series 2023 Bonds will be delivered in fully registered form in amounts of \$5,000 each or any whole multiple thereof (but no Series 2023 Bond may represent installments of principal maturing on more than one date).

Subject to the provisions contained under the heading “Book-Entry-Only System” below, the principal of and premium, if any, and interest at maturity or redemption on each Series 2023 Bond will be payable upon presentation and surrender of such Series 2023 Bond at the designated corporate trust office of the Registrar. Interest on each Series 2023 Bond, other than that due at maturity or redemption, will be paid on each Interest Payment Date by check of said Registrar, mailed to the person shown on the bond register of the Corporation maintained by the Registrar as being the registered owner of such Series 2023 Bond (the “Owner”) as of the fifteenth day of the month immediately preceding such Interest Payment Date (the “Regular Record Date”) at the address appearing on said bond register or at such other address as is furnished to the Trustee in writing by such Owner before the fifteenth day of the month prior to such Interest Payment Date.

The Indenture provides that, with the approval of the Corporation, the Registrar and Paying Agent may enter into an agreement with any Owner of \$1,000,000 or more in aggregate principal amount of Series 2023 Bonds, as applicable, providing for making all payments to that Owner of principal of and interest and any premium on those Series 2023 Bonds or any portion thereof (other than any payment of the entire unpaid principal amount thereof) at a place and in a manner other than as described above, without presentation or surrender of those Series 2023 Bonds, upon any conditions which shall be satisfactory to the Trustee and the Corporation; provided that without a special agreement or consent of the Corporation, payment of interest on the Series 2023 Bonds may be made by wire transfer to any Owner of \$1,000,000 aggregate principal of Series 2023 Bonds, upon two days prior written notice to the Trustee specifying a wire transfer address of a bank or trust company in the United States.

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

Book-Entry-Only System

The following information about the book-entry-only system applicable to the Series 2023 Bonds has been supplied by DTC. None of the Corporation, the City, the Trustee, the Underwriters or the Financial Advisor makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with Direct Participants, “Participants”). DTC has rating from Standard & Poor’s of AA+. The DTC Rules applicable to its Participants

are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2023 Bond ("*Beneficial Owner*") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2023 Bonds, except in the event that use of the book-entry system for the Series 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2023 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2023 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2023 Bond documents. For example, Beneficial Owners of Series 2023 Bonds may wish to ascertain that the nominee holding the Series 2023 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2023 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2023 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Corporation or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested

by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2023 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE SOLE REGISTERED OWNER, THE CORPORATION AND THE TRUSTEE WILL TREAT CEDE & CO. AS THE ONLY OWNER OF THE SERIES 2023 BONDS FOR ALL PURPOSES UNDER THE INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2023 BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE CORPORATION AND THE TRUSTEE TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER SUCH INDENTURE. THE CORPORATION AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER WITH RESPECT TO THE PRINCIPAL OF AND INTEREST ON THE SERIES 2023 BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO SERIES 2023 BONDHOLDERS; (D) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2023 BONDS; (E) CONSENTS OR OTHER ACTION TAKEN BY DTC OR CEDE & CO., AS REGISTERED OWNER OR (F) ANY OTHER MATTER.

Redemption Provisions*

Optional Redemption. The Series 2023 Bonds are not subject to optional redemption prior to maturity.

Notice of Redemption. When redemption is authorized or required, the Trustee will give the Owners of the Series 2023 Bonds to be redeemed notice of the redemption of such Series 2023 Bonds. Such notice will specify (a) that the whole or part of the Series 2023 Bonds are to be redeemed and, if in part, the part to be redeemed; (b) the date of redemption; (c) the place or places where the redemption will be made; and (d) the redemption price to be paid. Any redemption of Series 2023 Bonds in part will be from such series and maturities as directed by the City and by lot within a maturity in any manner the Trustee deems fair.

Notice of such redemption will be given by mailing a copy of the redemption notice not more than 60 days nor less than 30 days prior to such redemption date, to the Owner of each Series 2023 Bond subject to redemption in whole or in part at the Owner's address shown on the Register on the fifteenth day preceding that mailing. Neither failure to receive any such notice nor any defect therein will affect the sufficiency of the proceedings for the redemption of the Series 2023 Bonds with respect to which there is no such defect.

Notice having been given in the manner provided above, the Series 2023 Bonds or portions thereof called for redemption will become due and payable on the redemption date and if an amount of money sufficient to redeem all the Series 2023 Bonds and portions thereof called for redemption is held by the Trustee or any paying agent on the redemption date, then the Series 2023 Bonds or portions thereof to be redeemed will not be considered outstanding under the Indenture and will cease to bear interest from and after such redemption date.

* Subject to change.

SECURITY AND SOURCES OF PAYMENT

Pledge of Net Airport Revenues

General. The Series 2023 Bonds are special revenue obligations of the Corporation payable solely from payments received under the City Purchase Agreement. Under the terms of the City Purchase Agreement, the City is to make Purchase Payments to the Trustee in amounts sufficient to pay when due the principal of and interest on the Series 2023 Bonds, fees of the Trustee and all other expenses enumerated in the City Purchase Agreement.

Net Airport Revenues. The Purchase Payments relating to all of the Series 2023 Bonds are secured by a pledge of the Net Airport Revenues. The City Purchase Agreement defines the term “*Net Airport Revenues*” to mean Airport Revenues, after provision for payment of all of the Cost of Maintenance and Operation and the term “*Designated Revenues*” to mean Net Airport Revenues, after payments required on any Senior Lien Obligations. Airport Revenues generally include all income and revenue received by the City directly or indirectly from the use and operation of the Airport, except for certain specifically excluded revenues. Airport Revenues also include, among other revenues, rentals, landing fees, use charges, income from sales of services, fuel oil and other supplies or commodities; fees from concessions and parking; fees from rental car, taxi and limousine services (other than customer facility charges such as those relating to Special Purpose Facilities, which are pledged to debt service on obligations incurred for such facilities, until released (to the extent available) to the Airport as Airport Revenues as reimbursement for eligible expenses (“*Recovered Revenue*”)); advertising revenues; and receipts derived from leases or other contractual agreements relating to the use of the Airport. Passenger Facility Charges, federal subsidy payments related to the Series 2010B Junior Bonds (as defined herein) (“*2010 RZEDB Subsidy Payments*”), federal grants and special facility revenues (such as customer facility charges relating to Special Purpose Facilities which remain pledged to debt service on obligations incurred for such facilities and do not represent Recovered Revenues) are specifically excluded from Airport Revenues. “*Cost of Maintenance and Operation*” generally includes all expenses (exclusive of depreciation and interest on money borrowed) which are necessary to the efficient maintenance and operation of the Airport. For complete definitions of Airport Revenues and Cost of Maintenance and Operation see “APPENDIX E - Summary of Certain Provisions of Legal Documents - Certain Definitions.” The Purchase Payments to be made under the City Purchase Agreement will be, with respect to the Net Airport Revenues, (a) on a parity with Senior Lien Obligations presently outstanding in the aggregate principal amount of \$677,345,000 (including the Bonds Being Refunded) and (b) senior to Junior Lien Obligations presently outstanding in the aggregate principal amount of \$1,326,530,000.

Certain Covenants and Remedies

Covenants and agreements contained in the Airport Revenue Bond Ordinance are incorporated by reference in the City Purchase Agreement and are applicable to the Series 2023 Bonds. The Trustee and the Corporation, as its respective interests appear, have the right to enforce these covenants and agreements. The City may, but is not required to, pay amounts due under the City Purchase Agreement from unrestricted grant money and other moneys available to the Airport, which are not included in the definition of Airport Revenues (“*Other Available Funds*”). For a discussion of certain financial covenants which the City has entered into with respect to the Airport, see “SECURITY AND SOURCES OF PAYMENT — Rate Covenants,” “— Additional Senior Lien Obligations” and “— Additional Junior Lien Obligations” and “APPENDIX E - Summary of Certain Provisions of Legal Documents — The Airport Revenue Bond Ordinance.”

During the term of the City Purchase Agreement, payments are to be made regardless of damage to the Airport or commercial frustration of purpose, without right of set-off or counterclaim, regardless of any contingencies and whether or not the City possesses or uses the Airport. The City’s obligation to make Purchase Payments will continue until all Purchase Payments and all other amounts due under the City Purchase Agreement have been paid or otherwise provided for.

The obligation of the City to make Purchase Payments under the City Purchase Agreement does not constitute a debt or a pledge of the full faith and credit of the City, the State of Arizona or any other political subdivision thereof. The City has not pledged any form of ad valorem taxes to the payment of the Series 2023 Bonds. The Series 2023 Bonds are special revenue obligations of the Corporation secured only by the Purchase Payments which are to be paid from a first lien pledge of the Net Airport Revenues. The Purchase Payments are not secured by a lien of the Airport or any portion thereof. For a description of events of default and remedies under the City Purchase Agreement, see “APPENDIX E — Summary Of Certain Provisions Of Legal Documents.”

Rate Covenants

Senior Lien Rate Covenant. Pursuant to the Airport Revenue Bond Ordinance, the Senior Lien Obligation Documents, and the City Purchase Agreement, the City has covenanted to continuously maintain the Airport in good condition and operate the same in a proper and economical manner and on a revenue-producing basis, and will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (i) sufficient to produce Net Airport Revenues at least equal to 125% of the annual debt service requirements of Senior Lien Obligations (net of Other Available Funds deposited in the Bond Fund in such Fiscal Year and net of any Passenger Facility Charge Credit applicable to Senior Lien Obligations, including the Series 2023 Bonds, in such Fiscal Year) and (ii) sufficient to produce any required payments to any debt service reserve fund established for Senior Lien Obligations, including the Senior Lien Parity Reserve Fund (as defined herein), for such Fiscal Year. “*Passenger Facility Charge Credit*” means the amount of principal of and/or interest to come due on specified Senior Lien Obligations during any Fiscal Year to which Passenger Facility Charges, state and/or federal grants or other moneys have received all required governmental approvals and have been irrevocably committed or are held in the Bond Fund or otherwise in trust by or on behalf of the Paying Agent and are to be set aside exclusively to be used to pay Interest Requirements and/or Principal Requirements on such specified Senior Lien Obligations, during the period of such commitment (unless such Passenger Facility Charges, state and/or federal grants or other moneys are subsequently included in the definition of Airport Revenues). There are currently no Senior Lien Obligations to which Passenger Facility Charges have been irrevocably committed. See “APPENDIX E - Summary of Certain Provisions of Legal Documents - The Airport Revenue Bond Ordinance - Section 4.3 Rate Covenant” and “- The City Purchase Agreement.”

Junior Lien Rate Covenant. Pursuant to the Airport Revenue Bond Ordinance and the Junior Lien Obligation Documents, the City has covenanted to continuously maintain the Airport in good condition and operate the same in a proper and economical manner and on a revenue-producing basis, and will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (a) sufficient to produce Designated Revenues at least equal to 110% of the annual debt service requirements of Junior Lien Obligations (net of Other Available Funds deposited in the Bond Fund in such Fiscal Year and net of any Junior Lien Passenger Facility Charge Credit applicable to such Fiscal Year) and (b) sufficient to produce any required payments to the Junior Lien Bond Reserve Fund or any separate reserve fund. “*Junior Lien Passenger Facility Charge Credit*” means the amount of principal of and/or interest to come due on specified Junior Lien Obligations during any Fiscal Year to which Passenger Facility Charges, state and/or federal grants or other moneys have received all required governmental approvals and have been irrevocably committed or are held in the Junior Lien Bond Fund or otherwise in trust by or on behalf of the Paying Agent and are to be set aside exclusively to be used to pay Junior Lien Interest Requirements and/or Junior Lien Principal Requirements on such specified Junior Lien Obligations, during the period of such commitment (unless such Passenger Facility Charges, state and/or federal grants or other moneys are subsequently included in the definition of Airport Revenues). The City has irrevocably committed the PFC Revenues (as defined herein) in the amounts and for the periods set forth in the Schedule of Outstanding Junior Bonds Supported by PFC Revenues below under the caption “Irrevocable Commitment of Passenger Facility Charge Revenues to Debt Service on Certain Junior Bonds”, to the extent received in any Fiscal Year ending prior to July 1, 2026. The City and the Corporation have irrevocably committed the 2010 RZEDB Subsidy Payments to the interest requirements of the Series 2010B Junior Bonds. Such irrevocable commitments constitute a Junior Lien Passenger Facility Charge Credit (collectively, the “*2010/2019 Junior Lien Passenger Facility Charge Credits*”). See “APPENDIX E – Summary of Certain Provisions of Legal Documents – The City Purchase Agreement.”

Irrevocable Commitment of Passenger Facility Charge Revenues to Debt Service on Certain Junior Bonds

Passenger Facility Charge Revenues. Debt service on the Junior Lien Obligations set forth in the Schedule of Outstanding Junior Bonds Supported by PFC Revenues below is further secured by an irrevocable commitment of net proceeds of a passenger facility charge (“*Passenger Facility Charge*”) imposed by the City and collected on behalf of the City by non-exempt passenger air carriers at Sky Harbor in the amounts and for the periods set forth below. The Passenger Facility Charge is currently imposed at the rate of \$4.50 per qualifying enplaned passenger and is required to be remitted to the City less the compensation (i.e. any accrued interest prior to remittance and \$0.11 per Passenger Facility Charge collected) that air carriers are permitted to deduct prior to remittance. Such remittances, to the extent received in each Fiscal Year plus interest thereon, are referred to herein as “*PFC Revenues.*” See “FLOW OF FUNDS - Application of PFC Revenues.” Any of the Junior Lien Obligations described below not paid on payment dates on or before July 1, 2026, by PFC Revenues received during the Commitment Period would then be payable from Designated Revenues on a parity with any Junior Lien Obligations which may be outstanding.

**Schedule of Outstanding Junior Bonds
Supported by PFC Revenues**

<u>Junior Series</u>	<u>Principal Amount Outstanding as of 01/01/23</u>	<u>Percent of Debt Service Secured</u>	<u>Commitment Period End Date (1)</u>
2010B	\$ 21,345,000	100%	June 30, 2026
2015A	84,515,000	30	June 30, 2026
2015B	18,655,000	100	June 30, 2026
2017D	442,590,000	100	June 30, 2026
2019A	341,095,000	93	June 30, 2026

(1) Unless extended by the City, in its discretion, by written direction to the Trustee. PFC Revenues received during this period may be applied to debt service due on or before July 1, 2026.

Applicable Laws and the City’s Passenger Facility Charge Program. For a description of the laws relating to Passenger Facility Charges and the City’s Passenger Facility Charge Program, see “AIRPORT FINANCIAL INFORMATION - Passenger Facility Charge Program,” herein.

Investment Considerations. For a description of certain risks relating to the City’s Passenger Facility Charge Program, see “CERTAIN BONDHOLDERS’ RISKS.”

Irrevocable Commitment of 2010 RZEDB Subsidy Payments to Interest on Certain Junior Bonds

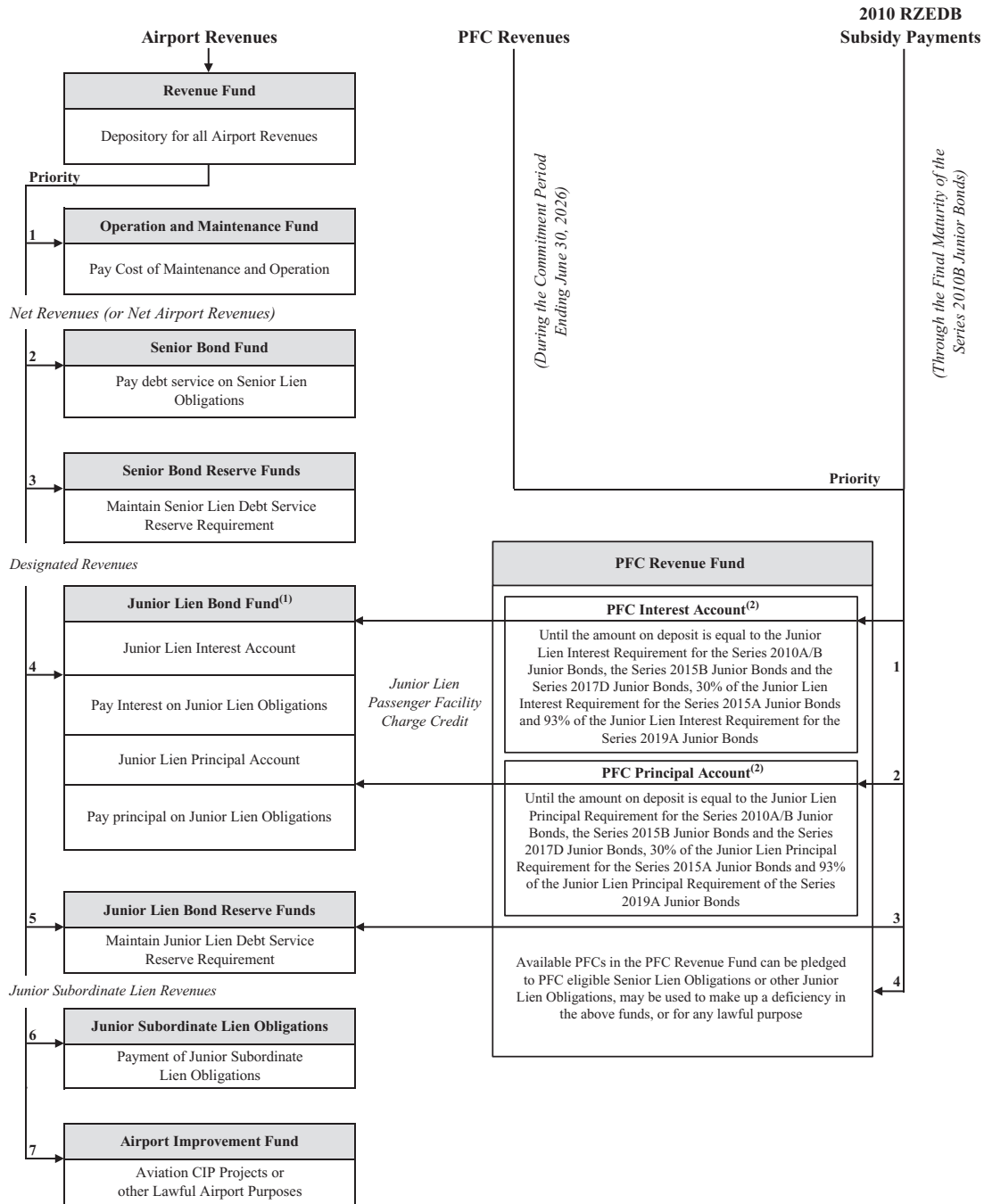
The interest requirements for the Corporation’s Junior Lien Airport Revenue Bonds, Taxable Series 2010B (Recovery Zone Economic Development Bonds-Direct Payment) (the “*Series 2010B Junior Bonds*”) are further secured by an irrevocable commitment of the 2010 RZEDB Subsidy Payments through the final maturity of the Series 2010B Junior Bonds. The Corporation and the City expect to receive 2010 RZEDB Subsidy Payments rebating forty-five percent of the interest on the Series 2010B Junior Bonds from the United States Treasury, provided that the Corporation and the City comply with certain Code requirements. Any such cash subsidy payments received by the Corporation or the City will be deposited directly to the Series 2010B Interest Subaccount of the 2010 PFC Interest Account of the PFC Revenue Fund and will not constitute Airport Revenues. Effective October 1, 2013, the federal government implemented certain automatic budget cuts known as the sequester, which resulted in a reduction of the federal subsidy payments over the past several years. The reduction is 5.7% for the federal government’s fiscal year ending September 30, 2023 (the “*Sequester Reductions*”). Additionally, absent further postponements under the Statutory Pay-as-You-Go Act of 2010, the 2010 RZEDB Subsidy Payments could be completely eliminated from January 1, 2025, through September 30,

2031. The City does not expect the Sequester Reductions, or the complete elimination of the 2010 RZEDB Subsidy Payments, to have a material adverse effect on its ability to make payments of interest on the Series 2010B Junior Bonds.

Flow of Funds

General. The application of Airport Revenues is governed by the Airport Revenue Bond Ordinance and the City Purchase Agreement. Such documents provide that so long as any Senior Lien Obligations or Junior Lien Obligations remain outstanding, all Airport Revenues shall be deposited as collected into a fund designated the “*Revenue Fund*” held by the City separate and apart from all other funds of the City. The following figure depicts the flow of funds under the Airport Revenue Bond Ordinance, the Senior Lien Obligation Documents and the Junior Lien Obligation Documents and the application of Airport Revenues, PFC Revenues and 2010 RZEDB Subsidy Payments:

**Application of Revenues, PFC Revenues and 2010 RZEDB Subsidy Payments Under
Airport Revenue Bond Ordinance and City Purchase Agreement**



(1) PFC Revenues will be transferred to the 2010 Junior Lien Bond Reserve Fund, the Junior Lien Parity Reserve Fund and the 2015B Junior Lien Bond Reserve Fund to the extent amounts have been withdrawn to pay debt service on the Corporation's Junior Lien Airport Revenue Bonds, Series 2010A (the "Series 2010A Junior Bonds"), the Series 2010B Junior Bonds, the Corporation's Junior Lien Airport Revenue Bonds, Series 2015A (the "Series 2015A Junior Bonds"), the Corporation's Junior Lien Airport Revenue Refunding Bonds, Series 2015B (the "Series 2015B Junior Bonds"), the Corporation's Junior Lien Airport Revenue Refunding Bonds, Series 2017D (the "Series 2017D Junior Bonds") and the Junior Lien Airport Revenue Bonds, Series 2019A (the "Series 2019A Junior Bonds"), respectively.

(2) The PFC Interest Account and PFC Principal Account are accounts within the PFC Revenue Fund. Additionally there is a Series 2010B Interest Subaccount of the PFC Interest Account where 2010 RZEDB Subsidy Payments are deposited for payment of interest on the Series 2010B Junior Bonds.

As set forth in the figure above, all moneys in the Revenue Fund are to be transferred by the City to the following funds in the order listed:

(a) From time to time to the Operation and Maintenance Fund sufficient moneys to pay the Cost of Maintenance and Operation;

(b) Monthly to the Senior Bond Fund, (i) into the Principal Account amounts equal to one-twelfth of the next succeeding principal requirement (whether at maturity or pursuant to a sinking fund redemption requirement) on all Senior Lien Obligations, and (ii) into the Interest Account amounts equal to one-sixth of the next succeeding interest requirement, on all Senior Lien Obligations. Moneys in the Bond Fund are to be transferred by the City to the respective paying agents for Senior Lien Obligations, at least one business day before each debt service payment is required to be made on the Senior Lien Obligations.

(c) From time to time to each separate or parity bond reserve fund established for Senior Lien Obligations (each, a "*Senior Lien Obligation Bond Reserve Fund*"), amounts then required to be deposited to such Senior Lien Obligation Bond Reserve Funds; provided that such deposits may be transferred to a Credit Facility in order to reimburse such Credit Facility for amounts paid out under any insurance policy or surety bond securing any of the Senior Lien Obligations. See "BOND RESERVE FUNDS - Senior Lien Obligation Bond Reserve Funds" for a discussion of such funds.

(d) Monthly to the Junior Lien Bond Fund, (i) into the Junior Lien Principal Account amounts equal to one-twelfth of the next succeeding principal requirements (whether at maturity or pursuant to a mandatory sinking fund redemption requirement) for the next succeeding principal payment date for Junior Lien Obligations and (ii) into the Junior Lien Interest Account amounts equal to one-sixth of the interest requirements for the next succeeding interest payment date for Junior Lien Obligations, in each case less any amounts to which an irrevocable commitment from another funding source has been made.

(e) From time to time into any reserve fund established for Junior Lien Obligations (each, a "*Junior Lien Obligation Bond Reserve Fund*"), amounts then required to be deposited therein under the terms of the Junior Lien Obligation Documents, provided that such deposits may be transferred to a credit facility provider for Junior Lien Obligations in order to reimburse such credit facility provider for amounts paid out under any insurance policy or surety bond securing any of the Junior Lien Obligations and related costs. See "BOND RESERVE FUNDS – Junior Lien Obligation Bond Reserve Funds" for more details.

(f) From time to time to such funds, as and to the extent required with respect to Junior Subordinate Lien Obligations.

(g) From time to time to the Airport Improvement Fund such funds as the City chooses to deposit therein. Amounts in the Airport Improvement Fund may be used for any lawful airport purpose including, but not limited to, the payment of other obligations of the City relating to the Airport.

Each of the above-referenced funds is created as a separate fund and, other than the Senior Lien Obligation Reserve Funds and the Junior Lien Obligation Bond Reserve Funds, is held by the City.

For a more complete discussion of the general flow of funds see "APPENDIX E - Summary of Certain Provisions of Legal Documents - The Airport Revenue Bond Ordinance" and "- The City Purchase Agreement."

2023 Senior Bond Fund. Pursuant to the Indenture, the Trustee will create the 2023 Senior Bond Fund which will contain the 2023 Principal Account, the 2023 Interest Account and the 2023 Redemption Account. So long as any Series 2023 Bonds are outstanding, the Trustee will deposit the Purchase Payments transferred to it by the City from the Interest Account and Principal Account of the Bond Fund held by the City and established under the Airport Revenue Bond Ordinance into the 2023 Interest Account and the 2023 Principal Account, respectively of the 2023 Senior Bond Fund held by the Trustee. The portion of the Purchase Payments deposited into the 2023 Principal Account will be used by the Trustee to pay the next succeeding principal payment (whether at maturity or pursuant to a sinking fund redemption requirement) on the Series 2023 Bonds and the portion of the Purchase Payments deposited in the 2023 Interest Account will be used by the Trustee to pay the next succeeding interest payment on the Series 2023 Bonds.

If all required deposits to the debt service funds for all Senior Lien Obligations and to all of the Senior Lien Obligation Bond Reserve Funds, as discussed below, have been made and the City makes an optional prepayment of its Purchase Payments to be used to purchase Series 2023 Bonds, such optional prepayment shall be deposited in the 2023 Redemption Account and promptly applied by the Trustee to retire Series 2023 Bonds by purchase, in accordance with the City’s direction. Any balance remaining in the 2023 Redemption Account after the purchase of the Series 2023 Bonds in accordance with the City’s direction shall be transferred to the City.

For a more complete description of the 2023 Senior Bond Fund and the use thereof see “APPENDIX E — Summary of Certain Provisions of Legal Documents — The Indenture.”

Bond Reserve Funds

Senior Lien Obligation Bond Reserve Funds. The Airport Revenue Bond Ordinance and the Senior Lien Obligation Documents require that the City establish a separate bond reserve fund with respect to each concurrent issuance of Senior Lien Obligations in an amount equal to the applicable Debt Service Reserve Requirement. Debt Service Reserve Funds will have been established for Outstanding Senior Lien Obligation Bonds as set forth in the following table.

**Table 1
Senior Lien Obligation Bond Reserve Funds**

<u>Senior Lien Obligation Bond Series</u>	<u>Funding Type</u>	<u>Debt Service Reserve Requirement As of 04-01-23</u>
Series 2013 (1)	Cash and Permitted Investments on Deposit with Trustee	\$16,250,750
Series 2017A, Series 2017B, and Series 2018 (Senior Lien Parity Reserve Fund) (2)	Cash and Permitted Investments on Deposit with Trustee	41,887,750

- (1) Secures only the Senior Series 2013 Bonds and is expected to be deposited to the Escrow Account for the Bonds Being Refunded.
- (2) The Series 2017A, Series 2017B, and Series 2018 Bonds are currently the only obligations secured by the Senior Lien Parity Reserve Fund. At the direction of the City, without notice to or consent of the owners of the Series 2017A, Series 2017B, and Series 2018 Bonds, the Senior Lien Parity Reserve Fund may secure additional Senior Lien Obligations and the Senior Lien Parity Debt Service Reserve Requirement may be modified to the extent necessary to reflect on an aggregate basis the principal amount and annual debt service requirements of the Senior Lien Obligations to be secured by the Senior Lien Parity Reserve Fund. See “APPENDIX E — Summary of Certain Provisions of Legal Documents — The City Purchase Agreement” and “— The Indenture.”

* Subject to change.

Table 2
Junior Lien Obligation Bond Reserve Funds

<u>Junior Lien Obligation Series</u>	<u>Funding Type</u>	<u>Debt Service Reserve Requirement As of 4-1-23</u>
Series 2010B (1)	Cash and Permitted Investments on Deposit with Trustee	\$ 2,134,500
Series 2015A, Series 2017D, Series 2019A, Series 2019B, and Taxable Series 2019C (Junior Lien Parity Reserve Fund) (2)	Cash and Permitted Investments on Deposit with Trustee	95,602,068
Series 2015B (3)	Cash and Permitted Investments on Deposit with Trustee	1,865,500

-
- (1) A separate 2010 Junior Lien Obligation Bond Reserve Fund securing the payment of only such Series 2010B Junior Bonds.
- (2) Series 2015A, Series 2017D, Series 2019A, Series 2019B, and Taxable Series 2019C are currently the only obligations secured by the Junior Lien Parity Reserve Fund. At the direction of the City, without notice to or consent of the owners of the Series 2015A, Series 2017D, Series 2019A, Series 2019B, and Taxable Series 2019C, the Junior Lien Parity Reserve Fund may secure additional Junior Obligations and the Junior Lien Parity Debt Service Reserve Requirement may be modified to the extent necessary to reflect on an aggregate basis the principal amount and annual debt service requirements of the Junior Lien Obligations to be secured by the Junior Lien Parity Reserve Fund.
- (3) A separate 2015B Junior Lien Obligation Bond Reserve Fund securing the payment of the Series 2015B Junior Bonds.

Outstanding Senior Lien Obligations

As of April 1, 2023, there are \$677,345,000 (including the Bonds Being Refunded) principal amount of the Corporation's Senior Lien Airport Revenue Bonds outstanding as shown on the following table, which are on a parity with the City's obligations under the City Purchase Agreement.

Table 3
City of Phoenix Civic Improvement Corporation
Senior Lien Airport Revenue Bonds Outstanding

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding As of 04-01-23</u>
03-05-13	\$196,600,000	Airport Improvements Refunding	07-01-14/32	4.99%	\$125,455,000(1)
11-21-17	190,930,000	Airport Improvements	07-01-18/47	5.00	176,045,000
11-21-17	173,440,000	Airport Improvements Refunding	07-01-21/38	5.00	162,340,000
11-28-18	226,180,000	Airport Improvements Refunding	07-01-19/48	4.87	213,505,000
Total Senior Lien Airport Revenue Bonded Debt Outstanding					<u>\$677,345,000</u>

(1) Represents the Bonds Being Refunded.

Schedule of Senior Lien Obligations Annual Debt Service Requirements⁽¹⁾

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-23	\$ 24,455,000	\$ 33,667,250	\$ 58,122,250
2023-24	25,690,000	32,444,500	58,134,500
2024-25	26,970,000	31,160,000	58,130,000
2025-26	28,325,000	29,811,500	58,136,500
2026-27	29,735,000	28,395,250	58,130,250
2027-28	31,225,000	26,908,500	58,133,500
2028-29	32,780,000	25,347,250	58,127,250
2029-30	34,425,000	23,708,250	58,133,250
2030-31	36,145,000	21,987,000	58,132,000
2031-32	37,955,000	20,179,750	58,134,750
2032-33	23,600,000	18,282,000	41,882,000
2032-34	24,785,000	17,102,000	41,887,000
2034-35	26,025,000	15,862,750	41,887,750
2035-36	27,325,000	14,561,500	41,886,500
2036-37	28,685,000	13,195,250	41,880,250
2037-38	30,120,000	11,761,000	41,881,000
2038-39	16,650,000	10,255,000	26,905,000
2039-40	17,480,000	9,422,500	26,902,500
2040-41	18,355,000	8,548,500	26,903,500
2041-42	19,275,000	7,630,750	26,905,750
2042-43	20,240,000	6,667,000	26,907,000
2043-44	21,250,000	5,655,000	26,905,000
2044-45	22,280,000	4,622,500	26,902,500
2045-46	23,365,000	3,538,500	26,903,500
2046-47	24,505,000	2,400,250	26,905,250
2047-48	25,700,000	1,205,000	26,905,000
	<u>\$677,345,000</u>	<u>\$424,318,750</u>	<u>\$1,101,663,750</u>

(1) Includes debt service on the Bonds Being Refunded but excludes debt service on the Series 2023 Bonds offered herein.

Additional Senior Lien Obligations

The Airport Revenue Bond Ordinance provides that additional Senior Lien Obligations may be issued if (1) an officer of the City shall certify that either the Net Airport Revenues of the most recently completed fiscal year for which audited financial statements are available or the Net Airport Revenues for 12 consecutive months out of the most recent 18 calendar months, in each case together with Other Available Funds deposited to the Bond Fund during such period (a) were equal to at least 125% of the times actual debt service on outstanding Senior Lien Obligations during such period and (b) would have been at least equal to 120% of Maximum Annual Debt Service for all Senior Lien Obligations to be outstanding, including the obligations proposed to be issued, and (2) a Consultant provides a report which projects that Net Airport Revenues in each fiscal year will equal at least 125% of the debt service on Senior Lien Obligations to be outstanding, including the obligations proposed to be issued, which report addresses the period of time beginning with the first full fiscal year following the issuance of the Senior Lien Obligations through the later of (i) three fiscal years following the expected date of completion of the proposed project or (ii) five fiscal years following the issuance of the Senior Lien Obligations. In making such projections, the Consultant's report may reduce assumed senior lien debt service by applying a Passenger Facility Charge Credit, if applicable. Under the City Purchase Agreement, Other Available Funds deposited to the Bond Fund are not taken into account for purposes of clause (1) in the preceding sentence. Additionally, Senior Lien Obligations may be issued for refunding purposes without compliance with any of the foregoing financial tests if Maximum Annual Debt Service immediately after issuance of the refunding obligations is not greater than 110% of Maximum Annual Debt Service immediately prior to such issuance. See "SECURITY AND SOURCES OF PAYMENT — Rate Covenants;" and "APPENDIX E - Summary of Certain Provisions of Legal Documents - The Airport Revenue Bond Ordinance."

For additional information on planned additional obligations, some or all of which may be issued as Senior Lien Obligations, see "AIRPORT FINANCIAL INFORMATION — Aviation Capital Improvement Program."

Outstanding Junior Lien Obligations

As of April 1, 2023, there are \$1,326,530,000 principal amount of the Junior Lien Obligations Revenue outstanding, as shown in the following table.

Table 4
City of Phoenix Civic Improvement Corporation
Junior Lien Airport Revenue Bonds Outstanding

<u>Issue Date</u>	<u>Original Issuance</u>	<u>Purpose</u>	<u>Maturity Dates</u>	<u>Average Interest Rate</u>	<u>Bonds Outstanding as of 04-01-23</u>
09-01-10	\$ 21,345,000	Airport Improvements	07-01-40	6.60%	\$ 21,345,000(1)(2)
12-15-15	95,785,000	Airport Improvements	07-01-16/45	4.87	84,515,000(3)
12-15-15	18,655,000	Airport Refunding	07-01-34	5.00	18,655,000(1)
12-21-17	474,725,000	Airport Refunding	07-01-21/40	4.67	442,590,000(1)
12-11-19	341,095,000	Airport Improvements	07-01-41/49	4.48	341,095,000(4)
12-11-19	392,005,000	Airport Improvements	07-01-20/49	4.63	388,895,000
12-11-19	29,435,000	Airport Refunding	07-01-23/25	2.29	29,435,000
Total Junior Lien Airport Revenue Bonded Debt Outstanding					\$1,326,530,000

- (1) 100% of Debt Service due on or before July 1, 2026, on these bonds is also currently secured by an irrevocable commitment of PFC Revenues.
- (2) Subject to the City’s compliance with certain requirements of the Code, the City expects to receive 2010 RZEDB 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. Effective October 1, 2013, the federal government implemented certain automatic budget cuts known as the sequester, which has most recently resulted in a reduction of the federal subsidy payments by 5.7% for the federal government’s fiscal year ending September 30, 2023. The City does not expect the Sequester Reductions to have a material adverse effect on its ability to make payments of interest on the Series 2010B Junior Bonds.
- (3) 30% of Debt Service due on or before July 1, 2026, on these bonds is also secured by an irrevocable commitment of the PFC Revenues.
- (4) 93% of debt service due on or before July 1, 2026, is secured by an irrevocable commitment of the PFC Revenues.

For additional information on planned additional obligations, some or all of which may be issued as Junior Lien Obligations, see “AIRPORT FINANCIAL INFORMATION—Aviation Capital Improvement Program.”

Schedule of Junior Lien Obligations Annual Debt Service Requirements

Fiscal Year	Principal	Interest	Total
2022-23	\$ 36,215,000	\$ 61,723,902	\$ 97,938,902
2023-24	37,760,000	60,181,813	97,941,813
2024-25	39,380,000	58,563,587	97,943,587
2025-26	30,820,000	56,858,376	87,678,376
2026-27	32,355,000	55,317,377	87,672,377
2027-28	33,980,000	53,699,626	87,679,626
2028-29	35,675,000	52,000,626	87,675,626
2029-30	37,460,000	50,216,876	87,676,876
2030-31	39,325,000	48,343,877	87,668,877
2031-32	41,305,000	46,377,626	87,682,626
2032-33	43,365,000	44,312,376	87,677,376
2033-34	44,190,000	42,144,127	86,334,127
2034-35	47,640,000	40,113,970	87,753,970
2035-36	50,015,000	37,731,970	87,746,970
2036-37	52,500,000	35,249,670	87,749,670
2037-38	54,960,000	32,787,970	87,747,970
2038-39	57,185,000	30,567,170	87,752,170
2039-40	59,490,000	28,256,170	87,746,170
2040-41	52,655,000	25,170,950	77,825,950
2041-42	55,095,000	22,738,600	77,833,600
2042-43	57,630,000	20,194,250	77,824,250
2043-44	60,290,000	17,533,700	77,823,700
2044-45	63,070,000	14,751,250	77,821,250
2045-46	61,750,000	11,885,375	73,635,375
2046-47	64,525,000	9,107,925	73,632,925
2047-48	67,430,000	6,205,200	73,635,200
2048-49	70,465,000	3,171,137	73,636,137
	<u>\$1,326,530,000</u>	<u>\$965,205,496</u>	<u>\$2,291,735,496</u>

Additional Junior Lien Obligations

The City Purchase Agreement provides that additional Junior Lien Obligations may be issued if either (1) an officer of the City shall certify that either the Designated Revenues of the most recently completed fiscal year for which audited financial statements are available or the Designated Revenues for 12 consecutive months out of the most recent 24 calendar months, (a) were equal to at least 1.10 times actual debt service on outstanding Junior Lien Obligations during such period and (b) would have been at least equal to 110% of Maximum Annual Junior Lien Debt Service for all Junior Lien Obligations to be outstanding, including the obligations proposed to be issued, or (2) a Consultant provides a report which projects that Designated Revenues in each Fiscal Year will equal at least 1.10 times debt service on Junior Lien Obligations to be outstanding, including the obligations proposed to be issued, which report addresses the period of time beginning with the first full fiscal year following the issuance of the Junior Lien Obligations through the later of (a) three fiscal years following the expected date of completion of the proposed project or (b) five fiscal years following the issuance of the Junior Lien Obligations. In making such projections, the Consultant's report may reduce assumed senior lien debt service and junior lien debt service by applying a Passenger Facility Charge Credit or a Junior Lien Passenger Facility Charge Credit, if applicable, including the 2010/2019 Junior Lien Passenger Facility Charge Credits. Additionally, Junior Lien Obligations may be issued for refunding purposes without compliance with any of the foregoing financial tests if certain other conditions are met. See "APPENDIX E - Summary of Certain Provisions of Legal Documents - The City Purchase Agreement."

For information on planned additional Junior Lien Obligations see "AIRPORT FINANCIAL INFORMATION — Aviation Capital Improvement Program."

Junior Subordinate Lien Obligations

There are currently no Junior Subordinate Lien Obligations outstanding. For information on planned additional obligations, a portion of which could be issued as Junior Subordinate Lien Revenue Obligations, see "AIRPORT FINANCIAL INFORMATION – Aviation Capital Improvement Program."

AIRPORT FINANCIAL INFORMATION

Aviation Department Financial Policies

The Aviation Department is focused on maintaining sound financial performance and has adopted specific financial and debt management policies to assist with the financial management of the Airport, including:

Debt Service Coverage. Management seeks to maintain debt service coverage for the Senior Lien Obligations of at least 1.75x. The estimated fiscal year 2021-22 coverage of 171.68x was well above the target range. Actual fiscal year 2020-21 debt service coverage of 12.65x was substantially impacted by the COVID-19 pandemic (See "APPENDIX H - COVID-19"), but still above targeted coverage. Management also seeks to maintain aggregate debt service coverage (coverage of Senior Lien Obligation debt service and Junior Lien Obligation debt service) of at least 1.50x. The City's aggregate debt service coverage was 56.28x in fiscal year 2021-22 and 7.36x in fiscal year 2020-21.

PFC Leverage. Management has established a PFC leverage target of no greater than 65%-75% of annual collections in order to preserve PFC pay-as-you-go capacity and program flexibility. For fiscal year 2021-22, PFC revenues were 62% leveraged, below the maximum target, and up from 43% in fiscal year 2020-21.

Liquidity. Management has established a target of at least 475 days cash on hand to support extraordinary operating and capital needs. In fiscal year 2021-22 and fiscal year 2020-21, management exceeded the target achieving 674 and 585 days of cash on hand, respectively.

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 CPE to maintain financial metrics and develop facilities. CPE was \$5.34 for fiscal year 2021-22 and was \$8.98 in fiscal year 2020-21.

Debt Service Requirements

The following two schedules set forth the estimated annual principal and interest requirements on the Series 2023 Bonds offered herein and the debt service requirements on outstanding Senior Lien Obligations to be outstanding after the issuance of the Series 2023 Bonds.

Schedule Of Estimated Payments Under the City Purchase Agreement(1)*

The City Purchase Agreement requires semi-annual Purchase Payments by the City to the Corporation in an amount equal to the annual principal of and interest on the Series 2023 Bonds, which payments have been assigned to the Trustee under the Indenture in addition to certain other amounts payable thereunder. The Purchase Payments are due in immediately available funds on each December 31 and June 30 commencing December 31, 2023, and ending June 30, 2032. The Indenture requires that the Trustee deposit the Purchase Payments received from the City from Net Airport Revenues in the 2023 Senior Bond Fund and use such amounts to pay the principal of and interest on the Series 2023 Bonds due on the following day. Set forth below is a schedule of the estimated annual Purchase Payments with respect to the Series 2023 Bonds:

<u>Fiscal Year</u>	Series 2023 Bonds		
	<u>Principal</u>	<u>Interest(1)</u>	<u>Total</u>
2023-24	\$ 9,040,000	\$ 5,489,867	\$ 14,529,867
2024-25	9,830,000	4,694,750	14,524,750
2025-26	10,330,000	4,203,250	14,533,250
2026-27	10,840,000	3,686,750	14,526,750
2027-28	11,385,000	3,144,750	14,529,750
2028-29	11,950,000	2,575,500	14,525,500
2029-30	12,550,000	1,978,000	14,528,000
2030-31	13,175,000	1,350,500	14,525,500
2031-32	13,835,000	691,750	14,526,750
	<u>\$102,935,000</u>	<u>\$27,815,117</u>	<u>\$130,750,117</u>

(1) Represents estimated debt service requirements on the Series 2023 Bonds offered herein. Interest is estimated at an average rate of % for the Series 2023 Bonds.

* Subject to change.

**Schedule of Estimated Senior Lien Airport
Revenue Bond Debt Service Requirements***

<u>Fiscal Year</u>	<u>Outstanding Senior Lien Airport Revenue Bonds Debt Service(1)</u>	<u>Estimated Series 2023 Bonds Debt Service (2)</u>	<u>Estimated Total Senior Lien Airport Revenue Bonds Debt Service</u>
2022-23	\$ 57,039,400	\$ —	\$ 57,039,400
2023-24	41,885,250	14,529,867	56,415,117
2024-25	41,884,500	14,524,750	56,409,250
2025-26	41,885,750	14,533,250	56,419,000
2026-27	41,882,000	14,526,750	56,408,750
2027-28	41,886,500	14,529,750	56,416,250
2028-29	41,881,750	14,525,500	56,407,250
2029-30	41,886,000	14,528,000	56,414,000
2030-31	41,886,500	14,525,500	56,412,000
2031-32	41,886,000	14,526,750	56,412,750
2032-33	41,882,000	—	41,882,000
2032-34	41,887,000	—	41,887,000
2034-35	41,887,750	—	41,887,750
2035-36	41,886,500	—	41,886,500
2036-37	41,880,250	—	41,880,250
2037-38	41,881,000	—	41,881,000
2038-39	26,905,000	—	26,905,000
2039-40	26,902,500	—	26,902,500
2040-41	26,903,500	—	26,903,500
2041-42	26,905,750	—	26,905,750
2042-43	26,907,000	—	26,907,000
2043-44	26,905,000	—	26,905,000
2044-45	26,902,500	—	26,902,500
2045-46	26,903,500	—	26,903,500
2046-47	26,905,250	—	26,905,250
2047-48	26,905,000	—	26,905,000
	<u>\$954,353,150</u>	<u>\$130,750,117</u>	<u>\$1,085,103,267</u>

(1) Does not include the Bonds Being Refunded offered herein.

(2) Represents the estimated debt service on the Series 2023 Bonds offered herein.

* Subject to change.

Certain Effects of the COVID-19 Pandemic

For the impacts of COVID-19 pandemic see, “APPENDIX H – COVID-19”.

Historical Revenues, Expenditures and Changes in Fund Balances

Table 5 “CITY OF PHOENIX, AVIATION DEPARTMENT ENTERPRISE FUND COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, HISTORICAL DEBT SERVICE COVERAGE AND CHANGES IN FUND BALANCE” on the following page presents historical results of the Airport on a budgetary basis for the last five fiscal years. This schedule is consistent with the City’s Annual Comprehensive Financial Report (“ACFR”) Exhibit E-4.

The COVID-19 Pandemic resulted in significant reductions in passenger activity, with attendant reductions in activity related revenues. In fiscal year 2021-22, revenues for Sky Harbor increased 47.8%. This increase is primarily due to increases in parking, car rentals and terminal concessions related to the recovery in passenger traffic. Passenger enplanements for fiscal year 2021-22 increased 64.3% from fiscal year 2020-21. Originating passengers increased an estimated 73.3% over this period which contributed to increased terminal area and ground transportation revenues. The airline landing fee rate for fiscal year 2021-22 increased to \$2.18 per 1,000 pounds from \$1.82 per 1,000 pounds in fiscal year 2021.

In fiscal year 2021-22, operating expenditures increased by 15.2%. This increase is primarily due to rising costs for services and supplies in response to higher passenger counts as well as inflationary effects.

Table 5
City of Phoenix, Aviation Department Enterprise Fund
Comparative Schedule of Revenues, Expenditures,
Historical Debt Service Coverage and
Coverage and Changes In Fund Balances
(non-GAAP)
(In Expense Priority Established by the Airport Bond Ordinance)
(Fiscal Years; in thousands)

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22
Landing Area	\$ 52,218	\$ 50,149	\$ 45,756	\$ 42,248	\$ 49,447
Terminal Area	147,184	154,002	151,442	114,235	161,904
Ground Transportation	139,866	145,281	107,445	91,920	179,946
Other	39,601	36,560	38,378	37,431	37,884
Interest	7,019	9,241	10,418	3,407	2,312
Total Revenues before Reimbursement	385,888	395,233	353,439	289,241	431,493
Transportation O&M Expense Reimbursement(1)	15,309	15,142	15,459	15,190	18,312
Total Revenues	401,197	410,375	368,898	304,431	449,805
EXPENDITURES AND ENCUMBRANCES					
Cost of Maintenance and Operation					
Personal Services	121,218	125,184	128,315	126,783	134,931
Contractual Services	113,318	116,721	117,751	104,201	127,532
Supplies	11,216	11,850	11,376	8,544	12,898
Equipment/Minor Improvements	3,861	3,590	2,424	2,610	3,625
Total Cost of Maintenance and Operation(1)	249,613	257,345	259,866	242,138	278,986
Net Airport Revenue Available for Revenue Bond					
Debt Service (Net Airport Revenues)	151,584	153,030	109,032	62,293	170,819
Total Senior Lien Airport Revenue Bond Debt Service	55,180	55,957	59,721	4,926	995
Senior Lien Revenue Bond Debt Service Coverage(2)	2.75	2.73	1.83	12.65	171.68
Net Airport Revenue Available After Senior Lien					
Revenue Bond Debt Service (Designated Revenues)	96,404	97,073	49,311	57,367	169,824
Total Junior Lien Airport Revenue Bonds Debt Service(2)	5,935	5,935	8,560	3,542	2,040
Junior Lien Revenue Bond Debt Service Coverage	16.24	16.36	5.76	16.20	83.25
Net Airport Revenue Available after Senior and Junior Lien Revenue Bond					
Debt Service	90,469	91,138	40,751	53,825	167,784
Other Expenditures					
Capital Improvements	57,596	168,013	20,366	27,116	18,738
General Obligation Bond Debt Service	197	4,717	3,428	—	—
Early Defeasance of Bonds	13,377	2,653	—	—	—
Interest on Short-Term Debt	810	1,176	758	—	—
Total Other Expenditures	71,980	176,559	24,552	27,116	18,738
Total Expenditures and Encumbrances	382,708	495,796	352,699	277,722	300,759
Excess of Revenues Over Expenditures and Encumbrances	18,489	(85,421)	16,199	26,709	149,046
OTHER FINANCING SOURCES (USES)					
Pay Down of Unfunded Pension Liability(3)	—	—	—	(100,000)	(70,000)
COVID Grant Operating Expense Reimbursement	—	—	—	—	55,307
Recovery of Prior Years Expenditures	3,363	5,117	1,980	5,716	6,803
Transfer to General Fund: Staff and Administrative – Central Service	(9,141)	(9,412)	(9,736)	(10,117)	(10,233)
Transfers (to) from Other Funds					
Transfers to Other Funds	(5,698)	(2,202)	(949)	(919)	(173)
Transfers from Other Funds	12,876	10,535	101,644	63,146	12,689
Net Transfers (to) from Other Funds	7,178	8,333	100,695	62,227	12,516
Total Other Financing Sources (Uses)	1,400	4,038	92,939	(42,174)	(5,607)
Net Increase in Fund Balance	19,889	(81,383)	109,138	(15,465)	143,439
FUND BALANCE, JULY 1	334,111	354,000	272,617	381,755	366,290
FUND BALANCE, JUNE 30	354,000	272,617	381,755	366,290	509,729
Non-Cash Budgetary Transactions(4)	46,670	161,048	119,446	21,469	5,455
Total Airport Cash on Hand, June 30	\$400,670	\$433,665	\$501,201	\$ 387,759	\$515,184

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

(2) Debt service is net of the 2010/2019 Junior Lien Passenger Facility Charge Credits and the Recovery Zone Economic Development Bonds subsidy from the United States Treasury.

