

Phoenix, AZ Improved to 'C' Grade for Fiscal Health

<u>The Truth</u>

Money Needed to Pay Bills \$2.1 billion

Taxpayer Burden™ **\$4,300**

Financial Grade **C**

Ranking 46 out of 75

Financial State of Phoenix

After the Covid-pandemic, in large part due to unrealized gains in stock market valuation of its pension investments and federal government stimulus money, Phoenix's financial condition appeared to improve. Despite apparent improvements, Phoenix had a Taxpayer Burden[™] of \$4,300, earning it a "C" grade from Truth in Accounting.

The city's pension liability is calculated by subtracting earned and promised benefits from the market value of pension assets. Based on an exceptionally good year in the markets in 2021, the pension assets' values were high. The result was a dramatic decrease in Phoenix's pension liability and a corresponding decrease in its money needed to pay bills. Even with inflated pension asset values, the city had set aside only 55 cents for every dollar of promised pension benefits and 88 cents for every dollar of promised retiree health care benefits.

Phoenix's elected officials have repeatedly made financial decisions that left the city with a debt burden of \$2.1 billion. That burden came to \$4,300 for every city taxpayer. Phoenix's financial problems stem mostly from unfunded retirement obligations that have accumulated over the years. In 2022, markets produced negative market returns and federal COVID relief waned. These conditions may increase the per taxpayer Tax Burden. Phoenix could struggle to maintain current levels of government services and benefits without further negative impact on its financial health.

The data included in this report is derived from Phoenix's 2021 audited Annual Comprehensive Financial Report and retirement plans' reports. To compare prior years and other cities' financial, demographic, and economic information, go to Data-Z.org.

February 2023 www.truthinaccounting.org www.data-z.org



Daniels College of Business

UNIVERSITY OF DENVER School of Accountancy

Phoenix's Financial Breakdown

Fast Facts

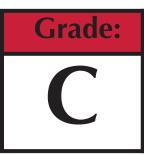
- Phoenix needed \$2.1 billion to pay its bills, which was \$1.3 billion less than it needed in 2020.
- A \$629 million decrease in pension liability occurred mostly due to short-lived market gains in pension investments.
- This will likely reverse in 2022 as some asset values decreased by 4.7%.

The City's Bills Exceeded Its Assets

| Total Assets | \$20,378,391,000 |
|--------------------------------------|-------------------|
| Minus: Capital Assets | -\$13,290,029,000 |
| Restricted Assets | -\$1,614,168,000 |
| Assets Available to Pay Bills | \$5,474,194,000 |
| Minus: Total Bills* | -\$7,530,816,000 |
| Money Needed to Pay Bills | \$2,056,622,000 |
| Each Taxpayer's Share of this Burden | \$4,300 |

*Breakdown of Total Bills

| Bonds | \$7,345,942,000 |
|---------------------------------------|------------------|
| Other Liabilities | \$2,034,270,000 |
| Minus: Debt Related to Capital Assets | -\$6,563,738,000 |
| Unfunded Pension Benefits | \$4,651,700,000 |
| Unfunded Retiree Health Care Benefits | \$62,642,000 |
| Total Bills | \$7,530,816,000 |



Bottom line: Phoenix would need \$4,300 from each of its taxpayers to pay all of its bills, so it has received a "C" for its finances. According to Truth in Accounting's grading scale, any government with a Taxpayer Burden between \$0 and \$4,999 receives a "C" grade.

Truth in Accounting is a 501(c)(3) nonprofit committed to educating and empowering you with understandable, reliable, and transparent government financial information so you can be a knowledgeable participant in your government and its budget process.