FINANCIAL HEALTH ANALYSIS

# City of Phoenix, AZ *Financial Health Summary*

April 29, 2026

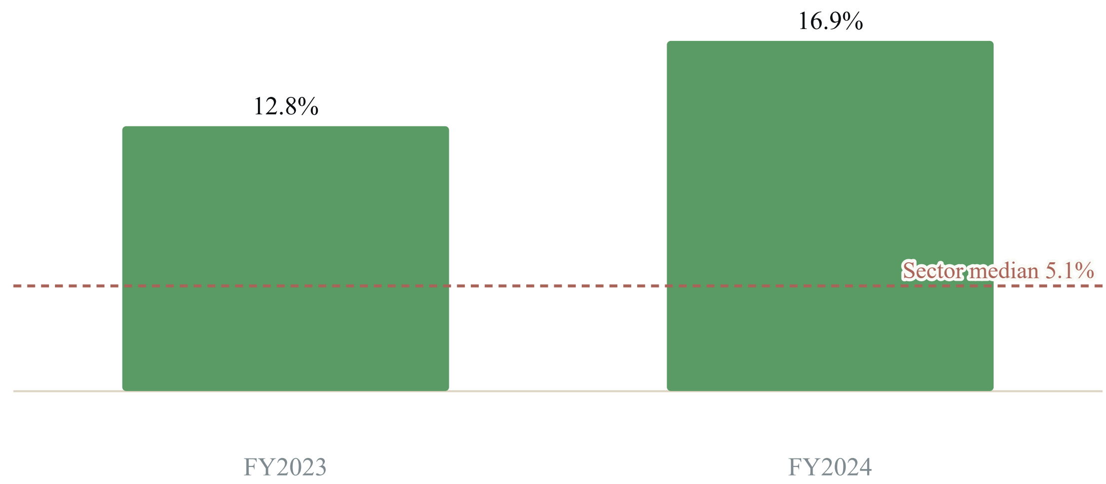
City of Phoenix, AZ, is in strong fiscal position for FY2024, with an operating margin of 16.9% and a fund balance ratio of 36.3%.

The city's fiscal strength stems from a diversified revenue base anchored by local city taxes ($1.0B, 46.7%) and substantial intergovernmental transfers ($783.2M, 36.1%), generating an operating surplus of $366.5M that substantially outpaces the national median. Revenue growth accelerated 18.2% year-over-year, driven primarily by a $120.3M surge in intergovernmental revenue alongside steady local tax collections. However, Phoenix's fund balance ratio of 36.3% trails the national city median of 62.8% by 26.5 percentage points, providing 4.4 months of expenditure coverage compared to peers with deeper reserves. The city's expenditure profile concentrates 66.0% of spending in Public Safety, creating structural budget rigidity that limits operational flexibility despite current surplus conditions. The trajectory shows improving reserves building from sustained operating surpluses, but Phoenix's reserve position remains structurally below peer levels despite strong operational performance.

## REVENUE AND EXPENDITURE ANALYSIS

City of Phoenix's FY2024 revenue of $2.2B and expenditure of $1.8B produced an operating margin of 16.9% (11.8 percentage points above the national city median of 5.1%). City of Phoenix's 2-year trend: revenue improving (+$334.8M (+18.2%) YoY) , 18.2% CAGR over FY2023–FY2024. Phoenix's housing pipeline at 5.4 permits per 1,000 residents tracks the Arizona median of 5.9, consistent with steady property tax base conditions.

## Operating Margin




*Source: MuniSpot Municipal Financial Database*

Phoenix operates on a balanced revenue model that blends local control with federal partnership. The 46.7% city tax concentration provides fiscal autonomy while avoiding over-reliance on any single source, with property taxes anchored by a $440,532 median home value in a market supported by sustained appreciation. The 18.2% revenue growth surge reflects an exceptional $120.3M increase in intergovernmental revenue, likely driven by federal infrastructure and recovery programs that boosted the city's capital capacity. Interest and dividend revenue at $201.3M (9.3% of revenue) creates exposure to Federal Reserve policy shifts, as portfolio yields benefited from the elevated rate environment during FY2024.

