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ANNUAL POPULAR FINANCIAL REPORT

PHOENIX, CITY OF ARIZONA

FISCAL YEAR ENDED 30 JUNE, 2022



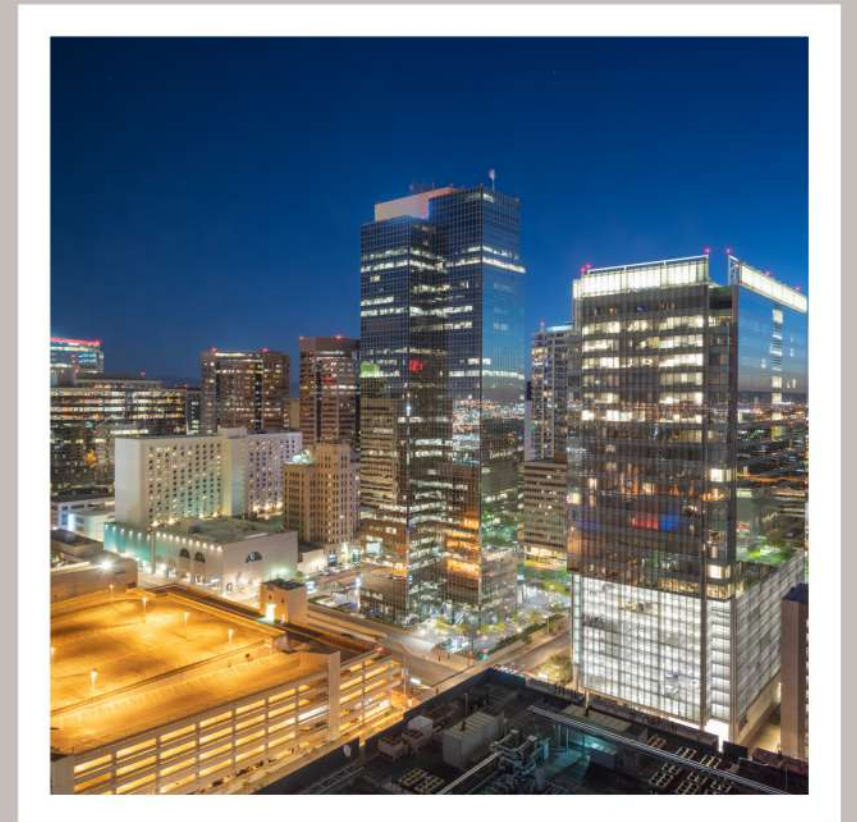
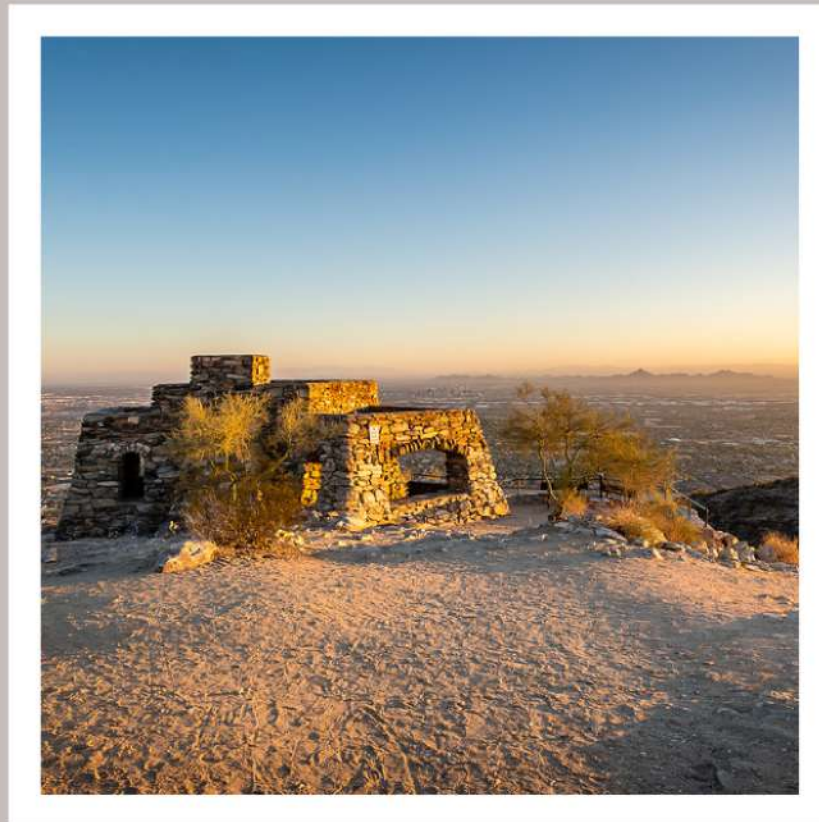
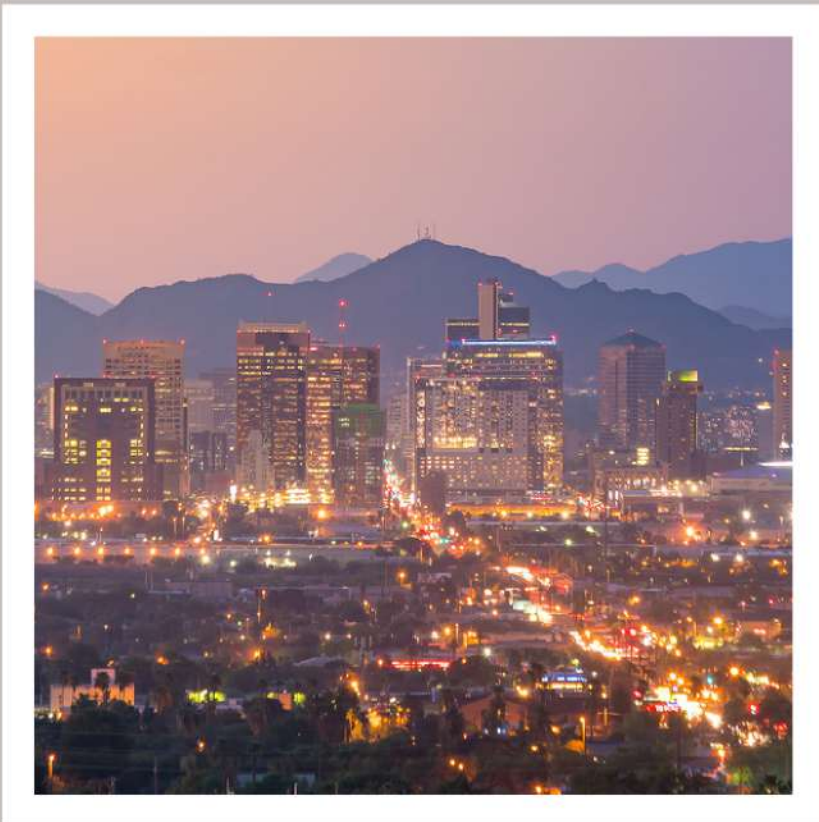
DENISE MIRON
FILIPPO PUGLISI
MARGHERITA VASINI

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ABOUT THE CITY OF PHOENIX

Phoenix, located in the heart of the Sonoran Desert in the southwestern United States, is a vibrant and dynamic city known for its stunning natural landscapes and rapid urban growth. In 2021, Phoenix had a population of approximately 1.7 million residents, making it the fifth-most populous city in the United States.





