

City of Phoenix Civic Improvement Corporation

Junior Lien Airport Revenue Refunding Bonds, Series 2025 (Non-AMT)

Investor Presentation
May 2025



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Transaction Overview



Par and Series	\$85,210,000* of Junior Lien Airport Revenue Refunding Bonds, Series 2025 (Non-AMT) (“Series 2025”)
Purpose	Refunding of Junior Lien Airport Bonds (Non-AMT): Series 2015A Revenue Bonds and 2015B Revenue Refunding Bonds
Amortization*	July 1, 2026 – July 1, 2045
Tax Status	Tax-exempt, Non-AMT
Optional Redemption	To be determined at pricing
Security	The 2025 Junior Bonds are secured by a pledge of the Designated Revenues. The City Purchase Agreement defines Designated Revenues as equal to Airport Revenues less Costs of Maintenance and Operation and after payments required on any Senior Lien Obligations
Pricing Date*	May 20, 2025
Delivery Date*	June 11, 2025
Ratings (Outlook)	Aa3 (Stable) /A+ (Positive) (Moody’s/S&P)
Financial Advisor	Frasca & Associates
Senior Manager	Siebert Williams Shank

*Preliminary, subject to change



Key Credit Highlights



Large and Diverse Service Area

- PHX has a monopolistic position with limited competition
- The Phoenix MSA accounted for 68.2% of the State of Arizona's population
- Diverse and growing economic base with positive population trends and low unemployment, serving a strong, growing and diversified MSA

Role of PHX

- PHX is an important airport for American and Southwest
- PHX continues to benefit from a growing local market and a competitive airfare environment
 - PHX served a record 25.5 million enplaned passengers including 18.5 million originating enplanements in FY 2024 and the O&D percentage increased to 72.6%
 - The total number of enplaned passengers increased at a compound annual growth rate of 1.9% from FY 2014-15 through FY 2023-24

Healthy Financial Results

- Robust debt service coverage remaining well above 1.25x rate covenant
 - Total Senior & Junior Lien debt service coverage of 3.11x in FY 2024
- Consistently strong liquidity with 1,007 days cash on hand as of FY 2024
- Modest cost per enplanement of \$7.84 in FY 2024 as management has been actively controlling costs and conservatively budgeting

Demand-Driven Capital Plan with Balanced Funding Approach

- Demand-driven and resiliency focused CIP in response to airline growth
- \$2.7 billion CIP for FY 2024 through FY 2029 that consists of terminal, airfield and landside projects
- Moderate new money debt needs
 - Cash and grants are projected to fund 66% of CIP

Strong, Cohesive Management

- Experienced and cohesive Aviation and Finance management team dedicated to continued strong financial performance



The Phoenix-Mesa-Scottsdale Metropolitan Statistical Area

A Vibrant Urban Area



- Phoenix is 5th largest city in U.S. with 1.69 million residents in 2024⁽¹⁾
- The Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (“MSA”) is 10th most populous metropolitan area in U.S. with 2023 estimated population of 5.07 million residents, an increase of 18.0% since 2012⁽²⁾
- The large MSA population supports the Airport’s 18.5 million O&D enplanements in FY 2024
- Sustained economic growth with real GDP per capita of \$63,666 in 2023 and sufficient infrastructure to support continued growth
- Top regional economy with unemployment rate of 3.5% in 2023



Sources:

(1) POS Appendix A

(2) U.S. Census Bureau for the Phoenix-Mesa-Scottsdale, AZ Metropolitan Statistical Area.



PHX Service Region



- Broad base of employers with many corporate and regional headquarters
- Well-educated, young labor force
- Advantageous location in the southwestern U.S.
- Supported by pro-business regulatory approach; Constitutionally, a right-to-work state; tax incentives; and targeting manufacturers



Phoenix MSA Top 15 Employers 2023



Banner Health.