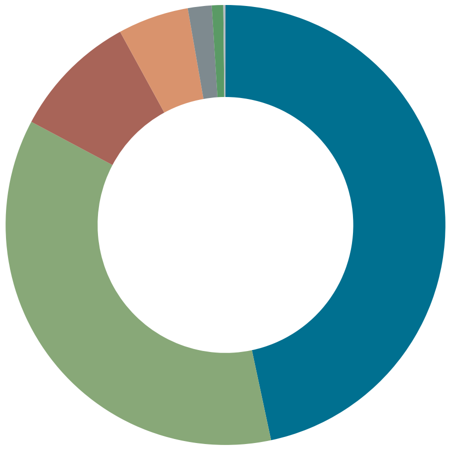
### Revenue Breakdown, FY2024

EXHIBIT 1

| SOURCE | AMOUNT | % OF TOTAL |
|---|---|---|
| City Taxes | $1.0B | 46.7% |
| Intergovernmental Revenue | $783.2M | 36.1% |
| Interest and Dividend Revenue | $201.3M | 9.3% |
| Charges for Services | $112.8M | 5.2% |
| Other | $38.0M | 1.8% |
| Licenses and Permits | $18.1M | 0.8% |
| Fines and Forfeitures | $3.5M | 0.2% |
| **Total Revenue** | $2.2B | 100.0% |

*Source: MuniSpot Municipal Financial Database*

Revenue Mix, FY2024




*Source: MuniSpot Municipal Financial Database*

Public Safety dominates Phoenix's expenditure profile at $1.2B (66.0% of total spending), reflecting the service demands of a metropolitan area serving over 1.6 million residents. This concentration creates structural budget rigidity, as the majority of expenditures are personnel-driven and difficult to adjust in response to revenue volatility. Community Enrichment ($227.4M, 12.6%) and General Administrative Expenses ($143.6M, 8.0%) round out the spending priorities, with the remaining categories representing discretionary programs that provide some fiscal flexibility during budget stress.

## Expenditure Breakdown, FY2024

EXHIBIT 2

| CATEGORY | AMOUNT | % OF TOTAL |
|---|---|---|
| Public Safety | $1.2B | 66.0% |
| Community Enrichment | $227.4M | 12.6% |
| General and Administrative Expenses | $143.6M | 8.0% |
| Capital Outlay | $110.1M | 6.1% |
| Criminal Justice | $43.3M | 2.4% |
| Housing and Community Services | $36.7M | 2.0% |
| Transportation Expenses | $23.6M | 1.3% |
| Environmental and Health Services | $22.5M | 1.2% |
| Debt Service, Annual Principal Payment | $5.3M | 0.3% |
| Debt Service, Interest Expenditure | $1.6M | 0.1% |
| **Total Expenditures** | $1.8B | 100.0% |

*Source: MuniSpot Municipal Financial Database*

City of Phoenix reported $768.3M in entity-wide federal expenditures across 83 programs in FY2025 (most recent federal audit filing; the entity's ACFR covers FY2024), concentrated in Section 8 Housing Choice Vouchers ($130.1M, 16.9% of federal spend) and Federal Transit Capital Investment Grants ($118.5M, 15.4%

of federal spend).