**PUBLIC
TRANSPORTATION**

**CITY
ADMINISTRATION**

PUBLIC SAFETY

EMERGENCY SERVICE

**CITY SERVICES
PROVIDED IN 2022**

EDUCATION

PUBLIC HEALTH

MESSAGE FROM THE CITY MAYOR

Greetings,

I am pleased to present the 12th annual City of Phoenix Popular Annual Financial Report, providing an overview of our financial outlook, assets, and debt for the year ending June 30, 2022.

Our 2022-2023 City of Phoenix Budget reflects the collective priorities set by City Council and the community. Thanks to our resilient economy, strategic decisions, and the dedication of our City employees during the pandemic, we've balanced the budget while enhancing city services.

Our General Fund Budget for 2022-23 allocates \$24 million for service additions, focusing on Affordable Housing, Climate and Sustainability, Economic Development, and more. Phoenix remains an attractive place to live and work, leading in business attraction and innovative policies.

It's an honor to serve you and provide exceptional programs and services to all Phoenix residents.

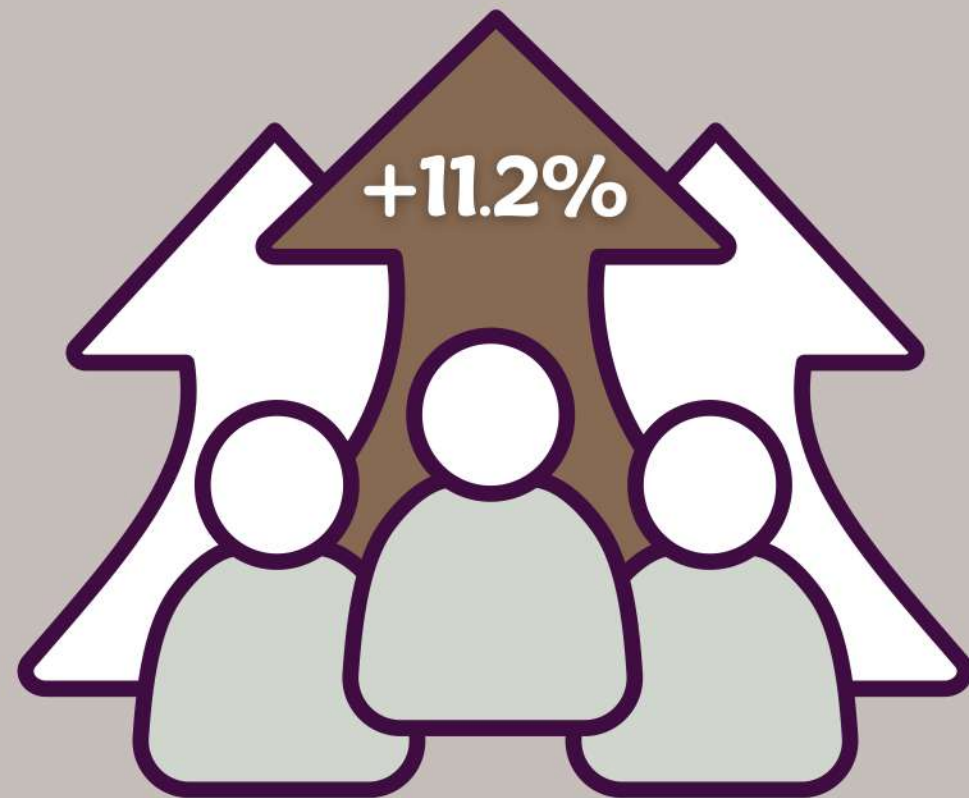
Yours sincerely,

Kate Gallego

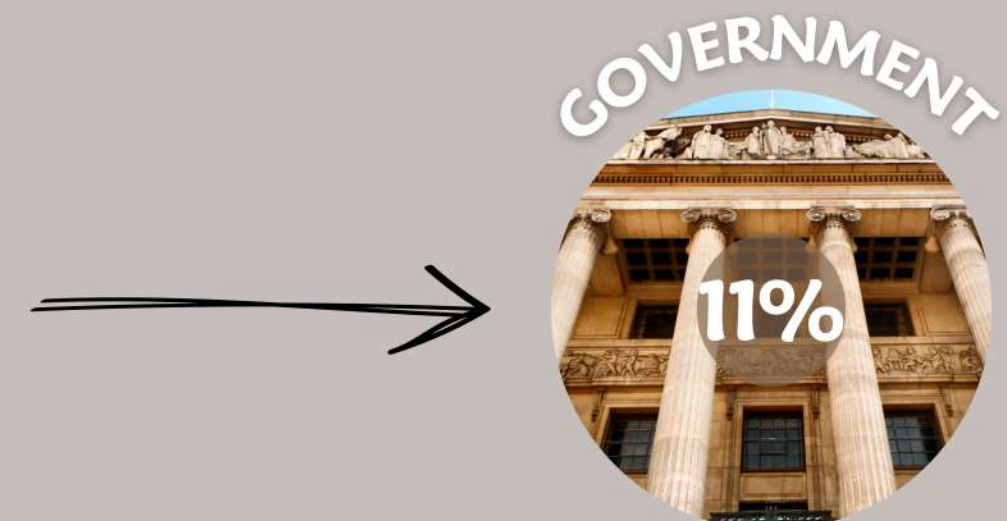
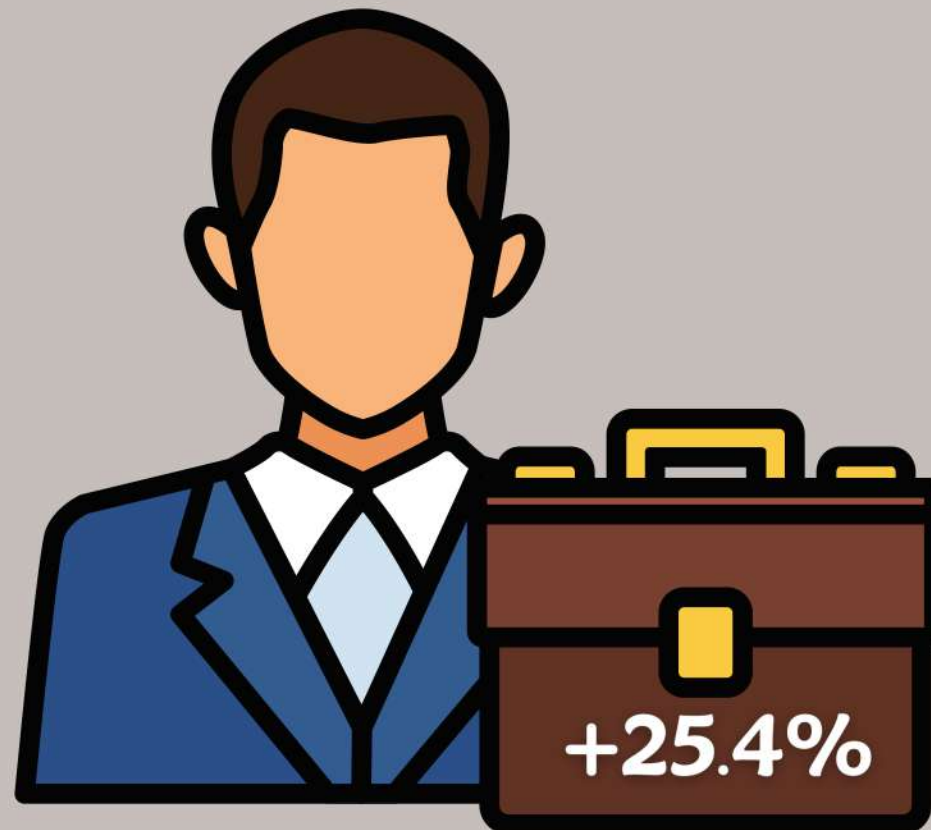