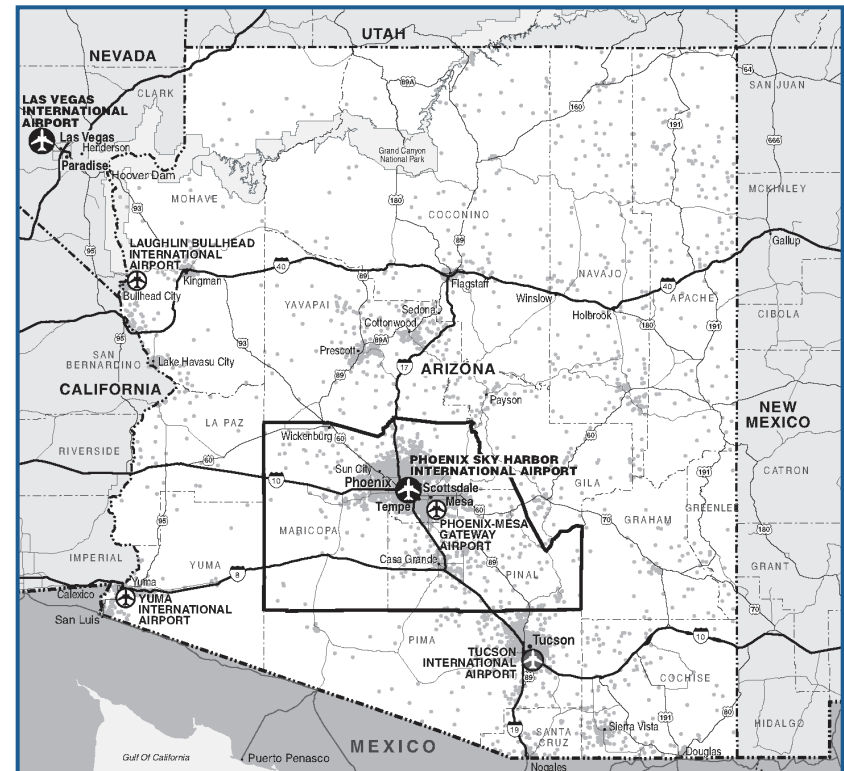


PHX Strategic Position



- Geographic location of Phoenix generates high O&D trip rates
- Phoenix-Mesa Gateway Airport, located 30 miles to the east of PHX, is the only other commercial service airport in the MSA and offers 27 average daily departures⁽¹⁾
- PHX enplaned 13 times more passengers than Tucson, a small hub located 117 miles southeast⁽²⁾

Road Miles from PHX to:	
Airport	Road Miles
Las Vegas	290
San Diego	355
Los Angeles (LAX)	371
Albuquerque	477
Salt Lake City	656
Denver	809
Dallas/Fort Worth	1,056



Source: (1) Avg daily departures for March 2025; Diio Mi database, accessed 3/18/2025. (2) FAA FY 2024 data.



Cohesive Management Structure



- The City of Phoenix owns and operates Phoenix Sky Harbor International Airport (PHX) and two general aviation airports, Phoenix Goodyear Airport (GYR) and Phoenix Deer Valley Airport (DVT)
- The Airports are operated as a self-supporting enterprise through the Aviation Department
- The Airport sets rates and charges for airlines and other airport tenants by ordinance⁽¹⁾
- The City Manager, appointed by the City Council, is responsible for all City Departments, including the Aviation Department
- The City's Finance Department oversees the issuance of debt and performs certain accounting, financing, treasury and related functions for the Aviation Department

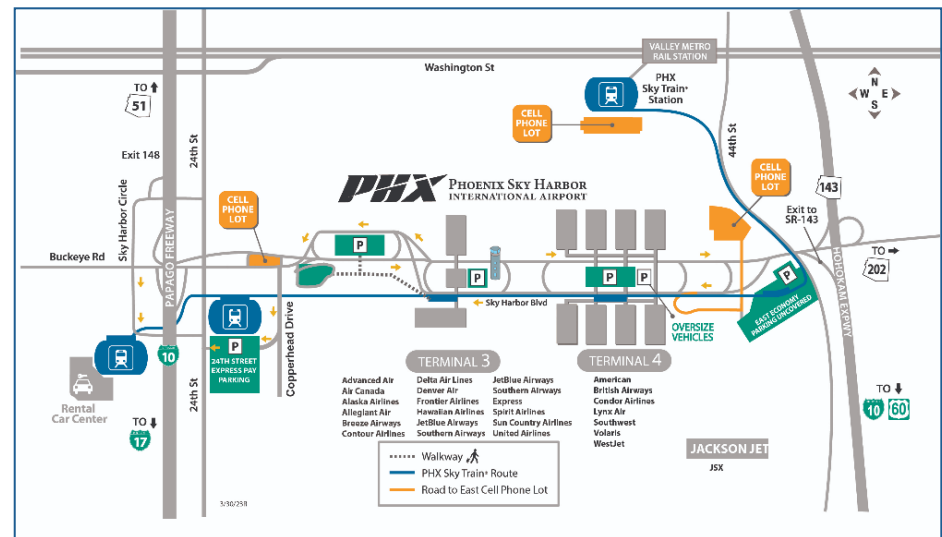
(1) Phoenix City Council authorizes the Airport Director to set rates and charges without additional City Council approval provided the CPE remains at or below the large-hub median for the prior year.



