This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The 2014 Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2014 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful under the laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 10, 2014

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: Moody's: "A2"
S&P: "A+"
Fitch: "A-"
(See "RATINGS" herein)

In the opinion of Co-Bond Counsel, interest on the 2014B Bonds will be excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS" herein. In addition, interest on the 2014B Bonds will not be treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the individual and corporate alternative minimum taxes; however, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the 2014B Bonds. Interest on the 2014A Bonds is includable in gross income for federal income tax purposes. Under the existing laws of the Commonwealth of Pennsylvania, interest on the 2014 Bonds will be free from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2014 Bonds or the interest thereon. For a more complete discussion, see "TAX MATTERS" herein.

$55,135,000*
THE PHILADELPHIA MUNICIPAL AUTHORITY
CITY OF PHILADELPHIA, PENNSYLVANIA

$4,050,000*
CITY SERVICE AGREEMENT REVENUE BONDS
SERIES 2014A (FEDERALLY TAXABLE)

$51,085,000*
CITY SERVICE AGREEMENT REVENUE BONDS
SERIES 2014B (TAX-EXEMPT)

Dated: Date of Delivery **Due: January 15, as shown on inside cover**

The Philadelphia Municipal Authority (the "Authority") will issue its City Service Agreement Revenue Bonds, Series 2014A (Federally Taxable) (the "2014A Bonds"), and its City Service Agreement Revenue Bonds, Series 2014B (Tax-Exempt) (the "2014B Bonds," and together with the 2014A Bonds, the "2014 Bonds"), pursuant to the Pennsylvania Municipality Authorities Act (the Act of June 19, 2001, P.L. 287), as amended, and a Trust Indenture, dated as of April 1, 2014 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The 2014 Bonds will mature on the dates and in the amounts, and bear interest at the rates, set forth on the inside front cover hereof. Interest on the 2014 Bonds is payable semiannually on each January 15 and July 15 commencing July 15, 2014. The 2014 Bonds are issuable as fully registered bonds without coupons, in denominations of $5,000 and any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2014 Bonds. Purchases of beneficial ownership interests in the 2014 Bonds shall be made in book-entry only form. Purchasers ("Beneficial Owners") will not receive certificates representing their beneficial interest in the 2014 Bonds. Principal of and interest on the 2014 Bonds is payable directly to Cede & Co., for redistribution to DTC Participants and in turn to Beneficial Owners as described herein. So long as Cede & Co., as nominee of DTC, is the Bondholder, references herein to Bondholders or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2014 Bonds. See "THE 2014 BONDS - Book-Entry Only System" herein.

The 2014A Bonds are not subject to redemption prior to maturity. The 2014B Bonds are subject to mandatory and optional redemption prior to maturity as further described herein.

The proceeds of the 2014 Bonds will be used to finance: (i) a portion of the costs of the 2014 Project, further described herein, consisting generally of the acquisition, selective demolition, remediation, renovation and equipping of the facility located at 4601 Market Street, Philadelphia, Pennsylvania, as the Public Safety Services Campus for the City (defined below); and (ii) costs of issuance for the 2014 Bonds. See "ESTIMATED SOURCES AND USES" herein.

The 2014 Bonds will be issued and secured under the Indenture and shall be payable from and secured by a security interest in and pledge of the Revenues as defined in the Indenture and as described herein. The Revenues include amounts payable to the Authority pursuant to a Service Agreement dated as of April 1, 2014 (the "Service Agreement") between the Authority and the

CITY OF PHILADELPHIA, PENNSYLVANIA

(the "City"). The Service Fee (as defined herein) to be paid by the City under the Service Agreement will be sufficient at least to pay the principal of and interest on the 2014 Bonds when due, and any Credit Facility Payment Obligations (as defined herein) under the Indenture. The City has covenanted in the Service Agreement that so long as any 2014 Bonds remain outstanding, it shall include in its annual operating budget an amount sufficient to pay the Service Fee in each fiscal year of the City, and shall make appropriations in each of its fiscal years in such amounts as shall be required in order to make all Service Fee payments due and payable under the Service Agreement in such fiscal year. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS" herein.

THE 2014 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE REVENUES PLEDGED UNDER THE INDENTURE FOR THEIR PAYMENT AND ARE NOT OBLIGATIONS OF THE CITY, THE COMMONWEALTH OF PENNSYLVANIA (THE "COMMONWEALTH") OR ANY OTHER POLITICAL SUBDIVISION THEREOF. NEITHER THE GENERAL CREDIT OF THE AUTHORITY, NOR THE CREDIT OR TAXING POWER OF THE CITY, THE COMMONWEALTH OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 2014 BONDS OR INTEREST THEREON OR OTHER COSTS INCIDENT THERETO. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the appendices hereto, to obtain information essential to the making of an informed investment decision.

The 2014 Bonds are offered when, as and if issued by the Authority and received by the underwriters and subject to receipt of the approving opinion of Cozen O'Conner and the Law Office of Ann C. Lebowitz, Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Authority by Austin J. McGreal, Esquire, Philadelphia, Pennsylvania, Counsel to the Authority, and for the City by the Office of the City Solicitor. It is anticipated that the 2014 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about April __, 2014.

Date of this Official Statement is April __, 2014.

* Preliminary, subject to change.

THE PHILADELPHIA MUNICIPAL AUTHORITY
CITY OF PHILADELPHIA, PENNSYLVANIA

$4,050,000*
City Service Agreement Revenue Bonds
Series 2014A (Federally Taxable)

MATURITY SCHEDULE*
MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS

Maturity (January 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (717904)

$51,085,000*
City Service Agreement Revenue Bonds
Series 2014B (Tax-Exempt)

MATURITY SCHEDULE*
MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS

Maturity (January 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (717904)

$_____ ____% Term Bonds Due January 15, 20__, Price: _____, Yield: _____, CUSIP† No.: 717904 ___

$_____ ____% Term Bonds Due January 15, 20__, Price: _____, Yield: _____, CUSIP† No.: 717904 ___

† CUSIP is a registered trademark of the American Bankers Association. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, City or the underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. None of the Authority, the City or the underwriters has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

* Preliminary, subject to change.

THE PHILADELPHIA MUNICIPAL AUTHORITY
1515 Arch Street, 9th Floor
Philadelphia, Pennsylvania 19102

Robert A. Zuritsky
Chairman

Leonard V. Cid
Treasurer

Albert A. Childs
Secretary/Assistant Treasurer

Lorna B. Gallman
Assistant Secretary

Nancy E. Winkler
Member

Executive Director
Albert A. Childs

THE CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR

HONORABLE MICHAEL A. NUTTER

MAYOR'S CHIEF OF STAFF
EVERETT A. GILLISON

MAYOR'S CABINET

Richard Negrin ..... Managing Director
Rob Dubow ..... Director of Finance
Shelley R. Smith ..... City Solicitor
Rina Cutler ..... Deputy Mayor of Transportation and Utilities
Alan Greenberger ..... Deputy Mayor for Planning and Economic Development and Commerce Director
Donald F. Schwartz, M.D. ..... Deputy Mayor for Health and Opportunity and Health Commissioner
Michael DiBerardinis ..... Deputy Mayor for Environmental and Community Resources
Desiree Peterkin Bell ..... Director of Communications and Strategic Partnerships/City Representative
Suzanne Biemiller ..... First Deputy Chief of Staff
Lori A. Shorr, Ph.D ..... Chief Education Officer
Adel Ebeid ..... Chief Information Officer
Katherine Gajewski ..... Director of Sustainability
Eva Gladstein ..... Executive Director, Mayor's Office of Community Engagement & Opportunity
Amy L. Kurland ..... Inspector General
Hope Caldwell ..... Chief Integrity Officer
Michael Resnick ..... Director of Public Safety
Robert Murken ..... Director, Legislative and Government Affairs
David G. Wilson ..... First Deputy Managing Director
Maia Jachimowicz ..... Director of Policy

CITY TREASURER
Nancy E. Winkler

City Controller
Alan L. Butkovitz

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2014 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE 2014 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS WITHOUT PRIOR NOTICE.

This Official Statement does not constitute an offer to sell the 2014 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority, the City or the underwriters to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the 2014 Bonds implies that the information herein is correct as of any time subsequent to the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2014 Bonds. All summaries of statutes and documents are qualified by reference to such statutes and documents in their entireties, respectively, and do not purport to be complete statements of any or all of such provisions.

Statements contained in this Official Statement which involve estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of revenue collected by the City include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the City and the Authority. Such forward-looking statements speak only as of the date of this Official Statement. The City and the Authority disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority or City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The information set forth herein has been provided by the Authority, the City and by other sources which the underwriters believe are reliable, but it is not guaranteed as to its accuracy or completeness, and it is not to be construed as a representation by the underwriters.

This Official Statement is submitted in connection with the sale of the 2014 Bonds referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The 2014 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2014 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE 2014 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Official Statement speaks only as of the date printed on the cover page hereof. 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 circumstance, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof in any of the information set forth herein since the date hereof or the date as of which particular information was given, if earlier. This Official Statement will be made available through the Electronic Municipal Market Access System ("EMMA"), which is the sole Nationally Recognized Municipal Securities Information Repository under Securities Exchange Commission Rule 15c2-12.

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OFFICIAL STATEMENT
Relating To

THE PHILADELPHIA MUNICIPAL AUTHORITY
CITY OF PHILADELPHIA, PENNSYLVANIA

$4,050,000*	**$51,085,000***
City Service Agreement Revenue Bonds	**City Service Agreement Revenue Bonds**
Series 2014A (Federally Taxable)	**Series 2014B (Tax-Exempt)**

INTRODUCTION

Purpose

This Official Statement, including the cover page, the inside cover page and the attached Appendices, is furnished in connection with the offering by The Philadelphia Municipal Authority, Philadelphia, Pennsylvania (the "Authority") of $4,050,000* of its City Service Agreement Revenue Bonds, Series 2014A (Federally Taxable) (the "2014A Bonds"), and $51,085,000* of its City Service Agreement Revenue Bonds, Series 2014B (Tax-Exempt) (the "2014B Bonds," and together with the 2014A Bonds, the "2014 Bonds"). The 2014 Bonds are being issued pursuant to the provisions of the Pennsylvania Municipality Authorities Act (the Act of June 19, 2001, P.L. 287), as amended (the "Act"), and of a Trust Indenture dated as of April 1, 2014 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). Any terms capitalized herein and not otherwise defined shall have the respective meanings set forth in APPENDIX D hereto.

The proceeds of the 2014 Bonds will be used to finance the: (i) the 2014 Project, further described herein, consisting generally of the acquisition, selective demolition, remediation, renovation and equipping of the facility located at 4601 Market Street, Philadelphia, Pennsylvania, as the Public Safety Services Campus for the City of Philadelphia (the "City"), including the headquarters of the Philadelphia Police Department, certain other public safety and health related uses and construction of parking accommodations and other capital improvements thereto; and (ii) payment of the costs of issuance for the 2014 Bonds. See "ESTIMATED SOURCES AND USES" and "PLAN OF FINANCING" for a more detailed description of the 2014 Project and the uses of the proceeds of the 2014 Bonds.

The Philadelphia Municipal Authority

The Authority was organized by the City Council ("City Council") of the City in 1976 under the Act as The Equipment Leasing Authority of Philadelphia. On April 4, 1983, the Secretary of the Commonwealth of Pennsylvania (the "Commonwealth") issued a Certificate of Amendment to the Authority under which the name of the Authority was changed to The Philadelphia Municipal Authority. See "THE AUTHORITY" herein. The Authority's address is One Parkway Bldg., 1515 Arch Street, 9th Floor, Philadelphia, PA 19102.

Authorization for the 2014 Bonds

The 2014 Bonds are being issued pursuant to the Act and the Indenture and have been authorized by a resolution of the Authority adopted April 1, 2014 (the "Resolution"). The 2014 Project (except for components subject to additional Council and Authority approvals, as described under "PLAN OF FINANCING") and the Service Agreement (defined below) were authorized by the City Council by Ordinance (Bill No. 140072) adopted by City Council on April 3, 2014, and approved by the Mayor of the City on April 4, 2014 (the "Ordinance").

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* Preliminary, subject to change.

Description of the 2014 Bonds

The 2014 Bonds will be dated their date of issuance and will bear interest from such date payable on January 15 and July 15 of each year (each, an "Interest Payment Date"), commencing July 15, 2014, until maturity or earlier redemption. The 2014 Bonds will mature in the amounts and on the dates, and bear interest at the rates, set forth on the inside cover page hereof. The 2014A Bonds are not subject to redemption prior to maturity. The 2014B Bonds are subject to redemption prior to maturity as set forth herein under "THE 2014 BONDS – Redemption."

The 2014 Bonds are issuable only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2014 Bonds. Purchases of the 2014 Bonds will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. Beneficial Owners (as hereinafter defined) will not receive certificates representing their interest in the 2014 Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners or Holders shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2014 Bonds. See "THE 2014 BONDS — Book-Entry Only System" herein.

Security for the 2014 Bonds

The 2014 Bonds are limited obligations of the Authority payable solely from revenues derived by the Authority under a Service Agreement dated as of April 1, 2014 (the "Service Agreement") between the Authority and the City. The Service Agreement was authorized by City Council by the Ordinance. Under the Indenture, the Authority has assigned and granted to the Trustee a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for Reserved Rights) and the Revenues which includes all monies, investments and securities held in the Funds and Accounts established under the Indenture (the "Trust Estate"). The City agrees in the Service Agreement to pay a service fee (the "Service Fee") to the Trustee, as assignee of the Authority: (i) on the business day preceding the date such amounts are required to be paid to the Holders of Obligations (including the 2014 Bonds), in an amount sufficient to make the Authority's required payments of principal, premium, if any, and interest then becoming due on Obligations issued under the Indenture, including the 2014 Bonds, at maturity or otherwise; and (ii) on the dates specified in the applicable Credit Facility, in an amount sufficient to pay any Credit Facility Payment Obligation becoming due. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS" herein. An acceleration of the Authority's payment obligations with respect to the 2014 Bonds shall not cause an acceleration of the Service Fee.

The 2014 Bonds are limited obligations of the Authority and are payable solely from the revenues pledged under the Indenture for their payment and are not obligations of the City, the Commonwealth or any other political subdivision thereof. Neither the general credit of the Authority, nor the credit or taxing power of the City, the Commonwealth or any other political subdivision thereof is pledged to the payment of the principal of the 2014 Bonds or interest thereon or other cost incident thereto. The Authority has no taxing power.

The Service Fee is payable only out of the current revenues of the City, and the City covenants in the Service Agreement and the Ordinance to provide for the payment of the Service Fee, to include the same in its annual operating budget for each fiscal year of the City ("Fiscal Year") and to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Service Fee payments due and payable under the Service Agreement in each of the Fiscal Years. If the City's current revenues are insufficient to pay the total Service Fee in any Fiscal Year as the same becomes due and payable, the City covenants in the Service Agreement to include amounts not so paid in its operating budget for the ensuing Fiscal Year, in order to provide sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of the Service Fee due for such ensuing year. The failure of the City to pay the Service Fee after the date specified for payment shall constitute a default under the Service Agreement. Defaults under the Service Agreement do not cause an acceleration of the amounts payable thereunder.

City's Obligation to Appropriate for the Service Fee

Pursuant to the City's Home Rule Charter, City Council may authorize service contracts for a period of more than one year that are valid and binding on the City, and City Council is required to make subsequent annual appropriations sufficient to make payments under such contracts. Pursuant to the Ordinance, City Council has authorized the Service Agreement as such a service contract, and the Service Agreement contains an agreement by the City to make appropriations for the payment of the Service Fee as described above.

While the Service Fee is payable only out of current revenues of the City, the Service Agreement provides that so long as any of the 2014 Bonds remain outstanding, or sufficient money for the payment of the 2014 Bonds in full, including principal or interest is not held by the Trustee in trust therefor, the City's obligation to pay the Service Fee is absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived or diminished. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS" herein.

The City's obligations under the Service Agreement are not a general obligation debt of the City within the meaning of any constitutional or statutory provision relating to the incurrence of debt by the City, and the City has not pledged its full faith and credit or taxing power for the payment of its obligations thereunder.

Additional Obligations

The Indenture provides for the issuance of parity Additional Obligations thereunder if the City executes and delivers to the Authority an amendment or supplement to the Service Agreement acknowledging the issuance of such Additional Obligations and confirming the obligations of the City to pay the Service Fee in amounts sufficient to pay the Payment Obligations with respect to such Additional Obligations.

Trustee

U.S. Bank National Association is a national banking association formed under the laws of the United States of America and will serve as Trustee for the 2014 Bonds. The address of the designated corporate trust office of the Trustee is Two Liberty Place, 50 South 16th Street, Suite 2000, Philadelphia, Pennsylvania 19102.

Forward Looking Statements

Any statements or estimates regarding future results are subject to uncertainty related to the realization of assumptions and the occurrence of future events. Accordingly, no assurance is given that any projected future results will be achieved. All estimates and assumptions of financial and other information are based on information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting "forward looking statements" may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward looking statements are numbers and other information from adopted and proposed budgets of the City, including the City's Five-Year Plans.

Information Regarding the City of Philadelphia

Certain financial, socio-economic and related information concerning the City is included as Appendices A and B hereto. The City's Comprehensive Annual Financial Report for Fiscal Year 2013 is contained in Appendix C hereto. Audited financial statements from prior Fiscal Years are available from the City. Certain information contained herein regarding the City is for periods prior to or subsequent to June 30, 2013. As a result, certain of the information in Appendix C is, at times, at variance with corresponding information concerning the City in Appendix A.

The City's Comprehensive Annual Financial Report and other information about the City can be found at the City's website ("City Investor Website"), www.phila.gov/investor. The "Terms of Use" statement of the City Investor Website, which applies to all users of the City Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. **The information contained on the City Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2014 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.**

Miscellaneous

Brief descriptions of the Authority, the 2014 Bonds, the Service Agreement and the Indenture are included in this Official Statement. The summaries of the documents contained herein, including the 2014 Bonds, do not purport to be complete, comprehensive or definitive and are qualified by reference to the definitive texts of such documents in their entireties. All such descriptions are further qualified by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights.

Copies of the Indenture and the Service Agreement may be obtained from the Authority during the initial offering period. After initial delivery of the 2014 Bonds, such copies may be obtained from the Trustee at its designated corporate trust office.

This Official Statement speaks only as of the date printed on the cover hereof. The information contained herein is subject to change. This Official Statement will be made available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, accessible at http://emma.msrb.org.

THE AUTHORITY

Organization and Powers

The Authority, a body corporate and politic, was organized and exists under and by virtue of the laws of the Commonwealth. It was incorporated on January 9, 1976 under the name of The Equipment Leasing Authority of Philadelphia, pursuant to the Act and an ordinance of City Council approved December 23, 1975 (Bill No. 2201) for the purpose of leasing equipment to the City. Pursuant to an ordinance effective March 24, 1983 (Bill No. 1530), City Council approved a change to the Authority's present name. City Council adopted an ordinance (Bill No. 071082) approved by the Mayor on January 3, 2008, which extended the term of the Authority's existence to January 1, 2054.

Various ordinances of City Council have expanded the Authority's powers; most recently, City Council adopted an ordinance (Bill No. 140073) approved by the Mayor on April 4, 2014, which expanded the Authority's powers to include, in addition to those previously granted, the power to undertake any project (as defined in the Act) that the Authority is specifically authorized to undertake from time to time by Ordinance of the City Council. The undertaking of the 2014 Project (except for components subject to additional Council and Authority approvals, as described under "PLAN OF FINANCING") is specifically authorized by the Ordinance.

Board of the Authority

The governing body of the Authority is a Board of five members, appointed by an affirmative vote of two-thirds of all members of City Council from nominations made by the Mayor of the City. Members of the Board are appointed for five-year terms, staggered one year apart. Currently serving on the Board are:

	Term Expires*
Robert A. Zuritsky (Chairman)	January 1, 2016
Leonard V. Cid*	January 1, 2013
Nancy E. Winkler**	January 1, 2017
Vacant	
Vacant	

*If term expires, the Board Member continues to serve until successor is appointed.
** Nancy E. Winkler is the City Treasurer of the City.

Financing Program of the Authority

The Authority has a number of limited obligation bond issues outstanding and may issue others from time to time. Each such issue is payable solely from revenues derived from the project being financed, from special funds established therefor or from other financing arrangements. Each issue is separately secured and is separate and independent from the 2014 Bonds and any Additional Obligations as to sources of payment and security.

The 2014 Bonds and any Additional Obligations issued under the Indenture, are payable solely from the funds pledged under the Indenture, and other obligations issued by the Authority are payable solely from funds specifically pledged for the payment of such other obligations. Accordingly, a default on another issue of obligations issued by the Authority would not constitute a default on the 2014 Bonds. The Authority may from time to time enter into other financing transactions with other entities in connection with projects unrelated to the 2014 Bonds. Such transactions will provide for the issuance of bonds or notes to be secured by separate sources of revenues or other security.

PLAN OF FINANCING

The City is undertaking a project (the "Public Safety Services Campus Project") consisting of: (i) the acquisition from the Philadelphia Authority for Industrial Development of an approximately fifteen-acre tract of land together with the improvements thereon (the "Facility") situated in the City in the area bounded by 46th Street, Market Street, Haverford Avenue, and 48th Street, known as 4601 Market Street; (ii) the demolition, remediation, renovation and equipping of the Facility as the Public Safety Services Campus, including the headquarters of the City's Police Department and certain other public safety and health related uses; (iii) the construction of parking accommodations and other capital improvements to the Facility; and (iv) the financing of interest. The Ordinance authorizes financing of the costs of the Public Safety Services Campus Project and any other capital projects of the City designated by the Director of Finance and approved by ordinance of the Council and resolution of the Authority (collectively, the "Project") with the proceeds of the Authority's obligations.

The proceeds of the 2014 Bonds will be used to finance a project (the "2014 Project") consisting of payment of : (i) a portion of the costs of the Project; and (ii) costs of issuance for the 2014 Bonds. It is expected that the portion of the Project financed with the 2014 Bonds will consist of the initial costs of the Public Safety Services Campus Project (subject to the right of the Director of Finance, with the approval of City Council and the Authority, to designate other capital projects for financing, as described above) consisting generally of costs of acquisition, design, selective demolition, environmental remediation and exterior improvements.

The Public Safety Services Campus Project is currently in the contracting and design phase. The estimate of the total cost of the Public Safety Services Campus Project is approximately $250,000,000; the proceeds of the 2014 Bonds are anticipated to finance costs of acquisition (approximately $4.0 million), selective demolition and environmental remediation (approximately $16.3 million) and project design, exterior improvements and related costs (approximately $37.7 million). Subsequent issuances of Additional Obligations are anticipated to finance the remainder of the cost of the Public Safety Services Campus Project. Selective demolition and remediation is currently scheduled to be substantially complete in January 2015 with construction commencing shortly thereafter and occupancy of the Public Safety

Services Campus Project currently scheduled for the first quarter of 2018. The Public Safety Services Campus Project is still subject to final design and space planning and receipt of various approvals including planning, zoning, certain environmental and storm water.

No lien on the Facility or any other portion of the Project will secure the 2014 Bonds. The 2014 Bonds, together with any Additional Obligations, are secured solely by the Trust Estate pledged under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS" herein.

ESTIMATED SOURCES AND USES

The following table sets forth estimated sources and uses of funds in connection with the 2014 Bonds:

	2014A Bonds	2014B Bonds	Total
Par Amount			
[Plus/Less] [Net] Original Issue [Premium/Discount]			
Total Sources of Funds			
Deposit to Project Fund			
Costs of Issuance*			
Total Uses of Funds			

* Includes underwriters' discount, legal, printing, rating agency, consultant, Trustee and financial advisor fees, and other expenses of the issuance and offering of the 2014 Bonds.

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FISCAL YEAR DEBT SERVICE REQUIREMENTS

Set forth below is the schedule of fiscal year debt service for the 2014 Bonds.

Fiscal Year	2014A Bonds		2014B Bonds		
Ending June 30	Principal	Interest	Principal	Interest	Total
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
Total					

THE 2014 BONDS

General

The 2014 Bonds will be dated their date of delivery and will bear interest at the respective rates per annum and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2014 Bonds are being issued as fully registered bonds without coupons in the denomination of $5,000 and integral multiples thereof. Interest on the 2014 Bonds will be payable semi-annually on each January 15 and July 15 commencing July 15, 2014 (each such date being an "Interest Payment Date"). Interest will be computed on the basis of a year of 360 days consisting of twelve 30-day months.

The principal of the 2014 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of the 2014 Bonds by the registered owners thereof. Interest on each 2014 Bond is payable by check or draft of the Trustee mailed to the person in whose name each 2014 Bond is registered on the registration books maintained by the Trustee at the close of business on the Record Date (which is the first day of the month, whether or not a Business Day, in which an Interest

Payment Date occurs) or by wire transfer to a registered owner of at least $1,000,000 in aggregate principal amount of such series of the 2014 Bonds upon written notice provided by the registered owner to the Trustee not less than five (5) days prior to the applicable Record Date.

The 2014 Bonds will be issued initially in "book-entry" form only, as described below under "Book- Entry Only System."

Book-Entry Only System

The following information concerning DTC and DTC's book-entry only system has been obtained from DTC. The Authority, the City, the underwriters and the Trustee make no representation as to the accuracy of such information.

DTC will act as securities depository for the 2014 Bonds. The 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each series and maturity of the 2014 Bonds, each in the aggregate principal amount of such series and maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 provision of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, 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"). DTC has a Standard & Poor's rating 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 the 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of 2014 Bonds (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect 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 or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2014 Bonds, except in the event that use of the book-entry system for the 2014 Bonds is discontinued.

To facilitate subsequent transfers, all 2014 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 2014 Bonds with DTC and their

registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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.

Redemption notices shall be sent to DTC. If less than all the 2014B 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 maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2014 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 City 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 the 2014 Bonds are credited on the record date.

Payments of principal, premium, if any, and interest on the 2014 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 City or its agent, 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 City or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the 2014 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, 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 and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2014 Bonds at any time by giving reasonable notice to the City, and the City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under either of such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

NEITHER THE AUTHORITY, THE CITY NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2014 BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE 2014 BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. THE AUTHORITY, THE CITY, THE

UNDERWRITERS AND THE TRUSTEE TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF.

Transfer and Exchange

Subject to the provisions described under "Book-Entry Only System" above, the 2014 Bonds may be transferred and exchanged upon delivery thereof to the designated corporate trust office of the Trustee, to the extent and upon the conditions set forth in the Indenture. No service charge shall be made for any exchange or transfer, but the Authority or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed.

Neither the Authority nor the Trustee is required to transfer or exchange any 2014B Bonds during the fifteen (15) days immediately preceding the date of selection of 2014B Bonds to be redeemed and ending at the close of business on the date on which the notice of redemption is given, or to transfer or exchange any 2014B Bond selected or called for redemption in whole or in part. No transfer or exchange made other than as described above and in the Indenture shall be valid or effective for any purposes thereunder.

If any 2014 Bond is mutilated, lost, stolen or destroyed, the Authority shall execute and the Trustee shall authenticate and deliver a new 2014 Bond of like tenor and denomination. The Authority and the Trustee may require reasonable indemnification and may charge the Holder of the 2014 Bond with the cost of replacing any 2014 Bond mutilated, lost, stolen or destroyed.

Redemption

2014A Bonds. The 2014A Bonds are not subject to redemption prior to maturity.

2014B Bonds - Optional Redemption. The 2014B Bonds maturing on or after January 15, ___, are subject to redemption prior to maturity at any time on and after January 15, ___, as a whole or in part (and if in part, in such order of maturity as directed by the City and within a maturity by lot), at the option of the Authority as directed by the City, at par, plus accrued interest to the date of redemption.

2014B Bonds - Mandatory Redemption. The 2014B Bonds maturing on January 15 of the years _____ and _____, are subject to mandatory sinking fund redemption prior to maturity (to the extent that 2014B Bonds of such maturity in the principal amount otherwise required to be redeemed have not been previously purchased or optionally redeemed), on _____ of the years and in the principal amounts set forth below, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

2014B Bonds Maturing_____		**2014B Bonds Maturing_____**	
Year (January 15)	Amount	Year (January 15)	Amount

*Maturity.

In the event a portion, but not all, of the 2014B Bonds maturing on a particular date are redeemed pursuant to optional redemption or purchased by the City and presented to the Trustee for cancellation, then the principal amount of any remaining mandatory sinking fund redemptions or the final maturity applicable to such 2014B Bonds shall be reduced (subject to the ability to effect future redemptions of the 2014B Bonds in authorized denominations) in such amounts as specified by the City.

Selection of Bonds for Redemption. In the event that less than all 2014B Bonds of any maturity are to be redeemed, 2014B Bonds of such maturity shall be selected for redemption by lot in such manner as the Trustee may determine, except that in the case of any 2014B Bonds of varying denominations, each 2014B Bond shall be treated as representing that number of 2014B Bonds which is obtained by dividing the face amount thereof by the smallest authorized denomination.

Notice of Redemption. The Trustee shall cause notice of any redemption of 2014B Bonds to be mailed by first class mail, postage prepaid, at least 30 days prior to the redemption date, to the Holders of all 2014B Bonds to be redeemed at the registered addresses appearing in the Register kept for such purpose pursuant to the Indenture, unless such notice is waived by the Holders of the 2014B Bonds to be redeemed. Any notice of redemption mailed in accordance with the requirements set forth in the Indenture shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Holder. No defect affecting any 2014B Bonds, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings as to any other 2014B Bonds.

If at the time of mailing of any notice of optional redemption the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2014B Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee on the redemption date and shall be of no effect unless such moneys are so deposited. If such moneys are not so deposited, the Trustee shall promptly notify the Holders of all 2014B Bonds called for redemption of such fact.

SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS

THE 2014 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE REVENUES PLEDGED UNDER THE INDENTURE FOR THEIR PAYMENT AND ARE NOT OBLIGATIONS OF THE CITY, THE COMMONWEALTH OR ANY OTHER POLITICAL SUBDIVISION THEREOF. NEITHER THE GENERAL CREDIT OF THE AUTHORITY, NOR THE CREDIT OR TAXING POWER OF THE CITY, THE COMMONWEALTH OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 2014 BONDS OR INTEREST THEREON OR OTHER COSTS INCIDENT THERETO. THE AUTHORITY HAS NO TAXING POWER.

Service Agreement

Pursuant to the City's Home Rule Charter, City Council may authorize service contracts for a period of more than one year that are valid and binding on the City; and City Council is required to make subsequent annual appropriations sufficient to make payments under such contracts. Pursuant to the Ordinance, City Council has authorized the Service Agreement as such a service contract.

Under the Service Agreement, the City agrees to pay to the Authority the Service Fee in an amount at least sufficient to pay the principal of and interest on the 2014 Bonds, any Additional Obligations, the business day before the date such amounts are required to be paid to the Holders of Obligations, and any Credit Facility Payment Obligations, as specified in the applicable Credit Facility.

The City covenants in the Service Agreement to provide for the payment of the Service Fee and to include the same in its annual operating budget for each Fiscal Year. The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required for the payment of the Service Fee.

The Service Fee is payable only out of the current revenues of the City. If the current revenues of the City are insufficient to pay the total Service Fee in any Fiscal Year as the same becomes due and

payable, the City covenants to include amounts not so paid in its operating budget for the ensuing Fiscal Year in order to provide sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of Service Fee due for such ensuing year.

The obligation of the City to make the payments required under the Service Agreement shall be absolute and unconditional. The City will pay without suspension, abatement, reduction, abrogation, waiver or diminution all payments required under the Service Agreement regardless of any cause or circumstance whatsoever, which may now exist or may hereafter arise, including, without limitation, any defense, set off, recoupment or counterclaim which the City may have or assert against the Authority, the Trustee, any Holder of Obligations or any other person. The obligation of the City to make payments under the Service Agreement shall continue in full force and effect until all of the 2014 Bonds and any Additional Obligations and payment of any other amounts required under the Indenture to be paid have been paid or defeased and all conditions of the Indenture and the Service Agreement have been met.

The City agrees in the Service Agreement that it will take all such actions as are required of it under the Indenture to preserve and protect the rights of the Trustee, the Holders of the Obligations and Credit Issuers thereunder and that it will not take or effect any action which would cause a default thereunder or impair such rights.

Notwithstanding any other provision of the Service Agreement, an acceleration of the Authority's payment obligations with respect to the 2014 Bonds, any Additional Obligations or with respect to any Credit Facility Payment Obligation will not cause an acceleration of the payment of the Service Fee under the Service Agreement.

The Service Agreement is not a general obligation debt of the City within the meaning of any constitutional or statutory provision relating to the incurrence of debt by the City, and the City has not pledged its full faith and credit or its taxing power for the payment of its obligations under the Service Agreement.

Revenue Pledge

The principal security for the 2014 Bonds is the payments to be made by the City under the Service Agreement, which payments have been assigned to the Trustee. In order to secure the payment of the principal of, and interest on, the 2014 Bonds, any Additional Obligations and any Credit Facility Payment Obligations, the Indenture provides for the assignment, pledge and grant by the Authority to the Trustee of the Revenues. The term "Revenues" is defined as (i) the Service Fee and all other amounts payable to the Authority by the City under the Service Agreement, and all rights to receive the same (except for payments with respect to the Reserved Rights), (ii) all moneys, investments and securities at any time and from time to time held in the Funds and Accounts, including all interest earnings and gains on sales of Investment Securities on deposit in such Funds and Accounts established under the Indenture, and (iii) any other amounts appropriated by the City and paid by the City to the Authority or the Trustee and pledged by the Authority as security for the payment of Payment Obligations and Credit Facility Payment Obligations or received from any other source by the Authority or the Trustee and pledged by the Authority as security for the payment of Payment Obligations and Credit Facility Payment Obligations. See APPENDIX D hereto.

The pledge under the Indenture of the Revenues and the rest of the Trust Estate is for the equal and ratable benefit and security of all present and future Holders of the 2014 Bonds and any Additional Obligations. The Trust Estate also secures the Authority's Credit Facility Payment Obligations; provided, however, that such pledge and security interest granted to secure the Authority's Credit Facility Payment Obligations is subject and subordinate to the pledge and security interest granted to secure the Payment Obligations to the Holders of the 2014 Bonds and any Additional Obligations.

The Indenture provides that upon a defeasance of all Obligations Outstanding under the Indenture and payment of all other sums due thereunder, and amounts owing with respect to any Credit Facility

Payment Obligations have been paid or provided for, the pledge of the Trust Estate and all other rights granted by the Indenture shall be discharged and satisfied. See APPENDIX D hereto.

Ordinance of the City

The Ordinance authorizes and approves, among other things, the execution and delivery of the Service Agreement, approves the issuance from time to time by the Authority of bonds, notes or other evidences of indebtedness in an aggregate principal amount not to exceed $250,000,000, net of original issue discount, plus amounts necessary for costs of credit enhancement and costs of issuance, and amounts necessary to effect any refunding, at any one time outstanding, in one or more series, either as taxable or tax-exempt obligations, to finance or refinance the Project, costs of credit enhancement and costs of issuance, and amounts necessary to effect any refunding, and authorizes and approves the obligation of the City to pay in full when due the Service Fee and other amounts payable under the Service Agreement. The City has covenanted in the Ordinance to budget and make appropriations in such amounts as shall be required in order to make timely all Service Fee payments due and payable and to pay timely all other amounts due and payable under the Service Agreement. The City also has covenanted in the Ordinance to make all Service Fee payments and all other amounts due as provided for under the Service Agreement to the Trustee.

Additional Obligations

The Indenture provides for the issuance of Additional Obligations thereunder if the City executes and delivers to the Authority an amendment or supplement to the Service Agreement acknowledging the issuance of such Additional Obligations and confirming the obligations of the City to pay the Service Fee in amounts sufficient to pay the Payment Obligations with respect to such Additional Obligations.

NO LITIGATION

There is no controversy or litigation of any nature now pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2014 Bonds or contesting any proceedings of the Authority with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the 2014 Bonds or the existence or powers of the Authority or the validity or enforceability of the Service Agreement.

RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings have assigned municipal bond ratings of "A2" (stable outlook), "A+" (stable outlook) and "A-" (stable outlook), respectively, to the 2014 Bonds. Certain information was supplied by the City to the rating agencies to be considered in evaluating the 2014 Bonds. Such ratings express only the views of the respective rating agencies and are not a recommendation to buy, sell or hold the 2014 Bonds.

Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2014 Bonds.

Neither the Authority nor the underwriters have assumed responsibility to advise the owners of the 2014 Bonds of any change in any rating on the 2014 Bonds and none of the Authority, the City or the underwriters have undertaken any responsibility to maintain any particular rating

on the 2014 Bonds. The City has agreed, in the Continuing Disclosure Agreement, to report actual rating changes on the 2014 Bonds. See "CONTINUING DISCLOSURE AGREEMENT" herein and APPENDIX E. Any downward change in or withdrawal of a credit rating may have an adverse effect on the marketability or market price of the 2014 Bonds.

APPROVAL OF LEGAL MATTERS

The 2014 Bonds are offered when, as and if issued and accepted by the underwriters, subject to the receipt of the approving opinion of Cozen O'Connor and the Law Office of Ann C. Lebowitz, Co-Bond Counsel, both of Philadelphia, Pennsylvania, a copy of which will be printed on or attached to the 2014 Bonds in substantially the form set forth in Appendix F hereto. Certain other legal matters will be passed upon for the Authority by Austin J. McGreal, Esquire, Philadelphia, Pennsylvania, Counsel to the Authority, and for the City, including with respect to the obligations of the City under the Service Agreement, by the Office of the City Solicitor.

The various legal opinions to be delivered concurrently with the delivery of the 2014 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Federal Tax Matters

2014A Bonds.

Interest on the 2014A Bonds is includable in gross income for federal income tax purposes.

2014B Bonds.

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2014B Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2014B Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the City and the Authority subsequent to the issuance and delivery of the 2014B Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The City and the Authority have covenanted to comply with such requirements.

In the opinion of Co-Bond Counsel, interest on the 2014B Bonds will be excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Co-Bond Counsel is subject to the condition that the City and the Authority comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2014B Bonds in order that interest thereon continues to be excluded from gross income. The City and the Authority have covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the 2014B Bonds to be includable in gross income retroactive to the date of issuance thereof. Interest on the 2014B Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the 2014B Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax.

In addition to the matters addressed above, prospective purchasers of the 2014B Bonds should be aware that ownership of the 2014B Bonds may result in collateral tax consequences to certain taxpayers, including, but not limited to, foreign corporations, certain S corporations, recipients of social security and railroad retirement benefits, financial institutions and property or casualty insurance companies. Co-Bond Counsel expresses no opinion regarding any other federal tax consequences relating to the 2014B Bonds or the receipt of interest thereon, and prospective purchasers should consult their own tax advisors as to collateral federal income tax consequences.

Pennsylvania Tax Matters

In the opinion of Co-Bond Counsel, under the existing laws of the Commonwealth, the interest on the 2014 Bonds is free from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2014 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange or other disposition of the 2014 Bonds are subject to state and local taxation within the Commonwealth.

This summary is based on laws, regulations, rulings and decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary. Prospective purchasers should consult their tax advisors about the consequences of purchasing or holding the 2014 Bonds.

Changes in Tax Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the 2014 Bonds, gain from the sale or other disposition of the 2014 Bonds, the market value of the 2014 Bonds, or the marketability of the 2014 Bonds, or otherwise prevent the owners of the 2014 Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, federal legislative proposals have been made in recent years (including 2014) that would, among other things, limit the exclusion from gross income of interest on obligations such as the 2014B Bonds for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the 2014B Bonds, the market price for, or marketability of, the 2014B Bonds, or otherwise prevent the owners of the 2014B Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. Prospective purchasers of the 2014 Bonds should consult their own tax advisers regarding such matters.

UNDERWRITING

The 2014 Bonds are being purchased by the underwriters, in accordance with the terms of their bid, at an aggregate purchase price of $_____ for the 2014A Bonds, which reflects the par amount of the 2014A Bonds, [plus/less] [net] original issue [premium/discount] of $_____ less an underwriters' discount of $_____, and at an aggregate purchase price of $_____ for the 2014B Bonds, which reflects the par amount of the 2014B Bonds, [plus/less] [net] original issue [premium/discount] of $_____ less an underwriters' discount of $_____.

The initial public offering prices of the 2014 Bonds may be changed from time to time by the underwriters without notice. The underwriters may offer and sell the 2014 Bonds to certain dealers (including dealers depositing 2014 Bonds into investment trusts, certain of which may be sponsored or managed by the underwriter) and others at prices lower than the offering prices set forth on the inside cover page hereof. The underwriters' obligation to purchase the 2014 Bonds is subject to certain conditions and that the underwriters are obligated to purchase all of the 2014 Bonds if any 2014 Bonds are purchased.

CO-FINANCIAL ADVISORS

Public Financial Management, Inc., Philadelphia, Pennsylvania, and Acacia Financial Group, Inc., Marlton, New Jersey, are acting as co-financial advisors (the "Financial Advisors") to the City in connection with the issuance of the 2014 Bonds. The Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2014 Bonds. The Financial Advisors have not undertaken to make independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement.

Investors should not base any investment decision on the fact that the Financial Advisors have provided advice regarding the 2014 Bonds. The Financial Advisors are financial advising and consulting organizations. The Financial Advisors are not engaged in the business of underwriting, marketing or trading of municipal securities.

LIMITATION OF RIGHTS AND REMEDIES UNDER FEDERAL BANKRUPTCY CODE

The rights and remedies of Holders of the 2014 Bonds may be subject to the provisions of the United States Bankruptcy Code (the "Federal Bankruptcy Code"), which permits, under prescribed circumstances, a public agency or instrumentality of a state to file a petition for relief, in the nature of an adjustment in the repayment of debts, in a bankruptcy court of the United States, to other reorganization and insolvency proceedings, and to general principles of equity, whether asserted in a proceeding at law or in equity. The Authority is not authorized to file for relief under the Federal Bankruptcy Code.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act") prevents the City from filing a petition for relief under Chapter 9 of the Federal Bankruptcy Code as long as the Pennsylvania Intergovernmental Cooperation Authority ("PICA") has outstanding any bonds issued pursuant to the PICA Act; as of February 28, 2014, PICA had $409,280,000 aggregate principal amount of bonds outstanding. If no such bonds were outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 of the Federal Bankruptcy Code by the City. If the provisions of the PICA Act relating to the authorization by the Governor for the City to file a petition under Chapter 9 of the Federal Bankruptcy Code were invoked, such provisions could limit the enforcement of Holders' rights and remedies. See "SUMMARY FINANCIAL INFORMATION- Pennsylvania Intergovernmental Cooperation Agency" in APPENDIX A.

CONTINUING DISCLOSURE AGREEMENT

In order to assist the underwriters in complying with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the City will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, LLC, as dissemination agent, for the 2014 Bonds which shall constitute a written undertaking for the benefit of the Holders and Beneficial Owners of the 2014 Bonds. The proposed form of the Continuing Disclosure Agreement is attached to this Official Statement as APPENDIX E.

The City has complied with its continuing disclosure undertakings for each of the past five (5) years, except that the City did not file: (i) until June 26, 2013, notice of a downgrade in September 2010 by Moody's Investor Service, Inc. of certain of the City's variable rate bonds (related to changes in the credit quality of the banks then providing credit and liquidity support for such bonds); (ii) until July 9, 2013, notice of an upgrade of the underlying credit rating in April 2012 by Standard & Poor's Ratings Group of a series of bonds issued by the Philadelphia Municipal Authority on behalf of the City; (iii) until July 9, 2013 notice of a downgrade of the credit rating in November 2011 by Standard & Poor's Ratings Group of the insurer of certain of the City's bonds; and (iv) until January 7, 2014, a notice of a correction

on December 19, 2013 raising the credit rating by Standard & Poor's Ratings Group of certain of the City's variable rate bonds.

CERTAIN RELATIONSHIPS

Cozen O'Conner provided certain legal services to the City related to the issuance of the 2014 Bonds. Cozen O'Conner and the Law Office of Ann C. Lebowitz, Co-Bond Counsel, each provide ongoing legal services to the City. Cozen O'Conner may have represented syndicates of which an underwriter has been a member, in transactions unrelated to the issuance of the 2014 Bonds. Nancy E. Winkler, City Treasurer, is a member of the Board of the Authority.

MISCELLANEOUS

This Official Statement is made available in connection with the issuance of the 2014 Bonds only and it may not be used for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the 2014 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. 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, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with the foregoing statements. The City makes no representations or warranties to investors as to the accuracy or timeliness of any information available on the City Investor Website maintained by the City, nor any hyperlinks referenced therein.

The execution and distribution of this Official Statement has been duly authorized by the Authority and approved by the City.