DATA ABOUT PHOENIX

Between 2010 and 2020, Phoenix's population grew by an estimated 11.2%, outperforming the U.S. growth rate of 7.4%.



Between 2010 and 2020, employment in Phoenix surged by 25.4%, compared to the 8.9% national increase.



PRIMARY EMPLOYMENT SECTORS

The City of Phoenix has prioritized business attraction and established partnerships with more than 40 suppliers to companies like Taiwan Semiconductor Manufacturing Company (TSMC) and other advanced manufacturing and technical firms.

This collaborative effort is anticipated to have a substantial economic impact, leading to the creation of 3,709 new jobs with an average salary of \$81,927 and a capital investment exceeding \$1.1 billion. Additionally, there is potential for further expansion, which could result in an additional 4,642 new jobs with an average salary of \$52,059 and a capital investment of \$135 billion.



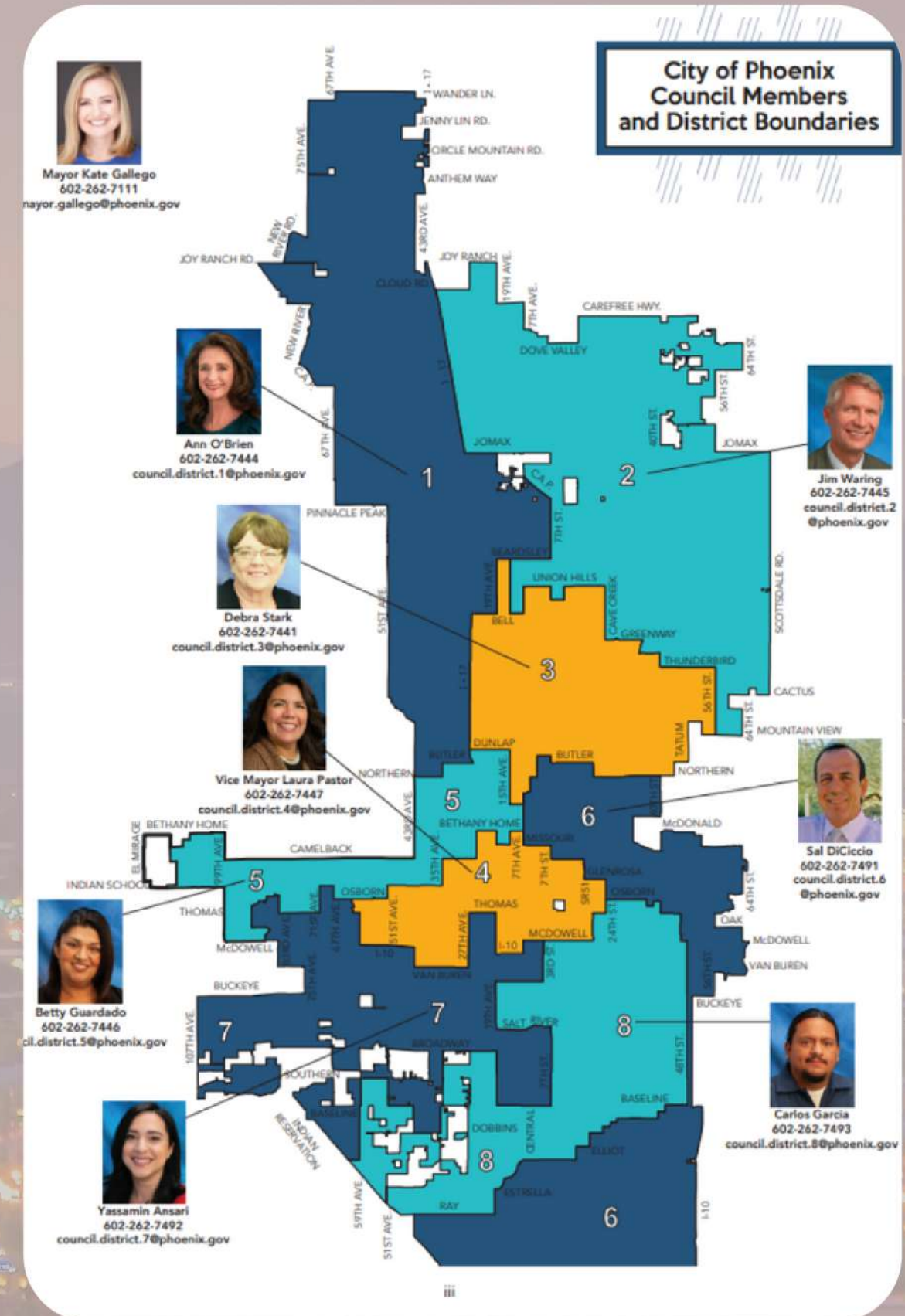
One of the key strengths of Phoenix is its strong higher education partnerships.

The main examples are Arizona State University, The University of Arizona, Grand Canyon University, Maricopa Community Colleges, Northern Arizona University, and Creighton University School of Medicine, Tufts University.