Overview of PHX Sky Harbor Airport



- The Airport currently has two active passenger terminal buildings – Terminals 3 and 4 which contain 114 gates
 - Terminal 3 contains approximately 710,000 square feet and 25 gates
 - Terminal 4 contains approximately 2.3 million square feet. 89 gates and the Airport's international arriving passenger processing facilities
- The Airport has approximately 26,000 public and employee parking spaces in five parking garages and five surface lots
- The Rental Car Center is located west of the terminals on a 141-acre site that includes approximately 5,600 ready/return garage spaces
- The PHX Sky Train® provides a seamless connection among the two terminal buildings, East Economy parking, the Rental Car Center, and the Valley Metro Light Rail



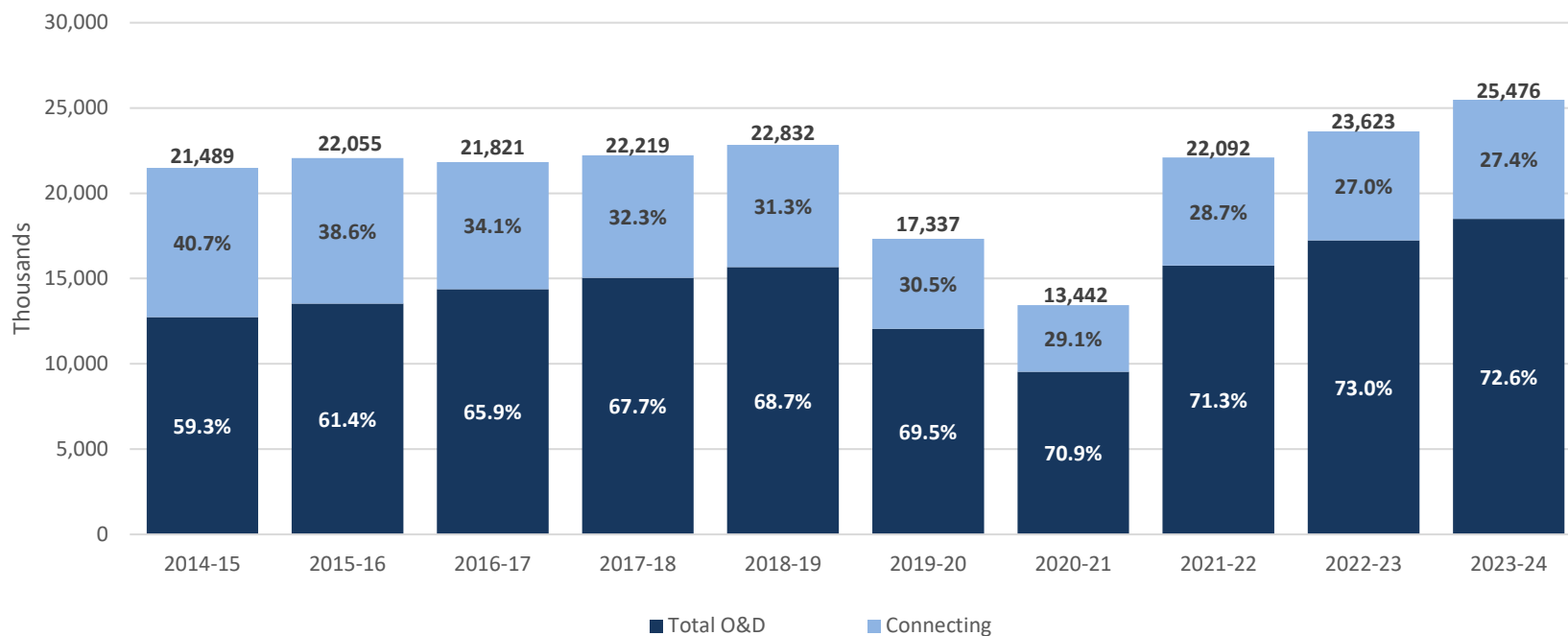


Enplanements Continue to Grow to Record Levels



- FY 2024 enplanements reached a record high with the share of O&D traffic at 72.6%
- FYTD 2025 YTD enplanements are up 4.3% compared to the prior year
- The Airport has nonstop service in FY 2025 to 126 U.S. airports and 25 international destinations in Canada, Mexico, the United Kingdom and France