THE PHILADELPHIA MUNICIPAL
AUTHORITY

By:_____
Executive Director

Approved:

THE CITY OF PHILADELPHIA

By:_____
Director of Finance

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APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION REGARDING THE CITY

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APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION

THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

The City of Philadelphia, Pennsylvania (the "City" or "Philadelphia"), was incorporated in 1789 by an Act of the General Assembly of the Commonwealth of Pennsylvania (the "Commonwealth" or "State") (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1684). In 1854, the General Assembly of the Commonwealth, by an act commonly referred to as the Consolidation Act, made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"), abolished all governments within these boundaries other than the City and the County and consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City and provides that the City performs all functions of county government and that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly of the Commonwealth (First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City. The Home Rule Charter, as amended and supplemented to this date, provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council"); the election, organization, powers and duties of the executive and administrative branch; and the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property and records. The Home Rule Charter, as amended, also provides for the governance of The School District of Philadelphia (the "School District") as a home rule school district. Certain other constitutional provisions and Commonwealth statutes continue to govern various aspects of the City's affairs, notwithstanding the broad grant of powers of local self-government in relation to municipal functions set forth in the First Class City Home Rule Act.

Under the Home Rule Charter, as currently in effect, there are two principal governmental entities in the City: (1) the City, which performs ordinary municipal functions as well as traditional county functions; and (2) the School District, which has boundaries coterminous with the City and has responsibility for all public primary and secondary education.

The court system in the City, consisting of Common Pleas and Municipal Courts, is part of the Commonwealth judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

Elected and Appointed Officials

The Mayor is elected for a term of four years and is eligible to succeed himself for one term. Each of the seventeen members of the City Council is also elected for a four-year term which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of the City Council. Of the members of the City Council, ten are elected from districts and seven are elected at-large, with a minimum of two of the seven representing a party or parties other than the majority party. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards ("GAGAS") established by the federal Government Accountability Office (formerly known as the General Accounting Office), and GAAS, Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants. As of March 21, 2014, the Office of the City Controller had 114 full time employees, 1 part time employee, and 2 interns for a total of 117 on staff. This includes 61 auditors, 23 of whom are certified public accountants.

The City Controller post-audits and reports on the City's and the School District's Comprehensive Annual Financial Reports, federal assistance received by the City and the performance of City departments. The City Controller also conducts a pre-audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the Home Rule Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to the Pennsylvania Intergovernmental Cooperation Authority ("PICA") on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

The principal officers of the City's government appointed by the Mayor are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), the City Solicitor (the "City Solicitor"), the Deputy Mayor for Planning and Economic Development and Director of Commerce (the "Director of Commerce") and the Director of Communications and Strategic Partnerships & City Representative (the "City Representative"). These officials, together with the Mayor and the other members of the Mayor's cabinet, constitute the major policy-making group in the City's government.

The Managing Director, in coordination with the Deputy Mayors for Public Safety, Health and Opportunity, Transportation and Utilities, Economic Development and Environmental and Community Resources, and the Director of Commerce, is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry. The City Representative is the Ceremonial Representative of the City and especially of the Mayor. The City Representative is charged with the responsibility of giving wide publicity to any items of interest reflecting the activities of the City and its inhabitants, and for the marketing and promotion of the image of the City.

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, the City Council, and all of the agencies of the City government. The City Solicitor is also responsible for all of the City's contracts and bonds, for assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and for the conduct of litigation involving the City.

The Director of Finance is the chief financial and budget officer of the City and is selected from three names submitted to the Mayor by a Finance Panel. The Director of Finance is responsible for the financial functions of the City including development of the annual operating budget, the capital budget, and capital program; the City's program for temporary and long-term borrowing; supervision of the operating budget's execution; the collection of revenues through the Department of Revenue; and the oversight of pension administration as Chairperson of the Board of Pensions and Retirement. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose office manages the City's debt program and serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

The following are brief biographies of Mayor Nutter, his Chief of Staff, the Director of Finance and the City Treasurer:

Michael A. Nutter, Mayor, was sworn in for a second term on January 2, 2012 as Mayor of his hometown. Since then, Mayor Nutter has set an aggressive agenda for America's fifth largest city – devising the City's innovative school reform strategy, vowing to strengthen community policing through Philly Rising, a unique partnership between vulnerable neighborhoods and the City, and continuing to implement the nationally recognized GreenWorks Philadelphia initiative that is helping to make the City of Philadelphia become the greenest city in America. Since taking office in January 2008, Mayor Nutter has vigorously managed city government through the worst recession since the Great Depression by maintaining core services and reducing the City's spending – most notably closing a $2.4 billion gap in Philadelphia's five year plan without compromising a single police officer, fire fighter, sanitation, or health center worker. Under Mayor Nutter, municipal government has reduced energy usage by seven percent and increased alternative energy usage citywide from 2.5 to 14 percent. In June 2013, City Council

passed the Mayor Nutter's Actual Value Initiative, the City's first property assessment system overhaul, transforming it into a more fair, accurate and understandable system.

In June 2013, Mayor Nutter concluded his year-long tenure as President of the United States Conference of Mayors, which is the official non-partisan organization of almost 1,300 U.S. cities with populations of 30,000 or more. As President, Mayor Nutter represented the Conference by promoting the development of effective national urban/suburban policy; strengthening federal-city relationships; and ensuring that federal policy meets urban needs.

Following the December 14th, 2012 shooting at Sandy Hook Elementary School, and responding to a lack of congressional action addressing gun violence, Mayor Nutter launched the Sandy Hook Principles, a corporate code of conduct designed to encourage responsible behavior among businesses involved with the gun manufacturing industry. In affiliation with the National League of Cities, Mayor Nutter also launched Cities United, an initiative aimed at creating partnerships between cities, non-profits, and other stake holders to combat violence and crime among African-American men and boys.

Born in Philadelphia and educated at the Wharton School at the University of Pennsylvania, Michael Nutter has been committed to public service since his youth in West Philadelphia. He served almost 15 years on the Philadelphia City Council, earning the reputation of a reformer, before his election as Mayor of Philadelphia. He is happily married to his wife Lisa, and a proud parent to Christian and Olivia.

Everett A. Gillison, Chief of Staff to the Mayor and Deputy Mayor for Public Safety, was appointed Chief of Staff by Mayor Nutter on October 19, 2011. Mr. Gillison has served as Deputy Mayor for Public Safety since January 7, 2008, and continues in his role as Deputy Mayor for Public Safety in addition to his role as the Mayor's Chief of Staff. Mr. Gillison previously served as a Senior Trial Lawyer for the Defender Association of Philadelphia where he worked for more than 30 years.

Rob Dubow, Director of Finance, was appointed on January 7, 2008. Prior to his appointment, Mr. Dubow was the Executive Director of PICA. He has also served as Chief Financial Officer of the Commonwealth, from 2004 to 2005 and as Budget Director for the City, from 2000 to 2004.

Nancy E. Winkler, City Treasurer, was appointed City Treasurer effective January 31, 2011. Prior to her tenure with the City, Ms. Winkler worked for over 28 years with Public Financial Management (the PFM Group), from 1990 to 2011 as Managing Director, with responsibility to manage the firm's municipal, state and authority practices in New York and Maryland.

Government Services

Municipal services provided by the City include: police and fire protection; health care; certain welfare programs; construction and maintenance of local streets, highways, and bridges; trash collection, disposal and recycling; provision for recreational programs and facilities; maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); the acquisition and maintenance of City real and personal property, including vehicles; maintenance of building codes and regulation of licenses and permits; maintenance of records; collection of taxes and revenues; purchase of supplies and equipment; construction and maintenance of airport facilities; and maintenance of a prison system. The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate PGW for the benefit of the City.

In 2012, the City engaged a team of legal and financial advisors, as well as brokers, to assist with a process to consider the sale of PGW to a private entity. The City received more than 30 responses to its Request for Qualifications from potential bidders on August 30, 2013, and received indicative bids from a number of prequalified bidders on November 1, 2013. A short-list of bidders was approved to continue in the process, and final bids were received on January 31, 2014.

On March 2, 2014, the City as seller, entered into an Asset Purchase Agreement ("Agreement"), providing for the sale of a portion of the assets that comprise PGW and the transfer of PGW operations to a private entity for a purchase price of $1,860,000,000 (the "Sale"). After legally defeasing all of PGW's debt obligations and putting aside funds for other PGW-related liabilities, including fully funding the PGW pension plan and reserving for residual risks (as further described below), the City expects to have between $420 million and $650 million remaining, which the City's administration has proposed to deposit into the City's employee pension fund. The City's administration also has proposed certain measures to preserve the value of this contribution so that the benefit to the City's pension fund will be protected over time, and without any negative impact on the City's General Fund resulting from the loss of the annual contribution of $18 million from PGW following the Sale.

No Sale can be completed without providing for: (i) the payment and legal defeasance of the City's outstanding Gas Works Revenue Bonds and Notes, (ii) the termination of agreements, including interest rate exchange agreements, relating to such Bonds and Notes, and (iii) the satisfaction by the City of all of its obligations under such agreements, including the payment in full of associated termination costs. Additionally, in connection with the Sale, the City intends to fully fund or reserve for pension and other liabilities of PGW that may remain with the City after the closing date of the Sale.

Closing on the Agreement and the Sale remains subject to their authorization by Philadelphia's City Council and approval by the Pennsylvania Public Utility Commission ("PUC"), and the satisfaction of certain other conditions by the City and the Buyer set forth in the Agreement. No assurance can be provided that such authorization and approval will be obtained or such conditions will be satisfied. City Council has hired Concentric Energy Advisors Inc. of Marlborough, Massachusetts to review details of the Sale and to explore alternatives to a sale of PGW.

The purchaser is comprised of UIL Holdings Corporation, a Connecticut corporation, as parent ("UIL") and WGP Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of UIL, as buyer ("Buyer"). UIL has formed the Buyer for the purpose of acquiring, owning and operating PGW. UIL has guaranteed all of the obligations of Buyer under the Agreement and related documents. Information concerning UIL can be found at www.uil.com.

Additional information concerning the Sale may be viewed at http://www.exploringasale.com. The City expects to continue to provide updates and public information regarding the progress of the Sale on the City's Investor Website (as defined herein).

Local Government Agencies

There are a number of significant governmental authorities and quasi-governmental non-profit corporations that also provide services within the City. Certain of these entities are comprised of governing boards, the members of which are either appointed or nominated, in whole or part, by the Mayor, while others are independent of the Mayor's appointment or recommendation.

Mayoral-Appointed or Nominated Agencies

PIDC/PAID. The Philadelphia Industrial Development Corporation ("PIDC") and its affiliate, the Philadelphia Authority for Industrial Development ("PAID"), coordinate the City's efforts to maintain an attractive business environment and to attract new businesses to the City and retain existing ones. Of the 30 members of the board of PIDC, seven are City officers or officials (the Mayor, the Director of Commerce, the President of City Council or a designee, the Chairman of the City Planning Commission, the City Solicitor, the Managing Director, and the Director of Finance), 15 are nominated jointly by the President of the Greater Philadelphia Chamber of Commerce and the Director of Commerce, and eight are nominated by the President of the Greater Philadelphia Chamber of Commerce. The five-member board of PAID is appointed by the Mayor.

PMA. The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include any project authorized under applicable law which is specifically

authorized by ordinance of City Council. The PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

PEA. The Philadelphia Energy Authority ("PEA") was established by the City and incorporated in 2011 for the purpose of facilitating and developing energy generation projects, facilitating and developing energy efficiency projects, the purchase or facilitation of energy supply and consumer energy education. The PEA is authorized to participate in projects on behalf of the City, other government agencies, institutions and businesses. The PEA is governed by a five-member board of energy professionals appointed by City Council from four nominations made by the Mayor and one nomination from City Council.

PRA. The Philadelphia Redevelopment Authority (formerly known as the Redevelopment Authority of the City of Philadelphia) (the "PRA"), supported by Federal funds through the City's Community Development Block Grant Fund and by Commonwealth and local funds, is responsible for the redevelopment of the City's blighted areas. The PRA is governed by a five-member board appointed by the Mayor and must submit its budgets to the City for review and approval.

Housing Authority. The Philadelphia Housing Authority (the "Housing Authority") is the fourth largest public housing authority in the United States and is responsible for developing and managing low and moderate income rental units and limited amounts of for-sale housing in the City. By Act 130 of 2012 ("Act 130"), the number of Board members for the Housing Authority was increased, and the method of the Board's appointment was changed. Under Act 130, the Housing Authority is to be governed by a Board of nine members appointed by the Mayor of the City, subject to the approval of City Council. New members of the Housing Authority Board were duly appointed and took office on April 26, 2013. From March 4, 2011 until April 26, 2013, the Housing Authority was under the control of the U.S. Department of Housing and Urban Development under the terms of a Co-operative Endeavor Agreement, which terminated on April 26, 2013. In March 2013, Kelvin A. Jeremiah was appointed to be the President and CEO of the Housing Authority, after having served as Interim Administrative Receiver/Interim Executive Director since June 15, 2012.

Hospitals Authority. The Hospitals and Higher Education Facilities Authority of Philadelphia (the "Hospitals Authority") assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority have been expanded to permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes. The Hospitals Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

SEPTA. The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and Federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region. Two of the 15 members of SEPTA's board are appointed by the Mayor and confirmed by City Council.

Convention Center Authority. The Pennsylvania Convention Center Authority (the "Convention Center Authority") constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993. The Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. An expansion of the Pennsylvania Convention Center was completed in March 2011. This expansion enlarged the Pennsylvania Convention Center to approximately 2,300,000 square feet with the largest contiguous exhibit space in the Northeast, the largest convention center ballroom in the East and the ability to host large tradeshows or two major conventions simultaneously. Of the 15 members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The City Finance Director is an ex-officio member of the Board. The Commonwealth, the City and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing of the Pennsylvania Convention Center. In January 2014, SMG began managing and operating the Pennsylvania Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service.

The School District. The School District was established by the Educational Supplement to the City's Home Rule Charter to provide free public education to the City's residents. Under the Home Rule Charter, its board

is appointed by the Mayor and must submit a lump sum statement of expenditures to the City annually. Such statement is used by City Council in making its determination to authorize the levy of taxes on behalf of the School District. Certain financial information regarding the School District is included in the City's Comprehensive Annual Financial Report. It has no independent taxing powers and may levy only the taxes authorized on its behalf by the City and the Commonwealth. Under the Home Rule Charter, the School District is managed by a nine-member Board of Education appointed by the Mayor from a list supplied by an Educational Nominating Panel that is chosen by the Mayor. In some matters, including the incurrence of short-term and long-term debt, the School District is governed primarily by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth and the City has no property interest in or claim on any revenues or property of the School District.

The School District was declared distressed by the Secretary of Education of the Commonwealth pursuant to Section 691(c) of the Public School Code of 1949, as amended (the "School Code"), effective December 22, 2001. During a period of distress under Section 691(c) of the School Code, all of the powers and duties of the Board of Education granted under the School Code or any other law are suspended and all of such powers and duties are vested in the School Reform Commission (the "School Reform Commission") provided for under the School Code. The School Reform Commission is responsible for the operation, management and educational program of the School District during such period. It is also responsible for financial matters related to the School District. The School Code provides that the members of the Board of Education continue to serve during the time the School District is governed by the School Reform Commission, and that the establishment of the School Reform Commission shall not interfere with the regular selection of the members of the Board of Education. During the tenure of the School Reform Commission, the Board of Education will perform those duties delegated to it by the School Reform Commission. As of the date hereof, the School Reform Commission has not delegated any duties to the Board. Two of the five members of the School Reform Commission are appointed by the Mayor and three by the Governor of the Commonwealth.

Non-Mayoral-Appointed or Nominated Agencies

PICA. PICA was created on June 5, 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act"). PICA was established to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. Each of the Governor of the Commonwealth, the President pro tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives appoints one voting member of PICA's board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA's board with no voting rights. The City is required to develop an annual five-year financial plan and obtain annual approval of such five-year financial plan from PICA; the City is also required to prepare and submit quarterly reports to PICA. See "SUMMARY FINANCIAL INFORMATION" for a further discussion of PICA, its relationship to the City and its financial oversight role.

Parking Authority. The Philadelphia Parking Authority (the "Parking Authority") is responsible for the construction and operation of parking facilities in the City and at the Philadelphia International Airport and, by contract with the City, for enforcement of on-street parking regulations. The members of the Parking Authority's board are appointed by the Governor of the Commonwealth, with certain nominations from the General Assembly of the Commonwealth.

DISCUSSION OF FINANCIAL OPERATIONS

Principal Operations

The major operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 12 minor governmental funds. The two major governmental funds and three of the minor governmental funds are financed solely through grants from the Commonwealth and Federal government. The City's Debt Service Fund and Capital Projects Fund are also included with the minor governmental funds. The Fiscal Year 2012 Operating Budget moved the reimbursable component of the Department of Human Services ("DHS") activities (constituting approximately 80% of DHS activities) from the General Fund to the Grants Revenue Fund.

Fund Accounting

Funds are groupings of activities that enable the City to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. The governmental funds are used to account for the financial activity of the City's basic services, such as: general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; and streets, highways and sanitation. The funds' financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. The financial information presented for the governmental funds is useful in evaluating the City's short term financing requirements.

The City maintains twenty-three individual governmental funds. The City's Comprehensive Annual Financial Report ("CAFR"), including for the City's Fiscal Year ended June 30, 2013, presents data separately for the General Fund, Grants Revenue Fund and Health Choices Behavioral Health Fund, which are considered to be major funds. Data for the remaining twenty funds are combined into a single aggregated presentation.

Proprietary Funds. The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long and short-term view of financial information. The City maintains three enterprise funds that are a type of proprietary funds - airport, water and wastewater operations, and industrial land bank.

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's CAFR, including for the City's Fiscal Year ended June 30, 2013, as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

The City reports its financial performance on a consolidated basis including the School District. The City is required by the Home Rule Charter to issue, within one hundred and twenty days after the close of each fiscal year, a statement as of the end of the fiscal year showing the balances in all funds of the City, the amounts of the City's known liabilities, and such other information as is necessary to furnish a true picture of the City's financial condition. The Annual Financial Report, which is released on or about October 28 of each year, is intended to meet these requirements and is not audited. The CAFR for each fiscal year is published at a later date. The Annual Financial Report contains financial statements for all City governmental funds and blended component units presented on the modified accrual basis. The proprietary and fiduciary funds are presented on the full accrual basis. It also contains budgetary comparison schedules for those funds that are subject to an annual budget. The financial statements of the City's discretely presented component units that are available as of the date of the Annual Financial Report are also presented. Historically these results have not changed between the Annual Financial Report and the CAFR.

See "CITY FINANCES AND FINANCIAL PROCEDURES" for a further description of these funds.

Current Financial Information

The Proposed Fiscal Year 2015 Budget (hereinafter defined), the proposed Twenty-Third Five-Year Plan (hereinafter defined), the Adopted Fiscal Year 2014 Budget (hereinafter defined) and Twenty-Second Five-Year Plan (hereinafter defined), as further revised, and the Quarterly City Manager's Report are discussed below. As described more fully in "CITY FINANCES AND FINANCIAL PROCEDURES-Budget Procedures" herein, annually in March the executive branch prepares a budget for the next fiscal year together with a five-year financial plan. City Council is required by the Home Rule Charter to adopt the budget at least 30 days prior to the end of the fiscal year. The City has not adopted a budget later than the end of the fiscal year in the past ten (10) years. The City Council may change the budget from that which is proposed by the executive branch. The budget and corresponding five-year plan include information and projections for the current fiscal year. Subsequent to the release of the five-year plan, the City reviews and may revise the financial projections underlying the budget and the five-year plan in

its Quarterly City Manager's Reports (the reports are required by the PICA Act and are released forty-five days after the end of every calendar quarter). The estimates for Fiscal Year 2014 which are taken from the Proposed Fiscal Year 2015 Budget are included in certain of the financial information with respect to the City presented herein.

Fiscal Year 2015 Proposed Budget

The City's Fiscal Year 2015 budget (the "Proposed Fiscal Year 2015 Budget") was presented to City Council on March 6, 2014 and is currently being reviewed. The process and required timing for the approval of the budget are described under "CITY FINANCES AND FINANCIAL PROCEDURES-Budget Procedures" herein.

Fiscal Year 2014 Adopted Budget

The City's Fiscal Year 2014 budget (the "Adopted Fiscal Year 2014 Budget") was presented to City Council on March 14, 2013, was approved by City Council on June 20, 2013 and signed by the Mayor on June 25, 2013. The Adopted Fiscal Year 2014 Budget projects estimated General Fund revenues of $3.724 billion, obligations of $3.845 billion, an operating deficit of $102.4 million (net of prior year adjustments), which results in a projected ending fund balance of $86.5 million on the legally enacted basis. The Adopted Fiscal Year 2014 Budget conforms to the Twenty-Second Five-Year Plan originally submitted to PICA, but not to the revised Twenty-Second Five-Year Plans described below. See "SUMMARY FINANCIAL INFORMATION-Five-Year Plans of the City."

Total tax revenues are estimated at $2.76 billion, an increase of $29.1 million or 1.0% over Fiscal Year 2013. In Fiscal Year 2014, growth is projected for all major taxes except the property tax for which no growth is assumed and the BIRT (hereinafter defined) for which negative growth is assumed given receipts in Fiscal Year 2013. The City's plan to implement the Actual Value Initiative (AVI) in Fiscal Year 2014 has been adopted. See "REVENUES OF THE CITY-Real Property Taxes." The property tax rate for Fiscal Year 2014 has been set at 1.34%; the Adopted Fiscal Year 2014 Budget assumes that, under AVI, approximately the same amount of property tax revenue will be collected in Fiscal Year 2014 as was projected for Fiscal Year 2013. The Adopted Fiscal Year 2014 Budget includes the resumption of wage tax cuts which were halted during the recession.

In the Adopted Fiscal Year 2014 Budget, total revenues increase $25.6 million, or 0.7%, largely due to the combination of the tax growth described above together with a $23 million decrease in revenue from other governments, a $1 million decrease in local non-tax revenues, and a $20 million increase in revenues from other funds of the City. The budgeted decrease in revenue from other governments is largely due to the effect of reimbursed obligations and associated revenues for DHS which were moved to the Grants Fund in Fiscal Year 2012. Reimbursement revenues related to expenditures in prior years continued to be received in the General Fund in Fiscal Year 2013, however in Fiscal Year 2014 no additional revenue is anticipated in the General Fund budget.

Budgeted Fiscal Year 2014 expenditures total $3.845 billion, a $232 million (6.4%) increase from Fiscal Year 2013. The largest increase in expenditures is the result of an addition of a $84.7 million provision for potential labor obligations related to District Council 33, District Council 47 and IAFF Local 22. See "EXPENDITURES OF THE CITY-Overview of Current Labor Situation." Other increases are due to rising pension, employee benefit and debt service costs which account for about $69 million of this increase and an additional $20 million is due to a salary increase awarded to the Fraternal Order of Police. The remaining estimated $58 million represents a 1.6% increase.

The Twenty-Second Five-Year Plan was submitted to PICA on July 3, 2013, and revised Twenty-Second Five-Year Plans were submitted to PICA on September 3, 2013, and September 10, 2013, as described under "SUMMARY FINANCIAL INFORMATION-Five-Year Plans of the City." The revised Twenty-Second Five-Year Plan submitted to PICA on September 10, 2013, which was approved by PICA on September 17, 2013, projects a Fiscal Year 2014 ending General Fund balance of $78.5 million on the legally enacted basis and reflects the effect of the August 2013 order of the Court of Common Pleas directing the City to implement certain portions of the health care provisions of the July 2, 2012 interest arbitration award between the City and the IAFF (defined below) (the "August 2013 IAFF Order") and the IAFF Withdrawal (defined below) on the General Fund. On November 15, 2013, the City filed a further revision to the Twenty-Second Five-Year Plan which included: $2.4 million in additional costs associated with the Sheriff's Office arbitration award; incorporation of actual Fiscal Year 2013 financial results which were $33.1 million better than projected in the plan approved by PICA on September 17,

2013; a $3.6 million increase in projected State pension aid revenue under Act 205 (defined below) in Fiscal Year 2014; inclusion of $45 million of one-time State aid that will pass through the General Fund in Fiscal Year 2014 and be paid to the School District (this change has no net impact on the General Fund); and a shift of Fire Department salary costs from a reserve for labor obligations to the personal services category. This revision of the Twenty-Second Five-Year Plan was approved by PICA on November 19, 2013. On March 10, 2014, the City filed an additional revision to the Twenty-Second Five-Year Plan which included $107.6 million in additional costs associated with the agreement reached with DC 47 (hereinafter defined) through the end of Fiscal Year 2018 which is $86.6 million higher than the amounts already set aside and contained updates to reflect changes in revenue and expense assumptions which are consistent with the proposed Twenty-Third Five-Year Plan submitted to City Council on March 6, 2014. This latest revision to the Twenty-Second Five-Year Plan was approved by PICA on March 18, 2014. See "SUMMARY FINANCIAL INFORMATION-Five-Year Plans of the City" and "EXPENDITURES OF THE CITY-Overview of Current Labor Situation – IAFF."

Fiscal Year 2014 Current Estimate

The Proposed Fiscal Year 2015 Budget contains the revised estimate for Fiscal Year 2014 and projects revenues for Fiscal Year 2014 of $3.715 billion, obligations of $3.995 billion, an operating deficit of $149.7 million (net of prior year adjustments) and an ending fund balance of $107.2 million on the legally enacted basis, which is $20.6 million higher than the Adopted Fiscal Year 2014 Budget.

Total Revenues are projected to be $102.4 million higher than the Adopted Fiscal Year 2014 Budget. Tax Revenues for Fiscal Year 2014 are projected to be $17.1 million higher than the Adopted Fiscal Year 2014 Budget due to an increase in the projection for the Business Income and Receipts Tax ("BIRT"). Locally Generated Non-Tax Revenues are revised upward by $43.8 million, largely the result of one-time revenue from the sales of the Love Park Garage of $29.2 million, increased commercial property collection fees of $6.0 million, increased collections of Licenses & Inspections permit & license fees of $2.0 million, increased reimbursements for fuel use by local agencies of $1.0 million and higher Sheriff's fees of $6.0 million. Revenues from Other Governments are projected to be $41.7 million higher than forecasted due to higher than anticipated pension aid under Act 205 of $3.6 million and $45 million of one-time State aid that will pass through the General Fund in Fiscal Year 2014 and be paid to the School District (this change has no net impact on the General Fund) which is being partially offset by lower estimates of revenue from the Parking Authority for on-street parking of $1.5 million and from the PICA City Account of $4.7 million.

Total obligations are projected to be $149.7 million higher than the Adopted Fiscal Year 2014 Budget. The increase is the result of $0.8 million in additional costs associated with the arbitration award for Deputy Sheriffs, the addition of $49.3 million in health and legal services costs resulting from the IAFF Withdrawal (which was included in the Twenty-Second Five-Year Plan approved by PICA on November 19, 2013, and approximately $31 million of which is for retroactive payments) and the inclusion of a $45 million payment to the School District as a result of additional one-time State aid.

Fiscal Year 2013 Adopted Budget

The City's Fiscal Year 2013 budget was presented to City Council on March 8, 2012, was approved by City Council on June 28, 2012, and signed by the Mayor on June 29, 2012. The General Fund budget projected estimated revenues of $3.568 billion, obligations of $3.604 billion, an operating deficit of $17.6 million (net of prior year adjustments) and based on an assumed Fiscal Year 2012 ending General Fund balance of $98.970 million, it projected an ending fund balance of $81.3 million on the legally enacted basis. The actual Fiscal Year 2012 ending General Fund balance was $146.754 million. The Fiscal Year 2013 budget conformed to the Twenty-First Five-Year Plan (hereinafter defined), which was submitted to PICA on July 27, 2012, resubmitted with addendum on August 9, 2012 and approved by PICA on September 5, 2012.

Fiscal Year 2013 Results

The City's CAFR for the Fiscal Year ended June 30, 2013 (the "Fiscal Year 2013 CAFR"), released on February 24, 2014, reported that the City had revenues of $3.698 billion, obligations of $3.613 billion and an ending fund balance of a positive $256.9 million on the legally enacted basis.

Actual revenues for Fiscal Year 2013 were $130.3 million higher than the Fiscal Year 2013 adopted budget, primarily driven by taxes which were $119 million higher than the Fiscal Year 2013 adopted budget and actual obligations which were $9.4 million higher than the Fiscal Year 2013 adopted budget, resulting in a higher operating surplus of $110.1 million (net of prior year adjustments) and an ending fund balance of $256.9 million on a legally enacted (budgetary) basis.

Fiscal Year 2012 Budget

The City's Fiscal Year 2012 budget was presented to City Council on March 3, 2011, was approved by City Council on June 23, 2011, and signed by the Mayor on June 24, 2011. The budget projected estimated revenues of $3.503 billion, obligations of $3.470 billion, an operating surplus of $57.1 million and an ending fund balance of $60.6 million on the legally enacted basis. The Fiscal Year 2012 budget conformed to the Twentieth Five-Year Plan (hereinafter defined) which was submitted to PICA on July 7, 2011, and approved by PICA on July 26, 2011.

For several years, the financial position of the City's General Fund had been distorted by the timing of the receipt of reimbursements from the Commonwealth for DHS. For a variety of reasons, those reimbursements had not been received in the same year as the costs were incurred. As a result, the costs were reflected in the City's fund balances, but the reimbursements were not, leading to fund balances that were distorted and artificially low. In some years, the late receipt of reimbursements led to changes of tens of millions of dollars in the City's fund balance.

The Fiscal Year 2012 budget moved reimbursed costs and corresponding revenues for services provided by DHS of approximately $495.1 million to the Grants Revenue Fund. As a result of this change the City's General Fund balance better reflects the City's financial condition.

Fiscal Year 2012 Results

The City's CAFR for the Fiscal Year ended June 30, 2012, released on February 21, 2013, reported that the City had revenues of $3.591 billion, obligations of $3.485 billion and an ending fund balance of a positive $146.8 million on the legally enacted basis.

Overview of City Response to Economic Downturn

Between October of 2008 and December 2011, the City implemented significant actions to balance the budget and its five-year plans, including reducing overtime costs, reducing General Fund full- and part-time employee headcount by 1,652 (from December 31, 2008 to December 31, 2011), implementing a temporary five year sales tax increase (expiring June 30, 2014) and a 9.9% Real Estate Tax increase in Fiscal Year 2011, pension funding changes, freezing City funded and business privilege tax reductions until Fiscal Year 2014, increasing fees, and instituting spending cuts throughout the government. During this period of time, the City improved its public safety results due to important changes in policing and has largely maintained delivery of its services.

The City undertook these measures as a result of the impact of the national and global recession. Beginning in August 2008, the City began to experience adverse budgetary performance for Fiscal Year 2009 as a result of the recession. In November 2008, the City projected a gap of at least $1 billion over the five-year period of the Seventeenth Five-Year Plan (covering Fiscal Years 2009-2013) (the "Seventeenth Five-Year Plan"), and the City took a series of measures to close the projected gap for Fiscal Year 2009 and over the period of the Seventeenth Five-Year Plan. However, the economy deteriorated further and revenues declined at a greater pace than had been projected, leaving the City with a Fiscal Year 2009 operating deficit of $286.8 million resulting in a deficit of $236.8 million after prior year net adjustments of $41.8 million and a cumulative adjusted year-end General Fund balance deficit of $137.2 million. Tax receipts continued to display weakness in Fiscal Year 2010, increasing the projected gap for both Fiscal Year 2010 and the period of the Eighteenth Five-Year Plan (hereinafter defined). In total during the six-year period of Fiscal Years 2009-2014, the projected shortfall reached $2.4 billion. As a result of a number of steps outlined herein, in Fiscal Year 2010, the City had a cumulative adjusted year-end General Fund balance deficit of $114.0 million, in Fiscal Year 2011, the City had a cumulative adjusted year-end General Fund balance surplus of approximately $92,000, and in Fiscal Year 2012, the City had a cumulative adjusted year-end General Fund balance surplus of approximately $146.8 million. The Fiscal Year 2013 CAFR, released on February

24, 2014, reports a cumulative adjusted year-end General Fund balance surplus of $256.9 million. See also "CITY FINANCES AND FINANCIAL PROCEDURES -- Budget Stabilization Reserve."

Current City Practices

It is the City's practice to file its CAFR, which contains the audited combined financial statements of the City, in addition to certain other information such as the City's bond ratings and information about upcoming debt issuances with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such report. The Fiscal Year 2013 CAFR was deposited with the MSRB on February 25, 2014, through the MSRB's Electronic Municipal Market Access (EMMA) system. The CAFR is prepared by the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units. Upon written request to the Office of the Director of Finance and payment of the costs of duplication and mailing, the City will make available copies of the Fiscal Year 2013 CAFR. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, Suite 1300, 1401 John F. Kennedy Boulevard, Philadelphia, Pennsylvania 19102. The Fiscal Year 2013 CAFR is also available online at the City's Investor Information website: http://www.phila.gov/investor (the "City's Investor Website"), further described below, and is also attached hereto as APPENDIX C.

The Home Rule Charter requires the Director of Finance to issue within 120 days after the close of each Fiscal Year a statement as of the end of that year showing the balances in all funds of the City, the amounts of the City's known liabilities and such other information as is necessary to furnish a true picture of the City's financial condition. To meet this requirement, on or about October 28 of each year, the Director of Finance releases the Annual Financial Report for the prior Fiscal Year (available at the City's Investor Website). It is not audited; the audited financial statements of the City are contained in the CAFR, described above. The Annual Financial Report contains financial statements for all City governmental funds and blended component units presented on the modified accrual basis. The proprietary and fiduciary funds are presented on the full accrual basis. It also contains budgetary comparison schedules for those funds that are subject to an annual budget.

The City's Quarterly City Manager's Reports are also available at the City's Investor Website and are released within 45 days of the end of the applicable quarter.

The "Terms of Use" statement of the City's Investor Website, which applies to all users of the City's Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2014 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

The foregoing statement as to filing or furnishing of additional information reflects the City's current practices, but is not a contractual obligation to the holders of the City's bonds or notes.

The City also expects to provide financial and other information from time to time to Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings, in connection with the securities ratings assigned by those rating agencies to bonds or notes of the City.

CITY FINANCES AND FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the City's CAFR and notes therein.

Governmental funds account for their activities using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and

available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as in the case of full accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due; however, those expenditures may be accrued if they are to be liquidated with available resources.

Imposed non-exchange revenues, such as Real Estate Taxes, are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, business privilege, net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue that is considered to be program revenue includes: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues; therefore, all taxes are considered general revenues.

The City's financial statements reflect the following three funds as major Governmental Funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth. These resources are restricted to providing managed behavioral health care to residents of the City.
- The Grants Revenue Fund accounts for the resources received from various federal, state and private grantor agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

In Fiscal Year 2012, the City transferred the majority of DHS revenues and obligation to the Grants Revenue Fund.

The City also reports on Permanent Funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of the Permanent Funds that require the principal to remain intact, while only the earnings may be used for the programs.

The City reports on the following Fiduciary Funds:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.
- The Philadelphia Gas Works Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its noncontributory pension plan.

The City reports on the following major Proprietary Funds:

- The Water Fund accounts for the activities related to the operation of the City's water delivery and sewage systems.
- The Aviation Fund accounts for the activities of the City's airports.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Water Fund are charges for water and sewer service. The principal operating revenue of the Aviation Fund is charges for the use of the City's airports. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Legal Compliance

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles ("GAAP"). In accordance with the Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The operating funds of the City, consisting of the General Fund, nine Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Acute Care Hospital Assessment and Housing Trust Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. Included with the Water Fund is the Water Residual Fund. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: personnel services; purchase of services; materials and supplies; equipment; contributions, indemnities and taxes; debt service; payments to other funds; and advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have City Council approval. Appropriations that are not expended or encumbered at year-end are lapsed.

The City's capital budget is adopted annually by City Council. The capital budget is appropriated by project for each department. Requests to transfer appropriations between projects must be approved by City Council. Any appropriations that are not obligated at year-end are either lapsed or carried forward to the next fiscal year.

Schedules prepared on the legally enacted basis differ from the GAAP basis in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. The primary difference between the GAAP and legal (budgetary) fund balance is due to the timing of recognizing the Business Income and Receipts Tax ("BIRT"). The legal basis recognizes BIRT revenues in the fiscal year it is collected. The GAAP basis requires the City to recognize the BIRT revenues (which are primarily paid in April) for the calendar year in which the BIRT taxes are due, requiring the City to defer a portion of the April payment into the next fiscal year.

Budget Procedure

At least 90 days before the end of the Fiscal Year the operating budget for the next Fiscal Year is prepared by the Mayor and must be submitted to City Council for adoption. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget.

At least 30 days before the end of each Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. If the Mayor disapproves the bill, he must return it to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives it. If the Mayor does not return the ordinance within the time required, it becomes law without his approval. If City Council passes the bill by a vote of two-thirds of all of its members within seven days after the bill has been returned with the Mayor's disapproval, it becomes law without his approval. The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table 33 for a summary of the City's capital improvement program for the Fiscal Years 2014 through 2019.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from City Council appropriated funds, is adopted by City Council concurrently with the capital program. The capital budget must be in full conformity with that part of the capital program applicable to the Fiscal Year that it covers.

Budget Stabilization Reserve

In April 2011, the City adopted an Amendment to the Home Rule Charter adding the following language to Section 7 thereof ("Budget Stabilization Reserve"), in addition to directions for implementation.

> (a) The annual operating budget ordinance shall provide for appropriations to a Budget Stabilization Reserve, to be created and maintained by the Director of Finance as a separate fund which shall not be commingled with any other funds of the City. Appropriations to the Budget Stabilization Reserve shall, each year, be made in the following amounts, provided that total appropriations to the Budget Stabilization Reserve shall not exceed five percent of General Fund Appropriations:
>
> > (1) Such amounts as remain unencumbered in the Budget Stabilization Reserve from the prior fiscal year, including any investment earnings certified by the Director of Finance; plus
> >
> > (2) When the Projected General Fund Balance for the end of the fiscal year to which the operating budget relates (the "upcoming fiscal year"), without taking into account any deposits to the Budget Stabilization Reserve required by this subsection (2), equals or exceeds three percent (3%) of General Fund appropriations for the upcoming fiscal year, an amount equal to three-quarters of one percent (.75%) of Unrestricted Local General Fund Revenues for the upcoming fiscal year; plus
> >
> > (3) Such additional amounts as the Council shall authorize by ordinance, no later than at the time of passage of the annual operating budget ordinance and only upon recommendation of the Mayor.

Since the enactment of such Budget Stabilization Reserve provisions in 2011, three City budgets have been presented by the Mayor; no budget ordinance has included a provision to fund the Budget Stabilization Reserve as described in paragraph (a)(2) above because the applicable projected year ending General Fund balances did not exceed the 3% General Fund appropriation threshold described in paragraph (a)(2) above.

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SUMMARY FINANCIAL INFORMATION

Tables 1 and 2 below should be read in conjunction with the discussion concerning financial procedures of the City described under "CITY FINANCES AND FINANCIAL PROCEDURES."

Table 1
General Fund
Summary of Operations (Legal Basis)
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual[5] 2012	Actual 2013	Adopted Budget[6] 2014	Current Estimate[7] 2014
Revenues										
Real Property Taxes[1]	395.8	397.5	402.8	400.1	402.2	482.7	500.7	540.5	536.6	533.2
Wage and Earnings Tax	1,111.2	1,167.4	1,184.8	1,117.0	1,114.2	1,134.3	1,196.3	1,221.5	1,274.1	1,240.5
Net Profits Tax	14.6	15.3	12.5	12.2	14.5	8.8	15.1	19.2	12.8	19.4
Business Privilege Tax[2]	415.5	436.4	398.8	386.0	364.7	376.9	389.4	450.9	410.0	461.3
Sales Tax[3]	127.8	132.6	137.3	128.2	207.1	244.6	253.5	257.6	272.6	265.9
Other Taxes[4]	304.1	286.7	260.3	209.3	213.9	211.8	215.4	243.7	256.5	259.4
Total Taxes	2,369.0	2,435.9	2,396.5	2,252.8	2,316.6	2,459.1	2,570.4	2,733.5	2,762.6	2,779.7
Locally Generated Non-Tax Revenue	235.9	247.9	265.8	256.3	229.4	280.0	256.7	266.2	265.2	309.0
Revenue from Other Governments[8]	924.5	1,032.9	1,033.4	993.4	1,076.4	1,066.5	715.9	651.5	628.6	670.3
Receipts from Other City Funds[8]	24.9	27.4	27.2	135.4	31.9	54.6	48.3	46.8	67.2	66.9
Total Revenue	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,860.3	3,591.4	3,698.0	3,723.6	3,826.0
Obligations/Appropriations										
Personnel Services	1,250.2	1,327.6	1,390.7	1,406.3	1,358.5	1,360.4	1,319.0	1,362.4	1,401.3	1,453.0
Purchase of Services	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,127.8	760.8	757.8	790.6	799.0
Materials, Supplies and Equipment	82.1	89.1	92.1	82.7	68.7	78.3	79.9	85.4	88.6	95.4
Employee Benefits	760.2	890.3	983.0	973.2	831.4	967.0	1,066.3	1,119.1	1,177.3	1,226.6
Indemnities, Contributions and Grants	110.9	119.0	120.9	130.0	128.0	111.1	118.0	138.3	141.7	195.5
City Debt Service	82.9	89.1	87.2	100.9	105.5	110.4	111.3	118.9	129.5	126.0
Other[9]	38.6	31.2	32.3	22.7	26.0	0.0	0.0	0.0	84.7	38.7
Payments to Other City Funds	35.4	38.7	24.8	25.3	24.2	30.3	29.5	31.4	31.6	60.8
Total Obligations/Appropriations	3,426.0	3,736.6	3,919.8	3,915.3	3,653.7	3,785.3	3,484.9	3,613.3	3,845.4	3,995.1
Operating Surplus (Deficit) for the Year	128.2	7.5	(197.0)	(277.4)	0.6	75.0	106.4	84.7	(121.8)	(169.1)
Net Adjustments – Prior Year	30.1	35.9	18.6	20.7	22.6	39.1	40.3	25.4	19.4	19.4
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	96.2	254.5	297.9	119.5	(137.2)	(114.0)	0.1	146.8	188.9	256.9
Cumulative Adjusted Year End Fund Balance (Deficit)	254.5	297.9	119.5	(137.2)	(114.0)	0.1	146.8	256.9	86.5	107.2

(1) Actual 2011 reflects a 9.9% increase. See "Revenues of the City – Assessment and Collection of Real and Personal Property Taxes" herein. The Twenty-First Five-Year Plan included a Real Estate Tax increase of 3.6% (8.2% on the City portion) in Fiscal Year 2013. The increased revenue generated by such increase was transferred to the School District.

(2) Renamed the Business Income and Receipts Tax as of May 1, 2012.

(3) Reflects 1% increase effective October 8, 2009 and originally set to expire June 30, 2014. See "REVENUES OF THE CITY-Sales and Use Tax."

(4) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.

(5) The reduction in Revenue from Other Governments (State and Federal funding) in Fiscal Year 2012 is largely the result of transferring the majority of DHS revenues and obligations to the Grants Revenue Fund.

(6) From the Adopted Fiscal Year 2014 Budget. Does not conform to the revised Twenty-Second Five-Year Plan approved by PICA.

(7) From the Proposed Fiscal Year 2015 Budget.

(8) State gaming revenues are reported as a Receipt from Other City Funds in Fiscal Year 2009 and as Revenue from Other Governments in Fiscal Years 2010, 2011, 2012, 2013 and 2014.

(9) Other for Fiscal Year 2014 includes a provision for funding a portion of the "final offer" associated with District Council 33, a settlement with District Council 47 and future IAFF and FOP Arbitration Awards. See "EXPENDITURES OF THE CITY−Overview of Current Labor Situation."

Source: City of Philadelphia Department of Finance.

Figures may not add up due to rounding.