(3) In fiscal year 2020-21, City Council authorized the use of Aviation Funds to pay down the COPERS unfunded pension liability.

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

Enplaned Passenger Activity

The ten largest U.S. passenger airlines provide regular service at Sky Harbor. As of June 30, 2022, airlines at Sky Harbor provided nonstop passenger service to 111 airports, including 97 U.S. airports and 14 international airports located in Mexico, Canada, and Europe. According to Airports Council International (“ACI”) statistics for calendar year 2021, (the most recent year available), Sky Harbor was the ninth largest airport in North America as measured by total passengers. Sky Harbor is a major connecting hub airport in the route network of American Airlines and one of the busiest airports in the route network of Southwest Airlines. The inland location of Sky Harbor allows connections that minimize circuitry between the southwestern U.S. and points eastward. The following table sets forth the passenger and air cargo airlines that provided service at Sky Harbor during fiscal year 2021-22.

Table 6
Airlines Reporting Enplaned Passengers and Air Cargo
For Fiscal Year 2021-22
Phoenix Sky Harbor International Airport

Mainline

Alaska
Allegiant
American
Breeze Airways
Delta
Frontier
Hawaiian
JetBlue
Southwest
Spirit
Sun Country
United

Regional/Affiliates and Commuter

Advanced Air
Boutique Air
Contour
Denver Air Connection
Horizon (Alaska Horizon)
Mesa (American Eagle)
Skywest (Alaska Sky West, American Eagle, Delta
Connection, United Express)
Southern Airways Express

Foreign-Flag

Air Canada
British Airways
Condor
Jazz Aviation (Air Canada Express)
Volaris
WestJet

All-Cargo

ABX Air
Air Cargo Carriers
Air Transport International
Ameriflight
Atlas Air (DHL)
Empire
FedEx
Kalitta Air (DHL)
Swift (DHL)
UPS

Source: City of Phoenix Aviation Department.

Table 7 presents total historical enplaned passengers by airline at Sky Harbor. More than 80% of all passengers enplaned at Sky Harbor in fiscal year 2021-22 boarded flights operated by either American Airlines (and its commuter affiliates) or Southwest Airlines. Delta and United ranked as the next largest airlines by enplaned passengers in fiscal year 2021-22, respectively.

Table 7
Total Enplaned Passengers by Airline
Phoenix Sky Harbor International Airport

<u>Published Airline</u>	<u>Fiscal Years</u>				
	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Enplaned Passengers					
American	10,360,041	10,486,029	7,986,712	5,780,470	9,336,658
Southwest	7,546,946	7,768,715	5,689,668	4,717,444	7,625,366
Delta	1,438,843	1,529,781	1,208,532	1,023,513	1,637,448
United	1,164,730	1,228,311	892,780	695,998	1,269,510
Alaska	432,478	474,431	413,734	453,241	653,662
Frontier	388,761	361,348	403,247	437,103	678,828
JetBlue	92,201	114,125	104,791	88,381	177,660
Sun Country	80,518	100,119	90,152	79,745	124,189
Spirit	96,545	121,595	113,676	79,582	187,361
Hawaiian	86,558	85,053	61,988	39,249	87,312
WestJet	234,570	232,839	152,159	10,105	96,857
Air Canada	140,171	162,610	114,286	3,090	90,754
British Airways	111,514	112,075	53,078	—	53,451
All Other	45,039	54,914	52,315	34,108	72,565
Total	<u>22,218,915</u>	<u>22,831,945</u>	<u>17,337,118</u>	<u>13,442,029</u>	<u>22,091,621</u>
Share of Total					
American	46.7%	46.0%	46.0%	42.8%	42.4%
Southwest	34.0	34.0	32.8	35.1	34.5
Delta	6.5	6.7	7.0	7.6	7.4
United	5.2	5.4	5.1	5.2	5.7
Alaska	1.9	2.1	2.4	3.4	3.0
Frontier	1.7	1.6	2.3	3.3	3.1
JetBlue	0.4	0.5	0.6	0.7	0.8
Sun Country	0.4	0.4	0.5	0.6	0.6
Spirit	0.4	0.5	0.7	0.6	0.8
Hawaiian	0.4	0.4	0.4	0.3	0.4
WestJet	1.1	1.0	0.9	0.1	0.4
Air Canada	0.6	0.7	0.7	0.0	0.4
British Airways	0.5	0.5	0.3	0.0	0.2
All Other	0.2	0.2	0.3	0.3	0.3
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Note: Passengers reported by regional affiliates have been grouped with their mainline.

Source: City of Phoenix Aviation Department.

The total number of enplaned passengers at Sky Harbor increased at a compound annual growth rate of 2.0% per year from fiscal year 2012-13 through fiscal year 2018-19, as shown in Table 8. Enplaned passenger numbers decreased 24.1% in fiscal year 2019-20 and a further 22.5% in fiscal year 2020-21 due to the effects of the COVID-19 pandemic. In fiscal year 2021-22, enplaned passenger numbers increased 64.4% as traffic recovered to 96.8% of fiscal year 2018-19 (pre-COVID) levels. Origin-destination passengers accounted for the majority of the passenger growth over the 10-year period shown, increasing an average of 3.1% per year compared to a 2.9% decrease for connecting passengers.

Table 8
Historical Passenger Enplanements(1)
Phoenix Sky Harbor International Airport
(passengers in thousands)

<u>Fiscal Year</u>	<u>By Destination</u>		<u>By Type of Origin-Designation (O&D) Passenger</u>			<u>Connecting</u>	<u>Total</u>
	<u>Domestic</u>	<u>International</u>	<u>Resident</u>	<u>Visitor</u>	<u>Total O&D</u>		
2012-13	19,094	1,142	5,513	6,462	11,975	8,261	20,236
2013-14	19,400	1,119	5,518	6,637	12,155	8,364	20,519
2014-15	20,349	1,140	5,751	6,987	12,738	8,751	21,489
2015-16	20,984	1,071	6,147	7,391	13,538	8,517	22,055
2016-17	20,813	1,008	6,558	7,827	14,385	7,436	21,821
2017-18	21,178	1,041	6,846	8,201	15,047	7,172	22,219
2018-19	21,769	1,063	7,112	8,569	15,681	7,151	22,832
2019-20	16,615	722	5,479	6,573	12,052	5,285	17,337
2020-21	13,057	385	4,150	5,383	9,533	3,909	13,442
2021-22	21,237	855	7,195	8,561	15,756	6,336	22,092
Compound annual growth rate:							
2012-13 to 2021-22	1.2%	(3.2)%	3.0%	3.2%	3.1%	(2.9)%	1.0%
2020-21 to 2021-22	62.6%	122.1%	73.4%	59.0%	65.3%	62.1%	64.4%

(1) Historical resident, visitor and connecting numbers were restated to reflect methodological improvements in the compilation of DOT O&D Survey sample data by Airline Data Inc. (a third-party vendor) and are believed to be more accurate.

Sources: City of Phoenix Aviation Department; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Sky Harbor’s Role as a Connecting Hub

As discussed above under “Enplaned Passenger Activity,” Sky Harbor serves as a major connecting hub in the route system of American Airlines and is also one of the busiest airports in Southwest Airline’s system. In fiscal year 2021-22, American and Southwest combined to account for 76.9% of total enplaned passengers at Sky Harbor and 96.3% of the connecting passengers. In fiscal year 2021-22, American (including its regional affiliates) accounted for 42.4% of the total enplaned passengers at Sky Harbor and 63.8% of the connecting traffic, and Southwest accounted for 34.5% of total enplanements and 32.5% of the connecting traffic. American’s hubbing operations are a legacy of its 2013 merger with US Airways and US Airways’s 2005 merger with America West Airlines. America West was founded in Tempe in 1983, with Sky Harbor as its primary hub. Following its merger with US Airways, the combined airline maintained its Tempe headquarters. In fiscal year 2021-22, Sky Harbor was the fifth busiest airport in the American system, following Dallas/Fort Worth International Airport, Charlotte Douglas International Airport, Miami International Airport, and Chicago O’Hare International Airport.

Southwest has served Sky Harbor since 1982, and the Airport was one of the first served by the airline outside of its home state of Texas. In fiscal year 2021-22, Southwest offered more seats at Sky Harbor than at all but five

airports in its system — Chicago Midway International Airport, Las Vegas Harry Reid International Airport, Baltimore/Washington International Thurgood Marshall Airport, Denver International Airport and Dallas-Love Field Airport. For a description of recent trends, see “CERTAIN BONDHOLDERS’ RISKS — Financial Condition and Activity Level of Airlines Serving the Airport.”

Aviation Capital Improvement Program

The Aviation Department developed an Aviation Capital Improvement Program (“*Aviation CIP*”) through fiscal year 2026-27 with project costs totaling approximately \$1.87 billion. The Aviation Department included selected projects from its Comprehensive Asset Management Plan (“*CAMP*”) in the Aviation CIP. *CAMP* is a 20-year Master Plan that identifies facility requirements and development opportunities associated with certain demand levels. The actual implementation of the plan is dependent upon the realization of demand and the ongoing evolution of the airline industry.

The Aviation CIP provides for \$1,865,462,000 in capital improvements for Sky Harbor, Goodyear, and Deer Valley. The Aviation CIP is expected to be funded from \$763,159,000 in capital grants, \$94,142,000 in PFC pay-as-you-go, \$3,125,000 in CFC pay-as-you-go, \$582,227,000 in bonds (including \$28,740,000 in prior bonds), and \$422,809,000 in airport operating funds.

The Aviation CIP is reevaluated annually, and the scope and phasing of projects may be modified by considering financial capacity, government regulations, current needs, and other relevant factors. The City has a long-standing practice of updating the five-year Aviation CIP and financial forecast each year for review by the City Council as part of the financial planning process.

The new Terminal 4 S1 concourse was completed under budget at a cost of \$289 million and opened to the public on June 17, 2022. Located on the southwest corner of Terminal 4, the new concourse includes eight gates, and a second bridge connector from the Terminal 4 south concourses to the north concourses. This connection improves security efficiency and flexibility as passengers will be able to access any of the north or south gates from any one of the terminal’s four security checkpoints. As planned, Southwest Airlines occupies all eight gates, bringing their total gate count at Sky Harbor to 24 gates.

The PHX Sky Train is an automated people mover system that will connect all of Sky Harbor’s terminals and parking facilities to Valley Metro Light Rail, the regional public transit system, and the Rental Car Center (“*RCC*”). The PHX Sky Train is an integral part of Sky Harbor’s transportation infrastructure plan and an important link to the regional transportation system. It was designed to be a long-term solution to growing traffic congestion in and around Sky Harbor. The project was completed in three stages (Stage 1, Stage 1a, and Stage 2). The first two stages connected the light rail system and Sky Harbor’s largest parking facility to Terminals 3 and 4. These two stages were finished on-schedule and nearly \$45 million under the combined budget of \$884 million. Stage 2 linked Stage 1 and Stage 1a with the *RCC* and was completed in December 2022. The PHX Sky Train’s electric train cars run twenty-four hours a day arriving at a station approximately every three minutes during peak periods, delivering passengers to their destinations within five minutes of boarding.

Sky Harbor is in the schematic design phase for a new cross-field taxiway (Taxiway U). The taxiway will be located in the west airfield and will connect the western ends of Sky Harbor’s north and center runways. The project will increase airfield efficiency and improve safety by reducing runway crossings. Additionally, the taxiway will provide air traffic controllers with greater flexibility to maneuver aircraft throughout the airfield and better sequence aircraft for departure. The project will also reduce average taxi distances and travel times. Early estimates of the taxiway costs and enabling work are approximately \$300 million. Sky Harbor plans to use its roughly \$200 million Bipartisan Infrastructure Law (“*BIL*”) formula grant as the primary source of funds for this airfield project, with Passenger Facility Charges (“*PFCs*”) and other Airport funds for the balance.

Sky Harbor is addressing demand for additional gates at Terminal 3 with the development of a new concourse (Concourse T3 N2). The concourse is expected to have six loading-bridge-equipped gates to the east of the

existing north concourse at Terminal 3. Like the other gates at Terminal 3, the T3 N2 gates are expected to be common use in order to provide operating flexibility. The project scope is expected to include a passenger pedestrian bridge connecting Terminal 3 to Terminal 4. This post-security connection will simplify inter-terminal connecting flights and provide additional flexibility for gate assignments between Sky Harbor’s two terminals. The early estimate of the project cost is approximately \$550 million. Sky Harbor is actively pursuing competitive Airport Terminal Program grants under the BIL to help fund this project.

Table 9
Aviation Capital Improvement Program Through Fiscal Year 2026-27
City of Phoenix Aviation Department
(in thousands)

	Funding Sources						
	Total	Capital Grants(1)	PFC Pay-as-you-go	CFC Pay-as-you-go	Series 2019 Junior/Improvement Bonds	Non-PFC Future Bonds	Airport Operating Funds
Major Capital Projects							
Taxiway Uniform	\$ 174,000	\$174,000	\$ —	\$ —	\$ —	\$ —	\$ —
T3 North 2 Concourse	449,030	—	—	—	—	448,751	279
Subtotal Major Capital Projects	623,030	\$174,000	\$ —	\$ —	\$ —	\$448,751	\$ 279
Other Capital Projects							
Development Studies	\$ 2,225	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,225
Fire Department	9,293	—	—	—	—	—	9,293
Technology Development ...	11,136	—	—	—	—	—	11,136
Maintenance Facilities	31,433	18,000	—	—	—	—	13,433
Land Acquisition	34,266	—	—	—	—	—	34,266
Parking Facilities	4,413	—	—	41	400	—	3,972
Roadways	21,530	21,530	—	—	—	—	—
Runway and Taxiway Improvements	309,701	136,544	6,277	—	—	104,736	62,144
Security Facilities	2,985	300	—	—	—	—	2,685
Air Cargo	99,220	57,295	—	—	—	—	41,925
Terminal 3 Modernization ...	500	—	—	—	—	—	500
Terminal 4	117,905	35,000	8,249	—	—	—	74,656
Terminal 4 Concourse S1	6,000	—	—	—	6,000	—	—
Deer Valley Airport	130,285	97,915	—	—	20,929	—	11,441
Goodyear Airport	55,450	48,410	—	—	—	—	7,040
CAMP Land Acquisition	104,736	45,000	—	—	—	—	59,736
Phoenix-Mesa Gateway Airport	6,500	—	—	—	—	—	6,500
PHX Sky Train Stage 2	4,495	—	—	3,084	1,411	—	—
Other Miscellaneous and Contingency	290,359	129,165	79,616	—	—	—	81,578
Subtotal Other Capital Projects	\$1,242,432	\$589,159	\$ 94,142	\$ 3,125	\$ 28,740	\$104,736	\$422,530
Total Capital Projects	<u>\$1,865,462</u>	<u>\$763,159</u>	<u>\$ 94,142</u>	<u>\$ 3,125</u>	<u>\$ 28,740</u>	<u>\$553,487</u>	<u>\$422,809</u>

Source: City of Phoenix Aviation Department.

(1) Capital Grants Include Airport Improvement Program (“AIP”) and BIL Grants.

Airport Rates and Charges

In 1981, the Mayor and Council of the City 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 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 City bears the risk of any revenue shortfall and retains any surplus revenue for its own discretionary expenditures. Rates and charges are typically adjusted at the beginning of each Fiscal Year after the City has reviewed proposed rate changes and capital expenditures with airline representatives. However, the City retains its proprietary right to adjust fees and to determine its capital expenditures without airline approval, and the City has the unilateral right 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. In establishing any new schedule of rates, fees and charges for the use of the Airport, the City intends to comply with federal law and regulations.

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

The following table provides the historical average airline cost per enplaned passenger.

Table 10
Historical Average Cost Per Enplanement
Phoenix Sky Harbor International Airport
Fiscal Years

	Fiscal Years		
	2019-20	2020-21	2021-22
Total Airline Revenue ⁽¹⁾ (000’s)	\$146,262	\$120,744	\$117,974
Enplanements(000’s)	17,337	13,442	22,092
Cost per Enplanement	\$ 8.44	\$ 8.98	\$ 5.34

(1) In fiscal years 2020-21 and 2021-22, the use of COVID related grants for debt service resulted in lower costs of operation included in airline fees as per the Aviation ACFR schedule 23.

Source: City of Phoenix Aviation Department.

Passenger Facility Charge Program

Authorization for the Passenger Facility Charge. The Passenger Facility Charge is currently collected by non-exempt air carriers using Sky Harbor and remitted to the City pursuant to Section 1113(e) of the Federal Aviation Act, as amended, and the regulations promulgated thereunder (collectively, the “PFC Laws”). The PFC Laws empower the FAA to authorize a public agency that controls an airport to impose a passenger facility charge of \$1.00, \$2.00, \$3.00, \$4.00 or \$4.50 (the current maximum level) for each enplaned passenger at such airport (a “PFC”), subject to certain exceptions described below. Proceeds of an authorized PFC may be used only to pay “allowable costs” of specific airport projects approved by the FAA, including debt service and other financing costs on bonds issued to finance such specific projects. Projects for which the FAA may authorize a PFC must (i) preserve or enhance safety, security or capacity of the national air transportation system; (ii) reduce noise or mitigate noise impacts resulting from an airport or (iii) furnish opportunities for enhanced competition between or among air carriers.

Under the PFC Laws, substantially all air carriers serving an airport for which the FAA has authorized the collection of a PFC must collect such PFC at the time they sell an airline ticket to a passenger to be enplaned at

the airport. Passenger enplanements subject to the charge include passengers originating their travel itineraries on departing flights out of the collecting airport or connecting passengers at the collecting airport whose itineraries originated in other cities, provided the airport is among the first two or last two airports collecting a PFC on such connecting passenger’s itinerary. An authorized PFC may only be collected for “revenue passengers” enplaned at a collecting airport, including passengers using scheduled and non-scheduled airline service. “Revenue passengers” do not include passengers who do not pay for the air transportation which resulted in their enplanement, including passengers using frequent flyer awards.

Under the PFC Laws, the air carriers collecting a PFC on behalf of a public agency must remit the proceeds of the PFC to the public agency on a monthly basis, not later than the last day of the month following the month in which such proceeds were collected or the first business day thereafter. Prior to such remittance, however, collecting air carriers are entitled to retain any interest accrued on the investment of the proceeds of the PFC they collect, as well as \$0.11 of each PFC collected as compensation for administering the collection process.

Under the PFC Laws, the FAA may terminate a public agency’s ability to impose, collect and apply the proceeds of a previously authorized PFC if the FAA finds that the public agency has violated the PFC Laws, including a violation of the agency’s obligation under the PFC Laws to expend proceeds of its authorized PFC only on FAA-approved projects. A public agency’s ability to impose, collect and apply the proceeds of a previously authorized PFC may also be terminated by the FAA if the agency is found to have violated the Airport Noise and Capacity Act of 1990 or its implementing regulations (collectively, the “Noise Law”). Both the PFC Laws and the Noise Law contain a variety of procedural safeguards, including an informal resolution procedure, and in the case of the PFC Laws, a public hearing, which would apply before a public agency’s PFC program could be terminated. Under the PFC Laws and the Noise Law, termination proceedings would include a period of time to allow the airport agency to correct any violation identified by the FAA or otherwise settle any alleged violation. The public agency would also subject certain other of its funds, including federal airport improvement grants, to termination by violating the PFC Laws or the Noise Law. While the City is not aware of any action by the FAA to terminate its ability to impose, collect and apply the proceeds of its PFC program, there can be no assurance that the FAA will not terminate the PFC program in the future.

The City’s PFC Program. From January 26, 1996, when the City initiated the collection of the PFC at the Airport, through June 30, 2022, the City’s PFC collections when measured on a cash basis, totaled \$1,844,873,650 million (excluding interest). The City’s most recent application, PFC #9 for Terminal 2 concourse demolition and apron construction and Terminal 4 improvements was approved by the FAA on April 19, 2019 for \$22.5 million. Nonscheduled on-demand carriers and carriers with fewer than 7,500 enplanements annually are exempted.

Table 11 shows PFC collections at Sky Harbor in fiscal year 2019-20 through fiscal year 2021-22.

Table 11
Historical PFC Collections
Phoenix Sky Harbor International Airport
Fiscal Years

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
PFC Rate	\$ 4.50	\$ 4.50	\$ 4.50
Airline Administrative Fee	\$ (0.11)	\$ (0.11)	\$ (0.11)
Net PFC Rate	\$ 4.39	\$ 4.39	\$ 4.39
Total Enplanements (000’s)	17,337	13,442	22,092
Implied PFC Eligible Enplanements	92.2%	86.3%	86.3%
Total PFC Collections (000’s)	\$70,153	\$50,902	\$83,728

Source: City of Phoenix Aviation Department

Table 12 shows active and closed PFC approvals and the remaining collection authority. Table 13 shows the various projects approved for funding in the four active PFC approvals.

Table 12
PFC Approvals and Revenues
Phoenix Sky Harbor International Airport
(as of June 30, 2022; in millions)

	<u>Approval Amount</u>	<u>Revenues</u>	<u>Remaining Authority</u>
Closed PFC Approvals(1)	\$ 875.2	\$ 875.2	\$ —
Active PFC Approvals(2) PFC 6, PFC 7, PFC 8, and PFC 9	2,107.0	1,032.7	1,074.3
Total All PFC Approvals	<u>2,982.2</u>	<u>1,907.9</u>	<u>1,074.3</u>

(1) PFC 1, PFC 2, PFC 3, PFC 4 and PFC 5 are closed and no longer active.

(2) Active PFC approvals include PFC 6 applications 09-09-C-00-PHX (\$1,858.6 million), 09-09-C-01-PHX (\$81.9 million), 09-09-C-02-PHX (\$31.9 million), 09-09-C-03-PHX (\$35.0 million reduction) and 09-09-C-04-PHX (\$5.0 million reduction). PFC 7 application 15-10-C-00-PHX (\$82.2 million) was approved July 17, 2015, PFC 8 application 18-11-C-00-PHX (\$170.0 million) was approved February 23, 2018, PFC 9 application 19-12-C-00-PHX (\$22.5 million) was approved April 19, 2019.

Source: Federal Aviation Administration and City of Phoenix Aviation Department.

Table 13
Active PFC Approvals by Project
Phoenix Sky Harbor International Airport
(as of June 30, 2022; in millions)

PFC 6	PHX Sky Train	\$ 1,748.6
	Community Noise Reduction Program	120.2
	Terminal 4 Rehabilitation	15.1
	Airfield Lighting and Runway Sign Relocation	2.1
	Terminal Capacity Improvements	37.8
	South Infield Paving	8.6
	Subtotal PFC 6	\$ 1,932.4
PFC 7	East Air Cargo Apron Reconstruction	\$ 0.7
	Perimeter Gates Security Enhancements	1.5
	T3 NE Transition Ramp Reconstruction	1.2
	Terminal 4 North Apron Reconstruction	13.5
	Terminal 4 South Apron Reconstruction	4.6
	Terminal 4 TSA EDS Enhancements	0.7
	Taxiway A Reconstruction (Phase I and II)	3.4
	Taxiway Connector G5 Construction	1.3
	Terminal Window Glazing	1.2
	West Hold Bay Reconstruction	0.8
	Airfield Lighting Enhancements	1.5
	Terminal 4 International Facility Improvements	20.0
	Jetbridge Enhancements	2.9
	Terminal Development Concept Design	26.9
	Airport Compatible Land Rescue Plan	2.0
	Subtotal PFC 7	\$ 82.2
PFC 8	Utility Vault Upgrade and Infield Paving	\$ 7.5
	Airport Compatible Land Redevelopment	1.3
	Runway Incursion Mitigation (RIM) Analysis	0.3
	Airport Master Plan Study	1.1
	Security Master Plan	1.1
	Update Airport AGIS Survey and Airspace Analysis	0.3
	Passenger Info Paging Sys (PIPS) and Wait Time	1.8
	Runway 8-26 Keel Reconstruction	2.6
	Reconstruct T3 South Transition Apron	2.3
	Terminal 3 North Inner PCCP Ramp Reconst	4.4
	Terminal 3 Modernization - Construction	46.1
	Perimeter Gates Security Enhancements - Phase II	1.0
	Subtotal PFC 8	\$ 69.9
PFC 9	Terminal 2 Concourse Demo and Apron Construction	\$ 8.9
	Terminal 4 S1 Concourse Apron Construction	5.2
	Terminal 4 Infrastructure Fire Alarm Replacement	8.4
	Subtotal PFC 9	\$ 22.5
	Total PFC Approval Amount(1)	\$ 2,107.0
	Less PFC 6 and PFC 7 Revenues Collected as of June 30, 2022	(1,032.7)
	Remaining Authority	\$ 1,074.3

(1) Includes PFC approval for \$583.9 million pay-as-you-go, \$732.6 million bond funds and \$790.5 million interest.

Sources: City of Phoenix Aviation Department.

CERTAIN BONDHOLDERS' RISKS

Investment in the Series 2023 Bonds involves risk. The City's ability to generate Net Airport Revenues to pay debt service on the Series 2023 Bonds, as well as to generate other funds important to the operation of the Airport depends upon many factors, most of which are not under the control of the City. This section describes some of the risks associated with investing in the Series 2023 Bonds; however, prospective purchasers of the Series 2023 Bonds should give careful consideration to all of the information in this Official Statement.

Certain Factors Affecting the Air Transportation Industry and the Airport

General. No assurance can be given with respect to the levels of aviation activity that will be achieved at the Airport in future fiscal years. Traffic at the Airport is sensitive to a variety of factors including (1) the growth in the population and economy of the air service area served by the Airport; (2) national and international economic conditions; (3) air carrier economics and air fares; (4) the availability and price of aviation fuel; (5) air carrier service and route networks; (6) the capacity of the air traffic control and airways system; (7) the capacity of the Airport; and (8) safety concerns arising from international conflicts and the possibility of additional terrorist attacks. Since early 2000, several factors including slow or negative traffic growth in certain areas, increased fuel, labor, equipment and other costs, health concerns such as COVID-19, Severe Acute Respiratory Syndrome ("SARS") and Ebola, costs of compliance with new security regulations and requirements, threat of possible future terrorist attacks and an increase in the cost of debt, have reduced profits and caused significant losses for all but a few air carriers.

Aviation Security Requirements and Related Costs. The FAA, as a result of the events of September 11, 2001, instituted numerous safety and security measures for all U.S. airports including Sky Harbor. The provision of and cost of airport security was transferred to and now is administered by the federal government through the Transportation Security Administration (the "TSA") instead of private companies. Like many other airport operators, Sky Harbor experienced increased operating costs due to compliance with the new federally mandated security and operating requirements. Sky Harbor is currently in compliance with all federally mandated security requirements.

The City cannot predict the effect of any future government-required security measures, if any on passenger activity at Sky Harbor. Nor can the City predict how the government will staff security screening functions or the associated effect on passenger activity of government decisions regarding its staffing levels.

Aviation Safety Concerns, International Conflict and the Threat of Terrorism. Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001 and again in 2019 following the high profile crashes of Lion Air Flight 610 and Ethiopian Airlines Flight 302 and the subsequent worldwide grounding of the Boeing 737 MAX aircraft. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Although the U.S. government, airlines and airport operators have upgraded security measures to guard against terrorist incidents and maintain confidence in the safety of airline travel since the attacks of September 11, 2001, no assurance can be given that these precautions will be successful. The possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

Further, future enhanced securities procedures may significantly increase inconvenience and delays at airports, including Sky Harbor, again impacting passenger demand for air travel.

Cyber Security. Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Air travel industry participants, including airlines, the FAA, the TSA, the City, concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of the air travel industry, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and cause a loss of confidence in the air travel industry, which could ultimately adversely affect Net Airport Revenues.

Capacity of the National Air Traffic Control and Airport Systems. Demands on the nation's air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. In addition, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

Cost and Availability of Aviation Fuel

Airline earnings are significantly affected by the price of aviation fuel. According to Airlines for America, fuel is the largest single cost component for most airline operations, and therefore is an important and uncertain determinant of an air carrier's operating economics. There has been no widespread and sustained shortages of aviation fuel since the "fuel crisis" of 1974, but there have been significant increases and fluctuations in the price of fuel.

Any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, the policy of the Organization of Petroleum Exporting Countries', increased demand for fuel caused by the rapid growth of developing economies such as China and India, the levels of fuel inventory maintained by certain industries the amounts of reserves maintained by governments; currency fluctuations; disruptions to production and refining facilities, including as a result of the Russian invasion of Ukraine; and weather. In recent years, the cost of aviation fuel has fluctuated in response to changes in demand for and supply of oil worldwide. Significant fluctuations and prolonged increases in the cost of aviation fuel may result in an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other extra surcharges, any of which may decrease demand for air travel.

Economic Conditions

Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. Following the global financial crisis that began in September 2008, the U.S. economy experienced a recession followed by weak growth. As a result of concerns about the U.S. government's ability to resolve long-term deficits, S&P downgraded the credit rating of the U.S. sovereign debt in August 2011 from AAA to AA+. The credit rating has been further threatened by periodic debates about raising the debt ceiling. It is not known at this time whether recent inflation and interest rate increases by the Federal Reserve will result in a near-term economic recession. There can be no assurances that the prolonged weak economic conditions, the U.S. federal government's credit rating downgrade, or other national and international fiscal concerns will not have an adverse effect on the air transportation industry.

Financial Condition and Activity Level of Airlines Serving the Airport

The Airport derives a substantial portion of its operating revenues from landing and facility rental fees. The financial strength and stability of the airlines using Sky Harbor, together with numerous other factors, influence

the level of aviation activity at, and the revenues of, the Airport. Individual airline decisions regarding level of service also affect total enplanements. Financial or operational difficulties of any of the airlines operating at Sky Harbor will have an adverse impact, directly or indirectly on Net Airport Revenues, Airport operations and PFC Revenues. In some cases, such an impact may be material.

The financial results of the airline industry are subject to substantial volatility and, at times, many carriers have had overlapping, extended periods of unprofitability. See “— Airline Consolidations, Bankruptcy and Financial Considerations” below. The COVID-19 pandemic and the economic impacts thereof have had a significant and adverse impact on the demand for air travel and the airline industry. The COVID-19 pandemic resulted in substantial financial challenges for airlines serving the Airport, including substantial financial losses and reductions in airline industry workforce. While the Airport has seen passenger traffic return after or grow through airline bankruptcies and consolidations and other events affecting the airline industry from 2000 through 2019, the COVID-19 pandemic is an unprecedented event and the effects of the COVID-19 pandemic or any future pandemic on the airline industry cannot be predicted with any certainty.

The operating revenues from the landing and facility fees of American Airlines and Southwest Airlines are especially important to the Airport. For the fiscal year ended June 30, 2022, American Airlines and Southwest Airlines enplaned approximately 42.4% and 34.5%, respectively, of the total enplaned passengers at Sky Harbor. No other airline enplaned more than 7.0% of Sky Harbor’s enplaned passengers. No assurance can be given that American Airlines will continue its hubbing operations at Sky Harbor or that Southwest Airlines will continue to allocate a significant portion of its system capacity to Sky Harbor. In the event American Airlines reduces or discontinues its hubbing operations at Sky Harbor or Southwest Airlines reduces the current allocation of its system capacity, other airlines may not fully replace the lost service to maintain the current level of activity at Sky Harbor. It is reasonable to assume that any significant financial or operational difficulties incurred by American Airlines or Southwest Airlines could have a material adverse effect on the Airport.

Airline Consolidations, Bankruptcy and Financial Considerations

As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced financial losses from 2001 through 2006. To mitigate those losses, all of the major airlines reduced their route networks and flight schedules and reached agreements with their employees, lessors, vendors, and creditors to cut costs. Between 2002 and 2005, Delta, Northwest, United, and US Airways filed for bankruptcy protection and restructured their operations.

Consolidation of the U.S. airline industry has resulted from the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), the merger of American and US Airways (2013), and the acquisition of Virgin America by Alaska (2016).

Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 86% of domestic seat-mile capacity. Consolidation has also contributed to recent airline industry profitability. However, any resumption of financial losses could cause one or more U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines could drastically affect airline service at certain connecting hub airports and change airline travel patterns nationwide. The City cannot predict what impact, if any, such consolidation will have on airline traffic at Sky Harbor.

Letters of Authorization. To date, all airlines that have filed for bankruptcy protection have remitted all material payments due to the Airport for use of terminal facilities under their respective LOA. In the event a bankruptcy case is filed by an airline in the future, under current law the bankruptcy court could terminate the LOA at the expiration of its 30-day term. In such event, the City would be permitted to remove such airline from use and occupancy of the terminal and provide the premises to another airline. In such circumstances, while passenger demand may not be affected, revenue collections could be affected until other airlines absorb the unmet demand of the departing airline. The City cannot make any assurance regarding how a bankruptcy court will interpret the LOA.

Passenger Facility Charges. PFC Revenues do not secure the Series 2023 Bonds. However, PFC Revenues are important in the overall funding of the Airport CIP. The PFC Laws provide that Passenger Facility Charges collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Airport) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFCs collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. Airlines are permitted to commingle Passenger Facility Charge collections with other revenues. Airlines that have filed for Chapter 7 or 11 bankruptcy protection, however, are required to segregate Passenger Facility Charge revenue in a separate account for the benefit of the applicable airport and cannot grant a third party any security or other interest in Passenger Facility Charge revenue. Passenger Facility Charges collected by those airlines are required by the bankruptcy court to be placed in accounts separate from other airline revenue accounts and paid to airports monthly in accordance with the Passenger Facility Charge regulations. However, the City cannot predict whether an airline that files for bankruptcy protection will properly account for the Passenger Facility Charges or whether the bankruptcy estate will have sufficient moneys to pay the Airport in full for the PFCs owed by such airline. The airlines are entitled to retain interest earned on Passenger Facility Charge collections until such PFC collections are remitted.

Airline Agreements and Federal Regulation Regarding Rates and Charges

The current form of month-to-month LOA for the exclusive use of space at Sky Harbor gives the Airport great flexibility in adjusting to the varying demands of the airlines. It also means that the airlines can seek to increase or decrease their space on a monthly basis. The City cannot offer any assurance that airlines will be willing to maintain their use of Airport space on terms that are similar to their existing terms of use.

The FAA Authorization Act of 1994 establishes that airline rates and charges set by airports be “reasonable” and mandates an expedited administrative process by which the Secretary of Transportation (the “*Secretary*”) shall review rates and charges complaints that are not under an agreement with the carriers. An affected air carrier may file a written complaint requesting a determination of the Secretary as to reasonableness within 60 days after such carrier receives written notice of the establishment or increase of such fee. During the pendency of the review, the airlines must pay the disputed portion of the fee to the airport under protest, subject to refund to the extent such fees are found to be unreasonable by the Secretary. The airport must obtain a letter of credit, surety bond or other suitable credit facility equal to the amount in dispute unless the airport and the complaining carriers agree otherwise.

Competition, Travel Alternatives and Other Issues

Sky Harbor has no significant competition in the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area. Phoenix-Mesa Gateway Airport provides limited passenger service and is not expected to provide significant competition in the foreseeable future. However, teleconference, video-conference and web-based meetings continue to improve in quality and price and are often considered a satisfactory alternative to face-to-face business meetings. These effects have increased during the COVID-19 pandemic, with a significant increase in the number of employees working remotely. While the effects of these developments cannot be quantified, it is possible that business travel to and from Sky Harbor may be adversely affected as a result.

Delays and Cost Increases to Capital Improvement Program

The ability of the Airport to complete its on-going Aviation CIP may be adversely affected by various factors including: (1) incorrect assumptions made to complete the Aviation CIP; (2) design and engineering oversights; (3) changes to the scope of the projects, including changes to federal security regulations; (4) delays in contract awards; (5) material and/or labor shortages; (6) unforeseen site conditions; (7) adverse weather conditions and other force majeure events; (8) contractor defaults; (9) labor disputes; (10) unanticipated economic events such as sustained inflation or a recession; and (11) environmental issues. No assurance can be made that the projects will not exceed the currently budgeted amounts. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs per enplaned passenger to the airlines, increased parking rates, or other rate increases.

Future Encroachment from Residential Housing

As described under the caption “LITIGATION—Tempe Litigation and Related Notice of Claim,” the frequency of flights from Sky Harbor may be limited by noise complaints and lawsuits from affected residents in residential housing which may be constructed adjacent to Sky Harbor as part of the Tempe Entertainment District and other proposed residential developments in current or future flight paths.

Uncertainties of Projections, Forecasts and Assumptions

This Official Statement contains statements relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement and its appendices, the words “estimate,” “budget,” “forecast,” “intend,” “expect,” “projected,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among many factors that may cause projected revenues and expenditures to be materially different from those anticipated include an inability to incur debt at assumed interest rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general or specific airlines, federal, state or local legislation and/or regulations, changes in the Airport’s operational plans and procedures, and regulatory and other restrictions, including but not limited to those that may affect the ability to undertake, the timing or the costs of certain projects or operations. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Limitation of Rights and Remedies

The Airport Revenue Bond Ordinance, the City Purchase Agreement and the Indenture provide limited remedies for Owners if defaults occur relating to the Series 2023 Bonds the most significant of which is specific performance. Such documents and agreements do not provide for acceleration prior to maturity. The availability of those remedies may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors’ rights generally; the application of equitable principles and the exercise of judicial discretion in appropriate cases; common law and statutes affecting the enforceability of contractual obligations generally; principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City. The City cannot assure Owners that the remedies provided in the Airport Revenue Bond Ordinance, City Purchase Agreement and the Indenture will be available or effective to make Owners whole if a default occurs.

Future Legislation and Regulation

The operation of the Airport and the ability of the City to generate Net Airport Revenues sufficient to pay the Series 2023 Bonds may be adversely affected by future federal, state or local legislation that affects the Airport directly, or activities at the Airport. Federal legislation that could adversely affect the Net Airport Revenues and PFC Revenues includes, but is not limited to, legislation limiting the use of Airport properties, legislation imposing additional liabilities or restrictions on the operation of the Airport or the airlines and other persons using the Airport, changes in environmental laws, reductions in federal funding for the Airport, elimination or reduction of the ability of the City to impose fees and charges for use of Airport products or services and legislation or executive orders imposing travel restrictions on foreign passengers. In addition, the United States Congress could enact legislation making interest earned on the Series 2023 Bonds includable in a bondholder’s gross income for federal income tax purposes or limit the tax benefits associated with ownership of the Series 2023 Bonds. See “TAX EXEMPTION — General” herein. No assurance can be given that the PFC Laws will not be modified or restricted by the FAA or the U.S. Congress so as to reduce the amount of PFC Revenues available to the City. Further, even if the City takes all reasonably necessary action to cause the collection and remittance of PFC Revenues, there can be no assurance that the FAA will not terminate the City’s PFC program.

With respect to an airline in bankruptcy proceedings in a foreign country, the City is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

Growth of Transportation Network Companies

Transportation Network Companies (“TNCs”), such as Uber Technologies, Inc. and Lyft, Inc. connect paying passengers with drivers who provide the transportation using their own commercial and non-commercial vehicles. Effective June 2016, the City eliminated collection of TNC permit fees at the Airport, and implemented a per trip fee structure in which a fee is collected for each revenue-producing trip (drop-off or pick-up). In fiscal year 2020, the revenue received from TNCs was \$5.2 million. This amount increased in fiscal year 2021 to \$8 million and then increased again in fiscal year 2022 to \$16.6 million. The City continues to monitor all modes of ground transportation to assess evolving customer trends and needs, including the use of TNCs. However, the City cannot predict what impact, adverse or otherwise, TNCs will have on other ground transportation services, parking at the Airport, and the impact on Net Airport Revenues in the future.

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Lyft	\$ 646,321	\$1,508,582	\$2,278,243	\$1,868,714	\$3,292,869	\$ 6,326,136
Uber	2,688,085	3,525,356	3,780,866	3,336,816	4,705,671	10,243,430
Total	<u>\$3,334,406</u>	<u>\$5,033,938</u>	<u>\$6,059,109</u>	<u>\$5,205,530</u>	<u>\$7,998,540</u>	<u>\$16,569,566</u>

Climate Change and Other Force Majeure Events

The Airport’s ability to generate Airport Revenues is at risk from climate change impacts and other force majeure events, such as extreme weather events, wild fires, and other natural occurrences, although the Airport’s geographic location reduces some of these risks compared to other large commercial airports. Furthermore, the long-term effects of climate change, combined with the increasing passenger awareness of the climate change impacts of aviation, could reduce demand for travel globally or locally. Increased frequency and intensity of weather patterns, including droughts and fires, may have an adverse impact on the Airport’s operations and infrastructure.

In addition to the direct effects of climate change described above, there are pending and potential regulations aimed at reducing the effects of climate change, and in particular state, federal and international regulations and accords pertaining to greenhouse gas (“GHG”) emissions. Such regulatory changes could directly and/or indirectly affect Airport operations, infrastructure and financial conditions, and could require significant upgrades to planes and facilities and increase the cost of jet fuel, or both, thereby increasing the cost of air travel and potentially reducing air travel demand.

The City is unable to predict what additional laws and regulations with respect to GHG emissions or other environmental issues will be adopted, or what effects such laws and regulations will have on the Airport, airlines operating at the Airport, other Airport concessionaires, or local economy. The future effects of climate change on the City, the Airport, Airport concessionaires and Airport operations and infrastructure are complex, difficult to predict, depend on many factors outside of the City’s control, and could have material adverse effects. Furthermore, actual events may differ from any scientific climate change studies or forecasts. Accordingly, the City is unable to forecast when adverse climate change effects, or the confluence of these events or effects of climate change will occur, or whether and what magnitude of adverse economic effects may impact the Airport or air travel generally during the term of the Series 2023 Bonds.

No assurance can be given that adverse climate change events or natural disasters will not occur while the Series 2023 Bonds are outstanding, that the City will not have to implement additional adaptive mitigation measures at the Airport, and/or that such measures will not require significant capital resources. Although the

City has attempted to mitigate the risk of loss from many of these occurrences by purchasing commercial property and casualty insurance and business interruption insurance, no assurance can be given that such insurance will always be available in sufficient amounts, at a reasonable cost or available at all, or that insurers will pay claims in a timely manner or at all.

Industry Workforce Shortage

General labor shortages, including pilots and mechanics, have been impacting, and may continue to impact, the airline industry and the Airport. Several major airlines have announced reduced schedules and have cancelled flights as a result of reported labor shortages and staffing challenges. Labor shortages have been attributed to thousands of workers in the airline industry opting for buyouts, early retirement packages or otherwise terminating their employment during the COVID-19 pandemic. Staffing challenges as a result of COVID-19 infections and quarantines also may have short-term impacts on an airline's ability to operate scheduled flights.

Pilot shortages in particular have been an industry-wide issue, especially so for smaller regional airlines. There are several causes for the pilot shortage affecting all airlines. Congress changed duty time rules in 2010 to mitigate pilot fatigue, which required airlines to increase pilot staff. Beginning in 2013, first officers flying for commercial airlines have been required to have at least 1,500 hours of flight time, instead of the 250 hours previously required. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Further, as passenger demand increases and air traffic demand returns, the major air carriers are anticipated to need additional pilots, and are generally able to hire pilots away from regional airlines. An additional concern regarding the pilot workforce came to light due to the COVID-19 pandemic. Pilots were self-reporting increased errors to NASA's Aviation Safety Reporting System and attributed their errors to the reduction in flights due to the pandemic, which meant less time for pilots in the cockpit. Such reports raise the possible need for retraining opportunities as the airline industry recovers.

In addition to the pilot shortage, over the next decade there could be a shortage of qualified mechanics to maintain the airlines' fleet of planes. This potential shortage is a result of an aging pool of mechanics, a large portion of which are expected to retire in the next decade, and a lack of younger people joining the ranks of the mechanics. A shortage of mechanics could raise the cost of maintenance, require airlines to maintain more spare planes and/or result in increased flight cancellations and delays.

Impact of Federal Sequestration

The Airport depends on federal funding not only in connection with grants and PFC authorizations but also because federal funding provides for TSA, air traffic control, and other FAA staffing and facilities. Federal funding received by the Airport could be adversely affected by implementation of certain provisions of a federal budgetary feature called sequestration. Sequestration could adversely affect FAA operations, TSA budgets, and the availability of certain federal grant funds typically received annually by the Airport. These federal spending cuts would likely be spread over a number of years. In addition to adversely affecting the United States economy, commercial aviation operations throughout the United States could also be adversely affected due to layoffs or furloughs of federal employees responsible for certain critical federal airport functions. The full impact of such sequestration measures on the Airport is unknown at this time.

In addition, the City has received COVID-19 stimulus funds that were designed to prevent, prepare for and respond to the impacts of COVID-19. There is no assurance that additional federal funding to address any future negative effects of COVID-19 on airports will be made available to the Airport.

AIRLINE INFORMATION

The major and national airlines serving Sky Harbor or their respective parent corporations are subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file reports and other information with the Securities and Exchange Commission (the "*Commission*"). Certain information, including financial information, as of particular dates concerning such airlines or their respective parent corporations is disclosed in certain reports and statements filed with the Commission. Such reports and statements can be inspected and copied at the public reference facilities maintained by the Commission, which can be located by calling the Commission at 1-800-SEC-0330 or from the Commission's EDGAR database on the internet. In addition, each airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports of financial operating statistics can be obtained from the Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 7th Street, S.W., Washington D.C. 20590 and copies of such reports can be obtained at prescribed rates. The foreign airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines. None of the Corporation, the City, the Financial Advisor or the Underwriters make any representation with respect to, and assume no responsibility for, the accuracy or completeness of, any information filed or provided by the airlines.

The City undertakes no responsibility for and makes no representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or U.S. Department of Transportation as described in this section or (ii) any material contained on the SEC's website as described in this section, including, but not limited to, updated information on the SEC website or links to other Internet sites accessed through the SEC's website. Any such information is not part of this Official Statement nor has such information been incorporated by reference herein, and such information should not be relied upon in deciding whether to invest in the Series 2023 Bonds.

THE CITY

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

THE CORPORATION

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

The Corporation will enter into the City Purchase Agreement and the Indenture to facilitate the refunding of the Bonds Being Refunded. The Corporation is not financially liable for the payment of the principal of or interest on the Bonds and the Owners will have no right to look to the Corporation for payment of the Bonds except to the extent of the payments received from the City under the City Purchase Agreement.

LITIGATION

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. The City Attorney has advised City Management of the nature and extent of pending and threatened claims against the City. Except as noted below, there are no noteworthy claims against the Airport. Further, the Airport is substantially insured against multiple types of claims. In the opinion of City management, such matters will not have a materially adverse effect on the City's ability to comply with the requirements of the City Purchase Agreement.

Tempe Litigation and Related Notice of Claim. On November 29, 2022, the Tempe City Council voted to approve land use changes and an agreement with the developer (the “Developer”) of the Tempe Entertainment District (the “TED”), subject to voter approval of the project at an election scheduled for May 16, 2023. TED is adjacent to Sky Harbor and includes a new sports arena and multi-use development, including residential housing. The City believes that Tempe’s support for the residential housing component of the TED, along with similar support for other proposed residential development within the high noise area (identified by the FAA as the 65DNL contour), violates a 1994 agreement (the “1994 IGA”) between the two cities intended to minimize the total number of residents impacted by aircraft noise. After extensive negotiations between the two cities, and negotiations with the Developer, proved unsuccessful in resolving the dispute, the City filed a lawsuit against Tempe on March 28, 2023, for breach of the 1994 IGA. The City’s lawsuit requests declaratory and injunctive relief relating to the residential housing component of the TED and other proposed projects that also violate the 1994 IGA. The City is requesting such relief because, among other reasons, it believes that if the residential housing component of the TED and other projects proceeds as proposed, it will lead to complaints and lawsuits from the affected residents, which will limit the frequency of flights at the Airport. The City’s lawsuit is consistent with recent opinions of the FAA, which note that residential development within this high noise area is incompatible land use. The City is unable to predict the outcome of the litigation or ultimate impact of future noise complaints from, or lawsuits filed by, future residents in the 65DNL contour or TED if the project is allowed to proceed as proposed.

On April 5, 2023, the TED Developer filed a notice of claim against the City seeking \$2.3 billion in damages as a result of the City’s lawsuit against Tempe. The notice of claim is a condition precedent to filing a lawsuit against an Arizona municipality. The Developer claims that it has been damaged in the full estimated value of the proposed TED by the City’s filing of the March 28, 2023 lawsuit and by certain oral comments made at a Tempe City Council meeting. The City believes that the Developer’s claim is without merit and intends to vigorously defend against any lawsuit if one should be filed as a result of the denial of the claim.

Customer Facility Charge Refund Claim. Several years ago, certain plaintiffs claimed a refund of customer facility charges at the Airport. They also sought to have the matter certified as a class action. Both cases were dismissed by the Arizona Superior Court, but both appealed for reinstatement with the Arizona Court of Appeals. The City Attorney does not believe they will be successful in their reinstatement. Should they be reinstated, the City has legal and factual defenses. However, In the event the claimants were to have a class certified, and prevail, it could have a materially adverse effect on the City’s ability to comply with requirements of the City Purchase Agreement.