Enplaned Passengers (FY 2015 – FY 2024)



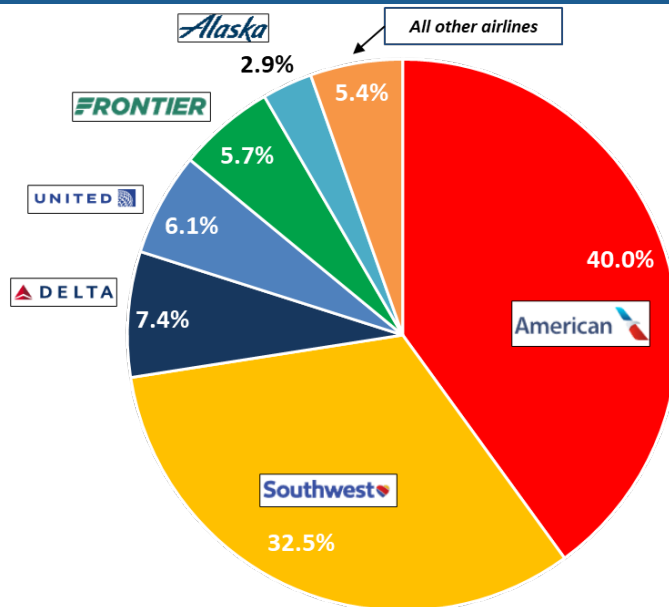


A Stronger Hub: Two Primary Carriers Provide Competition

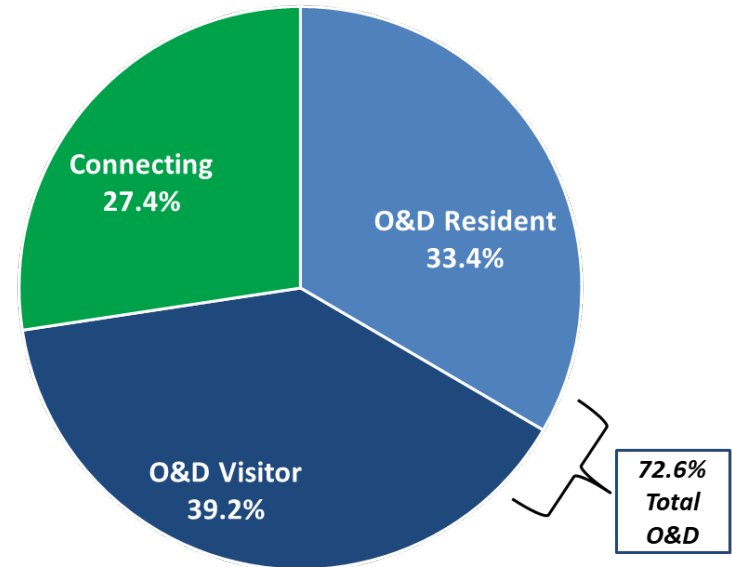


- PHX is the 5th busiest airport in the American system and 4th for Southwest⁽¹⁾
- O&D passengers accounted for the majority of passenger growth over a 10-year period, increasing at an average of 4.2% per year
- American and Southwest Airlines accounted for 72.5% of enplaned passengers in FY 2024

FY 2024 Airline Market Shares⁽¹⁾



FY 2024 Traffic Composition⁽²⁾



(1) Diio Mi Schedules database, accessed March 2025.

(2) U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedule T100. Percentages may not add up to 100%, as they are rounded to the nearest tenth of a percent.