PUBLIC ADMINISTRATION GROUP

In Phoenix, they follow a Council-Manager model of governance. Under this structure, the Mayor and City Council appoint a City Manager to serve as the Chief Operating Officer. It's the Mayor and City Council's responsibility to set policy directives, and the City Manager is tasked with carrying out these policies. In 1982, the residents endorsed an initiative introducing a district-oriented approach for electing council members.

The Mayor is elected citywide, while Council members are chosen by voters in each of the eight distinct districts they represent, each serving four-year terms. Importantly, both the Mayor and each Council member hold equal voting influence in our city's governance.



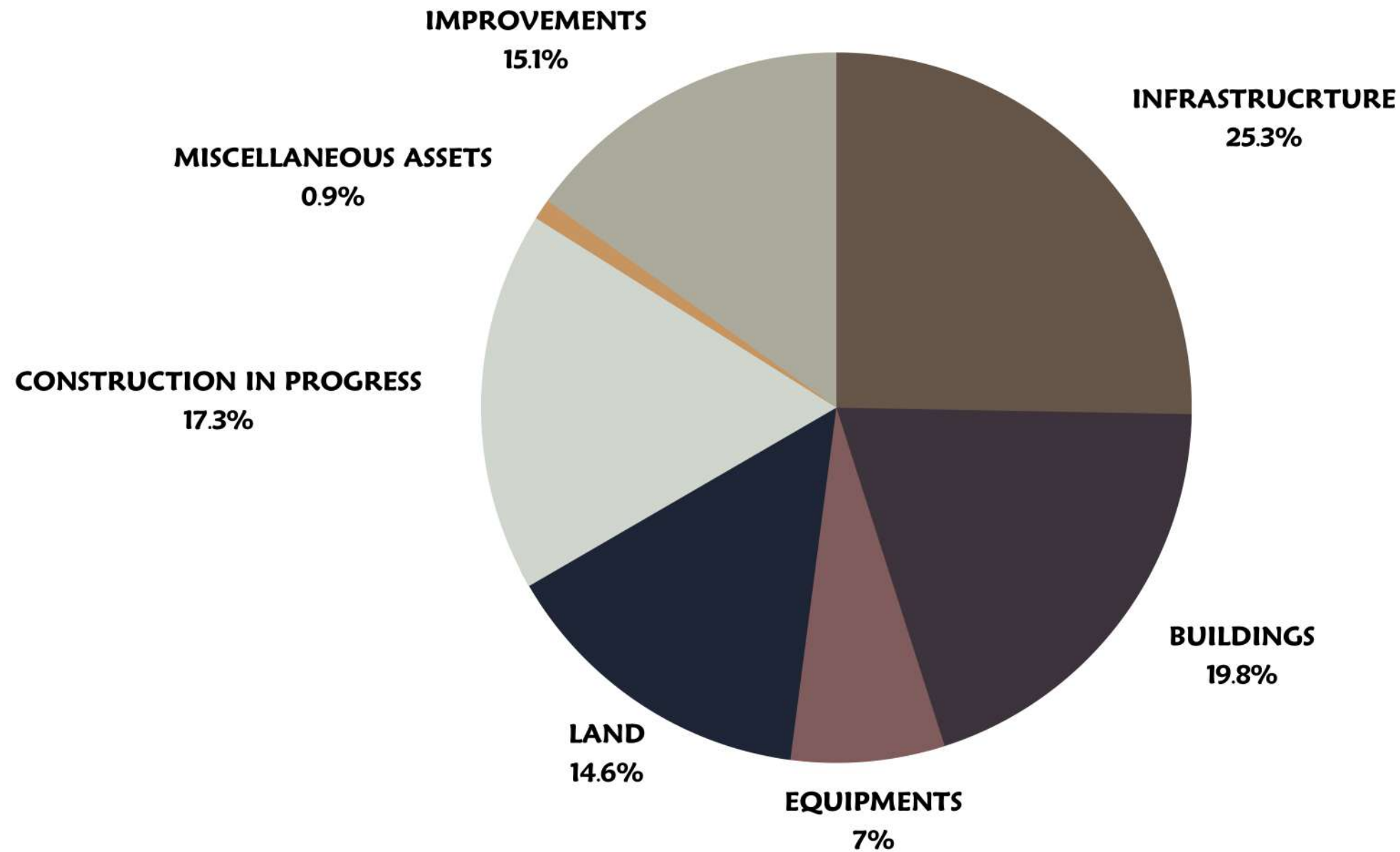
CITY FINANCES

STATEMENT OF NET POSITION

June 30, 2022, 2021 and 2020	Total City Government		
(in thousands)	2022	2021	2020
Assets:			
Cash and investments	\$ 3,371,368	\$ 3,074,279	\$ 2,673,749
Current and other assets	4,846,728	4,025,730	3,720,254
Capital assets, net of depreciation	13,784,688	13,252,596	12,757,460
Total assets	22,002,784	20,352,605	19,151,463
Deferred outflows of resources	822,760	777,252	756,463
Liabilities:			
Long-term liabilities	11,793,595	12,556,419	12,665,699
Other liabilities	2,452,176	1,541,250	1,265,095
Total liabilities	14,245,771	14,097,669	13,930,794
Deferred inflows of resources	876,022	431,686	195,962
Net position:			
Net investment in capital assets	7,577,114	6,731,809	6,781,877
Restricted	1,749,270	1,688,060	1,473,651
Unrestricted	(1,622,633)	(1,819,367)	(2,474,358)
Total net position	\$ 7,703,751	\$ 6,600,502	\$ 5,781,1702

- **Current and other assets:** assets that one can reasonably expect to convert to cash, sell, or use within one year.
- **Capital assets:** the City's long-term investments in land, buildings, equipment, improvements, infrastructure, and construction in progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.
- **Deferred outflows of resources:** a consumption of net assets by the government that is applicable to a future reporting period.
- **Long-term liabilities:** represents mainly debt obligations and net pension liability of the City. The proceeds from various debt issues are used to finance large projects such as road construction and major equipment purchases.
- **Other liabilities:** these are primarily debts that can be paid off in one year or less. This includes accounts payable, accrued payroll, and accrued interest payable.
- **Deferred inflows of resources:** an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.
- **Net investment in capital assets:** this represents the City's investment in its capital assets less accumulated depreciation and any outstanding debt attributable to the acquisition, construction, or improvement of these assets.
- **Restricted net position:** resources whose use is subject to externally imposed restrictions.
- **Unrestricted net position:** resources available to the City to provide services to the citizens and creditors if there were no additional revenues or resources available.