Table 2
Principal Operating Funds (Debt Related)
Summary of Operations (Legal Basis)
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual[5] 2012	Actual 2013	Adopted Budget[6] 2014	Current Estimate[7] 2014
Revenues										
General Fund	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,860.3	3,591.4	3,698.0	3,723.6	3,826.0
Water Fund[1]	490.3	519.7	589.7	543.5	546.7	567.5	592.5	612.0	688.1	665.8
Aviation Fund[2]	271.5	268.6	287.9	294.1	290.2	304.8	299.2	304.6	414.5	380.4
Other Operating Funds[3]	41.9	44.9	113.2	49.5	50.1	48.1	48.3	56.2	55.4	56.9
Total Revenue	4,358.0	4,577.3	4,713.6	4,525.0	4,541.3	4,780.7	4,531.3	4,670.8	4,881.6	4,929.1
Obligations/Appropriations										
Personnel Services	1,412.9	1,498.2	1,568.9	1,579.0	1,523.6	1,525.0	1,484.3	1,534.9	1,590.8	1,636.3
Purchase of Services	1,233.5	1,328.5	1,441.4	1,369.2	1,312.8	1,344.2	1,001.4	1,005.3	1,086.4	1,079.2
Materials, Supplies and Equipment	136.2	145.9	151.1	140.7	128.9	135.2	140.0	147.4	166.8	171.0
Employee Benefits	845.3	990.1	1,095.8	1,091.4	932.8	1,092.2	1,196.0	1,266.3	1,329.6	1,387.2
Indemnities, Contributions and Taxes	116.5	122.6	127.1	135.9	134.4	118.7	123.0	145.3	156.5	208.4
Debt Service[4]	337.6	348.8	346.7	384.8	397.8	398.4	406.9	429.4	470.7	461.3
Other [8]	38.6	31.2	32.3	22.7	24.2	0.0	0.0	0.0	99.6	53.1
Payments to Other City Funds	119.4	144.9	154.7	88.1	98.5	101.3	113.3	166.0	132.8	144.2
Total Obligations/ Appropriations	4,240.0	4,610.2	4,917.9	4,811.8	4,553.0	4,715.0	4,465.0	4,694.7	5,033.4	5,140.7
Operating Surplus (Deficit) for the Year	118.0	(32.8)	(204.3)	(286.8)	(11.6)	65.7	66.4	(23.9)	(151.7)	(211.6)
Net Adjustments Prior Year	60.6	69.6	51.0	41.8	58.1	70.5	75.8	75.5	56.9	63.9
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	132.9	311.5	348.3	195.0	(50.0)	(3.4)	132.7	274.9	249.2	326.5
Cumulative Adjusted Year End Fund Balance (Deficit)	311.5	348.3	195.0	(50.0)	(3.4)	132.7	274.9	326.5	154.4	178.8

(1) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of $4,994,000 per year, provided certain further conditions are satisfied. For Fiscal Year 2006, 2007 and 2008, the transferred amount was $4,994,000. For Fiscal Year 2009, the transferred amount was $4,185,463. For Fiscal Year 2010, the transferred amount was $2,303,986, for Fiscal Year 2011, the amount transferred was $1,229,851. The transferred amount for Fiscal Year 2012 was $1,086,165 and the amount transferred for Fiscal Year 2013 was $560,000. The current estimate for Fiscal Year 2014 is $700,000

(2) Airport revenues are not available for other City purposes.

(3) Includes County Liquid Fuels Tax Fund, Special Gasoline Tax Fund and Water Residual Fund.

(4) Excludes PICA bonds.

(5) The reduction in General Fund revenues for Fiscal Year 2012 is largely the result of transferring the majority of DHS revenues and obligations to the Grants Revenue Fund.

(6) From the Adopted Fiscal Year 2014 Budget. Does not conform to the revised Twenty-Second Five-Year Plan approved by PICA.

(7) From the Proposed Fiscal Year 2015 Budget .

(8) Other for Fiscal Year 2014 includes a provision for funding a portion of the "final offer" associated with District Council 33, a settlement with District Council 47 and future IAFF and FOP Arbitration Awards. See "EXPENDITURES OF THE CITY−Overview of Current Labor Situation."

Figures may not add up due to rounding.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2013 CAFR, which can be found at the City's Investor Website and is also attached hereto as APPENDIX C.

The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the Fiscal Year 2013 CAFR.

Pennsylvania Intergovernmental Cooperation Authority

PICA was created on June 5, 1991 by the PICA Act to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. The Governor of Pennsylvania, the President pro tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member of PICA's board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA's board with no voting rights.

The PICA Act provides that, upon request by the City to PICA for financial assistance and for so long as any bonds issued by PICA remain outstanding, PICA shall have certain financial and oversight functions. PICA has the power, in its oversight capacity, to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify non-compliance by the City with the then-existing five-year plan adopted by the City pursuant to the PICA Act. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place; and PICA is required to certify non-compliance with an approved five-year plan if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance would require the Secretary of the Budget of the Commonwealth to withhold payments due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See "DEBT OF THE CITY -- PICA Bonds." Under the PICA Act, the City is required to make quarterly financial reports to PICA, as further described under "Quarterly Reporting to PICA" below.

Five-Year Plans of the City

The PICA Act requires the City to annually develop a five-year financial plan and obtain PICA's approval of it. The original five-year plan, which covered Fiscal Years 1992 through 1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and by PICA on May 18, 1992. In each subsequent year, the City updated the previous year's five-year plan, each of which was approved by PICA.

The Mayor presented the proposed Twenty-Third Five-Year Plan (the "Twenty-Third Five-Year Plan") to City Council on March 6, 2014. The Proposed Fiscal Year 2015 Budget conforms to the Twenty-Third Five-Year Plan which is currently under review. The proposed Twenty-Third Five-Year Plan projects General Fund ending fund balances (on the legally enacted basis) for Fiscal Years 2015, 2016, 2017, 2018 and 2019 of $49.5 million, $23.7 million, $29.7 million, $38.2 million and $72.4 million, respectively. **Such projected balances are "forward looking statements" and are based on assumptions which may not be fully realized in the future and are subject to change. Accordingly, the actual ending fund balances could be lower or higher than those contained in the Twenty-Third Five-Year Plan.** Recognizing the benefits of maintaining adequate fund balances, the City is in the process of developing a policy related to its unreserved fund balance which would complement the Budget Stabilization Reserve policy. See "CITY FINANCES AND FINANCIAL PROCEDURES–Budget Stabilization Reserve." Although these policy targets are preliminary, the City anticipates that they might yield an aggregate target of having the General Fund balance and the Budget Stabilization Reserve in combination represent roughly 6-8% of expenditures on a budgetary basis. Any such policy, should it be adopted, would not be mandatory

and would be subject to change at any time by the City. The proposed Twenty-Third Five-Year Plan does not meet the proposed policy.

The Mayor presented the Twenty-Second Five-Year Plan (the "Twenty-Second Five-Year Plan") to City Council on March 14, 2013, City Council approved the Adopted Fiscal Year 2014 Budget on June 20, 2013, and the Mayor signed it on June 25, 2013. The Adopted Fiscal Year 2014 Budget conforms to the original Twenty-Second Five-Year Plan. The Twenty-Second Five-Year Plan was submitted to PICA on July 3, 2013, and a revised Twenty-Second Five-Year Plan was submitted to PICA on September 3, 2013. Such revised Twenty-Second Five-Year Plan included additional expenditures resulting from the August 2013 IAFF Order and the updated current estimates from the Quarterly City Manager's Report for the period ended June 30, 2013, but did not reflect the IAFF Withdrawal. On September 10, 2013, the City withdrew the previously filed, revised Twenty-Second Five-Year Plan and filed a further revised Twenty-Second Five-Year Plan updated to include the effect of the IAFF Withdrawal. PICA approved such further revised Twenty-Second Five-Year Plan on September 17, 2013. On November 15, 2013, the City filed a further revision to the Twenty-Second Five-Year Plan which included: $2.4 million in additional costs associated with the Sheriff's Office arbitration award; incorporation of actual Fiscal Year 2013 financial results which were $33.1 million better than projected in the plan approved by PICA on September 17, 2013; a $3.6 million increase in projected State pension aid revenue under Act 205 in Fiscal Year 2014; inclusion of $45 million of one-time State aid that will pass through the General Fund in Fiscal Year 2014 and be paid to the School District (this change has no net impact on the General Fund); and a shift of Fire Department salary costs from a reserve for labor obligations to the personal services category. This revision of the Twenty-Second Five-Year Plan was approved by PICA on November 19, 2013. On March 10, 2014, the City filed an additional revision to the Twenty-Second Five-Year Plan which included $107.6 million in costs associated with the agreement reached with DC 47 through the end of Fiscal Year 2018 which is $86.6 million higher than the amounts already set aside and contained updates to reflect changes in revenue and expense assumptions which are consistent with the proposed Twenty-Third Five-Year Plan submitted to City Council on March 6, 2014. This latest revision to the Twenty-Second Five-Year Plan was approved by PICA on March 18, 2014. See "EXPENDITURES OF THE CITY-Overview of Current Labor Situation – IAFF."

The Mayor presented the Twenty-First Five-Year Plan (the "Twenty-First Five-Year Plan") to City Council on March 8, 2012, City Council approved the Fiscal Year 2013 Operating Budget on June 28, 2012, and the Mayor signed it on June 29, 2012. The adopted Fiscal Year 2013 Operating Budget conformed to the Twenty-First Five-Year Plan. The Twenty-First Five-Year Plan was approved by PICA on September 5, 2012. The Twenty-First Five-Year Plan included a Real Estate Tax increase of 3.6% (8.2% on the City portion) in Fiscal Year 2013 (increased revenue generated by such increase was transferred to the School District) and also made permanent the temporary 9.9% Real Estate Tax increase in the Nineteenth Five-Year Plan (described below).

The Mayor presented the Twentieth Five-Year Plan (the "Twentieth Five-Year Plan") to City Council on March 3, 2011. City Council approved the Fiscal Year 2012 Operating Budget on June 23, 2011, and the Mayor signed it on June 24, 2011. The adopted Fiscal Year 2012 Operating Budget conformed to the Twentieth Five-Year Plan. The Twentieth Five-Year Plan was approved by PICA on July 26, 2011.

The Mayor presented the Nineteenth Five-Year Plan (the "Nineteenth Five-Year Plan") to City Council on March 4, 2010. City Council approved the Fiscal Year 2011 Operating Budget on May 20, 2010, and the Mayor signed it on June 1, 2010. The Nineteenth Five-Year Plan was approved by PICA on August 10, 2010. The Nineteenth Five-Year Plan included a temporary 9.9% Real Estate Tax increase through Fiscal Year 2012.

The City's Eighteenth Five-Year Plan (the "Eighteenth Five-Year Plan"), covering Fiscal Years 2010-2014, included a one percent City Sales Tax increase through Fiscal Year 2014 and a partial deferral of the City's pension payment in Fiscal Year 2010 ($150 million) and Fiscal Year 2011 ($80 million) to be paid back in full by Fiscal Year 2014, as permitted under Act 44 of 2009 of the General Assembly of the Commonwealth ("Act 44"). In addition to the deferrals, the City changed the amortization period from 20 years to 30 years and lowered the interest rate assumption from 8.75% to 8.25%. On October 28, 2010, the City's Board of Pensions and Retirement (the "Board of Pensions") voted to further lower the pension fund's annual earnings assumption from 8.25% to 8.15%. This is reflected in subsequent five-year plans through the Twentieth Five-Year Plan. In February of 2012, the Board of Pensions again voted to lower the Municipal Pension Fund's annual earnings assumption from 8.15% to 8.10%; this is reflected in the Twenty-First Five-Year Plan. The Board of Pensions voted to further lower the Municipal

Pension Fund's annual earnings assumption to 7.95% in March 2013; this is reflected in the Twenty-Second Five-Year Plan.

At PICA's request, the Eighteenth Five-Year Plan was revised to include at least $25 million in additional savings or recurring revenues in each year of the Eighteenth Five-Year Plan. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009, subject to the enactment of the legislation authorizing the increase in the City's sales tax and change in the City's pension fund payments. The Commonwealth enacted such legislation on September 18, 2009.

Quarterly Reporting to PICA

The PICA Act requires the City to prepare and submit quarterly reports to PICA so that PICA may determine whether the City is in compliance with the then-current Five-Year Plan. Under the PICA Act, a "variance" is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund of more than 1% of the revenues budgeted for such fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year. The Mayor is required to provide a report to PICA that describes actual or current estimates of revenues, expenditures, and cash flows by covered funds compared to budgeted revenues, expenditures, and cash flows by covered funds for each month in the previous quarter and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

PICA may not take any action with respect to the City for variances if the City (i) provides a written explanation of the variance that PICA deems reasonable; (ii) proposes remedial action that PICA believes will restore overall compliance with the then-current Five-Year Plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current Five-Year Plan; and (iv) submits monthly supplemental reports as required by the PICA Act. PICA last declared a variance in February 2009. It has since been removed and there are no current variances.

Awards

For the thirty-third consecutive year, the Government Finance Officers Association of the United States and Canada ("GFOA") awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting ("GFOA Awards") to the City for its CAFR for the fiscal year ended June 30, 2012. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements. The City expects to apply for the GFOA Award for its Fiscal Year 2013 CAFR.

REVENUES OF THE CITY

General

In 1932, the General Assembly of the Commonwealth adopted an act (commonly referred to as the Sterling Act) under which the City was permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Prior to 1939, the City relied heavily upon the Real Estate Tax as the mainstay of its revenue system. Acting under the Sterling Act and other legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (1) enacting the wage, earnings, and net profits tax in 1939; (2) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (3) requiring under the Home Rule Charter that the water, sewer, and other utility systems be fully self-sustaining; and (4) enacting in 1952 the Mercantile License Tax (a gross receipts tax on business done within the City), which

was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax (which was renamed the Business Income and Receipts Tax in May 2012).

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 below for revenues by major source for Fiscal Years 2003-2013 and Table 4 below for General Fund tax revenues for Fiscal Years 2007-2013 as well as, in each case, the Adopted Fiscal Year 2014 Budget and current estimates for Fiscal Year 2014. The following descriptions do not take into account revenues in the Non-Debt Related Funds. The tax rates for Fiscal Years 2002 through 2012 are contained in the Fiscal Year 2013 CAFR.

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Table 3
Summary of Principal Operating Funds (Debt Related)
Revenues by Major Source
Fiscal Years 2003-2014 (Legal Basis)
(Amounts in Millions of USD)

	General Fund Tax Revenues												
Fiscal Year	Real Property Taxes[1]	Wage Earnings & Net Profits Taxes[1]	Business Privilege Tax[1]	Sales and Use Tax[1]	Other Taxes[2]	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Governments	Revenue from Other City Funds	Total Revenues
2003	361.1	1,025.1	286.1	108.0	156.3	1,936.6	329.6	219.4	327.4	2,813.0	909.7	62.8	3,785.5
2004	377.7	1,062.6	309.2	108.0	202.2	2,059.7	383.1	235.0	207.4	2,885.2	834.2	92.1	3,811.5
2005	392.7	1,087.3	379.5	119.9	250.9	2,230.3	419.7	246.3	200.8	3,097.1	1,082.4	71.6	4,251.1
2006	395.8	1,125.8	415.5	127.8	304.1	2,369.0	460.4	269.4	236.2	3,335.0	953.1	69.9	4,358.0
2007	397.5	1,182.7	436.4	132.6	286.7	2,435.9	486.9	266.0	248.3	3,437.1	1,063.3	77.0	4,577.4
2008	402.8	1,197.3	398.8	137.3	260.3	2,396.5	555.0	275.3	267.5	3,494.3	1,066.2	153.1 [3]	4,713.6
2009	400.1	1,129.2	386.0	128.2	209.3	2,252.8	484.5	291.3	258.3	3,286.9	1,025.4	212.7 [4]	4,525.0
2010	402.2	1,128.7	364.7	207.1[5]	213.9	2,316.6	516.4	290.2	224.5	3,347.7	1,110.7[6]	82.7	4,541.3
2011	482.7[7]	1,143.1	376.9	244.6	211.8	2,459.1	537.5	302.7	280.2	3,579.5	1,100.0	91.1	4,770.7
2012[8]	500.7	1,211.4	389.4	253.5	215.4	2,570.4	560.3	293.8	256.8	3,681.3	753.3	96.7	4,531.3
2013[9]	540.5	1,221.5	450.9	257.6	262.9	2,733.5	572.0	301.1	266.2	3,872.8	685.7	111.2	4,669.7
2014 (Adopted Budget)[10]	536.6	1,286.9	410.0	272.6	256.5	2,762.6	606.8	408.3	266.4	4,044.1	662.3	175.2	4,881.6
2014 (Current Estimate)[11]	533.2	1,259.9	461.3	265.9	259.4	2,779.7	603.7	373.3	310.3	4,067.0	707.1	154.9	4,929.1

[1] See Table 7 in the Fiscal Year 2013 CAFR and "REVENUES OF THE CITY" herein for Tax Rates. As of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax.
[2] Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
[3] In Fiscal Year 2008, there was an increase of $73 million in payment from Water Fund to Water Residual Fund.
[4] In Fiscal Year 2009, there was an $86 million payment from the Wage Tax Reduction Fund.
[5] Reflects 1% increase effective October 8, 2009 and originally set to expire June 30, 2014. See "REVENUES OF THE CITY-Sales and Use Tax."
[6] In Fiscal Year 2010, the Wage Tax Reduction payment is shown in the Revenue from Other Governments column.
[7] Reflects a Real Estate Tax increase of 9.9%.
[8] The reduction in Revenue from Other Governments in Fiscal Year 2012 is largely the result of the transfer of the majority of DHS revenue and obligations to the Grants Revenue Fund.
[9] Reflects an 8.2% increase in the City portion of the Real Estate Tax (equating to 3.6% of the overall tax). The increased revenue was provided to the School District.
[10] From the Adopted Fiscal Year 2014 Budget .
[11] From the Proposed Fiscal Year 2015 Budget.

Figures may not add up due to rounding.

Table 4
General Fund Tax Revenues[1]
Fiscal Years 2007-2014
(Amounts in Millions of USD)

	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual [6] 2013	Adopted Budget[7] 2014	Current Estimate[8] 2014
Real Property Taxes									
Current	367.2	366.5	365.6	364.3	454.7[5]	464.4	504.2	492.4	488.9
Prior	30.3	36.3	34.4	37.9	28.0	36.3	36.3	44.2	44.2
Total	397.5	402.8	400.0	402.2	482.7	500.7	540.5	536.6	533.2
Wage and Earnings Tax[2]									
Current	1,162.4	1,176.5	1,105.9	1,102.3	1,127.4	1,192.2	1,219.5	1,269.9	1,236.2
Prior	5.1	8.3	11.1	11.9	6.9	4.1	2.0	4.2	4.2
Total	1,167.5	1,184.8	1,117.0	1,114.2	1,134.3	1,196.3	1,221.5	1,274.1	1,240.5
Business Taxes									
Business Privilege[3]									
Current & Prior	436.4	398.8	386.0	364.7	376.9	389.4	450.9	410.0	461.3
Net Profits Tax									
Current	10.9	9.1	9.5	12.1	5.7	12.2	17.2	10.3	16.9
Prior	4.3	3.4	2.7	2.4	3.1	2.9	1.9	2.5	2.5
Subtotal Net Profits Tax	15.3	12.5	12.2	14.5	8.8	15.1	19.2	12.8	19.4
Total Business Taxes	451.6	411.3	398.2	379.2	385.8	404.5	470.1	422.8	480.7
Other Taxes									
Sales and Use Tax	132.6	137.3	128.3	207.1[4]	244.6	253.5	257.6	272.6	265.9
Amusement Tax	16.4	18.0	21.4	21.8	20.8	21.9	19.1	20.5	20.5
Real Property Transfer Tax	217.3	184.0	115.1	119.2	116.6	119.4	148.0	157.6	160.5
Parking Taxes	50.3	55.5	70.4	70.5	71.6	70.9	73.3	75.0	75.0
Other Taxes	2.6	2.8	2.4	2.4	2.7	3.2	3.4	3.4	3.4
Subtotal Other Taxes	419.2	397.6	337.6	421.0	456.3	468.9	501.3	529.1	525.4
TOTAL TAXES	2,435.9	2,396.5	2,252.8	2,316.6	2,459.1	2,570.4	2,733.5	2,762.6	2,779.7

[1] See Table 7 in the Fiscal Year 2013 CAFR for Tax Rates. As of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax.
[2] Beginning in Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.
[3] Renamed the Business Income and Receipts Tax as of May 1, 2012.
[4] Effective October 8, 2009, there was a 1% increase to the City Sales tax, originally set to expire June 30, 2014. See "REVENUES OF THE CITY-Sales and Use Tax."
[5] Reflects a Real Estate Tax increase of 9.9%.
[6] Reflects an 8.2% increase in the City portion of the Real Estate Tax (equating to 3.6% of the overall tax). The increased revenue was provided to the School District.
[7] From the Adopted Fiscal Year 2014 Budget.
[8] From the Proposed Fiscal Year 2015 Budget .

Figures may not add up due to rounding.

Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising 45.4% of all tax revenues based on Fiscal Year 2013) is the Wage, Earnings, and Net Profits Tax. The Wage and Earnings Tax is collected from all employees working within City limits, and all City residents regardless of work location. The Net Profits Tax is collected on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts within the City limits. In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wages, earnings and net profits at the rate of 1.5% on City residents. See "DEBT OF THE CITY-- PICA Bonds" for a description of the pledge of the PICA Tax to secure PICA's bonds. The table below sets forth the resident and non-resident wage,

earnings and net profits tax rates for Fiscal Years 2003-2014, and the annual wage, earnings, and net profits tax receipts in Fiscal Years 2003-2013 and the Adopted Budget and current estimate for Fiscal Year 2014.

Table 5
Summary of Wage, Earnings and Net Profits Tax Rates and Receipts

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates[1]	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD)
2003	4.5000	3.9127	1,306.6
2004	4.4625	3.8801	1,347.6
2005	4.4625 (Jul. 1)	3.8801 (Jul. 1)	1,387.5
	4.3310 (Jan. 1)	3.8197 (Jan. 1)	
2006	4.3310 (Jul. 1)	3.8197 (Jul. 1)	1,435.6
	4.3010 (Jan. 1)	3.7716 (Jan. 1)	
2007	4.3010 (Jul. 1)	3.7716 (Jul. 1)	1,510.6
	4.2600 (Jan. 1)	3.7557 (Jan. 1)	
2008	4.2600 (Jul. 1)	3.7557 (Jul. 1)	1,527.5
	4.2190 (Jan. 1)	3.7242 (Jan. 1)	
2009[2]	3.9800 (Jul. 1)	3.5392 (Jul. 1)	1,477.8
	3.9300 (Jan. 1)	3.5000 (Jan. 1)	
2010	3.9296	3.4997	1,472.0
2011	3.9280	3.4985	1,501.8
2012	3.9280	3.4985	1,568.9
2013	3.9280	3.4985	1,617.2
2014	3.9240	3.4950	1,677.9 Adopted Budget[3]
2014	3.9240	3.4950	1,646.2 Current Estimate[4]

(1) Includes PICA Tax.
(2) There were two rate decreases during Fiscal Year 2009.
(3) From the Adopted Fiscal Year 2014 Budget.
(4) From the Proposed Fiscal Year 2015 Budget .

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident wage tax rate. Gaming revenues were first used to reduce the wage tax rates in Fiscal Year 2009. Revenues from gaming revenues were $86.545 million in Fiscal Year 2009, $86.270 million in Fiscal Year 2010, $86.277 million in Fiscal Year 2011, $86.273 million in Fiscal Year 2012 and $86.269 million for Fiscal Year 2013. The amount estimated in the Adopted Fiscal Year 2014 Budget is $86.269 million and the current estimate is $86.283 million. Accordingly, the wage tax rates in Fiscal Years 2009, 2010, 2011, 2012, 2013, 2014 and 2015 reflect a rate reduction due to these revenues.

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in the wage, earnings, and net profits tax rate for each of the Fiscal Years 2009-2013. The Seventeenth Five-Year Plan approved reducing the wage tax from the Fiscal Year 2008 level of 4.2190% for residents and 3.7242% for non-residents to 3.60% for residents and 3.25% for non-residents by Fiscal Year 2013. These reduced rates include rate reductions funded with Commonwealth funds from gaming proceeds. In Fiscal Year 2009 there were two rate reductions: one that took effect July 1, 2008 and the other that took effect January 1, 2009. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015. The Nineteenth, Twentieth, Twenty-First and Twenty-Second Five-Year Plans all include resumption of City-funded rate reductions in Fiscal Year 2014.

Business Income and Receipts Tax

In 1984, the Commonwealth passed legislation known as The First Class City Business Tax Reform Act of 1984 authorizing the City Council of Philadelphia to impose a business tax measured by Gross Receipts, Net Income or the combination of the two. The same year, the City Council by ordinance repealed the Mercantile License Tax and the General Business Tax and imposed the Business Privilege Tax. As of May 1, 2012 the Business Privilege

Tax was renamed the Business Income and Receipts Tax ("BIRT"). Rental activities are usually considered to be business activities. Every estate or trust (whether the fiduciary is an individual or a corporation) must file a BIRT return if the estate or trust is engaged in any business or activity for profit within the City of Philadelphia.

The BIRT allows for particular allocations and tax computation for regulated industries, public utilities, manufacturers, wholesalers and retailers. There are also credit programs where meeting the requirement of the program allows for a credit against the BIRT. All persons subject to both the BIRT and the Net Profits Tax are entitled to apply a credit of 60% of the net income portion of their BIRT liability against what is due on the Net Profits Tax to the maximum of the Net Profit Tax liability for that Tax Year.

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the BIRT with plans of eventually eliminating the gross receipts portion of the tax. In November 2011, legislation was enacted to freeze the gross receipts portion and commence reductions in the net income portion of the BIRT to take effect calendar year 2014 with changes phasing in through calendar year 2023. These changes altered the prior proposed schedule of rate reductions to the BIRT. The City Council has approved certain changes to the BIRT, further described below.

Table 6
Summary of Business Income and Receipts Tax Rates

Tax Year	Gross Receipts	Net Income
2003	2.300 mills	6.50%
2004	2.100 mills	6.50%
2005	1.900 mills	6.50%
2006	1.665 mills	6.50%
2007	1.540 mills	6.50%
2008	1.415 mills	6.45%
2009	1.415 mills	6.45%
2010	1.415 mills	6.45%
2011	1.415 mills	6.45%
2012	1.415 mills	6.45%
2013	1.415 mills	6.45%
2014	1.415 mills	6.43%
2015	1.415 mills	6.41%
2016	1.415 mills	6.39%
2017	1.415 mills	6.35%
2018	1.415 mills	6.30%
2019	1.415 mills	6.25%
2020	1.415 mills	6.20%
2021	1.415 mills	6.15%
2022	1.415 mills	6.10%
2023	1.415 mills	6.00%

In addition, the 2011 legislative changes passed by City Council and signed by the Mayor incorporated several changes intended to help businesses grow in the City. These tax changes intend to help small and medium sized businesses and spur lower costs associated with starting a new business in order to stimulate new business formation and increase employment in the City. The Commercial Activity License fee for all businesses will be eliminated in 2014. In addition, business taxes for the first two years of operations for all new businesses that employ at least three employees in their first year and six in their second were eliminated beginning in 2012. These legislative changes also provide for across the board exclusions on the gross receipts portion for all businesses scaled in over a three-year period beginning in 2014 and reductions in the net income portion of the BIRT. When the exclusions are fully phased in, the first $100,000 of receipts will be excluded. Lastly, these legislative changes call for implementation of single sales factor apportionment in 2015. This enables businesses to pay BIRT based solely on sales in the City, not on property or payroll in the City. By taxing property and payroll, the BIRT previously had provided disincentives to firms to locate in the City. A Council committee gave a favorable recommendation to legislation that would eliminate the net income portion of the BIRT and increase the gross receipts side to make up

for the lost revenue. The bill is being held pending the completion of an analysis by an outside consultant of the economic impact of the proposed legislation. City Council members are now discussing desired impacts of the proposed legislation before an RFP is issued for a consultant.

Real Property Taxes Assessment and Collection

A Real Estate Tax on all taxable real property is levied on the assessed value of residential and commercial property located within the City's boundaries as assessed by the Office of Property Assessment ("OPA"). Real Estate taxes benefit both the City and the School District with the millage split changing over the years. Due to economic difficulties in 2011, Real Estate taxes were raised by 9.9%. In calendar year 2012, the School District portion of the tax was increased. For calendar year 2013, the City portion of the real estate tax was raised to provide additional funding to the School District by way of an increased contribution. The City offers a 1% discount on current real estate taxes paid before March 1. The Department of Revenue also offers special payment plans covering current year taxes, including plans for low income households and low income senior citizen households.

The tax rates for tax years 2003-2014 are set forth below:

Table 7
Real Property Tax History and Allocation

Calendar Year	City	School	Total
2003-2007	3.474%	4.790%	8.264%
2008-2010	3.305%	4.959%	8.264%
2011	4.123%	4.959%	9.082%
2012	4.123%	5.309%	9.432%
2013	4.462%	5.309%	9.771%
2014	0.6018%	0.7382%	1.340%

The City has completed its Actual Value Initiative (AVI) whereby all properties in the City will be assessed at actual market values for tax years 2014 and forward. Pennsylvania's Act 131 (as defined below) directs the City to adopt AVI for real estate taxes for 2014 and thereafter. This was the City's first city wide reassessment in decades, and it will ensure that property owners have fair, accurate, and more easily understood real estate tax bills. Cumulative assessed values have increased dramatically as a result of AVI because before the reassessment, properties were assessed at only a fraction of what is considered to be the actual market values, and because many increases in market values throughout the City were not captured in assessments previously. As described below, City Council has enacted an ordinance to adjust millage rates to account for the changes in assessed value due to AVI. The Office of Property Assessment mailed notices of revised property values in February 2013.

The table below shows the differences in the assessed value of properties used for tax year 2013 real estate taxes and the assessed values used for tax year 2014 real estate taxes following the reassessment and implementation of AVI.

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Table 8
Assessed Property Values 2013 and 2014

	Tax Year 2013*			
Category	**Assessed Value**	**Taxable Assessed Value**	**Exempt Assessed Value**	**Number of Parcels**
Residential	$23,480,956,634	$20,253,095,331	$ 3,227,861,303	456,852
Commercial	21,414,689,601	8,086,881,511	13,327,808,090	15,333
Industrial	2,367,255,600	1,635,367,256	731,888,344	4,729
Hotels and Apartments	7,312,672,990	5,803,784,850	1,508,888,140	41,339
Stores with Dwellings	1,013,104,334	907,265,169	105,839,165	15,199
Vacant Land	1,226,885,260	683,978,425	542,906,835	46,086
Total	$56,815,564,419	$37,370,372,542	$19,445,191,877	579,538

* Taxes applied against 2011 Assessed Value as described under "Assessment and Collection of Real and Personal Property Taxes."

	Tax Year 2014*			
Category	**Assessed Value**	**Taxable Assessed Value**	**Exempt Assessed Value**	**Number of Parcels**
Residential	$67,031,300,900	$62,124,464,380	$ 4,906,836,520	471,197
Commercial	43,593,893,400	17,260,794,497	26,333,098,903	15,041
Industrial	3,535,800,300	2,847,170,296	688,630,004	4,544
Hotels and Apartments	16,022,031,200	12,655,457,633	3,366,573,567	27,657
Stores with Dwellings	3,447,991,700	3,346,130,697	101,861,003	15,150
Vacant Land	3,773,163,500	1,707,997,271	2,065,166,229	46,109
Total	$137,404,181,000	$99,942,014,774	$37,462,166,226	579,698

* As of January 2014. Values do not reflect impact of FLRs (as defined herein) and formal appeals resolved subsequently

For tax year 2014, the OPA received 51,290 FLRs. As a result of the FLRs, to date (as of March 10, 2014), the total taxable market value has been reduced by $1,557,887,777, but there are still several thousand FLRs that have not yet been finalized. There have been 23,491 timely formal appeals to the Board of Revision of Taxes, but less than 2,000 have been disposed of as of March 10, 2014. An estimate of the effect of these appeals on total taxable assessed value cannot be made until a larger percentage of the appeals are resolved.

On October 24, 2012, the Governor approved Act 160 ("Act 160") which permits downward adjustments to School District millage tax rates, solely to offset the higher assessed values anticipated under AVI, and only to the extent the yield from such lower rates is no lower than the highest tax yield in the previous three years. Act 160 also precludes the School District from using its independent authority to levy real estate taxes, separately granted by the General Assembly of the Commonwealth, but only to the extent the City authorizes School District real estate taxes in an amount no lower than total real estate taxes yielded in the year prior to the revision of assessments, adjusted to account for increases in assessed value since the first year of revision.

The City Council and the Mayor have enacted a combined City and School District property tax rate for 2014 of 1.34%, down from 9.7710% in 2013 in order to generate approximately the same current year revenue in Fiscal Year 2014 as in Fiscal Year 2013. The City portion of the tax is 0.6018% (down from 4.4620% in 2013) and the School District portion is 0.7382% (down from 5.3090% in 2013).

The rate is set to ensure that AVI results in the collection of approximately the same amount of current year revenue in both Fiscal Year 2013 and Fiscal Year 2014. Nonetheless, there will be changes in property taxes for many individual property owners. Under the old assessment system, some properties were valued closer to their actual value than other properties. Properties that had been valued closer to their actual value will see smaller increases in assessments and when those assessment changes are coupled with the much lower property tax rate, they will produce tax decreases. On the other hand, properties that were relatively undervalued will see increases, a small percent of which could be substantial. In order to mitigate the hardship that could be created by those large

increases, the ordinance imposing the new real estate tax rates includes a homestead exemption of $30,000 for all residential owner-occupants. The new property tax rates take into account the impact of the homestead exemption and other anticipated relief measures. Fiscal Year 2014 current property tax revenue for the City is projected to be $488.9 million (excluding delinquent collections), lower than the Adopted Fiscal Year 2014 Budget amount of $492.4 million and the $504.2 million collected in Fiscal Year 2013. Both the Fiscal Year 2014 estimate and the Adopted Fiscal Year 2014 Budget estimate reflect the effect of the new AVI and projected related appeal losses. The City is offering a program that provides relief for long term owner occupants whose property value has at least tripled and who meets the income requirements. Under the legislation, its cost is capped at $20 million and recouping that $20 million was assumed in the 1.34% rate.

Philadelphia real estate tax ("Tax") is due by March 31 of the year for which the tax is imposed. Tax that remains unpaid after that date is overdue and begins to accrue additions (1.5% per month) for each additional month it remains unpaid until the Tax becomes delinquent January 1 of the following year.

Recent City Council legislation intended to ease the transition to AVI provides, for Tax Year 2014 only, that residential and commercial property owners who appeal their new property assessments need only pay the prior year's amount of Property Tax and (if applicable) Use and Occupancy Tax, pending the assessment appeal. Interest and penalties will not accrue on the additional 2014 tax liability during the appeal, whether or not the appeal is ultimately successful. See City Council Bill Nos. 130308-A (became law Sept. 6, 2013); 130591 (became law October. 31, 2013); 130592 (became law October. 31, 2013). The City has estimated the net loss (appeal wins and appeal losses) in Real Estate Tax revenues, after the effect of the First Level Reviews ("FLRs") as further described below, to be approximately $18.9 million in Fiscal Year 2014. This reduction in property tax revenues is included in the most current Fiscal Year 2014 revenue projection contained herein. The City anticipates that a majority of this revenue will be recovered in Fiscal Year 2015 when all the appeals have been heard.

Historically the City did not commence collection of Real Estate Taxes while they were "Overdue," between the March 31st due date and January 1 when they became "delinquent". In late 2010, the Revenue Department sent a letter to taxpayers who had overdue taxes, but had paid all prior years, to explaining that if they did not pay by the end of the year, the addition on their Tax would be capitalized (i.e. become part of the principal) and their Tax liability would become a lien on the property. This effort has been repeated each year since and has resulted in significant collections and reduction of expenses that would otherwise be incurred for further collection efforts. Also in 2012 and 2013, the Revenue Department and Law Department hired two outside collection firms to collect overdue Tax with an Outbound Calling Campaign. This project has been extremely successful, contributing to a decrease in first time real estate delinquencies and generating a total of approximately $17,000,000 in (Overdue) collection in 2013 alone. The City is continuing this practice and pursuing a number of other initiatives to improve collections, including sequestration of delinquent properties occupied by commercial tenants.

Historical Assessment and Collection and Appeal of Real Property Taxes

Historically, the Board of Revision of Taxes (the "BRT") was responsible for both the property assessment and assessment appeals functions for the City. The BRT consists of a seven-member panel that is appointed by the Judges of the First Judicial District of Pennsylvania. On December 17, 2009, City Council passed legislation that would disband the BRT and replace it with separate offices for assessments and appeals, subject to the approval of City voters. In the May 10, 2010, primary election voters approved the separation of the assessment and appeals functions. On June 16, 2010 a new Chief Assessment Officer, Rich McKeithen, was appointed by the Mayor and approved by City Council on June 17, 2010 to lead the new Office of Property Assessment.

According to the legislation, the BRT would cease to exist at the end of September 2010 and the changes described above would take effect; however, the Pennsylvania Supreme Court ruled on September 20, 2010 that the City could not abolish the existing appeals board because only the General Assembly of the Commonwealth has the authority to do so. Therefore, the BRT remains in place as the property appeals board; however, the separation of the property assessment function from the property appeals function proceeds as per the original legislation. The City has established FLRs, an informal review process to speed review and resolution of some assessment matters prior to the formal BRT appeal process.

Beginning on October 1, 2010, the new Office of Property Assessment was formally created to conduct the annual assessment of all real estate located within the City. The Office of Property Assessment has now reassessed all properties throughout the City and certified the tax year 2014 values. Additionally, the Office of Property Assessment no longer employs a fractional assessment system, and for tax year 2014 all assessments are at 100% of actual value.

According to the existing appeals mechanism, the BRT has the authority to increase or decrease the property valuations contained in the return of the assessors in order that such valuations conform with law. After all changes in property assessments, and after all assessment appeals, assessments are certified and the results provided to the Department of Revenue.

Real Estate Taxes, if paid by February 28, are discounted by 1%. If the tax is paid during the month of March, the gross amount of tax is due. If the tax is not paid by the last day of March, tax additions of 1.5% per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. Beginning in January of the succeeding year, the 15% tax additions that accumulated during the last ten months of the preceding years are capitalized and the tax is registered delinquent. Interest is then computed on the new tax base at a rate of 0.5% per month until the real estate tax is fully paid. Commencing in February of the second year, an additional 1% per month penalty is assessed for a maximum of seven months. See Table 9 for assessed and market values of taxable realty in the City and for levies and rates of collections.

For tax year 2013 and earlier tax years, real estate tax bills were calculated as follows: certified fair market value multiplied by established predetermined ratio (EPR) multiplied by tax rate. The last applicable EPR was 32%. However, for properties that are the subject of tax assessment appeals, the EPR is generally replaced with the common level ratio (CLR) issued by the State Tax Equalization Board (STEB) if the CLR differs from the EPR by more than 15%. STEB has issued a final 2012 CLR of 25.2%, revised upwards from 18.1% following objections from the City and School District. This higher CLR still differs from the EPR by more than 15%.

On July 5, 2012, the Governor approved Act 131 ("Act 131"). Act 131 provides that 2013 real estate taxes are based on the 2011 assessed values, with adjustments for construction, demolition and other dramatic changes in condition. Act 131 further directs the City to adopt AVI for real estate taxes for 2014 and thereafter. See "Real Property Taxes." For tax year 2013 only, Act 131 provides that real estate tax assessment appeals are decided using the EPR, regardless of the CLR. Act 131 also permits the City to provide the same "Homestead Exemption" from real property taxes allowed by other jurisdictions, but does not require the City to provide such exemptions, nor does it set an amount for such exemption. The legislation allows for an exemption from real estate property tax for up to fifty percent (50%) of the median assessed value of homesteads. Partner property tax legislation passed by City Council includes a homestead exemption of $30,000 starting in tax year 2014. Additionally, property tax legislation was passed allowing for tax exemptions for certain longtime owner-occupants of residential properties starting in tax year 2014.

Beginning in tax year 2014 and thereafter, real estate tax bills are being levied based on AVI, as described under "Real Property Taxes." For the first two years following a county reassessment such as AVI, the CLR is irrelevant for real estate tax assessment appeals. In 2016, the CLR will again be relevant to Philadelphia real estate tax assessment appeals as described above.

For tax year 2014, the OPA received 51,290 FLRs. As a result of the FLRs, to date (as of March 10, 2014), the total taxable market value has been reduced by $1,557,887,777, but there are still several thousand FLRs that have not yet been finalized. There have been 23,491 timely formal appeals to the BRT, but less than 2,000 have been disposed of as of March 10, 2014. An estimate of the effect of these appeals on total taxable assessed value cannot be made until a larger percentage of the appeals are resolved.

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Table 9
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2004 through 2013
(Amounts in Millions of USD)

Calendar year	Taxes Levied Based on Original Assessment [1]	Taxes Levied Based on Adjusted Assessment [2]	Collections in the Calendar Year of Levy[3]	Percentage Collected in the Calendar Year of Levy	Collections in Subsequent Years [4]	Total Collections to Date: All Years	Percentage Collected to Date: All Years
2004	$372.5	NA	$340.9	91.5%	$26.7	$367.6	98.7%
2005	$373.5	NA	$350.3	93.8%	$22.5	$372.8	99.8%
2006	$385.6	NA	$339.6	88.1%	$23.7	$363.3	94.2%
2007	$391.7	NA	$347.5	88.7%	$24.5	$372.0	95.0%
2008	$390.2	NA	$346.4	88.8%	$26.3	$372.7	95.5%
2009	$396.5	NA	$315.4	79.5%	$44.5	$359.9	90.8%
2010	$405.8	NA	$353.7	87.2%	$37.7	$391.4	96.5%
2011	$509.1	NA	$440.9	86.6%	$38.1	$479.0	94.1%
2012	$508.5	$492.5	$459.2	93.2%	$6.4	$465.6	94.5%
2013	$554.0	$540.7	$487.1	90.1%	N/A	$487.1	90.1%

(1) Taxes are levied on a calendar year basis. They are due on March 31st.
(2) Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax discount, and the tax increment financing (TIF) return of tax paid.
(3) For 2013, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections thru the end of June 2013
(4) Includes payments from capitalization charges. This capitalization occurs one time, after the end of the first year of the levy, on any unpaid balances.

Source: Fiscal Year 2013 CAFR

Note- Property tax revenues are split between the City's General Fund and the School District.
While this table reflects General Fund revenues exclusively, the School District collections rates are the same.

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Table 10
Principal Property Taxpayers
2014 and 2005
(Amounts in Millions of USD)

	2014		2005	
Taxpayer	Assessment*	Percentage of Total Assessments	Assessment*	Percentage of Total Assessments
HUB Properties Trust	265.7	0.27	55.0	0.51
Nine Penn Center Associates	232.6	0.23	54.1	0.50
Phila Liberty Place ELP	207.7	0.21	49.6	0.46
Philadelphia Market Street	203.7	0.20	32.9	0.30
Tenet Health Systems Hahnemann	192.1	0.19	32.0	0.29
Commerce Square Partners	178.2	0.18	30.5	0.28
Maguire / Thomas	170.1	0.17	43.3	0.40
NNN 1818 Market Street 37	170.0	0.17	22.2	0.20
Franklin Mills Associates	163.2	0.17	30.3	0.28
Brandywine Operating Partners	159.4	0.16	28.8	0.27
Total	1,942.7	1.97	378.7	3.49
Total Taxable Assessments**	98,522.4		10,864.9	

*Assessment Values rounded to the nearest $100,000 and only include the largest assessed property for each taxpayer; additional properties owned by the same taxpayer are not included.
**Total Taxable Assessment as of January 6, 2014.
Source: City of Philadelphia, Office of Property Assessment.

Table 11
Ten Largest Certified Market and Assessment Values
of Tax-Abated Properties
Certified Values for 2014
(Amounts in Millions of USD)

Location	2014 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Thru Tax Year
1701 John F Kennedy Blvd.	212.5	212.5	9.1	203.4	2017
2929L Arch St.	160.7	160.7	0	160.7	2015
1001 N Delaware Ave.	150.9	150.9	39.3	111.6	2020
1500 Spring Garden St.	138.7	138.7	27.8	110.9	2020
2323 Race St.	72.4	72.4	2.8	69.6	2016
3401 Chestnut St.	64.6	64.6	3.4	61.2	2017
1601 N 15th St.	64.2	64.2	0.5	63.7	2017
907-37 Market St.	61.0	61.0	41.4	19.6	2016
1327-39 Chestnut St.	58.5	58.5	56.4	2.1	2016
630-40 N Broad St.	55.5	55.5	9.6	45.9	2016

Source: City of Philadelphia, Office of Property Assessment.

Sales and Use Tax

The City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes effective beginning in Fiscal Year 1992. The Commonwealth authorized the levy of this tax under the PICA Act. Vendors are required to pay this sales tax to the Commonwealth Department of Revenue together with the similar Commonwealth sales and use tax. The State Treasurer deposits the collections of this tax in a special fund and

disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The Fiscal Year 2010 budget provided an increase to 2% from the then-current 1% rate. The General Assembly of the Commonwealth enacted legislation authorizing this increase effective October 8, 2009, through June 30, 2014. The Eighteenth Five-Year Plan, the Nineteenth Five-Year Plan, the Twentieth Five-Year Plan, and the Twenty-First Five-Year Plan all assumed this temporary increase would sunset on June 30, 2014. The final Twenty-Second Five-Year Plan approved by PICA assumed the Sales Tax would be renewed according to the legislation enacted by the State Legislature. The proposed Twenty-Third Five-Year Plan makes the same assumption, although none of the tax revenues are directed to the General Fund.