**Top Federal Programs, FY2025** (total federal expenditures $768.3M)

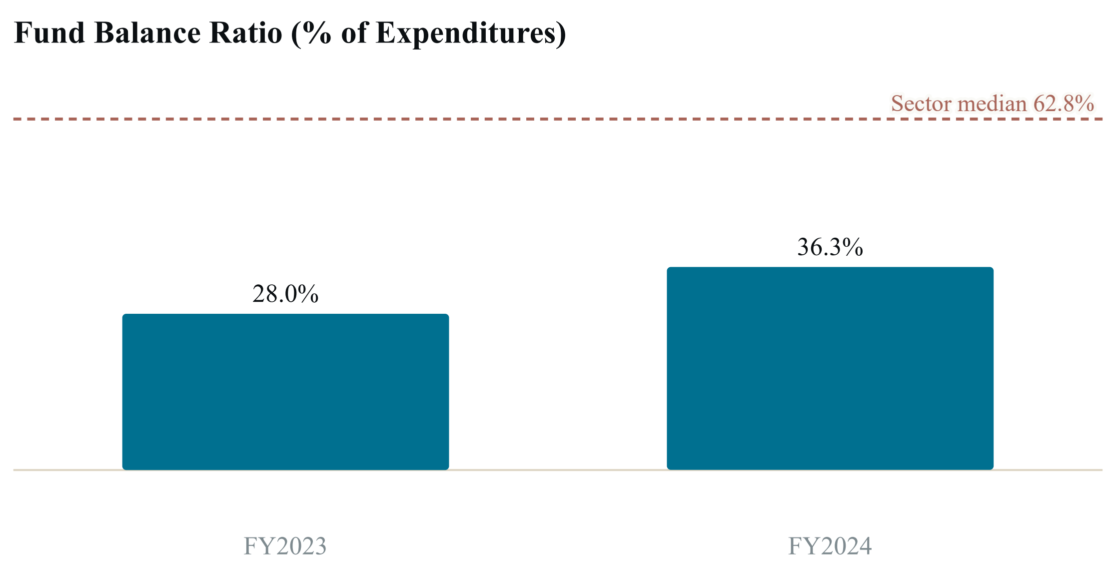
EXHIBIT 3

| RANK | PROGRAM | AMOUNT | % OF FEDERAL SPEND |
|---|---|---|---|
| 1 | Section 8 Housing Choice Vouchers | $130.1M | 16.9% |
| 2 | Federal Transit Capital Investment Grants | $118.5M | 15.4% |
| 3 | Home Investment Partnerships Program | $79.9M | 10.4% |

*Source: MuniSpot Municipal Financial Database*

## FUND BALANCE AND RESERVES

City of Phoenix's fund balance ratio of 36.3% is 26.5 percentage points below the national city median of 62.8%.




*Source: MuniSpot Municipal Financial Database*

**Fund Balance Summary**

EXHIBIT 4

| METRIC | FY2024 | FY2023 |
|---|---|---|
| **Total Fund Balance** | $655.4M | $434.3M |
| Cash and Equivalents | $80.9M | $26.7M |
| Fund Balance / Expenditures | 36.3% | 28.0% |
| Assets / Liabilities | 312.4% | 234.7% |

*Source: MuniSpot Municipal Financial Database*

Phoenix's reserve position provides 4.4 months of operational coverage, offering adequate short-term fiscal resilience but trailing peer cities that typically maintain deeper cash cushions. The fund balance trajectory shows improving conditions, growing 50.9% from $434.3M to $655.4M as cumulative operating surpluses of

$366.5M built the reserve base over the period. Despite this positive trajectory, the 26.5 percentage point gap below the national median suggests Phoenix operates with less fiscal buffer than comparable cities, creating vulnerability during extended economic downturns or revenue shortfalls that could exhaust reserves within a single fiscal year.

## DEBT AND LONG-TERM OBLIGATIONS

City of Phoenix's General Fund debt service totals $7.0M (0.3% of revenue), comprised of $213K in interest income from leases and $5.3M in principal and $1.6M in interest.

Phoenix maintains minimal debt service exposure at just 0.3% of revenue, indicating the city finances most capital needs through current operations rather than borrowing. The lease-heavy debt profile suggests equipment and facility financing rather than major infrastructure bonding, preserving debt capacity for future capital requirements.

## ECONOMIC BASE

Phoenix-Mesa-Chandler MSA home values rose 1.2% year-over-year and compounded 9.0% annually over the past five years per the FHFA All-Transactions index (Q4 2025), in line with the statewide pace of 9.0%.