Airline Rate Structure and Historical CPE

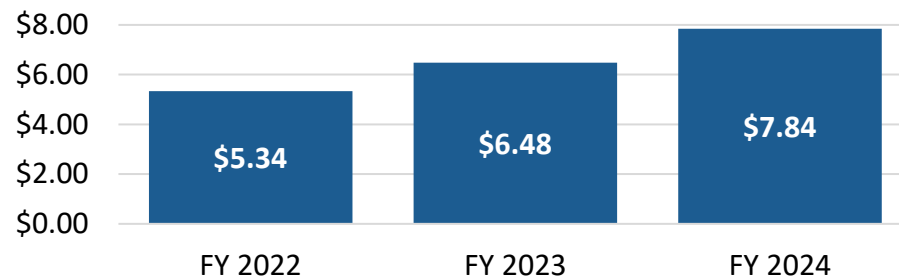


- Airline rates and charges are calculated using a compensatory rate-setting methodology
 - Terms governing airline use of terminal space are formalized in 30-day Letters of Authorization, which provide the City with significant flexibility
 - PHX retains all surplus non-airline revenues
- Charges are established on the basis of the cost to provide, maintain and operate facilities
 - Rates are set annually and can be adjusted at any time if needed
 - Settlement of actual costs and facility use is completed at fiscal year end
- Airline revenues on average have been 29.2% of total operating revenue since FY 2022
- PHX compensatory rate structure and management of costs have resulted in CPE of \$7.84 for FY 2024

Breakdown of Operating Revenues

Revenues (\$000s)	2022	2023	2024
Airline Revenues	\$117,974	\$153,125	\$199,687
Non-Airline Revenues	293,947	316,147	363,299
Other	37,884	55,036	59,149
Total Operating Revenues	449,805	524,308	622,135

Historical CPE





Continued Solid Financial Results



Summary of PHX Financial Results (FY 2020 – FY 2024)

(\$000's)	2020	2021	2022	2023	2024
Total Revenues	\$368,898	\$304,431	\$449,805	\$524,308	\$622,135
Less: Total Expenditures ⁽¹⁾	259,866	242,138	278,986	301,735	321,698
Net Airport Revenues	\$109,032	\$62,293	\$170,819	\$222,573	\$300,437
Total Senior Lien Debt Service	59,721	4,926	995	3,444	55,514
Senior Lien Debt Service Coverage Ratio					
Senior Lien Bond Coverage	1.83x	12.65x	171.68x	64.63x	5.41x
Designated Revenues	\$49,311	\$57,367	\$169,824	\$219,129	\$244,923
Total Junior Lien Debt Service ⁽²⁾	8,560	3,542	2040	3,563	41,187
Junior Lien Debt Service Coverage Ratio					
Junior Lien Bond Coverage	5.76x	16.20x	83.25x	61.50x	5.95x
Aggregate Debt Service					
Total Aggregate Debt Service	68,281	8,468	3,035	7,007	96,701
Total Senior & Junior Lien Debt Service Coverage	1.60x	7.36x	56.28x	31.76x	3.11x
Aggregate Debt Service Coverage (Revenue Method)	1.34x	2.02x	3.45x	2.04x	2.33x

(1) Rental Car Center Transportation O&M Expenses as defined in the CFC Bond Documents are included as cost of O&M

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



Strong Liquidity & Low CPE Provide Significant Financial Flexibility



- The City and Airport remain focused on bondholder protection and financial flexibility while operating the Airport

Summary of Liquidity and Cost Per Enplanement (FY 2020 – FY 2024)

	2020	2021	2022	2023	2024
Unrestricted Cash & Available Funds (\$000s)	\$501,201	\$387,759	\$515,184	\$689,278	\$887,524
Operating Expenses (\$000s)	\$259,866	\$242,138	\$278,986	\$301,735	\$321,698
Days Cash (Management's Target: > 475 Days)	704	585	674	834	1,007
Cost Per Enplanement	\$8.44	\$8.98	\$5.34	\$6.48	\$7.84