In July 2013, the General Assembly of the Commonwealth enacted legislation authorizing the implementation of a new 1% City Sales Tax increase following the expiration on June 30, 2014, of the previously authorized 1% increase. Implementation requires adoption of an ordinance by the City. The legislation provides that such 1% increase will be applied in each fiscal year beginning with Fiscal Year 2015 as follows: (1) the first $120 million collected will be paid to the School District so long as the Commonwealth's Secretary of Education has made an annual certification that the School District has begun implementation of reforms that provide for fiscal stability, educational improvement and operational control; (2) for Fiscal Years 2015 through 2018, the next $15 million collected will be applied to payment of debt service on approximately $50 million of bonds to be issued by the City for the benefit of the School District; and (3) the remainder will be paid to the City pursuant to Act 205 for application to the Municipal Pension Fund. Enactment of the new 1% increase is not legally required in order for the City to undertake a borrowing to benefit the School District. Each of the implementation of the new 1% increase and such bond issue would require action by both the City's current administration and City Council.

Mayor Nutter had expressed support for the $50 million borrowing and had indicated a willingness to proceed with the borrowing in advance of City Council action on the new 1% increase in the sales tax. City Council President Darrell L. Clarke had proposed an alternative to the Commonwealth legislation which provided that the City instead purchase $50 million worth of unused buildings from the School District, which would then be sold by the City. The purchase would be funded with an appropriation of funds from the General Fund. City Council President Clarke had further proposed that the new sales tax revenues be divided evenly between the School District and the City, with the City portion being dedicated to the pension fund. Any change to the application of the new 1% increase from that described in the preceding paragraph would require legislation in the General Assembly of the Commonwealth. Mayor Nutter and City Council President Clarke recently announced that they would support an alternative plan under which the School District itself would attempt to sell its unused buildings to raise $50 million in addition to the $11 million already in the School District's budget for the fiscal year ending June 30, 2014. The School District received proposals and expressions of interests for buildings in December and, together with the City's Commerce Department and PIDC, is analyzing those proposals and expressions of interest. The School District has closed on several building sales. The School District sent the City a letter certifying that the net proceeds from the sales were $25.9 million. Based on this information, the City is currently planning to borrow approximately $37 million by June 30, 2014. The final form of additional assistance for the School District has yet to be determined. In order to provide liquidity to the School District while a final plan is adopted, the City paid in November and December of 2013 its normal annual grant to the School District of approximately $60 million which grant would otherwise be paid in June of 2014, at the end of the City's Fiscal Year. See "OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings."

The table below sets forth the City Sales Tax collected in Fiscal Years 2003 through 2013, the Adopted Fiscal Year 2014 Budget and current estimate for Fiscal Year 2014.

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Table 12
Summary of City Sales Tax Collections
(Amounts in Millions of USD)

Fiscal Year	City Sales Tax Collections
2003	108.0
2004	108.0
2005	119.9
2006	127.8
2007	132.6
2008	137.3
2009	128.0
2010	207.1
2011	244.6
2012	253.5
2013	257.6
2014 (Adopted Budget)[1]	272.6
2014 (Current Estimate)[2]	265.9

[1] From the Adopted Fiscal Year 2014 Budget.
[2] From the Proposed Fiscal Year 2015 Budget.

Other Taxes

The City also collects real property transfer taxes, parking taxes, amusement tax, valet parking tax, outdoor advertising tax, smokeless tobacco tax and other miscellaneous taxes.

Improved Collection Initiative

The City is pursuing a multifaceted strategy designed to improve collections of various taxes while decreasing delinquencies. Key compliance strategies include revocation of commercial licenses and sequestration, each of which are described below:

- In May of 2013, the City implemented a program to revoke commercial activity licenses of those establishments that have been delinquent on their taxes. The program focuses on the liquor and use and occupancy taxes. The City estimates the program generated $6 million in cash payments and an additional $6 million in payment plans.

- In October 2013, the City implemented a sequestration effort, which the City has successfully used in previous administrations. Sequestration places delinquent properties under receivership. A third party administrator appointed by the Court of Common Pleas of Philadelphia collects rents which are to be used to manage the property and satisfy outstanding tax delinquencies. The City has engaged two experienced vendors to assist with this program. Since the program was implemented, over 400 property owners have been given notice with initial properties facing receivership as early as December 2013. Although the City is prepared to place properties into receivership, the goal of the program is to motivate property owners to pay delinquent taxes so that sequestration is unnecessary. As of November 2013, the City has received nearly $1 million in cash payments from affected property owners.

- The School Income Tax, which is collected by the City on behalf of the School District and is imposed on certain dividends and other income, poses several challenges including the belief by the City that many citizens are unaware of their responsibility under the tax. The City has partnered with the Commonwealth and received data that will assist in compliance efforts. In addition, the City continues to use available IRS data to identify those residents who have qualifying income.

In addition to compliance efforts, the City is engaged in two active projects to implement technology solutions for its cashiering and payments processing systems and to develop an integrated data warehouse and case

management system. These initiatives are designed to improve operational efficiencies and drive compliance efforts by providing tools currently unavailable to the City.

Other Locally Generated Non-Tax Revenues

These revenues include license fees and permit sales, traffic fines and parking meter receipts, court related fees, stadium revenues, interest earnings and other miscellaneous charges and revenues of the City.

Revenue from Other Governments

Approximately 17.62% of Fiscal Year 2013 General Fund revenues were received from other governmental jurisdictions, including (1) $235.9 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $35.1 million from the Federal government; and (3) $64.7 million from other governments, in which revenues are primarily payments from PGW and parking fines and fees from the Philadelphia Parking Authority. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA-Government Services." In addition, the net collections of the PICA Tax of $313.9 million are included in "Revenue from Other Governments." The decrease in Fiscal Year 2013 Revenue from Other Governments of $64.3 million from the Fiscal Year 2012 actual amount is primarily the result of the elimination of several one-time revenue sources including: $29.0 million of State Pension Aid, $12.4 million from the Parametric Garage for amounts owed to the City, and $10.2 million in amounts due related to the Love Park Garage which was offset by certain other revenues.

The City's Fiscal Year 2012 General Fund received 19.9% of General Fund revenues from other governmental jurisdictions, including: (1) $241.6 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $97.0 million from the Federal government; and (3) $82.1 million from other governments, in which revenues are primarily payments from PGW and parking fines and fees from the Philadelphia Parking Authority. In addition, the net collections of the PICA Tax of $295.2 million are included in "Revenue from Other Governments." The General Fund decrease in Fiscal Year 2012 Revenue from Other Governments is largely due to the transfer of the majority of DHS revenue and obligations to the Grants Revenue Fund.

The City's Fiscal Year 2011 General Fund received 27.6% of General Fund revenues from other governmental jurisdictions, including: (1) $542.2 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $165.4 million from the Federal government; and (3) $63.5 million from other governments, in which revenues are primarily rentals and payments from PGW and parking fines and fees from the Philadelphia Parking Authority. In addition, the net collections of the PICA Tax of $293.8 million are included in "Revenue from Other Governments."

These amounts do not include the substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Revenues from City-Owned Systems

In addition to taxes, the City realizes revenues through the operation of various City-owned systems such as the Water and Wastewater Systems and PGW. The City has issued revenue bonds with respect to the Water and Wastewater Systems and PGW to be paid solely from and secured by a pledge of the respective revenues of these systems. The revenues of the Water and Wastewater Systems and PGW are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied and then, in a limited amount and upon satisfaction of certain other conditions.

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (a) all Net Reserve Earnings, as defined below, and (b) $4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. Commencing in Fiscal Year 1991, the $4,994,000

amount was reduced to $4,138,000 by administrative agreement that remained in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer was made in each subsequent year through Fiscal Year 2003. For Fiscal Year 2004, the transfer was to have increased to $4,994,000 but no payment was made. For Fiscal Year 2005, the transferred amount was $4,401,000; for each of Fiscal Years 2006 through 2008, the transferred amount was $4,994,000. In Fiscal Years 2009, 2010, 2011, 2012 and 2013, the transferred amounts were $4,185,463, $2,303,986, $1,229,851, $1,086,165 and $560,156, respectively. The Adopted Fiscal Year 2014 Budget and current estimate is $700,000.

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. In previous years, PGW has also made an annual payment of $18,000,000 to the City's General Fund. For Fiscal Year 2005, the City agreed to forgo the $18,000,000 payment, and for Fiscal Years 2006, 2007, 2008, 2009 and 2010, the City budgeted the receipt of the $18,000,000 payment and the grant back of such amount to PGW. The City's Nineteenth Five-Year Plan assumed that the $18,000,000 payment would be made in each of Fiscal Years 2011 through 2015 and that the City would grant back such payment to PGW in each such Fiscal Year. See also "EXPENDITURES OF THE CITY - Annual Payments to PGW." The City's Twentieth Five-Year Plan included the PGW annual payment of $18,000,000 to the City's General Fund but discontinued the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2012, 2013, 2014, 2015 and 2016. The City's Twenty-First Five-Year Plan included the PGW annual payment of $18,000,000 to the City's General Fund and discontinued the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2013, 2014, 2015, 2016 and 2017. The City's Twenty-Second Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund and discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2014, 2015, 2016, 2017 and 2018. The City has entered into the Agreement for the Sale of PGW to Buyer which would effect this payment in future years. The Sale is subject to City Council and PUC approval. The City's proposed Twenty-Third Five-Year Plan includes half of the Fiscal Year 2015 payment ($9 million) based on an expected sale date of December 2014 and no payment thereafter. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA-Government Services."

Philadelphia Parking Authority Revenues

The Philadelphia Parking Authority ("PPA") was established by City ordinance pursuant to the Pennsylvania Parking Authority Law, P.L. 458, No. 208 (June 5, 1947). Various statutes, ordinances, and contracts authorize PPA to plan, design, acquire, hold, construct, improve, maintain and operate, own or lease land and facilities for parking in the City, including such facilities at Philadelphia International Airport (the "Airport" or "PHL"), and to administer the City's on-street parking program through an Agreement of Cooperation ("Agreement of Cooperation") with the City.

PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the "Lease Agreement"). The Lease Agreement provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The City received transfers of rental payments in Fiscal Years 2006 through 2012 that totaled $30,186,642, $33,184,918, $33,570,037, $31,239,909, $23,732,623, $28,008,554 and $25,035,368, respectively. The amount for Fiscal Year 2013 was $24,040,892. The Fiscal Year 2014 budgeted amount and current estimate is $25,000,000.

One component of the operating expenses is PPA's administrative costs. In 1999, at the request of the Federal Aviation Administration ("FAA"), PPA and the City entered into a letter agreement (the "FAA Letter Agreement") which contained a formula for calculating PPA's administrative costs and capped such administrative costs at 28% of PPA's total administrative costs for all of its cost centers. PPA owns and/or operates parking facilities at a number of non-Airport locations in the City. These parking facilities are revenue centers for purposes of the FAA Letter Agreement. According to PPA's audited financial statements, as filed with the City, PPA has been in compliance with the FAA Letter Agreement since its execution.

Pursuant to the Agreement of Cooperation, on-street parking revenues are administered and collected on behalf of the City by the PPA. Pursuant to state law, the PPA is to transmit these revenues to the City, net of any actual expenses incurred in the administration of the on-street parking system in accord with the PPA's approved budget, provided that, should such net revenues exceed a designated threshold, any excess above that threshold is to be transmitted to the School District. The threshold is set by statute at $25 million, plus a mandatory escalator to take into account increases in revenues. Pursuant to Act 84 of 2012, the threshold is reset at $35 million, including a mandatory escalator to take into account increases in revenues. The City received payments from the PPA for Fiscal Year 2006 through Fiscal Year 2013 of $18,592,486, $24,381,907, $28,662,716, $29,065,413, $33,710,798, $41,638,441, $37,270,853 and $36,523,528. For those same fiscal years, the School District received $0.00, $0.00, $2,885,632, $3,800,588, $7,284,153, $7,788,598, $13,955,844 and $13,263,733.

EXPENDITURES OF THE CITY

The major City expenditures are for personal services (including pensions and other employee benefits), purchase of services (including payments to SEPTA), and debt service.

Personal Services (Personnel)

As of June 30, 2013, the City employed 26,472 full-time employees, 20,897 of which had salaries paid from the General Fund. Additional employment is supported by other funds, including the Grants Fund, Water Fund and the Aviation Fund.

Additional operating funds for employing personnel are contributed by other governments, primarily for categorical grants, as well as for the conduct of the community development program. These activities are not undertaken if funding is not received.

The following table sets forth the number of filled full-time positions of the City as of the dates indicated.

Table 13
Filled, Full Time Positions - All Operating Funds
as of June 30 (Actual)

	2006	2007	2008	2009	2010	2011	2012[1,2]	2013[1,2]
General Fund								
Police	7,287	7,424	7,367	7,443	7,378	7,219	7,225	7.193
Fire	2,270	2,399	2,326	2,252	2,187	2,146	2,072	2,125
Courts	1,936	1,928	1,970	1,889	1,756	1,869	1,957	1,909
Prisons	2,225	2,176	2,131	2,294	2,254	2,166	2,144	2,248
Streets	1,858	1,814	1,839	1,724	1,693	1,689	1,682	1,690
Health	662	664	665	662	662	661	669	673
Human Services	1,703	1,721	1,784	1,743	1,751	1,668	804	349
All Other	4,878	4,941	5,029	4,905	4,616	4,602	4,622	4,710
Total General Fund	22,819	23,067	23,111	22,912	22,297	22,020	21,175	20,897
Other Funds	4,616	4,598	4,642	4,570	4,566	4,540	5,197	5,575
Total - All Funds	27,435	27,665	27,753	27,482	26,863	26,560	26,372	26,472

(1) Reflects full-time positions for Fiscal Year 2012 from the June 30, 2012 Quarterly City Manager's Report and for Fiscal Year 2013 from the June 30, 2013 Quarterly City Manager's Report.
(2) Reflects the transfer of the majority of DHS revenue and obligations from the General Fund to the Grants Revenue Fund.

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Overview of City Employees

The wages and benefits of City employees vary not only by position, but also by whether the employees are represented by a union and, if so, which union. Employee wages and benefits may also be impacted by whether the employee is subject to the Civil Service system or exempt from those rules. Thus, City employees may be broken down into three major categories for purposes of understanding how their wages and benefits are determined: (1) employees who are not subject to the Civil Service system ("exempt employees"); (2) employees who fall under the Civil Service system but are not represented by a union ("non-represented employees") and (3) employees who are subject to the Civil Service system and represented by a union ("union employees"). In addition, there are employees of the First Judicial District who are represented by a union but are not subject to the Civil Service system. By state law, the City is considered to be the economic employer and a joint employer over these court employees, which results in the City negotiating the wages and economic benefits for these employees while the First Judicial District retains control over the non-economic terms of their employment including decisions such as hiring, promotion and all work rules.

As of December 31, 2013, the City's 24,817 unionized employees were represented by the City's four municipal unions: Fraternal Order of Police Lodge No. 5 ("FOP"); International Association of Fire Fighters Local 22 ("IAFF"); American Federation of State, County and Municipal Employees ("AFSCME") District Council 33 ("DC 33"); and AFSCME District Council 47 ("DC 47").

Table 14
Number of Unionized Employees
As of December 31, 2013

AFSCME District Council 33	AFSCME District Council 33 Correctional Officers	AFSCME District Council 47, Local 2187	AFSCME District Council 47 Local 810 Court Employees	AFSCME District Council 47 Local 2186	Fraternal Order of Police Lodge No. 5 (Police Department)	Fraternal Order of Police Lodge No. 5 (Sheriff's Office and Register of Wills)	International Association of Fire Fighters Local 22
9,598	2,245	2,537	517	954	6,494	294	2,178

Union employees, other than uniformed employees of the Police Department and Fire Department, are subject to the requirements of Pennsylvania Act 195 of 1972 ("Act 195"). Under Act 195, the union and the City are required to bargain in good faith to attempt to reach agreement on new contract terms. Act 195 also requires the parties to satisfy certain state-mandated mediation procedures involving a mediator appointed by the Commonwealth Bureau of Mediation. Once those mediation procedures are satisfied and no collective bargaining agreement has been reached, most employees covered by Act 195 are permitted to strike. For most employees under Act 195 there is no statutory mechanism to resolve an impasse in collective bargaining.

However, under Act 195, certain employees, including employees of the Sheriff's Office and the Register of Wills represented by the FOP, corrections officers represented by DC 33 and employees of the First Judicial District represented by DC 47, are not permitted to strike, but may proceed to interest arbitration under Act 195 when collective bargaining negotiations reach an impasse. In interest arbitration, a tri-parte arbitration panel is convened with each side appointing one partial arbitrator and the partial arbitrators selecting a neutral third arbitrator. The panel then conducts evidentiary hearings and issues an arbitration award that sets the terms and conditions of employment, including changes in wages and benefits, for covered employees. Although the arbitration panel cannot issue an award on matters that are not mandatory subjects of bargaining, such as matters of inherent managerial policy, without the parties' consent, arbitration panels have broad powers to set employment terms. Pennsylvania law provides limited grounds on which an interest arbitration award can be set aside by a court on appeal. However, provisions of an interest arbitration award issued under Act 195 that require legislative action are considered advisory only and the legislative body is permitted to meet, consider and reject those provisions.

Uniformed employees of the Police Department and Fire Department bargain under Pennsylvania Act 111 of 1968 ("Act 111"), which provides for final and binding interest arbitration to resolve collective bargaining impasses. These employees are similarly not permitted to strike. Interest arbitration under Act 111 operates similarly to interest arbitration under Act 195, but the City's legislative body is not permitted to reject the portions of an interest arbitration award that require legislative action. To the contrary, the City is required to pass any legislation necessary to implement the award unless doing so would violate state or federal law. Thus, the arbitration panel has significant, although not limitless power, to issue an award on mandatory subjects of bargaining. As with interest arbitration under Act 195, the arbitration panel cannot issue an award on a matter that is one of inherent managerial policy. In addition to the grounds available to challenge an Act 195 interest arbitration award on appeal, the PICA Act requires an Act 111 interest arbitration panel to *inter alia* give substantial weight to the City's Five-Year Plan and ability to pay for the cost of the award without negatively impacting services, and gives the City the right to appeal the award to the Court of Common Pleas if it believes the panel has failed to meet these responsibilities. If the arbitration panel fails to do so or *inter alia* if it awards wages or benefits that exceed what is assumed in the Five-Year Plan without substantial evidence in the record demonstrating that the City can afford these increases without adversely impacting service levels, the Court of Common Pleas is required to vacate the arbitration award and remand it to the arbitration panel.

Overview of Employee Benefits

The City provides various pension, life insurance, and health benefits for its employees. The benefits offered depend on the employee's union status and bargaining unit, if applicable. General Fund employee benefit expenditures for Fiscal Years 2007 through 2014 are shown in the following table.

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Table 15
General Fund Employee Benefit Expenditures
Fiscal Years 2007-2014
(Amounts in Millions of USD)

	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Adopted Budget[2] 2014	Current Estimate[3] 2014
Pension Contribution[1]	436.8	430.8	459.0	346.7	485.2	547.8	618.9	667.5	667.5
Health	331.5	421.0	377.0	349.7	346.3	379.4	362.6	362.9	411.9
Social Security	64.1	69.7	68.8	65.2	64.6	67.2	64.7	65.0	65.0
Other	57.9	61.5	68.4	69.5	70.9	71.8	72.9	81.9	82.2
Total	890.3	983.0	973.2	831.4	967.0	1,066.2	1,119.1	1,177.3	1,226.6

[1] The Pension Contribution amount includes debt service on the 1999 Pension Obligation Bonds (defined below) and certain debt incurred to refinance existing pension deferral repayment obligations (outstanding together in the aggregate principal amount of $1,294,825,350 on June 30, 2013). See also "*Pension Obligation Bonds*" and "*Funded Status of the Municipal Pension Fund*" under "Municipal Pension Fund (Related to All Funds)" below.
[2] From the estimates for the Adopted Fiscal Year 2014 Budget. Does not reflect full impact of August 2013 IAFF Order and IAFF Withdrawal. See "Overview of Current Labor Situation – IAFF."
[3] From the Proposed Fiscal Year 2015 Budget.

Each of the City's four municipal unions sponsors its own health plan that provides medical, prescription, dental and optical benefits to participating employees and eligible retirees through trusts on which the City has varying degrees of minority representation. Exempt and non-represented employees, along with represented employees of the Register of Wills and employees represented by DC 33 who have chosen not to become members of the union, receive health benefits through a plan sponsored and administered by the City (the "City-Administered Plan"). Each of the plans provides different benefits determined by the plan sponsor. In addition, employees who satisfy the eligibility criteria, receive five years of health benefits after their retirement. See "Other Post-Employment Benefits." These benefits are determined and administered by the plan in which the employee participated at the time of his or her retirement.

Other employee benefits, including life insurance and paid leave, are similarly determined by the respective collective bargaining agreements and City policies and Civil Service Regulations. Employees also participate in the Municipal Retirement System. See "Municipal Pension Fund." The City sponsors a number of pension plans within the Retirement System. Membership in the plans is determined by the employee's hire date, union membership and job classification. Uniformed employees of the Police Department and Fire Department have their own separate pension plans, which have lower retirement ages, higher multipliers and higher employee contribution rates. All other City employees participate in what is referred to as the "municipal plan." Depending on hire date and union status, employees participate in one of three basic pension plan tiers in the municipal plan, which have varying levels of benefits, and which are colloquially referred to based on the year in which they were first implemented: "Plan 67" is the most generous of the three plans, offering a traditional defined benefit for life; "Plan 87" maintains Plan 67's defined benefit structure but provides less generous benefits to employees and lower employee contributions; "Plan 10," which was created by the current Administration, is a so-called hybrid plan, combining a lower level of defined benefits with an optional defined contribution component in which employees can contribute a portion of their salary, pre-tax, to a 403(b) plan and receive a 50% match on those contributions up to a maximum City contribution of 1.5% of pay annually. Plan 10 has only been made mandatory for newly-hired employees of the Register of Wills. New employees who belong to the FOP or the IAFF can opt to participate in Plan 87 by paying an extra one percent of salary or may enter into Plan 10. To date no members of the IAFF or FOP have chosen to enter Plan 10. Under the contract settlement reached with DC 47, employees hired after March 5, 2014 will similarly have the choice, once passed by City Council, between entering Plan 87 and paying an extra one percent of pay (exclusive of the additional one percent increase by January 1, 2016 described below) or entering Plan 10. The actuary for the pension plan has estimated the savings to the City for new hires participating in Plan 10 at 2.5% of payroll compared to the cost of these employees participating in Plan 87 instead. See Table A-1 of the 2013

Actuarial Report (hereinafter defined) for information on the number of active members in the various City pension plans as of July 1, 2013. As of such date there were seven active members in Plan 10.

Overview of Current Labor Situation

The Fraternal Order of Police received a five-year interest arbitration award for uniformed police department employees on December 18, 2009 covering the period Fiscal Year 2010 through Fiscal Year 2014. Interest arbitration awards covering employees of the Sheriff's Office and Register of Wills, corrections officers and youth detention counselors represented by DC 33 and court employees represented by DC 47 through Fiscal Year 2014 were issued in 2011 and 2012. An interest arbitration award covering employees of the IAFF for the period Fiscal Year 2010 through Fiscal Year 2013 was first issued in 2010. After an appeal by the City that resulted in the award being vacated and additional hearings, a new award was issued in 2012. The City appealed again, but that appeal was withdrawn in September 2013 and the award has now been implemented.

An agreement was reached with DC 47, which was ratified on March 5, 2014, for a contract covering the period Fiscal Year 2010 through Fiscal Year 2017. The agreement with DC 33 expired on June 30, 2009 and no new agreements has been reached.

The information below summarizes the interest arbitration awards that have been issued and contract settlements reached and provides an update on the status of negotiations, as well as changes that have been made for exempt and non-represented employees.

Uniformed Police Department Employees Represented by FOP

On December 18, 2009, an arbitration panel awarded a five-year contract to the FOP effective July 1, 2009. On March 2, 2010, the arbitration panel issued a supplemental award solely on the issue of pension benefits. On December 20, 2012, the interest arbitration panel issued an award setting the wage terms for Fiscal Year 2013 and Fiscal Year 2014. These awards have the following key provisions:

- No wage increase for Fiscal Year 2010.
- Three percent pay increases for each of Fiscal Year 2011 and Fiscal Year 2012, along with a re-opener for Fiscal Year 2013 and Fiscal Year 2014 which yielded an additional 3% raise in both years.
- An increase in the stress pay that police officers receive as a result of working rotating shifts by 1% in Fiscal Year 2011 and 1% in Fiscal Year 2014.
- Several changes were made in the area of health benefits to reduce City costs. At the start of the Nutter Administration, the City was contributing $1,265 per eligible employee and retiree per month ("PEPM") to the FOP health plan. In the one-year 2008-2009 interest arbitration award, that amount was reduced to $1,165 PEPM. The 2009-2014 interest arbitration award continued that downward trend, reducing the City's contribution to the FOP health plan to $965 PEPM effective January 1, 2010. Effective July 1, 2010, the award ordered the FOP's health plan moved to self-insurance. Under self-insurance, the health fund pays for the actual cost of services provided to members, instead of paying a premium to an insurance carrier based on expected claims. The FOP's change is similar to the change the City made in Fiscal Year 2010 for the City-Administered Plan. In addition, the award also ordered increases in the co-pays employees pay for doctor's visits and prescription drugs. The health plan's actuary has estimated that the change in benefits reduced costs by $1.5 million in the first six months alone. Changes in the health care provisions in the 2008 and 2009 interest arbitration awards have resulted in savings to the City in excess of $50 million to date.
- Pension changes for new hires - FOP members now choose between either increasing their pension contribution from 5% to 6% of pay or enrolling in Plan 10.
- The City gained the right to furlough (a day off without pay) employees up to 30 days each fiscal year.

The City and the FOP continue to have disputes regarding implementation of certain portions of the 2009 interest arbitration award regarding health insurance. Originally, the parties disputed how the expected costs were

calculated by the parties' respective experts for Fiscal Year 2011, the inclusion of certain depreciation expenses in administrative costs and the creation of an escrow account. A hearing was held before the interest arbitration panel and it issued a decision in August 2013 accepting the City's position on the method of calculating the expected costs, and accepting the FOP's position on the depreciation expenses and the creation of an escrow account. The disputed amounts have now been paid, with the exception of the escrow account because the FOP has not forwarded a proposed escrow agreement to the City, as required by the Panel's award. The City has escrowed the fund to cover the ordered escrow account. Currently, the parties are in dispute over the reconciliation between the expected costs for Fiscal Year 2012, as calculated by the parties' respective consultants, and the actual Fiscal Year 2012 results. Specifically, the FOP contends that more than $3 million in expenses that it alleges were incurred by dependents up to age 26 who gained coverage under the Affordable Care Act should be excluded from the reconciliation for purposes of increasing the reconciliation payment owed. This dispute, which has a total impact of approximately $1.5 million, has not been submitted to the interest arbitration panel for resolution at this time but is still in discussions between the parties. The prior disputes have delayed the exchange of the Fiscal Year 2013 and Fiscal Year 2014 expected costs.

The current interest arbitration award has an expiration date of June 30, 2014. In accordance with Act 111, the parties exchanged proposals for a successor agreement on December 31, 2013 and the FOP made a demand for interest arbitration. A neutral arbitrator has been appointed and hearings are scheduled to begin in May 2014. An award is expected in summer 2014.

FOP-Represented Deputy Sheriff and Register of Wills

A five-year interest arbitration award covering the unionized employees of the Sheriff's Office and Register of Wills was issued on June 21, 2011 for the period July 1, 2009 through June 30, 2014. Key provisions of the award include:

- A 2.5% increase for Sheriff's Office employees in Fiscal Year 2011 and Fiscal Year 2012 and a re-opener for Fiscal Year 2013 and Fiscal Year 2014, which yielded an award of 3% raise in both years. The re-opener award also directed a change in the longevity schedule from a fixed dollar to a percentage, intended to not result in additional costs to the City.
- Wage increases for Register of Wills employees, if any, will be based on increases negotiated between the City and DC 33.
- Step and longevity increments, which had been frozen by the City in July 2009, were restored for employees of the Sheriff's Office retroactive to the start of the freeze. Increments for Register of Wills employees were restored prospectively as of the date the award was issued.
- Employees of the Sheriff's Office participate in the FOP's health plan. The award continued that arrangement, along with the same funding terms and benefit plan changes as the police interest arbitration award. Register of Wills employees continue to participate in the City-Administered Plan.
- Pension changes for new hires. New employees of the Sheriff's Office choose between going into the existing municipal pension Plan 87 and increasing their contribution to 50% of normal cost from 30% of normal cost, or going into Plan 10. Register of Wills employees hired after the date of the award must enter Plan 10. The award was the first that required City employees to enter the hybrid plan.

Because the award has an expiration date of June 30, 2014, the union has now requested bargaining for a contract to begin July 1, 2014. No bargaining sessions have yet been scheduled.

IAFF

A four-year interest arbitration award with the IAFF was issued on October 15, 2010. Although the award took a crucial step toward reform by implementing a Plan 10 option like the one in the 2009 FOP award, it would have imposed more than $200 million in new costs over the Five-Year Plan without giving the City the required tools to manage these costs. As a result, the City appealed the award, with the exceptions of the revisions to the pension plan and a change related to vacations, on the basis that the award violated the PICA Act because it failed to give substantial weight to the City's approved Five-Year Plan and ability to pay, and, as a result, granted increases

in pay and benefits in excess of what the City can afford. On November 16, 2011, the Philadelphia Court of Common Pleas vacated the entire award, with the exception of the pension and vacation provisions, and remanded it to the arbitration panel to issue an award that complies with the PICA Act.

On July 2, 2012, the arbitration panel issued an award following the remand. This award followed the same pattern as the vacated award on economic terms with the exception of health insurance. Key provisions of the award include:

- No wage increase for Fiscal Year 2010.
- Three percent pay increases for each of Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013.
- Pension changes for new hires - IAFF members now choose between either increasing their pension contribution from 5% to 6% of pay or enrolling in Plan 10.

Under the 2012 award, the City's required contributions to the IAFF-controlled health fund were substantially increased from $1,270 PEPM at the start of the award to $1,679 PEPM as of July 1, 2012, including more than $20 million in retroactive payments. For the period October 1, 2012 through June 30, 2013, the City's required contribution was set at $1,619.64 PEPM under the award, which is significantly higher than the monthly per employee contribution for DC 33 and DC 47 ($975.76) and the FOP ($1,192). The award also gave the City the option to have the health fund move to self-insurance on terms based on the FOP award effective October 1, 2012 rather than pay the fixed $1,619.64 PEPM. However, to do so, the City would still have had to pay the retroactive contributions in excess of $20 million and bear the costs of the benefits and administration of the health fund, regardless of their magnitude with no employee contribution after the health fund paid the first $5 million in claims. Because this award would have added over $200 million in costs over the Five-Year Plan, including more than $80 million in retroactive payments in Fiscal Year 2013, it was appealed by the City. On November 19, 2012, the Common Pleas Court denied the City's appeal. The City appealed the denial to Commonwealth Court.

On September 6, 2013, the City withdrew its appeal of the 2012 award (the "IAFF Withdrawal"). Although the City believes it would have prevailed in the appeal, it determined that its improved financial condition made it appropriate to implement the terms of the award, rendering the appeal unnecessary. The City has now implemented the terms of the award and revised the Twenty-Second Five Year Plan to reflect the additional costs. See "SUMMARY FINANCIAL INFORMATION-Five-Year Plans of the City."

During the pendency of the appeal, the City had not implemented its terms, except for the pension provision that was implemented following issuance of the 2010 award. The IAFF filed an unfair labor practice charge with the Pennsylvania Labor Relations Board and a Motion for Contempt with the Court of Common Pleas of Philadelphia County challenging the City's failure to implement the 2012 award. The Court of Common Pleas issued an order on June 26, 2013 denying the IAFF's Motion for Contempt and finding that the City is entitled to an automatic stay of its decision to deny the petition to vacate while the City's appeal of that order is pending. The IAFF recently withdrew its appeal of that order to Commonwealth Court with prejudice. The parties have agreed to submit the unfair labor practice dispute through stipulated facts which were filed in September 2013. No briefing schedule has yet been set. The IAFF is still pursuing the unfair labor practice charge, even though the terms of the award have been implemented by the City.

Because the appealed contract would have expired on June 30, 2013, negotiations are underway for a new contract to begin on July 1, 2013. The IAFF declared an impasse and requested interest arbitration. The arbitration panel was selected and hearings were held from August 2013 through January 2014. An award is not expected before summer 2014.

DC 33

After having spent nearly four years in negotiations, the City has been unable to reach an agreement with DC 33. On January 16, 2013, the City made a final offer to DC 33 for a contract to run July 1, 2009 through June 30, 2014. The City's offer includes wage increases of 2.5% following ratification and an additional 2% in January 2014 and restoration of step and longevity increments prospectively following ratification, along with $25 million in additional payments to the union managed health fund. Under the City's proposal, the City's PEPM contribution to

the union's health fund will remain at $975.76 for the term of the contract with the health fund using the lump sum payments to offset any cost increases it has experienced. The City also proposed two pension changes: (1) to require all new employees to enter Plan 10; and (2) increased pension contributions from current employees as was ordered for corrections officers represented by DC 33 (discussed below). Additionally, the City proposed changes in overtime rules based on the changes made in Fiscal Year 2013 for non-represented employees and those represented by Local 2186 of DC 47 (discussed below) and the right to furlough employees when economic circumstances warrant, similar to the FOP award. The City estimates the Five-Year Plan cost of its final offer at more than $50 million. When DC 33 rejected this offer, the Mayor gave DC 33 two weeks to reconsider its refusal, but subsequent discussions were unproductive.

On February 1, 2013, the City filed an action in the Court of Common Pleas of Philadelphia County, asking the court for a declaration that the City has the right to implement its final offer for the currently-expired contract. On February 5, 2013, the City asked the Pennsylvania Supreme Court to assume immediate jurisdiction over the matter to speed a final resolution. Groups representing all 3,000 elected local governments in Pennsylvania filed a brief in the Pennsylvania Supreme Court on February 19, 2013 in support of the City's request. On June 7, 2013, the Pennsylvania Supreme Court declined to expedite review over a strong dissent by Justice Castille. The case continues in the Court of Common Pleas with that court having denied the parties' cross motions for summary judgment by orders dated February 20, 2014. The case is now listed for the July 2014 trial pool. During the period of litigation, the City is maintaining the status quo on the issues that separate the parties.

DC 33 Corrections' Officers and Youth Detention Counselors

On March 16, 2012, an interest arbitration panel issued an award for the period July 1, 2009 through June 30, 2014 covering approximately 2,100 prison guards and related employees of the City who are part of DC 33. Key components of the award include:

- A one-time $1,100 lump sum bonus, equivalent to that received by the larger unit of DC 33 in 2008, and wage increases of 2.5% effective July 1, 2012 and July 1, 2013. If the City agrees to any wage increases in the DC 33 negotiations described in the preceding section for July 1, 2009 through June 30, 2012, the prison guards and related City employees would also receive these increases.
- All new hires are required to enter Plan 10. Additionally, current employees are required to make increased contributions for their pension plans effective July 1, 2013. Employees covered under Plan 87 will see an increase from 30% of normal cost to 50% of normal cost, which will increase the employee contribution by approximately 1.3% of salary. Employees in Plan 67 will also pay 50% of normal cost, but will no longer receive an offset while contributing toward FICA, which will increase the employee contribution by 2.25% of salary for most employees.
- Paid leave hours other than vacation no longer count as hours worked when determining when overtime is due.

The union filed a petition to vacate portions of the award, which was denied by the Court of Common Pleas of Philadelphia County on April 5, 2013. The union has appealed that decision to Commonwealth Court. Briefs have been submitted by the parties and they await the scheduling of oral argument. The pension changes awarded require approval by City Council to be implemented.

Because the award has an expiration date of June 30, 2014, the union has now requested bargaining for a contract to begin July 1, 2014. No bargaining sessions have yet been scheduled.

DC 47

DC 47 represents three distinct groups of City employees that have different bargaining rights under Act 195. Local 2187 is the rank-and-file professional employees that DC 47 represents. They have the right to collectively bargain under Act 195 and to strike once the statutory mediation procedures are exhausted, as described above. Local 2186 is a unit comprised of first-level supervisors who do not have the right to collectively bargain under Act 195, but only to meet and discuss. Subject to this obligation, it has the right to impose changes in terms

and conditions of employment, including wage and benefit changes, on Local 2186 employees. Local 810 is a unit of employees of the First Judicial District who have the right to proceed to interest arbitration under Act 195.

All three of the groups participate in the union-controlled health fund. The City's current contribution to the health fund of $975.76 has been in place since 2007, but will now be increased under the recent agreement with DC 47, as described below. The status of contracts with each group of these employees is discussed below.

DC 47 Local 2187

The City reached an agreement with DC 47 Local 2187 ("Local 2187") on February 25, 2014 for a contract term from July 1, 2009 through June 30, 2017. The new contract provides no retroactive pay increases, but members will receive a ratification bonus of $2,000 per person as well as wage increases of 3.5% 30 days after ratification and across the board wage increases of 2.5% effective July 1, 2015 and 3% effective July 1, 2016. Step and longevity increments, which were frozen in July 2009 pending agreement on a new contract, will also be restored under the agreement prospectively, with employees being placed at the step and longevity increment that they would be at had the freeze never occurred, but no retroactive increases will be paid. In terms of pensions, current employees will see their employee contributions rise by 1% of pay by January 1, 2016. Employees hired after the ratification of the contract can choose Plan 10 – the City's hybrid plan that has both a traditional defined benefit pension and a 401(k)-style element – or they can remain in the current pension plan and pay 1% more than current employees are then paying toward their pensions (including the increases outlined above). The City intends to seek City Council approval prior to implementing these pension changes. Under the agreement, effective January 1, 2015, sick time will no longer be counted as hours worked when determining when overtime is due on a weekly basis. On health care, through December 31, 2014, the City's contribution to the health fund will be $1,100 per member per month, up from the current $975 per member per month, and the City will make a one-time lump sum payment to the health fund of $5 million. Effective January 1, 2015, however, the health fund will move to a self-insured arrangement, similar to the contract with the FOP, and the City will pay the cost of benefits and administration. DC 47 will manage the plan and use an aggressive wellness program with monetary incentives to help employees and their families stay healthier and control costs. Employees will contribute 9% of the health plan's costs. In lieu of creating a separate mechanism for furloughs or temporary layoffs, DC 47 agreed to support the change to civil service regulations to allow the City to streamline the layoff process through a change in calculation of the layoff score and to change the pension ordinance to provide that a layoff of fewer than 15 consecutive days will not be considered a separation for purposes of the deferred retirement option plan ("DROP") to prevent employees who are in the DROP from experiencing a permanent separation as a result of a temporary layoff. The agreement was ratified by Local 2187 on March 5, 2014.

On February 25, 2014, a separate memorandum of agreement was reached with DC 47 Local 2186 ("Local 2186"). The economic terms of that agreement are the same as the Local 2187 agreement, with the exception of the step and longevity provisions, which are not applicable as the freeze on step and longevity increments for Local 2186 employees was lifted by the City in 2012. The agreement was ratified by Local 2186 on March 5, 2014.

The additional cost to the City of such contracts is estimated at $0.5 million in Fiscal Year 2014, $9.2 million in Fiscal Year 2015, $19.1 million in Fiscal Year 2016 and $26.4 million in Fiscal Year 2017. The Mayor's Proposed Fiscal Year 2015 Budget and proposed Twenty-Third Five-Year Plan reflect such additional cost. While the City believes it can manage these increased costs, such costs are expected to cause a significant reduction in the City's General Fund balance in Fiscal Years 2015 through 2017 under the Twenty-Third Five-Year Plan as compared to the Twenty-Second Five Year Plan. See "SUMMARY FINANCIAL INFORMATION – Five-Year Plans of the City."

A side letter to the contracts, which was signed on March 5, 2014, reflects the parties' intent that DC 47-represented employees not suffer economic disadvantage as a result of having negotiated a contract before DC 33. Therefore, if the City negotiates a total compensation package with DC 33 that is greater than that provided in the DC 47 agreement, DC 47-represented employees will be entitled to additional compensation to reflect that difference. Similarly, if the City negotiates different pension or overtime terms with DC 33, those terms will be applied to DC 47-represented employees. Any additional costs to the City as a result of the provisions of such side letter are not included in the estimates in the preceding paragraph or in the Mayor's Proposed Fiscal Year 2015 Budget and proposed Twenty-Third Five-Year Plan.

DC 47 Local 810

On July 11, 2012, an interest arbitration award was issued governing economic terms of employment for covered employees for the period from July 1, 2009 through June 30, 2014. The award ordered general wage increases of 2.5% on July 1, 2012 and July 1, 2013. Additionally, employees in the classification of Probation Officer 2 were awarded a one-range increase within the First Judicial District pay schedule. The First Judicial District has not implemented the classification adjustment, as ordering a promotion infringes on the exclusive authority of the courts. The union has filed an unfair labor practice charge challenging the refusal to implement that provision, on which two days of hearings were held. The union has submitted its post-hearing brief. The First Judicial District has now decided to implement the change to the pay scheduled for these employees and the City expects the unfair labor practice charge to be rendered moot. Under the award, new hires are required to enter Plan 10. Implementation of the pension provision requires City Council approval.

Although the current award expires on June 30, 2014, no demand for negotiations for a successor agreement to begin July 1, 2014 was made within the statutory deadline. A request to bargain was made on March 6, 2014. No negotiations have yet been scheduled.

DC 47 Local 2186 and Exempt and Non-Represented Employees

In September 2012, Mayor Nutter announced changes in wages and benefits for supervisors in DC 47 Local 2186 (for whom the City may impose terms of employment), effective October 1, 2012, along with civil service non-represented and exempt employees. These changes included: (1) a 2.5% pay increase; (2) prospectively restored step and longevity increments (but no back pay); (3) changes restricting overtime including the elimination of double time. In addition, the City amended the Civil Service Regulations to allow it to furlough employees when economic circumstances warrant. As part of this package of changes, the Mayor asked City Council to pass legislation placing new employees in Plan 10 and requiring other employees to contribute, on average, 1.3% to 2.25% more to their pension, as was awarded in interest arbitration with the City's corrections officers (discussed above). Implementation of the pension changes is awaiting City Council approval. These changes affect approximately 5,500 City employees, including those in independently elected offices, who had not had a pay increase since 2007.

The union filed an unfair labor practice charge challenging the implementation of these changes on employees in Local 2186. The parties have agreed to submit the dispute through stipulations of facts and the submission of written briefs. A decision is expected in 2014.

On March 25, 2014, the City and Local 2186 agreed to the terms of a new memorandum of agreement covering the period from July 1, 2009 through June 30, 2017. The agreement provides the same wage increase, bonus, pension, overtime, layoff and health care provisions as the Local 2187 agreement.

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Summary of Wage Changes Since Fiscal Year 2006

The following table presents employee wage increases for the Fiscal Years 2006 through 2017.

Table 16
Employee Wage Increases
Fiscal Years 2006-2017

Fiscal Year	AFSCME District Council 33	AFSCME District Council 47	Fraternal Order of Police Lodge No. 5 (Police)	IAFF Local 22	AFSCME District Council 33 Correctional Officers	AFSCME District 47 Local 810 Court Employees	AFSCME District Council 47 Local 2186	Fraternal Order of Police Lodge No. 5 (Sheriff's Office and Register of Wills
2006	2.0%	2.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%
2007	3.0%(1)	3.0%(1)	3.0%	3.0%	3.0%(1)	3.0%(1)	3.0%(1)	3.0%(1)
2008	4.0%(2)	4.0%(2)	4.0%	4.0%	4.0%(2)	4.0%(2)	4.0%(2)	4.0%(2)
2009	No increase(3)	No increase(3)	4.0%(4)	4.0%(4)	No increase	No increase(3)	No increase(3)	3.0%(11)
2010	(5)	(6)	0.0%(7)	0.0%(8)	(9)	(10)	(12)	0.0%(13)
2011	(5)	(6)	3.0%(7)	3.0%(8)	(9)	(10)	(12)	2.5%(13)
2012	(5)	(6)	3.0%(7)	3.0%(8)	(3) (9)	(10)	(12)	2.5%(13)
2013	(5)	(6)	3.0%(7)	3.0%(8)	2.5%(9)	2.5%(10)	2.5%(12)	3.0%(13)
2014	(5)	3.5%(6)	3.0%(7)	(8)	2.5%(9)	2.5%(10)	3.5%	3.0%(13)
2015	(5)	No increase(6)	(7)	(8)	(9)	(10)	No increase(12)	(13)
2016	(5)	2.5%(6)	(7)	(8)	(9)	(10)	2.5%(12)	(13)
2017	(5)	3.0%(6)	(7)	(8)	(9)	(10)	3.0%(12)	(13)

(1) Third year of a four year contract: 3% effective July 1, 2006.
(2) Fourth year of a four year contract: 4% effective July 1, 2007.
(3) Cash bonus of $1,100 paid 15 days after ratification.
(4) One year contract: 2% effective July 1, 2008 and 2% effective January 1, 2009.
(5) Contract expired on June 30, 2009, and negotiations are currently underway.
(6) Eight year contract effective July 1, 2009 – June 30, 2017: Employees will receive a ratification bonus of $2000. Wage increase of 3.5% will be effective 30 days after ratification of the labor award agreement reached on February 25, 2014, followed by a 2.5% increase on July 1, 2015 and 3% increase on July 1, 2016.
(7) Five year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, 3% effective July 1, 2012, 3% effective July 1 2013. Negotiations are underway for a contract beginning July 1, 2014.
(8) Four year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, 3% effective July 1, 2012. Negotiations for a contract beginning July 1, 2013 are underway.
(9) Five year contract: For Fiscal Years 2010, 2011 and 2012, covered employees will receive the same wage increases, if any, negotiated by DC33 for that time period; 2.5% effective July 1, 2012; 2.5% effective July 1, 2013. Negotiations are underway for a contract beginning July 1, 2014.
(10) Five year contract: For Fiscal Years 2010, 2011 and 2012, covered employees will receive the same wage increases, if any, negotiated by DC47 for that time period; 2.5% effective July 1, 2012; 2.5% effective July 1, 2013.
(11) One year contract: 3% effective July 1, 2008.
(12) Covered employees will receive the same wage increases as those negotiated by DC 47 under the new contract for Fiscal Year 2009 – Fiscal Year 2017.
(13) Five year contract: 0% effective July 1, 2009, 2.5% effective July 1, 2010, 2.5% effective July 1, 2011, 3.0% effective July 1, 2012 and 3.0% effective July 1, 2013. Negotiations are underway for a contract beginning July 1, 2014.