CAPITAL ASSET (IN THOUSANDS)



- **Buildings** (\$2,726,606) include police and fire stations, courts, libraries, recreation facilities and sports facilities.
- **Improvements** (\$2,082,849) include upgrades such as parking lots, fences, bus shelters, playgrounds, sports courts and fields, and water treatment facilities.
- **Equipment** (\$965,037) includes garbage and recycling trucks, police cars, fire engines, and light rail cars.
- **Land** (\$2,006,777) means real estate purchased to provide services to residents like parks or police stations.
- **Construction in Progress** (\$2,388,820) reflects the cost of all projects for construction of buildings, other improvements, and equipment that are in progress and not yet completed.
- **Miscellaneous Assets** (\$128,441) include artwork, software, and water rights.
- **Infrastructure** (\$3,486,158) includes water and sewer lines, streets, bridges and storm drains.

DEBT

The City employs various financial instruments to secure funding for its long-term and short-term needs. For long-term projects, it relies on general obligation bonds, municipal corporation obligations, revenue bonds, and loans obtained through direct borrowing. Additionally, the City currently makes use of revolving credit facilities to meet its short-term financial obligations.

1

The City primarily uses general obligation bonds to fund various government department capital projects, excluding enterprise departments such as cultural facilities, public safety, and infrastructure. These bonds are repaid through secondary property taxes.

State law requires that revenue from the City's secondary property tax levy must be dedicated exclusively to covering principal and interest on long-term debt. The law sets two limits on general obligation debt issuance: one allows up to 20% of the City's assessed valuation for certain capital projects, and the other permits up to 6% for other purposes. These constraints are known as the Legal Debt Limit.

2

Revenue bonds are backed by taxes, user fees, and service charges and do not constitute a general obligation of the City. This also applies to Municipal Corporation bonds issued by the City of Phoenix Civic Improvement Corporation (CIC), a related nonprofit organization responsible for issuing bonds or certificates of participation for specific facilities and equipment. The City makes lease purchase payments to meet the principal and interest obligations associated with these bonds.

3

State law grants the City the authority to issue voter-approved bonds backed by revenue from highway users and utilities. Presently, the City does not have any outstanding voter-approved revenue bonds.

4

The loan from direct borrowings is payable from and secured by a subordinated lien on the City's excise tax revenues on parity with all other outstanding subordinated excise tax obligations and is subordinate to the pledge on all outstanding senior lien and junior lien excise tax obligations. The loan from direct borrowings is not issued through CIC. The loan is the City's debt.

5

At present, the City has three revolving credit arrangements with a combined limit of \$600.0 million. These facilities are designated for Transportation 2050, water, and wastewater purposes. Each revolving credit facility has a maximum borrowing capacity of \$200.0 million and spans a three-year loan term.

AVIATION REVENUE BONDS
32.4%

RENTAL CAR FACILITY BONDS
4.6%

WATER REVENUE BONDS
24.7%

EXCISE TAX REVENUE BONDS
13.3%

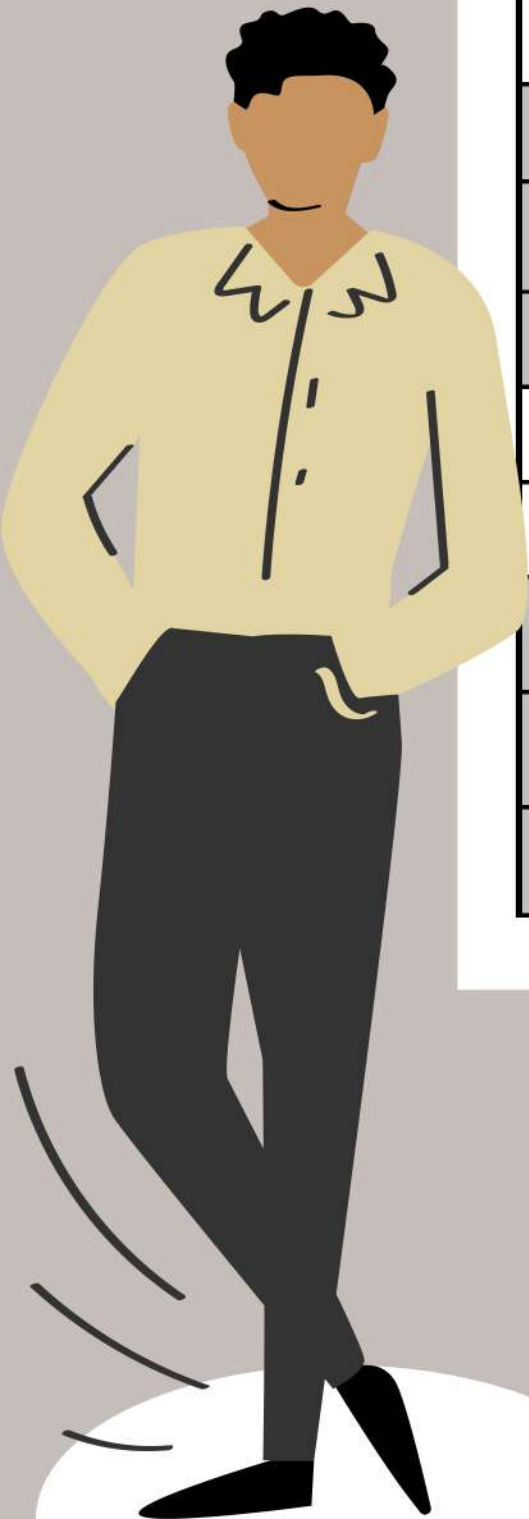
GENERAL OBLIGATION BONDS
13.2%

WASTEWATER REVENUE BONDS
7.3%



WHERE THE MONEY COMES FROM

	City Taxes	State Shared	Other Intergov't	Charges for Services	Miscellaneous	Total
Governmental Revenues—2022	\$ 1,645,068	\$ 691,895	\$ 936,570	\$ 238,364	\$ 39,361	\$ 3,551,258
Governmental Revenues—2021	\$ 1,410,625	\$ 674,518	\$ 958,339	\$ 178,652	\$ 161,926	\$ 3,384,060
Governmental Revenues—2020	\$ 1,287,094	\$ 597,310	\$ 514,522	\$ 197,396	\$ 190,189	\$ 2,786,511
	Water System	Aviation	Wastewater	Solid Waste	Convention Center	Total
Business-Type Operating Rev—2022	\$ 469,835	\$ 397,492	\$ 224,819	\$ 199,550	\$ 45,556	\$ 1,337,252
Business-Type Operating Rev—2021	\$ 467,576	\$ 378,553	\$ 216,830	\$ 185,699	\$ 27,114	\$ 1,275,772
Business-Type Operating Rev—2020	\$ 425,390	\$ 451,157	\$ 213,562	\$ 154,685	\$ 43,040	\$ 1,287,834