Department of Justice Investigation. The City is under a civil pattern and practice investigation into several areas of the police department. As this is a civil matter, there is not a direct fiscal impact in terms of a settlement or financial judgement. The City budget could be impacted by orders to meet findings in the consent decree. However, we do not anticipate that any findings would impact the financial obligations of the Airport or its bond obligations.

To the knowledge of the City Attorney, no pending or threatened litigation or administrative action or proceeding has (i) restrained or enjoined the City from entering into the City Purchase Agreement or approving the issuance and delivery of the Series 2023 Bonds or (ii) contested or questioned the validity of the Series 2023 Bonds or the proceedings and authority under which the Series 2023 Bonds have been authorized and are to be issued, secured, sold, executed or delivered. Certificates of the City to that effect will be delivered at the time of delivery of the Series 2023 Bonds.

TAX EXEMPTION

General

The Code includes requirements which the Corporation and the City must continue to meet after the issuance of the Series 2023 Bonds in order that interest thereon be and remain excludable from gross income of

the holders thereof for federal income tax purposes. The Corporation's or the City's failure to meet these requirements may cause the interest on the Series 2023 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2023 Bonds. The Corporation and the City have covenanted in the City Purchase Agreement to take the actions required by the Code in order to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2023 Bonds and not to take any actions that would adversely affect that excludability.

In the opinion of Bond Counsel, assuming continuing compliance by the Corporation and the City with the tax covenants referred to above and the accuracy of certain representations of the Corporation and the City, under existing statutes, regulations, rulings and court decisions, interest on the Series 2023 Bonds will be excludable from gross income for federal income tax purposes, except for interest on any Series 2023 Bond for any period during which such Series 2023 Bond is owned by a person who is a substantial user of the property financed or refinanced with proceeds of the Series 2023 Bonds (the "*Refinanced Property*") or any person considered to be related to such person (within the meaning of Section 147(a) of the Code). Interest on the Series 2023 Bonds will be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that assuming interest on the Series 2023 Bonds is excludable from gross income for federal income tax purposes, interest on the Series 2023 Bonds will be exempt from income taxation under the laws of the State of Arizona.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of interest on the Series 2023 Bonds or the ownership or disposition of the Series 2023 Bonds. Prospective purchasers of Series 2023 Bonds should be aware that the ownership of Series 2023 Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2023 Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocable to interest on the Series 2023 Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including interest on the Series 2023 Bonds, (iii) the inclusion of interest on the Series 2023 Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on the Series 2023 Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) to any other tax consequences regarding the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than the State.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in Congress or in the State legislature which, if enacted, could alter or amend one or more of the federal income tax matters or state tax matters, respectively, described above or adversely affect the market value of the Series 2023 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Series 2023 Bonds), executed and delivered prior to enactment.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the Series 2023 Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2023 Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2023 Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Series 2023 Bonds and proceeds from the sale of Series 2023 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2023 Bonds. This withholding generally applies if the owner of Series 2023 Bonds

(i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2023 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Original Issue Discount and Original Issue Premium

Certain of the Series 2023 Bonds, as indicated on the inside front cover page of this Official Statement ("*Discount Bonds*"), were offered and will be sold to the public at an original issue discount ("*Original Issue Discount*"). Original Issue Discount is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity will be sold pursuant to that offering. For federal income tax purposes, Original Issue Discount accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of Original Issue Discount that accrues during the period of ownership of a Discount Bond (i) will be interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as interest on the Series 2023 Bonds, and (ii) will be added to the owner's tax basis for purposes of determining gain or loss on the maturity, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside front cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2023 Bonds, as indicated on the inside front cover page of this Official Statement (the "*Premium Bonds*"), were offered and will be sold to the public at a price in excess of their stated redemption price at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to the maturity of a Premium Bond, based on the yield to the maturity date of that Premium Bond, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside front cover of this Official Statement who holds that Premium Bond to maturity will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount Bonds and Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of Original Issue Discount or bond premium properly accruable in any period with respect to the Discount Bond or Premium Bond and as to other federal tax consequences, and the treatment of Original Issue Discount and bond premium for purposes of state and local taxes on, or based on, income.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, a firm of independent certified public accountants, in conjunction with Public Finance Partners LLC will deliver to the City and the Trustee, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Bonds Being Refunded.

The verification performed by Samuel Klein and Company, in conjunction with Public Finance Partners LLC will be solely based upon data, information, and documents provided to Public Finance Partner LLC by the City and its representatives, and it has not evaluated or examined the assumptions or information used in the computations.

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2023 Bonds and with regard to the tax-exempt status of the interest thereon (see “TAX EXEMPTION - General”) are subject to the legal opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, who has been retained by, and is acting as Bond Counsel to the Corporation and the City. Signed copies of the opinion, dated and speaking only as of the date of delivery of the Series 2023 Bonds, will be delivered to the Underwriters. Certain legal matters will be passed upon for the Underwriters by Squire Patton Boggs (US) LLP, Phoenix, Arizona, as Counsel to the Underwriters.

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

RATINGS

Moody’s Investors Service, Inc. (“*Moody’s*”) has assigned a rating of “Aa2” to the Series 2023 Bonds. S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“*S&P*”) has assigned a rating of “AA-” to the Series 2023 Bonds. No application has been made to any other rating service for the purpose of obtaining ratings on the Series 2023 Bonds. The City furnished these rating agencies with certain information and materials with respect to the Series 2023 Bonds. The ratings will reflect only the views of the rating services. An explanation of the significance of the ratings may be obtained from Moody’s at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody’s or S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings by Moody’s or S&P may have an adverse effect on the market price of the Series 2023 Bonds.

UNDERWRITING

The Series 2023 Bonds are being purchased for reoffering by Barclays Capital Inc. and the other underwriters shown on the cover (the “*Underwriters*”). The Underwriters have agreed to purchase the Series 2023 Bonds, subject to certain conditions, at an aggregate underwriting discount of \$ _____. If the Series 2023 Bonds are sold to produce the yields shown on the inside front cover hereof, the underwriters’ compensation will be \$ _____.

The Underwriters are committed to purchase all of the Series 2023 Bonds if any are purchased. The Series 2023 Bonds are offered for sale initially at the approximate yields set forth on the inside front cover of this Official Statement, which yields may be changed, from time to time, by the Underwriters. The Series 2023 Bonds may be sold to certain dealers (including underwriters and dealers depositing the Series 2023 Bonds into investment trusts) at prices lower than the public offering price.

BofA Securities, Inc., one of the Underwriters of the Series 2023 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“*MLPF&S*”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such

securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2023 Bonds.

Citigroup Global Markets Inc., an underwriter of the Series 2023 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “*Fidelity*”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the “*Undertaking*”) with respect to the Series 2023 Bonds for the benefit of the beneficial owners of such Series 2023 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (“*EMMA*”) system pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “*Rule*”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The specific nature of the information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Undertaking, are set forth in “APPENDIX G - Form of Continuing Disclosure Undertaking.”

The City has represented that, except as described in the paragraph below, it is in compliance in all material respects with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the City to comply with the Undertaking will not constitute a default under the City Purchase Agreement or the Indenture and beneficial owners of the Series 2023 Bonds are limited to the remedies described in the Undertaking. See “APPENDIX G - Form of Continuing Disclosure Undertaking.” A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2023 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2023 Bonds and their market price.

The filing on January 20, 2020 of certain operating data for the fiscal year ending June 30, 2019, was not associated with all of the related CUSIP numbers until February 22, 2020.

INDEPENDENT AUDITORS AND INCORPORATION BY REFERENCE OF CITY’S ANNUAL COMPREHENSIVE FINANCIAL REPORT

The financial statements of the City as of June 30, 2022, for its fiscal year then ended have been audited by Forvis, LLP, independent auditors, as stated in their report. The financial statements and auditor’s report are part of the City’s annual comprehensive financial report (the “*ACFR*”), which may be obtained from EMMA, free of charge at <http://emma.msrb.org> or from the City, free of charge, at the following location: 251 West Washington Street, 9th Floor, Phoenix, Arizona 85003, Attention: Finance Department, Telephone: (602) 262-7166. The ACFR may also be downloaded from the City’s website at www.phoenix.gov under Departments-Finance-Financial Information & Reports. The ACFR so filed with EMMA as part of the City’s continuing disclosure undertakings pursuant to the Rule is hereby incorporated by reference.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation, the City or the Underwriters and the purchasers or holders of any of the Series 2023 Bonds.

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

CITY OF PHOENIX CIVIC IMPROVEMENT
CORPORATION

By _____
President

CITY OF PHOENIX, ARIZONA

By _____
Chief Financial Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

City of Phoenix, Arizona — Description

OVERVIEW

Phoenix is the fifth largest city in the United States, the state capital of Arizona and the center of the metropolitan area encompassed by Maricopa County (the “County”). This metropolitan area also includes the cities of Mesa, Chandler, Glendale, Scottsdale, Tempe, Peoria, Surprise, Avondale, Goodyear, Buckeye and El Mirage; the towns of Gilbert, Queen Creek, Fountain Hills, and Paradise Valley as well as several smaller cities and towns and all unincorporated areas of the County. It is situated 1,117 feet above sea level in the semi-arid Salt River Valley. The area is well known for its mild, sunny winters and hot summers and receives average rainfall of 7.25 inches annually.

Phoenix was founded in 1870 as an agricultural community. In 1881, it was incorporated as a city (the “City”). The City Charter under which it is presently governed was adopted in 1913 and has been amended from time to time. The City has grown steadily since its inception and has shown especially strong growth since 1950. The 1900 census recorded Phoenix’s population at 5,544. In 1950, the City occupied 17 square miles with a population of almost 107,000 ranking it 99th among American cities. The U.S. Census Bureau estimated Phoenix population at 1,624,569 as of July 1, 2021. As of February 17, 2023, the City encompasses 519.29 square miles.

Population Statistics⁽¹⁾ Phoenix, Maricopa County and Arizona

Area	1950	1970	1990	2000	2020	2022	Percent Change	
							1950-22	1990-22
Phoenix	106,818	584,303	983,403	1,321,045	1,608,139	1,657,035	1,451.3%	68.5%
Maricopa County	331,770	971,228	2,122,101	3,072,149	4,420,568	4,586,431	1,282.4	116.1
State of Arizona	749,587	1,775,399	3,665,228	5,130,632	7,151,502	7,409,189	888.4	102.1

(1) Population figures for the State of Arizona, City of Phoenix, and Maricopa County are as of July 1, 2022. The 2022 population figures for Maricopa County and the State of Arizona are from the Arizona Office of Economic Opportunity. The 2022 population figure for the City of Phoenix is from the City of Phoenix Planning & Development Department.

Phoenix is served by main lines of the Union Pacific and Burlington Northern Santa Fe Railroads, a busline (Greyhound Trailways), and 10 transcontinental, 34 interstate and 39 intrastate truck lines. Phoenix Sky Harbor International Airport, located approximately 4 miles from downtown Phoenix, is served by the following scheduled airlines: Advanced Air, Air Canada, Alaska, Allegiant, American, Breeze Airways, British Airways, Boutique Air, Condor, Contour, Delta, Denver Air Connection, Envoy Air (operating as American Eagle), Frontier, Hawaiian, Horizon (operating as Alaska Horizon) Jazz Aviation (operating as Air Canada Express), JetBlue, Mesa (operating as American Eagle), SkyWest (operating as Alaska SkyWest, American Eagle, Delta Connection and United Express), Southern Airways Express, Southwest, Spirit, Sun Country, United, Volaris and WestJet. Interstate 10, Interstate 17, U.S. Highway 60, State Routes 51, 74, 85, 87, 88, 143 and Loops 101, 202, and 303 all traverse the metropolitan area.

The metropolitan area is presently served by 35 elementary school districts, 6 high school districts, 15 unified school districts and 2 technical institutes, operating over 800 schools. Education is also provided by public charter schools and private and parochial schools located throughout the metropolitan area. Maricopa County Community College District serves the educational needs of the Phoenix area through 10 institutions. Arizona State University (“ASU”) houses 17 colleges and schools and has a total equivalent enrollment of more than 142,600 undergraduate, graduate and professional students. There are 4 campuses in Metro Phoenix and online. ASU’s main campus is located just east of Phoenix in the city of Tempe, and has enrollment of nearly 57,590 students. The Arizona State University West campus opened in 1991, is located in northwest Phoenix,

and has an enrollment of nearly 4,970 students. The Arizona State University Polytechnic campus opened in 1996, is located in southeast Metro Phoenix in the city of Mesa, and has an enrollment of more than 5,800 students. The Arizona State University Downtown Phoenix campus opened in 2006 and has an enrollment of more than 11,100 students. ASU Online has nearly 62,550 students. Grand Canyon University, a private university offering undergraduate and postsecondary degree programs, has a main campus located northwest of downtown Phoenix. In fall 2022, enrollment at Grand Canyon University was approximately 110,900 including both on-campus and online students. The City also contains a number of private universities, colleges, and technical institutions. The U.S. Census Bureau's 2021 American Community Survey, the most recently available, estimated that more than 67.6% of the adult residents of the Maricopa County attended college, compared to 63.1% nationally.

CYBERSECURITY INITIATIVES

Computer networks and data transmission and collection are vital to the efficient operation of the City. The City collects and stores sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to the operation of each City department. The City is using the Department of Homeland Security best practices as well as cybersecurity initiatives to prevent or mitigate any disruption in service or risk to sensitive data.

The City has an insurance policy with AIG Specialty Insurance Company, Houston Casualty Company and Zurich, which insures against cyber extortion and network interruption. The Information Technology Services Department has dedicated staff specifically targeting cybersecurity initiatives such as security awareness programs, advanced email security, Endpoint Detection and Response, as well as event monitoring.

SIGNIFICANT DEVELOPMENTS

Downtown Development

In 1979, the City adopted the Downtown Redevelopment Area plan for a 1.5 square mile area of downtown to revitalize the urban center of the City. Redevelopment efforts to date have resulted in the construction of residential units as well as numerous public and private redevelopment projects that have produced several amenities and services for employers, residents and visitors.

In 1984, a group of downtown business leaders founded the Phoenix Community Alliance. The group's express purpose is to work with government and other development interests to accomplish the highest quality downtown revitalization possible. They have been involved in a program of cooperative planning between government and private interests and have been focusing their attention on bringing increased housing, especially ownership housing, to downtown. The Phoenix Community Alliance's 2011-2016 Action Plan provided three goals: facilitating quality land development in downtown Phoenix, attracting investment to downtown Phoenix, and sharpening downtown Phoenix's competitive advantage.

Downtown Phoenix Inc. ("*DPI*"), a nonprofit entity formed in 2013, was created for the purpose of enhancing the economic and cultural vitality of downtown Phoenix. It serves as an umbrella organization to "broaden the tent" of the downtown community and improve coordination amongst downtown focused organizations, resulting in greater efficiency and effectiveness among nonprofits, such as Downtown Phoenix Partnership, Phoenix Community Alliance and the Downtown Phoenix Community Development Corporation. DPI serves as a City liaison to downtown stakeholders, including neighborhood and business organizations, assisting the City in communicating with the community by providing guidance and advice as needed. DPI also collaborates with the City to expand and enhance special events downtown, in addition to working on assignments, such as studying the potential expansion of the Enhanced Municipal Services District boundaries.

General Plan

In 1985, the City Council adopted the General Plan, a long-range plan based on the Urban Village Concept. The overall goal of the Urban Village Concept (now referred to as the Urban Village Model) is to offer Phoenix residents a choice of lifestyles in which residents may live, work and enjoy leisure time activities within the same urban village. The Urban Village Model also gives residents the opportunity to play a major role in shaping these choices. It is a unique concept that has provided a high degree of citizen participation in local land use planning processes.

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

In 1998, the State of Arizona passed the Growing Smarter legislation and in 2000 passed the Growing Smarter Plus legislation. The legislation required that the City update its General Plan, and amend or readopt the General Plan every ten years. It also requires that any changes to the General Plan be presented by public hearing to the citizens, be approved by at least two-thirds of the City Council and then be voted upon by the citizens. The City's General Plan was adopted by the City Council on December 5, 2001 and was approved by voters on March 12, 2002. In the opinion of management, the Growing Smarter and Growing Smarter Plus legislation provides processes and tools that can contribute to better planned, coordinated and balanced development. While the original legislation set a ten year deadline to readopt or amend the General Plan, in 2010 the State legislature extended the deadline to July 1, 2015.

On July 1, 2009, the City Council approved plans to implement a public participation process in developing the Phoenix General Plan Update. In August 2012, the Planning and Development Department, in partnership with the Mayor and City Council, launched PlanPHX in an effort to enhance community outreach. In order to facilitate public participation, the PlanPHX project included the debut of www.myplanphx.com. The website served as an interactive and innovative way for Phoenix residents to be involved in the Phoenix General Plan Update. In addition to the website, the Planning and Development Department conducted meetings throughout the community to obtain input and ideas from residents. The Phoenix General Plan Update focuses on five Core Values — Connecting People and Places, Building the Sustainable Desert City, Creating an Even More Vibrant Downtown, Celebrating our Diverse Communities and Neighborhoods, and Strengthening Our Local Economy. The General Plan Update was unanimously approved by the Phoenix Planning Commission on January 13, 2015. The General Plan Update was approved by the City Council on March 4, 2015 and was approved by voters in the August 25, 2015 Citywide election. Planning and Development Department is in the process of updating the General Plan which will be on the ballot in 2024.

Phoenix Convention Center

Redevelopment of the downtown Phoenix area has accompanied the construction and expansion of the Phoenix Convention Center (previously Phoenix Civic Plaza). Opened in 1972, the original convention and cultural center facility encompassed eight city-blocks in downtown Phoenix, having a capacity of 10,000 persons and containing a variety of meeting and exhibition halls in addition to Symphony Hall.

On June 22, 2001, the Arizona Legislature appointed the Ad Hoc Study Committee on Phoenix Civic Plaza/ Convention Facility Expansion (the "*Committee*") to make recommendations on several issues regarding Phoenix Convention Center expansion, including potential funding sources and State involvement. The membership included four State Senators, four State Representatives and nine public members. The Committee recognized the significant statewide benefit of convention business and unanimously recommended that the State develop a program to provide matching funds for major convention center improvements.

On November 6, 2001, City of Phoenix voters approved a ballot proposition authorizing the City to incur debt and expend public funds in an amount up to \$300 million from City funding sources and in an amount up to \$300 million in State or other non-City funding sources for the construction, expansion, modification and improvement of the Phoenix Convention Center. In June 2003, the Arizona Legislature approved spending up to \$300 million in State money to match the City's contribution. Combined, the \$600 million expansion project effectively tripled the size of the facility by adding approximately 600,000 square feet of meeting and exhibition space.

In 2001, City of Phoenix voters approved an additional \$18.5 million in general obligation bonds for the renovation of the adjacent Symphony Hall. In order to minimize disruption to event activity, the construction schedule for Symphony Hall was aligned with the first phase of the Phoenix Convention Center expansion. In June 2003, the City Council approved the final development concept and selected the design team and the construction management team for the Phoenix Convention Center expansion and Symphony Hall renovation.

Construction of phase one of the Phoenix Convention Center expansion and the Symphony Hall renovation began in June 2004. Symphony Hall re-opened September 3, 2005 after renovations were completed during phase one. Significant improvements to Symphony Hall included a new entrance, plaza facing, wall paneling, carpeting, seating, roofing and an upgraded lobby. Phase one of the Phoenix Convention Center expansion, known as the West Building, was completed in July 2006. The four-level West Building includes a 45,000 square feet ballroom, an Executive Conference Center, 64,000 square feet of exhibition hall space and 27,000 square feet of meeting space.

Phase two construction on the new Phoenix Convention Center North Building was completed in December 2008. The four-level North Building features amenities such as a 46,000 square feet street-level ballroom, 56 meeting rooms, over 300,000 square feet of exhibition hall space on the lower level, 190,000 square feet of exhibition hall space on the upper level and a food court with six themed eateries. The North Building is connected to the West Building via a pedestrian bridge on the third level and below ground through the lower level exhibition hall. The fully expanded Phoenix Convention Center, which welcomed its first convention in January 2009, now offers approximately 900,000 square feet of rentable convention space and is one of the top 25 facilities in the country in terms of size.

The Phoenix Convention Center expansion had a significant impact on Arizona during the five-year construction period. From December 18, 2003 through November 30, 2008, 95 percent of the work was performed by Arizona residents, 11,684 people were employed on the project, \$89.0 million was paid in wages and \$26.9 million was paid in state construction taxes.

The expanded Phoenix Convention Center surpassed its projected goals for 2009, hosting 68 conventions with approximately 309,379 delegates, which equated to an economic impact of approximately \$449 million in direct spending. Since its expansion in 2009, the Phoenix Convention Center has hosted 744 conventions, or an average of 62 conventions per year, with an estimated 2,694,000 delegates through 2021. The Phoenix Convention Center is projected to host over 66 conventions in 2022 with an estimated economic impact of over \$400 million.

Business Development

The City of Phoenix Community and Economic Development Department (“*CEDD*”) strategically positions Phoenix as a globally competitive and sustainable city. Developing a modern economy is rooted in aligning economic development initiatives around Phoenix's core strengths: focusing on targeted industry sectors with the highest impact and opportunity for sustained growth, expanding the pipeline of job-creating businesses, enhancing the Phoenix business climate and improving Phoenix's competitive position in the new economic environment.

CEDD works to attract and grow quality businesses that strengthen and diversify Phoenix's economy through job growth, private investment and creating a sense of place for our community. The Arizona Commerce Authority, Greater Phoenix Economic Council and the Greater Phoenix Chamber of Commerce are strong allies in these endeavors. With these partners, the City continues several initiatives aimed at workforce development, creating and maintaining high quality jobs and industry diversification. These partnerships also establish sound economic development programs that enhance regional and statewide competitiveness.

In fiscal year 2021-22, CEDD and its partners directly assisted in the attraction of 30 new employers to the City of Phoenix. These companies represent more than 14,230 new jobs and approximately \$14.1 billion in new capital investment. Additionally, CEDD performed 765 business outreach visits, 78 recruitment/hiring events, and assisted 62,507 job seekers. As of January, CEDD has attracted 15 new businesses to Phoenix for FY22-23. This has brought 3,188 new jobs and a capital investment of \$1.97 billion. CEDD has also conducted 468 outreach visits and 50 recruitment/hiring events.

2021 saw another year of strong job growth with the Phoenix workforce growing by over 122,000 compared to a year earlier, to a total workforce of 2.3 million, which set a record high for the metropolitan area, according to the Bureau of Labor Statistics ("BLS") professional, technical and scientific sectors added more jobs than any other industry sector. Phoenix led the nation in life science job hiring this past year. In July 2021, Greater Phoenix was the first metro area in the United States to recover more jobs than were lost in the pandemic. However, many of the jobs recovered were in different sectors, primarily in the high-wage sectors of bioscience healthcare, manufacturing, technology and advanced business and financial services. Across all of 2021 there were more Greater Phoenix jobs in manufacturing than in construction for the first time since July 2003, according to BLS data.

Arts, Cultural and Sports Facilities

The Orpheum Theatre was built in 1929 in downtown Phoenix for vaudeville performances and movie exhibitions. The City purchased the theatre in 1984 and it was listed on the National Register of Historic Places the following year. In 1988, citizens approved funding \$7 million towards a renovation of the theatre, with the Orpheum Theatre Foundation providing additional funding of \$7 million. The theatre, built in the Spanish Baroque Revival architectural style, reopened in early 1997 and is the last remaining example of theatre palace architecture in Phoenix. The 1,364-seat Orpheum Theatre is now an internationally recognized showcase for arts and entertainment and hosts a variety of productions which draw thousands of people to the vibrant downtown venue annually.

The Herberger Theater Center, a performing arts facility, opened in October 1989 adjacent to the Phoenix Convention Center. Located on a one-block site immediately north of the original Phoenix Convention Center, the Herberger Theater Center was financed with \$18 million in public and private funds. Renovations to the Herberger Theater were performed during the summer of 2010 and included refurbishment of seating, platforms, lighting, carpet and paint on the 801-seat Center Stage and 343-seat Stage West. The renovations included the addition of exterior public space, upgraded outdoor signage and a new private second floor lounge and balcony for theater VIPs. The renovations were completed in October 2010 at a cost of approximately \$16 million.

The Phoenix Art Museum, located at Central Avenue and McDowell Street began an expansion in December 2004. The \$50 million project added nearly 30,000 square feet to the museum complex, most of which is utilized for exhibition space to benefit the museum's 290,000 annual visitors. \$18.2 million of the total project cost was financed with bond funds approved by Phoenix voters in 2001. The remaining funds were raised from individuals and philanthropic organizations. The expansion was completed in November 2006.

The Arizona Science Center is located in Heritage and Science Park, a multi-block downtown cultural center, and received City funding from general obligation bonds approved by the voters in 1988. The Arizona Science Center, which cost \$47 million, encompasses nearly 127,000 square feet including a 200-seat planetarium and a 285-seat IMAX Theater. The City contributed land and \$20 million to the project, with the balance funded by private contributions. The Arizona Science Center opened in April 1997. In addition, an 800-space parking garage was developed. The parking garage was completed in November 1995.

In 2000, an agreement between the City and a private company was reached for development of a 4,800-seat entertainment facility on a City owned site at the northwest corner of Washington Street and Fourth Avenue. The Comerica Theatre (currently Arizona Financial Theatre) totals 165,000 square feet and cost approximately \$39 million. Construction began in September 2000 and was completed in April 2002.

In 1988, the City entered into negotiations with the Phoenix Suns Limited Partnership (the “Suns”) for the development and operation of a 20,000-seat downtown sports arena to be located immediately south of the Phoenix Convention Center. Final agreements between the City and the Suns were approved by the City Council in July 1989. The construction cost of the arena and adjacent garage was \$100 million. The City acquired and cleared the land for the project at a cost of \$12.8 million and contributed \$35 million toward construction. The Suns contributed an additional \$515,000 for land acquisition and were responsible for the balance of the construction costs (approximately \$52 million). Construction began in November 1990 and America West Arena (currently Footprint Center) opened in June 1992.

A multi-phased renovation of City-owned multipurpose arena began in the spring of 2001 and was completed in early 2005. Exterior renovations included the addition of a 15,000 square feet climate controlled pavilion on the main entrance plaza, expansion of the north façade to accommodate street level restaurants along Jefferson Street and the construction of a pedestrian passageway from Jefferson Street to Jackson Street. The interior renovations consisted of concourse improvements, seating enhancements and additional restrooms. The second phase of renovations brought significant technology improvements including a new scoreboard and wraparound LED boards, as well as expansion of the Platinum Club, and other core building improvements, all of which ensure the Center’s continued state of the art status. The renovations were completed at a total cost of approximately \$57 million funded jointly by the City and the Suns.

In 2019, the Phoenix City Council authorized the City to amend its agreement with the Suns to facilitate the renovation of City-owned multipurpose arena. The arena renovation is being funded by the City and the Suns, with the City contributing \$150 million and the Suns contributing \$80 million plus any cost overruns. Major building systems including electrical, mechanical, plumbing and technology infrastructure are being updated or replaced. Additional upgrades underway include improvements to social spaces, suite renovations, retail space improvements, and modernization of locker rooms. The renovations commenced in 2019 and completed in 2021. The new agreement will commit the Suns to stay in the arena until at least 2037.

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

In 2009, the City completed construction on the Civic Space Park. The 2.77-acre park in the heart of downtown Phoenix, bounded by First and Central Avenues and Van Buren and Fillmore Streets, offers residents, workers, students and visitors a unique urban design. The park contains sustainable features such as solar panel shade structures, which generate power for the park’s lighting and electrical needs and pervious concrete and pavers to reduce heat reflection and allow rainfall to seep through to the ground. The park also includes interactive water and light features, green spaces and a 100-foot aerial art sculpture. The historic 1926 A.E. England Building is located inside Civic Space Park and hosts an auditorium as well as office, meeting and retail space.

In 2011 the Community and Economic Development and Phoenix Convention Center Department entered into a 20 year public private partnership with the Legends Entertainment District. The district, which utilizes digital signage to stimulate activity within downtown, is generally bounded on the north and south sides of Jefferson Street from First Avenue to Seventh Street and includes sites such as Chase Field, City-owned multipurpose arena, the Phoenix Convention Center South Building and the Phoenix Convention Center East Garage.

In 2011, the City's Community and Economic Development Department acquired a site on Central Avenue across from the Phoenix Art Museum for the construction of the Arizona Opera Center. In March 2013, the 28,000 square-foot performing arts facility opened that includes performance and rehearsal space, administrative offices, and educational and public meeting facilities. The City contributed \$3.2 million of general obligation bonds towards the \$5.2 million facility. The Arizona Opera Center building is owned by the City and operated by Arizona Opera.

In 2015, the City facilitated the creation of an entertainment district in downtown Phoenix (the "*Entertainment District*"). The Entertainment District encompasses about one-square mile of downtown Phoenix and is intended to foster economic development by bringing more businesses to the area. Previously, potential businesses were prohibited from applying for a liquor license if they were within 300 feet of a church or school, per Arizona State law. The Phoenix City Council now has the option to consider an exemption for liquor licenses within the Entertainment District. The creation of the Entertainment District serves as a development tool that supports the growth of a vibrant downtown with a mix of businesses and nightlife.

Commercial Development

In the 1970s, Arizona's three major commercial banks (at that time The Valley National Bank of Arizona, First Interstate Bank, and The Arizona Bank) located their high-rise headquarters buildings in the downtown area. In addition, the Citibank building (now a City owned building for the Public Transit Department and other tenants), consisting of 113,000 square feet of space situated on the northwest corner of Van Buren Street and First Avenue, was opened on August 1, 1989.

The 1970s also saw the development of two downtown high-rise hotels. The Hyatt and Renaissance (formerly the Wyndham) properties combine to provide 1,242 hotel rooms in downtown Phoenix. As an outgrowth of the many downtown development and redevelopment projects during the 1990s and 2000s, there was a rapid increase in hotel room demand from business, leisure and convention travelers visiting the area. To meet this demand, the City constructed a new 1,000-room hotel on the northwest corner of Third Street and Van Buren Street. Adjacent to the Arizona Center and several office and entertainment venues, the hotel contains approximately 10,000 square feet of retail space, including a coffee shop, lounge, restaurant, and fitness facilities; a 30,000 square-foot ballroom; and additional meeting space. Starwood Hotels and Resorts was selected as the hotel's operator under the company's Sheraton flag. Design of the hotel began in early 2005 and construction began in March 2006. The Sheraton Grand Phoenix Hotel opened September 2008 and supports the additional hotel demand generated by the expansion of the Phoenix Convention Center. The City sold the hotel to Marriott in 2018.

The Barron Collier Company and Opus West initiated a mixed-use downtown development project in 1998. The plans for Collier Center included three high-rise towers with 1.5 million square feet of office space, 200,000 square feet of retail shops and restaurants, and parking for 2,400 vehicles. The project is located on a 7.2-acre site bounded by Washington, Jefferson, First and Third Streets. Collier Center's Phase I, a \$500 million, 23-story office tower, was completed in September 2000 and is the Arizona headquarters for Bank of America. The tower contains over 500,000 square feet of office space, 85,000 square feet of retail space and a 1,500-space underground parking garage.

In 2007, RED Development commenced construction on an approximately 5-acre, mixed-use development that blends urban living with work, shopping and entertainment and includes restaurants, a hotel, offices and outdoor event space. The CityScape project encompasses two blocks in downtown Phoenix and is one block from the City-owned multipurpose arena and within two blocks of Chase Field. The first phase of CityScape opened in March 2010 and includes 660,000 square feet of Class A office space, 200,000 square feet of retail, 1,300 parking spaces and redevelopment of Patriot's Square Park. Construction of the second phase commenced in February 2011 and included construction of the 242 room Hotel Palomar which was completed in June 2012. The final phase of the project, The Residences at CityScape, is comprised of 224 high-rise apartment units, constructed above the Hotel Palomar. The Residences at CityScape opened in the spring of 2014.

In 2010, the City entered into a development agreement with Hansji Hotels to develop the Luhrs City Center Marriott at the Northwest corner of Central Avenue and Madison Street. Construction on the hotel, which houses two brands, Residence Inn by Marriott and Courtyard by Marriott, began in late 2014. The two hotels share a lobby and other amenities, such as the fourth-floor pool. The 19-story Luhrs City Center Marriott offers 320 guest rooms and ground-floor retail space, while retaining the existing historic buildings on the same city block. The project incorporated the 10-story Luhrs Building, built in 1924, the 14-story Luhrs Tower, built in 1929, along with the one-story Luhrs Post Office Station & Arcade that connects the two high-rises. Construction was completed in April 2017 and resulted in \$85 million in capital investment.

In 2017, RED Development in partnership with Streetlights commenced construction of a dense, vibrant, urban development in the heart of downtown, with a capital investment of nearly \$160 million. Full build-out of the project includes approximately 300 multi-family, for rent, high-rise residential units in one tower with 150,000 square feet of creative, open, office space attractive to technology and innovative tenants and 50,000 square feet of commercial space including an urban Fry's grocery store in the other tower, plus 1,000 above and below grade structured parking stalls and streetscape improvements. The Fry's Grocery store opened in October 2019, and the remainder of the project was completed in late 2020.

In 2018, a 210-room, 11-story Hampton Inn hotel opened in downtown Phoenix. This \$44 million hotel is well positioned to serve both the Phoenix Convention Center and the Arizona State University downtown campus.

In 2018, True North Holdings entered into a development agreement to construct the \$151 million Ro2 development featuring 305,000 square-foot of office space and 77,000 square-foot of commercial retail space on City-owned land on 2nd Street north of Roosevelt. In the fall of 2018, True North closed escrow on the first phase of the development, acquiring the historic Knipe House. The historic house has been renovated and opened with a restaurant use in late 2021. In the fall of 2019, True North closed escrow on the second phase of the development, acquiring the Knipe House grounds. Completion of the full project is anticipated in 2023.

In 2019, the 147-room, 7-story Cambria Hotel opened in the Roosevelt Row Arts District. The \$26 million hotel brings a new hotel and dining option to the area.

In 2020, LaPour Partners opened the new 199-room hotel AC Marriott at the Arizona Center. The 13-story hotel is walking distance from many downtown venues including the Phoenix Convention Center, Footprint Center, Chase Field, Symphony Hall and the Herberger Theater.

In 2021, Mortenson Construction completed the 238-room, eight story Hyatt Place hotel in downtown Phoenix. The development located adjacent to Phoenix City Hall, represents a \$60 million investment in downtown and is an easy walk to venues such as the Orpheum Theatre and the Arizona Federal Theatre.

Biotechnology

In 2002, the City and the State of Arizona, in partnership with the County's three State universities, various foundations and the private sector, formalized two proposals to the International Genomics Consortium ("*IGC*") and the Translational Genomics Research Institute ("*TGen*") to locate their new headquarters in downtown Phoenix. The City agreed to construct a six-story, 170,000 square-foot research facility for IGC and TGen located at Fifth and Van Buren Streets. Construction began in late July 2003 with occupancy occurring in December 2004. In September 2017 TGen, now an affiliate of City of Hope, agreed to a 20-year Lease-to-Purchase transaction for the building that is home to its headquarters and several other long-term tenants.

In 2004, the Arizona Board of Regents, the University of Arizona ("*U of A*") and ASU (collectively, the "*Arizona Biomedical Collaborative*") entered into a memorandum of understanding outlining a combined vision to

expand the U of A's colleges of medicine and pharmacy in downtown Phoenix, perform complementary research and develop facilities at the Phoenix Biomedical Campus ("PBC") located on Van Buren Street between Fifth and Seventh Streets. The U of A College of Medicine has renovated three historic former Phoenix Union High School buildings located on the PBC for the first phase of the medical school. The \$27 million renovation project began in March 2005 and was completed in September 2006. The first Arizona Biomedical Collaborative building ("ABC I") is a four-story, 85,000 square-foot building located just north of the historic Phoenix Union High School buildings along Fifth Street. Research within ABC I focuses on several areas including cancer, diabetes, neurological and cardiovascular diseases. The \$30 million facility includes academic space for the ASU Department of Biomedical Informatics on floors one and two and wet lab space for the U of A College of Medicine on floors three and four. Construction began in September 2005 and was completed July 2007.

In 2012, the U of A Health Sciences Education Building ("HSEB") opened and now houses the U of A College of Pharmacy and Northern Arizona University's Allied Healthcare Programs. This approximately \$140 million, 260,000 square-foot six-story academic facility has provided space for the expansion of the U of A College of Medicine in downtown Phoenix. The U of A was also the recipient of a \$15 million American Recovery and Reinvestment Act stimulus grant for the development of a below-grade research core. At build-out, the 30-acre PBC is expected to include more than six million square feet of research, academic and clinical development.

To help serve the growing PBC, construction began in the fall of 2014 on a 1,200-car parking structure at 5th and Fillmore Streets. The eight-level privately developed project will provide parking for the neighboring institutions in the Phoenix Biomedical Campus, as well as paid public parking. The \$19.0 million facility opened in November 2015.

In 2015, the University of Arizona Cancer Center at Dignity Health St. Joseph's opened. The 220,000 square-foot, five-story, \$100 million facility offers comprehensive cancer services, including infusion, radiation oncology, diagnostic imaging, endoscopic/interventional radiology, a women's center, specialized cancer clinics, patient wellness and support services, a prevention/executive health clinic, clinical lab space and other related support areas. The center is the only National Cancer Institute-designated Comprehensive Cancer Center located in Phoenix. This outpatient clinical facility hosts approximately 60,000 patient visits and 500,000 annual visitors.

In 2017, the U of A Biosciences Partnership Building ("BSPB") opened. The 10-story, 245,000 square-foot building is connected to HSEB through a walkway. Research in BSPB will focus on flow cytometry, physics, materials science, nanotechnology, cancer drug therapies, molecular medicine, pediatric vaccines, building platforms for DNA and Biomarker Testing. At full occupancy, the facility will employ an estimated 360 healthcare professionals.

In 2019, construction began on the first phase of ASU's planned Health Solutions Campus at the PBC. ASU aims to develop its campus under a long-term agreement with the City for development rights for seven acres of land on the campus. The first phase of this development is the PBC Innovation Center, a \$77 million, 225,000-square-foot building being constructed by Wexford Science and Technology. The PBC Innovation center celebrated its ribbon cutting on March 30, 2021. The building ultimately opened in the fall of 2020 as a 7-story, 227,000 square-foot, lab-enabled building by Wexford Science+Technology renamed as 850 PBC. The building is designed to integrate research, entrepreneurial activity, and corporate engagement, the building offers opportunities for meaningful collaboration with the building tenants and community. In Fall 2021, discussions began about the second phase of ASU's Health Solutions Campus.

In order to meet the additional business needs of the growing biomedical sector, the City is looking beyond the 30-acre downtown PBC. The City is collaborating with the Arizona State Land Department, ASU and the Mayo Clinic to develop the 600-acre Arizona Biomedical Corridor in north Phoenix. The City is assisting ASU with infrastructure on their 24-acre Health Solutions Campus. Groundbreaking for the first building occurred in April 2019.

In January 2021, ASU's Health Futures Center opened and houses four ASU programs - the College of Health Solutions, Edson College of Nursing and Health Innovation, Ira A. Fulton Schools of Engineering and the J. Orin Edson Entrepreneurship and Innovation Institute, along with researchers from various ASU schools and colleges. The 150,000 square-foot three-story facility represents a \$80+ million investment in the Arizona Biomedical Corridor.

In February 2021, The Mayo Clinic approved the construction of a \$131 million 150,000 square-foot facility as part of its larger expansion plans. In 2018 Mayo launched its \$748 million plan to add 1.6 million square feet of space, essentially doubling its capacity in the Arizona Biomedical Corridor. The expansion plan will result in almost 100 additional beds by 2023 and an additional 2,000 new jobs by 2029, including nearly 200 additional physicians.

Education

In 2004, ASU and the City entered into a partnership to develop the ASU Downtown Phoenix campus. Phoenix voters committed \$223 million to the ASU Downtown Phoenix campus in the 2006 bond election. The campus is located in downtown Phoenix between Van Buren and Fillmore Streets on the north and south and First Avenue and Seventh Street on the west and east, respectively. Over 11,700 students were enrolled in degree programs at the ASU Downtown Phoenix campus during the fall 2021 semester. The anticipated economic impact of the ASU Downtown Phoenix campus is estimated to be \$570 million, including the creation of 7,700 jobs. The City and ASU are working together to develop the State's workforce through education, generating academic and intellectual capital.

As part of the first phase of the ASU Downtown Phoenix campus, which opened in August 2006, ASU began to offer a wide range of undergraduate and graduate programs from the College of Public Programs and the University College. The second phase brought programs from the state-of-the-art Walter Cronkite School of Journalism and Mass Communications, KAET/Channel 8 and the College of Nursing & Healthcare Innovation to the ASU Downtown Phoenix campus.

As part of the second phase of the ASU Downtown Phoenix campus expansion, construction was completed on the 82,000 square-foot ASU College of Nursing and Healthcare Innovation II facility. The innovative design creates a sense of arrival for the northeast corner of the campus and downtown. With over a third of the materials utilized for this project containing recycled content, the new facility achieved the Leadership in Energy and Environmental Design ("LEED") certified Gold status and has received 14 awards including Best Education Facility in America and the LEED Building of the Year. ASU invested \$1.5 million in tenant improvements to finish the remaining fifth floor space of the ASU Nursing and Health Innovation II facility for executive offices, meeting space and staff workstations, which were completed in July 2013.

The second phase was completed with the addition of a student union and a student residence hall. The U.S. Post Office building at Central Avenue and Fillmore Street houses the student union for the ASU Downtown Phoenix campus. Retail postal services remain in the building, and a veranda was added along the south side of the building to be used for concerts, outdoor films and other activities. The conversion of the U.S. Post Office building was completed in March 2010. Taylor Place, a new student residence hall was constructed on the campus between First and Second Streets on Taylor Street. Taylor Place was completed in August 2009 and accommodates 1,294 beds. In early 2012, ASU began construction on the 18,870 square-foot Student Center at the Post Office located on the lower and first floors of the historic post office. Construction was completed in time for the 2013 spring semester.

In 2012, construction of the new ASU student recreation center began. The Sun Devil Fitness Complex is a five-story, 64,000 square-foot facility with state-of-the-art weight and fitness areas, three multi-purpose studios for group fitness and mind/body classes, a two-court gymnasium, a rooftop outdoor leisure pool and a multi-purpose area for student clubs to utilize. The \$25 million facility is located on First Avenue north of Van Buren

Street, next to the YMCA. With classroom space for the Exercise and Wellness academic program on the second floor, the new facility adds to the existing YMCA services and serves both ASU students and YMCA members. The Sun Devil Fitness Complex opened to students and members in August 2013.

The ASU Sandra Day O'Connor College of Law relocated to downtown Phoenix from the Tempe main campus with the completion of the Beus Center for Law and Society building. The City of Phoenix invested \$12 million in the project, located on a square block bounded by First, Second, Taylor and Polk Streets. Construction on the \$129 million, 280,000 square-foot facility began in June 2014 and completed in August 2016.

In 2018, ASU committed to relocate the ASU Thunderbird School of Global Management ("*Thunderbird*") from Glendale, Arizona to a new building on the square block also containing the ASU Sandra Day O'Connor College of Law. Thunderbird was moved to a temporary space at the Arizona Center before moving the graduate school to a newly constructed \$60 million, 100,000 square-foot, four-story building at the corner of Second and Polk Streets and opened April 8, 2022.

In 2019, Creighton University, based in Omaha, Nebraska, began construction on a new health sciences campus at Park Central in midtown Phoenix. Creighton has estimated the total development cost to be \$99 million. Opened in June 2021, the 180,000 square-foot Phoenix campus serves nearly 900 students. It will include a four-year medical school and schools for nursing, occupational and physical therapy, pharmacy, physician assistants and an emergency medical services program. In conjunction with the new Creighton campus and other development at Park Central, a \$30 million parking garage was constructed by the Park Central Community Facilities District, formed for this purpose. The new ten-story parking garage has a capacity of 2,001 spaces and has opened to the public in September 2020.

In 2019, ASU began construction of a 16-story student housing building designed for upper classmen and graduate students. The building features three-stories of classroom space and exhibition space on the ground-floor. In August 2021 the building, renamed Fusion on First, opened and welcomed over 500 students. The first three floors of the building feature classrooms and workspaces intended to create a hub that caters to design and art students, while the remaining thirteen floors provide apartment-style housing.

Neighborhood Revitalization and Downtown Housing

The City's downtown redevelopment efforts are complemented by Neighborhood Services Department ("*NSD*") programs through which NSD works to preserve and improve the physical, social and economic health of Phoenix neighborhoods. NSD has created programs to assist neighborhoods citywide and aggressively works to revitalize targeted neighborhoods. City projects are complemented by neighborhood-based programs such as clean-ups, blight elimination and graffiti prevention that are often led by neighborhood stakeholders, including businesses, residents and schools.

Targeted neighborhood strategies are more comprehensive and concentrated in approach, involving redevelopment of blighted or under-used properties, proactive code enforcement, housing rehabilitation, rental rehabilitation infill housing development, infrastructure improvements, neighborhood capacity building and economic development. Targeted neighborhoods include Neighborhood Initiative Areas, Redevelopment Areas, and other City designated revitalization areas.

In order to make a meaningful impact towards the revitalization of distressed neighborhoods, NSD uses a strategic approach to address citywide needs and revitalization activities to enhance the physical environment and to improve neighborhoods. Federal programs that address blight elimination and neighborhood revitalization priorities including owner occupied housing rehabilitation and homeownership opportunities support the NSD strategies while enhancing the quality of life of Phoenix residents.

Beginning in the late 1990s, downtown Phoenix saw the development of several market rate projects for the first time in nearly a decade. From 1997 through 2003, nearly 1,300 housing units were built and available for occupancy in downtown. The units included apartments, lofts, condominiums and multi-family housing. Since 2004, residential housing projects have been developed in downtown Phoenix with several additional projects currently under construction. Over the past ten years, downtown Phoenix has gained over 3,300 market rate units and 1,200 affordable units. These new units have been developed as urban infill and adaptive reuse as well as low, mid and high-rise development projects.

In 2003, Artisan Homes, Inc. began building 105 ownership housing units on a 5.5 acre site bounded by Fifth and Seventh Streets and Roosevelt and Portland Streets. Artisan Village is an urban, mixed-use row house and townhouse residential project featuring ownership and unique live/work units with 3,000 square feet of street level retail opportunities, streetscapes, green belts, open spaces and 1,200 square feet dedicated for cultural use. The total project cost approximately \$18 million and was completed in March 2006.

In 2004, the City entered into an agreement with Portland Place Partners to develop vacant land on Portland Street between Third Avenue and Central Avenue. Portland Place is an urban residential development that consists of 54 units in a six-story condominium tower and brownstones. Construction of Portland Place was completed in July 2007. The next phase of development, Portland on the Park, began construction in the spring of 2015 and was completed in the spring of 2017. This luxury condominium project sits adjacent to the City's Hance Park on Portland Ave, between 1st and 2nd Ave. The \$54 million Portland on the Park project has added 170 condos to the historic Roosevelt neighborhood.

Art HAUS is a market rate residential project that completed construction in July 2016. The project includes twenty-five urban dwellings located in Midtown Phoenix consisting of simple yet bold forms organized around inter-connected semi-private resident courtyards. Dwellings consist of seven three-level townhomes, fifteen two-level lofts and three single-level flats ranging from 560 to 1,800 square feet. The project was constructed on the remnant parcel behind the Arizona Opera Center at Central Avenue and McDowell Road. The \$5.5 million project is within walking distance of the Midtown Arts District.

Cloquet Metrowest, LLC completed a \$17 million, five-story mixed-use development, named Union, in the summer of 2017. The Union includes 8,000 square feet of street-level restaurant/retail space, structured parking and 80 market-rate, multifamily residential units on a 0.9 acre site in the Historic Roosevelt neighborhood, at the southwest corner of Roosevelt Street and First Avenue.

In 2017, Alliance Residential completed the Broadstone Arts District project, a \$49 million four-story, multi-family, rental residential infill project with 280 apartments. The project subsequently renamed Greenleaf Arts District is located at the northeast corner of McDowell Road and Alvarado Street. Since the completion of the Arts District project, Alliance Residential has completed construction on the 316 unit Broadstone Roosevelt complex at the northeast corner of 3rd and Roosevelt streets in 2019 and the 162 unit Portland Broadstone complex at the northeast corner of 3rd and Portland streets in 2021.

In 2019, CA Ventures completed construction on phase one of The Link PHX. The Link PHX is a 30-story high-rise residential rental project with ground floor commercial space. This is the first phase of a three-phase project that will ultimately generate \$175 million of new investment in downtown Phoenix. Phase I contained 257 rental units at a capital cost of \$67.6 million and was completed in late-2019. Phase II was completed in fall 2022 and contains 234 rental units at a capital cost of \$59.4 million.

In 2018, Akara Partners broke ground on a \$45-million, 20-story high rise residential project featuring 299 rental units with 17,000 square feet of ground floor retail. The project was completed in May 2021.

In 2019, JMA Ventures, LLC started construction of the 278 Battery Apartments in the Warehouse District on the south end of downtown. The development represents a \$43 million investment in downtown Phoenix and includes the adaptive reuse of two historic buildings. Construction was completed in September 2021.

In 2019, PMG Properties Group began construction of Phase I of X Phoenix, a \$92 million, 20 story high rise residential project featuring 320 rental units with 39,000 square feet of ground floor commercial and retail space. The total investment of this two-phase project is expected to total a \$192 million capital investment. Phase I was completed in early 2022, and Phase II is currently under construction.