Municipal Pension Fund (Related to All Funds)

General

The Board of Pensions and Retirement (the "Pension Board") is charged under the Philadelphia Home Rule Charter with the creation and maintenance of an actuarially sound retirement system providing benefits for all City employees. Court decisions have interpreted the requirement to maintain an actuarially sound retirement system to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

A. Accrued actuarially determined normal costs; and

B. Amortization of the unfunded actuarial accrued liability ("UAAL").

The Pension Board, pursuant to the Home Rule Charter, is composed of the Director of Finance, who serves as chairperson, the Managing Director, the City Solicitor, the Personnel Director, the City Controller and four members who are elected by the Civil Service employees of the City, and one non-voting member of the Board, appointed by the President of Council. The elected members serve a four-year term of office.

The Pension Board formally approves all benefit applications, but its major role is that of "trustee," to ensure that the retirement system remains actuarially and financially sound for the benefit of current and future benefit recipients. The Pension Board, with the assistance of its staff and professional consultants, develops the policies and strategies which enable the Pension Board to successfully execute its fiduciary obligations.

The City's funding of employer contributions to the Municipal Pension Fund requires the Mayor's annual budget submission and the appropriation of funds for such purpose by the City Council. See "CITY FINANCES AND FINANCIAL PROCEDURES – Budget Procedure" above. In every year since 1984, the City has appropriated contributions to the Municipal Pension Fund in an amount at least equal to the required minimum municipal obligation ("MMO") specified under state law. See "*Funded Status of the Municipal Pension Fund*" below. However, the City, pursuant to state legislation, deferred a portion of its previously calculated MMO in the amount of $150 million in Fiscal Year 2010 and $80 million in Fiscal Year 2011 which was paid in the period ending in Fiscal Year 2013. See "*Annual Required Contributions*" below for further information regarding the City's annual contributions to the Municipal Pension Fund. The City's annual funding of the Municipal Pension Fund at a level at least equal to the applicable MMO makes the City eligible to receive certain annual pension funding from the Commonwealth of Pennsylvania which is deposited to the City's General Fund and transferred to the Municipal Pension Fund. For information regarding the annual amounts of Commonwealth contributions see Table 23 below.

Overview Discussion of Funding of Municipal Pension Fund

Since 2004, the City has been making contributions to the Municipal Pension Fund based primarily upon the MMO rather than the higher annual required contribution (the "ARC") under the pension fund's funding policy and the City's proposed Twenty-Third Five-Year Plan projects continued funding based upon the MMO. The proposed Twenty-Third Five-Year Plan further provides for contributions above the MMO of: (1) a lump sum deposit of net proceeds of the proposed Sale of PGW; (2) an incremental annual deposit equal to the MMO if the Sale of PGW did not occur less the MMO as a result of the deposit made possible by such Sale, less $18 million (representing the annual payment by PGW to the City's General Fund); and (3) the City's projected share of the State-authorized 1% sales tax (which has not yet been enacted by the City). The contributions identified in clauses (1) and (2) of the prior sentence will only occur if the Sale of PGW is closed. The contribution described in clause (3) will only occur if the City enacts the new 1% sales tax. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services" and "REVENUE OF THE CITY – Sales and Use Tax." See "Comparison of State Law (MMO) and Pension Board Funding Policy Funding Methods" for a comparison of the methodologies for the actuarial calculations of the ARC and the MMO. The MMO, the ARC, the actuarial accrued liability, the unfunded actuarial accrued liability and the net pension obligation with respect to the Municipal Pension Fund have each generally been increasing over the prior decade while the funded ratios for the Municipal Pension Fund have generally been decreasing. See Tables 21 through 24 below. The Municipal Pension Fund is expected to generally show a continuation of these trends over the City's next five fiscal years. See Table 25 below. The 2013 Actuarial Report sets forth certain projections of the funded ratio of the Municipal Pension Fund to 2033 which indicate that funding the Municipal Pension Fund at the MMO level, based on current methods and assumptions, will result in a slow improvement of funding of the Municipal Pension Fund. See *"Projections of Funded Status"* below for a further discussion of such projections and related assumptions. The fresh start amortization on a level dollar basis ensures the principal is paid each year and is expected to cause the City's pension contributions to be more level compared to what they would have been under the City's previous amortization period.

The UAAL for the Municipal Pension Fund increased from $5.083 billion as of July 1, 2012 to $5.327 billion as of July 1, 2013. Experience loss represents a $167.5 million increase in the UAAL. There was also an

increase in the UAAL of $143.1 million due to assumption changes. The funded ratio (on an actuarial basis) for the Municipal Pension Fund decreased from 48.1% as of July 1, 2012 to 47.4% as of July 1, 2013. The 2013 Actuarial Report states that while this ratio may appear to reflect lack of progress in funding, the Municipal Pension Fund's risk profile is being improved by including funding for the Pension Adjustment Fund and lowering the Municipal Pension Fund's interest rate assumption from 7.95% to 7.85%. See "*Pension Adjustment Fund*" and "*Actuarial Methods and Assumptions*" below.

The City considers capital market fluctuations with respect to the assets of the Municipal Pension Fund to be a significant risk to the funded status of the Municipal Pension Fund. The City has reduced the assumed rate of return over the last several years. No assurances can be given that the Municipal Pension Fund will achieve its assumed rate of return for any particular time period. See "*Investments"* and *"Cash Flows of the Municipal Pension Fund"* below.

The City's ability to reduce the unfunded actuarial accrued liability for the Municipal Pension Fund depends, among other factors, upon collective bargaining negotiations and accompanying City Council implementing actions. No assurances can be given that such negotiations and actions will be successfully implemented in their entirety, or, if implemented, will produce expected improvements in funded status for the Municipal Pension Fund.

With respect to Municipal Pension Fund's impact on the City's overall budget, the City's proposed Twenty-Third Five-Year Plan includes annual funding at the MMO level without reductions in services or new General Fund revenues but reflects the alterations in pension fund benefits that have been included in arbitration awards and are being sought in collective bargaining negotiations. Historically, however, pension cost increases (which have gone from approximately 6% of the City's General Fund budget in Fiscal Year 2004 to 12% in Fiscal Year 2011) necessitated, at least in part, service cuts and tax increases imposed by the City in recent years. Based on the current projected Fiscal Year 2014 General Fund expenditures of $3,995.1 million, the General Fund's share of the Fiscal Year 2014 MMO is 11%. When adding the annual debt service on the City's Pension Related Bonds to the General Fund MMO costs, total pension related expense for the General Fund is approximately 16%.

Certain Additional Municipal Pension Fund Information

In addition to the discussion of the City's Municipal Pension Fund and the City's municipal pension programs known as Plan 67, Plan 87 and Plan 10 (collectively, the "Municipal Pension Plan") set forth under "Municipal Pension Fund (Related to All Funds)" herein, investors are referred to certain other portions of this Official Statement for other information relating to the City's Municipal Pension Fund and Municipal Pension Plan as described below.

See "SUMMARY FINANCIAL INFORMATION−Five-Year Plans of the City" for a discussion of changes in the annual earnings assumptions for the Municipal Pension Fund in relation to the City's five-year financial plans. See "Overview of Current Labor Situation" above for a discussion of pension-related changes set forth in certain collective bargaining agreement contracts or arbitration awards.

A schedule of funding progress as of July 1, 2013, a comparative schedule of operations of the City's Municipal Pension Fund for Fiscal Years 2004 through 2013 and a description of the derivatives and other financial contracts utilized by the Pension Board, among other items, are contained in the CAFR for the City's Fiscal Year ended June 30, 2013, included as APPENDIX C to this Official Statement.

The City's actuarial report dated April 3, 2014, for the period ending July 1, 2013 (the "2013 Actuarial Report"), which sets forth further information regarding the City's pension obligations, including projections of assets and liabilities in the Municipal Pension Fund and future City contributions, is available on the City's Investor Website. See "DISCUSSION OF FINANCIAL OPERATIONS-Current City Practices." The 2013 Actuarial Report is <u>not</u> incorporated into this Official Statement by reference. The 2013 Actuarial Report was prepared by Cheiron, McLean, Virginia (the "Actuary"). The City has not prepared the projections or actuarial assessments set forth in the 2013 Actuarial Report but has reviewed the information set forth in the 2013 Actuarial Report and has no reason to believe that any such information as of its relevant date is inaccurate. **Projections and actuarial assessments are "forward looking" statements and based upon assumptions which may not be fully realized in the future and**

are subject to change including changes based upon the future experience of the City's Municipal Pension Fund and Municipal Pension Plan.

See also "*Actuarial Methods and Assumptions*" for a discussion of the City of Philadelphia Municipal Retirement System Experience Study Results and Recommendations for the period covering July 1, 2008 through June 30, 2013 (the "Experience Study") submitted by the Actuary to the Pension Board on March 27, 2014.

Employee Participants and Membership in Municipal Pension Plan

Total membership in the City's Municipal Retirement System increased by 0.7% from July 1, 2012 to July 1, 2013 from 64,485 to 64,958 members, including an increase of 1.8% in active members from 26,306 to 26,788. Between such dates, annual salaries increased by 4.2% from approximately $1.372 billion to $1.430 billion; average salary per active member increased by 2.3% from $52,162 to $53,372; annual retirement allowances increased by 4.6% from approximately $646.92 million to $676.63 million and the average retirement allowance increased by 3.5% from $18,969 to $19,634.

Non-uniformed represented employees become vested in the Municipal Pension Plan upon the completion of ten years of service or may elect accelerated vesting after five years of service and pay a higher employee contribution; provided that such accelerated vesting is required for exempt employees hired after January 13, 1999. Upon retirement, non-uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service and the plan in which they participate. Generally, uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service and the plan in which they participate. City employees participate in arrangements set forth under one of three municipal pensions programs known as Plan 67, Plan 87 and Plan 10, depending, primarily, on such employee's date of hire. The retirement age differs for Plan 67 (age 55) and Plan 87 and Plan 10 (age 60) for non-uniformed employees and also for Plan 67 (age 45) and Plan 87 and Plan 10 (age 50) for uniformed employees.

Police employees hired on or after January 1, 2010 and Fire employees hired after October 15, 2010 have the option to participate in Plan 10, which has a defined benefit plan with a different benefit calculation formula and eligibility and vesting rules and a defined contribution plan with eligibility for City matching contributions, or enter Plan 87 but with an increased employee contribution rate of 6.0% of pay instead of 5.0%. Represented employees of the Sheriff's Office hired after January 1, 2012 have the option to participate in municipal Plan 10, which also has a defined benefit plan with a different benefit calculation formula and eligibility and vesting rules and a defined contribution plan with eligibility for City matching contributions, or enter Plan 87 but with an increased employee contribution rate of 50% of normal cost instead of 30% of normal cost. Represented employees of the Register of Wills hired after June 21, 2011 are required to participate in municipal Plan 10. See also "Overview of Current Labor Situation."

All City employees participate in the U.S. Social Security retirement system except for Police and Fire employees.

Certain membership information relating to the City's municipal retirement system provided by the Pension Board is set forth in Appendix A to the 2013 Actuarial Report and includes as of July 1, 2013, among other information, active and non-active member data by plan, age/service distribution for active participants and average salary for all plans, and age and benefit distributions for non-active member data. See also Appendix D to the 2013 Actuarial Report for a summary of the provisions of Plan 67, Plan 87 and Plan 10 including, among other things, plan provisions regarding: participation, credited service, compensation, employee contributions, service requirements, early retirement, deferred vested retirements, withdrawal benefit, service-connected and ordinary death and disability, survivor benefits, service-connected health care benefit and a description of the deferred retirement option plan (DROP).

Investments

The allocation of assets in the Municipal Pension Fund as of February 28, 2014 as well as the target allocation is set forth below:

Table 17
Asset Allocation as of February 28, 2014

	Domestic Equity	Non-US Equity	Total Fixed Income	Private Equity	Hedge Funds	Real Assets	Cash & Other
Current Allocation	28.53%	17.89%	23.53%	10.93%	7.86%	8.35%	2.93%
Target Allocation	20.0%	20.0%	21.0%	17.0%	12.0%	8.0%	2.0%

Source: Current Allocation – J.P. Morgan
Target Allocation – Approved by Board of Trustees October 2012, reaffirmed December 2013
Totals may not add due to rounding.

The Pension Board's investment policy provides, in part:

- The overall investment objectives and goals should be achieved by use of a diversified portfolio, with safety of principal a primary emphasis. The portfolio policy should employ flexibility by prudent diversification into various asset classes based upon the relative expected risk-reward relationship of the asset classes and the expected correlation of their returns.

- The Fund seeks an annual total rate of return of not less than 7.85% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projections (currently 7.85%) over a market cycle. Accordingly, the Fund's investment program will pursue its aforestated total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund.

- All investments are made only upon recommendation of the Fund's Investment Committee and approval by a majority of the Pension Board.

For Fiscal Year 2013, the Fund's market return determined for funding purposes was 10.9% and the actuarial return was 5.1%. During Fiscal Years 2012-13, the Fund was in the process of implementing the then recently approved asset allocation and City officials believe the returns during Fiscal Years 2012-13 reflect the timing of the transition. Accordingly, a number of managers were terminated and new relationships created. The objective of establishing new relationships is, among other things, to reduce the risk profile of the fund and reduce management fees.

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The following table sets forth for the City's Fiscal Years 2004-2013 the market value of assets internal rate of return and actuarial value of assets internal rate of return experienced by the Municipal Pension Fund, and the assumed rate of return. The 5-year and 10-year arithmetic average returns as of June 30, 2013 were 4.89% and 7.47%, respectively on a market value basis.

Table 18
Municipal Pension Fund
Annual Rates of Return

Year Ending June 30,	Market Value	Actuarial Value*	Assumed Rate of Return
2004	16.6%	4.6%	9.00%
2005	9.9	1.8	8.75
2006	11.3	6.1	8.75
2007	17.0	10.7	8.75
2008	-4.5	10.1	8.75
2009	-19.9	-9.3	8.75
2010	13.8	12.9	8.25
2011	19.4	9.9	8.15
2012	0.2	2.4	8.10
2013	10.9	5.1	7.95

Source: 2013 Actuarial Report for Market and Actuarial Value annual rates of return; annual Actuarial Valuation Reports prepared by Mercer Human Resources Consulting for Fiscal Years 2004-2006 and Cheiron for Fiscal Years 2007-2013 for Assumed Rates of Return.

* Net of Pension Adjustment Fund (PAF). See "*Pension Adjustment Fund*" below.

The following table sets forth as of the July 1st actuarial valuation date for the years 2004-2013 the actuarial and market value of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

Table 19
Asset Smoothed Value of Assets vs. Market Value of Net Assets
(Amounts in Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets(1)	Market Value of Net Assets(2)	Actuarial Value as a Percentage of Market Value
7/1/2004	$ 4,333.1	$ 3,972.4	109.1%
7/1/2005	4,159.5	4,100.6	101.4
7/1/2006	4,168.5	4,315.6	96.6
7/1/2007	4,421.7	4,850.9	91.2
7/1/2008	4,623.6	4,383.5	105.5
7/1/2009	4,042.1	3,368.4	120.0
7/1/2010(3)	4,380.9	3,650.7	120.0
7/1/2011(3)	4,719.1	4,259.2	110.8
7/1/2012(3)	4,716.8	4,151.8	113.6
7/1/2013	4,799.3	4,444.1	108.0

Source: 2013 Actuarial Report for Actuarial Value of Assets; 2004-2013 Actuarial Reports for Market Value of Net Assets

(1) The Actuarial Value of Assets is calculated through use of an asset smoothing method. See "Funded Status of the Municipal Pension Fund" below regarding changes made to the asset smoothing method in response to the 2008/2009 market decline.
(2) The Market Value of Net Assets excludes the Pension Adjustment Fund which as of July 1, 2013 equaled $1,096,608.
(3) The July 1, 2010 actuarial and market values of assets include the $150 million deferred contribution from Fiscal Year 2010, and the July 1, 2011 and July 1, 2012 actuarial and market values of assets include the total deferred contribution of $230 million.

During the Pension Board's meeting of March 27, 2014, the market value of Municipal Pension Fund assets as of February 28, 2014 was presented as $4,509,389,504. This figure has yet to be certified or audited.

The 2013 Actuarial Report notes that regardless of whether the Municipal Pension Fund achieves the assumed long-term rate of return of 7.85%, the funding ratio can be adversely impacted by volatile returns year by year. The 2013 Actuarial Report further notes that this component of funding risks is driven by negative cash flows (where benefit payments and expenses are greater than contributions) and that when a mature fund (such as the Municipal Pension Fund) pays out more than it receives in a year and returns are below the assumed rate of return, the assets that get paid out of the fund are no longer available in the fund during subsequent years of market recovery. The 2013 Actuarial Report includes projections with respect to the Municipal Pension Fund based upon assumed consistent annual returns of 7.85% each year and assumed varying returns that average 7.85%. See also *"Cash Flows of the Municipal Pension Fund"* below.

Cash Flows of the Municipal Pension Fund

The following table sets forth for the City's Fiscal Years 2009-2013, the cash inflows, including employee contributions, City contributions, investment earnings and miscellaneous income, and cash outflows, including benefit payments and administration expenses for the Municipal Pension Fund. Debt service payments on the Pension Related Bonds (defined below) are made from the City's General Fund and not made from the Municipal Pension Fund.

Table 20
Cash Flow of the Municipal Pension Fund
Fiscal Years 2009-2013
(Amount in Thousands of USD)

	2009	2010	2011	2012	2013
Beginning Net Assets (Market Value)[1]	$4,424,075.3	$3,375,767.1	$3,501,602.1	$4,030,215.9	$3,922,816.8
Cash Inflows					
- Member Contributions	54,022.6	51,569.9	52,705.6	49,978.7	49,614.0
- City Contributions[2][3]	455,389.0	312,556.3	470,154.8	556,031.7	781,823.0
- Investment Income[4]	(849,377.7)	455,792.6	699,847.9	8,394.1	442,667.0
- Miscellaneous Income[5]	(13,887.5)	(1,367.6)	991.7	(636.4)	3,134.0
Total	$ (353,853.6)	$ 818,551.2	$1,223,700.0	$ 613,768.0	$1,277,238.0
Cash Outflow					
- Benefits and Refunds	(685,872.9)	(684,642.0)	(687,033.5)	(712,684.5)	(746,490.0)
- Administration	(8,581.8)	(8,074.1)	(8,052.7)	(8,482.6)	(8,341.0)
Total	$ (694,454.7)	$ (692,716.2)	$ (695,086.2)	$ (721,167.1)	$(754,831.0)
Ending Net Assets (Market Value)[6]	$3,375,767.1	$3,501,602.1	$4,030,215.9	$ 3,922,816.8	$4,445,223.8

Source: 2009-2013 Actuarial Valuation Reports. Table may not add due to rounding.

(1) Includes the Pension Adjustment Fund which is not available for funding purposes.

(2) City Contributions include pension contributions from the Commonwealth which were in the amounts of $59.6 million, $59.2 million, $61.8 million, $87.6 million and $65.7 million for the City's 2009-2013 Fiscal Years, respectively.

(3) City contributions are the actual contributions for Fiscal Year 2010 and Fiscal Year 2011 which do not include deferred amounts of $150 million and $80 million, respectively.

(4) Investment income is shown net of fees and expenses.

(5) Miscellaneous income includes securities lending and other miscellaneous revenues.

(6) For Fiscal Year 2010, does not include the $150 million contribution receivable and for Fiscal Years 2011 and 2012 does not include the $230 million total contribution receivable that was paid back in October 2012.

Funded Status of the Municipal Pension Fund

Based on the 2013 Actuarial Report, the UAAL was $5.327 billion which equals a funding ratio of approximately 47.4% and a UAAL as a percentage of covered payroll of approximately 373%, each based on actuarial assets of $4.799 billion. The market value of the net assets in the Municipal Pension Fund (excluding the

Pension Adjustment Fund) was $4.444 billion as of July 1, 2013, and the funding ratio based on such market value was approximately 43.9%.

The amortization of the UAAL was determined in accordance with the provisions of the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, 1984 ("Act 205"), as amended from time to time. Any increase or decrease in unfunded liabilities is amortized according to Act 205. Effective for the July 1, 2009 valuation, which defines the City's contribution obligation for the Fiscal Year ending on June 30, 2010, and subsequent valuations, which define the City's contribution obligation in subsequent fiscal years, and as further described below, the unfunded liability may be amortized over a fixed 30-year period as a level dollar amount pursuant to Act 44 which amends Act 205 to provide specific funding relief for the City.

As part of Act 44, which provided for a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline, the City adopted the fresh start amortization alternative of 30 years (previously 20 years remaining) and lowered the assumed rate of interest for funding valuation purposes from 8.75% to 8.25%. Along with these changes the asset smoothing method was changed from a five-year period to a ten-year period with the additional requirement that the actuarial asset value is not more than 120% nor less than 80% of the market value of assets. Additionally, the legislation allowed the City to defer a portion of its minimum municipal obligation payment in the amount of $150 million in Fiscal Year 2010 and $80 million in Fiscal Year 2011 to be paid (including interest due annually as accrued on the outstanding deferral) over the period ending in Fiscal Year 2014. The City applied the proceeds of certain bonds issued in October 2012, together with other available amounts, to repay the Municipal Pension Fund the entire outstanding $230.0 million of the deferred minimum municipal obligation payment and $58.0 million of aggregate interest due on such deferred contributions over the entire deferral period. The change in amortization period and the partial deferral were approved by the Pennsylvania General Assembly as part of Act 44.

On October 28, 2010, the Pension Board voted to further lower the Municipal Pension Fund's annual earnings assumption from 8.25% to 8.15%. In February of 2012, the Pension Board voted to lower the Municipal Pension Fund's annual earnings assumption from 8.15% to 8.10%. In March of 2013, the Pension Board voted to lower the Municipal Pension Fund's annual earnings assumption from 8.10% to 7.95%. In February of 2014 the Pension Board voted to lower the Municipal Pension Fund's annual earnings assumption from 7.95% to 7.85% and to add a 0.54% load to the actuarial liability to account for the present value of future Pension Adjustment Fund transfers. A reduction in the Municipal Pension Fund's annual earning assumption has the effect of increasing the MMO and the ARC to levels higher than what they would have been without such reduction but should reduce the degree of volatility in the MMO and ARC over time in the event that actual investment returns are below the assumed rates of return.

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The following two tables set forth as of the July 1st actuarial valuation date for the years 2004-2013, the asset value, the actuarial accrued liability, the UAAL, the funded ratio, covered payroll and UAAL as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively. The July 1, 2013 valuation results in both tables reflect the Pension Board's decision to decrease the assumed rate of return to 7.85% from 7.95% and a load of the actuarial liability by 0.54% to prefund future Pension Adjustment Fund transfers.

Table 21
Schedule of Funding Progress (Actuarial Value)
(Amount in Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (b)	UAAL (Actuarial Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
7/1/2004	$4,333.1	$7,247.7	$2,914.6	59.8%	$1,266.0	230.2%
7/1/2005	4,159.5	7,851.5	3,692.0	53.0	1,270.7	290.5
7/1/2006	4,168.5	8,083.7	3,915.2	51.6	1,319.4	296.7
7/1/2007	4,421.7	8,197.2	3,775.5	53.9	1,351.8	279.3
7/1/2008	4,623.6	8,402.2	3,778.7	55.0	1,456.5	259.4
7/1/2009	4,042.1	8,975.0	4,932.9	45.0	1,463.3	337.1
7/1/2010	4,380.9	9,317.1	4,936.2	47.0	1,421.2	347.3
7/1/2011	4,719.1[2]	9,487.5	4,768.4	49.7	1,371.3	347.7
7/1/2012	4,716.8[2]	9,799.9	5,083.1	48.1	1,372.2	370.4
7/1/2013	4,799.3	10,126.2	5,326.9	47.4	1,429.7	372.6

Source: 2013 Actuarial Report.

(1) The July 1, 2010 Actuarial Value of Assets includes the $150 million deferred contribution from Fiscal Year 2010 and each of the July 1, 2011 and July 1, 2012 Actuarial Value of Assets includes the total deferred contribution of $230 million.

(2) Reflects the assumed rate of return on deferred contributions at the time of the deferral.

Table 22
Schedule of Funding Progress (Market Value)
(Amount in Millions of USD)

Actuarial Valuation Date	Market Value of Net Assets[1] (a)	Actuarial Accrued Liability (b)	UAAL (Market Value) (b-a)	Funded Ratio (Market Value) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (Market Value) [(b-a)/c]
7/1/2004	$3,972.4	$7,247.7	$3,275.3	54.8%	$1,266.0	258.7%
7/1/2005	4,100.6	7,851.5	3,750.9	52.2	1,270.7	295.2
7/1/2006	4,315.6	8,083.7	3,768.1	53.4	1,319.4	285.6
7/1/2007	4,850.9	8,197.2	3,346.3	59.2	1,351.8	247.5
7/1/2008	4,383.5	8,402.2	4,018.7	52.2	1,456.5	275.9
7/1/2009	3,368.4	8,975.0	5,606.6	37.5	1,463.3	383.2
7/1/2010	3,650.7	9,317.0	5,666.3	39.2	1,421.2	398.7
7/1/2011	4,259.2	9,487.5	5,228.3	44.9	1,371.3	381.3
7/1/2012	4,151.8	9,799.9	5,648.1	42.4	1,372.2	411.6
7/1/2013	4,444.1	10,126.2	5,682.1	43.9	1,429.7	397.4

Source: 2004-2013 Actuarial Valuation Reports

(1) The July 1, 2010 Market Value of Net Assets includes the $150 million deferred contribution from Fiscal Year 2010 and each of the July 1, 2011 and July 1, 2012 Market Value of Net Assets includes the total deferred contribution of $230 million.

Annual Required Contributions

The following table sets forth for the City's Fiscal Years 2004-2013, information related to the City's annual pension contributions including, among other information, the MMO, the ARC for the Municipal Pension Fund under the pension fund's funding policy, the percentage of the ARC contributed, General Fund total expenditures, and each of the MMO and the ARC under the pension fund's funding policy as a percentage of General Fund total expenditures. The ARC is the annual amount to be funded in accordance with the Municipal Pension Fund funding policy adopted by the Pension Board (the "Pension Board Funding Policy"). The City is not required under law or pursuant to contract to contribute to the Municipal Pension Plan in accordance with the Pension Board Funding Policy. Since 2004, the City has been making contributions to the Municipal Pension Fund based primarily upon the MMO rather than the Pension Board Funding Policy. See "*Comparison of State Law (MMO) and Pension Board Funding Policy Funding Methods*" below.

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Table 23
Annual City Contribution Status for the Municipal Pension Fund
(Amount in Millions of USD)

Fiscal Year	MMO	ARC	All City Funds Total Actual Contribution[1]	Percentage of ARC Contributed	General Fund Contribution	Commonwealth Contribution	City Interfund Transfers[2]	Total General Fund Expenditures	General Fund-Estimated portion of the MMO as % of Total General Fund Expenditures	ARC as % of Total General Fund Expenditures	General Fund-Estimated portion of the ARC as % of Total General Fund Expenditures
2004	$195.8	$253.8	$193.1	76.1%	$124.2	$42.8	$26.1	$3,248.18	5.2%	7.8%	6.8%
2005	294.0	358.1	309.0	86.3	224.2	49.8	35.0	3,386.34	7.6	10.6	9.4
2006	306.9	395.0	331.8	84.0	231.2	57.3	43.3	3,426.05	7.7	11.5	10.0
2007	400.3	527.9	432.3	81.9	317.5	57.7	57.1	3,736.66	9.2	14.1	12.3
2008	412.4	536.9	426.9	79.5	305.5	59.6	61.8	3,919.84	8.9	13.7	11.7
2009	438.5	539.5	455.4	84.4	332.1	59.6	63.7	3,915.29	9.6	13.8	11.9
2010	447.4	581.1	312.6	53.8[3]	204.0	59.2	49.3	3,653.73	10.9	15.9	13.4
2011	511.0	715.5	470.2	65.7[3]	343.4	61.8	65.0	3,785.29	11.8	18.9	16.3
2012	507.0	722.5	556.0	77.0	376.9	95.0	84.1	3,484.88[4]	12.1	20.7	17.6
2013	492.0	738.0	781.8[5]	104.2	626.3	65.7	89.8	3,613.27	11.1	20.4	18.4

Source: 2004-2013 Actuarial Valuation Reports and the City.

(1) Includes amounts shown under Commonwealth Contribution and City Interfund Transfers columns. Does not include debt service on the 1999 Pension Obligation Bonds and certain debt incurred to refinance existing pension deferral repayment obligations (outstanding together in the aggregate principal amount of $1,294,825,350 on June 30, 2013). See also "Pension Obligation Bonds" and "Funded Status of the Municipal Pension Fund."

(2) Represents amounts contributed, or reimbursed, to the City's General Fund for pensions from the City's Water Operating Fund, Aviation Operating Fund and certain other City funds or agencies.

(3) Reflects the actual contributions contributed for Fiscal Year 2010 and Fiscal Year 2011 which does not include the deferred contributions authorized pursuant to Act 44. See "Funded Status of the Municipal Pension Fund" above for a discussion of pension contribution deferrals authorized pursuant to Act 44.

(4) In Fiscal Year 2012, reimbursed costs and corresponding revenues for services provided by DHS of approximately $495.1 million were moved from the General Fund to the Grants Revenue Fund.

(5) Includes repayment of deferred contributions authorized pursuant to Act 44 and related accrued interest. See also "Funded Status of the Municipal Pension Fund."

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For Fiscal Year 2014, the City's All City Funds Total Actual Contribution to the Municipal Pension Fund (determined on a similar basis to the corresponding column in Table 23) is expected to be approximately $533.369 million. Such contribution is intended to equal at least the MMO for Fiscal Year 2014 of $533.369 million. The preliminary General Fund portion of the Fiscal Year 2014 MMO is $446.109 million.

The amounts of Commonwealth Contributions and City Interfund transfers for pensions do not affect the MMO requirement, but can be and are counted toward the City's contribution to the MMO.

Comparison of State Law (MMO) and Pension Board Funding Policy Funding Methods

Pennsylvania state law (Act 205) and the Pension Board Funding Policy result in different contribution amounts based upon two different sets of rules for determining how the UAAL is funded. The state law method defines the MMO which is the City's minimum required contribution under Pennsylvania state law. A second method operates in accordance with the Pension Board Funding Policy which predates the Act 205 requirements and calls for contributions that are greater than the MMO until the Municipal Pension Fund's initial July 1, 1985 unfunded actuarial accrued liability is fully funded. Since 2004, the City has been making contributions to the Municipal Pension Fund based primarily upon the MMO rather than the Pension Board Funding Policy due to fiscal constraints while adhering to the requirements of state law. The City's proposed Twenty-Third Five-Year Plan projects continued funding based upon the MMO level rather than the Pension Board Funding Policy level also due to fiscal constraints while adhering to the requirements of state law. Under both funding methods there are two components: the normal cost and the amortized UAAL. The amortization periods related to the UAAL are different under the MMO and the Pension Board Funding Policy. Due to the contribution deferrals in the City's Fiscal Years ended June 30, 2010 and June 30, 2011 pursuant to Act 44, there is an additional component to the MMO to include interest on deferred contributions and to repay these contributions beginning in the City's Fiscal Year ending June 30, 2013. The City repaid such deferred contributions and accrued interest thereon with proceeds of certain bonds issued in October 2012, together with certain other available amounts. Certain differences between the MMO and the Pension Board Funding Policy are:

- The Pension Board Funding Policy amortizes the initial July 1, 1985 unfunded actuarial accrued liability over 34 years. Act 44 allowed for the amortization of the entire unfunded actuarial accrued liability as of July 1, 2009 to be "fresh started" over a 30-year period for MMO purposes.

- The normal cost portion of the Pension Board Funding Policy payment is based on actual fiscal year payroll, whereas the MMO is based on the prior year's estimated payroll for that year.

- Interest does not accumulate on the MMO, as long as the payment is made by the end of the fiscal year.

- Both the Pension Board Funding Policy and the MMO utilize valuation results developed in the previous year (e.g., the July 1, 2013 valuation report determined contribution amounts for Fiscal Year 2015). However, no interest is added to the MMO for this delay.

- The MMO reflects amortization of prior years' City contributions above past MMOs as actuarial gains.

- Starting with Fiscal Years 2007-2008, the MMO recognized actuarial gains and losses every other year. Beginning with Fiscal Year 2012, gains and losses are recognized annually. The Pension Board Funding Policy recognizes actuarial gains and losses on an annual basis.

Annual Pension Cost and Net Pension Obligation

The following table sets forth for the City's Fiscal Years 2004-2013, the calculation of the annual pension cost and the Net Pension Obligation ("NPO") (or Net Pension Asset) for the Municipal Pension Fund. The NPO is the accumulated value of contribution deficiencies (or excesses) over required contributions between the annual

pension cost and the employer's contribution. The annual pension cost is equal to the ARC, one year's interest on the NPO and an adjustment to the ARC to offset, approximately, the amount included in the ARC for amortization of past contribution deficiencies. See also "*Pension Obligation Bonds*" regarding the impact on the NPO (Net Pension Asset) due to the City's financing in Fiscal Year 1999 of a lump-sum contribution to the Municipal Pension Fund.

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Table 24
Calculation of Annual Pension Cost
(Amounts in Thousands of USD)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ARC	$253,844	$358,141	$394,950	$527,925	$536,874	$539,464	$581,123	$715,544	$722,491	$738,010
Interest on NPO	(98,392)	(90,448)	(82,068)	(71,541)	(60,685)	(48,957)	(39,899)	(14,155)	6,521	19,756
Adjustment to ARC	135,638	124,687	113,135	99,953	84,785	68,399	55,744	20,353	(9,435)	(28,660)
Annual Pension Cost	$291,090	$392,380	$426,017	$556,337	$560,974	$558,906	$596,968	$721,742	$719,577	$729,106
Contributions	202,827	299,266	331,765	432,267	426,934	455,389	312,556	470,155	555,690	781,823
Increase in NPO	$88,263	$93,114	$94,252	$124,069	$134,040	$103,517	$284,412	$251,587	$163,887	$(52,717)
NPO at beginning of the year	(1,093,243)	(1,004,980)	(911,866)	(817,614)	(693,545)	(559,505)	(455,987)	(171,575)	80,012	243,898
NPO at end of the year	$(1,004,980)	$(911,866)	$(817,614)	$(693,545)	$(559,505)	$(455,987)	$(171,575)	$80,012	$243,898	$191,181
Interest Rate	9.00%	9.00%	9.00%	8.75%	8.75%	8.75%	8.75%	8.25%	8.15%	8.10%

Source: 2013 Actuarial Report.

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Pension Obligation Bonds

In Fiscal Year 1999, PAID issued $1.3 billion in pension funding bonds (the "1999 Pension Obligation Bonds") and in Fiscal Year 2013 issued the 2012 Service Agreement Revenue Refunding Bonds (hereinafter defined, and together with the 1999 Pension Obligation Bonds, the "Pension Related Bonds"), all on behalf of the City. The Pension Related Bonds are special, limited obligations of PAID and are secured by payments to be made by the City pursuant to service agreements. The City's service agreement payments with respect to the Pension Related Bonds are made from the City's General Fund. The City's payment obligations with respect to the Pension Related Bonds are not included within either the ARC or the MMO. Substantially all the net proceeds of the 1999 Pension Related Bonds were contributed, with other City funds, to make a contribution in Fiscal Year 1999 to the Municipal Pension Fund in the amount of approximately $1.506 billion. Consequently, this contribution resulted in an increase in the City's net pension asset by approximately $1.249 billion during Fiscal Year 1999. See Table 24 above for information regarding changes in the City's net pension obligations/(net pension assets) for Fiscal Years 2004 through 2013. See Section IV in the 2013 Actuarial Report for Pension Related Bond debt service shown allocated among the City's municipal, police and fire divisions. The 2012 Service Agreement Revenue Refunding Bonds refunded a portion of the 1999 Pension Obligation Bonds and financed a deposit of approximately $22.7 million to the Municipal Pension Fund from the refunding savings.

Pension Adjustment Fund

Pursuant to §22-311 of the Philadelphia Code, the Pension Board has established a Pension Adjustment Fund (the "PAF"). In general, the PAF provides for additional benefit distributions to retirees and beneficiaries through the use of excess earnings of the Municipal Pension Fund. Benefit distributions may include a lump-sum bonus payment, monthly pension increases, ad-hoc cost of living adjustments, or other increases determined by the Pension Board. Each fiscal year, the Pension Board shall determine whether there are excess earnings available to be credited to the PAF. Excess earnings that may be transferred to the PAF are limited to 50% of the earnings in excess of a rate equal to the sum of the assumed rate of investment return for the Municipal Pension Fund (currently 7.85%) plus 1.0% and are limited to 2.5%. Currently, 50% of earnings in excess of 8.85% up to 13.85% would be subject to being credited to the PAF. The determination of whether excess earnings exist is based upon an adjusted market value of assets which uses a 5-year smoothing of gains and losses. The market value of assets in the PAF as of July 1, 2013 was $1,096,608. The Board of Pensions adopted a policy to prefund the expected future transfers to the PAF through the adoption of a 0.54% load on the actuarial liabilities which has the impact of increasing the City's MMO to account for the probability that funds will be transferred to the PAF in the future based on excess investment returns.

Projections of Funded Status

The following table shows the projected future funding status of the Municipal Pension Fund, including the actuarially determined contribution, the actuarial value of assets, the actuarial accrued liability, UAAL and funded ratio. The Actuary notes in the 2013 Actuarial Report certain assumptions upon which the following projections are based. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.85% annually, (ii) MMO contributions will be made each year, and (iii) the provisions of Act 205 as amended by Act 44 will remain in force during the projection period. See "*Actuarial Methods and Assumptions*" below and the 2013 Actuarial Report for a further discussion of the assumptions and methodologies used by the Actuary in preparing the 2013 Actuarial Report and the following projections. **Projections and actuarial assessments are "forward looking" statements and based upon assumptions which may not be fully realized in the future and are subject to change, including changes based upon the future experience of the City's Municipal Pension Fund and Municipal Pension Plan.**

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Table 25
Prospective Funded Status of the Municipal Pension Fund
(Amounts in Millions of USD)

Fiscal Year End	Actuarially Determined Contribution	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
2014	$523.4	$4,743.8	$10,182.4	$5,438.6	46.6%
2015	556.0	4,739.3	10,237.4	5,498.1	46.3%
2016	577.2	4,751.8	10,289.3	5,537.5	46.2%
2017	594.6	4,780.5	10,339.5	5,559.1	46.2%
2018	611.2	4,884.7	10,447.2	5,562.5	46.8%
2019	627.3	5,133.4	10,556.6	5,423.2	48.6%

Source: The Actuary.

The 2013 Actuarial Report sets forth certain projections of the funded ratio of the Municipal Pension Fund to 2033. Such projections from the 2013 Actuarial Report indicate that funding at the MMO level, based on current assumptions and methods, will result in a slow improvement of funding after the full impact of the 2008/2009 investment losses are fully realized. Assuming varying returns on Municipal Pension Fund assets that average 7.85% annually, were the City to make annual contributions at the MMO level, the 2013 Actuarial Report projects that the Municipal Pension Fund's actuarial funded ratio would be at approximately 53% in 2024 and increase to 57% and 68% in 2029 and 2033, respectively. Based on the 2013 Actuarial Report, maintaining contributions at the MMO level would have the effect of increasing the Municipal Pension Fund's funded ratio at a slower rate, and to lower levels, than would be achieved were the City to make annual contributions in accordance with the Pension Board Funding Policy over the same projection period to 2033. No assurances can be given that the above-described projections set forth in the 2013 Actuarial Report will be realized or that actual results will not differ materially from such projections.

The 2013 Actuarial Report states with respect to the funded status of the Municipal Pension Fund that, "This historic trend emphasizing the relative low funded status highlights the potential risk of running out of assets to pay benefits. However as long as the City adheres to the continued policy of contributing at least the Minimum Municipal Obligation, this risk will be avoided." On June 24, 2013, the Actuary provided a written response (the "June 2013 Response") to a request from the City to provide more detail regarding a prior statement regarding similar risks made with respect to the Municipal Pension Fund in the Actuary's report dated March 29, 2013 for the period ended July 1, 2012. The Actuary states in the June 2013 Response that all retirement systems are subject to solvency risk if there is an interruption of, or limitation on sufficient cash flows into a fund (i.e., contributions and investment income) and assets held by a fund to make cash flow payments out (i.e., benefits and expenses). The Actuary further states therein that "Because of the current funded status of the plan in 2012 [i.e., the Municipal Pension Fund] (42.4% on a market asset value) and the relatively high portion of benefit payments to market asset value (15.6%), we believe it is appropriate to identify insolvency as a risk." The Actuary then notes in the June 2013 Response certain factors specific to the Municipal Pension Fund that eliminate much of the risk of insolvency:

- "statutory required contributions under Act 205 with very significant cash incentives to preclude the City from failing to meet the [MMO] – in other words as long as the City makes [its] MMO there is no solvency risk";

- the continuous and gradual decrease of the discount rate resulting in higher required MMO amounts which the Actuary states has two impacts: lowering the long-term expected return on Municipal Pension Fund assets that has to be achieved and increasing the contribution from the City to offset the benefit payout cash flow; and

- "[t]he long history of the City contributing at least the MMO and for many years (until 2004) contributing in excess of the MMO."

The June 2013 Response concludes by providing that as long as the City continues to make its MMO payments, the Municipal Pension Fund "should remain solvent and capable of making the benefit payments called for under the [City's Municipal] Retirement System."

Actuarial Methods and Assumptions

The following is a summary of certain actuarial assumptions and methods utilized by the Actuary for the Municipal Pension Fund:

- The Entry Age Normal actuarial funding method is used for active employees whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement;

- The Municipal Pension Fund's UAAL as of July 1, 2009 was "fresh started" to be amortized over 30 years in level dollars;

- All future amortization periods will follow the Pension Board Funding Policy whereby actuarial gains and losses will be amortized over 20 years and assumption changes will be amortized over 15 years;

- The actuarial value of assets is determined using an adjusted market value recognizing investment gains or losses prior to July 1, 2009 over a five-year period, and beginning July 1, 2009, investment gains and losses are recognized over a 10-year period with adjustments so that the actuarial value of assets remains between 80% and 120% of market value (net of the PAF);

- Investment returns are assumed at 7.85% compounded annually, net of expenses;

- Total annual payroll growth is assumed to be 3.3% per year;

- A 0.54% load was added to the actuarial liability to account for the present value of future Pension Adjustment Fund transfers. Other than those provided from time to time by the PAF, there are no other post-retirement benefit increases; and

- Annual expected administrative expenses are expected to increase by 3.3% per year.

The Actuary's assumptions and methods are summarized in greater detail within Appendix C of the 2013 Actuarial Report and address, among other things, rates of termination, disability, mortality and retirement and family composition assumptions.

The Experience Study examines actual versus expected liabilities and assets of the City's Municipal Retirement System for the five-year period from July 1, 2008 through June 30, 2013 (the "Study Period") in compliance with Act 205. The Experience Study compares assumed versus actual experience with respect to all demographic assumptions (e.g., retirement rates, termination rates, disability rates and mortality rates) and economic assumptions (e.g., discount rate, inflation, payroll growth and administrative expenses) used in the preparation of the actuarial valuations for the plan years occurring during the Study Period.

The Experience Study states that during the five years of the Study Period, the net gain/loss of liabilities relative to assumptions was approximately $40 million (on average, $8 million per year). The Experience Study states that these changes "would be considered immaterial to the aggregate liability during this period" but further states that, "However there are material and consistent gains and losses that have for the most part offset each other masking trends and the need for adjustment." The Experience Study notes as an example that there have been

consistent material gains from lower than expected salary growth which offset higher than expected liabilities for retirees living longer than expected.