Capital Improvement Program: FY 2024-25 through FY 2028-29



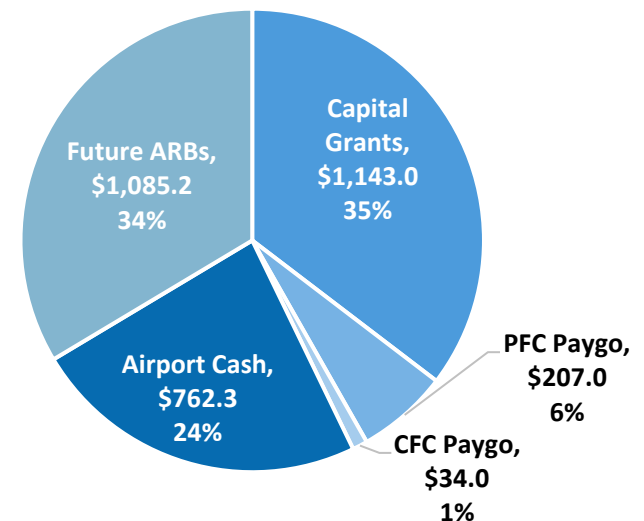
- Capital Improvement Programs support robust airline and terminal activity
- Each year the Aviation Department submits a five-year CIP for City Council approval
- Cash and Grants are projected to fund 66% of CIP
 - Approximately \$596 million of future airport revenue bonds are required to fund the CIP from FY 2024-25 through FY 2028-29

Capital Improvement Program Fiscal Year 2024-25 through 2028-29 (\$M)

	Total Costs
Terminal 4 Infrastructure	\$444.4
Terminal 3 Concourse	410.3
Other Airfield Improvements including TW U	<u>436.4</u>
Subtotal – Major Capital Projects	\$1,291.1
Other Projects & Contingency	<u>1,451.6</u>
TOTAL	\$2,742.7

Source	Approved CIP through FY29 (\$M)	Additional Planned Future Bonds*
Capital Grants	\$1,143.0	
Paygo Funding:		
- PFC paygo	207.0	
- CFC paygo	34.0	
- Airport cash	<u>762.3</u>	
Subtotal – Paygo funds	\$1,003.3	
Future ARBs	\$596.4	\$488.8
TOTAL	\$2,742.7	

Planned CIP Funding Including Additional Planned ARBs (\$M)



* Includes additional planned future bonds for T3 concourse and other CIP projects
Note: Numbers have been rounded.



Airport Revenue Bond Financial Targets & Management Policies

Debt Service Coverage Targets:

Senior Lien: 1.75x–2.00x

Aggregate (PFC Offset): 1.50x

PFC Leveraging: 65%–75% of Annual Collections

Debt Service Coverage (Revenue Method): 1.40x

Utilize Junior Lien for PFC Leveraging

Days Cash on Hand: 475 Days

**Goal: Maintain Competitive CPE with
Increases Targeted to Maintain Metrics and Develop Facilities**

FY 2024 – Management Continues To Exceed All Financial Targets



Junior Lien Bond Legal Structure



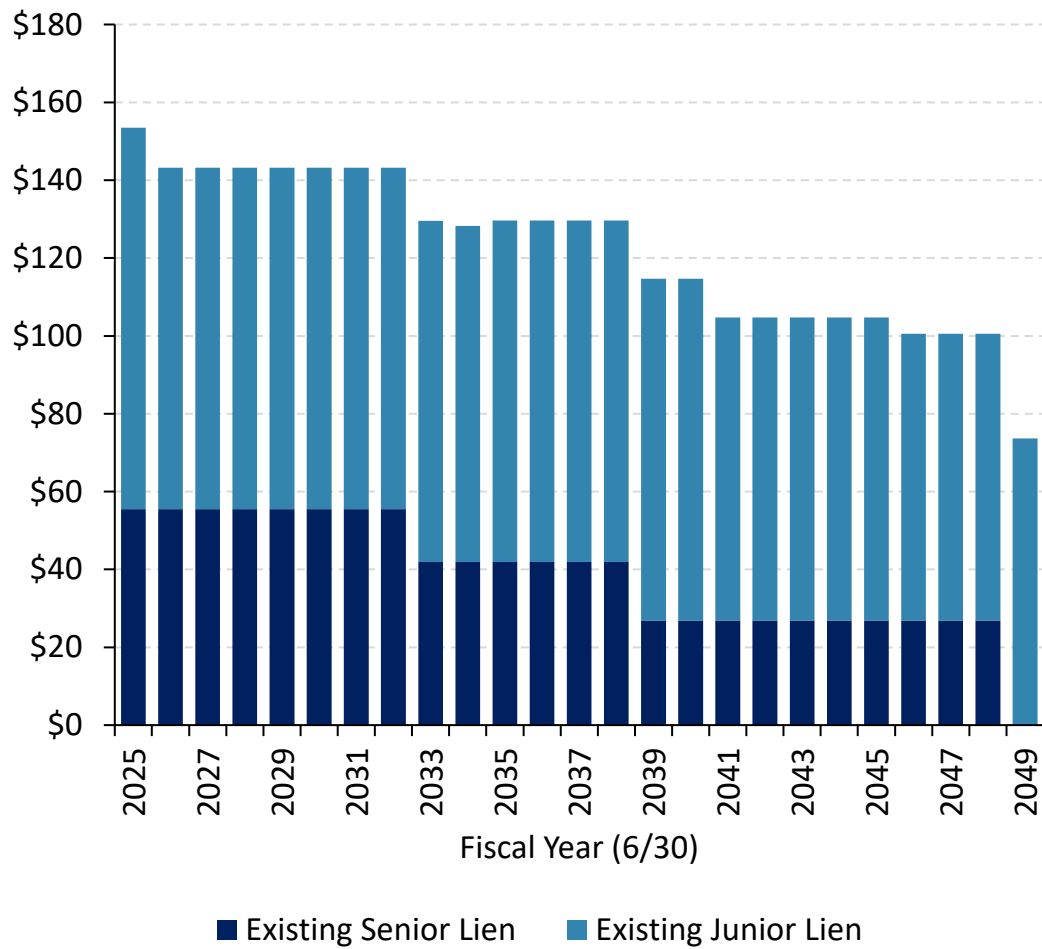
- **Security:** Pledge of Designated Revenues, equal to Airport Revenues less Costs of Maintenance and Operation and after payments required on any Senior Lien Obligations
- **Rate Covenant:** Designated Revenues must exceed 110% of annual debt service requirements of Junior Lien Obligations, net of Other Available Funds deposited in the Bond Fund and any Junior Lien PFC Credit applicable to Junior Lien Obligations
- **Additional Bonds Test:** Historical 110% MADS and prospective rate covenant compliance
- **Debt Service Reserve Fund (“DSRF”) Requirement:** Lesser of MADS and the highest amount permitted by the Internal Revenue Code
 - All Senior and Junior Lien DSRFs are 100% funded with cash and investments



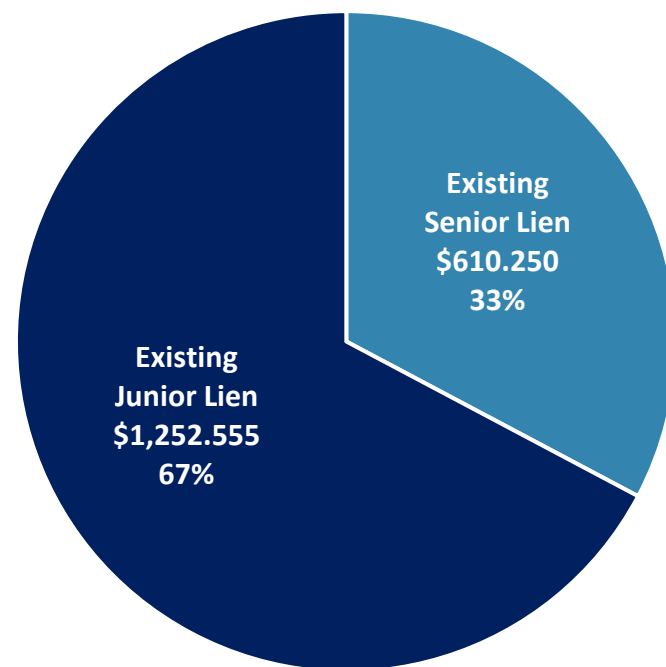
Overview of Airport Revenue Debt



Aggregate Annual Debt Service (\$ Millions)



Par Amount Outstanding (\$ Millions)



Note: Does not reflect the impact of refunding the Series 2015A and Series 2015B Bonds.



Series 2025 Preliminary Schedule*



May 2025							June 2025						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3	1	2	3	4	5	6	7
4	5	6	7	8	9	10	8	9	10	11	12	13	14
11	12	13	14	15	16	17	15	16	17	18	19	20	21
18	19	20	21	22	23	24	22	23	24	25	26	27	28
25	26	27	28	29	30	31	29	30					

Post POS:	May 6
Pricing:	May 20
Closing:	June 11

*Preliminary, subject to change.



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For the City of Phoenix Series 2025 Preliminary Official Statement, ACR and Other Investor Information, please visit: www.phoenix.gov/finance/investor