In 2019, Trammel Crow broke ground on the first phase of High Street Fillmore, a \$70 million, seven-story mid-rise residential project featuring 329 residential units and 10,000 square feet of ground floor commercial space. This is the first phase of a two-phase project that represents a total capital investment of \$140 million. Phase I was completed in 2022. Phase II is expected to commence construction in early 2024 and will include a multifamily residential component with ground floor retail, attainable residential multifamily for rent, and for-sale townhome condominiums.

In 2020, Ascentris broke ground on Derby Roosevelt Row, a \$36 million, 21-story high rise residential project featuring 222 residential units and 4,500 square feet of commercial space. The project was completed in spring 2022.

In 2020, Aspirant Development began construction on Aspire Fillmore, a \$58 million, 17-story high rise residential project featuring 249 residential units with 1,600 square feet of commercial space. The project was completed in spring 2022.

In 2020, Hines Development began construction on The Adeline, a \$135 million, 25-story high-rise residential project featuring 379 residential units and 4,500 square feet of ground floor commercial space. Construction was completed in fall 2021.

In 2021, Hubbard Street Development began construction on Skye on 6th, a \$87 million, 26 story multi-family development. The building will include 309 rental units and approximately 7,000 square feet of commercial space. Construction is anticipated to be complete in 2023.

In late 2021, The North American Development Group begin construction on the 28-story, multifamily residential Palm Court Tower. The development, which will include approximately 354 units represents a \$107 million investment in downtown. Construction is anticipated to be complete in 2024.

Government Facilities

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

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

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

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

The County constructed a new courthouse in downtown Phoenix at First Avenue and Madison Street. The new 16-story courthouse provides 683,000 square feet of space, including 32 criminal courtrooms. Construction of the \$340 million courthouse was completed in February 2012.

Maricopa County began construction of a new Maricopa County Sheriff's Office (MCSO) Headquarters in June 2012. Completed in 2014, the five-story, \$92.5 million facility is located on Fifth Avenue and Jefferson Street and houses MCSO administrative staff, and the 911 call center operations. The building contains approximately 128,000 square feet of space with 75 parking spaces below ground.

In 2017, Maricopa County began a \$65-million remodel of the former Madison Street Jail located east of 3rd Avenue between Madison and Jackson Streets. The space will be the future home of the Maricopa County Attorney's Office, consolidating offices from around the county in downtown Phoenix. The construction was completed in December 2019.

In 2018, the Phoenix City Council authorized advancing \$200 million to accelerate pavement maintenance projects. Between January 2019 and June 2023, the Street Transportation Department will undertake its largest and most comprehensive pavement maintenance program which entails accelerating pavement maintenance work on many of the City's major streets. During this period, more than 250 major-street miles will be repaved as part of the accelerated pavement maintenance program. This represents a 300 percent increase compared to the number of major-street miles the City traditionally paves each year. The accelerated program will be accomplished in conjunction with the City's pavement preservation program for local and collector streets. The acceleration of the City's pavement maintenance program will significantly improve the condition of City streets.

Downtown Streetscape

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

In 2000, the City and the County reached an agreement wherein the County would be responsible for funding the streetscape build out of Jackson Street from First Avenue to Ninth Avenue and the City would be responsible for its maintenance. The \$3.2 million project included a three-month community input process to identify the parameters of the street layout, landscape, sidewalk, lighting and design elements. Construction began March 2004 and was completed in November 2004.

In 2006, the City began construction of two streetscape projects on the ASU Downtown Phoenix campus. The projects, which included Taylor Mall and First Street, were completed in January 2009. Taylor Mall is a tree-lined, pedestrian-friendly sidewalk and street between the Civic Space Park and Arizona Center that contains public art, inviting benches, and sustainable water features. A traffic signal and crosswalk allows pedestrians to cross Central Avenue and light rail tracks to enter the Civic Space Park safely from Taylor Mall. In addition, the west side of First Street from Polk Street to McKinley Street has been improved with lighting, shade and landscaping.

In 2012, the City completed construction of a 2006 voter approved bond project which improved downtown streetscapes on First Street from Fillmore to McKinley Streets. The City received an award from the Arizona Community Tree Council for the First Street streetscape project for the beautification of the urban environment through the use of trees.

In 2015, the City completed construction on a streetscape project improvement on Roosevelt Street between Central Avenue and Fourth Street. The project was funded through a \$750,000 Federal Transportation Enhancement Grant. The improvements include new sidewalks, bike lanes, street lights, shade trees, benches, public art and other amenities. A second phase of this project on Roosevelt Street, from Fourth Street to Seventh Street was completed in August 2016. Roosevelt Street was repaved from 1st Avenue to 7th Avenue, a project which included the addition of bike lanes.

In 2017, the Renaissance Hotel, which fronts Adams Street from Central Ave to 1st Street, began a \$9.5 million capital improvement program that took recommendations from the Adams Street Activation Study. The improvements included relocating the valet area from Adams Street to 1st Street, structured shade elements along the south façade, drought tolerant landscaping and decorative street pavers. This investment transformed Adams Street into a more pedestrian friendly space and set a high standard for future development along Adams Street.

In 2019, the Hyatt Hotel, which fronts Adams Street from 1st Street to 2nd Street, began a \$40 million capital improvement project to renovate the hotel and enhance the streetscape consistent with recommendations from a study done for Adams Street. Work was completed in early 2020.

In 2022, the Community and Economic Development department, in collaboration with several downtown community associations, identified twenty-five locations for new trash receptacle installation. CEDD partnered with the community associations and the Office of Arts and Culture to solicit a local ‘Call for Artists’ which will allow each unique community to work with a local artist for an art design that will ultimately be installed via vinyl wrap on the trash receptacles in their respective areas.

Transit/Light Rail

Central Station, the City’s downtown transit center located on the northwest corner of Central Avenue and Van Buren Street was constructed in 1997. The 2.7-acre site includes a 4,000 square-foot passenger services building for ticket sales, security, and restrooms; a 16,000 square-foot passenger plaza that includes passenger information, seating and shade; and bus loading and circulation areas for 6 bus routes, Dial-a-Ride and DASH (Downtown Area Shuttle), as well as east and westbound light rail services. The total cost of the project was approximately \$9.3 million, with the Federal Transit Administration funding 80% and the City funding 20% of the project. Central Station received a \$3.7 million renovation, completed in July 2011, to modernize the facility, improve security, and incorporate sustainable elements. The transit center improvements were one of five major transit capital projects funded by the American Recovery and Reinvestment Act. The other four projects include a \$1.4 million expansion of the 40th Street and Pecos Road park-and-ride that was completed in June 2010, the construction of a new \$3.4 million park-and-ride at the southwest corner of Interstate 17 and Happy Valley Road that was completed in January 2011, the construction of a new \$2.7 million park-and-ride at the southwest corner of 27th Avenue and Baseline Road that was completed in February 2012 and a \$4.0 million project to make Americans with Disabilities Act related improvements to 400 bus stops in Phoenix that was completed in October 2012.

In October 2020, the Public Transit Department closed Central Station Transit Center and relocated the Customer Service functions to 302 N. 1st Avenue. In June 2021, the City entered into a City Council-approved development agreement with Electric Red Ventures, LLC for the Central Station Transit Center site. The Central Station project represents a capital investment of \$340 million and is projected to be completed by 2025.

On March 14, 2000, City of Phoenix voters approved a 0.4% sales tax increase to be levied for a period of twenty years to provide funding for a light rail system as well as mass transit, including expanded bus service and other transportation improvements (the “*Transit Sales Tax*”). Construction of an approximately \$1.4 billion, 20-mile light rail system connecting north central Phoenix (19th Avenue and Bethany Home Road) with Sky Harbor International Airport (via the PHX Sky Train®), Tempe and Mesa (Main Street and Sycamore Road) began in the fall of 2004 and opened for operations in December 2008. The total cost of the project was funded with Federal grant funds, Transit Sales Taxes and other local funding sources.

The City has also made major renovations to two of its bus transit centers. Renovations to the Sunnyslope Transit Center and the Paradise Valley Mall Transit Center were completed in June 2007 and June 2009, respectively. The renovations provided much needed improvements to the facilities, including security upgrades. The City recently developed a new park-and-ride facility along the Baseline Road corridor at 24th Street, which

opened in April 2015. In addition, the City upgraded and expanded the Desert Sky Mall Transit Center to serve residents in West Phoenix. This much needed facility, which provides shade, security, covered parking and public art opened to the public in December 2015. The new Desert Sky Transit Center cost \$8.2 million for land, design and construction.

The City has also made substantial improvements to its bus operating and maintenance facilities. These facilities are the backbone of the transit system, as they provide fueling, cleaning, and maintenance for the City's bus fleet, as well as administrative space for the bus operations contract service providers. In November 2007, a new \$50 million West Transit Facility was completed and opened for operations. This facility provides additional capacity to operate and maintain buses for the Phoenix transit system. The facility was designed to accommodate 250 buses and replace a rented facility, which could only accommodate 75 buses. The additional capacity will help address future expansion of the Phoenix bus system with the passage of Prop 104.

In May 2012, the City Council approved the Capitol / I-10 West Locally Preferred Alignment ("*LPA*"). Following the passage of Transportation 2050, City Council approved phasing the Capitol / I-10 West project. In conjunction with analysis for the South Central Light Rail Transit ("*LRT*") Extension, a reconfiguration of the merging of the existing light rail system, the future Capitol / I-10 West LRT Extension, and South Central LRT Extension was recommended by staff to create a downtown transit hub to enhance the connectivity for transit passengers along with other multimodal improvements. These recommendations were approved by the City Council on September 26, 2017. The approval of the downtown LRT transit hub prompted a re-examination of the original Capitol / I-10 West Phase I LPA, resulting in the separation of the projects into two extensions. In 2021, the projects were renamed the Capitol Extension and I-10 West Extension to clearly identify each project's unique character, development schedule and goals/objectives. Based on community input and technical analysis, the 2012 LPA was revised, and a new Locally Preferred Alternative for the Capitol Extension was approved by City Council in November 2021. The 1.4-mile Capitol Extension will provide an important connection between the downtown core and the Arizona State Capitol. Integrating with the existing rail system at 3rd Avenue, the route extends west on Washington Street, turns south on 19th Avenue, and then loops back to downtown along Jefferson Street. The project will include three new light rail stations. In May 2022, Preliminary Engineering work to develop initial construction plans and technical specifications for the Capitol extension reached 15% completion. Preliminary engineering work will produce a cost estimate, identify any technical issues that may occur during construction and provide a basis for the final design phase. The project team will continue drafting initial designs focusing on the location of the guideway and configuration of the street along the project corridor. Additional details, such as station locations and streetscape components, will be developed after the configuration of the street is determined. The project team will begin the preparation of documents to support the drafting of the Environmental Assessment in Spring 2023. The total cost of the project will be funded with Federal grant funds, Transit Sales Taxes, and other local funding sources.

The I-10 West Extension will connect the greater West Valley to the existing Valley Metro Rail system. The I-10 West Extension is 9.4 miles and will include eight stations and three park and rides. This project is unique and will see light rail trains traveling in the median of Interstate 10, before ultimately crossing to the north side of the freeway to a terminus at the existing Desert Sky Transit Center. The project team completed several planning activities, including updating the conceptual design, cost estimates and traffic analysis. The project team will also continue engagement with key stakeholders, including West Valley communities. Preliminary Engineering work will continue to develop initial construction plans and technical specifications for the extension. The total cost of the project will be funded with Federal grant funds, Transit Sales Taxes, and other local funding sources.

Improvement plans for the bus operating and maintenance facilities also includes renovations to the two existing facilities, the North Transit Facility and the South Transit Facility. Upgrades to these facilities include improvements to life safety, security, building code upgrades, roofing replacements, HVAC equipment replacement, and fueling system upgrades. The North Transit Facility renovation was completed in November 2013, while work at the South Transit Facility began in the summer of 2015 and was completed in the fall of 2019, with a total cost of \$28 million for design and construction.

In August 2014, a 34-person group, the Citizens Committee on the Future of Phoenix Transportation, was created to address the 2020 expiration of the Transit Sales Tax and to review the public transit and street transportation needs of the City. After six months of meetings and over 100 public engagement events, the committee forwarded their recommendations to the City Council, whom approved the plan in March 2015 and placed Prop 104 on the ballot. On August 25, 2015, voters approved a new comprehensive transportation plan and funding tax proposal that increased the existing Transit Sales Tax rate dedicated for transportation. The dedicated Transit Sales Tax rate was increased from the previous 0.4% to 0.7% and became effective January 1, 2016, with a sunset date of December 31, 2050. The increased Transit Sales Tax will continue to fund expanded local bus and Dial-A-Ride service, bus rapid transit service, neighborhood circulators and the operation of the light rail system. The increased Transit Sales Tax funding will also provide for expanded bus and light rail service hours and routes, high capacity transit corridors, and infrastructure improvements to bus stops, maintenance facilities and transit centers. In addition, the increased Transit Sales Tax will provide for street improvements including pavement maintenance, new bicycle lanes, sidewalk installation and traffic signal enhancements.

In 2019, City Council authorized an agreement for the Northwest Light Rail Extension Phase II project with Valley Metro Rail (“VMR”). The Northwest Light Rail Extension Phase II is a 1.6-mile light rail project extending from the current end-of-line at 19th Avenue and Dunlap, west to 25th Avenue, then northward to Mountain View Road, to a terminus west of Interstate 17 adjacent to the Metrocenter Mall. The project will include three new stations, two park-and-ride lots (one end-of-line, one co-located with Rose Mofford Park), and a relocated and expanded Metrocenter transit center. The \$173 million (City’s share) project, scheduled to open in 2024, will include an elevated structure over Interstate 17 and will terminate just west of the freeway. July 28, 2020, marked the official start of construction of the Northwest Extension Phase II project, with the first order of construction being the relocation of underground utilities. In August 2020, the Federal Transit Administration (“FTA”) signed and executed a full funding grant agreement in the amount of \$158 million to secure their share of funding committed through the Capital Investment Grant program. The grant was distributed in three allocations: \$50.6 million in August 2020, \$49.4 million in December 2020, and \$58.1 million in May 2021. The total cost of the project will be funded with Federal grant funds, Transit Sales Taxes, and other local funding sources. In March 2022, the project completed the “Bridging East to West” milestone which completed the bridge girder installation crossing the Interstate 17. In May 2022, the FTA allocated \$58.1 million funding from the FTA’s Capital Investment Grant program. May 2022 also saw the commencement of construction for the Metro Center Parkway elevated station platform, the first elevated platform in the State of Arizona. In January 2023, the project achieved 70% completion, with new utilities upgraded throughout most of the project area, over 8000 total feet of embedded track poured and over 2600 total feet of direct fixation track poured.

In 2019, City Council authorized an agreement for the South Central Extension/Downtown Hub project with VMR. The South Central Extension/Downtown Hub is a 5.5-mile light rail project extending south from Jefferson Street to Baseline Road along Central Avenue and includes the creation of a rail transfer hub in downtown Phoenix. The project will include nine new light rail stations and two park-and-rides — one located at the existing Ed Pastor Transit Center at Central Avenue and Broadway Road, and an end-of-line facility at the northwest corner of Central Avenue and Baseline Road. On April 15, 2019, the Federal Transit Administration FTA granted the project approval to enter the engineering phase of the Capital Investment Grant New Starts program. October 14, 2019, marked the official start of construction in the Downtown Hub of the project. The first order of construction being the relocation of underground utilities. In September 2020, the notice to proceed was issued for non-utility work to commence in the Downtown Hub, as utility relocations continued to progress along the South Central Extension alignment. The U.S. Department of Transportation awarded \$638 million to help fund the South Central/ Downtown Hub Light Rail expansion in January 2021. The Full Funding Grant Agreement from the FTA represents the federal government’s role in funding and helping manage the project. The extension project received \$530 million from the FTA’s Capitol Investment Grants Program and \$108 million from the Federal Highway Administration. On January 6, 2021, the FTA signed and executed a full funding grant agreement in the amount of \$530 million to secure their share of funding committed through the Capital Investment Grant program. The \$428 million (City’s share) of the project will be funded with Federal grant funds, Transit Sales Taxes, and other local funding sources. In March 2022, the South Central Extension/

Downtown Hub project received \$81.3 million from the American Rescue Plan Act (ARPA). In May 2022, the FTA allocated \$232.1 million funding from the FTA's Capital Investment Grant program. In September 2022, the project achieved 50% completion, with new utilities upgraded throughout most of the project area, track installation, and station construction through the corridor. More than 13 miles of new waterline has been installed on the project and nearly 5000 feet of track has been installed, including 13 pieces of special trackwork in the Downtown Hub. In December 2022, the South Central Extension/ Downtown Hub project received an additional \$21.1 million funding from the FTA's Capital Investment Grant program.

Phoenix Sky Harbor Center

The creation of Phoenix Sky Harbor Center was approved by the City Council in 1984, and in 1985, \$19,150,000 in City bonds were issued for the development of 550 City-owned acres into a high quality business office, technological and industrial center. Located immediately west of Phoenix Sky Harbor International Airport, Phoenix Sky Harbor Center is generally bordered by I-17 to the south, 16th Street to the west, the Southern Pacific Railroad to the north and 24th Street to the east. Phoenix Sky Harbor Center is bisected by I-10, which provides convenient transportation access to the site and to Phoenix Sky Harbor International Airport.

The initial acquisition and infrastructure development phase of Phoenix Sky Harbor Center was completed in 1993. Among the earliest occupants were Honeywell, Sky Chefs Inc., Miller Brands of Phoenix and Arrow Electronics. These initial tenants built distribution space, office buildings, warehouses and manufacturing facilities totaling over 1.16 million square feet. The office park has since added Bank of America's credit card operations center, and Bank One (now JPMorgan Chase) regional processing center. Other sizeable tenants at Phoenix Sky Harbor Center include First Group America dba Greyhound Lines, Charlie Case dba Community Tire, Century Link, Grand Stable & Carriage Co. LLC, LTJ Skyline, the City of Phoenix, Horseheads Industrial Capital II, LLC, 801 S. 16th Industrial, LLC, Honeywell International Inc., and Watson Properties.

In 1993, the City received approval for the relocation and expansion of Foreign Trade Zone ("FTZ") No. 75 to a 375-acre site at Sky Harbor Center. The FTZ was established to allow companies who import large amounts of foreign products to defer paying duties on these products until they are shipped to retail outlets. The FTZ boundaries were modified to include air cargo operations at Sky Harbor.

In 2001, the City Council approved the concept of a consolidated rental car center ("RCC") for Phoenix Sky Harbor International Airport. On June 1, 2002, the City initiated a daily Customer Facility Charge ("CFC") collected by the rental car companies on all rentals to be used to fund the construction, operation and maintenance of the RCC. The RCC is located on approximately 141 acres within Sky Harbor Center and opened on January 19, 2006. The development includes a customer service building, car service facility, a 5,651 space parking garage, bus fleet, bus maintenance facility, and associated site improvements, infrastructure, roadways, landscaping and signage. The project was funded with CFC revenues and bond funds, and cost approximately \$285 million. The RCC is now connected directly with all terminals and parking facilities via the PHX Sky Train® extension which was completed in December 2022.

Phoenix Sky Harbor International Airport

In 1990, construction was completed on Terminal 4 at Phoenix Sky Harbor International Airport at a cost of \$276 million. The original facility included 4 domestic concourses housing 44 gates, one international concourse with 4 gates, and a 3,400-space parking facility. In July 1994, the City Council approved expansion of Terminal 4 to add ten domestic gates to the international concourse. Construction of the new facilities was completed in February 1996. In September 1995, America West Airlines (subsequently US Airways and now American Airlines) announced plans to expand its Phoenix operations over the next several years. In March 1998, the City Council approved an airport capital expansion program funded primarily by passenger facility charges and airport revenue bonds. Approved and completed projects included rebuilding runways in concrete, construction of two new airport fire stations, a new Terminal 4 concourse to provide more capacity for American Airlines and additional parking facilities at Terminal 4. The additional Terminal 4 concourse was completed in May of 2022 and all 8 additional gates are currently utilized by Southwest Airlines.

Terminal 3, which opened in 1979, originally contained approximately 639,000 square feet and ten gates. The Terminal 3 Modernization Project, which began construction in 2014, with the purpose of removing Terminal 2 from service, providing for passenger growth in Terminal 3, increasing passenger flow efficiencies and increasing concession revenue. The \$580 million modernization project was executed in three independent phases that allowed the project to be completed as demand required and finances allowed. Airlines in Terminal 2 were moved into the expanded Terminal 3 facilities. The Airport completed the final phase of the project in the spring of 2020. Terminal 3 now contains approximately 710,000 square feet and 25 gates.

PHX Sky Train® is an automated people mover designed to carry over 35 million riders annually through seven stations at Sky Harbor along an elevated guideway spanning approximately five miles. The PHX Sky Train® provides a new front door to the Airport, offering a seamless connection with the light rail transit station at 44th Street and Washington. Stage 1 of the PHX Sky Train® connects Phoenix’s light rail system, Sky Harbor’s east economy parking garages and Terminal 4 and began service on April 8, 2013. Stage 1a (the Terminal 3 Line Extension) began service on December 8, 2014 and runs from Terminal 4 to Terminal 3. The two stages were completed more than \$45 million under the combined budget of \$884 million. Phase 2, the final extension of the PHX Sky Train®, extended service from Terminal 3 to the Rental Car Center, commenced construction in February 2018, and was completed under budget and opened for service in December 2022.

On June 11, 2019, the Phoenix City Council approved the Airport’s Comprehensive Asset Management Plan (the “*CAMP*”), which is a 20-year blueprint for Airport investments. The *CAMP* is projected to cost \$5.7 billion during the 20-year period. Early in calendar year 2020, commercial airports across the United States, including Phoenix Sky Harbor International Airport, saw passenger traffic numbers reduced dramatically as the global economy began to face impacts of the COVID-19 pandemic. The Airport responded to the pandemic-driven reduction in revenue by deferring certain *CAMP* projects until the projects became justified again by demand and financially feasible. With new federal funding becoming available for capital development through the Bipartisan Infrastructure Law (“*BIL*”), the Airport is obtaining environmental approvals and developing designs on a new crossfield taxiway (Taxiway U) and an additional concourse on the north side of Terminal 3 (T3 N2). These, and other smaller airfield projects are expected to be competitive for grants under the *BIL* program.

Property Tax Supported Bond Program

In order to help meet the City’s future capital financing needs, a comprehensive property tax supported general obligation bond program was initiated in the summer of 2005. A citizens bond committee consisting of approximately 700 private citizens was appointed by the Mayor and City Council to review the City’s capital requirements and recommend a total bond program to the voters. This is the traditional approach used by the City for bond elections since 1950. The program culminated in a special bond election on March 14, 2006 when the voters approved all seven propositions totaling \$878.5 million in new general obligation bond authorizations. The propositions and the amount of bonds authorized are shown in the following table. There is currently \$152.3 million of authorized bonds that have not yet been issued.

<u>2006 Bond Program</u>	<u>Amount Authorized</u>
Police, Fire and Homeland Security	\$177,000,000
Education Facilities	198,700,000
Library and Youth, Senior and Cultural Facilities	133,800,000
Parks, Open Space and Recreational Facilities	120,500,000
Streets, Storm Sewers and Flood Protection	147,400,000
Affordable Housing and Neighborhood Revitalization	85,000,000
Computer Technology	16,100,000
Total	<u>\$878,500,000</u>

PHOENIX CITY GOVERNMENT

Phoenix operates under a Council-Manager form of government as provided by its Charter which was adopted in 1913. The City Council consists of a Mayor and eight Council members, elected by the people on a non-partisan ballot. At a special election held on October 3, 1989, Phoenix voters passed Proposition 105 which amended the City Charter to provide for four year staggered terms and a limit of two such terms for the Mayor and Council members. On November 6, 2001, Phoenix voters passed Proposition 101 which amended the City Charter to allow Council members to serve up to three consecutive four-year terms, with no limit on the number of terms that could be served over a lifetime. On August 28, 2018, Phoenix voters passed Proposition 411 which amended the City Charter by changing City Council elections from the fall of odd-numbered years to November of even-numbered years to coincide with county and statewide elections. The initial implementation of Proposition 411 will extend current Council members' terms by a year, so the next elections can occur in even-numbered years. The Mayor is elected at-large, while Council members are elected by voters in each of eight separate districts they represent. The Mayor and each Council member have equal voting power.

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

The City Manager is responsible for executing Council policies and administering City operations. Reporting to the City Manager is an Assistant City Manager, a Special Assistant, the Budget and Research Director, the Chief Financial Officer, the City Auditor and the City Attorney.

The City government is responsible for furnishing basic municipal services. Primary services delivered by the City's 41 departments/functions, 18 initiatives/projects and 15,646 employees include police, Municipal Court, fire protection, parks, recreation, libraries, sanitation, water, sewer, transportation (including streets and public transit), airports, building safety, public works, neighborhood improvement and housing, community and economic development and convention and cultural services. These services were provided in fiscal year 2022-23 through an adopted operating budget of \$5,977.8 million. Of this, the general purpose funds budget totaled \$1,779.4 million, which was for general municipal services and excluded enterprise activities such as water, sewer, refuse and airports and special revenue funds such as grants, secondary property taxes, Arizona Highway User Revenues, impact fees and voter-approved dedicated sales taxes.

Elected Officials

KATE GALLEGO, MAYOR

Mayor Gallego began her first term as Mayor in March 2019. Prior to being elected Mayor, Ms. Gallego served on the City Council representing District 8 for nearly five years before resigning in August 2018 to run for Mayor. Ms. Gallego has been an active member of the community and held several volunteer positions including Chair of the Environmental Quality Commission, Chair of the Solar Energy Subcommittee, Vice Chair of MyPlanPHX.com, and as a member of the Central City Village Planning Commission. Additionally, Ms. Gallego is a member of the Board of Directors of the Arizona Latino Arts and Culture Center and serves on the Arizona Commission on Service and Volunteerism. Ms. Gallego has a Master of Business Administration in Entrepreneurial Management from The Wharton School of Business at the University of Pennsylvania and a bachelor's degree in Environmental Studies from Harvard University.

YASSAMIN ANSARI, VICE MAYOR, DISTRICT 7

An Arizona native, Councilmember Ansari began her first term on the City Council in April 2021. Prior to being elected to the Phoenix City Council, Ms. Ansari served as a senior climate advisor to former United Nations Secretary and helped to deliver the historic Paris Climate Agreement. She has also worked on Mission 2020, a global climate campaign, and served as the Deputy Director of Policy for the Global Climate Action Summit. Ms. Ansari holds a Master degree from the University of Cambridge and bachelor's degree from Stanford University.

ANN O'BRIEN, COUNCILMEMBER, DISTRICT 1

Councilmember Ann O'Brien began her first term in April 2021. Prior to being elected to the Phoenix City Council, Ms. O'Brien worked in project management for the Arizona Department of Child Support Enforcement and as a business broker for a local company. Ms. O'Brien is an Arizona native who has done extensive volunteer service work within the community. She currently serves as the President of the Deer Valley Unified School District Governing Board, President of the Arizona School Board Association and is the appointed chairperson of the 2020 Legislative Committee. Ms. Obrien holds a bachelor's degree from Arizona State University.

JIM WARING, COUNCILMEMBER, DISTRICT 2

Councilmember Waring began his second consecutive full term on the City Council in January 2018. Mr. Waring has been an active member of the community for many years and has volunteered on many City and charitable organizations, including the Paradise Valley Village Planning Committee, Phoenix Planning Commission and Neighborhood Block Watch Committee. For his contributions, he has earned awards from the Arizona Federation of Taxpayers (Champion of the Taxpayer), National Federation of Independent Business (Guardian of Small Business), and the Arizona Chamber of Commerce (Senator of the Year). In addition, he was recognized for his work fighting domestic violence by the Arizona Coalition Against Domestic Violence (Legislator of the Year twice) and the Men's Anti Violence Network (Man of the Year). Councilmember Waring was awarded the Arizona Veterans Hall of Fame Copper Shield Award and the National Guard Association of the United States Medal of Merit. Mr. Waring was an Arizona State Senator for seven years and has served on the staffs at Arizona State University, the Arizona Board of Regents and Northern Arizona University. Mr. Waring received his PhD in Public Administration from Arizona State University's School of Public Affairs and his undergraduate degree from Northern Illinois University.

DEBRA STARK, COUNCILMEMBER, DISTRICT 3

Councilmember Stark began her first term on the City Council in March 2017 and was reelected in 2021. Ms. Stark has spent her entire career in local government working for the City of Phoenix, the County, and the City of Peoria. At the City of Phoenix, Ms. Stark was the Planning and Development Director from 2005 to 2012. She was the President of the Arizona Chapter of the American Planning Association and served as a Board Member for the Arizona Council of the Urban Land Institute and Southwest Center for HIV/AIDS. Ms. Starks holds a Master Degree in Planning from Arizona State University and a bachelor's degree in Sociology from Western Kentucky University.

LAURA PASTOR, COUNCILMEMBER, DISTRICT 4

Councilmember Pastor was first elected in 2013. She began her second consecutive term on the City Council in January 2018. Currently she is the Community Liaison at Phoenix College. Ms. Pastor was Director of Achieving a College Education Program at South Mountain Community College and was a classroom elementary teacher for four years. Previously, Ms. Pastor was with the Department of Employment and Rehabilitation Services at the Arizona Department of Economic Security and was Special Assistant to the Arizona Director of Insurance. Ms. Pastor is a member of the Phoenix Union High School District Board and serves on the O'Connor House Speak Out Against Domestic Violence and Mi Familia Vota advisory boards. She is a former member of the Hispanic Advisory Board of Maricopa Community Colleges, Maricopa Transportation Advisory Board, the Homeless Task Force, and Phoenix Day. Ms. Pastor has a Master of Public Administration from City University of New York and bachelor's degree in Education from Arizona State University.

BETTY GUARDADO, COUNCILMEMBER, DISTRICT 5

Councilmember Betty Guardado began her first term on the City Council in June 2019. Ms. Guardado has been an active member of the community and has served as the director of union organizing in Phoenix for UNITE HERE Local 11, where she has conducted campaigns and negotiated contracts for thousands of hotel and

food-service workers around Maricopa County. Currently, she is a vice president of Local 11. Ms. Guardado has been instrumental in leading successful independent voter turnout campaigns to elect several Phoenix City Council members to develop young leaders, and to empower working-class families.

KEVIN ROBINSON, COUNCILMEMBER, DISTRICT 6

Councilmember Kevin Robinson began his first term on the City Council in April 2023. Mr. Robinson began his career with the City of Phoenix as a patrol officer in 1980 and became Assistant Police Chief in 2000. Mr. Robinson has been active in Arizona's nonprofit community for more than 20 years, and for more than a decade served on the board of Ronald McDonald House Charities of Central and Northern Arizona, including two terms as president of the board. Mr. Robinson also served on several other community boards including the Arizona Supreme Court Judicial Council, Arizona Police Officers Standards and Training Board, and the Maricopa County Attorney's Office Community Advisory Board. Mr. Robinson earned a Master of Public Administration and bachelor's degree of arts in management from Arizona State University.

KESHA HODGE WASHINGTON, COUNCILMEMBER, DISTRICT 8

Councilmember Kesha Hodge Washington began her first term on the City Council in April 2023. Ms. Washington moved to Arizona from the U.S. Virgin Islands in 1999 and has been active in Phoenix ever since for over twenty years. Ms. Washington is a former Assistant Attorney General who practiced law in Phoenix and served as Special Deputy Attorney General. Ms. Washington has and continues to volunteer and serve in many areas, from voter registration and civic engagement to providing food and necessities to individuals in need. Ms. Washington maintains active membership participation in community organizations such as Cottonfields Homeowners Association, and the American Bar Association. Ms. Washington earned her law degree from Arizona State University College of Law and her bachelor's degree from the University of the Virgin Islands.

Administrative Staff

JEFF BARTON

City Manager

Jeff Barton was appointed City Manager in October 2021 after serving as Assistant City Manager since February 2021. Mr. Barton's career with the City of Phoenix started in 1999 as an Internal Auditor in the City Auditor Department. Over the years he held a variety of roles that focused on the City's sound financial stewardship, including multiple auditing positions, Management Assistant, Deputy Budget and Research Director, Budget and Research Director, and most recently as Deputy City Manager. Mr. Barton holds a Master of Public Administration from Shippensburg University of Pennsylvania and a bachelor's degree in Political Science from Morehouse College.

LORI BAYS

Assistant City Manager

Lori Bays was appointed Assistant City Manager in October 2021. Ms. Bays joined the City in 2017 as a Chief Human Resources Officer where she has managed human resources strategy and operations for the City's workforce of 14,000 employees. In this role, Ms. Bays has led efforts to develop a Total Compensation and Rewards Strategy for the City, designed and implemented the PHXRespect initiative, as well as served on the leadership team for the Racial Equity Dialogue Series. Prior to working for the City, she was the Chief Administrative Officer for Salt Lake County, which has a population of more than one million residents. Ms. Bays holds a Master's degree in Clinical Psychology and a bachelor's degree in Psychology.

JULIE KRIEGH

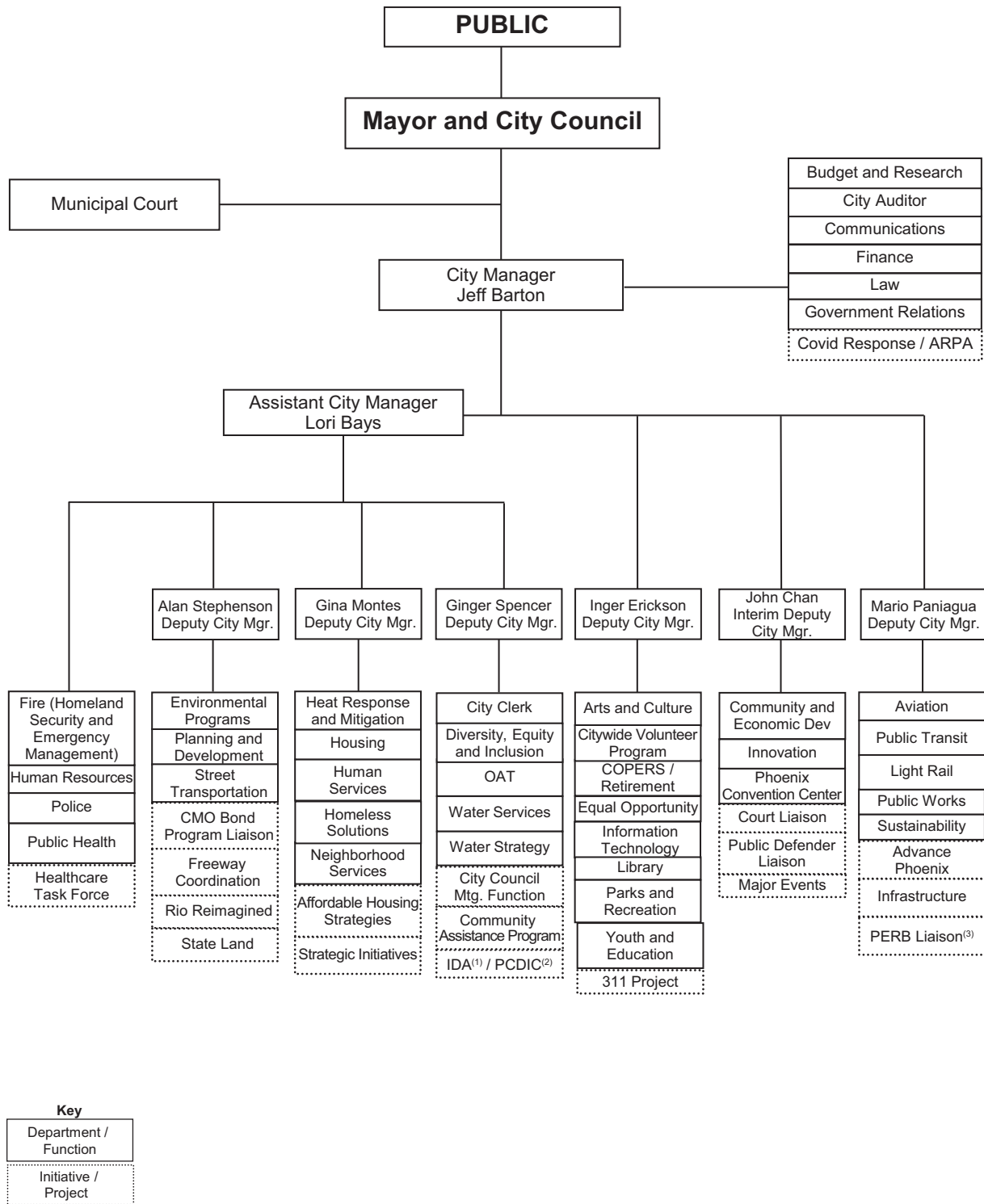
City Attorney

Julie Kriegh was named City Attorney in November 2022 after serving as Chief Assistant City Attorney since 2020. Ms. Kriegh has more than 20 years of experience representing municipal governments in Arizona in

a wide range of areas. She joined the City of Phoenix Law Department in 2016, where she has served and supervised attorneys in several City departments. Prior to joining the City, Ms. Kriegh served as Deputy City Attorney in Surprise, Arizona, as an Assistant City Attorney in Mesa, Arizona, and was the Town Attorney for Camp Verde, Arizona. Ms. Kriegh is a member of the State Bar of Arizona and the State Bar of Colorado. She received her law degree from the University of Denver and her undergraduate degree in Public Administration from Northern Arizona University.

KATHLEEN GITKIN
Chief Financial Officer

Ms. Gitkin was appointed Chief Financial Officer in July 2021. She began her career with the City in 2004 with the Finance Department, working as an Accountant II in the Utilities Accounting Division and an Accountant III, Accountant IV and Investment and Debt Manager in the Treasury and Debt Management Division. She became Deputy Finance Director/City Treasurer in November 2014 and was promoted to Assistant Finance Director in July 2020. Throughout her career she has managed financial planning, city controller functions, real estate, risk management, banking and cashiering, investments and debt issuances to fund capital expenditures. Ms. Gitkin has a Master of Business Administration from the University of Phoenix and a bachelor's degree in Accountancy from New Mexico State University.



1 - Phoenix Industrial Development Authority.
 2 - Phoenix Community Development and Investment Corporation.
 3 - Phoenix Employee Relations Board.

Effective: March 13, 2023

Awards

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

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

This award (formerly the “*Certificate of Conformance in Financial Reporting*”) recognizes the completeness, accuracy and understandability of the City’s Annual Comprehensive Financial Reports. Awarded to the City of Phoenix by the Government Finance Officers Association each year since 1976, and to the City of Phoenix Aviation Department each year since 2016, the first year of the Aviation Annual Comprehensive Financial Report.

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

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

- **Distinguished Budget Presentation Award**

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

- **2018 Illuminating Engineering Society Award of Excellence Winner**

The Illuminating Engineering Society (“*IES*”) and Smith Group recognized Phoenix Sky Harbor International Airport for its Terminal 3 Modernization Project. The 2018 Illuminating Engineering Society Awards celebrates design excellence worldwide and selected Phoenix Sky Harbor as an Award of Excellence Winner. This award was provided to the airport due to an exceptional contribution to the art and science of light.

- **Phoenix Sky Harbor International Airport**

- **2021 GBAC STAR™ Award**

Throughout the pandemic, Sky Harbor strived to continue to provide the best customer experience and to keep passengers safe. In 2021, the Airport received the GBAC STAR™ facility accreditation from the Global Biorisk Advisory Council, a division of ISSA, The Worldwide Cleaning Industry Association, and the Airports Council International (“*ACI*”) Airport Health accreditation for providing a safe airport experience for its travelers.

- **2019 ACI and AAAE Awards**

Additionally, Phoenix Sky Harbor International Airport has a proven track record to the commitment to being future friendly and is recognized for its work to decrease its carbon footprint. In 2019, Phoenix Sky Harbor International Airport received a Level 2 Reduction in the ACI Airport Carbon Accreditation program. The following year, the Airport was again recognized for its commitment and work to decrease its carbon footprint by ACI. During this time, Sky Harbor received an award from the American Association of Airport Executives (“*AAAE*”) for achievement and innovation with the Green Cooling Tower Program in Terminal 4. These awards recognize the airport’s continued focus to supporting the City’s Climate Action Plan and its own Sustainability Management Plan.

- **2017 AAAE Airport Innovation Award**

The Airport Innovation Accelerator — established by the American Association of Airport Executives (“*AAAE*”) as a hub for innovation to drive creative approaches and build airports of the future – has selected Phoenix Sky Harbor International Airport to receive the second annual Airport Innovation Award for its creative work to improve the passenger experience and deploy cutting-edge technologies. The Airport Innovation Award was established by the Airport Innovation Accelerator to honor Innovative developments that are a model for airports around the country. Phoenix secured the award for a portfolio of creative innovation to enhance the

passenger experience and make airport operations more efficient. The award was presented to Phoenix officials at the third Annual Airport Innovation Forum in Seattle.

- **2017 Arizona Forward — Governor’s Award for Arizona’s Future**

Arizona Forward awarded its prestigious Governor’s Award for Arizona’s Future to the City of Phoenix for its landmark 2017 agreement with the Gila River Indian Community to preserve endangered Colorado River water in Lake Mead. In all, Phoenix received nine awards at Arizona Forward’s 37th Annual Environmental Excellence Awards, including four Crescordia Awards, the highest honor in each category. Mayor Greg Stanton and the Phoenix City Council unanimously approved the Colorado River Conservation Agreement in June 2017 in partnership with the Gila River Indian Community, the U.S. Bureau of Reclamation and the Walton Family Foundation. Under the agreement, Phoenix works with the Tribe to preserve 13 billion gallons of its annual portion of Colorado River water in Lake Mead, which helps preserve water levels in the dangerously over-allocated reservoir.

- **2017 Nation’s Highest Performing City**

The City of Phoenix has been named the nation’s highest performing city by Governing Magazine and Living Cities through the first-ever national “Equipt to Innovate” survey. Equipt to Innovate is a new initiative launched by Governing and Living Cities. It is an integrated, collaborative framework of seven essential elements that define high-performance government and empower innovation. It is also an invitation for cities to work together, learn from each other and help drive better outcomes for their communities. The seven Equipt elements are: Dynamically Planned; Broadly Partnered; Resident-Involved; Race-Informed; Smartly Resourced; Employee-Engaged; and Data-Driven. Cities from across the country participated in the inaugural 2016 Equipt survey, assessing their capacity and competence in these seven key areas.

- **ICMA Program Excellence Awards**

- **2019 ICMA Certificate of Distinction in Performance Management**

The International City/County Management Association (“ICMA”) has recognized the City of Phoenix for its data-driven management and reporting efforts with a Certificate of Distinction for 2019. Certificates of Distinction are awarded to those who provide comparative and benchmarking information to the public, use performance data in strategic planning and operational decision-making, and share their knowledge with other local governments through presentations, site visits, and other networking activities. Phoenix is among 19 jurisdictions receiving the Certificate of Distinction and one of 63 recognized overall. This is the 18th year the City’s performance management efforts have been recognized by ICMA.

- **2017 Community Partnership Award**

The City of Phoenix was awarded the Community Partnership Award for the Phoenix/Tucson water exchange program. This award recognizes innovative programs or processes between and/or among a local government and other governmental entities, private sector businesses, individuals, or nonprofit agencies to improve the quality of life for residents or provide more efficient and effective services. The exchange agreement between Phoenix and Tucson takes advantage of the unique infrastructure of each city’s water system. Tucson’s system relies on wells, Phoenix relies on surface water, and a canal connects the two cities.

- **2017 Water Resource Utility of the Future Today Award**

The City of Phoenix Water Services Department was honored as a ‘Utility of the Future Today’ for the department’s forward-thinking initiatives. The recognition program is administered by four water sector organizations — the National Association of Clean Water Agencies (“NACWA”), the Water Environment Federation (“WEF”), the Water Environment & Reuse Foundation (“WE&RF”) and WateReuse — with input from the U.S. Environmental Protection Agency (“EPA”). The Phoenix Water Department was one of just 25 water utilities in the country to receive this recognition. The Utility of the Future Today recognition celebrates the achievements of forward-thinking, innovative water utilities that are providing resilient value-added service to communities. The recognition focuses specifically on community engagement, watershed stewardship and recovery of resources such as water, energy and nutrients.

- **Outstanding Achievement in Innovation**

- **2017 Outstanding Achievement in Innovation**

The Alliance for Innovation awarded the City of Phoenix an Outstanding Achievement in Innovation Award for PHXteens Program. Developed to help teenagers better connect with the community and to realize their full potential, the PHXteens program launched in September 2016 and is facilitated out of eight community and recreation centers located throughout the city. During its inaugural year, 233 teens registered for the program. Additionally, teens participated in 31 cultural and 24 recreational field trips, 70 teen council meetings, 28 workshops, and 2,439 volunteer hours.

- **2016 Outstanding Achievement in Innovation**

FitPHX is the recipient of the Alliance for Innovation’s Outstanding Achievement in Local Government Innovation Award. FitPHX is a citywide initiative with the goal of improving health and wellness in the region and making Phoenix area one of the healthiest in the nation. The initiative has created innovative collaboration between government, private sector, non-profits and universities to develop programming that gives citizens tools and education to be healthier. In 2015, FitPHX provided services to nearly 14,000 participants and raise \$350,000 to support its programming.

- **2013 Outstanding Achievement in Innovation**

The Alliance for Innovation awarded the City of Phoenix an Outstanding Achievement in Innovation Award for its organizational review, which resulted in a leaner work force and more efficient delivery of services. The goals of the organizational review were to eliminate layers of supervision, broaden the span of control, streamline services, identify efficiencies and reduce the size of government. Through these goals, the City was able to improve services to residents by providing for faster decision making and enhanced organizational flexibility and communications, leading to the smallest City government in 40 years, as measured by employees per capita.

- **2012 Outstanding Achievement in Innovation**

The Alliance for Innovation awarded the City of Phoenix an Outstanding Achievement in Innovation Award for the Innovation and Efficiency Task Force. Created in January 2010, the task force is comprised of City staff and public members who explore, develop and implement innovative processes that result in a more efficient delivery of City services and maximize the use of limited taxpayer dollars.

- **2016 President’s “E” Award for Export Service**

The City of Phoenix was a 2016 winner of the President’s (“E”) Award for Export Service. The President’s “E” Award was initiated in 1962 by President John F. Kennedy to recognize excellence by companies and municipalities for contributions to U.S. exporting. Phoenix is only the fifth city to earn the honor in 54 years. It is typically reserved for companies and private sector entities. The City earned the award by demonstrating a sustained commitment to export expansion with significant and broad-based support to grow exports from Phoenix, which is responsible for more than half of the exports from the State of Arizona. The support included the launch of the City’s export boot camp initiative, which teaches local small- and medium-sized businesses how to trade abroad.

- **Association of Metropolitan Water Agencies Award (AMWA)**

- **2019 Sustainable Water Utility Management**

Phoenix Water was one of the fifteen systems that received the Sustainable Water Utility Management Award for achieving a balance of innovative and successful efforts in areas of economic, social and environmental endeavors. Some of the successes that separated Phoenix Water from other municipal utilities include the acquisition of water resources to meet demand 100 years into the future; reduced energy consumption through the adoption of electronic processes such as automated meter reading; and 140 million gallons of wastewater recycled, daily. In all, 19 utilities received awards for demonstrating excellence in various areas of utility management.

– **2016 Platinum Award for Utility Excellence**

The City of Phoenix Water Services Department was honored for utility excellence by the Association of Metropolitan Water Agencies (“AMWA”) at its 2016 Executive Management Conference. The City’s Water Department was one of ten water utilities in the country to receive the Platinum Award for Utility Excellence. The Platinum Award recognizes outstanding achievement in implementing the nationally recognized Attributes of Effective Utility Management.

• **2015 Mayors’ Climate Protection Awards**

Awarded to the City by the U.S. Conference of Mayors, the annual Mayors’ Climate Protection award recognizes mayors for innovative programs that increase energy efficiency and reduce greenhouse gas emissions. The City earned the award for the Energize Phoenix Program, a large-scale, three-year building energy efficiency program, which catalyzed \$56 million in energy upgrades along a ten-square-mile urban corridor of Phoenix surrounding the newly-constructed Metro light rail. Phoenix partnered with Arizona State University and APS, Arizona’s largest electricity provider, to leverage \$25 million in program funding from the U.S. Department of Energy and \$31 million in utility funding to transform the downtown core into a green corridor. It focused on a diverse mix of single- and multi-family residential buildings and small commercial buildings offering significant rebates and financing for energy efficient upgrades.

• **2015 Sister Cities Best Overall Sister City Program Award**

In July 2015, the Phoenix Sister Cities Commission received the Sister Cities International Best Overall Sister City Program in the U.S. for cities with a population of 500,000 or more award, its highest honor. This is the eight time in the past 21 years that Phoenix has won this award. Phoenix Sister Cities highlights include a new and improved Youth Ambassador Exchange Program; a significant increase in arts and culture projects including the second annual WorldFEST celebration promoting its 10 sister cities; the Vincenzo Bellini Opera project with Catania, Italy; a police training program for Hermosillo, Mexico; and economic development projects with Chengdu, China; Catania, Italy; and Calgary, Canada as well as trade missions with Calgary and Catania.

• **National Association of Clean Water Agencies (NACWA) Awards**

– **2020 NACWA Platinum and Silver Peak Performance Awards**

The NACWA recognized the City of Phoenix Water Services Department for continued environmental and operational excellence. The Peak Performance Award is presented to utilities for continuously providing outstanding clean water. Phoenix Water received both Platinum Award and Silver Awards. Platinum Awards recognize 100% compliance with permits over a consecutive five-year period. Silver Award are presented to facilities with less than 5 permit violations for the entire calendar year.

– **2015 NACWA Platinum Peak Performance Award**

The National Association of Clean Water Agencies (“NACWA”) honored the City of Phoenix Water Services Department with the Platinum Award for seven consecutive years of perfect National Pollutant Discharge Elimination System permit compliance. NACWA is a nationally recognized leader in water quality, environmental policy and ecosystem protection issues. The City treats wastewater from 2.5 million people in Phoenix, Glendale, Mesa, Scottsdale and Tempe.