The Experience Study states that the average annual liability experience loss during the ten plan years ended June 30, 2004 through 2014, inclusive, was $20.7 million or 0.24% of the average annual actuarial liability of $8.7 billion over that period. The Experience Study states that, "While this level of loss could be considered immaterial relative to the total System liabilities, the consistency suggests that more conservative assumptions would be appropriate." With respect to investments, the Experience Study notes that during the same 2004-2013 ten-year period, the average annual investment experience loss was $164.2 million or 3.7% of the average annual market value of assets of $4.4 billion over that ten-year period. The Experience Study comments with respect to the Pension Board's practice of reviewing and changing the investment/discount assumption almost annually that, "The data supports this policy as well as continual review and reduction of the long-term investment/discount rate assumption."

The Experience Study also presents for the Pension Board potential alternatives to several of the current actuarial assumptions for consideration for future plan years. The Pension Board, however, has not yet determined whether to adopt any or all of those recommendations and is not bound to do so. Copies of the Experience Study may be obtained through a request to the Pension Board at 2 Penn Plaza, Philadelphia, PA 19102. The Experience Study is not incorporated into this Official Statement by reference. The City has not prepared the actuarial analysis and assessments set forth in the Experience Study but has reviewed the information set forth in the Experience Study and has no reason to believe that any such information as of its relevant date is inaccurate.

Other Post-Employment Benefits

The City self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees who participate in the City Administered Plan. Eligible represented employees receive five years of coverage through their union's health fund. The City's funding obligation for such benefits is the same as for active employees. Certain union represented employees may defer their coverage until a later date. For some groups, the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement, but for police and fire retirees, the City pays the cost of five years of coverage when the employee receives the benefits. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to $7,500 coverage and all other employees receive $6,000 in coverage.

The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts (other than police) and is self-insured for nonunion employees and union police employees.

The City's annual other post-employment benefit ("OPEB") expense is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

For Fiscal Year 2013, the City's ARC was $113.9 million and it contributed $57.1 million for OPEB expense; its net OPEB obligation for Fiscal Year 2013 was $166.3 million. As of July 1, 2013, the City's unfunded actuarial accrued liability for benefits was $1.5 billion.

Further information on the City's annual OPEB expense and net OPEB obligation for Fiscal Years 2011, 2012 and 2013 and the funded status of the OPEB benefits is contained in the Fiscal Year 2013 CAFR.

PGW Pension Plan

General

The City sponsors the Philadelphia Gas Works Pension Plan (the "PGW Pension Plan"), a single employer defined benefit plan, to provide pension benefits for all of PGW's employees and other eligible class employees of PFMC and the Philadelphia Gas Commission. As plan sponsor, the City, through its General Fund, could be responsible for plan liabilities if the PGW Pension Plan does not satisfy its payment obligations to PGW retirees. If the Sale of PGW is completed, it is expected that the PGW Pension Plan would be fully funded through sale proceeds. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services."

Covered employees hired prior to May 21, 2011 (union employees) or prior to December 21, 2011 (non-union employees) are not required to contribute to the PGW Pension Plan. In December 2011, the PGW Pension Plan was amended by ordinance and a new deferred compensation plan was authorized by ordinance as well. Newly hired employees have an irrevocable option to join either a new deferred compensation plan created in accordance with Internal Revenue Code Section 401 or the existing defined benefit plan, modified to include employee contributions not previously required. The deferred compensation plan provides for an employer contribution equal to 5.5% of applicable wages. The defined benefit plan provides for a newly hired employee contribution equal to 6.0% of applicable wages. The amendments to the PGW Pension Plan did not affect the retirement benefits of active employees, current retirees and beneficiaries, or terminated employees entitled to benefits but not yet receiving them. The PGW Pension Plan provides for retirement payments for vested employees at age 65 or earlier under various options. The PGW Pension Plan also provides death and disability benefits. Retirement benefits vest after five years of credited service.

PGW is required by statute to contribute the amounts necessary to fund the PGW Pension Plan. The PGW Pension Plan is being funded with contributions by PGW to the Sinking Fund Commission of the City. Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance.

Pension Costs and Funding

Pension costs increased by $0.358 million to $23.614 million in PGW's 2013 fiscal year ended August 31, 2013 as compared to the prior fiscal year due to higher payments to retirees. Beneficiary payments of $41.614 million were made in PGW's 2013 fiscal year. Withdrawals from the pension assets of $14.500 million were utilized to meet these beneficiary payments.

The PGW Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Actuarial assessments are "forward looking" statements and based upon assumptions which may not be fully realized in the future and are subject to change including changes based upon the future experience of the PGW Pension Plan. Level percentages of payroll employer contribution rates are determined using the Projected Unit Credit actuarial funding method. As of its September 1, 2012 actuarial valuation date, the PGW Pension Plan had an unfunded actuarial accrued liability of $137.780 million and a funded ratio of 74.8% based upon an actuarial value of assets of $421.780 million and an actuarial accrued liability of $585.632 million. The PGW Pension Plan's actuarial asset value is equal to the value of the plan's assets as reported by the City with no adjustments. The actuarial assumptions used for the September 1, 2012 valuation included a rate of return on the investment of present and future assets of 7.95% per year compounded annually. No assurances can be given that the PGW Pension Plan's assets will achieve the assumed rate of return for any particular time period. As of September 1, 2012, the covered payroll with respect to the PGW Pension Plan was $106.000 million and the UAAL as a percent of covered payroll was 139.5%. The UAAL is being amortized over 20 years.

PGW's annual pension cost is equal to its annual required contribution (ARC). PGW contributed 100% of the ARC for each of its 2011 through 2013 fiscal years in the annual amounts of $23.614 million, $23.972 million and $22.597 million, respectively. PGW had no net pension obligation as of the end of each of such fiscal years. PGW has budgeted $27.715 million for its pension contribution for its fiscal year ended August 31, 2014 which amount is intended to equal the ARC for such fiscal year.

Additional Information

The City issues a publicly available financial report that includes financial statements and required supplementary information for the PGW Pension Plan. The report is not incorporated into this Official Statement by reference. The report may be obtained by writing to the Office of the Director of Finance of the City.

Further information on the PGW Pension Plan, including with respect to its membership, plan description, funding policy, actuarial assumptions and funded status is contained in the City's Fiscal Year 2013 CAFR.

PGW Other Post-Employment Benefits

PGW provides post-employment healthcare and life insurance benefits to approximately 2,044 participating retirees and their beneficiaries and dependents in PGW's fiscal year ended August 31, 2013. The City, through its General Fund, could be responsible for costs associated with post-employment healthcare and life insurance benefits if PGW fails to satisfy its post-employment benefit obligations to PGW retirees or if PGW is sold to a purchaser and (1) the City retains the post-employment benefit obligation without fully funding the liability through sale proceeds or (2) the post-employment benefit obligation is transferred to a purchaser that subsequently fails to satisfy the benefit obligation.

PGW pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided a choice of three plans at PGW's expense and can elect to pay toward a more expensive plan. PGW pays 100% of the cost for the prescription drug plan after drug co-pays. Union employees hired prior to May 21, 2011 and non-union employees hired prior to December 21, 2011 who retire from active service to immediately begin receiving pension benefits are entitled to receive lifetime post-retirement medical, prescription, and dental benefits for themselves and, depending on their retirement plan elections, their dependents.. Employees hired on or after those dates are entitled to receive only five years of post-retirement benefits. Currently, PGW provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go-basis.

As part of a July 29, 2010, rate case settlement (the "Rate Settlement"), which provided for the establishment of an irrevocable trust for the deposit of funds derived through a rider from all customer classes to fund OPEB liabilities, PGW established the trust in July 2010 and began funding the trust in accordance with the settlement agreement in September 2010. The Rate Settlement provides that PGW shall deposit $15.0 million annually towards the ARC and an additional $3.5 million annually, which represents a 30-year amortization of the OPEB liability at August 31, 2010. These deposits will be funded primarily through increased rates of $16.0 million granted in the Rate Settlement.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period of 30 years.

The actuarial accrued liability for PGW's OPEB obligations as of August 31, 2013 was $436.527 million, assuming that PGW will continue to fund its OPEB obligations of $18.5 million per year pursuant to the Rate Settlement on an ongoing basis. The ratio of the unfunded actuarial accrued liability of $374.731 million for PGW's OPEB obligations to the covered payroll was 340.3% as of August 31, 2013, and the funded ratio of the OPEB trust assets (actuarial value basis) to the actuarial accrued liability was 14.2% as of such date. The valuation was prepared utilizing an 7.95% discount rate for purposes of developing the liabilities and the ARC for PGW's fiscal year ended August 31, 2013. This rate is based on the expected return of the investments of the OPEB trust.

For PGW's fiscal year ended August 31, 2013, PGW's ARC was $41.216 million and it contributed $42.242 million for OPEB expense, consisting of approximately $22.2 million of healthcare expenses, $1.5 million of life insurance expenses, and $18.5 million contributed to the OPEB trust. The net OPEB obligation for PGW's fiscal year ended August 31, 2013 was $109.060 million.

Further information on PGW's annual OPEB expense, net OPEB obligation and the funded status of the OPEB benefits related to PGW is contained in the City's Fiscal Year 2013 CAFR.

Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 2007 through 2014.

Table 26
Purchase of Service in the General Fund
Fiscal Years 2007-2014
(Amounts in Millions of USD)

	Actual							Adopted Budget[10]	Current Estimate[11]
	2007	2008	2009	2010	2011	2012[9]	2013	2014	2014
Human Services[1]	495.3	515.3	499.0	465.5	448.2	78.2	67.5	78.2	76.1
Public Health	65.5	65.1	67.9	64.7	66.1	63.0	62.9	60.9	60.9
Public Property[2]	156.3	139.5	142.6	136.2	138.7	139.5	139.5	141.1	141.8
Streets[3]	58.3	58.4	51.0	55.8	51.0	45.7	40.5	45.7	46.7
Sinking Fund - Lease Debt[4]	84.3	85.1	86.1	79.9	87.5	89.7	90.9	96.7	96.7
Legal Services[5]	35.4	37.3	37.3	35.9	36.6	37.3	38.7	40.1	40.6
First Judicial District	24.8	25.6	23.6	23.7	22.9	24.1	16.5	10.3	10.3
Licenses & Inspections[6]	11.4	11.9	9.6	8.2	4.1	7.0	7.1	7.1	10.1
Supportive Housing [7]	31.3	33.9	32.3	31.7	30.2	30.4	34.2	34.5	36.9
Prisons	87.5	93.6	110.7	106.4	106.6	104.0	105.4	104.2	106.4
All Other[8]	101.5	123.0	114.1	103.4	131.0	141.9	154.6	171.8	172.5
Total	1,151.6	1,188.7	1,174.2	1,111.4	1,127.9	760.8	757.8	790.6	799.0

(1) Includes payments for care of dependent and delinquent children.
(2) Includes payments for SEPTA, space rentals, utilities, and telecommunications. In Fiscal Year 2008, the telecommunications division was transferred to the Managing Director – Office of Innovation and Technology ("OIT"). Services purchased for OIT appear in the table under the category "All Other."
(3) Includes solid waste disposal costs.
(4) Includes, among other things, Justice Center, Neighborhood Transformation Initiative and Stadium lease debt.
(5) Includes payments to the Defender Association to provide legal representation for indigents.
(6) Includes payments for demolition in Fiscal Year 2007 through Fiscal Year 2012.
(7) Includes homeless shelter and boarding home payments.
(8) Includes payment for Convention Center Subsidy and Vehicle leasing.
(9) The reduction in Human Services purchases in Fiscal Year 2012 is largely the result of the transfer of the majority of DHS revenue and obligations to the Grants Revenue Fund.
(10) From the estimates for the Adopted Fiscal Year 2014 Budget.
(11) From the Proposed Fiscal Year 2015 Budget.

Figures may not add up due to rounding.

City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of $15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual $20 million beginning in Fiscal Year 2002. In Fiscal Year 2008, the Mayor and City Council agreed to provide an additional $2 million, bringing the total contribution to $37 million. In Fiscal Year 2010, the City made a $38.5 million contribution. In Fiscal Year 2011, the City made a $38.6 million contribution. In Fiscal Year 2012, the City made a contribution of $48.9 million, which included an additional contribution of $10 million over the previous fiscal year. In Fiscal Year 2013, the City's contribution included a contribution of $48.9 million along with an additional contribution of $20 million, bringing the total contribution to $68.9 million. The additional contribution was coupled with an increase in the City portion of the property tax rate. The Approved Fiscal Year 2014 Budget includes a contribution of $69.1 million and the current estimate for Fiscal Year 2014 includes an additional $45 million one-time contribution that was passed through from the State bringing the total contribution to $114.1 million. In addition, beginning in Fiscal Year 2014, the City will forgive annual payment by the School

District of $2.0 million for reimbursement of costs of the Office of Property Assessment. See "REVENUES OF THE CITY-Sales and Use Tax" for additional discussion related to City payments to the School District.

See "REVENUES OF THE CITY-Sales and Use Tax" for a discussion of changes and proposed changes in the funding to be provided to the School District by the City.

Section 696 of the School Code (commonly referred to as "Act 46") imposed on the City a maintenance of effort obligation with respect to the School District. For so long as the School District remains subject to a declaration of "distress" by the Secretary of Education, the City is obligated to continue paying over to the School District each year an amount at least equal to the amount paid over to the School District in the previous year; and is obligated to continue authorizing for the School District a rate of taxation at least equal to the rate of taxation authorized by the City for the School District in the previous year. The School District was declared distressed effective December 22, 2001. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA - Local Government Agencies - The School District."

See also "REVENUES OF THE CITY-Real Property Taxes" for a discussion of the transition to AVI.

PGW Annual Payments

In order to assist PGW, (i) the City agreed to forgo the $18 million annual payment in Fiscal Year 2004, (ii) for Fiscal Years 2005, 2006, 2007, 2008, 2009 and 2010 the City made a grant to PGW equal to the annual payment received from PGW in such fiscal years. In Fiscal Year 2011, PGW remitted to the City the required annual payment of $18,000,000. The City's Twentieth Five-Year Plan included the PGW annual payment of $18,000,000 to the City's General Fund but discontinued the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2012, 2013, 2014, 2015 and 2016. The City's Twenty-First Five-Year Plan included the PGW annual payment of $18,000,000 to the City's General Fund and discontinued the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2013, 2014, 2015, 2016 and 2017. The City's Twenty-Second Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund and discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2014, 2015, 2016, 2017 and 2018. The City has entered into the Agreement for the Sale of PGW to Buyer which would effect this payment in future years. The City's proposed Twenty-Third Five-Year Plan includes half of the Fiscal Year 2015 payment ($9 million) based on an expected sale date of December 2014 and no payment thereafter. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA-Government Services."

City Payments to SEPTA

The City made operating subsidy payments to SEPTA in Fiscal Years 2008, 2009, 2010, 2011, 2012 and 2013 of $61.3 million, $62.9 million, $64.2 million, $65.9 million, $66.4 million and $65.2 million, respectively. The Adopted Fiscal Year 2014 Budget and current estimate for Fiscal Year 2014 operating subsidy payments to SEPTA is $67.1 million. The proposed Twenty-Third Five-Year Plan projects operating subsidy payments to SEPTA of $70.4 million in Fiscal Year 2015 and that the City's contribution to SEPTA will increase to $85.6 million by Fiscal Year 2019.

City Payments to Convention Center Authority

In connection with the financing of the expansion to the Pennsylvania Convention Center and the refinancing of debt for the original Pennsylvania Convention Center construction, the Commonwealth, the City and the Convention Center Authority entered into an operating agreement in 2010, providing for the operation of the Convention Center by the Convention Center Authority and pursuant to which the City agreed to pay the Convention Center Authority an annual service fee of $15,000,000 in each Fiscal Year through Fiscal Year 2040 and specified percentages of the City's hotel room rental tax and hospitality promotion tax, subject to certain conditions.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

Because the receipts of General Fund revenues lag behind expenditures during most of each fiscal year, the City issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account to finance its on-going operations. The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each issue was repaid when due, prior to the end of the fiscal year.

The timing imbalance referred to above results from a number of factors, principally the following: (1) real property, business privilege tax and certain other taxes are not due until the latter part of the fiscal year; and (2) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

The City issued $285 million of Tax and Revenue Anticipation Notes in July 2010. These notes were repaid on June 30, 2011. The City issued Tax and Revenue Anticipation Notes in the amount of $173 million in December 2011 which were repaid in June 2012. The City issued Tax and Revenue Anticipation Notes in the amount of $127 million in December 2012 which matured on June 26, 2013. The City issued Tax and Revenue Anticipation Notes in the amount of $100 million in December 2013 which will mature in June 2014. The City sold the notes on a competitive basis. The City pays the principal amount to a trust 30 days prior to maturity.

Consolidated Cash

The Act of the General Assembly of the Commonwealth of June 25, 1919, P.L. 581, Art. XVII, § 6, gives the City the authority to make temporary inter-fund loans between operating and capital funds.

The Consolidated Cash Account provides for the physical commingling of the cash of all City Funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Water Fund, the Aviation Fund and certain other restricted purpose funds). A separate accounting is maintained for the equity of each member fund in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the following procedures:

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, the required advance is made from the Consolidated Cash Account, in the amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a borrowing fund are applied in repayment of the advance.

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes. With the movement of the reimbursable component of DHS activities from the General Fund to the Grants Revenue Fund, a similar system of advances has resulted in the use of tax revenues or other operating revenues in the General Fund to make expenditures from the Grants Revenue Fund, which advances may be outstanding for multiple fiscal years, but which are expected to be reimbursed by the Commonwealth.

Procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and make investments that preserve principal while striving to obtain the maximum rate of return. In accordance with the

Home Rule Charter, the City Treasurer is the City Official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional money managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to Revenue Bonds for Water and Sewer and the Airport are directly deposited and held separately in trust. A Fiscal Agent manages these cash balances per the related bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy. In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with Federal or State reporting.

Investment guidelines for the City are embodied in legislation approved by City Council appearing in the Philadelphia City Code, Chapter 19-202. In furtherance of the City, State, and Federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that first went into effect in August 1994 and most recently was revised in January 2011. The Policy supplements other legal requirements and establishes a comprehensive investment policy for the overall administration and effective management of all monetary funds (except the Municipal Pension Fund and PGW Retirement Reserve Fund).

The Policy delineates the authorized investments as approved by City Council Ordinance and the funds to which the Policy applies. The authorized investments include U.S. government securities, U.S. treasuries, U.S. agencies, repurchase agreements, commercial paper, corporate bonds, money market mutual funds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States, all of investment grade rating or better.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio. Repurchase agreements, money market mutual funds, commercial paper, and corporate bonds are limited to investment of no more than 25% of the total portfolio. Obligations of the Commonwealth and collateralized banker's acceptances and certificates of deposit are limited to no more than 15% of the total portfolio. Collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States are limited to no more than 5% of the total portfolio.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio per issuer. Repurchase agreements and money market mutual funds are limited to no more than 10% of the total portfolio per issuer. Commercial paper, corporate bonds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States are limited to no more than 3% of the total portfolio per issuer.

The Policy also restricts investments to those having a maximum maturity of two years. Daily liquidity is maintained through the use of SEC-registered money market mutual funds with the balance of funds invested by the City or money managers in accordance with the Policy.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance and the City Treasurer with ex-officio membership of a representative of each of the principal operating and capital funds, i.e., Water Fund, Aviation Fund, PGW and PMA. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and to plan for the next quarter. Investment managers are given any changes in investment instructions at these meetings. The Investment Committee approves all modifications to the Policy. The Investment Committee may from time to time review and revise the Policy and does from time to time approve temporary waivers of the restrictions on assets based on cash management needs and recommendations of investment managers.

The Policy expressly forbids the use of any derivative investment product as well as investments in any security whose yield or market value does not follow the normal swings in interest rates. Examples of these types of securities include, but are not limited to: structured notes, floating rate or inverse floating rate instruments, securities that could result in zero interest accrual if held to maturity, and mortgage derived interest and principal only strips. The City currently makes no investments in derivatives.

DEBT OF THE CITY

The Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of said City shall not exceed 13.5% of the average of the annual assessed valuations of the taxable realty therein, during the ten years immediately preceding the year in which such increase is made, but said City shall not increase its indebtedness to an amount exceeding 3.0% upon such average assessed valuation of realty, without the consent of the electors thereof at a public election held in such manner as shall be provided by law." It has been judicially determined that bond authorizations once approved by the voters will not be reduced as a result of a subsequent decline in the average assessed value of City property.

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called "self-supporting debt") incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay interest and sinking fund charges thereon. In the case of general obligation debt, the amount of such self-supporting debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-supporting debt is general obligation debt of the City, with the only distinction from tax-supported debt being that it is not used in the calculation of the Constitutional debt limit. Self-supporting debt has no lien on any particular revenues.

As of April 1, 2014, the Constitutional debt limitation for tax-supported general obligation debt was approximately $3,011,158,000. This amount is based upon a formula of 13.5% of the assessed value of taxable real estate within the City on a 10-year rolling average for a 10-year period ending with the year immediately preceding the year in which the increase in debt occurs. The total amount of authorized debt applicable to the debt limit was $1,673,438,000, including $587,654,000 of authorized but unissued debt, leaving a legal debt margin of $1,337,720,000. The calculation of the legal debt margin is as follows:

Table 27
General Obligation Bonded Debt
April 1, 2014
(Amounts in Thousands)

Authorized, issued and outstanding	$1,439,550
Authorized and unissued	587,654
Total	2,027,204
Less: Self-supporting debt	(353,766)
Less: Serial bonds maturing within a year	(0)
Total amount of authorized debt applicable to debt limit	1,673,438
Legal debt limit	3,011,158
Legal debt margin	$1,337,720

As a result of the implementation of the City's Actual Value Initiative, see "REVENUES OF THE CITY−Real Property Taxes," the assessed value of taxable real estate within the City has increased substantially. Such increase in assessed valuation along with the change in the methodology for calculating real estate taxes under AVI that allowed the City, in calculating the average described above, to include the valuation established in the prior year rather than the valuation that forms the basis of the taxes assessed in the prior year, has increased substantially the Constitutional debt limitation for tax-supported general obligation debt starting in 2014 as the higher valuations are averaged into the formula described above over the following ten years. The increase in such Constitutional debt limitation could be more than approximately $1 billion annually over such ten-year period.

The City is also empowered by statute to issue revenue bonds and, as of February 28, 2014 had outstanding $1,901,663,000 aggregate principal amount of Water and Wastewater Revenue Bonds, $1,058,920,000 aggregate principal amount of Gas Works Revenue Bonds, and $1,315,455,000 aggregate principal amount of Airport Revenue Bonds. As of the close of business on February 28, 2014, the principal amount of PICA bonds outstanding was $409,280,000.

Short-Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each note issue was repaid when due prior to the end of the fiscal year of issuance. The City issued $100 million of Tax and Revenue Anticipation Notes on December 11, 2013, which mature on June 30, 2014. The Notes were sold on a competitive basis.

Long-Term Debt

The table below presents a synopsis of the bonded debt of the City and its component units as of the date indicated. In addition, for tables setting forth a ten-year historical summary of tax-supported debt of the City and School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2013, see the Fiscal Year 2013 CAFR.

Of the total balance of City general obligation bonds issued and outstanding on February 28, 2014, approximately 22% is scheduled to mature within five fiscal years and approximately 46% is scheduled to mature within ten fiscal years. When PICA's outstanding bonds are included with the City general obligation bonds, approximately 58% is scheduled to mature within ten fiscal years.

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Table 28
Bonded Debt -- City of Philadelphia and Component Units
as of February 28, 2014
(Amounts in Thousands)

(Unaudited)

General Obligation and PICA bonds		
General Obligation Bonds		$ 1,439,550
PA Intergovernmental Cooperation Authority		409,280
Subtotal: General Obligation and PICA bonds		1,848,830
Other Long-Term Debt-Related Obligations[1]		
Philadelphia Municipal Authority		
Municipal Services Building	$ 14,154	
Criminal Justice Center	85,050	
Juvenile Justice Center	95,355	
Energy Conservation	12,605	207,164
Philadelphia Authority for Industrial Development		
Pension Bonds	1,626,024	
Stadiums	302,105	
Library	7,690	
Cultural and Commercial Corridor	112,050	
One Parkway	39,260	2,087,129
Parking Authority		13,650
Redevelopment Authority		220,045
Subtotal		4,376,818
Revenue bonds		
Water Fund		1,901,663
Aviation Fund		1,315,455
Gas Works		1,058,920
Subtotal: Revenue bonds		4,276,038
Grand total		$ 8,652,856

[1] The principal amount outstanding relating to the PAID 1999 Pension Obligation Bonds, Series B (capital appreciation bonds) and the PMA Municipal Services Building Rental Bonds, Series 1990C (capital appreciation bonds) are reflected as the accreted value thereon as of February 28, 2014.

Source: Office of Director of Finance

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Table 29
City of Philadelphia
Annual Debt Service on General Fund-Supported Long-Term Debt[1]
As of February 28, 2014
(Amounts in Millions of USD)

Fiscal	General Obligation Bonds			Other Long-Term Obligations[2]			Total		
Year	Principal	Interest[3]	Total	Principal	Interest[3]	Total	Principal	Interest	Total
2014[4,5]	-	5.53	5.53	171.61	97.97	269.58	171.61	103.50	275.12
2015	59.85	70.75	130.60	83.67	142.77	226.44	143.52	213.52	357.04
2016	59.18	68.37	127.54	83.14	139.55	222.69	142.32	207.92	350.24
2017	62.09	65.36	127.45	83.20	139.31	222.50	145.28	204.67	349.95
2018	65.10	62.14	127.24	88.52	138.62	227.14	153.61	200.76	354.38
2019	68.36	58.77	127.13	73.39	137.97	211.36	141.75	196.74	338.49
2020	70.33	55.32	125.65	64.09	137.79	201.88	134.42	193.11	327.53
2021	63.36	52.06	115.41	79.21	122.70	201.91	142.57	174.76	317.32
2022	66.19	48.88	115.06	76.97	124.98	201.95	143.15	173.86	317.02
2023	70.55	45.40	115.95	114.34	87.64	201.98	184.88	133.04	317.93
2024	74.10	41.68	115.77	114.29	87.72	202.01	188.39	129.40	317.79
2025	77.74	37.79	115.53	118.76	83.30	202.05	196.49	121.09	317.58
2026	74.09	33.96	108.05	134.68	66.88	201.26	208.47	100.84	309.31
2027	77.65	30.11	107.76	160.04	43.88	203.92	237.68	73.99	311.67
2028	81.96	26.20	108.15	165.25	34.60	199.85	247.21	60.80	308.00
2029	55.53	22.94	78.47	277.50	17.61	295.11	333.03	40.56	373.58
2030	71.45	19.87	91.31	53.73	7.81	61.53	125.17	27.68	152.85
2031	75.15	16.27	91.42	56.27	5.32	61.58	131.42	21.59	153.00
2032	79.02	12.47	91.49	13.63	3.21	16.84	92.65	15.69	108.34
2033	43.22	9.37	52.59	4.90	2.71	7.61	48.12	12.09	60.20
2034	30.41	7.40	37.80	5.22	2.39	7.61	35.62	9.79	45.41
2035	15.55	6.15	21.96	5.56	2.06	7.61	21.10	8.20	29.30
2036	16.42	5.27	21.69	5.92	1.69	7.61	22.34	6.97	29.30
2037	17.33	4.36	21.69	6.30	1.31	7.61	23.63	5.67	29.30
2038	18.31	3.38	21.69	6.71	0.90	7.61	25.02	4.28	29.30
2039	19.37	2.32	21.69	7.15	0.46	7.61	26.52	2.78	29.30
2040	8.52	1.50	10.02	--	--	--	8.52	1.50	10.02
2041	9.10	0.93	10.02	--	--	--	9.10	0.93	10.02
2042	9.71	0.32	10.02	--	--	--	9.71	0.32	10.02
TOTAL	1,439.55	814.88	2,254.43	2,053.71	1,631.18	3,684.89	3,493.26	2,446.06	5,939.32

[1] Does not include PICA bonds.
[2] Includes PAID, PMA, Parking Authority, and Redevelopment Authority bonds.
[3] Assumes interest rate to be fixed swap rate on hedged variable rate bonds plus any fixed spread.
[4] Fiscal Year 2014 includes payments on debt incurred to refinance existing pension deferral repayment obligations due in such Fiscal Year. See EXPENDITURES OF THE CITY – Municipal Pension Fund – Funded Status of the Municipal Pension Fund."
[5] Debt service for Fiscal Year 2014 reflects payments due for the remainder of the Fiscal Year.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations, as shown on Table 28. The City budgets all other long-term debt-related obligations as a single budget item with the exception of the Parking Authority which has a budget of $1,336,200 for Fiscal Year 2014.

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia ("CCP"). Under the Community College Act, each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth.

Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment). The total payment to CCP in Fiscal Year 2008 was $24,467,924. The amount paid in Fiscal Year 2009 and Fiscal Year 2010 was $26,467,924 each year. The amount paid in Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013 was $25,409,207. The budgeted amount for Fiscal Year 2014 is $26,409,207. This amount represents the portion of operating costs (less student tuition and the Commonwealth payment) and up to half of the annual capital expenses for the year.

PICA Bonds

PICA has previously issued 11 series of bonds. Under the PICA Act, PICA no longer has the authority to issue bonds for new money purposes, but may refund bonds previously issued. Two series remain outstanding: (i) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 issued in the original aggregate principal amount of $354,925,000, having a final stated maturity date of June 15, 2023 and (ii) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 in the original principal amount of $206,960,000, having a final stated maturity date of June 15, 2022. As of the close of business on February 28, 2014, the principal amount of PICA bonds outstanding was $409,280,000.

The proceeds of the previous series of bonds issued by PICA were used (a) to make grants to the City to fund its General Fund deficits, to fund the costs of certain City capital projects, to provide other financial assistance to the City to enhance operational productivity, and to defease certain City general obligation bonds, (b) to refund other PICA bonds and (c) to pay costs of issuance.

The PICA Act authorized the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the adoption of the first Five-Year Plan, the City reduced the wage, earnings, and net profits taxes on City residents by 1.5% and enacted a new tax of 1.5% on wages, earnings and net profits of City residents (the "PICA Tax"). Proceeds of the PICA Tax are solely the property of PICA. The PICA Tax, collected by the City's Department of Revenue, is deposited in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA Tax Fund") of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly of the Commonwealth.

The PICA Act authorizes PICA to pledge the PICA Tax to secure its bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing its rate while any PICA bonds are outstanding. PICA bonds are payable from PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account (as described below) and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

The PICA Act requires that proceeds of the PICA Tax in excess of amounts required for (i) debt service, (ii) replenishment of any debt service reserve fund for bonds issued by PICA, and (iii) certain PICA operating expenses, be deposited in a trust fund established exclusively to benefit the City and designated the "City Account." Amounts in the City Account are required to be remitted to the City not less often than monthly, unless PICA certifies the City's non-compliance with the then-current five-year financial plan.

The PICA Act establishes a "Bond Payment Account" for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. Since PICA has issued bonds secured by the PICA Tax, the PICA Act requires that the State Treasurer pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account.

The total amount of PICA Tax remitted to PICA by the State Treasurer (which is net of the costs of the State Treasurer in collecting the PICA Tax) for each of the Fiscal Years 2003 through 2013 and the Adopted Fiscal Year 2014 Budget and current estimate for Fiscal Year 2014 are set forth below.

Table 30
Summary of PICA Tax Remitted by the State Treasurer to PICA and Net Taxes Remitted by PICA to the City (Amounts in Millions of USD)

Year	PICA Tax	PICA Annual Debt Service and Investment Expenses	Net taxes remitted to the City[1]
2003	281.5	79.2	202.3
2004	285.0	78.9	206.1
2005	300.2	85.9	214.3
2006	309.9	87.1	222.8
2007	327.9	86.0	241.9
2008	341.8	86.4	255.4
2009	348.5	86.4	262.1
2010	343.3	68.9	274.4
2011	358.7	64.9	293.8
2012	357.5	62.3	295.2
2013	376.5	62.6	313.9
2014 (Adopted Budget)[2]	391.0	65.9	325.1
2014 (Current Estimate)[3]	386.3	65.9	320.4

(1) Does not include additional one-time grants to the City from PICA reserves in certain years.
(2) From the estimates for the Adopted Fiscal Year 2014 Budget.
(3) From the Proposed Fiscal Year 2015 Budget.

OTHER FINANCING RELATED MATTERS

Swap Information

The City has entered into various swaps related to its outstanding General Fund-supported bonds as detailed in the following table:

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Table 31
Summary of Swap Information
for General Fund-Supported Bonds
as of March 31, 2014

City Entity	City GO	City Lease - PAID	City Lease -PAID	City Lease - PAID
Related Bond Series	2009B[1]	2001 (Stadium)	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	$313,505,000	$298,485,000	$217,275,000	$72,400,000
Current Notional Amount	$100,000,000	$193,520,000	$217,275,000	$72,400,000
Termination Date	8/1/2031	10/1/2030	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap[2]	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20%, plus fixed annuity	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	SIFMA	3.9713%	3.9713%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value[3]	($13,588,600)	($6,503,037)	($34,060,931)	($11,350,040)

(1) On July 28, 2009, the City terminated a portion of the swap in the amount of $213,505,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2009A fixed rate bonds and the Series 2009B variable rate bonds. The City made a termination payment of $15,450,000.

(2) PAID received annual fixed payments of $1,216,500 from July 1, 2004 through July 1, 2013. As the result of an amendment on July 14, 2006, $104,965,000 of the total notional amount was restructured as a constant maturity swap (the rate received by PAID on that portion was converted from a percentage of 1-month LIBOR to a percentage of the 5-year LIBOR swap rate from October 1, 2006 to October 1, 2020). The constant maturity swap was terminated in December 2009. The City received a termination payment of $3,049,000.

(3) Fair values are as of March 31, 2014, and are shown from the City's perspective and include accrued interest.

While the City is party to several interest rate swap agreements, for which there is General Fund exposure and on which the swaps currently have a negative mark against the City, the City has no obligation to post collateral on these swaps while the City's underlying ratings are investment grade.

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, Water and the Airport, see the Fiscal Year 2013 CAFR. In addition, PICA has entered into swaps which are detailed in the Fiscal Year 2013 CAFR.

Letter of Credit Agreements

The City has entered into various letter of credit agreements related to its General Fund-supported bonds as detailed in the table below. Under the terms of such letter of credit agreements, following a purchase of the applicable bonds, the City may be required to amortize such bonds more quickly than as originally scheduled at issuance.

Table 32
Summary of Letter of Credit Agreements
for General Fund-Supported Bonds
as of March 31, 2014

Variable Rate Bond Series	Amount Outstanding	Provider	Expiration Date
General Obligation Bonds, Series 2009B	$ 100,000,000	Bank of New York Mellon	03/07/2016
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-1	117,275,000	JPMorgan	05/24/2014
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2	72,400,000	TD Bank	05/29/2015
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-3	44,605,000	PNC Bank	05/23/2014

The City has received proposals for the expiring letters of credits above and is in the process of executing a related plan of finance. See "Resent and Upcoming Financings" below.

Recent and Upcoming Financings

In the second quarter of 2014, the City anticipates issuing, together with PGW, commercial paper notes or bonds in the estimated amount of $120 million.

The City, through PAID, anticipates the following financings with respect to PAID's Multi-Modal Lease Revenue Refunding Bonds, Series 2007B during the second quarter of 2014: (i) refunding the Series 2007B-1 Bonds with a direct purchase of floating rate notes, indexed to a percentage of 1-month LIBOR, and concurrently re-indexing associated portions of the related swaps to the same LIBOR index; (ii) extending the letters of credit supporting the Series 2007B-2 and Series 2007B-3 Bonds for 4 and 3 years, respectively; and (iii) refunding the Series 2007B-4 Bonds with fixed rate bonds and terminating associated portions of the related swaps.

In Fiscal Year 2014, the City, through the PAID, may issue up to $50 million of bonds for the benefit of the School District which may be repaid from Sales and Use Tax receipts in Fiscal Years 2015 through 2018. See "REVENUES OF THE CITY-Sales and Use Tax."

In the fourth quarter of 2014, the City, together with the Philadelphia Airport, may issue Revenue Bonds for an amount to be determined.

In the first quarter of 2015, the City, together with the Philadelphia Water Department, may issue Revenue Bonds for an amount to be determined.

From time to time, the City considers additional new money and/or refunding financings as market opportunities arise.

The following is a list of financings that the City has entered into since the close of Fiscal Year 2013:

In February 2014, the City issued General Obligation Refunding Bonds, Series 2014A in the amount of $154.275 million.

In January 2014, the City, together with the Philadelphia Water and Wastewater Department, issued Water and Wastewater Revenue Bonds in the amount of $123.170 million.

In December 2013, the City issued Tax and Revenue Anticipation Notes in the amount of $100 million.

In October 2013, the City, through the Philadelphia Municipal Authority, issued its City Agreement Revenue Refunding Bonds, 2013 Series A, in the amount of $85.05 million.

In August 2013, the City, together with the Philadelphia Water Department, issued Water and Wastewater Revenue Bonds, Series 2013A in the amount of $170 million.

In August 2013, the City issued its $208.360 million General Obligation Bonds, Series 2013A.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2014-2019 contemplates a total budget of $10,006,625,000, of which $2,338,132,000 is to be provided from Federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2014-2019 on June 20, 2013.

Table 33
Fiscal Years 2014-2019
Capital Program
(Amounts in Thousands of USD)

City Funds – Tax Supported	2014	2015	2016	2017	2018	2019	2014-2019
Carried-forward Loans	303,897	0	0	0	0	0	303,897
Operating Revenue	29,855	3,464	2,964	1,764	1,764	1,764	41,575
New Loans	91,097	90,367	95,720	95,037	94,978	111,024	578,223
Pre-financed Loans	16,346	0	0	0	0	0	16,346
PICA Pre-financed Loans	12,858	0	0	0	0	0	12,858
Tax-supported Subtotal	454,053	93,831	98,684	96,801	96,742	112,788	952,899
City Funds – Self-Sustaining							
Carried-forward Loans	1,138,430	0	0	0	0	0	1,138,430
Operating	163,289	59,017	69,163	74,066	76,227	78,639	520,401
New Loans	765,680	756,431	692,412	1,036,669	897,243	840,328	4,988,763
Self-Sustaining Subtotal	2,067,399	815,448	761,575	1,110,735	973,470	918,967	6,647,594
Revolving Funds	18,000	0	0	0	0	0	18,000
Other Than City Funds							
Carried-Forward Other Government	19,485	0	0	0	0	0	19,485
Other Governments Off Budget	634	724	949	934	1,050	1,217	5,508
Other Governments/Agencies	60	0	0	0	0	0	60
Carried-Forward State	93,978	0	0	0	0	0	93,978
State Off Budget	74,904	90,059	135,981	136,936	140,022	148,083	725,985
State	29,973	23,138	20,375	20,125	21,925	15,300	130,836
Carried-Forward Private	141,896	0	0	0	0	0	141,896
Private	61,670	34,470	32,120	28,370	33,370	20,370	210,370
Carried-Forward Federal	265,307	0	0	0	0	0	265,307
Federal Off Budget	77,140	63,838	57,251	41,998	41,943	17,998	300,168
Federal	128,614	74,550	87,550	81,750	66,975	55,100	494,539
Other Than City Funds Subtotal	893,661	286,779	334,226	310,113	305,285	258,068	2,338,132
TOTAL	$3,433,113	$1,196,058	$1,194,485	$1,517,649	$1,375,497	$1,289,823	$10,006,625

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Division of Aviation, and the Gas Works. Claims against the Water Department are paid first from the Water Fund and only secondarily from the General Fund. Claims against the Division of Aviation, to the extent not covered by insurance, are paid first from the Aviation Fund and only secondarily from the General Fund. Claims against the Gas Works, to the extent not covered by insurance, are paid first from Gas Works revenues and only secondarily from the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act," (the "Tort Claims Act") establishes a $500,000 aggregate limitation on damages for injury to a person or property arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation on damages has been previously upheld by the Pennsylvania appellate courts, including in past decisions of the Pennsylvania Supreme Court. In January 2014, however, the Pennsylvania Supreme Court granted review of a case in which the injured party challenges the $500,000 limitation that caps the damages that can be recovered from a political subdivision in a tort case. Briefs have been filed, and argument has been scheduled for May 2014. A decision is not expected for some months. The City, the City of Pittsburgh, Allegheny County, the Attorney

General of the Commonwealth, and numerous other governmental entities have filed amicus briefs arguing that the statutory damages cap of the Tort Claims Act should be upheld. Under Pennsylvania Rule of Civil Procedure 238, delay damages are not subject to the $500,000 limitation. The limit on damages is inapplicable to any suit against the City which does not arise under state tort law such as claims made against the City under Federal civil rights laws.

The aggregate loss resulting from general and special litigation claims was $24.5 million for Fiscal Year 2004, $27.5 million for Fiscal Year 2005, $23.0 million for Fiscal Year 2006, $26.6 million for Fiscal Year 2007, $29.8 million for Fiscal Year 2008, $34.5 million for Fiscal Year 2009, $32.7 million for Fiscal Year 2010, $33.6million for Fiscal Year 2011, $32.6 million for Fiscal Year 2012, and $30.3 million for Fiscal Year 2013. Estimates of settlements and judgments from the General Fund are $32.5 million for Fiscal Year 2014 (based on the Operating Budget for Fiscal Year 2014 and expenditures to date, the actual amount for Fiscal Year 2014 may increase by an amount that cannot yet be determined), and $32.5 million for each of the Fiscal Years 2015 through 2018, respectively (based on the Twenty-Second Five-Year Plan). In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses. For Fiscal Year 2012, payments for claims arising from labor settlements in the General Fund were $1.25 million and were paid from the Indemnities account. For Fiscal Year 2013, payments for claims arising from labor settlements in the General Fund were $369,697 of which $359,280 was paid from the Indemnities account, and $10,417 from the operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged $32.76 million per year over the five years from Fiscal Year 2009 through Fiscal Year 2013.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the City's General Fund. These proceedings involve: environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; contract disputes and other commercial litigation; and union arbitrations and other employment-related litigation. The ultimate outcome and fiscal impact, if any, on the City's General Fund of the claims and proceedings described in this paragraph are not currently predictable.

Various claims in addition to the lawsuits described in the preceding paragraph have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 2010 which resulted from these claims and lawsuits was $4.0 million, $5.4 million in Fiscal Year 2011, $2.1 million in Fiscal Year 2012, and $1.3 million in Fiscal Year 2013. The Water Fund's budget for Fiscal Year 2014 contains an appropriation for Water Department claims in the amount of $6.5 million, although the current estimate, based on the prior four fiscal years' expenditures, is for $5.7 million in Fiscal Year 2014. The Water Fund is the first source of payment for any of the claims against the Water Department.

In addition, various claims have been asserted against the Division of Aviation and in some cases lawsuits have been instituted. Many of these Division of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Division of Aviation. The aggregate loss for Fiscal Year 2010 which resulted from these claims and lawsuits was $1.2 million, $1.7 million for Fiscal Year 2011, $1.2 million in Fiscal Year 2012, and $1.1 million in Fiscal Year 2013. The Indemnities budget for Aviation Fund claims for Fiscal Year 2014 contains an appropriation in the amount of $2.5 million, although the current estimate, based on the prior four fiscal years' expenditures, is $617,270 in Fiscal Year 2014. The Division of Aviation is the first source of payment for any of the claims against the Division of Aviation.

APPENDIX B

CITY SOCIOECONOMIC INFORMATION

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APPENDIX B

CITY SOCIOECONOMIC INFORMATION

INTRODUCTION

The City of Philadelphia (the "City" or "Philadelphia") is the fifth-largest city in the nation, with the third largest residential downtown, and is at the center of the United States' sixth largest metropolitan statistical area. The Philadelphia MSA (further described below) includes the fifth largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries. The Philadelphia MSA plus Mercer County, New Jersey, has the second largest concentration of students on the East Coast in a metropolitan statistical area with 101 degree granting institutions of higher education and a total enrollment of 300,000 students of whom approximately 153,000 live within the geographic boundaries of the City. Some of the City's top priorities include attracting and retaining knowledge workers, increasing educational attainment among Philadelphians, attracting development, and promoting Philadelphia as a desirable location for business.

According to the 2010 U.S. Census, the City increased its population by 0.6% in the ten years since 2000 to 1.526 million residents, ending six decades of population decline. Although the change was modest, it was an indicator of the growth and development that Philadelphia has witnessed throughout the last two decades. From 2010 to 2012, the City increased its population by 1.4% to 1.548 million residents, which exceeds the rate of population growth projected by the Philadelphia City Planning Commission in its 2011 comprehensive plan. The City is positioned for continued growth, given its diverse economy.