Governmental funds are used to record the core functions of the City, including police, fire, courts, streets, parks, libraries, and public housing. The primary revenue sources for these governmental funds are as follows:

- 1. City Taxes:** This category encompasses revenue from sales taxes, property taxes, franchise fees, special taxing district revenues, and payments made in lieu of taxes.
- 2. State Shared Revenues:** The state of Arizona shares specific revenues with cities as mandated by state statutes. These shared revenues include income tax, state sales tax, vehicle license tax, and highway user revenues.
- 3. Other Intergovernmental Revenues:** This includes federal grants and revenue received from other government entities.
- 4. Charges for Services:** Revenues generated from services like building inspections, court and police fees, and public transit fares.
- 5. Miscellaneous:** This category covers income from investments, rental of properties, concession sales, fines, revenue from licenses and permits, and other miscellaneous sources

Business-type funds are designed to manage activities that operate and are funded much like private businesses. These funds are expected to be self-sustaining, primarily relying on user charges or fees to finance the services they provide. The revenue figures depicted in the chart exclude grants or transfers. Typically, revenues generated by business-type activities can only be used to cover the expenses of the specific fund where they were generated. The primary sources of revenue for business-type activities include the Water System, Aviation, Wastewater, Solid Waste, and Convention Center. While 42% of governmental fund revenues come from city taxes, some revenues are designated for specific purposes, while others can be used for general purposes.



Arizona's property tax system is structured around two distinct tax systems:

- 1. The primary system is responsible for the levying of taxes used to cover ongoing operational and maintenance expenses.**
- 2. The secondary system is dedicated to taxes collected for the repayment of principal and interest on bonded debt, as well as the calculation of the maximum allowable bonded debt.**

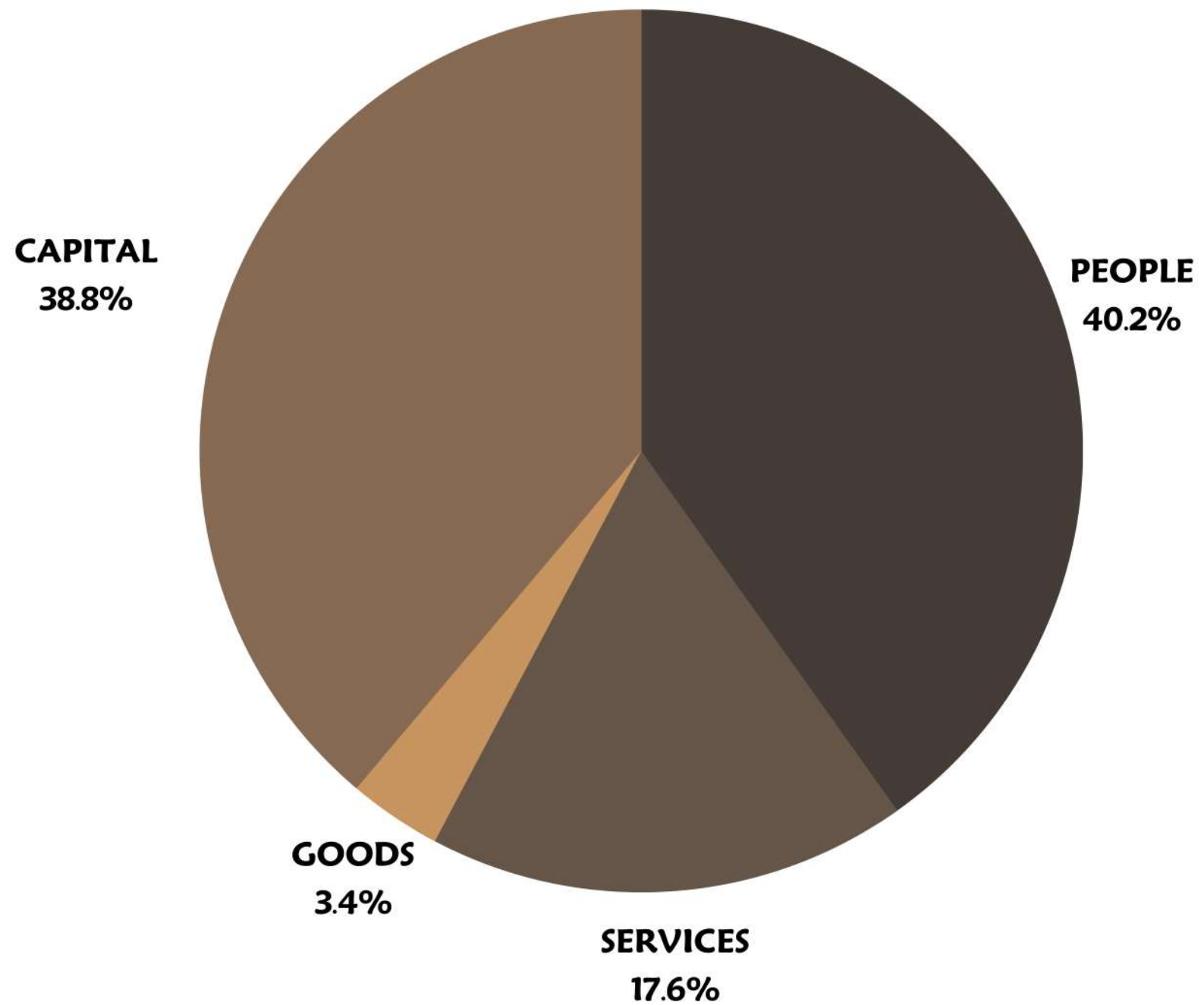
Sales tax revenues can fall into two categories: they are either designated for specific purposes like public safety, transit, or the convention center, or they can be used for general purposes. This category encompasses various types of revenue, including retail sales tax, hotel/motel taxes, commercial rental income, construction contracting proceeds, and income from motor vehicle rentals, among others.



Utility, Franchise and Other taxes consist of franchise fees paid by public utilities, telecommunications firms, and cable television companies. The revenue generated from these taxes can be utilized for general purposes.