– **2012 NACWA Gold Peak Performance Award**

The NACWA honored the City of Phoenix Water Services Department with the Gold Award for consistently meeting all National Pollutant Discharge Elimination System permit limits during the calendar year. The City’s 23rd Avenue Wastewater Treatment Plant and 91st Avenue Multi-Cities Wastewater Treatment Plant were presented the award to recognize 100 percent compliance with regulatory discharge limits.

• **2014 World Airport Award (WAA)**

SkyTrax World Airport Awards (“WAA”) recognized Phoenix Sky Harbor International Airport as the 7th best airport in the world serving 40-50 million passengers. WAA is the leading global award for the world’s best airports, as voted by travelers from over 160 countries and 410 airports worldwide, in the largest airport

customer satisfaction survey. The ranking was determined by airline customers and evaluates traveler experiences across key performance indicators: check-in, arrivals, transfers, shopping, security, immigration processing and departure.

- **2014 Top Ten Digital Cities Award**

In November 2014, the City of Phoenix was named a Top Ten City in the Center for Digital Government's 2014 Digital Cities Survey. The award honors cities with best practices in public sector information and communications technology.

- **National Association of Housing and Redevelopment Officials (NAHRO) Award**

- **2014 NAHRO Award**

In August 2014, the City's Neighborhood Services Department ("*NSD*") received the Award of Merit for designing the Neighborhood Stabilization Program as an innovative, multi-faceted delivery approach to revitalize communities affected by the foreclosure crisis. With funding from the U.S. Department of Housing and Urban Development, accomplishments of the program include 395 homes rehabilitated to energy efficiency building standards, 191 homebuyers receiving down-payment assistance, 102 demolition projects completed using green methods and strategies, and a rescued subdivision featuring 14 newly constructed, solar-powered, single-family homes Gold certified to the National Green Building Standard.

- **2014 NBC-LEO City Cultural Diversity Award**

In March 2014, the City of Phoenix was recognized by the National Black Caucus of Local Elected Officials ("*NBC-LEO*") of the National League of Cities for its "Phoenix Against Domestic Violence - A Roadmap to Excellence" Program. The Roadmap to Excellence Program is a five-year strategic plan to end domestic violence in the City. More than 50 community partners, including private and nonprofit organizations, collaborated to create a plan that includes a community and media campaign focusing on five strategies: community awareness, coordinated service delivery, systems reform, "Phoenix as a Model," and community partnerships.

- **2013 Sunny Award**

Awarded to the City of Phoenix by Sunshine Review, a national nonprofit organization dedicated to government transparency. The award honors the most transparent government websites in the nation. This is the fourth time the City has won the award.

- **2013 NGWA Outstanding Groundwater Protection Award**

The National Ground Water Association ("*NGWA*") annually awards the Groundwater Protection Award to the organization that exhibits outstanding science, engineering, or innovation in the area of protecting groundwater. The City of Phoenix Water Services Department received the award for incorporating innovative technologies in the aquifer restoration program. Phoenix was the first city in the country to use the technology, which has reduced annual operations and maintenance costs by over \$110,000.

- **2013 Technology "Best of the Web" Award**

The City of Phoenix Information Technology Services Department received a ("*Best of the Web*") award from the Multi-State Information Sharing and Analysis Center for the City's Information Security and Privacy website.

- **2013 National Institute of Senior Centers (NISC)**

A Program of Excellence Award was received by the City of Phoenix Human Services Department for its FitPHX Senior Champions Passport Program in the Nutrition, Fitness and Health Promotion category. The program is offered at the City's fifteen senior centers.

- **2012 NBC-LEO City Cultural Diversity Award**

In March 2012, the City of Phoenix was recognized by the National Black Caucus of Local Elected Officials ("*NBC-LEO*") of the National League of Cities for the City Manager's Community Engagement and Outreach Task Force. The task force was established in 2010 as a community-based, long-term effort to enhance the relationship between the Phoenix Police Department and the community.

ECONOMY & DEMOGRAPHICS ⁽¹⁾

Overview

The sixth largest state in terms of area, Arizona’s population in 2021 reached approximately 7.3 million people—an increase of 2.1 million since the turn of the current century. Over 4.9 of the 7.3 million residents in 2021 live within the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (the “*Phoenix MSA*”).

At the beginning of the 20th century, the Arizona economy relied heavily on copper, cattle, cotton, climate, and citrus. Today, the local economy is far more diversified. It includes many significant value-added sectors such as aerospace and defense, financial services, and the semi-conductor industry.

Approximately 68% of the state’s total population in 2021 resided in the Phoenix MSA. In terms of land area, the Phoenix MSA is often described as a sprawling metropolitan area with a low-density population. The city of Phoenix, both the state capital and largest city in the Phoenix MSA, is generally flat and surrounded by scattered, low mountain ranges. The subtropical desert climate is conducive to a variety of outdoor recreation activities during all twelve months. Both the topography and climate attract many visitors and out-of-state tourists, further bolstering the economy.

In 2022, the Phoenix MSA accounted for 74.9% of total state employment. Professional and business services was the largest source of employment in the MSA (16.9%). Other major sources included education and health care (15.6%), retail and wholesale trade (14.6%), government (10.3%), leisure and hospitality (10.2%), and financial activities (9.4%).

In 2021, the Phoenix MSA was the 27th largest U.S. exporter by merchandise export value based on origin of movement zip code data collected by the International Trade Administration. In total, the Phoenix MSA exported more than \$14.1 billion in goods that year—a 27.9% increase over 2020 (the year of the pandemic).

Local economists forecast the Greater Phoenix population will increase by 1.7% year-on-year in 2023. They also forecast a 3.0% increase in wage and salary employment, and a 4.7% increase in personal income.⁽²⁾

Key Phoenix MSA Statistics:

- 10th most populous MSA in the nation in 2021 with a population of 4,946,145.
- Civilian labor force of almost 2.6 million in 2021.
- Unemployment rate of 5.1% in 2021.
- High compound annual growth rates in multiple industries including 5.8% in construction, 5.6% in transportation, warehousing, and utilities, 3.8% in financial activities, 3.5% in education and health services, 3.5% in information, and 3.2% in professional and business services, 2011 through 2022.
- Accounted for 75.3% of annual statewide Gross Domestic Product (GDP) in 2021, and real GDP per capita of \$52,911 (in 2012 chained dollars).
- 27th largest U.S. exporter by merchandise export value (\$14.1 billion) in 2021.
- Mexico (\$2.8 billion), China (\$1.1 billion) and Canada (\$1.1 billion) were the top foreign markets for exports goods in 2021.
- Provisional total of 47,369 housing permits in 2022.
- Approximately 56.6% of housing permits in 2022 were for single residential units.

(1) The economic information contained herein has been prepared for the City of Phoenix by the L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University, in April 2023.

(2) Source: Greater Phoenix Blue Chip 2022 Q3 forecast, available at: <http://seidmaninstitute.com/greater-phoenix-blue-chip/>

- A top 3 market for retail developments over the next two years.⁽¹⁾
- Record year-end net absorption for industrial real estate in 2022 for the fourth consecutive year.

Key City of Phoenix Statistics:

- Population of 1,624,569 in 2021 – the fifth most populous city in the nation.
- Accounts for 22.4% the state’s population and 32.8% of the population of the Phoenix MSA in 2021.
- Census Bureau classifies 50.3% of Phoenix residents as male, and 49.7% as female.
- Most residents identify as either Caucasian (39.8%) or Hispanic/Latino (42.7%).
- Median age of 34.5 years for all residents in 2021 (34.1 male, 35.1 female).
- 806,532 residents ages 16 and older were employed in the civilian labor force in 2021.
- 40.7% of working residents held jobs in management, business, science and the arts in 2021.
- An additional 37.9% of jobs held in service, sales and office occupations in 2021.
- Median household income of \$68,435 in 2021 (expressed in 2019 dollars).
- 93.4% of housing units occupied in 2021.
- On average, 2.76 people per unit in owner occupied housing, and 2.52 people average household size in renter occupied housing.

Population

The Phoenix MSA encompasses 14,565 square miles, containing both Maricopa County (9,199 square miles) and Pinal County (5,365 square miles). Phoenix is the principal city of the Phoenix MSA, measuring 517.7 square miles. The U.S. Census Bureau estimates that the Phoenix MSA has 4.9 million residents in 2021, including eight cities with populations in excess of 125,000. These are: Mesa (509,475), Chandler (279,458), Gilbert (273,136), Glendale (249,630), Scottsdale (242,753), Peoria (194,917), Tempe (184,118), and Surprise (149,191). Three other cities have populations in excess of 75,000 within the Phoenix MSA as of July 1, 2021. These are: Goodyear (101,733) Buckeye (101,315), and Avondale (90,564).

In recent years, the Phoenix MSA has been home to the majority of the Arizona population. Furthermore, population growth for the Phoenix MSA outpaces population growth for the state as a whole. In 1990 the Phoenix MSA accounted for 61.1% of the State of Arizona’s total population. In 2000, it accounted for 63.4% of the State of Arizona’s total population. In 2010, the Phoenix MSA accounted for 65.4% of the State of Arizona’s total population. In 2021, it accounted for 68.0% of the State of Arizona’s total population. The Tucson MSA (Pima County) was home to 14.5% of the state’s residents in 2021. Five other metro areas combined (Flagstaff, Lake Havasu City-Kingman, Prescott, Sierra Vista-Douglas, and Yuma) accounted for 12.9% of the state’s population, with the remaining 4.7% living in nonmetropolitan areas in 2021.

The following table compares the population of the Phoenix MSA with 21 peer MSAs. The peer MSAs consist of every western MSA of more than one million people, plus other Sun Belt MSAs of more than 2 million people. The population numbers for 2010 and 2020 are based on actual counts from the 2010 and 2020 decennial censuses respectively. The estimates for 2011-2019 are based on the 2010 decennial census. The estimate for 2021 is based on the 2020 decennial census. Once decennial census results are available, the estimates for the preceding decade are revised. This has not happened yet since the Census Bureau still has not produced detailed results from the 2020 census. As a result, any attempt to calculate percentage changes in population growth are estimates. The Phoenix MSA ranked 6th in total population in 2021 among the 22 MSAs listed in the table. Nationwide, it is ranked 10th in total population among all 384 MSAs. ⁽²⁾

(1) CBRE Phoenix Retail Market Report, Phoenix Office, Q4 2022

(2) ACS 5-year estimates.

It is important to note that in 1994, the U.S. Office of Management and Budget (“OMB”) redefined the Phoenix MSA to include both Maricopa and Pinal counties. The rate of population growth in the Phoenix MSA has continued to outpace the rate of population growth in the State of Arizona. There have been no further geographic changes to the Phoenix MSA although the name has been subject to change, as different growth rates across cities have changed the rank of the cities within an MSA by population size.

**Population
Metropolitan Statistical Areas⁽¹⁾
(in thousands)**

	As of July 1							Percent Growth 2010-21
	2010	2012	2014	2016	2018	2020	2021	
Phoenix-Mesa-Scottsdale, AZ	4,204.30	4,330.50	4,490.40	4,675.30	4,851.80	4,867.90	4,946.10	17.6%
Atlanta-Sandy Springs-Roswell, GA	5,302.70	5,445.50	5,595.20	5,791.90	5,951.40	6,101.10	6,144.10	15.9
Austin-Round Rock, TX	1,727.50	1,834.90	1,943.00	2,062.80	2,166.80	2,299.10	2,352.40	36.2
Charlotte-Concord-Gastonia, NC-SC	2,250.20	2,319.30	2,401.70	2,501.80	2,596.20	2,669.70	2,701.00	20.0
Dallas-Fort Worth-Arlington, TX	6,392.10	6,644.50	6,889.60	7,195.50	7,457.60	7,662.30	7,759.60	21.4
Denver-Aurora-Lakewood, CO	2,554.60	2,650.90	2,755.20	2,858.50	2,934.00	2,969.30	2,972.60	16.4
Houston-The Woodlands-Sugar Land, TX	5,947.20	6,183.10	6,499.40	6,806.30	6,974.90	7,137.70	7,206.80	21.2
Las Vegas-Henderson-Paradise, NV	1,952.60	1,989.60	2,053.90	2,140.20	2,229.00	2,273.40	2,292.50	17.4
Los Angeles-Long Beach-Anaheim, CA	12,838.00	13,010.10	13,160.00	13,259.10	13,237.10	13,173.30	12,997.40	1.2
Miami-Fort Lauderdale-West Palm Beach, FL	5,583.50	5,746.10	5,894.40	6,055.10	6,140.60	6,126.40	6,091.70	9.1
Orlando-Kissimmee-Sanford, FL	2,139.20	2,226.10	2,325.30	2,457.40	2,576.30	2,677.70	2,691.90	25.8
Portland-Vancouver-Hillsboro, OR-WA	2,232.30	2,289.20	2,345.40	2,428.60	2,475.20	2,516.20	2,511.60	12.5
Riverside-San Bernardino-Ontario, CA	4,242.40	4,333.90	4,413.60	4,509.00	4,608.80	4,605.50	4,653.10	9.7
Sacramento-Roseville-Arden-Arcade, CA	2,153.60	2,190.30	2,235.60	2,292.00	2,343.30	2,399.40	2,411.40	12.0
Salt Lake City, UT	1,091.50	1,124.00	1,151.80	1,185.40	1,218.90	1,259.50	1,263.10	15.7
San Antonio-New Braunfels, TX	2,153.00	2,237.10	2,329.00	2,426.10	2,512.50	2,566.70	2,601.80	20.8
San Diego-Carlsbad, CA	3,103.30	3,175.10	3,249.30	3,305.50	3,332.50	3,297.30	3,286.10	5.9
San Francisco-Oakland-Hayward, CA	4,343.90	4,455.90	4,585.30	4,688.00	4,725.60	4,739.60	4,623.30	6.4
San Jose-Sunnyvale-Santa Clara, CA	1,841.50	1,894.30	1,949.20	1,987.40	1,993.40	1,995.10	1,952.20	6.0
Seattle-Tacoma-Bellevue, WA	3,449.40	3,559.70	3,676.80	3,819.80	3,937.50	4,024.70	4,011.60	16.3
Tampa-St. Petersburg-Clearwater, FL	2,788.40	2,844.30	2,928.60	3,051.60	3,158.70	3,183.40	3,219.50	15.5
Tucson, AZ	981.60	993.20	1,004.50	1,017.10	1,037.70	1,045.60	1,052.00	7.2

Source: U.S. Census Bureau

(1) Estimates for 2020 and 2021 are tied to the 2020 census. Estimates for 2010 through 2019 are tied to the 2010 census and therefore are not comparable.

Based on July 1, 2021, estimates, the U.S. Census Bureau ranks the city of Phoenix as the 5th most populous city in the United States at 1,624,569 residents. This is an increase in population of 13,224 compared to the 2020 estimate. Phoenix has held the same ranking since 2016. City estimates for 2021 are tied to the 2020 decennial census. In 2021, the city of Phoenix accounted for 32.8% of the population of the Phoenix MSA, and 22.4% of the total population of the State of Arizona.

Ten Most Populous U.S. Cities, July 1, 2021

<u>Rank</u>	<u>City</u>	<u>State</u>	<u>Population</u>
1	New York	New York	8,467,513
2	Los Angeles	California	3,849,297
3	Chicago	Illinois	2,696,555
4	Houston	Texas	2,288,250
5	Phoenix	Arizona	1,624,569
6	Philadelphia	Pennsylvania	1,576,251
7	San Antonio	Texas	1,451,853
8	San Diego	California	1,381,611
9	Dallas	Texas	1,288,457
10	San Jose	California	983,489

Source: U.S. Census Bureau

**City of Phoenix Population
As a Percent of The Phoenix MSA and The State ⁽¹⁾**

<u>Year</u>	<u>City of Phoenix</u>	<u>Maricopa and Pinal Population (Combined)</u>	<u>Percentage of State of Arizona Population</u>
2021	1,624,569	32.8%	22.4%
2020 ⁽²⁾	1,608,139	33.2	22.5
2019	1,680,992	34.0	23.1
2018	1,654,675	34.1	23.1
2017	1,633,560	34.3	23.2
2016	1,612,199	34.5	23.2
2015	1,583,690	34.6	23.2
2014	1,555,445	34.7	23.1
2013	1,526,491	34.7	23.0
2012	1,499,274	34.6	22.9
2011	1,469,796	34.6	22.7
2010	1,449,038	34.5	22.6

(1) The 2010-2019 estimates are based on the 2010 Census and reflect changes to the April 1, 2010 population due to the Count Question Resolution program and geographic program revisions.

(2) The 2020 estimate is based on the 2020 decennial census and is not directly comparable with 2010-2019 estimates.

Source: U.S. Census Bureau

Employment

Rapid population growth post World War II has helped to diversify the Arizona economy from extraction-based operations such as copper, cattle, cotton, climate, and citrus to higher value-added sectors such as advanced manufacturing, aerospace and defense, bioscience, and financial services.

Between 1990 and 2008, Arizona's civilian labor force saw growth of more than 80%. On average, approximately 95.7% of Arizona's civilian labor force was employed each year between 1990 and 2008. Civilian labor force employment in the Phoenix MSA increased from 2011 through 2021. In 2021, a total of 2,447,590 people in the civilian labor force in the Phoenix MSA were employed, equivalent to 94.2% of the total labor force. There was a 4.8% increase in total employment in the Phoenix MSA in 2021 compared to 2020, representing 73% of the state's total employment in 2021. The table below includes revisions to the 2017-2021 data. The 2022 estimate for the Phoenix MSA is preliminary.

**Civilian Labor Force Employment:
Phoenix MSA, State of Arizona, and The U.S.
(Not seasonally adjusted)**

<u>Year</u>	<u>Phoenix MSA Employment (1)</u>	<u>State of Arizona Employment (2) (3)</u>	<u>U.S. Employment</u>
2022	2,349,325	3,477,033	158,291,000
2021	2,447,590	3,352,198	152,581,000
2020	2,335,941	3,199,851	147,795,000
2019	2,382,993	3,265,708	157,538,000
2018	2,299,818	3,166,013	155,761,000
2017	2,218,169	3,079,700	153,337,000
2016	2,146,700	3,075,851	151,436,000
2015	2,076,931	2,990,545	148,834,000
2014	2,002,699	2,906,193	146,305,000
2013	1,939,092	2,825,341	143,929,000

(1) MSA data for 2022 is a preliminary estimate.

(2) The 2013-2017 data reflects revised population controls and model re-estimation.

(3) The 2017-2021 data was revised in March 2022.

Source: U.S. Bureau of Labor Statistics

The following table compares the labor force of the Phoenix MSA with 21 peer MSAs. The peer MSAs consist of every western metro of more than one million people, plus other Sun Belt MSAs of more than 2 million people. Five of the peer MSAs had a total labor force higher than the Phoenix MSA in 2021. These are Los Angeles-Long Beach-Anaheim (CA); Dallas-Fort Worth-Arlington (TX); Houston-The Woodlands-Sugar Land (TX); Atlanta-Sandy Springs-Roswell (GA); and Miami-Fort Lauderdale-W. Palm Beach (FL). In 2021, the Phoenix MSA ranked 6th in terms of total labor force among the 22 MSAs examined.

**Comparison of the Phoenix MSA’S Total Labor Force
Status with 21 Peer MSAs
(Not seasonally adjusted)**

<u>MSA</u>	<u>2011</u>	<u>2013</u>	<u>2015</u>	<u>2017</u>	<u>2019</u>	<u>2021</u>
Phoenix-Mesa-Scottsdale, AZ	2,054.40	2,079.10	2,191.50	2,318.20	2,488.60	2,578.60
Atlanta-Sandy Springs-Roswell, GA	2,754.70	2,786.30	2,814.30	3,063.80	3,104.80	3,116.00
Austin-Round Rock, TX	960.10	1,017.40	1,073.50	1,158.60	1,239.20	1,289.50
Charlotte-Concord-Gastonia, NC-SC	1,159.80	1,187.80	1,239.50	1,309.30	1,368.90	1,370.20
Dallas-Fort Worth-Arlington, TX	3,372.90	3,467.30	3,583.80	3,806.00	3,974.40	4,080.40
Denver-Aurora-Lakewood, CO	1,428.20	1,463.40	1,506.00	1,587.40	1,666.40	1,710.90
Houston-The Woodlands-Sugar Land, TX	3,040.00	3,176.10	3,259.30	3,333.60	3,427.30	3,424.60
Las Vegas-Henderson-Paradise, NV	986.30	998.10	1,027.30	1,067.10	1,150.10	1,123.60
Los Angeles-Long Beach-Anaheim, CA	6,485.50	6,515.30	6,558.10	6,695.70	6,736.00	6,628.60
Miami-Fort Lauderdale-W. Palm Beach, FL	2,857.10	2,915.10	2,980.90	3,091.50	3,148.30	3,119.80
Orlando-Kissimmee-Sanford, FL	1,140.10	1,176.30	1,225.50	1,299.10	1,361.00	1,317.70
Portland-Vancouver-Hillsboro, OR-WA	1,213.00	1,187.60	1,230.10	1,298.60	1,328.10	1,349.40
Riverside-San Bernardino-Ontario, CA	1,864.60	1,886.60	1,952.80	2,014.30	2,070.70	2,096.50
Sacramento-Roseville-Arden-Arcade, CA	1,043.60	1,042.80	1,053.00	1,074.70	1,098.80	1,094.40
Salt Lake City, UT	569.80	589.80	611.90	646.10	668.60	687.00
San Antonio-New Braunfels, TX	1,038.40	1,070.60	1,106.40	1,168.50	1,202.30	1,226.60
San Diego-Carlsbad, CA	1,521.70	1,537.60	1,548.80	1,571.90	1,580.10	1,537.90
San Francisco-Oakland-Hayward, CA	2,340.20	2,404.30	2,477.90	2,545.30	2,575.20	2,463.30
San Jose-Sunnyvale-Santa Clara, CA	966.10	997.00	1,042.00	1,068.60	1,080.50	1,052.70
Seattle-Tacoma-Bellevue, WA	1,872.60	1,909.10	1,981.40	2,075.00	2,169.00	2,192.50
Tampa-St. Petersburg-Clearwater, FL	1,390.10	1,416.50	1,447.10	1,504.90	1,555.30	1,624.80
Tucson, AZ	469.30	462.30	467.80	477.10	497.40	498.90

Source: U.S. Bureau of Labor Statistics

In 2021, the top source of total non-farm employment, expressed as a percentage of total employment in the Phoenix MSA was professional and business services (16.8%). Professional and business services include professional, scientific, and technical services, the management of companies and enterprises, administrative, and waste management services. Other notable sources of employment were education and health services (15.6%), retail and wholesale trade (14.9%), government (10.8%), leisure and hospitality (9.8%), and financial activities (9.7%). The industries listed in the following table are referred to as “supersectors” by the U.S. Bureau of Labor Statistics.

The table below compares wage and salary employment in the Phoenix MSA, the State of Arizona, and the nation. In 2022, the top source of total nonfarm employment, expressed as a percentage of total employment in the Phoenix MSA, was professional and business services (16.9%). Professional and business services include professional, scientific and technical services, the management of companies and enterprises, administrative, and waste management services. Other notable sources of employment were education and health services (15.6%), retail and wholesale trade (14.6%), government (10.3%), leisure and hospitality (10.2%), and financial activities (9.4%). The industries listed in the following table are referred to as “supersectors” by the U.S. Bureau of Labor Statistics.

**2022 Wage & Salary Employment:
Phoenix MSA, Arizona, and U.S.**

<u>Industry</u>	<u>Total Employed (in thousands)</u>			<u>Percent of Employed</u>		
	<u>Phoenix MSA</u>	<u>State of Arizona</u>	<u>U.S.</u>	<u>Phoenix MSA</u>	<u>State of Arizona</u>	<u>U.S.</u>
Mining & Logging	3.0	12.8	605.0	0.1%	0.4%	0.4%
Construction	151.9	193.5	7,748.0	6.5	6.3	5.1
Manufacturing	147.3	192.5	12,825.0	6.4	6.2	8.4
Total Goods Producing	302.2	398.9	21,178.0	13.0	12.9	13.9
Retail & Wholesale Trade	337.8	453.5	21,437.9	14.6	14.6	14.0
Transportation, Warehousing, Utilities	115.9	149.2	7,205.0	5.0	4.8	4.7
Information	43.1	51.3	3,074.0	1.9	1.7	2.0
Financial Activities	218.2	249.4	9,045.0	9.4	8.1	5.9
Professional & Business Services	392.4	469.0	22,572.0	16.9	15.2	14.8
Education & Health Services	362.9	482.5	24,350.0	15.6	15.6	16.0
Leisure and Hospitality	235.5	334.4	15,835.0	10.2	10.8	10.4
Other Services	72.4	96.9	5,708.0	3.1	3.1	3.7
Government	238.7	410.5	22,171.0	10.3	13.2	14.6
Total Services Providing	2,016.9	2,696.7	131,397.9	87.0	87.1	86.1
Total Non-farm	<u>2,319.1</u>	<u>3,095.5</u>	<u>152,575.9</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: U.S. Bureau of Labor Statistics

The Phoenix MSA’s employment within goods-producing sectors (i.e., mining, manufacturing, and construction) were 0.1% higher as a share of total employment than the State of Arizona, but 0.9% lower than the nation in 2022. Approximately 87.0% of the employment within the Phoenix MSA in 2022 was in service providing industries. Government accounted for 238,700 of the 2,017,000 services employment in the Phoenix MSA.

The following table presents the number of annual employees by industry in the Phoenix MSA, 2012 through 2022. Also included is a table comparing the Phoenix MSA compound annual growth rate by industry to the State of Arizona and the U.S. The highest compound annual growth rates in the Phoenix MSA occurred in construction (5.8%), transportation, warehousing, and utilities (5.6%), and financial activities (3.8%). There were also compound annual growth rates of 3.0% or more in education and health services (3.5%), information (3.5%), and professional and business services (3.2%).

**Non-Farm Wage and Salary Employment
Phoenix MSA
(Annual employees in thousands)**

	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>	<u>2022</u>
Mining & Logging	3.5	3.4	3.2	3.5	2.9	3.0
Construction	88.0	95.4	105.3	123.0	135.6	151.9
Manufacturing	117.5	119.6	121.6	128.8	134.3	147.3
Retail & Wholesale Trade	285.0	293.2	305.2	315.7	312.5	337.8
Transportation, Warehousing, Utilities	66.2	69.3	79.4	87.1	101.6	115.9
Information	32.2	36.1	37.2	39.0	37.9	43.1
Financial Activities	150.3	161.6	177.8	192.0	206.7	218.2
Professional & Business Services	284.7	308.2	336.8	358.5	359.0	392.4
Education & Health Services	257.6	271.0	296.6	324.3	336.2	362.9
Leisure and Hospitality	183.3	199.1	215.6	228.1	193.4	235.5
Other Services	62.3	63.5	65.6	69.1	62.7	72.4
Government	229.9	232.6	235.4	239.4	240.6	238.7
Total Non-Farm	<u>1,760.5</u>	<u>1,853.6</u>	<u>1,979.7</u>	<u>2,108.5</u>	<u>2,123.4</u>	<u>2,319.1</u>

Source: U.S. Bureau of Labor Statistics

**Non-Farm Wage and Salary Employment
Phoenix MSA
(2011 to 2022 compound annual growth rate)**

	<u>Phoenix MSA</u>	<u>State of Arizona</u>	<u>U.S.</u>
Mining & Logging	-0.6%	0.9%	-2.4%
Construction	5.8	5.3	3.1
Manufacturing	2.4	2.2	0.8
Retail & Wholesale Trade	1.6	1.5	0.6
Transportation, Warehousing, Utilities	5.6	5.3	3.7
Information	3.5	2.7	1.3
Financial Activities	3.8	3.5	1.5
Professional & Business Services	3.2	2.8	10.3
Education & Health Services	3.5	2.8	1.7
Leisure and Hospitality	2.6	2.3	1.6
Other Services	1.2	0.9	0.6
Government	0.4	0.1	0.0
Total Non-Farm	<u>2.8%</u>	<u>2.3%</u>	<u>1.3%</u>

Source: U.S. Bureau of Labor Statistics

The compound annual growth for total nonfarm industries in the Phoenix MSA from 2011 to 2022 was higher than both the state's and the nation's compound annual growth for total nonfarm industries. In fact, compound annual growth in the Phoenix MSA was higher than the state's compound annual growth in all categories examined except mining and logging. Compound annual growth in the Phoenix MSA was also higher than the nation's compound annual growth in all categories except professional and business services. Between 2011 and 2022, the compound annual growth rate for employment in goods producing industries was 3.9% in the Phoenix MSA, a higher growth rate than the state's 3.5% and the nation's 1.5%. For service providing industries, the compound annual growth rate in the Phoenix MSA was 2.6%—a higher growth rate than the state's 2.1%, and the nation's 1.3%.

The table below shows that the Phoenix MSA’s total nonfarm job growth in percent terms was higher than the growth rates for the State of Arizona and the nation from 2013 through 2019, and for 2021 through 2022. The table also shows that the Phoenix MSA’s total nonfarm negative growth rate in percent terms in 2020 was lower than the equivalent losses for the State of Arizona and the nation.

**Comparison of Total Annual
Job Growth Rates**

<u>Year</u>	<u>Phoenix MSA</u>	<u>State of Arizona</u>	<u>U.S.</u>
2022	4.4%	4.2%	4.3%
2021	4.6	4.1	2.9
2020	-2.6	-3.0	-5.8
2019	3.4	3.0	1.3
2018	3.4	2.9	1.6
2017	3.0	2.5	1.6
2016	3.4	2.7	1.8
2015	3.4	2.6	2.1
2014	2.3	2.0	1.9
2013	2.9	2.3	1.6

Source: U.S. Bureau of Labor Statistics

Unemployment

The following table summarizes the proportion of the civilian labor force unemployed each year in the Phoenix MSA since 2013. The unemployment rate in the Phoenix MSA decreased steadily between 2011 and 2018 but increased slightly in 2019. In 2020, the Phoenix MSA unemployment rate increased significantly due to the global pandemic. The current unemployment rate in the Phoenix MSA is 5.1% based on 2021 data.

**Civilian Labor Force Unemployment:
Phoenix MSA, State of Arizona, and The U.S.
(Not seasonally adjusted)**

<u>Year</u>	<u>Phoenix MSA Unemployment Number (1)</u>	<u>Phoenix MSA Unemployment Rate (1)</u>	<u>State of Arizona Unemployment Rate</u>	<u>U.S. Unemployment Rate</u>
2022	N/A	N/A	3.8%	3.6%
2021	131,005	5.1%	4.9	5.4
2020	186,761	7.4	7.9	8.1
2019	105,651	4.3	4.9	3.7
2018	100,754	4.2	4.8	3.9
2017	99,981	4.3	5.0	4.4
2016	106,455	4.7	5.5	4.9
2015	114,606	5.2	6.1	5.3
2014	125,660	5.9	6.8	6.2
2013	140,008	6.7	7.8	7.4

(1) MSA data for 2022 is currently unavailable.

Source: U.S. Bureau of Labor Statistics

The following table compares the unemployment rate in the Phoenix MSA with 21 peer MSAs. The peer MSAs consist of every western MSA of more than one million people, plus other Sun Belt MSAs of more than 2 million people. There are 17 MSAs with higher unemployment rates than Phoenix MSA in 2021 among the 22 examined.

**Comparison of the Phoenix MSA’S Labor Force
And Unemployment Status with 21 peer MSAs
(not seasonally adjusted)**

<u>MSA</u>	<u>Unemployment Rate (percent of labor force)</u>					
	<u>2011</u>	<u>2013</u>	<u>2015</u>	<u>2017</u>	<u>2019</u>	<u>2021</u>
Phoenix-Mesa-Scottsdale, AZ	8.6%	6.7%	5.2%	4.3%	4.3%	4.5%
Atlanta-Sandy Springs-Roswell, GA	9.8	7.7	5.8	4.6	3.4	3.9
Austin-Round Rock, TX	6.8	5.2	3.4	3.2	2.7	4.1
Charlotte-Concord-Gastonia, NC-SC	10.6	7.6	5.4	4.3	3.5	4.6
Dallas-Fort Worth-Arlington, TX	7.8	6.2	4.1	3.7	3.3	5.1
Denver-Aurora-Lakewood, CO	8.6	6.5	3.6	2.5	2.6	5.5
Houston-The Woodlands-Sugar Land, TX	8.1	6.1	4.6	5.1	3.8	6.4
Las Vegas-Henderson-Paradise, NV	13.5	10.0	6.9	5.2	4.1	8.3
Los Angeles-Long Beach-Anaheim, CA	11.5	9.0	6.2	4.5	4.1	8.2
Miami-Fort Lauderdale-West Palm Beach, FL	9.7	7.4	5.6	4.3	3.0	4.9
Orlando-Kissimmee-Sanford, FL	10.0	7.3	5.2	3.9	3.2	5.1
Portland-Vancouver-Hillsboro, OR-WA	8.8	7.0	5.1	3.8	3.5	5.1
Riverside-San Bernardino-Ontario, CA	13.3	10.0	6.6	5.1	4.1	7.4
Sacramento-Roseville-Arden-Arcade, CA	12.0	8.8	5.9	4.6	3.7	6.4
Salt Lake City, UT	7.0	4.1	3.4	3.0	2.5	2.8
San Antonio-New Braunfels, TX	7.4	5.8	3.8	3.5	3.1	5.2
San Diego-Carlsbad, CA	10.5	7.9	5.2	4.0	3.3	6.5
San Francisco-Oakland-Hayward, CA	9.3	6.5	4.3	3.4	2.7	5.6
San Jose-Sunnyvale-Santa Clara, CA	9.6	6.7	4.3	3.3	2.6	4.8
Seattle-Tacoma-Bellevue, WA	8.2	5.3	4.6	4.0	3.2	4.8
Tampa-St. Petersburg-Clearwater, FL	9.9	7.2	5.3	4.1	3.4	4.2
Tucson, AZ	8.4	6.8	5.5	4.6	4.6	5.0

Source: U.S. Bureau of Labor Statistics

The following table estimates the top 50 major employers in the Phoenix MSA in 2021.

Phoenix MSA Top 50 Employers, 2021

<u>Employer</u>	<u>Employees</u>	<u>Sector</u>
Banner Health	29,502	Health
State of Arizona	27,703	Government
Walmart	22,089	Retail
Amazon	18,783	Retail
Fry's Food Stores	16,296	Retail
Wells Fargo	14,088	Finance & Insurance
Maricopa County	12,737	Government
Intel Corporation	11,811	Manufacturing
Arizona State University	11,358	Education
City of Phoenix	10,430	Government
Home Depot	9,204	Retail
Bank of America	8,839	Finance & Insurance
JPMorgan Chase Bank National Association	8,802	Finance & Insurance
Dignity Health	8,743	Health
Honor Health	8,670	Health
Mesa Unified School District 4	8,229	Education
American Express	7,786	Finance & Insurance
Honeywell	7,777	Manufacturing
Maricopa County Community College District	7,756	Education
State Farm Insurance	7,719	Finance & Insurance
United States Postal Service	7,536	Government
McDonalds	7,344	Accommodation & Food Services
United States Department of the Air Force	7,328	Government
Safeway	6,868	Retail
Mayo Clinic	6,125	Health
SRP	5,418	Utilities
CVS Pharmacy	5,411	Retail
Walgreens Co	5,308	Retail
Pinnacle West Capital Corporation	5,141	Utilities
U Haul	5,109	Management of Companies & Enterprises
Phoenix Children's Hospital	5,080	Health
Chandler Unified School District 80	5,034	Education
Target	4,942	Retail
Costco Wholesale	4,906	Retail
Unitedhealth Group	4,644	Health
United Parcel Service	4,585	Transportation & Warehousing
Paradise Valley Unified School District 69	4,183	Education
Peoria Unified School District 11	4,146	Education
Valleywise Health	4,086	Health
Abrazo Healthcare	4,067	Health
Kyrene School District 28	4,036	Education
USAA	3,963	Finance & Insurance
The Boeing Company	3,945	Aerospace & Defense
Grand Canyon University	3,932	Education
Deer Valley Unified School District 97	3,919	Education
Starbucks	3,710	Accommodation & Food Services
City of Mesa	3,600	Government
Circle K	3,587	Retail
Sprouts Farmers Market	3,563	Retail
Gilbert Unified School District 41	3,557	Education

Source: Maricopa Association of Governments, (2023). 2021 Employer Database

Gross Domestic Product

Gross Domestic Product, or GDP, is the monetary value of all finished goods and services produced in the U.S. on an annual basis. GDP includes all public and private sector purchases, government expenditures, investments, and the difference between exports and imports. This metric is often used by economists to describe the health of the U.S. economy. Between 2001 and 2008, the Phoenix MSA was a major contributor to the state's GDP, accounting for more than 75% of the value. In 2009 and 2010, the Phoenix MSA's annual contribution to state GDP fell to approximately 74%. Since 2011, the annual GDP of the Phoenix MSA (in current dollars) has increased steadily (apart from in 2017). In 2021, the GDP of the Phoenix MSA was 75.3% of the State of Arizona's GDP. This share was 0.3 percentage points greater than the percentage share in 2020.

Phoenix MSA's Annual Contributions to GDP In the State of Arizona

<u>Year</u>	<u>GDP (millions of current dollars)</u>		<u>Phoenix MSA Percent Contribution to State</u>
	<u>Phoenix MSA</u>	<u>State of Arizona</u>	
2021	\$316,091	\$420,027	75.3%
2020	286,399	382,072	75.0
2019	278,657	327,394	85.1
2018	260,831	351,880	74.1
2017	244,310	332,002	73.6
2016	230,743	313,081	73.7
2015	219,957	299,393	73.5
2014	209,291	287,667	72.8
2013	201,281	278,952	72.2
2012	195,823	271,440	72.1
2011	185,789	260,916	71.2

Source: U.S. Bureau of Economic Analysis

Between 2001 and 2007, private industries were the top contributor to total GDP. Private Industries contributed on average 90.3% of the Phoenix MSA's total GDP, while the average annual government contribution was 9.7%. When the recession began in 2008, the GDP contribution of the Phoenix MSA's private industries fell, hitting 88.5% in 2010. The following table estimates the percent contribution (in current or nominal dollars) of different Phoenix MSA industry sectors to GDP in the State of Arizona. In 2021, private industries in total contributed 91.1% of GDP in the Phoenix MSA, 0.55% higher than in 2020. Finance, insurance, real estate, rental, and leasing accounted for 24.3% of the Phoenix MSA's total GDP in 2021. Professional and business services accounted for 13.1% of total GDP that same year. Education and health care accounted for 9.5% of total GDP in 2021—the third highest contribution in the Phoenix MSA.

Phoenix MSA
GDP Contribution by Industry Sector

Industry Sector	GDP Contribution (in millions of dollars)					
	2011	2013	2015	2017	2019	2021
Private Industries-						
Agriculture, Forestry, Fishing, and Hunting	\$713.0	\$870.5	\$783.1	\$878.2	\$827.7	\$743.4
Mining, Quarrying, and Extraction	2,480.8	1,766.0	1,192.1	1,411.2	1,246.2	2,035.3
Utilities	3,436.1	3,561.4	3,879.6	4,234.0	4,682.0	5,793.0
Construction	6,993.0	8,054.9	9,113.3	11,782.6	15,236.6	17,619.4
Manufacturing	17,905.5	16,578.2	19,345.9	21,012.0	24,632.7	27,848.6
Wholesale Trade	13,304.0	14,417.2	14,949.6	16,142.5	17,367.5	20,474.9
Retail Trade	14,645.3	15,244.0	16,700.2	17,070.9	18,792.9	23,559.0
Transportation and Warehousing ..	5,619.9	5,984.0	7,131.9	7,884.1	9,686.3	9,809.3
Information	5,729.4	6,769.3	8,209.5	9,406.4	11,208.2	13,257.0
Finance, Insurance, Rental, Real						
Estate & Leasing	41,606.9	48,371.1	52,591.2	57,746.0	67,659.4	76,731.2
Professional & Business Services ..	22,921.0	25,233.5	28,057.7	31,719.1	35,897.0	41,278.0
Education & Health Care	18,215.9	19,283.5	21,075.6	24,175.4	27,486.1	30,170.9
Arts, Entertainment & Recreation, and Accommodation & Food						
Services	8,100.4	9,564.8	10,098.2	11,693.0	12,461.3	12,859.4
Other Services (Excluding Government)						
	3,628.2	3,945.0	4,422.0	4,781.8	5,358.0	5,736.5
Total Private Industries	\$165,299.4	\$179,643.4	\$197,549.9	\$219,937.2	\$252,541.9	\$287,915.9
Government	20,489.7	21,637.4	22,406.8	24,372.7	26,115.7	28,172.7
Total All Industries	<u>\$185,789.1</u>	<u>\$201,280.8</u>	<u>\$219,956.7</u>	<u>\$244,309.9</u>	<u>\$278,657.6</u>	<u>\$316,088.6</u>

Source: U.S. Bureau of Economic Analysis

The following table compares the Phoenix MSA’s real GDP with 21 peer MSAs, expressed in chained 2012 dollars.⁽¹⁾ The table suggests that the Phoenix MSA’s average annual real GDP from 2011 through 2021 was \$219.1 billion in chained 2012 dollars. In 2021, the Phoenix MSA ranked 9th among the 22 MSAs examined in this report, while the neighboring Tucson, AZ MSA ranked last in the group. However, the primary measure of economic performance internationally is per capita GDP. The second GDP table therefore compares the real GDP per capita contributions of the Phoenix MSA with the 21 peer MSAs.

The average annual real GDP per capita contribution in the Phoenix MSA in 2010 was \$43,939. For the most recent year available (2021), real GDP per capita in the Phoenix MSA was \$52,911, expressed in chained 2012 dollars. The Phoenix MSA ranks 16th among the 22 MSAs examined when considering real GDP per capita in 2021. The 2010 and 2020 per capita rates use the decennial census population figures for their respective years. A compound annual growth rate for real GDP per capita in the Phoenix MSA from 2011 through 2020 is not available as the Census Bureau has not updated the 2011-2019 population estimates.

**Real GDP
Phoenix MSA and 21 Peer MSA’s**

	Real GDP (millions of chained 2012 dollars)					
	2011	2013	2015	2017	2019	2021
Phoenix-Mesa-Scottsdale, AZ	\$189,684	\$197,408	\$207,171	\$222,961	\$242,939	\$261,707
Atlanta-Sandy Springs-Roswell, GA	287,933	299,097	327,440	356,812	385,448	399,130
Austin-Round Rock, TX	97,421	105,495	120,013	131,820	146,516	165,604
Charlotte-Concord-Gastonia, NC-SC	123,247	129,316	138,394	149,263	154,912	167,253
Dallas-Fort Worth-Arlington, TX	365,601	388,536	422,048	450,467	486,572	513,979
Denver-Aurora-Lakewood, CO	150,563	161,007	176,211	185,671	202,973	214,521
Houston-The Woodlands-Sugar Land, TX	392,977	424,880	455,910	455,494	465,337	463,233
Las Vegas-Henderson-Paradise, NV	91,092	91,080	97,006	102,088	112,654	111,289
Los Angeles-Long Beach-Anaheim, CA	759,139	784,821	835,964	880,169	930,863	950,158
Miami-Fort Lauderdale-West Palm Beach, FL	260,331	268,003	288,628	309,184	324,371	341,292
Orlando-Kissimmee-Sanford, FL	97,781	102,766	112,244	121,842	130,109	138,271
Portland-Vancouver-Hillsboro, OR-WA	117,932	120,207	130,843	142,294	153,194	159,208
Riverside-San Bernardino-Ontario, CA	131,676	135,932	145,728	153,123	163,952	171,399
Sacramento-Roseville-Arden-Arcade, CA	102,507	106,019	112,728	117,889	126,455	130,674
Salt Lake City, UT	67,537	70,185	74,487	80,877	89,433	96,833
San Antonio-New Braunfels, TX	90,113	96,611	107,313	109,386	117,689	122,836
San Diego-Carlsbad, CA	176,547	184,863	195,600	204,289	213,886	224,954
San Francisco-Oakland-Hayward, CA	337,525	377,150	422,319	482,611	534,564	577,348
San Jose-Sunnyvale-Santa Clara, CA	186,416	211,714	248,011	285,712	324,595	384,702
Seattle-Tacoma-Bellevue, WA	256,700	279,660	303,614	335,074	375,997	413,817
Tampa-St. Petersburg-Clearwater, FL	119,579	123,613	130,999	138,121	146,965	158,130
Tucson, AZ	35,862	36,231	36,113	38,683	40,384	41,618

Source: U.S. Bureau of Economic Analysis

(1) These are chained dollars, which is a method of adjusting real dollar amounts for inflation over time, to enable comparisons from different years. The U.S. Department of Commerce introduced the chained-dollar measure in 1996. The chained dollars in this table reflect dollar figures computed with 2012 as the base year.

**Real GDP Per Capita
The Phoenix MSA and 21 Peer MSAs**

	Real GDP per Capita (Chained 2012 dollars)					
	2011	2013	2015	2017	2019	2021
Phoenix-Mesa-Scottsdale, AZ	\$ 43,939	\$ 45,614	\$ 45,562	\$ 46,892	\$ 49,556	\$ 52,911
Atlanta-Sandy Springs-Roswell, GA	53,135	53,653	55,771	59,203	62,088	64,962
Austin-Round Rock, TX	54,080	54,712	57,178	61,135	64,348	70,397
Charlotte-Concord-Gastonia, NC-SC	51,825	56,134	55,502	57,070	58,436	61,921
Dallas-Fort Worth-Arlington, TX	55,208	56,919	58,567	60,683	63,204	66,238
Denver-Aurora-Lakewood, CO	57,924	58,532	61,086	63,280	66,455	72,167
Houston-The Woodlands-Sugar Land, TX	64,509	65,848	66,273	66,184	67,558	64,277
Las Vegas-Henderson-Paradise, NV	46,091	45,367	45,518	47,019	49,074	48,545
Los Angeles-Long Beach-Anaheim, CA	58,423	59,173	60,977	64,020	68,399	73,104
Miami-Fort Lauderdale-West Palm Beach, FL	46,580	45,535	47,094	49,372	52,379	56,025
Orlando-Kissimmee-Sanford, FL	45,688	44,760	45,523	47,003	48,325	51,365
Portland-Vancouver-Hillsboro, OR-WA	50,950	52,268	52,784	56,215	60,444	63,389
Riverside-San Bernardino-Ontario, CA	30,508	30,497	31,920	33,344	34,858	36,836
Sacramento-Roseville-Arden-Arcade, CA	46,823	47,039	48,319	49,774	51,952	54,189
Salt Lake City, UT	59,087	61,320	62,079	65,142	69,761	76,665
San Antonio-New Braunfels, TX	40,119	41,465	43,771	45,176	45,965	47,212
San Diego-Carlsbad, CA	55,937	56,271	58,729	60,044	63,472	68,457
San Francisco-Oakland-Hayward, CA	77,284	81,532	86,816	94,854	107,606	124,789
San Jose-Sunnyvale-Santa Clara, CA	93,899	101,970	116,040	131,871	153,884	197,062
Seattle-Tacoma-Bellevue, WA	72,067	75,666	79,238	82,488	91,677	103,156
Tampa-St. Petersburg-Clearwater, FL	43,007	42,823	43,365	44,807	45,747	49,116
Tucson, AZ	36,721	37,113	36,427	36,952	38,659	39,559

Source: U.S. Bureau of Economic Analysis

Regional price parities measure the differences in price levels across states and metropolitan areas for a given year and are expressed as a percentage of the overall national price level. They allow for comparisons of buying power across the 50 states and the District of Columbia, or from one MSA area to another, for a given year. If an additional adjustment is made for regional price parity, the Phoenix MSA ranks 14th among the MSAs examined at \$64,437 for nominal GDP per capita in 2021. The table below shows nominal GDP per capita among the 22 MSAs examined, adjusted for regional price parity.

**ADJUSTED NOMINAL GDP PER CAPITA:
THE PHOENIX MSA AND 21 PEER MSAS**

	<u>2021</u>	<u>2021 Rank</u>
Phoenix-Mesa-Scottsdale, AZ	\$ 64,437	14
Atlanta-Sandy Springs-Roswell, GA	77,808	8
Austin-Round Rock, TX	82,336	5
Charlotte-Concord-Gastonia, NC-SC	79,666	6
Dallas-Fort Worth-Arlington, TX	74,249	11
Denver-Aurora-Lakewood, CO	78,095	7
Houston-The Woodlands-Sugar Land, TX	74,717	10
Las Vegas-Henderson-Paradise, NV	62,182	18
Los Angeles-Long Beach-Anaheim, CA	76,024	9
Miami-Fort Lauderdale-West Palm Beach, FL	62,297	16
Orlando-Kissimmee-Sanford, FL	62,257	17
Portland-Vancouver-Hillsboro, OR-WA	70,496	13
Riverside-San Bernardino-Ontario, CA	43,414	22
Sacramento-Roseville-Arden-Arcade, CA	62,635	15
Salt Lake City, UT	97,489	4
San Antonio-New Braunfels, TX	57,581	20
San Diego-Carlsbad, CA	70,820	12
San Francisco-Oakland-Hayward, CA	120,697	2
San Jose-Sunnyvale-Santa Clara, CA	188,309	1
Seattle-Tacoma-Bellevue, WA	104,432	3
Tampa-St. Petersburg-Clearwater, FL	59,854	19
Tucson, AZ	51,384	21

Source: U.S. Bureau of Economic Analysis

Income

Exclusively focused on money, per capita income is derived by dividing the total aggregate income by the total population. In the table below, per capita income in the Phoenix MSA was \$38,713 (expressed in 2021 dollars). The Phoenix MSA ranked 13th out of the 22 peer MSAs on this measure. This is \$2,418 more than per capita income in the State of Arizona in 2021 (\$36,295).