Since 2008, substantial private and public investment aggregating over $8.8 billion (based on building permit information) has led to a revitalization of the City. Philadelphia continues to capitalize on its assets to realize its economic priorities. The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. The City is a major business and personal services center with strengths in professional services like insurance, law, finance, healthcare and higher education, and leisure and hospitality. Philadelphia's cost of living is relatively moderate compared to other major metropolitan areas. In addition, the City, as one of the country's education centers, offers the business community a large and diverse labor pool.

Geography

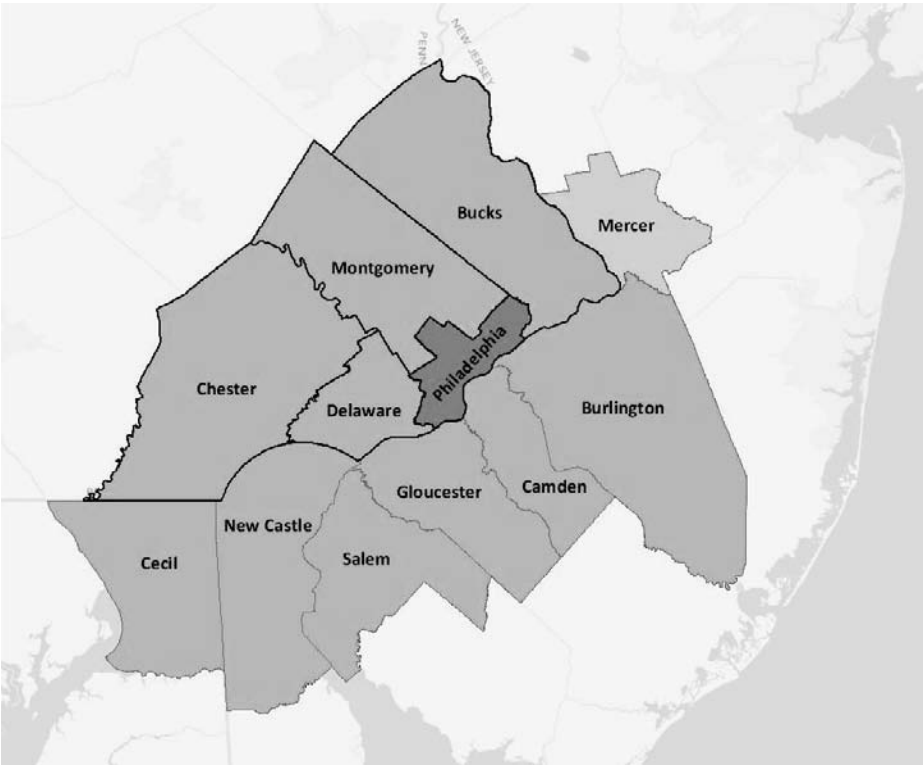
The City includes within its boundaries an area of approximately 134 square miles along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth") and is located at the confluence of the Delaware and Schuylkill Rivers. The City, highlighted in orange in Figure 1, lies at the geographical and economic center of the MSA and PMSA (described below). Philadelphia is the largest city in the Commonwealth, co-terminous with the County of Philadelphia.

Philadelphia Metropolitan Statistical Area (MSA), highlighted in blue, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of approximately 5,118 square miles with approximately 6,018,800 residents.[1]

Philadelphia Primary Metropolitan Statistical Area (PMSA), outlined in grey, is a 5-county area that is within the Philadelphia MSA that lies in the Commonwealth. Sometimes called the Philadelphia Metropolitan Division, in this discussion it is referred to as the Philadelphia Primary Statistical Area (PMSA). The counties of Bucks, Chester, Delaware, and Montgomery are referred to as the Suburban PMSA herein.

[1] Due to its close proximity and impact on the region's economy, Mercer County, NJ, highlighted in green, is included in the MSA by many regional agencies, although it is not included in the area defined by the U.S. Office of Management and Budget.

Figure 1. Map of Philadelphia Region, including the MSA, PMSA, and Mercer County, NJ
Source: 2009 TIGER County Shapefiles



Strategic Location

An hour from New York City and less than two hours from Washington, D.C. by high-speed rail, Philadelphia is centrally located along the East Coast. The City is within a day's drive of 50% of the nation's population and accessible to regional and international markets, due to the transportation infrastructure centered in the City, including the Philadelphia International Airport ("PHL" or the "Airport"), AMTRAK's Northeast Corridor service, major interstate highway access, regional SEPTA service and the Port of Philadelphia.

City Identified Peer Group

Certain information about the City in this Appendix is presented in comparison to certain other cities determined by the City. The City has chosen its comparison cities based on a variety of factors, with some cities falling into multiple categories, including comparable population size, similar industrial history, similar assets such as a port or a redeveloped military base, comparable geography along the Northeast corridor and similar socio-economic statistics. Comparison cities are: Baltimore, Boston, Chicago, Cleveland, Detroit, Houston, Los Angeles, Memphis, Milwaukee, Phoenix, San Antonio, San Diego and Washington, DC.

POPULATION AND DEMOGRAPHICS

Philadelphia is the nation's fifth largest city, with 1.548 million residents, based on 2012 U.S. Census estimates. The City's population gain from 2000 to 2010, while modest, was its first in 60 years. In the two years following the 2010 Census, the City's population grew by an additional 1.4 %, adding an additional 21,601 residents according to 2012 Census estimates.

From 2006 to 2012, the share of the population represented by citizens age 20 to 34 grew from 20% to 26%, to become the largest share of Philadelphia's population. This demographic tends to be better educated than the City's adult population as a whole, with 37.5% of 25 to 34-year olds having a bachelor degree or higher while 23.6% of adult Philadelphians were college graduates as of 2011. Nationally 31.5% of 20 to 34-year olds had a bachelor degree or higher in 2011. The City's many universities and diverse employment bases are likely draws for residents in the 20 to 34 age group. In addition to young people, as noted in Pew Charitable Trusts Philadelphia Research Initiative 2011 report, *A City Transformed: the Racial and Ethnic Changes in Philadelphia Over the Last*

20 Years, the City's immigrant population also grew significantly, with the City's Asian population increasing 126.6% and the Hispanic or Latino population growing by 110.3% from 1990 to 2010.

Table 1
Population
City, MSA, Pennsylvania & Nation

	1990	2000	2010	2012	% Change 2000-2010	% Change 2010-2012
Philadelphia	**1,585,577**	**1,517,550**	**1,526,006**	**1,547,607**	**0.60%**	**1.40%**
Philadelphia-Camden-Wilmington MSA	5,437,468	5,687,147	5,965,343	6,018,800	4.89%	0.90%
Pennsylvania	11,881,643	12,281,054	12,702,379	12,763,536	3.40%	0.50%
United States	248,709,873	281,421,906	308,745,538	313,914,040	9.70%	1.70%

Source: U.S. Census Bureau, American Community Survey 2012, Census 2010, Census 2000, Census 1990.

In 2012, Philadelphia exceeded most cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Four of the top six peer cities that have the largest share of students in higher education were located in the Northeast region. However, because of the population differences of these cities, Philadelphia had 38,453 more students in higher education than top ranked Boston. Philadelphia had the sixth highest share of its residents in higher education of the selected cities shown in Table 2 below and the fourth largest university student population.

Table 2
2012 Total Number of Students, and as a Percent of Total Population of Selected Cities, Ranked by Percent of Total Population enrolled in Higher Education

City	Total Number of Students Enrolled in School (all years)	Total Number of Students Enrolled in Higher Education	Percent of All Students Enrolled in Higher Education	Percent of Total Population enrolled in Higher Education
Boston, MA	198,917	114,025	57.32%	18.15%
Washington, DC	159,181	74,618	46.88%	12.06%
San Diego, CA	376,585	152,416	40.47%	11.53%
Baltimore, MD	165,703	63,070	38.06%	10.16%
Milwaukee, WI	189,317	60,609	32.01%	10.15%
Philadelphia, PA	**423,644**	**152,478**	**35.99%**	**9.91%**
Los Angeles, CA	1,042,248	347,495	33.34%	9.08%
Chicago, IL	720,798	235,032	32.61%	8.69%
Memphis, TN	180,158	54,216	30.09%	8.32%
San Antonio, TX	395,313	111,320	28.16%	8.20%
Detroit, MI	203,863	54,598	26.78%	7.73%
Cleveland, OH	105,503	29,728	28.18%	7.56%
Houston, TX	574,449	153,929	26.80%	7.23%
Phoenix, AZ	408,955	101,234	24.75%	6.90%
United States	**82,921,961**	**23,770,304**	**28.67%**	**7.63%**

Source: 2012 American Community Survey, 3-Year Estimates

ECONOMIC DEVELOPMENT

Mission and Goals of the City of Philadelphia Economic Development Strategy

The goal of the City's economic development strategy is to create, maintain, and develop: (1) jobs by fostering an improved business environment; (2) increases in population; and (3) enhanced quality of life within the City—all in order to grow the City's tax base and market competitiveness. Strategic public and private investments, as well as location-based assets, have created a stable economic base and positioned Philadelphia for growth. This economic development infrastructure strives to make Philadelphia a place of choice by increasing jobs and population in the City.

Notable Districts

Several key areas within the City have been instrumental in the economic development of Philadelphia over the past two decades and the population growth since 2000. Much of the real estate development referenced throughout this document has occurred in these districts.

Center City - An area that has seen a resurgence over the last two decades, Center City is Philadelphia's central business and office region within the City. Center City is the strongest employment area in the city, accounting for 36% of all jobs found in Philadelphia in 2011. In addition, the area contains a sizeable residential population and provides ample access to retail, dining, arts and culture, entertainment, and mass transportation services, to both residents and daily commuters. According to Center City District, 305,238 riders took public transportation into Center City daily in 2013. The professional services and leisure and hospitality sectors play significant roles in the Center City area.

Greater Center City - The areas of greater Center City result from a growing desire for urban living among people who find these areas more affordable than Center City. Like Center City, these areas have experienced increased population, educational attainment, and family income within the last decade. Greater Center City accounted for 43% of all jobs found in Philadelphia in 2011.

University City – Located west of Center City, University City is a hub for the health care, life sciences, and higher education sectors and accounted for 11% of the City's employment in 2011. It includes the campuses of the University of Pennsylvania, Drexel University, University of the Sciences, the University of Pennsylvania Health System, the Children's Hospital of Philadelphia and the Wistar Institute, as well as the University City Science Center, a biomedical incubator.

The Navy Yard - Deeded to the City by the U.S. Navy in 2000 as a result of the federal Base Realignment and Closure Act, the 1,000-acre Philadelphia Navy Yard represents a successful transition of a former naval property with a 125-year history as an active military base to a growing hub for business. Largely through the work of the Philadelphia Industrial Development Corporation ("PIDC"), the City invests in infrastructure at the Navy Yard, providing an urban alternative to suburban office parks and a base for the rejuvenation of the industrial sector. The Navy Yard surpassed 11,000 employees in January 2014, making the Navy Yard a growing employment area with 1% of the City's jobs.

Economic Development Infrastructure

The Deputy Mayor for Economic Development and Commerce Director manages a portfolio of City and quasi-public agencies that work together to advance economic development strategies within the City. These agencies serve a variety of functions, including economic development, land use and planning, housing development and historical preservation and regulatory oversight, each discussed below. Furthermore, the City provides additional programs to businesses and individuals as incentive to relocate and/or develop within the City. These programs include tax incentives such as the City's real estate tax abatement program and access to designated Keystone Opportunity Zones. Finally, the City has found the private sector to be a valuable partner in advancing the overall economic development initiatives within the City, including but not limited to investment in Center City, the Parkway District, the Avenue of the Arts District and the Navy Yard.

Economic Development

The Philadelphia Department of Commerce oversees and implements policies to help both small businesses and major corporations in Philadelphia thrive. The Department coordinates activities along neighborhood commercial corridors, with small businesses and entrepreneurs, major real estate development projects, large-scale business attraction and retention efforts, as well as efforts to increase minority-owned business contracting opportunities. The City works closely with economic development partners like PIDC, maintaining a relationship that is fully coordinated on business attraction and retention activities and development issues. At the direction of the Department of Commerce, PIDC plans and implements real estate and financing transactions that attract investment, jobs and tax ratables to the City.

Land Use and Planning

The Philadelphia City Planning Commission is responsible for the City's land use and strategic planning policies. The Commission maintains the City's comprehensive plan and monitors land use by applying the zoning

code to proposed development. After four years of work, a revised zoning code was adopted by City Council in December 2011 and went into effect August 2012. The new, streamlined code is designed to increase efficiency in the development process by expanding what is allowable by right; thus, limiting the number of variance requests. When variances are needed, the Zoning Board of Adjustment is the appointed arbiter of those land use requests.

Housing Development

The Office of Housing and Community Development (OHCD) manages planning, policy and investment in low income housing through several assistance programs. Most significantly, OHCD creates and manages implementation of the Consolidated Plan, a federally-mandated plan and budget that must be updated yearly in order to receive federal Community Development Block Grant funding. The Philadelphia Redevelopment Authority (PRA) is the public government agency charged with the redevelopment of the City. The PRA focuses on planning and developing balanced, mixed-use communities to create thriving, well-served neighborhoods. The PRA manages disposition of City-owned land. Philadelphia Housing Development Corporation (PHDC) focuses on service to Philadelphia's low- and moderate-income households through development of new housing and rehabilitation of existing homes in partnership with community development corporations. The Philadelphia Housing Authority (PHA) is funded primarily by the federal government and is the largest landlord in Pennsylvania. PHA develops, acquires, leases and operates affordable housing for City residents with limited incomes. PHA works in partnership with the City and state governments, as well as private investors.

Historical Preservation and Regulatory Oversight

The City is home to historic resources documenting more than three centuries of local, regional, and national history. The Philadelphia Historical Commission is the City's regulatory agency responsible for ensuring the preservation of that collection of historic resources including buildings, structures, sites, objects, interiors, and districts. The Philadelphia Art Commission is the City's charter-mandated design review board for architecture and public art. The City of Philadelphia has one of the largest collections of public art of any major city in the world, with more than 4,500 cataloged pieces.

The Department of Licenses & Inspections reviews construction plans and conducts building inspections to ensure the safety of workers and the public. Building permits are required before beginning projects to enlarge, repair, change, add to or demolish a structure, and to install equipment or systems in a structure. The Department also issues licenses, permits and certificates to conduct certain business operations.

Lending, Land Use and Employer-Based Strategies to Expand Business and Investment

As the City's landholding and financing arm, the Philadelphia Industrial Development Corporation (PIDC) manages public and private resources that are used to leverage even greater investments from a diverse range of governmental, for-profit and non-profit clients throughout Philadelphia. Since its founding in 1958, PIDC has placed more than $10 billion of PIDC financing and conveyed more than 3,000 acres of land in commercial and industrial projects. These transactions have leveraged $19 billion in total project investment and attracted or retained more than 400,000 jobs.

Through PIDC, the City offers a broad range of financing incentives, including below-market loans, grants, and tax-exempt financing designed to encourage economic growth in Philadelphia. Generally, financing is targeted to capital projects (building acquisition and renovation, new construction, machinery and equipment) that retain or grow employment in Philadelphia where the borrower is not otherwise able to fully fund the project with private-sector debt and equity. PIDC also offers financial assistance for working capital associated with business growth and employee training and additional capital programs for construction projects that incorporate sustainability measures. Incentives are capitalized by federal, state and local governmental resources, as well as private sector funds, and are available to for-profit and non-profit corporations both small and large.

The City also utilizes several place-based economic development strategies to spur development in Philadelphia. These strategies include: (i) a 10-year real estate tax abatement on all construction, as well as on improvements to existing properties; (ii) Commonwealth-designated Keystone Opportunity Zones (KOZ) in which eligible businesses may be exempt from all state and local business taxes until a specified date; (iii) Commonwealth-designated Keystone Innovation Zones (KIZ) in which energy, defense, technology, and life-sciences companies may be eligible for saleable tax credits worth $100,000 annually for the first eight years of operations; (iv) tax increment financing; and (v) commercial corridor revitalization through support of Business Development Districts (BIDs) and reimbursement for certain storefront and interior retail improvements.

The City also supports business formation and job creation incentives in a variety of ways, including use of a Job Creation Tax Credit which may be applied against the City's Business Income and Receipts Tax liability. The City works with the Philadelphia business community to build internal and external alliances with minority, women and disabled owned business enterprises, and with private industries to help develop and promote these companies. The City also fosters entrepreneurship and small business formation through a dedicated office, the Office of Business Services. With the growth of Philadelphia's immigrant population, the City has actively pursued multilingual business outreach programming.

Key Development Achievements

Over the last two decades the efforts of these agencies, and others, have spurred significant economic changes. Today, Philadelphia is experiencing a construction boom, with over 35 major projects under construction concurrently, representing over $3.6 billion in combined public and private investment. Most significantly, in January 2014 Comcast Corporation announced that it expects to break ground in the summer of 2014 on a 59-story, $1.2 billion office tower adjacent to its headquarters building in Center City. Higher education and health care institutions are currently most actively engaged in development, with $1.4 billion being invested across 10 projects, the majority of which are concentrated in the University City and North Broad neighborhoods, while $411.6 million in new residential and mixed use projects are currently under construction across various neighborhoods throughout the City. Table 3 reflects major real estate developments under construction as of March 2013. In 2013, and the first quarter of 2014, 35 projects representing over $1.8 billion were completed.

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Table 3
Selected Major Development Investments Under Construction

Project Name, by Neighborhood	*Project Type*	*Cost in Millions*	*Est. Completion Date*
Center City		**$1,651.0**	
Franklin Institute Expansion	Non-Profit	$24.0	Q2 2014
Dilworth Plaza	Public	$55.0	Q2 2014
South Star Lofts	Mixed Use	$32.0	Q3 2014
Family Court	Public	$200.0	Q4 2014
Mormon Temple	Religious	$70.0	Q4 2014
1900 Arch	Residential	$50.0	Q4 2014
Shirt Corner Development	Mixed Use	$20.0	Q1 2015
Comcast Innovation and Technology Center	Commercial / Hotel	$1,200.0	Q3 2017
University City		**$1,385.2**	
3737 Science Center	Commercial	$92.0	Q2 2014
Science & Technology Center II University of the Sciences	University	$20.0	Q2 2014
Perelman Center - South Pavilion	Health Care	$100.0	Q3 2014
Advanced Care Hospital Pavilion - Penn Presbyterian Medical Center	Health Care	$92.0	Q1 2015
Buerger Center for Advanced Pediatric Care	Health Care	$500.0	Q1 2015
Cira Centre South - Chestnut Street	Mixed Use, inc. University	$158.5	Q2 2015
3601 Market - UCSC Apartment Tower	Residential	$110.0	Q2 2015
Lancaster Square	University Residential	$170.0	Q3 2015
New College House at Hill Field	University Residential	$127.0	Q3 2015
Dornsife Center	University	$15.7	Q4 2015
North Broad		**$305.0**	
Science, Education, & Research Center - Temple	University	$137.0	Q2 2014
Wanamaker Plaza - North Tower	Residential	$150.0	Q3 2014
Rodeph Shalom Expansion	Religious	$18.0	Q4 2015
Broad St Armory	Residential	-	Q2 2016
Navy Yard*		**$39.4**	
Building 18 - URBN Expansion	Commercial	-	Q3 2014
Building 500 - Vetri Restaurant	Commercial	-	Q3 2014
Building 661	Commercial	$30.0	Q3 2014
Commerce 3 - EcoSave	Commercial	-	Q1 2015
201 Rouse Blvd - Franklin Square Capital	Commercial	-	Q1 2015
Central Green (Park)	Public	$9.4	Q2 2015
Other Neighborhoods		**$235.6**	
Oxford Mills	Mixed Use	$37.8	Q2 2014
Belmont Mansion	Non-Profit	$1.4	Q2 2014
The Croyden	Residential	$11.8	Q2 2014
Edison Square	Commercial	$12.6	Q2 2014
9th St. Marketplace	Commercial	$12.0	Q4 2014
Franklin Mills	Commercial	$40.0	Q4 2014
St. Christopher's Hospital Expansion	Health Care	$120.0	Q4 2015
Total		**$3,616.2**	

* Many development costs for Liberty Property Trust buildings at the Philadelphia Navy Yard are confidential, and are not made available for reporting purposes.

Table 4 below presents the trend of total value of building permits issued with a "Passed" final inspection by the City. The values shown include both new construction development as well as redevelopment of existing property.

Table 4
Total Building Permit Value with a "Passed" Final Inspection, by Year Completed

Calendar Year	Commercial	Residential	Institutional	Miscellaneous Site Work	Total
2008	$ 1,355,637,811	$ 424,677,243	$ 61,761,053	$ 92,882,179	**$ 1,934,958,286**
2009	1,023,643,944	647,304,077	398,496,674	97,336,048	**2,166,780,743**
2010	1,686,672,510	467,037,405	184,365,000	62,458,142	**2,400,533,058**
2011	984,851,222	524,312,029	242,804,057	68,149,412	**1,820,116,720**
2012	1,180,525,597	452,504,784	31,668,474	63,768,982	**1,728,467,836**
2013*	1,559,101,112	326,679,411	8,855,000	76,777,671	**1,971,413,193**
Total	**$ 7,790,432,196**	**$ 2,842,514,949**	**$ 927,950,258**	**$ 461,372,434**	**$ 12,022,269,836**

*Permits through November 4, 2013.
Source: City of Philadelphia Department of Licenses & Inspections

Convention, Hospitality and Tourism Achievements

Chief among Philadelphia's development achievements is the expansion of the City's hospitality sector since 1993. Beyond driving growth in employment, development of amenities and cultural assets improve the tourist experience as well as quality of life for Philadelphia residents.

With Philadelphia's historic assets, the City has natural appeal as a tourist destination. The City continues to invest and work to grow development and employment in the leisure and hospitality sector. In 1993, with support from the Commonwealth, the Pennsylvania Convention Center was completed, providing a total of 624,000 square feet of saleable space across its four exhibit halls, ballroom and banquet spaces. In 2011, a $786 million expansion, across 20 acres of central Philadelphia real estate, increased the facility to 2.3 million square feet. It is the largest single public works project in Pennsylvania history. In January 2014, SMG began managing and operating the Pennsylvania Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service.

Over three million hotel room nights were sold in Center City in 2013, a 3.1% increase over 2012. Contributing to these sales, the Philadelphia Convention and Visitors Bureau (PHL CVB) hosted 453 meetings and conventions in 2013, filling 597,744 hotel room nights across the region, with an estimated economic impact of more than $973 million. The total Convention and Group segment of travelers, which includes smaller conferences and meetings not held in the Convention Center, purchased 35% of all hotel rooms booked in Center City 2013, accounting for 1,010,000 room-nights. In 2014, the Pennsylvania Convention Center expects to fill over 484,496 total hotel room nights across the region, and have an estimated economic impact of more than $729 million, while the total Convention and Group segment of Philadelphia hotel demand is expected to top 1,045,000 hotel nights.

The number of hotel rooms available in the City in 1993 was 5,613, with annual demand of 1,331,684 hotel rooms, representing 65% occupancy. As of March 2014, the City's hotel room inventory was 11,410 rooms, with occupancy in 2013 at 73.8%. In October 2013, City Council approved a Tax Increment Financing assistance package for the development of a 700-room hotel, home to both the W and Element brands, which will serve as an anchor to the Pennsylvania Convention Center. Additionally in February 2014, Mayor Nutter announced plans for the adaptive reuse of the City's former Family Division of the Court of Common Pleas building to become a 199-room luxury hotel under the Kimpton name.

Table 5 lists notable hotel developments since 2008, representing $782.9 million dollars in investment.

Table 5
Notable Hotel Developments since 2008, in Millions

Four Points by Sheraton	$14.0 (Estimate)
Le Meridien	61.0 (Estimate)
Kimpton Hotel Palomar	94.0
Homewood Suites University City	43.0
Marriott Courtyard, Navy Yard	31.0
Hotel Monaco by Kimpton	88.0
Hilton Home2 Suites	60.0
Residence Inn by Marriott (Opening 2014)	26.0 (Estimate)
W Hotel / Element Hotel (Opening 2017)	280.4
Kimpton Hotel 1801 Vine St (Opening 2017)	85.0
Four Seasons Hotel in Comcast Tower	-
Total	***$782.9 million***

Source: City of Philadelphia Commerce Department and PIDC

Despite a drop during the national recession beginning in 2008, by 2011, employment in the leisure and hospitality sector, at 60,684, exceeded pre-recession levels and grew even further by 2013 to 64,800 people employed in this sector. The Bureau of Labor Statistics reports that employment in this sector grew 2.5% in 2013, and 18.7% from 2004 to 2013.

In 2010, the City formed the Mayor's Hospitality Advisory Board, a collaborative effort between public, private, and nonprofit entities working to grow the hospitality sector in Philadelphia. The board proactively addresses issues such as customer experience and quality of life, hotel development, and marketing, including international marketing. Beyond working to increase convention business, the City and its regional partners work to increase leisure travelers as well. According to a 2013 report by Visit Philadelphia, the region's tourism and marketing corporation, since 1997 overnight leisure hotel stays have grown 80%. This can be attributed to a number of factors, notably, an increased supply of hotel rooms and marketing of the region. The City, through the Greater Philadelphia Tourism and Marketing Corporation, supports domestic marketing efforts.

The City supports international marketing efforts through the Philadelphia Convention and Visitors Bureau. The U.S. Office of Travel and Tourism Industries reported that international visitors to Philadelphia in 2012 numbered more than 595,000. Table 6 shows the Greater Philadelphia Region's visitation growth from 1997 to 2012.

Table 6
Greater Philadelphia† Visitation Growth, 1997-2012
(in millions)

	1997	*2012*	*Net Change*	*Percent Growth*
Total Visitation	**26.7**	**38.8**	**12.1**	**45%**
Day - Leisure	15.5	21.0	5.5	35%
Overnight - Leisure	7.3	13.1	5.8	80%
Day - Business	2.5	2.6	0.1	3%
Overnight - Business	1.4	2.1	0.7	50%

†Bucks, Chester, Delaware, Montgomery and Philadelphia counties.
Source: Visit Philadelphia, Tourism Economics, Longwoods International

Crucial to tourism is the City's robust arts and culture sector. The Center City District reports that one-in-three tourists who come to Center City Philadelphia cite museums and cultural events as the primary reason for their visit. In 2011, Travel + Leisure magazine ranked Philadelphia as the number one city for arts and culture in the United States. In 2013, major attractions in Center City, such as the Liberty Bell Center, Reading Terminal Market, and the Philadelphia Zoo, had over 15.6 million visitors.

Organizations like the Philadelphia Museum of Art, the Kimmel Center, FringeArts, and the more than 400 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors, as well as contribute to the estimated $580 million in revenue that the Philadelphia MSA's cultural organizations generated

in 2010. Part of the wider economic impact generated by this revenue is demonstrated in the over 48,900 creative jobs that the sector supports within Philadelphia.

Table 7 lists attendance levels for many key attractions in Philadelphia.

Table 7
2013 Attendance Levels Philadelphia Visitor Center & Select Attractions

Visitor Center/Attraction	*Attendance*
Reading Terminal Market	6,249,134
Independence Visitor Center	2,127,774
Liberty Bell Center	1,806,497
Philadelphia Zoo	1,276,425
Franklin Square	928,733
Franklin Institute	852,139
National Constitution Center	809,969
Philadelphia Museum of Art	639,810
Independence Hall	630,418
Please Touch Museum	557,229
Eastern State Penitentiary	305,267
The Barnes Foundation	305,021
Academy of Natural Sciences	249,563
University of Pennsylvania Museum of Archaeology and Anthropology	156,899

Source: Philadelphia Area Hospitality Snapshot, PKF Consulting; Visit Philadelphia 2013; The Barnes Foundation

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Historic District Investments

Key to the City's leisure and hospitality growth is the maintenance and investment in the City's extraordinary historic assets. As the birthplace of the country, Philadelphia remains a major tourist destination year-round, particularly the City's Historic District, which includes such national treasures as the Liberty Bell, Independence Hall, Carpenters' Hall, Betsy Ross' house and Elfreth's Alley, the nation's oldest residential street. The City continues to invest in the maintenance and expansion of the Historic District's tourist experience.

Since 2001, $613 million worth of improvements and construction have occurred in Philadelphia's historic district, with an additional $100 million either under construction or planned over the next three years. Table 8 lists certain key attractions, the investment in which have complemented the City's notable existing historic assets. Coupled with proposed developments, public and private, this district is expected to remain competitive in the national and international tourism markets for years to come.

Table 8
Select Historic District Investments since 2001

Select Completed Investments	***Estimated Cost (Millions)***
Independence Visitors Center	$38.0
Independence National Historic Park Landscaping	18.0
National Constitution Center	185.0
Liberty Bell Center	13.0
Presidents House	8.2
Historic Philadelphia Franklin Square	10.0
Independence Park Institute	2.0
National Museum of Jewish American History	150.0
Hotel Monaco by Kimpton	88.0
Independence Hall Tower Investments	4.8
Franklin Court Museum	21.0
Penn Medicine at Washington Square	$75.0
Select Completed Investment Total	***$613.0***
Select Future Investments	
National Center For the American Revolution (Planned)	100.0
Select Future Investment Total	***$100.0***
Total	***$713.0***

Source: City of Philadelphia Department of Commerce and PIDC

Avenue of the Arts and North Broad Street Investment

The Avenue of the Arts is located along a mile-long section of South Broad Street between City Hall and Washington Avenue, in the heart of Philadelphia's Center City. Reinventing South Broad Street as the Avenue of the Arts, a world class cultural destination, has been a civic goal in Philadelphia for nearly two decades. Serious consideration of a performing arts district began with the work of the Central Philadelphia Development Corporation and others in the early 1980s. Cultural institutions, the William Penn Foundation, local property owners and civic leaders advanced the idea of a performing arts district on South Broad Street anchored by the Academy of Music and modeled after successful performing arts districts around the country. The transformation of South Broad Street into the Avenue of the Arts progressed in the 1990s. The Avenue of the Arts became a key element of the City's strategy to strengthen Center City as the region's premier cultural destination and an important element in the City's bid to expand its convention and tourism industries. Table 9 provides an overview of investment to date in this district.

Table 9
Avenue of the Arts Completed and Planned Development Projects

Selected Completed Investments	***Estimated Cost (Millions)***
Academy of Music Upgrades 1994-2002	$30.0
Wilma Theater 1996	8.0
Philadelphia High School for the Creative and Performing Arts (CAPA) 1997	25.0
Ritz Carlton Hotel 2000	88.0
Kimmel Center 2001	235.0
University of the Arts 2008	3.0
Symphony House Condominiums 2008	165.0
Philadelphia Theatre Company 2007	19.5
Brandywine Workshop Upgrades 2009	1.0
Philadelphia Clef Club Upgrades 2009	0.5
Dranoff Residential/Restaurant/Retail 777 N. Broad 2009 / 2010	60.0
Residences at the Ritz 2010	175.0
Union League Civil War Museum 2011	2.4
Marine Club Condo	20.0
Rock School/PA Ballet	2.0
Broad Street Improvements	6.3
Kimmel Center Improvements	14.0
Selected Completed Investment Total	***$854.7***
Select Future Investments	
Academy of Music Upgrades (Underway)	2.2
South Star Lofts, Mixed-use Development (Underway)	32.0
260 S. Broad St (Proposed)	-
Avenue Place, Mixed-use Development (Proposed)	-
Selected Future Investment Total	***$34.2***
Total	***$888.9***

Source: City of Philadelphia Department of Commerce and PIDC

The 2011 expansion of the Pennsylvania Convention Center reignited development efforts along the key corridor of Broad Street north of City Hall (North Broad Street). Improvements include Lenfest Plaza, which is adjacent to the Pennsylvania Academy of Fine Arts (PAFA) and across from the Pennsylvania Convention Center expansion's entrance. Lenfest Plaza is also home to Paint Torch, a sculpture by world-renowned American artist Claes Oldenburg. Further north at Broad and Wood Streets, the Pennsylvania Ballet is poised to build their new $17.5 million headquarters, which will house rehearsal spaces and corporate offices when it opens in 2014.

At Spring Garden Street, the former State office building was redeveloped into 204 rental units and the former headquarters of the Philadelphia Inquirer and Philadelphia Daily News have been sold and are slated for housing and commercial development. Just north of Spring Garden, previously closed commercial businesses have been redeveloped to include 101 new residential lofts, new restaurants and a catering facility. The redevelopment of this block was initiated with the conversion of an empty building into a mixed use development with 250 fully-leased apartments.

Temple University has undergone a significant transformation over the past three decades from a university with a mostly commuter-based enrollment to one in which on- and near-campus housing is now in high demand. To meet the increasingly residential nature of its student population, Temple University has invested heavily in the renovation of its various existing student housing inventory as well as, most recently, the development of the new state-of-the art 33-story Morgan Hall residence facility, which houses approximately 1,275 students in a combination of singles, four-bed and five-bed apartment-suites. Morgan Hall opened in summer of 2013. Temple University has also actively partnered with private developers in the expansion of on-campus housing alternatives for students. There are currently an estimated 12,000 students living on or around the Temple University campus, not including its satellite regional campuses or international campuses in Rome, Italy and Tokyo, Japan. Temple University has begun $1.2 billion of investment, which will occur over the next decade, to further develop its North Broad Street frontage. Planned upgrades include a new student recreation facility, new academic buildings such as a 21st Century Library and a new science research lab.

Tying the corridor together is a planned streetscape enhancement project featuring trees, landscaping and decorative light masts, funded with a mix of federal, state and City funding. Table 10 is a list of recent, planned, and proposed projects on the North Broad Street corridor.

Table 10
North Broad Street Development Projects

Development Project	***Estimated Cost (Millions)***
Pennsylvania Academy of the Fine Arts Hamilton Bldg 2005	$21.0
School District Administration Building Renovation 2005	92.0
640 N. Broad Apts/Retail 2006	50.0
Pennsylvania Convention Center Expansion 2011	786.0
PAFA Lenfest Plaza 2011	3.5
600 N. Broad Apts/Retail 2011	43.0
Ave Arts N. Beech (1600 N. Broad)	20.0
Progress Plaza/Fresh Grocer	14.0
1220 N. Broad Apt. Building Renovations	2.3
Beech Int'l House	22.0
Community Legal Services N. HQ	8.0
Paseo Verde Residential 2013	48.0
Morgan Hall (Temple University Student Residence) 2013	148.0
Tower Place 2013	70.0
Selected Completed Investment Total	***$1,327.8***
Select Future Investments	
PA Ballet (Underway)	17.0
Science, Education, & Research Center – Temple University (Underway)	137.0
Avenue of the Arts N. Streetscape Improvements (Planned)	12.0
Uptown Theatre (Proposed)	2.0
Inquirer Building Development (Proposed)	100.0
Blue Horizon Development (Proposed)	14.0
Divine Lorraine (Proposed)	42.0
Hannover North Broad (Proposed)	-
Selected Future Investment Total	***$324.0***
Total	***$1,651.8***

Source: City of Philadelphia Department of Commerce and PIDC

Parkway Investments

Complementing the Avenue of the Arts theater district developments, the Philadelphia Parkway is a signature public investment. Conceived as early as 1871, and opening in 1929, the Benjamin Franklin Parkway was originally designed to ease traffic and beautify the City. It runs from the area of City Hall to the Philadelphia Museum of Art and is at the heart of the City's museum district. Today it is central public space and is a principal tourist attraction. Key Parkway features include the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, The Barnes Foundation, the Free Library of Philadelphia, the Academy of Natural History, the Swann Memorial Fountain, Cathedral Basilica of Saints Peter and Paul on Logan Square, and numerous pieces of public art.

As detailed in Table 11, since 2004 the Parkway has undergone additional transformation, improving streetscape and pedestrian access, and adding additional amenities that serve citizens of Philadelphia and visitors alike. Improvements include parks and open space and additions to the City's inventory of arts assets: Sister Cities Park, The Barnes Foundation Philadelphia Campus, and improvements to the Rodin Museum.

Table 11
Select Parkway Investments since 2004

Select Investments	***Estimated Cost (Millions)***
Art Museum Renovations and Improvements	$141.0
Sister Cities Plaza, Café Cret, Aviator Park & Other Improvements	17.2
Perelman Wing – Philadelphia Museum of Art	90.0
Franklin Institute	50.0
Waterworks	5.8
Rodin Museum Renovations	20.9
The Barnes Foundation	100.0
Philadelphia Museum of Art Loading Dock	81.0
Paines Skate Park	5.0
Select Completed Investment Total	***$510.9***
Select Future Investments	
Mormon Temple (Underway)	70.0
Free Library Renovations (Underway)	20.0
Dilworth Plaza Renovation (Underway)	55.0
Franklin Institute (Underway)	65.0
Philadelphia Museum of Art Expansion (Planned)	419.0
Holocaust Memorial (Planned)	3.5
16th and Vine Apartments and Meetinghouse (Planned)	-
Select Future Investment Total	***$632.5***
Total	***$1,143.4***

Source: City of Philadelphia Department of Commerce and PIDC

Opened in May 2012, The Barnes Foundation is a welcome addition to the City's impressive roster of arts facilities, and has already had a significant impact on the City's leisure and hospitality industry. In 2013, its first full year of operations, total attendance at The Barnes Foundation was approximately 305,000, and with membership over 25,000, it is ranked among the top institutions of its kind in the country.

Of overnight visitors, arts and culture visitors represent 17%, or about 1.36 million, of visitors to Philadelphia annually. According to a 2011 report from Visit Philadelphia, arts and culture visitors spend 54% more than the average visitor, stay longer, and are more likely to stay in a hotel.

South Philadelphia Sports Complex

Another key element of Philadelphia's hospitality industry is professional sports. Philadelphia is the only city to have a professional hockey, basketball, baseball, and football team playing in a single district within a city, the Sports Complex Special Services District, created by the City in 2000.

Today, the South Philadelphia Sports Complex houses three professional sports facilities: The Wells Fargo Center opened in 1996 and is home to the Philadelphia Flyers (NHL) and Philadelphia 76ers (NBA); Lincoln Financial Field opened in 2003 and is home to the Philadelphia Eagles (NFL); and Citizens Bank Park opened in 2004 and is home to the Philadelphia Phillies (MLB). The City leveraged its $300 million investment to obtain $200 million in State funding, and significant team contributions to new stadium development, $172 million from the Phillies and $310 million from the Eagles; the total project represents $1.01 billion in total investment. The Phillies and the Eagles are contractually obligated to play in Philadelphia for 30 years and each team is required to make a $30 million contribution to the Fund for Children established by The Philadelphia Foundation.

The Phillies have enjoyed one of the strongest home attendance figures of any team in Major League Baseball. In the 2009 through 2012 seasons, the Phillies had a paid home season attendance in excess of 100% of actual seating at Citizen's Bank Park. In 2010, the Phillies had the second highest attendance of any team in Major League Baseball and in both 2011 and 2012 the Phillies registered the highest home attendance of any team in Major League Baseball. The Phillies attendance rate declined in 2013 but remained in the top ten of Major League Baseball

teams. Average paid home season attendance for the Eagles in Lincoln Financial Field has exceeded 100% of actual seating, since its opening in 2003.

The most recent development for the area is Xfinity Live! Philadelphia, a 50,000 square foot sports entertainment and dining complex which opened in March 2012. The privately funded, $60 million venue includes a miniature sports field, hosting free concerts and other activities, an outdoor theater accommodating sports games and family films, and a dozen dining and bar establishments. The complex, a Comcast-Spectacor and Cordish owned company, also hosts the first ever, NBC Sports Arena, featuring a 32-foot LED HD television, displaying the NBC Sports Ticker, and in-game promotions. The entire complex is open year-round and sustains 276 full-time equivalent jobs.

Gaming

Legislation enacted by the Pennsylvania General Assembly currently authorizes 15 casinos with both slot machines and table games, including two stand-alone licenses for the City. Philadelphia's first casino, SugarHouse, opened in September 2010. SugarHouse Casino sits on the Delaware River waterfront offering an array of slot machines, table games and dining options. After a period of significant gains from 2010 through 2012, SugarHouse revenue has leveled off. Without an increase in the number of table games or slot machines offered, revenue is expected to maintain its current revenue levels relatively unchanged. In 2013 the casino's total revenue was $265,558,237, a decrease of 3.1% from 2012, and it employed 1,128 people, up from 1,098 in 2012.

After previously receiving local approval for an expansion plan, in May 2013, SugarHouse received approval from the Pennsylvania Gaming Control Board to expand its operations, including additional parking and a larger gaming floor. The $155 million expansion, expected to begin in July 2014 and be completed in September 2015, also is expected to add 500 additional employees to the casino.

The Pennsylvania Gaming Control Board is also reviewing five applications to award a second casino license in Philadelphia County. An announcement of the winning proposal is expected in April 2014. Pennsylvania ranks behind only Nevada in terms of total gambling revenue and total slot machine revenue.

Waterfront Developments

Taking advantage of the City's geographic assets, the Schuylkill River and the Delaware River, the City is redeveloping its waterfront to accommodate a variety of developments, including mixed-use projects and housing, parks and recreational trails, and hotels. These projects improve quality of life for residents and improve the visitor experience, but also are an impetus for environmental remediation and private development of former industrial property within the City.

Delaware River Waterfront Corporation. The Delaware River has historically been a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The Master Plan for the Central Delaware, adopted by the City in 2011, recognizes this character and aims to create region-serving amenities while also reconnecting the City's residents and visitors with the waterfront. Delaware River Waterfront Corporation (DRWC), in partnership with the City, is a nonprofit corporation that works to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities, and serves as a catalyst for investment in public parks, trails, maritime, residential, retail, hotel and other improvements that create a vibrant amenity for residents and visitors. In early 2014, the DRWC will publish a plan for redevelopment of Penn's Landing, a major public space along the Delaware River waterfront. The plan will call for a combination of public and private investment for the two million square foot development program.

Schuylkill River Development Corporation. Redevelopment along the Schuylkill River is managed by a partnership between the Schuylkill River Development Corporation (SRDC), the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, state, City and private agencies to coordinate, plan and implement economic, recreational, environmental and cultural improvements and tourism initiatives on the Schuylkill River. From 1992 to 2014, SRDC has worked with the City to create 1.8 miles of riverfront trails within 17 acres of premiere park space in the heart of the City, and has added amenities to the Schuylkill River Park such as floating docks, fishing piers, composting toilets, and architectural bridge lighting. SRDC continues to work towards meeting its goal of creating and maintaining 10 miles of trail and 70 acres of green space along the tidal Schuylkill River in Philadelphia. Since 2005, Philadelphia has benefitted from more than $1 billion in development along the Schuylkill River, with more planned by private developers, universities, and healthcare institutions.

Penn Park. Although not publically funded, the University of Pennsylvania's Penn Park is a significant piece of infrastructure that strengthens the connection between University City and Center City, improving the resident and visitor experience. It lies along the west bank of the Schuylkill River, and complements the work of the SRDC.

The University of Pennsylvania opened Penn Park in 2011, increasing the University's green space by 20%. The park includes 24 acres of playing fields, open recreational space and pedestrian walkways located between Walnut and South Streets. Formerly parking lots, the park embraces sustainable features, including underground basins that capture rainwater and mitigate storm water overflow into the Schuylkill River. 45,000 cubic yards of soil, 2,200 pilings and more than 500 trees were installed to create canopied hills and picnic areas.

Strategic Business Improvement Districts

Starting in 1990, the City began working with business owners, residents, and non-profit organizations to revitalize commercial corridors through the successful creation of key business improvement districts (BIDs). BIDs provide an agreed-upon set of business services and improvements to businesses within an established boundary in exchange for a mandatory annual assessment from those businesses. BIDs are authorized by City Council. Currently, Philadelphia has twelve BIDs/Special Services Districts and two voluntary services districts in neighborhoods throughout the City. Since their inception, these districts have seen population growth, increased property values, lowered vacancy rates, and are some of the most desirable places to live and work in Philadelphia.

The Center City District and the University City District are the largest business improvement districts in the City which have played a pivotal role in the resurgence of their service areas,

The Center City District was founded in 1990 as a private-sector business improvement district. The district encompasses 120 blocks and more than 4,500 individual properties in an area that extends beyond the central business district, roughly from Vine Street to Spruce Street and 30th Street to 4th Street. Center City District provides security, cleaning and promotional services that supplement, but do not replace, basic services provided by the City and the fundamental responsibilities of property owners. Center City District also makes physical improvements to the downtown, installing and maintaining lighting, signs, banners, trees and landscape elements. The type of improvements managed by the Center City District are often credited with the area's increased desirability as a place to live and work, attracting a population with higher educational attainment and higher household income than national averages. At 29.1% of the population, Greater Center City has more than twice the national average of residents ages 25-34, according to the 2012 5-year American Community Survey estimates. In 2010, 73.4% of Center City residents 25 and older had a Bachelor of Arts degree or higher, compared to the national average of 29.9%. From 2000 to 2010, household income in Center City increased 49% to $59,345 from $39,715.