Maricopa County's per-capita personal income of $72,176 (31% above the Arizona median of $55,303) grew 4.9% year-over-year. Real GDP of $330B expanded at a 7.7% pace over the same period, with industrial output outpacing household-income gains, a dynamic characteristic of the local economic structure.

Phoenix anchors a diversified metropolitan economy that combines technology, manufacturing, and service sectors supporting above-average income levels. The city serves residents with median household income of $84,005 and homeownership rates of 57.1%, creating a stable property tax base underpinned by $440,532 median home values. The 14.8% poverty rate and 33.7% bachelor's degree attainment reflect economic stratification typical of large Sunbelt cities, while 5.2% unemployment indicates robust labor market conditions. The economic trajectory shows industrial output expanding faster than household income gains, suggesting business investment and productivity growth that should support commercial tax revenues and employment-driven sales tax collections over time.

## PEER COMPARISON

EXHIBIT 5

| METRIC | CITY OF PHOENIX | NATIONAL CITY SECTOR MEDIAN | VS. MEDIAN |
|---|---|---|---|
| Operating Margin | 16.9% | 5.1% | +11.8 pts |
| **Total Fund Balance Ratio** | 36.3% | 62.8% | -26.5 pts |

*Source: MuniSpot Municipal Financial Database*

*Entity values reflect General Fund figures. Sector medians are computed across a benchmark population of national city sector municipalities as reported in their audited financial statements; the population includes both General Fund- and Total Governmental Funds-reporting entities with same-fund consistency enforced within each. Compare with that context in mind.*

City of Phoenix's operating margin of 16.9% is 11.8 percentage points above the national city median of 5.1%. City of Phoenix's fund balance ratio of 36.3% is 26.5 percentage points below the national city median of 62.8%.

Phoenix operates with stronger budgetary performance than peer cities but maintains relatively lean reserves, creating a fiscal profile that prioritizes operational efficiency over financial cushioning. This position suggests the city maximizes current service delivery while accepting higher exposure to revenue volatility than more conservatively managed peers.

## KEY OBSERVATIONS

- Interest and dividend revenue of $201.3M (9.3% of total revenue) creates significant exposure to Federal Reserve policy changes, as declining portfolio yields could reduce revenue by tens of millions annually and pressure the operating surplus.

- The 66.0% expenditure concentration in Public Safety limits budgetary flexibility during revenue stress, as personnel-heavy public safety costs are structurally difficult to reduce without affecting service levels.

- Federal program activity totaling $768.3M across 83 programs provides substantial capital capacity but creates administrative complexity and potential exposure to federal policy changes affecting housing and transportation funding streams.

- Reserve coverage of 4.4 months combined with improving fund balance trajectory suggests Phoenix prioritizes current service delivery over building deeper fiscal cushions, a strategy that works during growth periods but increases vulnerability during extended downturns.

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## DATA NOTES

1. **FY2024 Annual Comprehensive Financial Report (ACFR) Published by:** Municipality (audited) **Coverage:** Audited General Fund financial statements for City of Phoenix, AZ, FY2024.

2. **FY2024 MuniSpot Sector Benchmarks Published by:** MuniSpot **Coverage:** Pre-computed sector medians and percentile rankings for 2024, refreshed quarterly.

3. **2024 Census Building Permits Survey (BPS) Published by:** U.S. Census Bureau **Coverage:** Annual housing units authorized at place and county grain, 2024.

4. **2025 American Community Survey 5-Year Estimates (ACS) Published by:** U.S. Census Bureau **Coverage:** Demographic and economic indicators for City of Phoenix, AZ, 2025.

5. **Q4 2025 FHFA House Price Index (All-Transactions) (FHFA) Published by:** Federal Housing Finance Agency **Coverage:** Quarterly home price index at MSA, state, and national tiers, through 2025.

6. **2024 BEA Regional Accounts (CAINC1 + CAGDP1) (BEA Regional) Published by:** U.S. Bureau of Economic Analysis **Coverage:** County-level per-capita personal income and real GDP, 2024.

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