Income Peer Metropolitan Statistical Areas

	Per Capita Income (2021 dollars)
Phoenix-Mesa-Scottsdale, AZ	\$38,713
Atlanta-Sandy Springs-Roswell, GA	39,904
Austin-Round Rock, TX	47,161
Charlotte-Concord-Gastonia, NC-SC	39,375
Dallas-Fort Worth-Arlington, TX	39,141
Denver-Aurora-Lakewood, CO	48,530
Houston-The Woodlands-Sugar Land, TX	36,472
Las Vegas-Henderson-Paradise, NV	33,387
Los Angeles-Long Beach-Anaheim, CA	40,569
Miami-Fort Lauderdale-West Palm Beach, FL	36,965
Orlando-Kissimmee-Sanford, FL	33,928
Portland-Vancouver-Hillsboro, OR-WA	44,343
Riverside-San Bernardino-Ontario, CA	31,532
Sacramento-Roseville-Arden-Arcade, CA	40,890
Salt Lake City, UT	37,405
San Antonio-New Braunfels, TX	33,179
San Diego-Carlsbad, CA	44,377
San Francisco-Oakland-Hayward, CA	63,934
San Jose-Sunnyvale-Santa Clara, CA	68,421
Seattle-Tacoma-Bellevue, WA	55,152
Tampa-St. Petersburg-Clearwater, FL	37,361
Tucson, AZ	34,323

Source: American Community Survey 2019 (One-Year Estimate)

The next table shows total personal income and per capita personal income in current dollars for the Phoenix MSA for 2012 through 2021. The Bureau of Economic Analysis defines personal income as “...the income received by, or on behalf of, all persons from all sources: from participation as laborers in production, from owning a home or unincorporated business, from the ownership of financial assets, and from government and business in the form of transfer receipts”.⁽¹⁾

(1) Bureau of Economic Analysis. Local Area Personal Income: 2017 news release, November 15, 2018. Available at: https://www.bea.gov/newsreleases/regional/lapi/lapi_newsrelease.htm

By including income from global, as well as domestic sources, personal income is a measurement far wider in scope than the American Community Survey's concept of per capita income shown in the previous table. Per capita personal income is derived by calculating the total personal income divided by total population. The 2021 per capita personal income estimate in the Phoenix MSA is \$58,308.

**Total Personal and Per Capita Personal Income
The Phoenix MSA**

<u>Year</u>	<u>Total Personal Income (in millions of dollars)</u>	<u>Per Capita Personal Income (in current dollars)</u>	<u>Per Capita Personal Income Annual Percent Change</u>
2021	\$288,401	\$58,308	6.2%
2020	267,282	54,907	12.1
2019	242,642	50,757	4.3
2018	224,585	47,783	4.6
2017	210,756	45,523	3.7
2016	198,804	43,557	2.5
2015	190,026	42,335	3.8
2014	179,475	40,628	4.1
2013	169,064	38,871	1.0
2012	164,668	38,357	3.7

Source: U.S. Bureau of Economic Analysis

Exports

In 2021 the Phoenix MSA was the 27th largest U.S. exporter by merchandise export value based on origin of movement zip code data collected by the International Trade Administration. In total, the Phoenix MSA exported more than \$14.1 billion in goods that year. This was a 27.9% increase over 2020, when exports had fallen sharply due to the global pandemic.

The top export sectors by value of goods were computer and electronic products (\$5.2 billion), transportation equipment (\$2.8 billion), machinery (\$0.9 billion), and chemicals (\$0.8 billion). Mexico was the top export partner, accounting for \$2.9 billion of the Phoenix MSA's total goods exports in 2021. China was second, accounting for \$1.1 billion of the Phoenix MSA's total goods exports, marginally ahead of Canada who also received \$1.1 billion of the Phoenix MSA's total good exported. Ireland ranked fourth (\$752 million) and Taiwan fifth (\$574 million).

**Phoenix MSA
Annual Exports**

<u>Year</u>	<u>Value (millions of dollars)</u>	<u>Annual Growth Rate</u>
2021	\$14,165,085,400	27.9%
2020	11,073,932,794	-26.8
2019	15,136,633,149	11.2
2018	13,614,869,197	3.0
2017	13,223,063,245	3.0
2016	12,838,188,632	-7.1
2015	13,821,528,121	8.3
2014	12,764,439,477	11.3
2013	11,473,532,187	5.9
2012	10,834,262,990	-0.7

Source: International Trade Administration

Real Estate Market

The Phoenix real estate market has significantly improved since the 2008-2009 recession, when an over-abundance of single-family residential buildings followed by a high foreclosure rate and a decline in population growth up to 2011 significantly wounded the Phoenix MSA. At the height of the recession the region had over 60,000 properties that were in some stage of foreclosure. In December 2021, there were 1,789 distressed (foreclosed and pending) residential properties in Maricopa County.⁽¹⁾ The city of Phoenix was responsible for 30.8% of new privately owned housing units authorized in the Phoenix MSA and 23.9% in the state in 2022.

The 2022 provisional total number of authorized private housing units in the Phoenix MSA decreased 6.3% compared to 2021. An estimated 67.9% of the provisional permitting total in the Phoenix MSA in 2022, and 71.3% of the provisional permitting total in the State of Arizona in 2022 was for single units. Permitting always occurs before housing starts. However, a stronger indicator of economic conditions is housing completions.

The City of Phoenix has an estimated total of 648,383 housing units in 2022 – an increase of 8,789 housing units compared to 2021.

An estimated 92.9% of housing units were occupied in the city of Phoenix in 2021. 56.1% of the occupied housing units in the City of Phoenix in 2021 were owner occupied, and 43.9% renter occupied. For owner-occupied units, 21.9% were 1-person households, 33.0% 2-person households, 16.2% 3-person households, and 28.9% 4-or-more-person households. For renter-occupied units, 35.7% were 1-person households, 26.2% 2-person households, 14.1% 3-person households, and 24.0% 4-or-more-person households. The average household size for all city of Phoenix properties was 2.71 people.⁽²⁾

New Privately Owned Housing Units Authorized Phoenix MSA and Arizona

Year	1 Unit		2 Units		3 or 4 Units		5+ Units		Total	
	MSA	AZ	MSA	AZ	MSA	AZ	MSA	AZ	MSA	AZ
2022 (3)	26,828	37,326	1,566	1,908	227	291	18,748	21,559	47,369	61,084
2021	34,347	46,561	1,066	1,322	284	336	14,884	17,105	50,581	65,334
2020	31,658	42,277	680	1,040	208	311	15,673	16,714	48,219	60,342
2019	25,026	33,981	664	876	174	202	10,009	11,521	35,873	46,580
2018	23,526	32,127	466	646	203	264	7,148	8,627	31,343	41,664
2017	20,471	28,072	302	432	212	273	8,327	10,695	29,312	39,472
2016	18,433	24,853	410	484	161	168	9,579	10,073	28,583	35,578
2015	16,621	22,311	168	222	186	225	5,427	6,152	22,402	28,910
2014	11,557	16,841	156	230	125	137	8,503	9,789	20,341	26,997
2013	12,959	18,386	128	214	201	213	5,449	6,396	18,737	25,209

Source: U.S. Census Bureau

Source: Maricopa Association of Governments

(1) <https://azmag.gov/Programs/Maps-and-Data/Land-Use-and-Housing/Housing-Data-Explorer>

(2) U.S. Census Bureau, 2021 American Community Survey 5-Year Estimates (S2501) (S1101). The 1-year ACS 2021 data estimates a higher total occupancy rate of 93.4%.

(3) Data for 2022 is projected.

Population and Housing Units ⁽¹⁾
City of Phoenix

<u>Year</u>	<u>Population ⁽²⁾</u>	<u>Change in Population</u>	<u>Housing</u>	<u>Change in Housing Units ⁽³⁾</u>
2022 ⁽⁴⁾	1,657,035	26,840	648,383	8,789
2021	1,630,195	16,717 ⁽³⁾	639,594	8,842
2020	1,608,139	-9,205	630,752	5,347
2019	1,617,344	19,606	625,407	6,355
2018	1,597,738	18,485	619,052	5,589
2017	1,579,253	19,233	613,463	4,060
2016	1,560,020	24,005	609,403	6,070
2015	1,536,015	29,576	603,333	2,744
2014	1,506,439	20,688	600,589	3,913
2013	1,485,751	19,528	596,676	2,486

- (1) The population and housing unit figures reflect the change to the 2010 decennial census that resulted from the census count question resolution program, which added 463 housing units and 1,496 residents to the previously published figures. Estimates for years between the 2010 and 2020 censuses are not revised to match the 2020 results.
- (2) Maricopa Association of Governments uses a different methodology and different data to estimate population.
- (3) The change in the number of housing units is equal to the number of housing completions plus the number of units annexed less the number of units demolished.
- (4) Data for 2022 is projected.

Value of Building Permits
City of Phoenix
(\$ in thousands)

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>	<u>Total</u>
2021	\$1,496,932	\$1,256,911	\$527,677	\$4,658,188	\$7,939,708
2020	1,379,302	1,481,012	234,211	3,169,478	6,264,003
2019	1,217,854	1,583,252	207,162	2,049,625	5,057,893
2018	1,125,341	1,158,984	334,010	1,818,854	4,437,189
2017	945,802	1,081,797	211,361	1,747,075	3,986,035
2016	862,071	1,062,657	225,377	1,588,603	3,738,708
2015	824,633	1,130,212	133,785	1,464,853	3,553,483
2014	635,000	1,040,100	206,052	1,270,957	3,152,109
2013	578,547	374,888	208,293	1,348,127	2,509,855
2012	780,212	641,175	134,309	1,559,364	3,115,060

Source: Raw data provided by City of Phoenix Planning and Development Department

New Housing Starts⁽¹⁾

<u>Year</u>	<u>City of Phoenix</u>
2022 ⁽²⁾	14,598
2021	11,492
2020	11,647
2019	9,898
2018	7,262
2017	6,832
2016	6,972
2015	4,611
2014	5,138
2013	3,131

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

(2) Data for 2022 is projected.

Source: U.S. Census Bureau

According to CB Richard Ellis, the metro Phoenix retail market positively trended through 2022, with the vacancy rate declining for the seventh consecutive at 4.9% at the end of Q4 2022 – 180 basis points lower than 2021. Total retail space under construction rose to 2,158,147 square feet. The average direct asking net-net-net lease rate was \$17.55 per square feet (3% year-over-year increase).³ At year end, the net rentable area was 150,383,641 square feet.

(3) CBRE Phoenix Retail Market Report, Phoenix Office, Q4 2022

**Retail Real Estate Market
Phoenix MSA**

<u>Year</u>	<u>Vacancy Rate</u>	<u>Year to Date Net Absorption (Square feet)</u>	<u>Change in Inventory (Square feet)</u>
2022	4.90%	1,881,861	N/A ⁽¹⁾
2021	6.70	997,019	N/A ⁽¹⁾
2020	8.00	-13,286	N/A ⁽¹⁾
2019	8.00	1,200,000	387,828
2018	8.40	1,181,675	997,933
2017	8.10	1,601,498	580,776
2016	8.90	1,321,833	1,204,766
2015	9.10	1,150,192	164,859
2014	9.60	1,487,313	-49,225
2013	10.20	1,579,202	-325,959

Source: CB Richard Ellis

**Office Real Estate Market
Phoenix MSA**

<u>Year</u>	<u>Vacancy Rate</u>	<u>Year to Date Net Absorption (Square feet)</u>	<u>Change inventory (Square feet)</u>
2022	23.90%	-3,973,725	N/A ⁽¹⁾
2021	19.80	-1,148,892	983,582
2020	17.45	-1,051,047	2,014,465
2019	14.11	3,210,676	3,310,846
2018	15.20	2,473,034	803,403
2017	16.40	2,839,559	1,912,217
2016	17.40	3,219,853	1,045,155
2015	19.30	3,779,039	3,763,828
2014	21.10	1,969,716	1,107,906
2013	22.40	1,712,366	-35,566

Source: CB Richard Ellis

(1) Data not available as of May 2, 2023.

CB Richard Ellis concludes that the outlook for retail real estate in metro Phoenix is bright. Forecasters anticipate a 3.7% annual increase in rent over the next two years, compared to a national average of 2.2%. The Phoenix MSA is also forecast to be a top three market for new developments over the next two years, which should help accommodate the prime demand for space.

**Industrial/Commercial Real Estate Market
Phoenix MSA**

The metro Phoenix office market had a negative net absorption of 3,973,725 square feet for the year, the lowest on record. The fourth quarter finished with an availability rate of 26.9%—the highest vacancy rate since 2014.⁽¹⁾ Many office deals have been put on hold or dismissed completely since the onset of Covid-19. However, year-over-year lease rates are up \$1.38 per square foot, with an average full-service gross asking lease rate of \$30.05 per square feet at year end. New office construction has slowed, but CB Richard Ellis points to a pent-up demand for premier Class A space. The net rentable area at year end was 97,820,980 square feet.

2022 was a very active year in the Phoenix industrial market. Year-end net absorption of 26,526,290 square feet was a new record high for the fourth consecutive year. The average direct asking lease rate increased by 25% throughout 2022 to finish the year at \$1.02 per square foot.⁽²⁾ Construction activity remained strong at 38.2 million square feet, of which 16.6% was pre-released. This pace of construction is forecast to slow in 2023, but the outlook remains strong due to strong market fundamentals, an attractive workforce, generous amounts of tenant activity, competitive lease rates, and growing demand for space from distribution/e-commerce firms.

<u>Year</u>	<u>Vacancy Rate</u>	<u>Year to Date Net Absorption (Square feet)</u>	<u>Change in Inventory (Square feet)</u>
2022	3.00%	26,526,290	N/A ⁽³⁾
2021	3.70	21,363,840	14,115,722
2020	6.00	13,143,535	13,204,294
2019	6.30	10,677,269	9,164,152
2018	6.50	9,781,257	8,966,852
2017	6.84	9,898,893	6,988,240
2016	8.00	9,497,677	5,136,644
2015	10.10	7,046,663	3,966,434
2014	11.00	6,214,680	6,791,313
2013	11.40	8,783,982	8,902,571

Source: CB Richard Ellis

(1) CBRE Phoenix Office Market View, Phoenix Office, Q4 2022

(2) CBRE Phoenix Industrial Market Report, Phoenix Office, Q4 2022

(3) Data not available as of May 2, 2023.

Outlook/Summary

The Greater Phoenix Blue Chip, managed by the Economic Outlook Center at the Seidman Research Institute, ASU, offers forecasts by a panel of experts who track construction and general economic trends for the Phoenix metro area.

The panel expects a 1.7% growth in population in 2023, accompanied by a 4.7% growth in personal income. Wage and salary employment is forecast to rise by 3.0%. Manufacturing employment is expected to increase by 3.0%, and construction employment by 2.2%. Retail sales are also predicted to rise 4.8%.

Phoenix MSA's residential construction market is particularly challenging. The panel forecasts that single family permits will fall in 2023 to their lowest level since 2017, before recovering in 2024. Multi-family permits are forecast to be more stable.

The outlook for retail real estate, though, as previously noted, is brighter. Forecasters anticipate a 3.7% annual increase in Phoenix MSA retail rents over the next two years, compared to a national average of 2.2%. The Phoenix MSA is also forecast to be a top three market for new retail developments over the next two years, which should help accommodate the prime demand for space.

The outlook for industrial real estate also remains strong, thanks in part to growing demand from distribution and e-commerce firms.

The latest available population projections from the Arizona Office of Economic Opportunity ("OEO") anticipate continued strong gains in 2023 and 2024, despite the uncertainty around the national business cycle and an expected slowing of Arizona employment. If the OEO projections are realized, population for the metro area will increase by 2.0% in 2023, the fastest rate of increase since the "housing boom" years of the mid-2000s. Net migration to the metro area is estimated at 86,350 in 2023.

Nominal personal income in the Phoenix metro area will continue to grow as population, employment and wages grow. Historically, the rate of population increase tends to be greater for the Phoenix MSA than many metro areas. The projected compound annual growth rate percent increase is 5.3% for 2023-2027 and 5.4% for 2028-2032, similar to the decade of the 2010s.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

State Expenditure Limitation

Since fiscal year 1982-83, the City has been subject to an annual expenditure limitation imposed by the Arizona Constitution. This limitation is based upon the City's actual 1979-80 expenditures adjusted annually for subsequent growth in population and inflation. The 2022-23 expenditure limit supplied by the Economic Estimates Commission was \$1,724,887,333. The City increased this limit to \$10,045,077,000 to adjust for additional voter-approved modifications, as described below.

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

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

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

Phoenix voters have approved four-year home rule options on a regular basis since the implementation of the expenditure limitation. The home rule option which was approved in 2015 allows the City Council, after hearings are held for each council district, to establish the annual budget as the limit. This four-year home rule option was in effect through 2019-20. In 2018, voters approved a proposition that moved regular City candidate elections from the fall of odd-numbered years to November of even-numbered years. State legislation allows the four-year home rule option to be extended in conjunction with the change of election dates. The new expiration date for the most recently approved home rule option was at the end of 2020-21. An additional home rule option was approved on the November 3, 2020 that sets the City's annual budget after public meetings and hearings. The limit will be in effect for four fiscal years from 2021-22 through 2024-25 and will allow Phoenix residents to continue to control local expenditures.

On November 3, 1981, Phoenix voters approved four propositions that allow the City to accumulate and expend local revenues for "pay-as-you-go" capital improvements without being subject to the State spending limit. These capital improvement exclusions include annual amounts of up to \$5,000,000 for Aviation, \$6,000,000 for Sanitary Sewers, \$2,000,000 for Streets and \$6,000,000 for Water. These exclusions were approved on a permanent basis and do not require voter reapproval except to raise or lower the annual amounts.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

Retirement and Pension Plans

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

City of Phoenix Employees' Retirement System

The City of Phoenix Employees' Retirement System ("COPERS") is a single-employer defined benefit pension plan established by the Phoenix City Charter. COPERS covers all eligible full-time employees of the City, with the exception of elected officials and sworn City police and fire personnel. COPERS provides retirement, disability retirement and survivor benefits to its members. The plan can be amended or repealed by a vote of the people.

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. Additional information regarding the City's financial statements, including reporting of the City's net position and the net pension liability, is available in the City's Annual Comprehensive Financial Report ("ACFR"). The ACFR is available at <http://emma.msrb.org> or www.phoenix.gov under Departments-Finance-Financial Information & Reports or by calling the City at (602) 262-7166. The most recent report of the Actuary and the plan's annual financial reports are available online at <https://phoenix.gov/copers/pension-plan-reports>.

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

	June 30	
	2022	2021
Active Members		
Tier 1	4,110	4,522
Tier 2	541	587
Tier 3	3,287	2,860
Total	7,938	7,969
Deferred Vested Members	1,109	1,053
In Pay Members		
Service Retirees	6,363	6,183
Beneficiaries	1,195	1,171
Disabled Retirees	222	233
Total	7,780	7,587
Total Members	16,827	16,609

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 16-year period. For the fiscal year ended June 30, 2022, the total contribution rate was 37.6% of compensation. Tier 1 employees contributed 5% of their compensation, Tier 2 and Tier 3 employees contributed 11.0% and the City contributed the remainder, which amounted to \$178.3 million for the fiscal year.

The City's actuarially determined contribution, actual contribution and covered payroll for the last three fiscal years follows:

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Percentage Contributed	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2022	\$167,843	\$178,319	(\$10,476)	107%	\$595,304	29.95%
2021	178,090	357,382	(179,292)	200	580,451	61.57
2020	175,947	175,947	—	100	568,089	30.97

The actuarially determined recommended pension contribution rate is 26.66% for fiscal year 2022-23 and 27.49% for fiscal year 2023-24.

The following schedule shows the funding progress of the plan for the last three fiscal years. The total pension liability increased \$127,685,000 from 2020 to 2021 and \$181,492,000 from 2021 to 2022.

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

	Fiscal Year End 2022	Fiscal Year End 2021	Fiscal Year End 2020
Total Pension Liability			
Service cost	\$ 79,869	\$ 78,643	\$ 81,119
Interest on the total pension liability	311,636	303,102	313,397
Differences between expected and actual experience of the total pension liability	52,647	(4,347)	(77,698)
Changes of assumptions	—	—	(62,386)
Benefit payments, including refunds of employee contributions	(262,660)	(249,713)	(242,143)
Net change in total pension liability	181,492	127,685	12,289
Total pension liability—beginning	4,541,799	4,414,114	4,401,825
Total pension liability—ending	<u>\$4,723,291</u>	<u>\$4,541,799</u>	<u>\$4,414,114</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 178,319	\$ 357,382	\$ 175,947
Employee contributions	53,350	40,561	39,356
Pension plan net investment income (loss)	(161,785)	610,554	50,389
Benefit payments, including refunds of employee contributions	(262,660)	(249,713)	(242,143)
Pension plan administrative expense	(2,564)	(1,930)	(2,509)
Net change in plan fiduciary net position	(195,340)	756,854	21,040
Plan fiduciary net position—beginning	3,438,027	2,681,173	2,660,133
Plan fiduciary net position—ending	<u>\$3,242,687</u>	<u>\$3,438,027</u>	<u>\$2,681,173</u>
Net pension liability	<u>\$1,480,604</u>	<u>\$1,103,772</u>	<u>\$1,732,941</u>
Plan fiduciary net position as a percentage of the total pension liability	68.65%	75.70%	60.74%
Covered payroll	\$ 595,304	\$ 580,451	\$ 568,089
Net pension liability as a percentage of covered payroll	248.71%	190.16%	305.05%

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 assumption, 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 0.0% for members with 15 or more years of service.
Cost of Living Adjustment	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%.

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 the plan's investments, 7.00%, was applied as the single rate to all periods of projected benefit payments to determine the total pension liability.

City of Phoenix Pension Reform

In January 2011, the Mayor and City Council appointed members of a Pension Reform Task Force (the "*Task Force*") to work with management, outside consultants and other stakeholders to review and possibly recommend changes to COPERS. On September 25, 2012, after several revisions, the Task Force presented a final report to the Mayor and City Council, including recommended amendments to the City Charter. At the September 25, 2012 meeting, the Mayor and City Council directed staff to draft proposed revisions to City Charter language for referral to the March 2013 ballot based on the Task Force's recommendations.

At a special election held on March 12, 2013, voters approved changes to COPERS. The changes affected new employees hired on and after July 1, 2013 and are expected to save the City approximately \$829 million over 25 years. The changes exclude public safety employees and elected officials, each covered under separate pension plans. The following is a summary of the voter-approved changes:

- The retirement eligibility age will increase an average of approximately 3.5 years
- The employer and employee contribution rates will be based on a 50/50 split of the actuarially determined rate necessary to fully fund the annual required contribution ("*ARC*")
- The benefit formula components will be changed to a graduated multiplier based on years of service, matching the State of Arizona retirement plan
- Prior to these changes, the City Charter required full funding of the *ARC*, but prohibited the City from contributing an amount greater than the *ARC*. The voter-approved changes allow the City to contribute an amount greater than the *ARC*
- The Investment Policy for COPERS will be updated to allow for investments that meet the Prudent Investor Rule

On July 1, 2013 as a result of the voter approved changes, a two-tier system was created for COPERS. A Tier 1 employee is any employee hired by the City before July 1, 2013, or any employee hired by the City on or after July 1, 2013 who participated in the Arizona State Retirement System prior to July 1, 2011. A Tier 2 employee is any employee hired by the City on or after July 1, 2013 who is not a Tier 1 employee. Effective July 1, 2013, Tier 1 employees continued to contribute 5.0% of their compensation to the plan, and Tier 2 employees contributed one-half of the total required actuarial percentage. The contribution rate for the City is the total projected percentage less the member contribution rates for each tier.

In November 2014, the Mayor created the Civilian Retirement Security Ad Hoc Committee (the “Committee”) to address further pension reform. The Committee, which included members of the City Council along with community and business leaders, met over three months to consider several options for reform. In February 2015, the Committee unanimously recommended a stacked hybrid plan (“Prop 103”) that was expected to save the City over \$38 million over 20 years starting January 1, 2016. The most significant changes under this plan are for employees hired after January 1, 2016 to be classified as Tier 3 employees. Tier 3 employees would be subject to the following benefit changes:

- Final Average Salary calculation changed to a five-year average
- Pension multiplier reduced to 1.85% of salary per year of service through the first 10 years of employment, gradually increasing to 2.0% at 20 years of service
- Elimination of the sick leave service credit
- Eliminates the ability for employees previously employed by the state or other cities in Arizona to join the City of Phoenix as Tier 1 employees
- Makes compensation above \$125,000 per year non-pensionable; the cap would increase each year to match inflation

Prop 103 continues the 50/50 split in the contribution rate for new hires, but created a ceiling in the employee rate of 11.0% of their compensation. The ceiling applies to both Tier 2 and Tier 3 employees to help improve the recruitment and retention of employees. The City Council approved the plan on March 4, 2015, and on August 25, 2015 voters also approved Prop 103, which became effective on January 1, 2016.

Accrued Vacation or Sick-Leave on City of Phoenix’s Pension Benefits

The benefit amount under COPERS depends, in part, on a retiring employee’s highest average annual compensation paid over a multi-year period. As part of pension reform, the City restricted “pension spiking” by no longer allowing unused sick leave accrued after July 1, 2012, and unused vacation leave accrued after June 30, 2014, to be included when calculating a member’s “final average compensation.” This practice was upheld by the Arizona Supreme Court on July 10, 2020, in *Piccioli v. City of Phoenix*, CV-19-0116 and *AFSCME v. Phoenix* CV-19-0143.

On July 10, 2020 the Arizona Supreme Court issued rulings on “pension spiking” in *Piccioli v. City of Phoenix*, CV-19-0116 and *AFSCME v. Phoenix* CV-19-0143, where the former addressed the implication of sick leave and the latter vacation leave. The City of Phoenix pays pension benefits to eligible employees upon retirement. The amount of that benefit depends, in part, on a retiring employee’s highest average annual compensation paid over a multi-year period. The primary issue in the cases was whether a one-time payout for accrued sick or vacation leave upon retirement was “compensation” under the COPERS’ Plan that must be included when calculating a member’s “final average compensation,” which is used in determining the pension benefit amount. The Court held that the City did not need to include the one-time payments for unused sick or vacation leave at retirement as part of final average compensation. Thus, the City did not violate the Arizona Constitution by prospectively eliminating the payouts made at the time of retirement for sick leave accrued after July 1, 2012, and vacation leave accrued after June 30, 2014, from the calculation of final average compensation.

In 2012, when *Piccioli v. City of Phoenix*, CV2012-010330 was filed, the Board of Trustees of COPERS took action, upon advice from their consulting actuary, to not recognize any savings from the leave changes until after the court cases were adjudicated. At that time, the savings of the changes were estimated to equal about 9% of the total fund value. This 9% load has been built in to valuations since 2012. Following the opinions from the Arizona Supreme Court in July 2020, COPERS' consulting actuary had prepared a recommendation to remove 7.5% of that load, holding back 1.5% to account for future negative experience related to certain assumptions. On August 6, 2020, the COPERS Board approved the actuaries recommendation. Based on the June 30, 2019 valuation, this would result in a \$63.7 million decrease to the unfunded actuarial accrued liability and a -3.7% (\$7.7 million) reduction in the actuarially determined contribution for fiscal year 2021-2022. It is estimated that continuing the practices upheld by the Court will result in savings of \$156.9 million over a 20-year period.

Citizen Pension Reform Initiative

On November 4, 2014, Phoenix voters considered and rejected an initiative known as Proposition 487 — The Phoenix Pension Reform Act of 2014 that if approved, would have amended the Phoenix City Charter and changed City retirement benefits for both current and future employees. The City is unable to predict whether and in what form, future initiatives may be proposed regarding COPERS and what the impact of such initiatives might be.

State of Arizona Public Safety Personnel Retirement System

The City of Phoenix also contributes to an agent multiple-employer defined benefit pension and health insurance premium subsidy plan, the Arizona Public Safety Personnel Retirement System (“APSPRS”), for sworn police officers and firefighters. The APSPRS functions as an investment and administrative agent for the City of Phoenix with respect to the plans for police officers and firefighters.

Periodic employer contributions to the pension and health insurance premium subsidy plans are determined on an actuarial basis using the entry age normal cost method. Normal cost is funded on a current basis. The City’s unfunded actuarial accrued liability is funded over a closed period, and as of June 30, 2016, the City had 20 years remaining in the amortization period. Senate Bill 1442, passed by the State Legislature on April 17, 2017, authorized the governing body of an employer to make a one-time request to increase the amortization to a closed period not exceeding 30 years. On June 21, 2017, the City Council voted to submit a request to the APSPRS Board of Trustees to increase the City’s amortization period from 20 years to 30 years. The change was reflected in the employer contribution rate beginning with the July 1, 2018 contribution, and represents the minimum required contribution percentage. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the entry age normal cost method. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

The System, for both police and fire personnel, is funded via member contributions of 7.65% of compensation for employees whose membership date was prior to July 20, 2011, and 11.65% of compensation for employees whose membership date began on or after July 20, 2011. Employees whose membership date was on or after January 1, 2012 have the option of participating in the hybrid plan for non-social security positions with contributions of 14.65%, of which 3.0% goes toward a defined contribution plan and is matched by the employer. Employer rates are set by an actuarial valuation and expressed as a percent of compensation. For fiscal year ended June 30, 2022, the required employer contribution rates were as follows:

	<u>Police</u>	<u>Fire</u>
Tier 1	67.32%	63.29%
Tier 2	67.32%	63.29%
Tier 3	10.39%	10.36%
Tier 3 Legacy	53.43%	48.08%

For Fiscal year ended June 30, 2022, the City chose to contribute \$184.5 million and \$106.4 million for Police and Fire, respectively and were based on the following contribution rates:

	<u>Police</u>	<u>Fire</u>
Tier 1	75.10%	70.29%
Tier 2	75.10%	70.29%
Tier 3	10.39%	10.36%
Tier 3 Legacy	61.21%	55.08%

The City's APSPRS membership data is as follows:

	<u>June 30, 2021</u>	
	<u>Police</u>	<u>Fire</u>
Retirees and Beneficiaries	2,702	1,223
Inactive and Non-Retired Members	918	256
Active Members	2,438	1,451
Total	6,058	2,930

**Schedule of Changes in Net Pension Liability and Related Ratios
for Reporting Date ended June 30,
(thousands)**

	POLICE		
	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020
<u>Total Pension Liability</u>			
Service cost	\$ 51,687	\$ 51,069	\$ 52,681
Interest on the total pension liability	265,180	251,285	241,526
Difference between expected and actual experience of the total pension liability	23,801	91,331	21,415
Changes of assumptions	—	—	58,976
Benefit payments, including refunds of employee contributions	(204,565)	(203,329)	(185,901)
Net change in total pension liability	136,103	190,356	188,697
Total pension liability—beginning	3,683,190	3,492,834	3,304,137
Total pension liability—ending	<u>\$3,819,293</u>	<u>\$3,683,190</u>	<u>\$3,492,834</u>
<u>Plan Fiduciary Net Position</u>			
Employer contributions	\$ 172,800	\$ 167,099	\$ 149,442
Employee contributions	23,096	22,896	18,525
Pension plan net investment income	379,441	17,437	71,707
Benefit payments, including refunds of employee contributions	(204,565)	(203,329)	(185,901)
Pension plan administrative expense	(1,780)	(1,422)	(1,247)
Other(1)	4	(91)	88
Net change in plan fiduciary net position	368,996	2,590	52,614
Plan fiduciary net position—beginning	1,370,878	1,368,288	1,315,679
Adjustment to Beginning of Year	—	—	(5)
Plan fiduciary net position—ending	<u>\$1,739,874</u>	<u>\$1,370,878</u>	<u>\$1,368,288</u>
Net pension liability	<u>\$2,079,419</u>	<u>\$2,312,312</u>	<u>\$2,124,546</u>
Plan fiduciary net position as a percentage of the total pension liability	45.55%	37.22%	39.17%
Covered payroll	\$ 229,875	\$ 233,472	\$ 228,846
Net pension liability as a percentage of covered valuation payroll	904.59%	990.40%	928.37%

(1) Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

**Schedule of Changes in Net Pension Liability and Related Ratios
for Reporting Date ended June 30,
(in thousands)**

	FIRE		
	Fiscal Year End 2022	Fiscal Year End 2021	Fiscal Year End 2020
<u>Total Pension Liability</u>			
Service cost	\$ 32,998	\$ 31,668	\$ 32,749
Interest on the total pension liability	143,726	134,204	130,378
Difference between expected and actual experience of the total pension liability	2,186	74,975	(7,563)
Changes of assumptions	—	—	31,021
Benefit payments, including refunds of employee contributions	(102,431)	(121,050)	(96,862)
Net change in total pension liability	76,479	119,797	89,723
Total pension liability—beginning	1,987,068	1,867,271	1,777,548
Total pension liability—ending	<u>\$2,063,547</u>	<u>\$1,987,068</u>	<u>\$1,867,271</u>
<u>Plan Fiduciary Net Position</u>			
Employer contributions	\$ 106,126	\$ 90,148	\$ 77,142
Employee contributions	13,566	12,598	11,592
Pension plan net investment income	212,684	9,715	39,879
Benefit payments, including refunds of employee contributions	(102,431)	(121,050)	(96,862)
Pension plan administrative expense	(994)	(793)	(695)
Other(1)	12	12	—
Net change in plan fiduciary net position	228,963	(9,370)	31,056
Plan fiduciary net position—beginning	756,000	765,370	734,315
Adjustment to Beginning of Year	—	—	(1)
Plan fiduciary net position—ending	<u>\$ 984,963</u>	<u>\$ 756,000</u>	<u>\$ 765,370</u>
Net pension liability	<u>\$1,078,584</u>	<u>\$1,231,068</u>	<u>\$1,101,901</u>
Plan fiduciary net position as a percentage of the total pension liability	47.73%	38.05%	40.99%
Covered payroll	\$ 148,348	\$ 139,641	\$ 135,273
Net pension liability as a percentage of covered valuation payroll	727.06%	881.60%	814.58%

(1) Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

Actuarial assumptions used to determine the total pension liability in the June 30, 2021 actuarial valuation were based on the results of the actuarial experience study covering the period from July 1, 2011 through June 30, 2016. Those assumptions, applied to all periods included in the measurement, are as follows:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Price Inflation	2.50%
Salary Increases	3.50% to 7.50% including inflation
Tier 1 and 2 Investment Rate of Return	7.30%, net of investment and administrative expense
Tier 3 Investment Rate of Return	7.00%, net of investment and administrative expense
Tier 3 Compensation Limit	\$115,868 for 2021. Assumed increases of 2.00% per year.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period July 1, 2011 – June 30, 2016.
Mortality	RP-2014 mortality tables projected backwards 1 year to 2013 with MP-2014 (110% of female healthy annuitant mortality table.) Future mortality improvements are assumed each year using 75.0% of scale MP-2020.

The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. The assumed future permanent benefit increase used for this valuation is 1.75%.

Schedule of Contributions for Measurement Date ended June 30,
(in thousands)

	<u>Year Ended June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution(1)</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Valuation Payroll</u>
Police	2022	\$ —	\$184,494	\$ —	\$ —	—%
	2021	153,644	172,800	(19,156)	229,875	75.17
	2020	167,099	167,099	—	233,472	71.57
	2019	149,442	149,442	—	228,846	65.30
	2018	124,618	124,618	—	221,105	56.36
	2017	113,645	113,645	—	231,023	49.19
Fire	2022	\$ —	\$106,386	\$ —	\$ —	—%
	2021	89,913	106,126	(16,213)	148,048	71.54
	2020	90,148	90,148	—	139,641	64.56
	2019	77,142	77,142	—	135,273	57.03
	2018	73,288	73,288	—	132,503	55.31
	2017	56,671	56,671	—	127,530	44.44

(1) Actual contributions are based on covered payroll at the time of contribution. It is the actuary's understanding that the City's practice is to contribute the percent-of-payroll employer contribution rate (or flat dollar amount if there are no active employees) shown in the actuarial valuation report. Because of this

understanding, the Actuarially Determined Contributions shown in the Schedule of Contributions are the actual contributions made by the City in the fiscal year. Fiscal year 2022 actual contributions represent contributions made subsequent to the measurement date.

The actuarially determined recommended pension contribution rates for Police was 64.64% for fiscal year 2019-20, 65.70% for fiscal year 2020-21 and is 67.32% for fiscal year 2021-22. The actuarially determined recommended pension contribution rates for Fire was 58.95% for fiscal year 2019-20, 60.61% for fiscal year 2020-21 and is 63.29% for fiscal year 2021-22.

APSPRS Pension Reform

On April 29, 2011, the Governor signed into law Senate Bill 1609 (“*SB 1609*”), which created significant pension reform to the APSPRS.

The following is a summary of changes to the APSPRS required by SB 1609:

- Revise the formula used to calculate cost of living adjustments (COLA)
- Increase member contribution rate from 7.65% to 11.65% by fiscal year 2015-16
- Eliminate the Deferred Retirement Option Plan (DROP) for employees hired after January 1, 2012
- Increase the number of years of service required to become retirement eligible from 20 to 25
- Increase the number of consecutive years of salary used to compute pension from three to five
- Calculated pension cannot exceed 80.0% of the five consecutive years’ average

On February 20, 2014, the Arizona Supreme Court upheld a lower court ruling that provisions of SB 1609 revising the formula used to calculate cost of living adjustments of members of the Arizona Elected Officials Retirement Plan violated the Arizona Constitution to the extent those provisions applied to elected officials hired prior to January 1, 2012. Because that Supreme Court ruling applies to invalidate the same language in similar provisions of SB 1609 which relate to APSPRS, COLA increases for members hired prior to January 1, 2012 and affected by SB 1609 will be restored retroactively, which required rate increases from employers, including the City. The APSPRS Board allowed employers to phase-in the pension contribution rate increase over 3 years beginning with the 2015-16 fiscal year. The City’s contribution rate for fiscal year 2015-16 increased 7.96% for fire and 9.31% for police due the phase-in. In fiscal year 2016-17, the City’s contribution rate increased 4.93% for fire and 6.05% for police. The City is unable to determine the rate increase for the last year of the phase-in or any potential savings due to other provisions of SB 1609.

On November 10, 2016, the Arizona Supreme Court upheld another lower court ruling that provisions of SB 1609 which increased employee contribution rates and curtailed certain benefit increases were also unconstitutional. The decision means that many current employees will receive refunds, while some retirees will receive retroactive benefit increases. The issuance of refunds by the City will have minimal effect on contribution rates. Neither of the Supreme Court decisions will impact the ability of the City to fulfill its obligations on its bonds. The City is not aware of any other pending lawsuits regarding SB 1609.

In February 2016, the Governor signed Senate Bills 1428 and 1429 to further reform the APSPRS. Most of the changes only affect new hires who start after June 30, 2017. Those changes include requiring new public safety employees to serve until age 55 before being eligible for full pension benefits, splitting the annual pension cost 50/50 between employers and new employees, and providing new hires the option of choosing a 100% defined contribution plan in place of a defined benefit (or pension) plan. The one change that could affect current retirees and those hired both before and after June 30, 2017, is a 2.0% annual cap on cost-of-living adjustments, which would be tied to the metropolitan Phoenix-Mesa Consumer Price Index. For the cost-of-living cap to apply to current members of APSPRS, it needed to be approved by voters. Proposition 124, which capped the cost of living adjustments for current and new members, was approved by voters on May 17, 2016.

Elected Officials' Retirement Plan

The Elected Officials' Retirement Plan (“EORP”) is a cost sharing multiple-employer defined benefit pension plan of which the City of Phoenix is a contributing employer and covers the Mayor and City Council, effective January 4, 1988. As a condition of coverage, members are required to contribute a percentage of their compensation.

The City contributed an actuarially determined rate of 32.99% for fiscal year 2012 and 36.44% for fiscal year 2013, to fully fund benefits for active members. For the first six months of fiscal year 2014, the City contribution rate was 39.62%. Effective January 1, 2014, the State Legislature closed the EORP to new members and changed the contribution rate to 23.50% for both the EORP and for the newly created Elected Officials' Defined Contribution Retirement System (“EODCRS”). All elected officials, appointed or elected on or after January 1, 2014 and not previously a member of the EORP, become members of the EODCRS, a defined contribution plan.

In 2017, a trial court ruled that the 23.50% level per cent employer contribution rate for the defined benefit plan was unconstitutional without supplemental funding because it was insufficient to cover the actuarial computed unfunded liabilities.

In March 2018, the Arizona State Legislature introduced Senate Bill 1478 (“SB 1478”), which proposed to eliminate the 23.50% employer contribution rate and replace it with an actuarially determined employer contribution rate. SB 1478 requires the contribution rate to be sufficient to meet both the normal cost and the unfunded accrued liability amortized over a closed period of at least 20 years, but not more than 30 years, beginning July 1, 2018. The Governor signed SB 1478 into law on May 16, 2018. Effective July 1, 2018, the EORP employer contribution rate was 61.5% and 61.625% for EODCRS. Effective July 1, 2019, the EORP employer contribution rate was 61.43% and 61.555% for EODCRS.

Pension reform for EORP was approved by voters in November 2018. The reform requires a replacement of the permanent benefit increase, or PBI, with a cost-of-living-adjustment based on annual changes recognized by the U.S. Department of Labor, Bureau of Labor Statistics' Consumer Price Index for the Phoenix-Mesa-Scottsdale CBSA. The PBI could increase as much as 4.0% per year, while the new cost-of-living adjustment increase has a cap of 2.0% per year.

No additional disclosures regarding EORP are provided due to the immateriality to the City's finances as a whole. EORP financial statements are available online at www.psprs.com.

Additional Information

Additional information regarding the City's Retirement and Pension Plans, including trend information and detailed assumptions, is available in the City's ACFR under the headings “Pension Plans” and “Required Supplementary Information”. The ACFR is available at <http://emma.msrb.org> or www.phoenix.gov under Departments-Finance-Financial Information & Reports or by calling the City at (602) 262-7166.

Additional information regarding the APSPRS and the EORP, including annual financial reports, actuary reports, trend information and detailed assumptions is available at www.psprs.com/investments--financials/annual-reports.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

Health Care Benefits for Retired Employees

The City provides certain postemployment health care benefits for its retirees. City 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 unblended rates have been established for active and retiree health insurance.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45 ("*GASB 45*") which addresses how state and local governments should account for and report costs and obligations related to post-employment health care and other post-employment non-pension benefits ("*OPEB*"). GASB 45 generally requires that the annual cost of OPEB and the outstanding obligations and commitments related to OPEB be accounted for and reported in essentially the same manner as pensions. The City implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, effective July 1, 2007.

GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces GASB 45 and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The new GASB statement requires the presentation of liability for OPEB obligations in the employer's financial statements. The Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The City implemented GASB 75 effective July 1, 2017.

Medical Expense Reimbursement Plan

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 OPEB plan.

The subsidy 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. 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 will receive an additional subsidy to minimize the impact of unblending health insurance rates for active and retired employees.

In December 2007, 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 was delegated fiduciary responsibility for the MERP Trust, subject to oversight of the City Council.

The employees covered by MERP at June 30, 2021 are:

	<u>2021</u>
Plan Members Currently Receiving Benefits	9,772
Active Plan Members	<u>2,690</u>
Total Plan Members	<u><u>12,462</u></u>

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. For the year ended June 30, 2022, the City contributed \$27.7 million. Employees are not required to contribute to the MERP.

The MERP actuarially determined contribution, actual contribution and covered payroll for the last two fiscal years follows:

MERP
Schedule of Employer Contributions
(in thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a percentage of Covered Payroll</u>
2022	\$15,912	\$27,704	\$(11,792)	\$222,257	12.46%
2021	22,753	31,004	(8,251)	214,741	14.44

The City’s net OPEB liability for MERP was measured as of June 30, 2021, and the total MERP OPEB liability used to calculate the net OPEB liability for MERP was determined by an actuarial valuation as of June 30, 2021. The net OPEB liability for MERP is measured as the total MERP 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 6.5% was used to measure the total MERP OPEB liability as of June 30, 2022. This single discount rate was based on an expected rate of return on MERP OPEB plan investments of 6.5%. Based on the stated assumptions and the projection of cash flows, the MERP OPEB fiduciary net position and future contributions were projected to be sufficient to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MERP OPEB plan investments was applied to all periods of projected benefit payments to determine the total MERP OPEB liability.

The following schedule shows the funding progress of the plan for the last two fiscal years. The total MERP OPEB liability increased 8,047 from 2021 to 2022.

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

	MERP	
	Fiscal Year End 2022	Fiscal Year End 2021
Total OPEB Liability		
Service cost	\$ 3,495	\$ 3,629
Interest on the total OPEB liability	24,114	25,249
Differences between expected and actual experience	—	(6,128)
Changes of assumptions	8,185	(12,042)
Benefit payments, including refunds of employee contributions	(27,747)	(27,186)
Net change in total OPEB liability	8,047	(16,478)
Total OPEB liability—beginning	369,367	385,845
Total OPEB liability—ending	<u>\$377,414</u>	<u>\$369,367</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 27,704	\$ 31,004
OPEB plan net investment income	(32,988)	50,174
Benefit payments, including refunds of employee contributions	(27,747)	(27,186)
Other	(640)	(605)
Net change in plan fiduciary net position	(33,671)	53,387
Plan fiduciary net position—beginning	232,924	179,537
Plan fiduciary net position—ending	<u>\$199,253</u>	<u>\$232,924</u>
Net OPEB liability—ending	<u>\$178,161</u>	<u>\$136,443</u>
Plan fiduciary net position as a percentage of total OPEB liability	52.79%	63.06%
Covered payroll	\$222,257	\$214,741
Net OPEB liability as a percentage of covered payroll	80.16%	63.54%

Post Employment Health Plan

Benefit eligible employees with more than 15 years until retirement eligibility, as of August 1, 2007, receive \$150 per month while employed by the City as a defined contribution to the Post Employment Health Plan (“PEHP”). This is a 100% employer-paid benefit. The program provides employees who have a payroll deduction for City medical insurance coverage (single or family) with a PEHP account. This account is to be used by the employee when he/she retires or separates employment with the City for qualified medical expenses (including health insurance premiums).

Long-Term Disability Program

In November 2008, 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 plan. A five-member Board of Trustees was delegated fiduciary responsibility for the LTD Trust, subject to oversight by the City Council. The LTD Trust issues a separate report that can be obtained through the City of Phoenix, Finance Department, Financial Accounting and Reporting Division, 251 W. Washington Street, 9th Floor, Phoenix, Arizona, 85003.

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. The City pays 100% of the cost of this benefit.

The number of participants as of June 30, 2021, the effective date of the biennial OPEB valuation, follows:

	<u>Police</u>	<u>Fire</u>	<u>General City</u>	<u>Total</u>
Active Employees	2,908	1,663	7,914	12,485
Disabled Employees	<u>17</u>	<u>10</u>	<u>271</u>	<u>298</u>
Total Covered Participants	<u>2,925</u>	<u>1,673</u>	<u>8,185</u>	<u>12,783</u>

Contributions by the City (plus earnings thereon) are the sole source of funding for the LTD program. The LTD Trust'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 City elected to contribute \$1.4 million to the LTD program, even though it is fully funded. For the year ended June 30, 2021, the City did not contribute. Employees are not required to contribute to the LTD program.

The LTD actuarially determined contribution, actual contribution and covered payroll for the last two fiscal years follows:

LTD
Schedule of Employer Contributions
(in thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a percentage of Covered Payroll</u>
2022	\$1,343	\$1,401	\$ (58)	\$898,304	0.16%
2021	1,540	—	1,540	848,384	—

The City's net OPEB liability for LTD was measured as of June 30, 2021, and the total LTD OPEB liability used to calculate the net LTD OPEB liability was determined by an actuarial valuation as of June 30, 2019. The net LTD 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 LTD Trust's Board of Trustees adopted assumptions and methods).

A single discount rate of 6.5% was used to measure the total OPEB liability for LTD as of June 30, 2022. This single discount rate was based on an expected rate of return on LTD OPEB plan investments of 6.5%. Based on the stated assumptions and the projection of cash flows, the LTD 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 LTD OPEB plan investments was applied to all periods of projected benefit payments to determine the total LTD OPEB liability.

The following schedule shows the funding progress of the plan for the last two fiscal years. The total LTD OPEB liability increased \$2,984,000 from 2021 to 2022.

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

	LTD	
	Fiscal Year End 2022	Fiscal Year End 2021
Total OPEB liability/(asset)		
Service cost	\$ 3,867	\$ 3,606
Interest on the total OPEB liability/(asset)	3,163	3,193
Differences between expected and actual experience	—	(2,650)
Changes of assumptions	787	(116)
Benefit payments, including refunds of employee contributions	(4,833)	(4,381)
Net change in total OPEB liability/(asset)	2,984	(348)
Total OPEB liability/(asset)—beginning	47,337	47,685
Total OPEB liability/(asset)—ending	<u>\$ 50,321</u>	<u>\$ 47,337</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 1,401	\$ —
OPEB plan net investment income	(13,083)	21,612
Benefit payments, including refunds of employee contributions	(4,833)	(4,381)
OPEB plan administrative expense	(556)	(456)
Other	(13)	29
Net change in plan fiduciary net position	(17,084)	16,804
Plan fiduciary net position—beginning	94,561	77,757
Plan fiduciary net position—ending	<u>\$ 77,477</u>	<u>\$ 94,561</u>
Net OPEB liability/(asset)—ending	<u>\$ (27,156)</u>	<u>\$ (47,224)</u>
Plan fiduciary net position as a percentage of total OPEB liability/(asset)	153.97%	199.76%
Covered payroll	\$898,304	\$872,987
Net OPEB liability/(asset) as a percentage of covered payroll	(3.02)%	(5.41)%

APSPRS—OPEB

The Arizona Public Safety Personnel Retirement System (“APSPRS”) administers an agent multiple-employer defined benefit retirement system established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes that provides retirement benefits, as well as death and disability benefits to public safety employees of certain state and local governments. Authority to make amendments to the plan rests with the Arizona State Legislature. The APSPRS acts as a common investment and administrative agent that is jointly administered by a Board of Trustees and participating local boards.