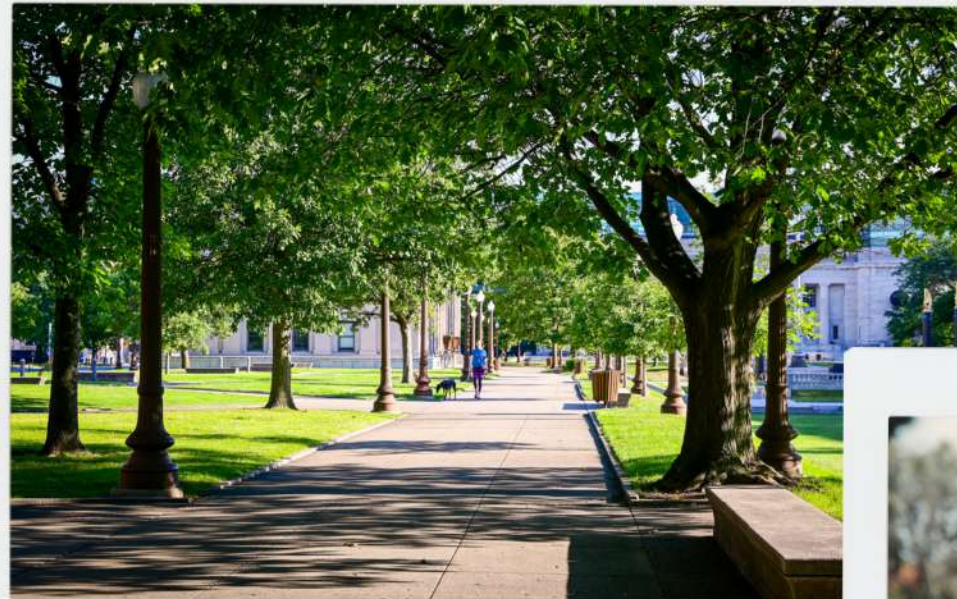
WHERE THE MONEY GOES

	<u>People</u>	<u>Services</u>	<u>Goods</u>	<u>Capital</u>	<u>Total</u>	<u>% of Subtotal</u>	<u>% of Total</u>
General Government							
Public Safety	\$ 1,065,451	\$ 47,872	\$ 23,932	\$ 147,098	\$ 1,284,353	40.35%	28.00%
Transportation	74,558	63,274	8,250	602,378	748,460	23.51%	16.32%
Community Enrichment	133,724	169,441	22,890	139,486	465,541	14.63%	10.15%
Community Development	94,405	133,660	1,665	32,897	262,627	8.25%	5.73%
General Support Activities	102,010	52,060	7,224	96,844	258,138	8.11%	5.63%
Environmental Services	9,900	19,572	12,122	33,777	75,371	2.37%	1.64%
Interest on Debt	-	-	-	50,328	50,328	1.58%	1.10%
Criminal Justice	30,245	7,357	448	211	38,261	1.20%	.83%
Subtotal	1,510,293	493,236	76,531	1,103,019	3,183,079	100.00%	69.40%
Business-Type							
Aviation	28,196	159,828	11,308	340,040	539,372	38.42%	11.76%
Water System	143,166	26,512	58,988	193,877	422,543	30.10%	9.21%
Wastewater	67,918	33,320	3,703	67,180	172,121	12.26%	3.75%
Solid Waste	72,228	70,753	5,063	23,177	171,221	12.20%	3.73%
Convention Center	20,121	22,855	1,070	54,578	98,624	7.02%	2.15%
Subtotal	331,629	313,268	80,132	678,852	1,403,881	100.00%	30.60%
TOTAL	\$ 1,841,922	\$ 806,504	\$ 156,663	\$ 1,781,871	\$ 4,586,960		100.00%



- **People**: The cost of employees including wages and benefits.
- **Capital**: Costs of property, plant and equipment; primarily depreciation and interest.
- **Services**: Contractual services provided by external entities.
- **Goods**: Inventories, supplies, and materials.

KEY STATISTICS



Selected City Performance Measures		
	FY 2022	FY 2021
COMMUNITY ENRICHMENT		
<u>Libraries</u>		
Book Circulation (in thousands)	8,453	6,833
Total Stock (in thousands)	4,524	4,287
Number of Library Branches	17	17
<u>Parks and Recreation</u>		
City Parks (number of acres)	45,085	45,146
Number of Playgrounds	296	283
PUBLIC SAFETY		
<u>Police</u>		
Police Precincts	7	7
Police Employees (Authorized)	3,270	3,271
Dispatched Calls for Service	665,652	656,000
<u>Fire</u>		
Fire Stations	59	59
Fire Employees	2,281	2,121
Calls for Service	247,806	217,992
TRANSPORTATION		
<u>Public Transit</u>		
Ridership (in thousands)		
Bus	16,876	15,122
Dial-a-Ride	285	274
Light Rail	5,102	4,032
<u>Streets</u>		
Total Miles	4,863	4,858
Miles Resurfaced and Sealed	335	584
Signalized Intersections	1,182	1,162

STRATEGIC BLUEPRINT

EMPHASIS ON ECONOMIC ADVANCEMENT AND EDUCATIONAL INITIATIVES

In the coming years, Phoenix envisions a dynamic economic landscape, one that capitalizes on its unique strengths and resources.

The city has recognized the importance of nurturing innovation and entrepreneurship. By investing in research and development, supporting startups, and fostering a thriving tech ecosystem, Phoenix aims to attract companies at the forefront of cutting-edge industries.

This not only promises high-wage employment but also positions Phoenix as a beacon of innovation in the Southwest, attracting top talent and fostering intellectual exchange.



SUPPORTING ENTERPRISES AND GENERATING EMPLOYMENT OPPORTUNITIES



The city has placed a strong emphasis on business attraction, and this commitment is evident in the collaborative efforts with more than 40 unique suppliers linked to Taiwan Semiconductor Manufacturing Company (TSMC) and strategically located advanced manufacturing and technical partners. These efforts have yielded significant results, with the broader supplier network contributing to the creation of 3,709 new jobs, each with an average salary of \$81,927, and a capital investment surpassing \$1.1 billion. Additionally, there is enthusiasm among companies for expansion, which has the potential to generate an additional 4,642 jobs, each with an average salary of \$52,059, and a capital investment of \$135 billion.

**Creation of 3709 new jobs with average salary of \$81,927;
Potential to create additional 4642 new jobs with average salary of \$52,059;**