The City’s APSPRS membership data is as follows:

	June 30, 2021	
	Police	Fire
Retirees and Beneficiaries	2,702	1,223
Inactive, Non-Retired Members	446	221
Active Members	2,438	1,451
Total	<u>5,586</u>	<u>2,895</u>

APSPRS has the authority to establish and amend the contribution requirements of the City and active employees. APSPRS establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially 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 an unfunded accrued liability.

For the year ended June 30, 2022, there were no employer contributions. Employees are not required to contribute to the APSPRS OPEB Plan.

**APSPRS
Schedule of Employer Contributions
(in thousands)**

	<u>Fiscal Year Ended June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a percentage of Covered Payroll</u>
Police	2021	\$79	\$79	\$—	\$229,875	0.03%
Fire	2021	\$24	\$24	\$—	\$148,348	0.02%

The following schedule shows the funding progress of the APSPRS OPEB plan for the last two fiscal years. The City's net OPEB liability for APSPRS was measured as of June 30, 2020, and the total APSPRS OPEB liability used to calculate the net OPEB liability for APSPRS was determined by an actuarial valuation as of the same date.

**Schedule of Changes in Net OPEB Liability and Related Ratios for Reporting Date Ended June 30,
(in thousands)**

	<u>APSPRS</u>	
	<u>Police 2022</u>	<u>Fire 2022</u>
<u>Total OPEB Liability</u>		
Service cost	\$ 1,074	\$ 553
Interest on the total OPEB liability	3,530	1,830
Differences between expected and actual experience of the Total OPEB Liability	(2,216)	(54)
Benefit payments, including refunds of employee contributions	(3,485)	(1,943)
Net change in total OPEB liability	(1,097)	386
Total OPEB liability—beginning	49,026	25,488
Total OPEB liability—ending	<u>\$ 47,929</u>	<u>\$ 25,874</u>
<u>Plan Fiduciary Net Position</u>		
Contributions—employer	\$ 79	\$ 24
Contributions—employee	79	24
Net Investment Income	17,507	9,904
Benefit payments, including refunds of employee contributions	(3,485)	(1,943)
OPEB Plan administrative expense	(72)	(42)
Other	—	—
Net change in Plan fiduciary net position	14,108	7,967
Plan fiduciary net position—beginning	64,567	36,524
Plan fiduciary net position—ending	<u>\$ 78,675</u>	<u>\$ 44,491</u>
Net OPEB liability/(asset)	<u>\$ (30,746)</u>	<u>\$ (18,617)</u>
Plan fiduciary net position as a percentage of total OPEB liability	164.15%	171.95%
Covered payroll	\$229,875	\$148,348
Net OPEB liability as a percentage of covered payroll	(13.38)%	(12.55)%

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional Information

Additional information regarding the City's Health Care Benefits for Retired Employees, including the actuarial methods and detailed assumptions used to calculate the ARC, is available in the City's ACFR under the heading "Other Postemployment Benefits (*OPEB*)". The ACFR is available at <http://emma.msrb.org> or www.phoenix.gov under Departments-Finance-Financial Information & Reports or by calling the City at (602) 262-7166.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

Summary of Certain Provisions of Legal Documents

The following information summarizes or paraphrases certain provisions of the Airport Revenue Bond Ordinance, the City Purchase Agreement and the Indenture. Such information is not a full statement of the terms of such documents and, accordingly, is qualified by reference to the full text thereof.

CERTAIN DEFINITIONS

The following are definitions in summary form of certain terms used in the Airport Revenue Bond Ordinance, the City Purchase Agreement and the Indenture:

“Airport” means the airports of the City presently known as “Phoenix — Sky Harbor International Airport,” “Phoenix — Goodyear Airport,” and “Phoenix — Deer Valley Airport,” including all additions, extensions and improvements thereto which may be made while any Bonds remain Outstanding, including all property and facilities of every nature owned or operated by the City and used in connection with its airports or for airport purposes, including but without limitation, lands, rights-in-land, terminals and other buildings and facilities, hangars, runways, ramps, shops, stores and similar facilities located in the terminal building areas, parking meters and facilities, facilities for limousine, taxi and car rental services, restrooms, sinks, showers, toilets, luggage lockers, repair shops, facilities for the sale of oil and fuel, communication facilities, restaurant and bar facilities, and all other property and facilities of every nature located on or used in connection with the airports and the land on which each is located, and including airport facilities not described in this definition if such facilities have been added to the definition of Airport by subsequent resolution or ordinance of the City.

“Airport Improvement Fund” means the fund of that name created in Article II of the Airport Revenue Bond Ordinance.

“Airport Revenues” or *“Revenues”* means all income and revenue received by the City directly or indirectly from the use and operation of the Airport, including but without limitation, revenues pledged, dedicated or allocated for the benefit of the Airport, rentals, landing fees, use charges, income from the sale of services, fuel, oil and other supplies or commodities, income from the use for agricultural purposes of portions of the Airport not currently used for Airport purposes, fees from concessions, amounts received from or in behalf of the Arizona National Guard, parking meter and parking lot receipts, storage locker and restroom income, income from communication services, fees or income from limousine, taxi and car rental services, bar and restaurant income, advertising revenues, receipts derived from the lease or any other contractual arrangement with respect to the use of the Airport, receipts from the sale of any property of the Airport, proceeds of any insurance covering business interruption loss.

Airport Revenues and Revenues also includes income received from the investment of any monies held in the funds and accounts (other than the Construction Fund and the Rebate Fund) created under the Airport Revenue Bond Ordinance.

Airport Revenues and Revenues shall not include the following: (i) money received as grants or gifts from the United States of America or the State of Arizona, except to the extent that any such money shall be received as payments for use of the Airport or its facilities; (ii) proceeds received on insurance resulting from casualty damage to assets of the Airport to the extent such proceeds are used to repair or replace facilities or property of the Airport; (iii) rentals or other charges derived by the City under and pursuant to a lease or leases relating to Special Purpose Facilities; (iv) the proceeds of the sale of any Bonds or other obligations issued for Airport purposes; or (v) receipts from Passenger Facility Charges.

“Airport Revenue Bond Ordinance” means Ordinance No. S-21974 adopted by the Mayor and Council of the City on April 20, 1994, as amended to date and as further supplemented and amended from time to time.

“*Bondholder*” means the registered owner of one or more Bonds.

“*Bond Fund*” means the fund of that name described in Article II of the Airport Revenue Bond Ordinance.

“*Bond Payment Date*” means the dates established for the payment of interest on any Bonds or Principal Requirement on any Bonds as set forth in the Series Ordinance authorizing such Bonds.

“*Bond Reserve Fund*” means a common reserve for the Bonds as may be secured thereby under their terms, including the Senior Lien Parity Reserve Fund.

“*Bond Year*” means a twelve-month period beginning July 2 of the calendar year and ending on the next succeeding July 1, or such other period as set forth in a Series Ordinance.

“*Bonds*” or “*Parity Bonds*” or “*Senior Lien Obligations*” means obligations payable from Net Airport Revenues.

“*Bonds Being Refunded*” means the Series 2013 Bonds maturing July 1, 2023 through and including July 1, 2032.

“*City*” means the City of Phoenix, Arizona.

“*City Manager*” means the official of the City performing the duties now performed by the City Manager.

“*City Purchase Agreement*” or “*Agreement*” means, the City Purchase Agreement dated as of June 1, 2023, by and between the Corporation and the City, as amended or supplemented from time to time with the consent of the Trustee, as provided in the Indenture.

“*City Representative*” means the actual, acting or interim Chief Financial Officer of the City or any other person at any time designated to act on behalf of the City by written certificate furnished to the Corporation and the Trustee, if any, containing the specimen signature of such person and signed by the City Manager or his designee. Such certificate may designate one or more alternates.

“*Clerk*” or “*City Clerk*” means the official of the City performing the duties now performed by the City Clerk.

“*Code*” means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, to the extent applicable to the Bonds for the use of proceeds of the Bonds or the Airport.

“*Commercial Paper*” means Senior Lien Obligations with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time.

“*Compound Interest Bonds*” means Bonds which for a stated period of time bear interest which interest is calculated based on regular compounding, payable only (i) at maturity or earlier redemption or (ii) on a specified date, from and after which such Bonds bear interest payable on a regularly scheduled basis. Bonds described in clause (ii), above, shall be deemed to be “*Compound Interest Bonds*” until the specified date on which the compounded interest ceases to accrue.

“*Construction Fund*” means the fund of that name referred to in Article II of the Airport Revenue Bond Ordinance.

“*Consultant*” means a firm of consultants or professionals experienced in the development, planning, financing, operation or management of airports or airport facilities.

“*Cost of Maintenance and Operation*” means all expenditures (exclusive of depreciation and interest on money borrowed) which are necessary to the efficient maintenance and operation of the Airport and its facilities, such expenditures to include the items normally included as essential expenditures in the operating budgets of municipally owned airports.

“*Council*” means the Mayor and Council of the City of Phoenix or such other body as may from time to time be acting as the body which governs said City.

“*Credit Facility*” means a bank, financial institution, insurance company or indemnity company enhancing the credit of any Bonds by assuring holders of such Bonds that principal of and interest on said Bonds will be paid promptly when due and includes the issuance of an insurance policy, surety bond or other form of security for the Bond Reserve Fund as described in Article II, Section 2.6 of the Airport Revenue Bond Ordinance.

“*Debt Service Reserve Requirement*” means, with respect to the Senior Lien Obligations, Maximum Annual Debt Service, provided that if the Debt Service Reserve Requirement is satisfied with the proceeds of obligations the interest on which is excludible from gross income for federal income tax purposes, then the amount of proceeds used in order to satisfy the Debt Service Reserve Requirement shall not exceed any restrictions relating to the use of such funds for such purpose set forth in the Code. The Debt Service Reserve Requirement may be recalculated from time to time as Bonds are rendered no longer Outstanding.

“*Derivative Product*” means an agreement of the City entered into in accordance with Section 2.13 of the Airport Revenue Bond Ordinance.

“*Event of Default*” means one of the events defined as such in the City Purchase Agreement or Indenture as the case may be.

“*Finance Director*” means the official of the City performing the duties now performed by the Finance Director.

“*Fiscal Year*” means the 12-month period used by the City for its general accounting purposes as the same may be changed from time to time, said fiscal year currently extending from July 1 to June 30.

“*Indenture*” means, the Bond Indenture dated as June 1, 2023 between the Corporation and the Trustee.

“*Independent Certified Public Accountant*” means a firm of certified public accountants which is not in the regular employ of the City on a salary basis.

“*Interest Account*” means the account of that name established in Article II of the Airport Revenue Bond Ordinance.

“*Interest Requirement*” means the amount of interest falling due on the next Bond Payment Date, net of any amounts deposited in the Interest Account or Construction Fund which are available to pay interest on Bonds.

“*Investment Earnings*” means all interest received on and profits derived from investments made with any money held under the Indenture.

“*Junior Lien Bond Fund*” means the Junior Lien Bond Fund established pursuant to the Junior Lien Obligation Documents.

“*Junior Lien Compound Interest Bonds*” means Junior Lien Obligations which for a stated period of time bear interest which interest is calculated based on regular compounding, payable only (i) at maturity or earlier redemption or (ii) on a specified date, from and after which such Junior Lien Obligations bear interest payable on a regularly scheduled basis. Junior Lien Obligations described in clause (ii), above, shall be deemed to be “*Junior Lien Compound Interest Bonds*” until the specified date on which the compounded interest ceases to accrue.

“*Junior Lien Credit Facility*” means a Credit Facility with respect to the Junior Lien Obligations.

“*Junior Lien Interest Account*” means the Junior Lien Interest Account of the Junior Lien Bond Fund established pursuant the Junior Lien Obligation Documents.

“*Junior Lien Interest Requirement*” means the amount of interest due on Junior Lien Obligations.

“*Junior Lien Obligation Documents*” means any ordinance, indenture, contract or agreement of the City constituting or authorizing Junior Lien Obligations.

“*Junior Lien Obligations*” means obligations payable from Designated Revenues.

“*Junior Lien Parity Reserve Fund*” means the Junior Lien Parity Reserve Fund established pursuant to the City Purchase Agreement for the benefit of the Series 2015A Junior Bonds and Series 2017D Junior Bonds and assigned to the Junior Trustee and as may be further assigned in the event such fund shall become a parity reserve fund for the benefit of additional Junior Obligations.

“*Junior Lien Principal Requirement*” means, as of any date of calculation, the sum of (a) the principal amount due on Junior Lien Obligations plus (b) the amount of principal of Junior Lien Obligations required to be redeemed pursuant to a mandatory redemption feature. In computing the Junior Lien Principal Requirement, an amount of Junior Lien Obligations required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of Junior Lien Obligations maturing on the scheduled maturity date. In the case of Junior Lien Obligations supported by a Junior Lien Credit Facility, the Junior Lien Principal Requirements for such Junior Lien Obligations shall be determined in accordance with the principal retirement schedule specified in the Junior Lien Obligation Documents authorizing the issuance or providing for the sale of Junior Lien Obligations, rather than any amortization schedule set forth in such Junior Lien Credit Facility. Junior Lien Obligation Documents authorizing Junior Lien Obligations which are Junior Lien Compound Interest Bonds may amend the definition of “*Junior Lien Principal Requirement*.”

“*Junior Trustee*” means the trustee with respect to an issue of Junior Lien Obligations.

“*Maximum Annual Debt Service*” means an amount of money equal to the highest aggregate Principal Requirement and Interest Requirements to fall due and payable in the current or any future Bond Year of all Outstanding Bonds, as adjusted for any Derivative Product entered into with a Qualified Counterparty in accordance with Section 2.13 of the Airport Revenue Bond Ordinance and less any applicable Passenger Facility Charge Credit. For purposes of the Senior Lien Obligation Documents, an adjustment for a Derivative Product with a Qualified Counterparty pursuant to Section 2.13 of the Airport Revenue Bond Ordinance means: (i) the City shall treat the amount or rate of interest payable with respect to the Parity Bonds to which such Derivative Product relates as the interest rate payable under such Derivative Product; and (ii) the City may disregard the notional principal amount of any such Derivative Product with a Qualified Counterparty. In case any Bonds outstanding or proposed to be issued shall bear interest at a variable rate, the Interest Requirement of such Bonds in each Bond Year during which such variable rate applies shall be computed at the lesser of (i) the maximum rate which such Bonds may bear under the terms of their issuance or (ii) the rate of interest established for long-term bonds by the 20-year bond index most recently published by The Bond Buyer of New York, New York, prior to the date of computation (or in the absence of such published index, some other index selected in good faith by the Finance Director of the City after consultation with one or more reputable, experienced investment bankers as being equivalent thereto) (the “*Variable Rate Assumption*”). With respect to any Bonds issued as Commercial Paper or proposed to be issued, the Principal Requirement shall be calculated as if the entire amount of Commercial Paper authorized to be issued under the Series Ordinance were to be amortized over a term of 30 years commencing in the year in which such Commercial Paper is issued or proposed to be issued and with substantially level annual debt service payments and the Interest Requirement shall be computed using the Variable Rate Assumption.

“*Maximum Annual Junior Lien Debt Service*” means an amount equal to the highest aggregate Junior Lien Principal Requirements and Junior Lien Interest Requirements to fall due and payable in the current or any future Bond Year of all Outstanding Junior Lien Obligations, as adjusted pursuant to any Junior Lien Derivative Product with a Qualified Junior Lien Counterparty in accordance with the Junior Lien Obligation Documents and less any applicable Junior Lien Passenger Facility Charge Credit. In case any Junior Lien Obligations outstanding or proposed to be issued shall bear interest at a variable rate, the Junior Lien

Interest Requirement of such Junior Lien Obligations in each Bond Year during which such variable rate applies shall be computed at the lesser of (i) the maximum rate which such Junior Lien Obligations may bear under the terms of their issuance or (ii) the rate of interest established for long-term bonds by the 20-year bond index most recently published by *THE BOND BUYER* of New York, New York, prior to the date of computation (or in the absence of such published index, some other index selected in good faith by the Chief Financial Officer of the City after consultation with one or more reputable, experienced investment bankers as being equivalent thereto) (the “*Junior Lien Variable Rate Assumption*”). With respect to any Commercial Paper issued or proposed to be issued, the Junior Lien Principal Requirement shall be calculated as if the entire amount of Commercial Paper authorized to be issued under the Junior Lien Obligation Documents were to be amortized over a term of 30 years commencing in the year in which such Commercial Paper is issued or proposed to be issued and with substantially level annual debt service payments and the Junior Lien Interest Requirement shall be computed using the Junior Lien Variable Rate Assumption.

“*Moody’s*” means Moody’s Investors Service, Inc. and its successors or assigns.

“*Net Airport Revenues*” or “*Net Revenues*” means the Revenues of the Airport, after provision for payment of all Cost of Maintenance and Operation.

“*Operation and Maintenance Fund*” means the fund of that name established in Article II of the Airport Revenue Bond Ordinance.

“*Other Available Funds*” means unrestricted grant money and other monies available to the Airport which are not included in the definition of Revenues or Airport Revenues.

“*Other Available Monies*” means Other Available Funds which the City elects to make available for a particular purpose.

“*Outstanding*” means all obligations of the class concerned which shall have been issued and delivered except:

- (a) obligations in lieu of which other obligations have been issued under agreement to replace lost, mutilated or destroyed obligations,
- (b) obligations surrendered by the holders in exchange for other obligations and
- (c) obligations for the payment of which provision has been made as provided in the Senior Lien Obligation Documents or Junior Lien Obligation Documents.

“*Passenger Facility Charge Credit*” means the amount of principal of and/or interest to come due on specified Bonds during any Fiscal Year to which Passenger Facility Charges, state and/or federal grants or other monies have received all required governmental approvals and have been irrevocably committed or are held in the Bond Fund or otherwise in trust by or on behalf of the Paying Agent and are to be set aside exclusively to be used to pay Interest Requirements and/or Principal Requirements on such specified Bonds during the period of such commitment (unless such Passenger Facility Charges, state and/or other monies are subsequently included in the definition of Airport Revenues).

“*Passenger Facility Charges*” means charges collected by the City pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

“*Paying Agent*” means the paying agent for each series of Bonds as set forth in the Series Ordinance authorizing such Bonds.

“*Permitted Investments*” means, to the extent from time to time permitted by law (including provisions of the City Charter) as investments for City money:

- (a) Qualified Permitted Investments;

(b) obligations of, or obligations guaranteed as to the timely payment of principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America;

(c) Federal Housing Administration debentures which must not be redeemable prior to their stated maturity;

(d) obligations of the Federal Home Loan Mortgage Corporation (including only securities guaranteed as to timely payment of principal and interest);

(e) obligations of the Farm Credit System;

(f) obligations of Federal Home Loan Banks;

(g) obligations of the Federal National Mortgage Association (excluding interest-only stripped securities);

(h) obligations of the Student Loan Marketing Association (“*SLMA*”) excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date;

(i) obligations of Resolution Funding Corporation (“*REFCORP*”);

(j) federal funds, unsecured certificates of deposit, time deposits and banker’s acceptances (in each case, having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated in one of the two highest applicable rating categories by the Rating Agency;

(k) deposits which are fully insured by the Federal Deposit Insurance Corporation (“*FDIC*”);

(l) debt obligations rated in one of the two highest applicable rating categories by the Rating Agency (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(m) commercial paper having maturities not in excess of one year rated in one of the two highest applicable rating categories by the Rating Agency;

(n) investment in money market funds rated in one of the two highest applicable rating categories by the Rating Agency;

(o) repurchase agreements with any transferor with long-term unsecured debt rated in the highest applicable rating categories or commercial paper rated in one of the two highest applicable rating categories by the Rating Agency; and

(p) U.S. Treasury STRIPS, REFCORP STRIPS (stripped by the Federal Reserve Bank of New York) and any stripped securities assessed or rated in one of the two highest applicable rating categories by the Rating Agency.

“*PFC Revenue Fund*” means the PFC Revenue Fund established pursuant to the Junior Lien Obligation Documents.

“*PFC Revenues*” means Passenger Facility Charges, to the extent received by the City in each Fiscal Year, plus interest earnings on the PFC Revenue Fund.

“*Principal Account*” means the account of that name created in Article II of the Airport Revenue Bond Ordinance.

“*Principal Payment Date*” means the dates established for the payment of Principal Requirements on any Bonds as set forth in the Series Ordinance authorizing such Bonds.

“*Principal Requirement*” means, as of any date of calculation, the sum of (a) the principal amount of Bonds falling due during the then current Bond Year plus (b) the amount of principal of Bonds required to

be redeemed pursuant to a mandatory redemption feature during the then current Bond Year. In computing the Principal Requirement, an amount of Bonds required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of Bonds maturing on the scheduled maturity date. In the case of Bonds supported by a Credit Facility, the Principal Requirements for such Bonds shall be determined in accordance with the principal retirement schedule specified in the proceedings authorizing the issuance of such Bonds, rather than any amortization schedule set forth in such Credit Facility. A Series Ordinance authorizing the issuance or providing for the sale of Parity Bonds which are Compound Interest Bonds may amend the definition of “*Principal Requirement*”.

“*Purchase Price*” means the sum of the payments required by the City Purchase Agreement to be paid by the City to or for the account of the Corporation.

“*Qualified Counterparty*” means a counterparty to a Derivative Product (i) which is a bank, insurance company, indemnity company, financial institution or any similar or related company with a credit rating in one of the two highest rating categories of the Rating Agency, or if none of the Bonds are then rated by Moody’s or S&P, any other nationally recognized rating agency or (ii) the obligations of which are guaranteed by an entity described in clause (i).

“*Qualified Junior Lien Counterparty*” means a counterparty to a Junior Lien Derivative Product

(i) which is a bank, insurance company, indemnity company, financial institution or any similar or related company with a credit rating in one of the two highest rating categories of the Rating Agency, or if none of the Junior Lien Obligations are then rated by Moody’s or S&P, any other nationally recognized rating agency, (ii) the obligations of which are guaranteed by an entity described in clause (i), or (iii) the obligations of which are fully secured by obligations described in items (i) or (ii) of the definition of Qualified Permitted Investments which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (B) held by the Junior Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Junior Trustee, (C) subject to a perfected first lien on behalf of the Junior Trustee, and (D) free and clear from all third-party liens.

“*Qualified Permitted Investments*” means any one or more of the following classes of investments:

(i) direct obligations issued by the United States government or one of its agencies or obligations fully guaranteed by the United States government as to principal and interest;

(ii) any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause

(i) above; and (iii) to the extent permitted by law at the time of making such investment, any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) or clause (ii) above, which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) or clause (ii) above, which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations

described in this clause (iii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iii), as appropriate.

“*Rating Agency*” means Moody’s if any of the Bonds are then rated by Moody’s and S&P if the Bonds are then rated by S&P.

“*Refinanced Property*” means the property actually funded with proceeds of the Series 2013 Bonds.

“*Revenue Fund*” means the fund of that name created in Article II of the Airport Revenue Bond Ordinance.

“*S&P*” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC and its successors or assigns.

“*Senior Lien Obligations*” means Bonds, Parity Bonds or other obligations payable from Net Airport Revenues.

“*Senior Lien Obligation Documents*” means any ordinance, indenture, contract or agreement of the City or Corporation constituting or authorizing Senior Lien Obligations.

“*Senior Lien Parity Debt Service Reserve Requirement*” means, initially, \$ _____, which is the least of: (i) Maximum Annual Debt Service for the Series 2017 Bonds, the Series 2018 Bonds and the Series 2023 Bonds, (ii) 10% of the stated principal amount of the Series 2017 Bonds, the Series 2018 Bonds and the Series 2023 Bonds and (iii) 125% of the average annual Principal Requirements and Interest Requirements with respect to the Series 2017 Bonds, the Series 2018 Bonds and the Series 2023 Bonds. The Senior Lien Parity Debt Service Reserve Requirement may be recalculated from time to time as Senior Lien Obligations secured by the Senior Lien Parity Reserve Fund are rendered no longer Outstanding or in the event the City elects to make the Senior Lien Parity Reserve Fund a parity reserve fund for the benefit of additional Senior Lien Obligations. In the event the City elects to make the Senior Lien Parity Reserve Fund a parity reserve fund for the benefit of additional Senior Lien Obligations, the requirements set forth above shall be determined on an aggregate basis according to the Senior Lien Obligations secured by the Senior Lien Parity Reserve Fund.

“*Senior Lien Parity Reserve Fund*” means the Senior Lien Parity Reserve Fund established pursuant to the 2017 City Purchase Agreement, the 2018 City Purchase Agreement and the City Purchase Agreement and assigned to the 2017 Trustee pursuant to the 2017 Indenture for the benefit of the Series 2017 Bonds, to the 2018 Trustee pursuant to the 2018 Indenture for the benefit of the Series 2018 Bonds and to the Trustee pursuant to the Indenture for the benefit of the Series 2023 Bonds and as may be further assigned in the event such fund shall become a parity reserve fund for the benefit of additional Senior Lien Obligations.

“*Series Ordinance*” means an ordinance or ordinances (which may be supplemented by one or more ordinances) to be adopted prior to the delivery of any series of Parity Bonds; said ordinance as supplemented shall establish the date or dates of the pertinent series of Parity Bonds, the schedule of maturities thereof, whether any will be Compound Interest Bonds, the name of the purchaser of each series of Parity Bonds, the purchase price thereof, the rate or rates of interest to be borne thereby and the method by which interest is to be calculated, and the terms and conditions, if any, under which such Bonds may be made subject to redemption (mandatory or optional) prior to maturity and such other details as the City may determine.

“*Series 2017 Bonds*” means, collectively the Corporation’s Senior Lien Airport Revenue Bonds, Series 2017A, Senior Lien Airport Revenue Refunding Bonds, Series 2017B and Senior Lien Airport Revenue Refunding Bonds, Taxable Series 2017C.

“*Series 2018 Bonds*” means the Corporation’s Senior Lien Airport Revenue Bonds, Series 2018.

“*Special Purpose Facilities*” means (1) hangars, aircraft overhaul, maintenance or repair shops, reservation centers, motels, hotels, storage facilities, garages, cargo handling buildings and necessary ramp

areas incidental thereto, and other similar facilities, (2) projects as now or hereafter provided in the Industrial Development Financing Act (Title 35, Chapter 5 of the Arizona Revised Statutes), and (3) such other facilities or projects as the City shall designate as a Special Purpose Facility, and the cost of construction and acquisition of which facilities are financed with the proceeds of bonds, notes, leases, purchase agreements or other obligations which are payable solely from revenues of the Special Purpose Facility or revenues of the user of the Special Purpose Facilities.

“*Supplement*” means a supplemental indenture entered into in accordance with Article IX of the Indenture.

“*Tax Exemption Certificate*” means the Tax Exemption Certificate and Agreement relating to the Series 2023 Bonds.

“*Trustee*” means U.S. Bank Trust Company, National Association in its capacity as trustee under the Indenture, or any successor thereto.

“*2013 City Purchase Agreement*” means the City Purchase Agreement dated as of March 1, 2013.

“*2017 City Purchase Agreement*” means, the City Purchase Agreement dated as of November 1, 2017, by and between the Corporation and the City, as amended or supplemented from time to time with the consent of the 2017 Trustee, as provided in the 2017 Indenture.

“*2017 Indenture*” means, the Bond Indenture dated as November 1, 2017 between the Corporation and the 2017 Trustee.

“*2017 Tax-Exempt Bonds*” means, collectively, the Corporation’s Senior Lien Airport Revenue Bonds, Series 2017A and Senior Lien Airport Revenue Refunding Bonds, Series 2017B.

“*2017 Trustee*” means U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, in its capacity as trustee under the 2017 Indenture, or any successor thereto.

“*2018 Trustee*” means the U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, in its capacity as trustee for the Series 2018 Bonds.

“*2018 Indenture*” means the Bond Indenture dated as of November 1, 2018 between the Corporation and the 2018 Trustee.

“*2018 City Purchase Agreement*” means the City Purchase Agreement dated as of November 1, 2018 between the City and the Corporation, as the same may be amended from time to time.

“*2023 Bond Payment Date*” means a date on which principal or interest shall be payable on the Series 2023 Bonds in accordance with their respective terms as long as any Series 2023 Bonds are Outstanding.

“*2023 Interest Account*” means the 2023 Interest Account of the 2023 Senior Lien Bond Fund.

“*2023 Interest Requirement*” means the Interest Requirement for the Series 2023 Bonds.

“*2023 Principal Account*” means the 2023 Principal Account of the 2023 Senior Lien Bond Fund.

“*2023 Principal Requirement*” means the Principal Requirement for the Series 2023 Bonds.

“*2023 Senior Lien Bond Fund*” means the 2023 Senior Lien Bond Fund established pursuant to Section 5.1 of the Indenture.

THE AIRPORT REVENUE BOND ORDINANCE

SECTION 2.1. *Pledge*. All Bonds are special obligations of the City payable from and secured by the Net Airport Revenues and monies, securities and funds pledged therefore. There are hereby pledged for the payment

of Principal Requirement, Interest Requirement and redemption premium on the Bonds in accordance with their terms and the provisions of the Airport Revenue Bond Ordinance and any Series Ordinance, subject to the provisions of any Series Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Series Ordinance, (1) the Net Airport Revenues, and (2) monies held in the Bond Fund established or confirmed by the Airport Revenue Bond Ordinance or any Series Ordinance.

SECTION 2.2. *Establishment of Funds.* For a description of Section 2.2, as modified by the City Purchase Agreement and the Junior Lien Obligation Documents, see “*SECURITY AND SOURCE OF PAYMENT- Flow of Funds.*”

SECTION 2.3. *Operation and Maintenance Fund.* Amounts deposited in the Operation and Maintenance Fund shall be used to pay Cost of Maintenance and Operation.

SECTION 2.4. *Bond Fund.* Amounts deposited in the Bond Fund shall be deposited into either the Principal Account or the Interest Account. Amounts deposited in the Principal Account shall be used to pay Principal Requirements and amounts held in the Interest Account shall be used to pay Interest Requirements on Bonds. Monies in the Principal Account and Interest Account shall be transferred at least one business day before each Principal Payment Date or Bond Payment Date, as applicable, to the appropriate Paying Agent for each series of Bonds.

SECTION 2.5. *Bond Reserve Fund.* Amounts held in the Bond Reserve Fund shall be used to make payments on any Bonds secured by the Bond Reserve Fund to the extent there are insufficient funds in the Bond Fund to make such payment. The City hereby agrees to fund the Bond Reserve Fund in an amount equal to the Debt Service Reserve Requirement provided that the initial funding of the Bond Reserve Fund and any subsequent increase in the Bond Reserve Fund due to the issuance of Parity Bonds secured thereby shall be made in equal monthly deposits over not more than a twenty-four (24) month period from the date of issuance of the Parity Bonds. In the event amounts are withdrawn from the Bond Reserve Fund in order to make payments on any Bonds secured thereby or in the event amounts in the Bond Reserve Fund are valued and the value thereof is less than the Debt Service Reserve Requirement, the City agrees to replenish the Bond Reserve Fund to the Debt Service Reserve Requirement by payment under the method described above, commencing on the first day of the month following such withdrawal from the Bond Reserve Fund or valuation of the Bond Reserve Fund. The City reserves the right to establish a separate bond reserve fund for any Parity Bonds which pursuant to the terms of the Series Ordinance authorizing such Parity Bonds is not secured by the Bond Reserve Fund.

The funding of any separate bond reserve fund for a series of the Refunding Bonds may be made by depositing a surety bond or similar financial instrument into such separate bond reserve fund provided that the surety bond or similar financial instrument meets the requirements set forth below with regard to funding the Bond Reserve Fund with a surety bond or similar financial instrument. The funding of any separate bond reserve fund and the replenishment of the separate bond reserve fund shall be set forth in the Series Ordinance establishing such separate bond reserve fund, provided that the funding and replenishment of such separate bond reserve fund may be made pro rata with any funding or replenishment of the Bond Reserve Fund.

The City reserves the right at any time to deposit a surety bond or similar financial instrument into the Bond Reserve Fund in order to fund the Bond Reserve Fund to the required level. If the City chooses to deposit a surety bond or similar financial instrument into the Bond Reserve Fund, then the City shall receive a certificate or opinion to the effect that the surety bond or financial instrument is a binding obligation of the issuer thereof and shall receive evidence that the issuer thereof has a credit rating in one of the top two rating categories of a nationally recognized credit rating service, and, if the surety bond or similar financial instrument is replacing proceeds of obligations the interest on which is excludible from gross income for federal income tax purposes, then the City shall also receive an opinion of a firm of attorneys experienced in the practice of municipal bond law which opinion is to the effect that replacing such proceeds with a surety bond or similar financial instrument will not adversely affect the exclusion from gross income of the interest on such obligations for federal income

tax purposes. Each such surety bond or similar financial instrument shall be unconditional and irrevocable and shall provide such security as is described in this section with respect to which the surety bond or similar financial instrument is purchased. Notwithstanding Article VIII, the City reserves the right, if it deems it necessary in order to acquire such surety bond or other financial instrument, to amend the Airport Revenue Bond Ordinance without the consent of any of the holders of the Bonds in order to provide for the repayment of amounts drawn under such surety bond or other financial instrument, in order to secure the amounts to be repaid which security may be subordinate only to payments of Cost of Maintenance and Operation and payments into the Bond Fund, or to grant the provider of such surety bond or other financial instrument such additional rights as the City deems necessary. Further, in lieu of making deposits to the Bond Reserve Fund or any separate bond reserve fund pursuant to this Section 2.5, the City may transfer the amounts which would have been deposited to the Bond Reserve Fund or any separate bond reserve fund to a Credit Facility as reimbursement for amounts paid under any insurance policy, surety bond or other similar financial instrument.

In the event the Bond Reserve Fund contains both cash or Permitted Investments and a surety bond or other financial instrument, then the cash and Permitted Investments shall be liquidated prior to drawing upon the surety bond or financial instrument. Further, replenishment of the Bond Reserve Fund shall be made first to the reinstatement of such surety bond or other financial instrument and then, at the option of the City, to cash or Permitted Investments.

SECTION 2.6. *Airport Improvement Fund.* Amounts held in the Airport Improvement Fund may be used for any lawful airport purpose including but not limited to the payment of obligations of the City relating to the Airport including general obligation bonds issued for airport purposes and any obligations owed by the City pursuant to leases or installment purchase agreements or other obligations relating to the Airport.

SECTION 2.7. *Construction Fund.* A special fund is hereby created and designated “*City of Phoenix Airport Construction Fund*” (the “*Construction Fund*”) into which the City shall deposit proceeds of Parity Bonds hereafter issued for the purpose of improving and extending the Airport. The money in said fund shall be applied to the payment of the cost of adding to, extending, improving, bettering and reconstructing the Airport and related facilities, or for the repayment of advances made for that purpose in accordance with and subject to the provisions and restrictions set forth in this Section or may be transferred to the Bond Fund if necessary to pay Principal Requirements or Interest Requirements on Bonds or if funds have been deposited therein to pay capitalized interest on Bonds. Any monies in said fund not presently needed for the payment of current obligations during the course of construction may be invested in Permitted Investments which provide funds in a manner expected to meet the needs of the project being financed. Any such investments shall be held for the account of the Construction Fund until maturity or until sold, and at maturity or upon such sale the proceeds received therefrom including accrued interest and premium, if any, shall be immediately deposited in said fund and shall be disposed of in the manner and for the purposes herein provided. Monies may be transferred from the Construction Fund in accordance with policies of the City relating to the expenditure of City monies.

SECTION 2.9. *Investment of Funds and Accounts.* Money in the aforementioned funds and accounts shall be invested and reinvested in Permitted Investments at the highest rates reasonably available (except to the extent that a restricted yield is required or advisable under the Code). Money in the Interest Account and the Principal Account may be invested by the City in Permitted Investments maturing or redeemable at the option of the holder prior to the next succeeding Bond Payment Date or Principal Payment Date, as applicable, but whenever the aggregate of the money in said accounts exceeds the amount necessary to pay interest and principal falling due on the next Bond Payment Date, such excess may be invested in Permitted Investments maturing or redeemable at the option of the holder prior to the next following Bond Payment Date. Whenever any money in the Bond Reserve Fund invested as above provided is needed for the payment of Principal Requirements of or Interest Requirements on the Bonds the City shall cause such investments to be liquidated at current market prices, to the amount required, without further instructions and shall cause the proceeds of such liquidation to be applied to the

payment of Principal Requirements and Interest Requirements. Money in each of said funds shall be accounted for as a separate and special fund apart from all other City funds, provided that investments of money therein may be made in a pool of investments together with other money of the City of Phoenix so long as sufficient Permitted Investments in said pool, not allocated to other investments of contractually or legally limited duration, are available to meet the requirements of the foregoing provisions hereof.

SECTION 2.13. *Derivative Products.* The City reserves the right to enter into arrangements involving derivative products including swap agreements, forward agreements, interest rate agreements, and other similar agreements, to the extent permitted by law, and make payments on such agreements from Net Airport Revenues, and reserves the right to establish funds, accounts and subaccounts to make payment on such agreement and reserves the right to revise the flow of funds set forth in Section 2.2 of the Airport Revenue Bond Ordinance provided that such revisions do not result in payments under such agreements being made on a basis which is senior to the payment of any Bonds. To the extent the City enters into such agreements and pledges Net Airport Revenues to the payment of such agreements on a parity with the Bonds, such agreements may only be incurred if the City satisfies the relevant Parity Bonds test set forth in Article III subject to the provisions set forth below in this Section 2.13. In determining whether the Parity Bonds test is satisfied in connection with any such agreements, the City is permitted to treat the amount or rate of interest on those agreements or on the Parity Bonds to which the applicable agreement applies as the amount or rate of interest payable under such agreement, provided that any agreement is with a Qualified Counterparty, thus the City is permitted to include the interest rate payable under such agreements in calculating the additional bonds test established in Article III. Further, the City is permitted to disregard the notional principal amount of any such agreement provided that such agreement is with a Qualified Counterparty. The City agrees to give written notice to the Rating Agency not less than thirty (30) days prior to entering into a Derivative Product payable from Net Airport Revenues.

SECTION 3.1. *No Prior Lien Bonds nor Parity Bonds Except as Herein Permitted.* The Bonds shall enjoy complete parity of lien on the Net Airport Revenues despite the fact that any of the Bonds may be delivered at an earlier date than any other of the Bonds. The City shall not (i) issue other obligations of any kind or nature or (ii) assume any additional obligations in connection with the acquisition by the City of other Airport facilities, payable from or enjoying a lien on the Net Airport Revenues or any part thereof having priority over or (except as hereinafter permitted) parity with the Bonds.

SECTION 3.2. *Additional Bonds for Refunding Purposes.* Any or all of the Bonds may be refunded at maturity, upon redemption in accordance with their terms or with the consent of the holders thereof, and the refunding bonds so issued shall constitute Parity Bonds; *provided, however,* that:

(a) An officer of the City shall certify that the Maximum Annual Debt Service becoming due and payable from the date of such determination to maturity or earlier redemption on the Bonds of all series to be Outstanding immediately after the date of authentication and delivery of such refunding bonds is not greater than 110% of the Maximum Annual Debt Service becoming due and payable from the date of such determination to maturity or earlier redemption on the Bonds of all series Outstanding immediately prior to the authentication and delivery of such refunding bonds; and

(b) The bonds being refunded will no longer be Outstanding upon the issuance of the refunding bonds.

SECTION 3.3. *Parity Bonds Generally.* Parity Bonds may also be issued pursuant to a Series Ordinance if the following conditions are satisfied:

(a) An officer of the City shall certify that either the Net Revenues for the most recently completed Fiscal Year for which audited financial statements are available or the Net Revenues for 12 consecutive months out of the most recent 18 calendar months, in each case together with Other Available Funds

deposited in the Bond Fund during such period,* (i) were sufficient to satisfy the rate covenant set forth in Section 4.3 and (ii) would have been at least equal to 120% of Maximum Annual Debt Service for all Bonds to be Outstanding, including the Parity Bonds proposed to be issued; and

(b) A Consultant provides a report which projects that Net Revenues will be sufficient to satisfy the rate covenant set forth in Section 4.3 (including any Parity Bonds to be issued) in each Fiscal Year after subtracting from the amount required to be paid into the Bond Fund from the Revenue Fund any applicable Passenger Facility Charge Credit, which report addresses the period of time beginning with the first full Fiscal Year following the issuance of the Parity Bonds through the later of (i) three Fiscal Years following the expected date of completion (as provided to the Consultant by an officer of the City) of any construction projects to be financed at the Airport with the proceeds of the relevant Parity Bonds or (ii) five Fiscal Years following the issuance of the Parity Bonds.

SECTION 4.1. *In General.* The City hereby makes the following covenants, in addition to all other covenants in this Bond Ordinance, with each and every successive holder of any of the Bonds (including Parity Bonds) so long as any of said Bonds remain Outstanding.

SECTION 4.2. *Maintenance of the Airport in Good Condition.* The City shall maintain the Airport in good condition and operate the same in a proper and economical manner.

SECTION 4.3. *Rate Covenant.* The City covenants that it will in each Fiscal Year establish, maintain and enforce schedules of rates, fees and charges for the use of the Airport (i) sufficient to produce Net Airport Revenues at least equal to 125% of the amount required to be paid into the Bond Fund from the Revenue Fund, after subtracting Other Available Funds deposited in the Bond Fund, in such Fiscal Year and subtracting any Passenger Facility Charge Credit applicable to such Fiscal Year, provided that for purposes of this Section, the Principal Requirement and Interest Requirement for a series of Bonds to which a Derivative Product with a Qualified Counterparty applies may be determined after giving effect to the amount of interest paid on the Bonds plus/minus the amount due to/from the Qualified Counterparty with regard to the interest it has paid on the Derivative Product and exclusive of any payment which may be owed by the City upon termination prior to maturity of such Derivative Product and (ii) sufficient to produce amounts required to be deposited in the Bond Reserve Fund and any separate bond reserve fund for such Fiscal Year.

SECTION 4.4. *Books and Records.* The City shall maintain proper books and records accounting for the operation of the Airport. Such books and records shall be kept in accordance with standard accounting practices and procedures customarily used for airports of similar nature to the Airport. The City will cause such books to be audited annually by an Independent Certified Public Accountant.

SECTION 4.5. *Insurance.* The City will cause to be procured and maintained insurance (which may take the form of or include an adequately-funded program of self-insurance) covering the Airport properties and operations, of such kind and in the amounts normally carried by airports of comparable size, location and operations, including, but without limitation, fidelity insurance, public liability insurance, property damage insurance, fire and extended coverage insurance, use and occupancy or rental value insurance, product liability insurance, workmen's compensation insurance and hanger keeper's liability insurance. To the extent the City accumulates and maintains a fund for self-insurance, such insurance may be substituted for all or part of the insurance otherwise required to be carried under the provisions of this paragraph. All policies providing use and occupancy or rental value insurance shall be made payable to and deposited with the City and the City shall have the sole right to receive any proceeds of such policies and to collect any receipt for claims thereunder; provided, however, that any and all proceeds of use and occupancy or rental value insurance paid to the City shall be deposited by it forthwith to the credit of the Revenue Fund.

* The additional bonds test in the Junior Lien Obligation Documents for Senior Lien Obligations does not permit the inclusion of Other Available Funds for purposes of Section 3.3(a).

Section 4.6. *Sale or Lease of Airport.* The City covenants not to sell essential Airport property, whether real or personal, unless an officer of the City certifies that the City will be able to continue to meet the rate covenant set forth in Section 4.3 hereof in each of the five years after the sale or certifies that the value of the property to be sold and sold within the last twelve months does not exceed five percent (5%) of the total fair market value of the assets of the Airport as determined by an officer of the City.

Notwithstanding any of the foregoing provisions of this section, leases and other agreements and contracts for use of any services or facilities of the airport in effect at the time of delivery of the Bonds shall not be subject to revision except by agreement between the parties, with the concurrence of the Consultants, and the City may enter into new leases, or other agreements or contracts for the use of services or facilities of the Airport on such terms and for such periods of times as the City shall determine to be proper; provided, however, that no such new lease, agreement or contract shall provide for the payments of rents, fees or charges at a rate less than the rate prevailing at the Airport for similar services or facilities at the time of delivery of the Bonds unless such rents, fees or charges shall be approved by the Consultants; and provided further that no such new lease agreement or contract (except land leases and except those which provide for a fixed minimum rental or a percentage of gross income, whichever is larger) shall be for a term exceeding 3 years unless:

1. It be negotiated on a net rent basis (a “net lease”), or
2. It contains provisions for renegotiation of the amount of the required payments without limit of intervals of not more than 3 years beginning with the date thereof;

and providing further that (other than a net lease, whether or not it provides for a fixed minimum rental or a percentage of gross income) no new lease, agreement or contract which provides for a fixed minimum rental or a percentage of gross income, whichever is larger shall be for a term exceeding 10 years unless it contains provision for renegotiation of the fixed minimum rental and of the percentage of gross income without limit at the end of the initial 10 years, and at the end of each 5-year period thereafter.

SECTION 4.7. *Satisfaction of Liens.* The City will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments and other governmental charges, if any, lawfully imposed upon the Airport or any part thereof or upon the Net Airport Revenues, as well as any lawful claims for labor, materials or supplies which if unpaid might by law become a lien or charge upon the Airport or the Revenues or any part thereof or which might impair the security of the Bonds, except when the City in good faith contests its liability to pay the same.

SECTION 7.1. *Provision for Payment.* Bonds for the payment or redemption of which sufficient monies or sufficient Qualified Permitted Investments (as evidenced by the report of an Independent Certified Public Accountant) shall have been deposited with a bank or trust company doing business in the State of Arizona (whether upon or prior to the maturity or the redemption date of such Bonds) shall be deemed to be paid and no longer Outstanding under this Ordinance; *provided, however,* that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or firm arrangements shall have been made for the giving thereof. Qualified Permitted Investments shall be considered sufficient for purposes of this Article VII only if said investments fall due and bear interest in such amounts and at such times as will assure sufficient cash (whether or not such Qualified Permitted Investments are redeemed by the City thereof pursuant to any right of redemption) to pay currently maturing interest and to pay principal and redemption premiums if any when due on the Bonds without rendering the interest on any Bonds taxable under the Code.

The City may at any time surrender to the Registrar for cancellation by it any Bonds previously authenticated and delivered hereunder which the City may have acquired in any manner whatsoever. All such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 8.1. *Supplemental Ordinances and Resolutions Not Requiring Consent of Bondholders.* The City, from time to time and at any time, subject to the conditions and restrictions in this Ordinance contained, may enact one or more ordinances or resolutions or both which thereafter shall form a part hereof, for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the City in the Airport Revenue Bond Ordinance contained, other covenants and agreements thereafter to be observed or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City (including but not limited to the right to issue Parity Bonds under Article III of the Airport Revenue Bond Ordinance);

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Airport Revenue Bond Ordinance, to permit the issuance of coupon Bonds, capital appreciation bonds or cross over refunding bonds, or in regard to matters or questions arising under the Airport Revenue Bond Ordinance, as the City may deem necessary or desirable and not inconsistent with the Airport Revenue Bond Ordinance but only if such modifications do not result in materially diminishing the security hereby granted to the owners of any Bonds at the time Outstanding.

(c) To increase the size or scope of the Airport.

(d) To make amendments with respect to the use of an insurance policy, surety bond or other form of security in the Bond Reserve Fund and of the type referred to in Section 2.12 of the Airport Revenue Bond Ordinance with respect to changes in the City's accounting system.

Any supplemental ordinance or resolution authorized by the provisions of Section 8.1 of the Airport Revenue Bond Ordinance may be enacted by the City without the consent of or notice to the owners of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of Section 8.2 of the Airport Revenue Bond Ordinance.

SECTION 8.2. *Supplemental Ordinances Requiring Consent of Bondholders.* With the consent (evidenced as provided in Article VI of the Airport Revenue Bond Ordinance) of the owners of not less than 51% in principal amount of the Bonds, the City may from time to time and at any time adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Airport Revenue Bond Ordinance or of any supplemental ordinance; *provided, however,* that no such supplemental ordinance shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce or extend the time for payment of any premium payable on the redemption thereof, without the consent of the owner of each Bond so effected, or (2) reduce the aforesaid percentage of owners of the Bonds required to approve any such supplemental ordinance without the consent of the owners of all Bonds, or (3) deprive the owner of a Bond of the right to payment of the Bond or from the Net Revenues, in each case, without the consent of the owners of all Bonds so effected. For purposes of determining whether the 51% test of the preceding sentence shall have been met, the principal amount of any Compound Interest Bonds from time to time Outstanding shall be determined by reference to the accreted value of such Compound Interest Bonds on the date of such determination. No amendment may be made under this Section 8.2 which affects the rights or duties of the insurer of any of the Bonds or any Credit Facility (including the issuer of any insurance policy or surety bond deposited in the Bond Reserve Fund or any separate bond reserve fund) without its consent.

It shall not be necessary for the consent of the Bondholders under Section 8.2 of the Airport Revenue Bond Ordinance to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the enactment by the City of any supplemental ordinance pursuant to the provisions of Section 8.2 of the Airport Revenue Bond Ordinance, the City shall cause the Registrar to mail a notice by registered or certified mail to the registered owners of all Bonds Outstanding at their addresses shown on the

Bond Register or at such other address as is furnished in writing by such registered owner to the Registrar setting forth in general terms the substance of such supplemental ordinance.

THE CITY PURCHASE AGREEMENT

SECTION 2.1. *Agreement to Issue Series 2023 Bonds; Application of Series 2023 Bonds Proceeds.* (a) In order to provide funds for the refunding or prepayment of the Bonds Being Refunded, to provide a deposit to the Senior Lien Parity Reserve Fund and to pay for costs of issuance of the Series 2023 Bonds, the Corporation will cause to be issued under the Indenture the Series 2023 Bonds, maturing and bearing interest as provided in the Indenture, as executed and delivered on the date of issuance of the Series 2023 Bonds.