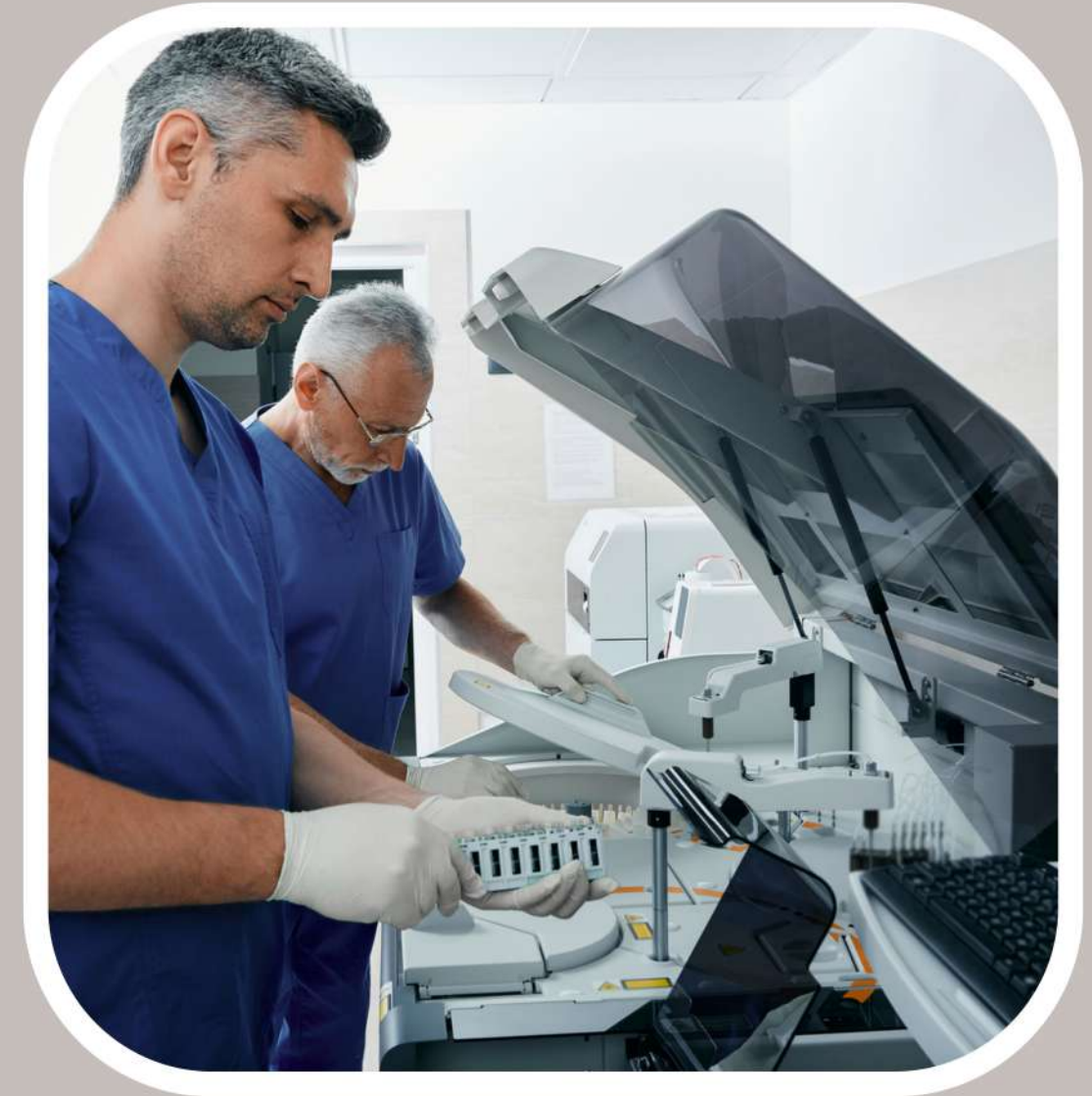
**Capital investment of \$1.1 billion;
Potential investment of \$135 billion.**

HEALTHCARE AND BIOMEDICAL GROWTH

\$3.5 billion in capital investment and 5.5 million square feet in new facilities. Wexford Science + Technology, Valleywise Campus, Ivy Brain Tumor Center, Mayo Clinic Expansion, Discovery Oasis, and Barrow Neurological Institute.

Valleywise Campus: \$600 million investment

Mayo Clinic Expansion: \$648 million investment



METHODOLOGICAL NOTE

The methodological note accompanies the popular financial report for Phoenix, providing an overview of the data sources, adopted guidelines, and committees involved in preparing this report. The goal of this note is to ensure transparency and understanding of the processes involved in generating the financial report for Phoenix.

Financial Statements: The primary data source for this report is the audited financial statements of Phoenix for the fiscal year ended on 30 June, 2022. These statements were obtained directly from Phoenix's official records.

Market Data: Market data, including stock prices and relevant economic indicators, were sourced from reputable financial data providers such as Bloomberg, Reuters, and the Federal Reserve.

Interviews and Expert Opinions: In some cases, insights and context were gathered through interviews with financial experts and industry insiders. Their opinions and perspectives were used to provide a well-rounded analysis.

This report relies on publicly available financial statements and market data. Any errors or inaccuracies in these sources may affect the report's accuracy.

The analysis is based on the economic and market conditions prevailing at the time of data collection. Any significant changes in these conditions may impact the relevance of the report.

This report does not provide forecasts or projections. It is focused on past financial performance and does not predict future results.

The financial report assumes that Phoenix follows generally accepted accounting principles (GAAP) or International Financial Reporting Standards (IFRS) as applicable.

Furthermore, it is assumed that Phoenix's accounting policies and financial reporting methods have remained consistent throughout the fiscal year.

This methodological note outlines the processes and sources used in the preparation of the popular financial report for Phoenix. The goal is to provide readers with a clear understanding of how the financial data was obtained and calculated. Phoenix's financial report should be interpreted in the context of the methodology and limitations outlined in this note.

DISSEMINATION PLAN

DEFINE THE TARGET AUDIENCE:

- Local Businesses
- Investors and Financial Analysts
- Government Agencies
- Local Media
- Educational Institutions

TIMING:

Release the report at a strategic time, such as the beginning of the fiscal year or before major economic events.

DISTRIBUTION CHANNELS:

1. Digital Platforms (e.g.: official website, social media, email newsletter);
2. Traditional Media (e.g.: press release, print copies);
3. Local Events and Workshops (e.g.: hosting a launch event to present report's findings and engage with local businesses and organizations);
4. Partnerships and Collaborations (e.g.: partner with local business associations, collaboration with businesses).

INFOGRAPHICS AND VISUAL:

Create visually appealing infographics and data visualizations that can be shared on social media and in print.

MULTILINGUAL ACCESSIBILITY:

Translate the report into multiple languages to ensure broader reach, especially in a diverse community.

PUBLIC RELATIONS:

Engage with local and national media outlets for interviews and features related to the report.

CRISIS COMMUNICATION PLAN:

Prepare a plan for addressing any unforeseen issues, inaccuracies, or negative reactions to the report.

MONITORING AND EVALUATION:

Monitor the reach and impact of the report through website analytics, social media metrics, and feedback from stakeholders.
Collect feedback through surveys and interviews to make improvements for future reports.

LONG-TERM SUSTAINABILITY:

Consider creating a series of reports to provide regular updates on Phoenix's economic performance.

This work was completed as part of the Public Management course at the SAA, University of Turin, under the supervision of Prof. Valerio Brescia.

The elements presented in this assignment have been developed in accordance with the guidelines defined by Professors Paolo Biancone, Silvana Secinaro, Valerio Brescia, and Davide Calandra.