SECTION 2.4. *Revised Flow of Funds Under Airport Revenue Bond Ordinance and Junior Lien Obligation Bond Documents.* As authorized by Section 2.2 of the Airport Revenue Bond Ordinance, the revised flow of funds set forth in Section 2.5 of the Junior Lien City Purchase Agreement dated as of December 1, 2015, and in Section 2.6 of the Junior Lien City Purchase Agreement dated as of December 1, 2019, each between the City and the Corporation are hereby incorporated by reference.

SECTION 2.5. *Derivative Products.* The City reserves the right to enter into Derivative Products pursuant to Section 2.13 of the Airport Revenue Bond Ordinance.

SECTION 2.6. *Senior Lien Parity Reserve Fund.* (a) In accordance with Section 2.5 of the Airport Revenue Bond Ordinance, the City has established with the 2017 Trustee, as assignee of the Corporation under the 2017 Indenture, the 2018 Trustee, as assignee of the Corporation under the 2018 Indenture and the Trustee, as assignee of the Corporation under the Indenture, a separate Senior Lien Parity Reserve Fund which shall be used to make payments on the Series 2017 Bonds, the Series 2018 Bonds and the Series 2023 Bonds and except as provided in Section 2.6(d) of the 2017 City Purchase Agreement, Section 2.6(d) of the 2018 City Purchase Agreement and Section 2.6(d) of the City Purchase Agreement, shall not be available to make payments on any other Senior Lien Obligations or any of the City's obligations hereunder other than pursuant to Section 3.3(a), (b) and (c) of the 2017 City Purchase Agreement with respect to the Series 2017 Bonds, pursuant to Section 3.3(a), (b) and (c) of the 2018 City Purchase Agreement with respect to the Series 2018 Bonds and pursuant to Section 3.3(a), (b) and (c) hereof with respect to the Series 2023 Bonds.

(b) The Senior Lien Parity Reserve Fund shall be funded in an amount equal to the Senior Lien Parity Debt Service Reserve Requirement as set forth in Section 2.1 hereof. The Senior Lien Parity Reserve Fund may be funded with cash, Permitted Investments (as defined in the Airport Revenue Bond Ordinance) or a surety bond or other similar financial instrument meeting the requirements of Section 2.5 of the Airport Revenue Bond Ordinance but with a rating of "Aaa" by Moody's and "AAA" by S&P if in the form of a surety bond or insurance policy (a "*Qualified Surety Bond*"). In the event the City chooses to provide Qualified Surety Bond in substitution for the initial cash deposit or a subsequent Qualified Surety Bond, the City shall receive a certificate or an opinion to the effect that the Qualified Surety Bond is a binding obligation of the issuer thereof and shall receive evidence that the issuer thereof has the required credit ratings. Any substitution of a Qualified Surety Bond for a cash deposit funded from 2017 Tax-Exempt Bonds, the Series 2018 Bonds or the Series 2023 Bonds shall be subject to receipt by the City of an opinion of nationally recognized bond counsel that such substitution will not cause interest or any of the 2017 Tax-Exempt Bonds, the Series 2018 Bonds or the Series 2023 Bonds, as applicable, to become includible in gross income for federal income tax purposes. Each such Qualified Surety Bond shall be unconditional and irrevocable and shall provide such security as is described in Section 2.5 of the Airport Revenue Bond Ordinance. In the event the Senior Lien Parity Reserve Fund contains both cash or Permitted Investments and a surety bond or other financial instrument, then the cash and Permitted Investments

shall be liquidated prior to drawing upon the surety bond or financial instrument. Further, replenishment of the Senior Lien Parity Reserve Fund shall be made, subject to the flow of funds established in Section 2.4 hereof, first to the reinstatement of such Qualified Surety Bond and then, at the option of the City, to cash or Permitted Investments. In the event the amount on deposit in the Senior Lien Parity Reserve Fund consists of cash or Permitted Investments with a value in excess of the Senior Lien Parity Debt Service Reserve Requirement plus the Debt Service Reserve Requirement for any other Senior Lien Obligations secured thereby, the Trustee shall, at the direction of the City, transfer such excess to the City.

(c) In the event amounts are withdrawn from the Senior Lien Parity Reserve Fund to pay principal of or interest on the Series 2017 Bonds, the Series 2018 Bonds, the Series 2023 Bonds or any other Senior Lien Obligations secured thereby, the City shall replenish the Senior Lien Parity Reserve Fund as required by Section 2.4 hereof and/or reimburse the provider of a Qualified Surety Bond on a pro rata basis with amounts to be used to reimburse a Credit Facility for Senior Lien Obligations other than the Series 2017 Bonds, the Series 2018 Bonds, the Series 2023 Bonds or other Senior Lien Obligations secured thereby, and/or replenish any other reserve funds established for Senior Lien Obligations.

(d) At the direction of the City, upon notice to the Trustee, Section 2.4 and this Section 2.6 may be amended without notice to, or consent of the owners of the Series 2017 Bonds, the Series 2018 Bonds or the Series 2023 Bonds to provide that the Senior Lien Parity Reserve Fund shall be a parity reserve fund for the benefit of one or more additional series of Senior Lien Obligations. In connection with any such amendment, the Senior Lien Parity Debt Service Reserve Requirement shall be modified only to the extent necessary to reflect on an aggregate basis the principal amount and annual debt service requirements of the Senior Lien Obligations to be secured by the Senior Lien Parity Reserve Fund. The Trustee is authorized to enter into an intercreditor agreement (or jointly signed closing certificate) with the trustee for any Senior Lien Obligations to be secured by the Senior Lien Parity Reserve Fund to acknowledge the parity nature of the Senior Lien Parity Reserve Fund.

SECTION 2.7. *Additional Requirements for Qualified Surety Bond.* (a) A Qualified Surety Bond which is a letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Senior Lien Obligations secured by the Senior Lien Parity Reserve Fund. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the City and the applicable trustees, not later than three months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(b) If such notice indicates that the expiration date shall not be extended, the City shall deposit in the Senior Lien Parity Reserve Fund an amount sufficient to cause the cash or Permitted Investments on deposit in the Senior Lien Parity Reserve Fund together with any other qualifying credit instruments, to equal the Senior Lien Parity Debt Service Reserve Requirement, such deposit to be paid in equal installments over the remaining term of the letter of credit, unless a replacement Qualified Surety Bond is provided. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Senior Lien Parity Reserve Fund is fully funded in its required amount.

(c) The obligation to reimburse the issuer of a Qualified Surety Bond for any fees, expenses, claims or draws upon such Qualified Surety Bond shall be subordinate to the payment of debt service on the Senior Lien Obligations secured by the Senior Lien Parity Debt Service Reserve Fund. The right of the issuer of a Qualified Surety Bond to payment or reimbursement of its fees and expenses shall be subordinate to cash replenishment of the Senior Lien Parity Reserve Fund, and, subject to the second and third succeeding sentences, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Senior Lien Parity Reserve Fund. The Qualified Surety Bond shall provide for a revolving feature under which the amount available

thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Qualified Surety Bond to reimbursement will be further subordinated to cash replenishment of the Senior Lien Parity Reserve Fund to an amount equal to the difference between the full original amount available under the Senior Lien Parity Reserve Fund credit instrument and the amount then available for further draws or claims.

If (i) the issuer of a Qualified Surety Bond becomes insolvent or (ii) the issuer of a Qualified Surety Bond defaults in its payment obligations thereunder or (iii) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P “AAA” or a Moody’s “Aaa” or (iv) the rating of the issuer of the letter of credit falls below a S&P “AA” or Moody’s “Aa” (in each case without regard to “+”s or “-”s or numerical distinctions within a rating category), the obligation to reimburse the issuer of the Qualified Surety Bond shall be subordinate to the cash replenishment of the Senior Lien Parity Reserve Fund.

(d) If (i) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (ii) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P “AAA” or a Moody’s “Aaa” or (iii) the rating of the issuer of the letter of credit falls below S&P “AA” or Moody’s “Aa” (in each case without regard to “+”s or “-”s or numerical distinctions within a rating category), the City shall either (i) deposit into the Senior Lien Parity Reserve Fund an amount sufficient to cause the cash or permitted investments on deposit in the Senior Lien Parity Reserve Fund to equal the Senior Lien Parity Debt Service Reserve Requirement, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a Qualified Surety Bond within six months of such occurrence.

In the event the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below “A” or the rating of the issuer of the letter of credit falls below “A” (in each case without regard to “+”s or “-”s or numerical distinctions within a rating category), or (iii) the issuer of the Qualified Surety Bond defaults in its payment obligation or (iv) the issuer of the Qualified Surety Bond becomes insolvent, the Corporation shall cause the City to either (A) deposit into the Senior Lien Parity Reserve Fund in an amount equal to the Senior Lien Parity Debt Service Reserve Requirement, such amount to be paid over the ensuing year in equal installments on at least a semi-annual basis or (B) replace such instrument with a Qualified Surety Bond within six months of such occurrence.

(e) Where applicable, the amount available for draws or claims under the Qualified Surety Bond may be reduced by the amount of cash or permitted investments deposited in the Senior Lien Parity Reserve Fund pursuant to subparagraph (c).

(f) If the City chooses the above described alternatives to a cash-funded Senior Lien Parity Reserve Fund, any amounts owed by the City to the issuer of such credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to Sections 3.3 and 4.3 of the Airport Revenue Bond Ordinance.

SECTION 3.1. *Agreement of Sale.* The Corporation has sold to the Corporation the Refinanced Property. In consideration for the reduction in purchase payments owed under the 2013 City Purchase Agreement resulting from the refunding of the Bonds Being Refunded, the City hereby agrees that it will pay to the account of the Corporation at the designated office of the Trustee, as the Purchase Price, but only from the Net Airport Revenues as hereinafter prescribed, an amount equal to the aggregate of the sums prescribed by Section 3.3 hereof and elsewhere in this City Purchase Agreement.

SECTION 3.3. *Amounts of Purchase Price Payable Upon Issuance of Series 2023 Bonds.* The City agrees that it will pay, solely from the Net Airport Revenues or amounts available in the Senior Lien Parity Reserve Fund, as the Purchase Price of the Property, the aggregate of the amounts for which provision is made in this Section and elsewhere in this City Purchase Agreement.

(a) On or before the last Business Day preceding each 2023 Bond Payment Date, commencing with the first 2023 Bond Payment Date, until principal of and interest on the Series 2023 Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the City shall pay to the Trustee for deposit into the 2023 Interest Account (but solely from the Net Airport Revenues or Other Available Monies) a sum equal to the 2023 Interest Requirement falling due on the next succeeding 2023 Bond Payment Date.

(b) On or before the last Business Day preceding each Bond Payment Date on which principal of the Series 2023 Bonds is payable, until principal of and interest on the Bonds has been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the City shall pay to the Trustee for deposit into the 2023 Principal Account (but solely from the Net Airport Revenues or Other Available Monies) a sum equal to the 2023 Principal Requirement for the then current Bond Year.

(c) If at any 2023 Bond Payment Date following delivery of the Series 2023 Bonds the balance available in the 2023 Senior Lien Bond Fund is insufficient to make required payments of principal and interest due on such date, subject to the limitations in Sections 3.5 and 4.1 hereof, the City will pay any such deficiency in sufficient time to prevent default in the payment of principal of or interest on the Series 2023 Bonds falling due on such 2023 Bond Payment Date. However, any amount at any time held by the Trustee in the 2023 Interest Account or the 2023 Principal Account shall be credited against the aforesaid obligations that are next required to be met by the City, but only to the extent such amount is in excess of the amount required for payment of past due interest or principal, respectively, on any Parity Bonds, whether or not such Parity Bonds shall have been presented for payment.

(d) The City shall pay the amounts required to replenish the Senior Lien Parity Reserve Fund and reimburse the provider of a Qualified Surety Bond as set forth in Section 2.6 and 2.7 hereof.

(e) The City shall pay to the Trustee its fees and expenses in accordance with the provisions of the Indenture.

(f) In the event the City should fail to pay when due any of the amounts required in this Section, the item or installment so in default shall continue as an obligation of the City payable solely from the Net Airport Revenues, and amounts available in the Senior Lien Parity Reserve Fund until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon at the rate applicable to the corresponding maturities of Series 2023 Bonds, from the date said payment was to be made to the date of payment by the City until paid.

(g) The City shall pay to the official entitled to collect the same, when due, all taxes of whatever nature, if any, that may be imposed upon the Property, the Corporation, its property, operations or income, whether by state, local or federal government, and including every governmental charge whether for services rendered or not, which the Corporation is required or may be required by law to pay with respect to the Property.

(h) To the extent not paid from proceeds of the Series 2023 Bonds, the City shall pay to the Corporation amounts sufficient to reimburse the Corporation for all its expenses in connection with the issuance of the Series 2023 Bonds and this City Purchase Agreement if and when paid by the Corporation. Such amounts, if any, shall be paid from the Designated Revenues to the Corporation or, if a City Representative submits a requisition, signed by an officer of the Corporation, accompanied by invoices showing that the payments represented thereby have been made for purposes approved by the City, such amounts shall be paid from Designated Revenues as directed by the Corporation.

SECTION 3.5. *Limitation on Source of City Payments.* Except to the extent the City determines to make payments from Other Available Monies, all amounts to be paid by the City under any section of this City Purchase Agreement shall be payable solely from the Net Airport Revenues or amounts available in the Senior Lien Parity Reserve Fund. Under no circumstances shall amounts paid under this City Purchase Agreement from Other Available Monies constitute a pledge of such Other Available Monies and amounts payable by the City hereunder shall never constitute a general obligation of the City or a pledge of ad valorem taxes by the City.

SECTION 4.2. *City's Obligations Constituting Parity Bonds.* This City Purchase Agreement and the City's obligations to make payments under Section 3.3 hereof constitute "*Parity Bonds*" under the Airport Revenue Bond Ordinance. The City Ordinances and this City Purchase Agreement constitute a Series Ordinance under the Airport Revenue Bond Ordinance. The Corporation, or the Trustee, as their respective interests appear, shall have the right to enforce all the covenants and agreements of the City in the Airport Revenue Bond Ordinance (which are incorporated by reference herein).

SECTION 4.3. *Subordinate Obligations.* The City reserves the right to issue or enter into obligations payable from Net Airport Revenues that are subordinate to the City's obligations hereunder.

SECTION 5.1. *In General.* The City hereby makes the following covenants, in addition to those contained in the Airport Revenue Bond Ordinance and in Article IV hereof, so long as any of the Series 2023 Bonds remain Outstanding under the Indenture.

SECTION 5.3. *Maintenance and Utilities.* All maintenance and repair of the Refinanced Property and utilities therefor shall be the responsibility of the City. In exchange for the payment of the Purchase Price hereunder, the Corporation agrees to provide nothing more than the Refinanced Property and the discharge of amounts owed under the 2013 City Purchase Agreement.

SECTION 7.1. *Events of Default.* Any one or more of the following events (herein called "*Events of Default*") shall constitute a default hereunder:

- (a) An Event of Default under Section 5.1 of the Airport Revenue Bond Ordinance; or
- (b) The City shall fail to make any payment of the Purchase Price under Section 3.3(c), (d) or (e) of the City Purchase Agreement for a period of 30 days after notice of such failure shall have been given in writing to the City by the Corporation or by the Trustee; or
- (c) The City shall fail to perform any other covenant herein for a period of 30 days after written notice specifying such default shall have been given to the City by the Corporation or the Trustee, provided that if such failure be such that it cannot be remedied within such 30-day period, it shall not be deemed an Event of Default so long as the City diligently tries to remedy the same.

SECTION 7.2. *Remedies on Default by City.* Upon the occurrence of an Event of Default as above defined, the Corporation shall, but only if requested to do so by the Trustee, without further demand or notice, exercise

any of the available remedies at law or in equity, including, but not limited to, specific performance, however, under no circumstances may amounts due hereunder be accelerated. The Corporation may assign any or all of its rights and privileges under this Section to the Trustee, and upon furnishing evidence of such assignment to the City, the Trustee may, subject to Section 7.12 of the Indenture, exercise any or all of such rights or privileges as it may deem advisable.

SECTION 7.3. *Default by Corporation.* The Corporation shall in no event be in default in the performance of any of its obligations hereunder unless and until the Corporation shall have failed to perform such obligation within 30 days or such additional time as is reasonably required to correct any such default after notice by the City to the Corporation properly specifying wherein the Corporation has failed to perform any such obligation.

No default by the Corporation shall relieve the City of its obligations to make the various payments herein required, so long as any of the Series 2023 Bonds remain outstanding; however, the City may exercise any other remedy available at law or in equity to require the Corporation to remedy such default so long as such remedy does not interfere with or endanger the payments required to be made to the Trustee under the Indenture.

THE INDENTURE

The information set forth below summarizes or paraphrases certain provisions of the Indenture.

SECTION 1.3. *All Series 2023 Bonds Equally and Ratably Secured; Series 2023 Bonds Not General Obligations of the Corporation.* All Series 2023 Bonds issued hereunder and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority, or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Series 2023 Bonds, so that all Series 2023 Bonds at any time issued and Outstanding hereunder shall have the same right, lien and preference hereunder and shall all be equally and ratably secured hereby.

The Series 2023 Bonds shall be payable solely out of the revenues and any other security pledged hereby and shall not constitute an indebtedness or general obligation of the Corporation or the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Corporation or the City or be a charge against their general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof. The Corporation has no taxing power.

* * *

SECTION 5.3. *Flow of Funds.* So long as any Series 2023 Bonds are Outstanding, in each Bond Year, payments received by the Trustee shall be applied in the following manner and order of priority:

(a) *2023 Interest Account.* The Trustee shall deposit to the 2023 Interest Account on or before the last Business Day of each December and June an amount equal to the amount of interest to be paid on Outstanding Series 2023 Bonds on the next 2023 Bond Payment Date. Monies in the 2023 Interest Account shall be used to pay interest on the Series 2023 Bonds as it becomes due.

(b) *2023 Principal Account.* The Trustee shall deposit to the 2023 Principal Account on or before the last Business Day of each June (in each Bond Year ending on a date on which Series 2023 Bonds mature or are subject to mandatory redemption), an amount equal to the principal amount at maturity [plus an amount equal to any mandatory sinking fund redemption requirement] of Series 2023 Bonds Outstanding which will mature [or be subject to mandatory redemption] on the last day of such Bond Year. Monies in the 2023 Principal Account shall be used to retire Series 2023 Bonds by payment at their scheduled maturity or their mandatory sinking fund retirement date.

SECTION 5.4. *Senior Lien Parity Reserve Fund.*

(a) In accordance with Section 2.5 of the Airport Revenue Bond Ordinance, Section 2.6 of the 2017 City Purchase Agreement, Section 2.6 of the 2018 City Purchase Agreement and Section 2.6 of the City Purchase Agreement, the Corporation has assigned to the 2017 Trustee, the 2018 Trustee and the Trustee the separate Senior Lien Parity Reserve Fund which shall be used to make payments on the Series 2017 Bonds, the Series 2018 Bonds and the Series 2023 Bonds and shall not be available to make payments on any Bonds (as defined in the Airport Revenue Bond Ordinance), (except as otherwise provided in Section 2.6(d) of the 2017 City Purchase Agreement, Section 2.6(d) of the 2018 City Purchase Agreement, Section 2.6(d) of the City Purchase Agreement and Section 5.4(c) of the 2017 Indenture, Section 5.4 of the 2018 Indenture and Section 5.4(c) hereof) or any of the City's obligations under the 2017 City Purchase Agreement other than pursuant to Section 3.3(a), (b) and (c) thereof, under the 2018 City Purchase Agreement other than pursuant to Section 3.3(a),(b) and (c) thereof and under the City Purchase Agreement other than pursuant to Section 3.3(a), (b) and (c) thereof. In the event there is not on deposit the amounts at the times in the respective accounts described in Section 5.3(a), (b) or (c) hereof, the amount of such deficiency shall be paid directly from the Senior Lien Parity Reserve Fund.

(b) The Senior Lien Parity Reserve Fund may be funded with cash, Permitted Investments or a Qualified Surety Bond meeting the requirements of Sections 2.6 and 2.7 of the 2017 City Purchase Agreement, Section 2.6 and Section 2.7 of the 2018 City Purchase Agreement and Sections 2.6 and 2.7 of the City Purchase Agreement and Section 2.5 of the Airport Revenue Bond Ordinance. As described in Section 5.2 hereof, the City has caused to be deposited with the Trustee cash in an amount equal to the Senior Lien Parity Debt Service Reserve Requirement. In the event the City chooses to provide a Qualified Surety Bond in substitution for the initial cash deposit or a subsequent Qualified Surety Bond, the City shall receive a certificate or an opinion to the effect that the Qualified Surety Bond is a binding obligation of the issuer thereof and shall receive evidence that the issuer thereof has the required credit ratings. Any substitution of a Qualified Surety Bond for a cash deposit funded from Series 2023 Bond proceeds shall be subject to receipt by the City of an opinion of nationally recognized bond counsel that such substitution will not cause interest or any of the Series 2023 Bonds to become includible in gross income for federal income tax purposes. Each such Qualified Surety Bond shall be unconditional and irrevocable and shall provide such security as is described in Section 2.5 of the Airport Revenue Bond Ordinance.

In the event the Senior Lien Parity Reserve Fund contains both cash or Permitted Investments and a surety bond or other financial instrument, then the cash and Permitted Investments shall be liquidated prior to drawing upon the surety bond or financial instrument. Further, replenishment of the Senior Lien Parity Reserve Fund shall be made, subject to the flow of funds established in Section 2.4 of the 2017 City Purchase Agreement, Section 2.4 of the 2018 City Purchase Agreement and Section 2.4 of the City Purchase Agreement, first to the reinstatement of such Qualified Surety Bond and then, at the option of the City, to cash or Permitted Investments. In the event the amount on deposit in the Senior Lien Parity Reserve Fund consists of cash or Permitted Investments with a value in excess of the Senior Lien Parity Debt Service Reserve Requirement, the 2017 Trustee, the 2018 Trustee and the Trustee, shall, at the direction of the City, transfer such excess to the City.

(c) At the direction of the City, upon notice to the Trustee, this Section, Section 2.6 of the 2017 City Purchase Agreement and Section 2.6 of the City Purchase Agreement may be amended without notice to, or consent of the owners of the Series 2017 Bonds or the Series 2023 Bonds to provide that the Senior Lien Parity Reserve Fund shall be a parity reserve fund for the benefit of one or more additional series of Senior Lien Obligations. In connection with any such amendment, the Senior Lien Parity Debt Service Reserve Requirement shall be modified only to the extent necessary to reflect on an aggregate basis the principal amount and annual debt service requirements of the Senior Lien Obligations to be secured by the Senior Lien Parity Reserve Fund. The Trustee is authorized to enter into an intercreditor agreement (or jointly signed closing certificate) with the trustee for any Senior Lien Obligations to be secured by the Senior Lien Parity Reserve Fund to acknowledge the parity nature of the Senior Lien Parity Reserve Fund.

SECTION 6.1. *Payment of Principal and Interest.* Subject to the sources of payment specified herein, the Corporation covenants that it will promptly cause to be paid amounts due on the Series 2023 Bonds at the place, on the dates and in the manner provided herein and in said Series 2023 Bonds according to the terms thereof. The amounts due on the Series 2023 Bonds are payable solely from monies held or received by the Trustee hereunder or under the City Purchase Agreement, all of which are hereby specifically assigned and pledged to such payment in the manner and to the extent specified herein and nothing herein or in the Series 2023 Bonds shall be construed as assigning or pledging any other funds or assets of the Corporation.

SECTION 6.4. *Rights under City Purchase Agreement.* The Corporation agrees that the Trustee in its own name or in the name of the Corporation upon notice to the Corporation may enforce all rights of the Corporation and all obligations of the City (except with respect to the Corporation's rights to indemnity and to reimbursement or payment of expenses and fees and certain other rights that are not assigned hereunder) under the City Purchase Agreement for and on behalf of the Bondholders, whether or not the Corporation is then in default hereunder.

SECTION 7.1. *Events of Default.* Each of the following is hereby declared an "Event of Default" hereunder:

(a) If payment of any installment of interest on any Series 2023 Bond shall not be made in full when the same becomes due and payable;

(b) If payment of the principal or redemption premium, if any, on any Series 2023 Bond shall not be made in full when the same becomes due and payable;

(c) If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of all or any part of the interests pledged hereunder and such custody or control shall continue for more than 60 days;

(d) If the Corporation shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions on its part to be performed as provided herein or in the Series 2023 Bonds and such default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Corporation and the City by the Trustee, unless within such 30 days the Corporation shall have commenced and be diligently pursuing in good faith appropriate corrective action to the satisfaction of the Trustee; the Trustee may give such notice in its discretion and shall give such notice at the written request of the Bondholders of not less than 25% in principal amount of the Series 2023 Bonds then Outstanding;

(e) Any "Event of Default" under the City Purchase Agreement; or

(f) The City fails to comply with any applicable provision of the Tax Exemption Certificate with the result that interest on any of the Series 2023 Bonds becomes includible in gross income for purposes of federal income taxes.

SECTION 7.2. *Remedies and Enforcement of Remedies.* (a) Upon the occurrence and continuance of any Event of Default and in accordance with Article VII hereof and Article VII of the City Purchase Agreement, the Trustee may, and upon the written request of the Bondholders of not less than a majority in principal amount of the Series 2023 Bonds Outstanding, together, with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Series 2023 Bondholders hereunder and the Series 2023 Bonds by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to, an action for the recovery of any amounts due hereunder or for damages for the breach of this Indenture, and the Trustee may pursue any other remedy which the law affords, including the remedy of specific performance. The Trustee shall also have those remedies which the Corporation is provided pursuant to Article VII of the City Purchase Agreement, subject to any limitations on such remedies set forth in Article VII

(b) Regardless of the happening of an Event of Default and subject to Section 7.7 of the Indenture, the Trustee, if requested in writing by the Bondholders of not less than a majority in principal amount of the Series 2023 Bonds then Outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Bondholders, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Bondholders of Series 2023 Bonds not making such request.

SECTION 7.3. *No Acceleration.* In no event shall the Trustee have the right to accelerate or cause to become immediately due and payable or payable in advance of their scheduled maturity dates, other than an optional redemption pursuant to this Indenture and then only to the extent of the amount to be so redeemed and only pursuant to Article III of the Indenture, amounts due hereunder.

SECTION 7.4. *Application of Revenues and Other Monies After Default.* During the continuance of an Event of Default all monies received by the Trustee pursuant to any right given or action taken under the provisions of this Article, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such monies and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be deposited in the 2023 Senior Lien Bond Fund, and all amounts held by the Trustee hereunder shall be applied as follows:

First: To the payment of amounts, if any, payable pursuant to the Tax Exemption Certificate;

Second: To the payment to the Persons entitled thereto of all installments of interest (including interest on amounts unpaid when due on the Series 2023 Bonds) then due, and, if the amount available shall not be sufficient to pay in full any installment or installments then due, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Third: To the payment to the Persons entitled thereto of the unpaid Principal Installments or redemption price of any Series 2023 Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Series 2023 Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal Installments or redemption price due on such date, to the Persons entitled thereto, without any discrimination or preference.

Whenever monies are to be applied by the Trustee pursuant to the provisions of this Section, such monies shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such monies available for application and the likelihood of additional monies becoming available for such application in the future. Whenever the Trustee shall apply such monies, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the Series 2023 Bonds to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such monies and of the fixing of any such date, and shall not be required to make payment to the Bondholder of any unpaid Series 2023 Bond until such Series 2023 Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all principal of and interest on the Series 2023 Bonds which has become due has been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid and the 2023 Senior Lien Bond Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the City.

SECTION 7.5. *Remedies Not Exclusive.* No remedy by the terms hereof conferred upon or reserved to the Trustee or the Series 2023 Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

SECTION 7.6. *Remedies Vested in Trustee.* All rights of action (including the right to file proof of claims) hereunder or under any of the Series 2023 Bonds may be enforced by the Trustee, without the possession of any of the Series 2023 Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding may be brought without the necessity of joining as plaintiffs or defendants any Bondholders of the Series 2023 Bonds. Subject to the provisions of Section 7.4 of the Indenture, any recovery or judgment shall be for the equal benefit of the Bondholders of the Outstanding Series 2023 Bonds.

SECTION 7.7. *Individual Series 2023 Bondholder Action Restricted.* (a) No Bondholder of any Series 2023 Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trustee's duties and powers hereunder upon the occurrence of all of the following events:

- (i) The Bondholders of at least a majority in principal amount Series 2023 Bonds Outstanding, shall have made written request to the Trustee to proceed to exercise the powers granted herein; and
- (ii) Such Series 2023 Bondholders shall have offered the Trustee reasonable security or indemnity as provided in Section 8.2(e) of the Indenture; and
- (iii) The Trustee shall have failed or refused to exercise the duties or powers herein granted for a period of 60 days after receipt by it of such request and offer of indemnity; and
- (iv) During such 60-day period no direction inconsistent with such written request has been delivered to the Trustee by the Bondholders of a greater majority in principal amount of Series 2023 Bonds then Outstanding.

(b) No one or more Bondholders of Series 2023 Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Bondholders of all Series 2023 Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Bondholder of any Series 2023 Bond (i) to receive payment of the principal of or interest on such Series 2023 Bond, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Bondholder of any Series 2023 Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the monies, funds and properties pledged hereunder for the equal and ratable benefit of all Bondholders of Series 2023 Bonds.

SECTION 7.8. *Termination of Proceedings.* In case any proceeding taken on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Series 2023 Bondholders, then the Corporation, the Trustee and the Series 2023 Bondholders shall be restored to their former positions and rights hereunder, and all rights and powers of the Trustee and the Series 2023 Bondholders shall continue as if no such proceeding had been taken.

SECTION 9.1. *Supplements not Requiring Consent of Series 2023 Bondholders.* The Corporation acting through the Corporation Representative and the Trustee may, but without the consent of or notice to any of the Bondholders, enter into one or more supplements for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein or to correct or supplement any provision herein which may be inconsistent with any other provision herein, or, to make any other provisions with respect to matters or questions arising hereunder provided such action shall, in the opinion of the Trustee, not materially adversely affect the interests of the Bondholders;

(b) To grant or confer upon the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(c) To secure additional revenues or provide additional security or reserves for payment of the Series 2023 Bonds;

(d) To comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(e) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms of Section 8.7 and Section 8.12 hereof;

(f) To permit Series 2023 Bonds in bearer form, provided that with respect to the Series 2023 Bonds, only if, in the opinion of Bond Counsel received by the Corporation and the Trustee, such action will not cause the interest on any Series 2023 Bonds to become includible in gross income for purposes of federal income taxes;

(g) To preserve the exclusion of the interest on the Series 2023 Bonds from gross income for purposes of federal or State income taxes and to preserve the power of the Corporation to continue to issue bonds or other obligations (specifically not limited to the Series 2023 Bonds authorized hereby) the interest on which is likewise exempt from federal and State income taxes; and

(h) To adopt procedures for the disclosure of information to Series 2023 Bondholders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to the Indenture by agreement of the Trustee, the Corporation and the City.

(i) To provide for the Senior Lien Parity Reserve Fund to be a parity reserve fund for the benefit of one or more series of Senior Lien Obligations as set forth in Section 5.4(c) of the Indenture.

SECTION 9.3. Execution and Effect of Supplements. (a) In executing any Supplement, the Trustee and Corporation shall be entitled to receive and to rely upon an opinion of counsel stating that the execution of such Supplement is authorized or permitted hereby. The Trustee may but shall not be obligated to enter into any such Supplement which affects the Trustee's own rights, duties or immunities.

(b) Any Supplement under this Article which adversely affects the rights of the City shall not become effective unless and until the City, at its sole discretion, shall have consented in writing to the execution and delivery of such Supplement. In this regard the Trustee shall cause notice of the proposed execution and delivery of any such Supplement together with a copy of the proposed Supplement to be delivered to the City at least ten days prior to the date of its proposed execution and delivery in the case of a Supplement referred to in Section 9.1 of the Indenture and at least ten days prior to the date of mailing of the notice of the proposed execution and delivery in the case of a Supplement referred to in Section 9.2.

(c) Upon the execution and delivery of any Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Bondholder of a Series 2023 Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(d) Any Series 2023 Bond authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the Corporation or the Trustee shall, bear a notation in form approved by the Corporation and Trustee as to any matter provided for in such Supplement. If the Corporation shall so determine, upon advice of Bond Counsel, new Series 2023 Bonds so modified as to conform in the opinion of the Trustee and the Corporation to any such Supplement may be executed by the Corporation and authenticated and delivered by the Trustee in exchange for and upon surrender of Series 2023 Bonds then Outstanding.

SECTION 9.4. *Amendments to City Purchase Agreement Not Requiring Consent of Series 2023 Bondholders.* The Corporation and the Trustee may, without the consent of or notice to any of the Bondholders consent to and join with the City in the execution and delivery of any amendment, change or modification of the City Purchase Agreement as may be required:

(a) by the provisions thereof;

(b) to cure any ambiguity or formal defect or omission therein or to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising thereunder provided such action shall, in the opinion of the Trustee, not materially adversely affect the interests of the Bondholders;

(c) to provide for the Senior Lien Parity Reserve Fund to be a parity reserve fund for the benefit of one or more series of Senior Lien Obligation as set forth in Section 2.6(d) thereof;

(d) to preserve the exclusion of the interest on the Series 2023 Bonds from gross income for purposes of federal or State income taxes and to preserve the power of the Corporation to continue to issue bonds or other obligations (specifically not limited to the Series 2023 Bonds authorized hereby) the interest on which is likewise exempt from federal and State income taxes in connection with any other change therein which in the opinion of the Trustee will not materially adversely affect the interests of the Bondholders or the Trustee.

(e) In addition, the Corporation and the City may amend Exhibit A to the City Purchase Agreement at any time without notice to or consent of the Trustee or the Bondholders.

SECTION 9.5. *Amendments to City Purchase Agreement Requiring Consent of Series 2023 Bondholders.*

(a) Except for amendments, changes or modification to the City Purchase Agreement referred to in Section 9.4 of the Indenture and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Trustee may consent to and join with the City in the execution and delivery of any amendment, change or modification to the City Purchase Agreement only upon the consent of the Bondholders of not less than a majority in principal amount of Series 2023 Bonds then Outstanding, given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the City to make payments under the City Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Bondholders of all Series 2023 Bonds then Outstanding.

(b) If at any time the Corporation and the City shall request the consent of the Trustee to any such amendment, change or modification to the City Purchase Agreement the Trustee shall, upon being reimbursed or satisfactorily indemnified by the City with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the same manner as provided in Section 9.2 of the Indenture with respect to Supplements hereto. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the office of the Trustee for inspection by all Series 2023 Bondholders.

(c) If the consent to and approval of the execution of such amendment, change or modification is given by the Bondholders of not less than the aggregate principal amount or number of Series 2023 Bonds specified in subsection (a) within the time and in the manner provided by Section 9.2 hereof with respect to Supplements hereto, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Bondholders as provided in Sections 9.2 and 9.3 of the Indenture with respect to Supplements hereto.

SECTION 10.1. *Discharge.* If payment of all principal of, premium, if any, and interest on all of the Series 2023 Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with

this Article and Article VII of the Airport Revenue Bond Ordinance, and if all other sums, if any, payable by the Corporation hereunder shall be paid, then the liens, estates and security interests granted hereby shall cease. Thereupon, upon the request of the Corporation, and upon receipt by the Trustee of an opinion of counsel addressed to the Corporation and Trustee stating that all conditions precedent to the satisfaction and discharge of the lien hereof have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof and the Trustee shall transfer all property held by it hereunder, other than monies or obligations held by the Trustee for payment of amounts due or to become due on the Series 2023 Bonds, to the Corporation, the City or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

The Corporation or the City may at any time surrender to the Trustee for cancellation any Series 2023 Bonds previously authenticated and delivered which the Corporation or the City may have acquired in any manner whatsoever and such Series 2023 Bonds upon such surrender and cancellation shall be deemed to be paid and retired.

SECTION 10.2. *Providing for Payment of Series 2023 Bonds.* Payment of all or any part of the Series 2023 Bonds in authorized denominations may be provided for by the deposit with the Trustee or a qualified institution under Article VII of the Airport Revenue Bond Ordinance as agent for the Trustee (the “*Depository Trustee*”) of monies or Qualified Permitted Investments which are not redeemable in advance of their maturity dates, or which are redeemable in advance of their maturity dates only at the option of the Bondholder thereof, or both. The monies and the maturing principal and interest income on such Qualified Permitted Investments, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants or public finance consulting firm of national reputation addressed to, and acceptable to the City, to pay when due the principal or redemption price of and interest on such Series 2023 Bonds. The monies and Qualified Permitted Investments shall be held by the Trustee irrevocably in trust for the Bondholders of such Series 2023 Bonds solely for the purpose of paying the principal, or redemption price of and interest on such Series 2023 Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee and the Depository Trustee as to the dates upon which any such Series 2023 Bonds are to be redeemed prior to their respective maturities.

If payment of Series 2023 Bonds is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to each Bondholder of a Series 2023.

Series 2023 Bonds, the payment of which has been provided for in accordance with this Section, shall no longer be deemed Outstanding hereunder or secured hereby. The obligation of the Corporation in respect of such Series 2023 Bonds shall nevertheless continue but the Bondholders thereof shall thereafter be entitled to payment only from the monies or Qualified Permitted Investments deposited with the Trustee or the Depository Trustee to provide for the payment of such Series 2023 Bonds.

APPENDIX F

Proposed Form of Legal Opinion of Bond Counsel [Letterhead of Greenberg Traurig, LLP] [To Be Dated Closing Date]

We hereby certify that we have examined a certified copy of the proceedings of the City of Phoenix Civic Improvement Corporation (the “*Corporation*”) passed preliminary to the issue of its Senior Lien Airport Revenue Refunding Bonds, Series 2023 in the amount of \$ * (the “*Series 2023 Bonds*”) in fully registered form, dated the date of initial authentication and delivery thereof. The Series 2023 Bonds are being issued to refund certain bonds previously issued to refinance improvements to the airport facilities of the City of Phoenix, Arizona (the “*City*”).

We have examined the law and such documents and matters as we have deemed necessary to render this opinion, including, without limitation, the original or a copy identified to our satisfaction as being a true copy of the Indenture (as defined herein).

As to questions of fact material to the opinions expressed herein, we have relied upon, and have assumed due compliance with the provisions of, the proceedings and other documents, and have relied upon certifications and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the use to be made of the proceeds of the Series 2023 Bonds. Reference is made to certifications of and opinions of counsel to parties other than the Corporation with respect to the existence and powers of such parties to enter into and perform the instruments referred to, the authorization, execution and delivery of such instruments by such parties and such instruments being binding upon and enforceable against such parties; we express no opinion as to such matters.

The Series 2023 Bonds are being issued pursuant to a Bond Indenture, dated as of June 1, 2023 (the “*Indenture*”) between the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “*Trustee*”). The Series 2023 Bonds are payable solely, as to both principal and interest, from payments made by the City under the City Purchase Agreement, dated as of June 1, 2023 (the “*City Purchase Agreement*”) between the Corporation and the City.

Based upon the foregoing, we are of the opinion as of this date, which is the date of initial delivery of the Series 2023 Bonds against payment therefor, that:

1. The Indenture, the City Purchase Agreement and the Series 2023 Bonds have been duly authorized, executed and delivered by the Corporation and are valid and binding upon and enforceable against the Corporation.

2. The Series 2023 Bonds constitute special obligations of the Corporation, and the principal of and interest and any premium on the Series 2023 Bonds (collectively, “*debt service*”), unless paid from other sources, are payable solely from the revenues and other moneys pledged and assigned by the Indenture to secure that payment. Those revenues and other moneys include payments required to be made by the City under the City Purchase Agreement, and the City’s obligation to make those payments is secured by a pledge of Net Airport Revenues (as defined in the City Purchase Agreement) received from the City’s airport facilities. The Indenture creates the pledge which it purports to create in the pledged revenues and of other moneys in the funds and accounts created by the Indenture (other than the Rebate Fund), which pledge will be perfected only as to the revenue and other moneys on deposit in the funds and accounts created by the Indenture and held by the Trustee. The Series 2023 Bonds and the payment of debt service are not secured by an obligation or pledge of any moneys raised by taxation; the Series 2023 Bonds do not represent or constitute a debt or pledge of the general credit of the Corporation, the City or the State of Arizona; and the City Purchase Agreement, including the City’s obligation to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

* Subject to change.

3. The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the City and the Corporation must continue to meet after the issuance of the Series 2023 Bonds in order that interest on the Series 2023 Bonds be excludable from gross income for federal income tax purposes. The failure of the City and the Corporation to meet these requirements may cause interest on the Series 2023 Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City and the Corporation have covenanted to take the actions required by the Code in order to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2023 Bonds. (Subject to the limitations in the next to last paragraph hereof, the City and the Corporation have full legal power and authority to comply with such covenants.) Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the last sentence of this paragraph, interest on the Series 2023 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes (except for interest on any Series 2023 Bond for any period during which such Series 2023 Bond is owned by a person who is a substantial user of the Property (as defined in the City Purchase Agreement) or any person considered to be related to such person (within the meaning of Section 147(a) of the Code)), and, if the foregoing is the case, the interest on the Series 2023 Bonds is exempt from income taxation under the laws of the State of Arizona. Interest on the Series 2023 Bonds will be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Series 2023 Bonds. In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Series 2023 Bonds in order that interest on the Series 2023 Bonds not be included in gross income for federal tax purposes.

In rendering the foregoing opinions, we have assumed and relied upon compliance with the City’s and the Corporation’s covenants and the accuracy, including with respect to the application of the proceeds of the Bonds Being Refunded and the Series 2023 Bonds, respectively, which we have not independently verified, of the City’s and the Corporation’s representations and certifications contained in the transcript. The accuracy of those representations and certifications, and the City’s and the Corporation’s compliance with those covenants, may be necessary for the interest on the Series 2023 Bonds to be and remain excluded from gross income for federal and State income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain requirements subsequent to issuance of the Series 2023 Bonds could cause interest on the Series 2023 Bonds to be included in gross income for federal and State income tax purposes retroactively to the date of issuance of the Series 2023 Bonds. We have also relied upon the Verification Report of Public Finance Partners LLC, as to the adequacy of the obligation issued or guaranteed by the United States Government in which the proceeds of the Bonds have been invested to provide for the retirement of the Bonds Being Refunded.

The rights of the owners of the Series 2023 Bonds and the enforceability of those rights under the Series 2023 Bonds and the documents referred to above may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors’ rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX G

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking, dated June , 2023 (the “*Undertaking*” or the “*Agreement*”), is executed and delivered by the City of Phoenix, Arizona (the “*City*”), in connection with the issuance of \$ * City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Refunding Bonds, Series 2023 (the “*Series 2023 Bonds*”). The Series 2023 Bonds are being issued pursuant to a Bond Indenture, dated as of June 1, 2023 (the “*Indenture*”), between the City of Phoenix Civic Improvement Corporation (the “*Corporation*”) and U.S. Bank Trust Company, National Association, as trustee (the “*Trustee*”). The City covenants and agrees as follows:

1. *Purpose of this Undertaking.* This Undertaking is executed and delivered by the City as of the date set forth above, for the benefit of the beneficial owners of the Series 2023 Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The City represents that it will be the only obligated person with respect to the Series 2023 Bonds at the time the Series 2023 Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Series 2023 Bonds.

2. *Definitions.* The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data set forth in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

“*City Purchase Agreement*” means the City Purchase Agreement dated as of June 1, 2023, between the City and the Corporation.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Undertaking, information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Event*” means the occurrence of any of the events set forth in Exhibit II.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligations*” means a debt obligation, a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or a guarantee of a debt obligation or a derivative. The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*Listed Event*” means the occurrence of events set forth in Exhibit II provided that with respect to any Event qualified by the phrase “if material,” materially shall be interpreted under the Exchange Act. If an Event is not qualified by the phrase “if material,” such Event shall in all cases be material.

* Subject to change.

“*Listed Events Disclosure*” means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriters*” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Series 2023 Bonds.

“*Rule*” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*State*” means the State of Arizona.

“*Undertaking*” means the obligations of the City pursuant to Sections 4 and 5 hereof.

3. *CUSIP Number/Final Official Statement.* The CUSIP Numbers of the Series 2023 Bonds are as follows:

<u>Maturity Date</u>	<u>CUSIP No. *</u>	<u>Coupon</u> %
----------------------	--------------------	--------------------

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP® numbers are provided for convenience of reference only. None of the City, the Corporation, the Financial Advisor, the Participating Underwriters or their respective counsel or agents takes responsibility for the accuracy of such numbers.

The Final Official Statement relating to the Series 2023 Bonds is dated May ____, 2023 (the “*Final Official Statement*”).

4. *Annual Financial Information Disclosure.* Subject to Section 9 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any, (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA in an electronic format as prescribed by the MSRB. The City is required to deliver such information in such manner and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. *Listed Events Disclosure.* Subject to Section 9 of this Undertaking, the City hereby covenants that it will disseminate in a timely manner not in excess of ten business days after the occurrence of the event, Listed Events Disclosure to the MSRB through EMMA in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any of the Series 2023 Bonds or defeasance of any Series 2023 Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Series 2023 Bondholders pursuant to the Indenture.

6. *Duty to Update.* The City shall determine, in the manner it deems appropriate, the address of EMMA or such alternate repository specified by the MSRB each time it is required to file information with such entities.

7. *Consequences of Failure of the City to Provide Information.* The City shall give notice in a timely manner and within ten business days after the occurrence of such failure to the MSRB through EMMA, of any failure to provide Annual Financial Information Disclosure in the manner and at the time required.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Series 2023 Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an Event of Default under the City Purchase Agreement or the Indenture, and the sole remedy available to Series 2023 Bondholders under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

8. *Amendments; Waiver.* Notwithstanding any other provision of this Agreement, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2023 Bonds, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the Bondholders pursuant to the terms of the Indenture at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the generally accepted accounting principles (“GAAP”) to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the Fiscal Year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

9. *Termination of Undertaking.* The Undertaking of the City shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of a series of the Series 2023 Bonds under the City Purchase Agreement. The City shall give notice in a timely manner if such event occurs to the MSRB through EMMA in an electronic format as prescribed by the MSRB.

10. *Dissemination Agent.* The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

11. *Additional Information.* Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other

means of communication, or including any other information in any Annual Financial Information Disclosure or a Listed Event Disclosure, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

12. *Beneficiaries.* This Undertaking has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Series 2023 Bonds, and shall create no rights in any other person or entity.

13. *Recordkeeping.* The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. *Assignment.* The City shall not transfer obligations under the City Purchase Agreement unless the transferee agrees to assume all obligations of the City under this Agreement or to execute an Undertaking meeting the requirements of the Rule.

15. *Governing Law.* This Undertaking shall be governed by the laws of the State.

CITY OF PHOENIX, ARIZONA

By: Jeffrey J. Barton
Its City Manager

By: _____
Kathleen Gitkin
Chief Financial Officer

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the Final Official Statement under the following tables or captions:

(1) Table 3 – “City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds Outstanding”;

(2) Table 4 – “City of Phoenix Civic Improvement Corporation Junior Lien Airport Revenue Bonds Outstanding”;

(3) Table 5 – “City of Phoenix, Aviation Department Enterprise Fund Comparative Schedule of Revenues, Expenditures, Historical Debt Service Coverage and Changes in Fund Balances” (most recently completed Fiscal Year);

(4) Table 6 – “Airlines Reporting Enplaned Passengers and Air Cargo” (most recently completed Fiscal Year);

(5) Table 7 – “Total Enplaned Passengers by Airline” (most recently completed Fiscal Year);

(6) “Aviation Capital Improvement Program” (most recent capital improvement program as of the most recently completed Fiscal Year, but excluding Table 9);

(7) Table 10 – “Historical Average Cost Per Enplanement” (most recently completed Fiscal Year);

(8) Table 11 – “Historical PFC Collections” (most recently completed Fiscal Year); and

(9) Table 12 – “PFC Approvals and Revenues”.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB through EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB or the Commission. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, if any, by February 1 of each year, commencing February 1, 2024. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to GAAP, as applied to governmental units as modified by State law.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Undertaking, the City will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2023 Bonds, or other material events affecting the tax status of the Series 2023 Bonds
7. Modifications to the rights of Series 2023 Bondholders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Series 2023 Bonds, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the City*
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City, any of which reflect financial difficulties

* The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

APPENDIX H COVID-19

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

For financial planning purposes, Aviation Department staff developed multiple enplanement recovery scenarios based on local passenger trends, discussions with airline partners, and rating agency forecasts. The Aviation Enterprise Fund developed a financial plan to promote strong financial metrics throughout the duration of the pandemic.

The Airport benefited from three federal aid programs. The Coronavirus Aid, Recovery, and Economic Security Act (“*CARES*”), Coronavirus Response and Relief Supplemental Appropriation Act (“*CRRSA*”), and American Rescue Plan Act of 2021 (“*ARPA*”) combined to provide \$320.5 million in operating grant funding. The funds were largely (84%) used to pay debt service, with a smaller amount (16%) programmed for ongoing operating costs and non-General Airport Revenue Bonds debt service. The application of CARES, CRRSA, and ARPA funds helped the Aviation Department meet its junior and senior lien rate covenants while maintaining targeted debt service coverages on its outstanding credits.

Beginning in the spring of 2021 and continuing through fiscal year 2022, the Airport has experienced steady passenger growth. This has led to enplanement levels comparable to those achieved in 2019 which was a record year for the airport. 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. The strength in passenger growth has continued into calendar year 2023 as February 2023 monthly enplaned passengers were 16% higher than 2022 and 6.8% higher than 2019. In fiscal year 2023, total enplaned passengers are currently 3.3% higher through February than in fiscal year 2019 and 6.3% higher through February fiscal year 2022.

The growth in enplaned passengers has also led to increases in non-aeronautical revenue. In fiscal year 2022, parking revenue increased to \$101 million from \$52 million in fiscal year 2021. Concessions revenue has also increase from \$19 million in fiscal year 2021 to \$45 million in fiscal year 2022.

While the current trends in both enplaned passengers and revenues have been positive, the City cannot provide assurance that these trends will continue in the future.