The University City District, founded in 1997, is Philadelphia's second largest business improvement district by area, population, and employment. The 2.2 square mile area holds 72,088 jobs, with an economy centered on its universities and hospitals. Like the Center City District, the University City District provides security, cleaning and promotional services. The District serves as an economic development entity through assisting both start-up and established businesses with regulatory compliance and in applying for grants, coordinating technical resources with neighborhood commercial corridors, and providing career networking opportunities for its residents. University City District works with city agencies in planning and implementing improvements for public spaces and transportation infrastructure.

Office Market and New Development

Philadelphia currently has approximately 41.9 million square feet of office space in the central business district. Total net absorption throughout 2013 was negative, mostly due to GlaxoSmithKline's move from downtown Philadelphia to a new facility in the Navy Yard. Two of the City's top corporate tenants continue to grow downtown. In July 2013, Independence Blue Cross renewed its long-term lease of over 800,000 sq. ft. until 2033. Comcast Corporation also took an additional 60,000 sq. ft. of office space at Three Logan Square, bringing the company's total occupancy at Three Logan Square to 200,000 sq. ft., in addition to Comcast's 1.2 million sq. ft. headquarters building.

Comcast Corporation recently announced that it expects to break ground in the summer of 2014 on a 59-story, $1.2 billion Comcast Innovation and Technology Center office tower adjacent to its headquarters building in Center City Philadelphia. The new skyscraper will enable Comcast to consolidate employees currently scattered at several sites (in both Philadelphia and the surrounding suburbs) at a single location. The facility will also create a

media center in the heart of the City by becoming home to the operations of local broadcast television stations NBC 10/WCAU and Telemundo 62/WWSI and offer space for local technology startups. The tower, when completed in 2017, will also serve as the new home to the Four Seasons Hotel, which will occupy the tower's top floors with approximately 200 rooms. The mixed-use tower is expected to be the tallest building in the United States outside of New York and Chicago and will be one of the largest private development projects in the history of Pennsylvania. Ultimately, the project is expected to create 1,500 permanent jobs in Philadelphia.

In the fourth quarter of 2013, Cushman & Wakefield ranked Philadelphia's downtown office market as having the twelfth best vacancy rate among the twenty largest downtown office markets in the United States, with a vacancy rate of 14.6%. Direct asking rental rates in Philadelphia's central business district continued to rise throughout the year, increasing 0.9% from the fourth quarter of 2012 to the fourth quarter of 2013 to $25.67 per sq. ft.

Table 12
Comparative Office Vacancy Rates, 20 Largest Office Markets
Fourth Quarter 2013

Manhattan (Midtown South)	7.20%
Pittsburgh	8.80%
San Francisco	9.00%
Manhattan (Midtown)	9.20%
Cleveland	11.80%
Houston	12.00%
Portland	12.10%
Denver	12.70%
Boston	12.70%
Washington DC	13.20%
Seattle	13.50%
Philadelphia	**14.60%**
Orange County	14.60%
Chicago	16.40%
Minneapolis	17.40%
Los Angeles	17.50%
Dallas	18.50%
Atlanta	18.60%
Phoenix	20.30%
Detroit	21.90%
All Markets	**14.40%**

Source: Cushman Wakefield US Market Office Snapshot, Fourth Quarter 2013

Navy Yard

Acquired in 2000 by PIDC through the Base Realignment and Closure process of the federal government, the Philadelphia Navy Yard represents the successful transition of a former naval property with a 125-year history as an active military base to a growing industrial asset. The Navy Yard is a 1,200 acre mixed-use office, research and industrial park, serving more than 130 companies. Currently 11,000 people work on site across 143 companies, supporting diverse tenants such as: the Aker Philadelphia Shipyard, one of the world's most advanced commercial shipbuilding facilities, the corporate headquarters for retailer Urban Outfitters, a new 205,000 square foot, LEED certified office building for pharmaceutical company GlaxoSmithKline, and a LEED-Silver certified baking facility for the Tasty Baking Company. In excess of 6.0 million square feet of space is currently occupied with significant additional capacity available for office, industrial, retail and residential development. In 2014, Urban Outfitters is expected to expand its existing headquarters to Building 18, a 92,000 sq. ft. former boiler and blacksmith shop that is undergoing a full renovation.

The Navy Yard is also home to the Energy Efficient Buildings Hub (EEB Hub), a consortium of universities, businesses, and economic development groups, working to develop energy efficient building technologies. The EEB Hub is the recipient of $160 million in State and Federal funding and part of a U.S. Department of Energy program to create national Energy Innovation Hubs. In spring 2014, the EEB Hub plans to relocate to The Center for Building Energy Science (Building 661). The 38,000 sq. ft. building serves as a demonstration laboratory to showcase energy efficiency research. In summer 2014, the EEB Hub in collaboration

with Pennsylvania State University, plans to open a newly constructed 25,000 sq., ft. educational facility, The Center for Building Energy Education & Innovation.

In February of 2013, PIDC released an updated Navy Yard master plan, detailing a new, comprehensive vision for the Navy Yard. The plan calls for adding over 12 million square feet of new construction and historic renovation supporting office, R&D, industrial and residential development, complemented with commercial retail amenities, open spaces and expanded mass transit. At full build, The Navy Yard will support more than 20,000 employees and over $2 billion in private investment. Beyond buildings currently under construction, four projects are scheduled to begin construction in 2014, bringing the Navy Yard closer to its strategic targets: an 80,000 sq. ft. headquarters for Franklin Square Partners, an investment firm; EcoSave, an Australian based energy and water efficiency company, will take 20,000 sq. ft. for their North American headquarters in a new 75,000 sq. ft. flex building; a new five-acre, $9.4 million park breaks ground in summer 2014 and will open in 2015; and restaurateur Mark Vetri will open a 150-seat restaurant in summer 2014 in a 4,700-square-foot former gatehouse. Current and upcoming construction of these developments is valued at almost $134 million.

Retail Market

Philadelphia continues to establish itself as a retail destination. In October of 2013, Colliers International reported that the fastest rising retail rents in the nation were on Philadelphia's Walnut Street, with 33.8% growth since October 2012. Throughout Philadelphia's downtown, the tenant mix continues to move toward national brands that can support growing rents. Recent additions include Stuart Weitzman, Madewell, Theory, Ulta, Intermix, and Suit Supply, the European chain's fifth US store. Japanese retailer Uniqlo is scheduled to open its first Philadelphia location in Center City in the fall of 2014. Other luxury retailers will soon follow; Barney's New York and Nordstrom Rack are expected to open in 2014.

Plans to revitalize East Market Street continue. In March 2014, NREA Development Services announced a mixed-use redevelopment project, Girard Square, located on East Market Street between 11th and 12th Streets. Once completed, the project will include 325 apartments, and up to 122,000 square feet of retail space. In April 2013, the Pennsylvania Real Estate Investment Trust (PREIT) acquired 430,000 square feet of retail and commercial space at 907 Market Street, giving a single entity ownership of The Gallery at Market East, a 130-store retail mall complex. Within a block, Marshalls opened a 60,000 square foot store in October 2012, also on East Market Street. Revitalizing East Market Street is a priority for the City, and City officials are working closely with PREIT to bring additional commercial and retail tenants to the area.

Data from the Bureau of Labor Statistics show that 48,418 people were employed in retail trades and 44,465 in food service and drinking establishments in 2012. The number of private retail establishments and private food services and drinking establishments has recovered from pre-recession levels, increasing by 203 and 180 establishments, respectively, from 2007 to 2012.

Table 13 reflects taxable retail sales for the City from Fiscal Years 2007 to 2012.

Table 13
Taxable Retail Sales 2007-2012
(Amounts in Thousands of USD)

Fiscal Year	Taxable Sales
2007	13,643,582
2008	13,704,958
2009	13,211,446
2010	13,050,202
2011	12,403,442
2012	12,721,337
2013	12,880,000

Source: Figures determined by dividing the City's local sales tax reported by the Pennsylvania Department of Revenue by the applicable local sales tax rate.

Food and Dining

Philadelphia has experienced a revival in restaurant establishments especially in the Center City District, indicating an improved quality of life and vibrancy of that area. The Center City District's investment in the

beautification of the area as well as the City's support in making the area more welcoming to visitors and diners sparked a significant increase in the number of indoor/outdoor dining establishments throughout the Center City District and other neighborhoods throughout the City. In 1995 no sidewalk cafes existed in Center City. By 2012 the same area had 296 sidewalk cafes. Additionally. from 1992 to 2010, the number of fine dining establishments within the Center City District increased 322%. Rapid development is also reflected in South Philadelphia, where East Passyunk was named a Top Ten Best Foodie Street in America by Food and Wine Magazine in May 2013.

Airport

Philadelphia International Airport (PHL) is the only major airport serving the City. PHL and Northeast Philadelphia Airport (PNE), PHL's general aviation reliever airport, are owned and operated by the City of Philadelphia.

PHL is classified by the Federal Aviation Administration as a large air traffic hub. According to data reported by Airports Council International – North America, PHL was ranked the eighteenth busiest airport in the United States, serving 30.3 million passengers in calendar year 2012, and was ranked the tenth busiest in the nation based on aircraft operations (take-offs and landings). Origin-destination traffic for Fiscal Year 2013 accounted for approximately 55% of annual passengers, with the remaining 45% being passengers who connected between flights. Enplanement levels at PHL have remained relatively stable despite the overall stagnant global economy since 2009. In Fiscal Year 2013, PHL saw a slight decrease of 0.8 percent in total enplanements, from 15.3 million to 15.2 million. For the first six months of Fiscal Year 2014 (July-December 2013), enplanements have increased 1.2% compared to the first six months of Fiscal Year 2013.

During the second quarter of calendar year 2014, an average of 29 tenant airlines are serving the airport and providing an average of 563 daily departures to 130 destinations, including an average of 60 daily departures to 40 international destinations. Situated on 2,394 acres, the Airport consists of seven terminals and four runways.

PHL Capital Projects

A 10-year planning process and a seven-year environmental review process culminated in January 2011 with the Federal Aviation Administration (FAA) issuing a Record of Decision approving the Airport's Capacity Enhancement Program (CEP) which enables the Airport to proceed with the next steps required to expand and make needed improvements.

In January 2013, PHL and its airline partners agreed upon a two-year extension to the Airport-Airline Use & Lease Agreement that will run through June 30, 2015. The extension allows for $734 million in new capital investments, bringing the total capital improvement program to approximately $1.1 billion. The new projects include: an extension of runway 9R/27L to provide the capability to accommodate large, long-haul aircraft flying to any point on the globe; airside improvements to include new taxiways, aircraft holding bays, and apron areas to allow aircraft to queue more efficiently for departure; a redesigned and enhanced Terminal B/C ticketing area, which will include a new, automated baggage handling and screening system and a new, more spacious, centralized passenger security screening checkpoint to provide for greater efficiency and enhanced passenger flow; replacement of the current rental car facility surface lots with a new, multi-story consolidated rental car facility; initial design for an automated people-mover system between concourses that will make it easier for passengers to connect to other flights; and continued rehabilitation of other existing airport infrastructure to include: security upgrades, roof and window replacements, escalator upgrades, airport restrooms, roadways, concession programs and flight information display systems.

In November 2013, the Governor of the Commonwealth signed a comprehensive transportation bill into law (Act 89 of 2013). This legislation permits the Airport to establish and collect a "Customer Facility Charge" (CFC). The CFC will provide funding for a new consolidated rental car facility, which will serve the Airport's rental car customers.

Also in November 2013, the newly redesigned Terminal F Hub opened featuring 20 new food, beverage and retail shops, a 300-seat food court area, new permanent artwork and an enhanced bus shelter.

Major Airline Events

On February 14, 2013, AMR Corporation, the parent company of American Airlines, Inc., and US Airways Group, Inc. announced that the boards of directors of both companies unanimously approved a definitive merger

agreement under which the companies will combine and operate under the American Airlines name. The merger was completed on December 9, 2013, and in March 2014, US Airways joined the "oneworld" alliance, which allows passengers to book domestic and international flights on oneworld partner airlines. In Fiscal Year 2013, US Airways and American operated an average of 460 daily flights and 16 daily flights at PHL, respectively, accounting for an aggregate 75.9 percent of the Airport's enplaned passengers.

New Air Service

Since 2012, five new airlines have started service at PHL. Virgin America began daily nonstop flights in April 2012 to Los Angeles and San Francisco. Alaska Airlines began daily nonstop flights in June 2012 to its hub in Seattle. In the spring of 2013, Spirit Airlines began serving PHL with daily flights to Dallas-Fort Worth and Las Vegas and seasonal flights to Myrtle Beach. In April 2013, JetBlue began serving PHL with daily flights to Boston. Most recently, in April 2014, Qatar Airways began daily nonstop service between Philadelphia and Doha, the capital of the State of Qatar, the first new service by a foreign flag carrier at PHL in more than a decade.

In 2014, American/US Airways announced new nonstop daily service from PHL to Watertown, New York beginning in May 2014, and from PHL to Charleston, West Virginia, Lexington, Kentucky, and Memphis, Tennessee beginning in June 2014, adding a total of four new domestic routes to the airline's network. In addition, American/US Airways announced new seasonal nonstop daily flights between PHL and Scotland's capital city of Edinburgh, beginning in May 2014.

Port of Philadelphia

The Port of Philadelphia is located on the Delaware River within the City limits. Philadelphia's Port facilities are serviced by three Class I railroads (CP Rail, CSX and Norfolk Southern) and provide service to major eastern Canadian points as well as Midwestern, southern and southeastern U.S. destinations. Terminal facilities, encompassing four million square feet of warehousing, are located in close proximity to I-95 and I-76. Over 300 local trucking companies operate in the MSA, with a combined total of over 15,000 trucks.

The Philadelphia Regional Port Authority is working to increase the Port's competitiveness with increased capacity. The Port of Philadelphia is 60% complete in deepening the main navigation channel of the Delaware River from 40 to 45 feet. Future plans also include the construction of the Southport facility, a container terminal that will be located at the east end of The Navy Yard. Southport will be the first new terminal in Philadelphia in 50 years. Construction of Southport is scheduled to begin in late 2014 and the first component of the project is projected to begin operating in 2018.

The Port of Philadelphia moved 5,100,385 metric tons of cargo in 2013, a 15% increase over 2012. The Port is in the midst of an $120 million expansion project which will ultimately increase cargo capacity for the entire MSA. The Port of Philadelphia is the top ranked port for meat importing in the United States, and is among the nation's leaders for fruit, cocoa, forest products and steel. In February 2014, the Port announced that the Brazilian company Fibria Celulose S.A., the world's largest producer of bleached eucalyptus wood pulp, will relocate its Northeastern United States distribution center to the Tioga Marine Terminal from Baltimore. The move is expected to create 228 stevedore and terminal jobs and up to 380 total jobs including rail workers and truckers.

ECONOMIC BASE AND EMPLOYMENT

The Philadelphia Economy

The City's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is the major regional business and personal services center with strengths in insurance, law, finance, health, education, utilities, and the arts. As of 2011, there were approximately 174,000 residents of Philadelphia's four suburban counties (Bucks, Chester, Delaware, and Montgomery) working within the City, and an additional 121,000 from counties outside the five-county region. The City also provides a destination for entertainment, arts, dining and sports for residents of the suburban counties, as well as for those residents of the counties comprising the extended Philadelphia MSA. (See Philadelphia Metropolitan Statistical Area -MSA- herein for further information.)

The cost of living in the City is relatively moderate compared to other major metropolitan areas. The City, as one of the country's education centers, offers the business community a large, diverse, and industrious labor pool.

Key Industries

Philadelphia has developed an increasingly diverse economy centered on healthcare, higher education, professional and business services, and leisure and hospitality. In its January 2012 Monthly Labor Review, the Bureau of Labor Statistics predicted that these sectors would grow nationally in the decade between 2010 and 2020. Healthcare and social assistance is predicted to grow 3% annually, educational services 2.3% annually, and professional and business services 2.1% annually, while financial activities and leisure and hospitality are predicted to both see a 1% annual gain.

In 2012 these sectors - health services, higher education, professional and business services, financial services and leisure and hospitality - collectively represented 63% of total employment in the City, and 66% of total private sector wages. Philadelphia has recovered 14,500 private sector jobs since the peak of the recession in 2009, and the 2012 annual average total employment was slightly higher than in 2005. As reflected in Table 17, employment has generally trended upwards in education and health services and leisure and hospitality over the period shown. These sectors provide stability to the City's overall economy.

Compared to the nation, Philadelphia demonstrates concentrations in seven sectors: educational services, health care and social assistance, management of companies and enterprises, finance and insurance, professional and technical services, arts, entertainment, and recreation, and transportation and warehousing. Of these seven sectors, the City has a higher concentration of employment than the Commonwealth of Pennsylvania in five sectors: education services, health care and social assistance, finance and insurance, professional and technical services, and arts, entertainment and recreation.

The concentration of education services not only provides stable support to the local economy, but also generates a steady and educated workforce, especially fueling the City's professional services and healthcare industries. The City is capitalizing on the region's assets to become a leader in research generated by life sciences and educational institutions. Several sites now foster incubator facilities, including the Navy Yard, the Science Center in West Philadelphia and the west bank of the Schuylkill River bordered by the University of Pennsylvania, Children's Hospital of Pennsylvania and Drexel University.

The City's economy also enjoys a large market share of for-profit creative industry companies which are entrepreneurial and technology-driven, known as businesses representing the "creative economy." The sector includes architecture, communications, design and merchandising, digital media, engineering, fashion design, graphic arts, information technology, interior and industrial design, marketing, music, film and video production, multimedia design, photography, planning product design and software development.

In September of 2012, the third largest national venture capital firm by volume, First Round Capital, moved its headquarters from West Conshohocken, PA to a 10,000 square foot facility in Philadelphia that includes incubator and co-working space. The move follows other large suburban firms, Bentley Systems, Fiberlink, and SevOne that have opened "satellite" offices in close proximity to Philadelphia universities. Also citing access to talent as a key driver, rapid growth companies like brand.com and Bulogics have taken larger steps, relocating their headquarters in the last year to Philadelphia. In December 2013, national seed-stage accelerator DreamIt Ventures announced it will open a 17,500 sq. ft. headquarters in University City in collaboration with the University City Science Center, Drexel University, and the City of Philadelphia.

Philadelphia entrepreneurs can access a burgeoning network of incubator, multi-tenant, and co-working spaces across the city. More than 60 organizations house a diverse range of startups from fashion and video gaming, to bio-tech and clean energy. Other incubators and advocates like Ben Franklin Technology Partners, DreamIt Ventures, Philly Startup Leaders, University City Science Center, and Technically Philly provide networking opportunities and access to venture capital. Capitalizing on this momentum, the City launched an initiative called Startup PHL in partnership with PIDC in October of 2012. The initiative includes a $6 million seed-stage investment fund managed by First Round Capital, and grants to organizations that offer programming to entrepreneurs.

Table 14
Ratio of Philadelphia and Pennsylvania Industry Concentrations
Compared to the United States

Industry	Pennsylvania	Philadelphia County
Educational Services	1.59	4.68
Health Care and Social Assistance	1.24	1.74
Management of Companies and Enterprises	1.46	1.28
Finance and Insurance	1.02	1.16
Professional and Technical Services	0.91	1.12
Arts, Entertainment, and Recreation	1.07	1.14
Transportation and Warehousing	1.13	1.08

Source BLS: 2012 Location Quotient, Quarterly Census of Employment and Wages Data. Ratio of analysis-industry employment in the analysis area to base-industry employment in the analysis area divided by the ratio of analysis-industry employment in the base area to base-industry employment in the base area.

Educational Institutions

The Philadelphia MSA plus Mercer County, New Jersey, has the second largest concentration of students on the East Coast with 101 degree granting institutions of higher education and a total enrollment of over 300,000 students. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

Hospitals and Medical Centers

The City is a center for health, education, research and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. There are presently more than 30 hospitals, five medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine, and the Philadelphia Center for Health Care Sciences in West Philadelphia. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area.

Major research facilities are also located in the City, including those located at its universities, its medical schools, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. In 2013 the Children's Hospital of Philadelphia completed the construction of a $400 million biomedical research facility located within the Philadelphia Center for Health Care Sciences in West Philadelphia. Philadelphia is home to two of the nation's 41 National Cancer Institute-designated Comprehensive Cancer Centers (the Abramson Cancer Center at the University of Pennsylvania and Fox Chase Cancer Center, which is part of the Temple University Health System). Additionally, Philadelphia is also home to two NCI-designated Cancer Centers (Kimmel Cancer Center and the Wistar Institute Cancer Center).

Table 15 lists the number of licensed and staffed beds in each of the major hospitals and medical centers in the City, as of June 2013, and does not reflect any mergers, consolidations or closures that have occurred since that date.

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Table 15
Hospitals and Medical Centers as of June 2013

Institution Name	Total Licensed Beds	Total Staffed Beds
Aria Health[1]	480	480
Belmont Center for Comprehensive Treatment	147	147
Chestnut Hill Hospital	130	67
Einstein Medical Center-Philadelphia	772	445
Fox Chase Cancer Center	98	97
Hahnemann University Hospital	496	496
Hospital of the University of Pennsylvania	789	789
Jeanes Hospital	176	156
Kensington Hospital	45	45
Magee Rehabilitation Hospital	96	96
Mercy Philadelphia Hospital	178	157
Nazareth Hospital	203	173
Penn Presbyterian Medical Center	305	305
Pennsylvania Hospital	496	402
Roxborough Memorial Hospital	141	141
St. Joseph's Hospital[3]	197	182
St. Mary Medical Center	373	310
St. Christopher's Hospital for Children	189	189
Shriners Hospitals for Children - Philadelphia	53	39
Temple University Hospital[2]	728	728
The Children's Hospital of Philadelphia	521	493
Thomas Jefferson University Hospital[4]	969	945

Source: Source: PA Department of Health, Report 1A-1B, 2013.
[1]Aria Health System includes data for all three divisions - Frankford, Torresdale and Bucks County.
Temple University Hospital includes data for Episcopal Hospital.
[3]St. Joseph's Hospital includes data for Girard Medical Center/Continuing Care Hospital of Philadelphia.
[4]Thomas Jefferson University Hospital includes data for the Methodist Hospital Division.

Children's Hospital Expansion. Top ranked Children's Hospital of Philadelphia (CHOP) is one of the largest and oldest children's hospitals in the world. Since 2002, CHOP has invested over $2.6 billion in its expansion in Philadelphia, which is one of the largest hospital expansions in the U.S. The $500 million Ruth and Tristram Colket, Jr. Translational Research Building opened in 2010. The Trustees of CHOP recently approved an additional investment of $2.7 billion in CHOP's ambitious expansion in Philadelphia through 2017. The $500 million, 700,000 square foot Buerger Center for Advanced Pediatric Care is currently under construction and is scheduled to open in 2015. Future projects include phase one of a nine-acre, 1.5 million square foot medical research campus along on the east banks of the Schuylkill River which is expected to be completed by the end of 2016.

University of Pennsylvania. The University of Pennsylvania, a private Ivy League institution, sits on a 300 acre campus in West Philadelphia across the river from downtown Philadelphia. Its more than 20,000 undergraduate, graduate and professional full time students attend more than 12 graduate and professional schools on its single campus within the City. The University and its health system is the largest private sector employer in Philadelphia employing over 30,000 staff with an annual budget of $6 billion. In 2011 the University completed a $400 million medical research building, the Smilow Center for Translational Research, and has since invested additional amounts to fit out three floors in the facility. In 2011, the University broke ground on the Krishna P. Singh Center for Nanotechnology, an $88 million nanotechnology research facility combining expertise from both its School of Arts and Sciences and its School of Engineering and Applied Science. This newest research facility opened in October 2013. In February 2014, the University unveiled a masterplan for an Innovation and Research Park called Pennovation Center, a 23-acre parcel located on the south side of the Schuylkill River. The masterplanning process includes redevelopment plans for the entire acreage, however the University has been leasing various buildings with an innovation center end-use in mind for the past two years. The area already houses diverse technology companies such as KMel Robotics, Netronix, and Novapeutics, each stemming from innovations developed in Philadelphia universities.

The Wistar Institute. The Wistar Institute was founded in 1892 and was the nation's first independent biomedical research facility. The Institute has started construction on a $100 million expansion and renovation project that will significantly increase its ability to carry out its mission.

Drexel University. Founded in 1891 as the Drexel Institute of Science, Art and Industry, the University occupies a 74-acre University City Main Campus. Drexel's student body has grown considerably in the past two decades, from 4,500 in 1996 to over 10,000 students today, resulting in expansion of both curriculum and campus. Drexel's 2007 Master Plan not only lays the foundation for the expansion of its institutional facilities and student housing, but calls for considerable investment in green space, streetscape improvements, and mixed-use development that includes retail.

To date, $232 million is allocated for construction already in progress, and an estimated $300 million will be allocated for projected construction projects through 2016. In September, 2011 Drexel University opened the doors to its new $69-million science building, the Constantine N. Papadakis Integrated Sciences Building. The University recently completed construction of a $92 million 12-story facility for its LeBow School of Business and a new mixed use residential and retail project on Chestnut Street. Design is also complete for a $44 million renovation of a 161,000 square foot building housing the College of Media Arts and Design.

Principal Employers in the City

Table 16 lists Philadelphia's 16 largest employers, by wage tax revenue. Six are hospitals and providers of other medical services, four are renowned universities, and three are in the finance and insurance industry. Other sectors represented include food services, bio-tech, information, and leisure and hospitality: GlaxoSmithKline LLC, an international researcher and manufacturer of pharmaceuticals, the headquarters for Comcast Corporation, one of the country's largest IT and communications providers, and Aramark Corporation, an employer of food service workers are among Philadelphia's largest wage tax contributors. This list highlights Philadelphia's strength in its centers of medicine and higher learning.

Two of the City's largest employers, Aramark Corporation and Comcast Corporation are also Fortune 500 companies. Although not among the largest employers, other Fortune 500 companies found in Philadelphia are Crown Holdings Inc., Cigna Corporation, and Sunoco Inc. A number of Fortune 1000 companies are also within the City: FMC Corporation, Urban Outfitters Inc., and Radian Group Inc.

Table 16
Principal Employers by Wage Tax Revenue, Summer 2013

Employer	*Sector*	*Employees within Philadelphia*
University of Pennsylvania	Education	15,626
University of Pennsylvania Health System	Health	15,448
Children's Hospital of Philadelphia	Health	9,788
Drexel University	Education	9,356
Thomas Jefferson University Hospitals	Health	7,899
Temple University	Education	7,878
Aramark Corporation	Food Service	6,535
Albert Einstein Medical	Health	5,900
Temple University Hospital, Inc.	Health	5,414
Thomas Jefferson University	Education	4,192
Independence Blue Cross	Insurance	3,534
Comcast Corporation	Communications	3,250+
Tenet Healthsystems Hahnemann LLC	Health	2,782
Ace Insurance Company	Insurance	1,409
GlaxoSmithKline LLC	Bio-tech	1,300*
Radian Group, Inc.	Insurance	585
	Total	100,896

Source: City of Philadelphia Department of Commerce
* Estimate as of January 2012
+As of January 2012

The Labor Force

The City demonstrates strength in education and health services relative to its surrounding Pennsylvania suburbs. Just under a third of Philadelphia's employment is in education and health services. While considerable in suburban counties, this sector represents under one-fifth of their combined economy.

In 2013, Philadelphia ended the year with a total employment of 666,100, the highest level since 2003 when it was 671,400. The highest levels of growth occurred in Professional and Business Services, Education and Health Services, and Hospitality and Leisure.

Table 17 shows non-farm payroll employment in the City over the last decade by industry sectors.

Table 17
Philadelphia
Non-Farm Payroll Employment[1]
(Amounts in Thousands)

Sector	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Change from 2004	Average Annual % Change	Share of Total Employment
Construction & Mining	11.4	12.0	12.4	11.9	12.1	10.1	10.0	10.0	10.2	10.5	-7.9%	-0.7%	1.6%
Manufacturing	32.6	31.2	29.9	28.5	27.8	25.7	24.7	23.7	22.9	21.8	-33.1%	-3.6%	3.3%
Trade, Transportation, & Utilities	90.9	90.0	88.5	87.8	87.6	85.9	86.6	87.4	88.9	89.8	-1.2%	-0.1%	13.5%
Information	13.6	13.2	12.8	12.6	12.5	12.6	12.2	12.0	12.0	11.6	-14.7%	-1.4%	1.7%
Financial Activities	49.0	48.2	47.7	47.1	46.5	44.9	42.6	41.6	41.0	41.1	-16.1%	-1.6%	6.2%
Professional & Business Services	80.3	82.4	84.2	85.8	85.3	80.1	81.6	83.0	84.1	86.2	7.3%	0.6%	12.9%
Education & Health Services	180.1	182.5	187.7	192.4	196.7	199.2	202.3	206.4	208.1	209.2	16.2%	1.4%	31.4%
Leisure & Hospitality	54.6	56.6	58.0	58.0	57.9	56.9	58.4	60.6	63.2	64.8	18.7%	1.6%	9.7%
Other Services	28.5	28.5	28.2	28.0	27.8	26.6	26.5	26.4	26.8	27.4	-3.9%	-0.4%	4.1%
Private Sector Total	541.0	544.6	549.4	552.1	554.2	542.0	544.9	551.1	557.2	562.4	4.0%	0.4%	84.4%
Government	116.9	115.7	113.2	110.6	109.2	110.4	112.1	109.0	105.3	103.7	-11.3%	-1.1%	15.6%
Total	657.9	660.3	662.5	662.7	663.3	652.6	657.1	660.0	662.3	666.1	1.2%	0.1%	100.0%

Source: Bureau of Labor Statistics (BLS) 2013.
[1] Includes persons employed within the City, without regard to residency.

Unemployment

Philadelphia continues to experience unemployment at a rate higher than the national average. However at the start of the recession, from 2008 to 2009, Philadelphia's unemployment rate increased by 2.5%, a full percent lower than the overall increase in unemployment for the country during the same period. Mayor Nutter has made lowering unemployment a top priority in his second term. To that end, the City has created a Jobs Commission, which in January 2013 released a strategic plan to lower unemployment.

Table 18 below shows six years of unemployment information for Philadelphia, the MSA, the Commonwealth and the United States.

Table 18
Unemployment
Six-Year Unemployment in Selected Geographical Areas, 2008-2013

Geographical Area	2008	2009	2010	2011	2012	2013	*Change2008-2013*
United States	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	1.6%
Pennsylvania	5.4	7.9	78.4	8.0	7.9	7.4	2.0
Philadelphia-Camden-Wilmington MSA	5.4	8.2	8.9	8.6	8.6	8.0	2.6
Philadelphia	**7.1**	**9.6**	**10.8**	**10.8**	**10.8**	**10.3**	**3.2**

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

Throughout the 1990s and as late as 2009, Philadelphia narrowed the gap between its unemployment levels and national levels. The effects of the recession are reflected in 2010 and 2011.

Median and Average Household Income

Table 19 and 20 show median family income, which includes related people living together, and median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Table 21 shows the average household income for the same areas. Over the period 2005-2012, median family income for Philadelphia increased by 10.1%, while average household income increased by 29.6% over the period 2005-2011 as a result of an influx of higher income households.

Table 19
Median Family Income* for Selected Geographical Areas, 2005-2012

Geographical Area	2005	2006	2007	2008	2009	2010	2011	2012	*Change 2005-2012*
United States	$55,832	$58,526	$60,374	$63,211	$62,367	$62,112	$62,735	$63,105	$7,273
Pennsylvania	55,904	58,148	60,243	63,071	62,772	63,040	64,331	65,050	9,146
Philadelphia-Camden-Wilmington MSA	67,830	70,781	73,536	76,978	76,812	76,710	78,083	77,791	9,961
Philadelphia	**40,534**	**43,049**	**44,134**	**46,365**	**45,826**	**45,148**	**45,044**	**44,621**	**4,087**

*Includes related people living together.
Source: American Community Survey, Annual and 3-Year Estimates

Table 20
Median Household Income* for Selected Geographical Areas, 2005-2012

Geographical Area	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	***Change 2005 - 2012***
United States	$46,242	$48,451	$50,007	$52,175	$51,369	$51,222	$51,484	$51,771	$5,529
Pennsylvania	44,537	46,259	47,913	50,272	50,028	50,289	51,016	51,402	6,865
Philadelphia-Camden-Wilmington MSA	53,555	55,593	57,831	60,331	60,232	60,037	60,625	60,444	6,889
Philadelphia	**32,753**	**33,229**	**34,767**	**36,222**	**36,725**	**35,952**	**35,956**	**35,581**	**2,828**

*Includes unrelated people living together.
Source: American Community Survey, Annual and 3-Year Estimates

Given the City's high percentage of knowledge-based industries, including higher education, healthcare and other professional services, such as law, accounting and finance, the average household income within the City is materially higher than the median household income. Also contributing to this effect is the fact that Philadelphia has the fifth largest college and graduate program enrolled population among major U.S. cities. These individuals, numbering approximately 152,500 according to the 2012 American Community Survey, or 10% of the City's overall population, generally have very low or no income, as they are either unemployed or working only part-time while

they complete their education. The City's large student population has also historically led to an overstatement of the City's percentage of residents living at or below the poverty level. Average household income, which more accurately adjusts for the City's large student population and strong, well-paying knowledge-based industries, is summarized in Table 21 below.

Table 21
Average Household Income for Selected Geographical Areas
2000-2012

Year	City of Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as % of US
2000	$ 63,914	$ 91,627	$ 77,279	$ 80,665	79.23%
2001	67,092	96,309	80,482	82,815	81.01
2002	70,427	98,780	81,945	83,286	84.56
2003	73,011	101,471	84,167	85,224	85.67
2004	75,348	106,180	88,008	89,624	84.07
2005	78,063	110,239	91,076	93,663	83.35
2006	82,284	117,841	96,989	99,506	82.69
2007	86,623	121,962	101,275	103,633	83.59
2008	93,389	125,801	104,100	106,899	87.36
2009	95,039	124,101	102,680	103,774	91.58
2010	99,278	126,794	105,500	106,166	93.51
2011	103,875	133,065	111,054	111,528	93.14
2012	105,734	136,460	114,019	115,037	91.91

Source: IHS Global Insight

Consumer Price Index

Philadelphia has the second lowest consumer price index among major cities along the Northeast Corridor, as shown in Table 22 below. The City markets its relatively low labor costs and cost of living to attract businesses considering locating to the region. Additionally, the City's proposed Twenty-Third Five-Year Plan (as defined in Appendix A) resumed reductions in the Wage, Earnings, and Net Profits Tax, which will further incentivize both business and residents to relocate into the City.

Table 22
2012 Consumer Price Index of Cities in the Northeastern U.S.

Metropolitan Area	CPI
New York-Northern New Jersey-Long Island	150.75
Washington-Arlington-Alexandria	141.48
Boston-Cambridge-Quincy	139.4
Philadelphia-Camden-Wilmington	122.57
Baltimore-Towson	116.6

Source: Select Greater Philadelphia, 2012 ACCRA Cost of Living Index

HOUSING

The 2012 American Community Survey reported 668,947 housing units in Philadelphia, with 576,889 occupied and 92,058 vacant, representing a vacancy rate of 13.8%. Of occupied housing units, 53.4% were owner-occupied and 46.6% were renter-occupied. The homeowner vacancy rate was just 3.1%, while the rental vacancy rate was 7.6%.

Home sales volume increased by 8% from the fourth quarter of 2012 to the fourth quarter of 2013, to 3,427 from 3,164. Fourth quarter prices citywide are up 4.5% from the previous year, at a median sales price of $120,000, and show a modest recovery from previously weaker performance, according to a Real Estate Value Trends Report published by Econsult Solutions. Consistent with demographic shifts of population growth in Greater Center City,

districts that had the largest annual increase in median sales price are areas adjacent to Center City: Lower North at 18.9% and South Philadelphia at 11.1%. Citywide, house prices increased 4.5% from 2012 to 2013

KEY CITY-RELATED SERVICES AND BUSINESSES

Transportation

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to PHL and to the surrounding counties. A high speed train line (PATCO) runs from southern New Jersey to Center City and is operated by the Delaware River Port Authority. An important addition to the area's transportation system was the opening of the airport high speed line between Center City and the Airport in 1985. The line places PHL less than 25 minutes from the City's central business district and connects directly with the commuter rail network and the Pennsylvania Convention Center. The opening of the commuter rail tunnel in 1984 provided a unified City transportation system linking the commuter rail system, the SEPTA bus, trolley, and subway lines, the high speed line to New Jersey, and the airport high speed line. More than 100 truck lines serve the Philadelphia area.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to the other major cities and markets in the United States. According to Amtrak, Philadelphia's 30th Street Station is the 3rd busiest station in the United States. Structural improvements of $30 million were recently completed to the station, and an additional $60 million restoration project is awaiting federal approval.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of I-95; the Vine Street Expressway (I-676), running east-to-west through the Central Business District between I-76 and I-95; and the "Blue Route" (I-476) in suburban Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I-95 and connects to the Schuylkill Expressway (I-76) which runs to Center City Philadelphia.

The Airport was opened in 1940, is owned by the City and operated by the Division of Aviation, and serves residents of and visitors to a broad geographic area that includes portions of four states: Pennsylvania, New Jersey, Delaware and Maryland. The primary service region of the Airport consists of the Philadelphia and Wilmington Metropolitan Statistical Areas. The Airport is located partly in the southwestern section of the City and partly in the northeastern section of Delaware County 7.2 miles from Center City Philadelphia. PHL is situated over 2,300 acres of land. It is adjacent to I-95 and is served by a SEPTA commuter rail line with direct service to Center City Philadelphia. Philadelphia Northeast Airport (PNE), located on the northeast part of the City, provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service.

PHL is classified by the Federal Aviation Administration (the "FAA") as a large air traffic hub. According to the Airport Council International – North America, PHL was ranked the eighteenth busiest airport in the United States, serving approximately 30.3 million passengers in calendar year 2012. PHL also ranked as the tenth busiest airport in the nation in calendar year 2012 based on aircraft operations (take-offs and landings), with 443,236 aircraft movements. Origin-destination traffic for Fiscal Year 2013 accounted for approximately 55% of annual passengers, with the remaining 45% being passengers who connected between flights. As of March 2014, twenty-nine tenant airlines serving the airport provided over 560 daily flights to 125 cities, including 91 domestic and an average of 57 flights to 38 international destinations.

Water and Wastewater

The water and wastewater systems of the City are owned by the City and operated by the City's Water Department. The water system provides water to the City (134 square mile service area), to Aqua Pennsylvania, Inc., formerly Philadelphia Suburban Water Company, and to the Bucks County Water and Sewer Authority. The City obtains approximately 58% of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 483,955 retail customers through 3,172 miles of mains, 3 water treatment plants, 15 pumping stations and provides fire protection through 25,321 fire hydrants. The water treatment plants continue to meet and /or exceed their Safe Drinking Water Act as well as partnership for Safe Water standards.

The wastewater system services a total of 364 square miles of which 134 square miles are within the City and 230 square miles are in suburban areas. The total number of retail customer accounts is approximately 528,938, including approximately 49,993 storm water only accounts. The wastewater and storm water systems contain three

water pollution control plants, a biosolids processing facility, 19 pumping stations, and approximately 3,719 miles of sewers. The wastewater treatment plants continue to meet and/or exceed their National Pollutant Discharge Elimination System permit limits.

Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2300 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits.

Parks

The City was originally designed by William Penn and Thomas Holme around five urban parks, each of which remains in Center City to this day. The City's parklands total over 10,300 acres, and include Fairmount Park, the world's largest landscaped urban park at 9,200 acres, Pennypack Park, and the Philadelphia Zoo, the country's first zoo. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell.

Libraries

The Free Library of Philadelphia, the City's public library system, is one of the pre-eminent libraries in the world, comprised of 54 branches and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department and the divisions within it are responsible for the City's large network of streets and roadways. The Department is also responsible for the ongoing collection and disposal of residential trash and recyclables, as well as the construction, cleanliness and maintenance of the street system. The streets system in Philadelphia totals 2,575 miles - 2,180 miles of City streets, 35 miles of Fairmount Park roads and 360 miles of state highways. The Highway Unit and Sanitation Division annually collects and disposes of approximately 600,000 tons of rubbish and 125,000 tons of recycling, completes over 48,000 miles of mechanical street cleaning, clears 1,800 major illegal dump sites, and removes over 155,000 abandoned tires.

Sustainability and Green Initiatives

The Mayor has stated one of his top priorities is to make Philadelphia the greenest and most sustainable city in America. To aid in achieving this goal, the newly created Philadelphia Energy Authority has been tasked with improving energy sustainability and affordability in the City and with educating consumers on their energy choices. The City is also actively evaluating options and investing in green infrastructure to better manage storm water reclamation and reduce pollution of the City's public waters. There has been extensive investment in creating more and better public green spaces, such as Love Park in Center City as well as green spaces along both the Delaware and Schuylkill Rivers. Finally, the City has been taking steps to further reduce automobile traffic, congestion and pollution by making Philadelphia's streets increasingly friendly to bicyclists. Philadelphia is on-track to introduce its new bicycle sharing system in fall 2014. Bicycle share programs have been successfully implemented in other cities worldwide. The new program will have over 600 new bicycles in its first phase and up to 2,000 bicycles once fully implemented.

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APPENDIX C

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2013

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City of Philadelphia

P E N N S Y L V A N I A

Founded 1682

Fairmount Park Waterworks

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

City of Philadelphia

P E N N S Y L V A N I A

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Joseph Oswald
Accounting Director

Office of the Director of Finance • 1330 MSB • Philadelphia, PA 19102

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City of Philadelphia
OFFICE OF THE DIRECTOR OF FINANCE
1401 John F. Kennedy Blvd.
Suite 1330, Municipal Services Bldg.
Philadelphia, Pennsylvania 19102-1693

ROB DUBOW
Director of Finance

February 24, 2014

To the Honorable Mayor, Members of City Council, and the People of the City of Philadelphia:

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 2013, is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The Philadelphia Home Rule Charter (Charter) requires an annual audit of all City accounts by the City Controller, an independently elected official. The Charter further requires that the City Controller appoint a Certified Public Accountant in charge of auditing. These requirements have been complied with and the audit done in accordance with Generally Accepted Governmental Auditing Standards (GAGAS).

Management has provided a narrative to accompany the basic financial statements. This narrative is known as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 135 square miles along the Delaware River, serves a population in excess of 1.5 million and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in southeast Pennsylvania. The City is governed largely under the Home Rule Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951, and became effective on the first Monday of January, 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania. The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten from districts and seven from the City at-large, elected every four years. Minority representation is assured by the requirement that no more than five candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms.

This report includes all the funds of the City as well as its component units. The Philadelphia Municipal Authority's and the Pennsylvania Intergovernmental Cooperation Authority's statements are blended with the City's statements. The Philadelphia Gas Works', the Philadelphia Redevelopment Authority's, the Philadelphia Parking Authority's, the School District of Philadelphia's, the Community College of Philadelphia's, Community Behavioral Health, Inc.'s, the Delaware River Waterfront Corporation's, and the Philadelphia Authority for Industrial Development's statements are presented discretely. A component unit is considered to be part of the City's reporting entity when it is concluded that there is a financial benefit, or burden, to the City or that the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services, as well as the activities of the previously mentioned public agencies and authorities. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport which handles in excess of 30 million passengers annually as well as cargo and Northeast Philadelphia Airport which handles private aircraft and some cargo.

City government is responsible for establishing and maintaining internal controls designed to protect the assets of the City from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. This internal control is subject to periodic evaluation by management and the City Controller's Office in order to determine its adequacy. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget proposed by the Mayor and approved by City Council for the fiscal year beginning July 1st. Activities of the General Fund, City Related Special Revenue Funds and the City Capital Improvement Funds are budgeted annually. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major class within an individual department and fund for the operating funds and by project within department and fund for the Capital Improvement Funds. The City also maintains an encumbrance accounting system for control purposes. Encumbered amounts that have not been expended at year-end are carried forward into the succeeding year but appropriations that have not been expended or encumbered at year-end are lapsed.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in this report is best understood in the context of the environment in which the City of Philadelphia operates. A more comprehensive analysis of these factors is available in the City's Five-Year Financial Plan which is presented by the Mayor each year pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act and can be obtained online at *www.phila.gov/finance/*.

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. The City has experienced new investment in many of its neighborhoods spurred by the relative affordability of housing and the City's extensive array of cultural amenities. In addition, as the chart below demonstrates the city's population, and income, have shown increases in each of the two previous calendar years. Still, significant challenges remain. The City's tax base is under pressure as personal income levels remain relatively low in comparison to the region and poverty in the region has become increasingly concentrated in the City.

As is the case with municipalities across the country, the City experienced significant tax revenue declines during the deep world-wide recession of 2007-2009. The economic recovery has been slow and while tax revenues are rebounding, revenue from some taxes have yet to hit the level they attained before the recession. Since October of 2008, the City has implemented significant actions to balance the budget and its five year plans, including: reducing General Fund employee headcount; implementing a temporary five year sales tax increase and a real estate tax increase; pension funding changes; freezing City funded wage tax and business income and receipts tax reductions until fiscal 2014; and, instituting spending cuts throughout the government. As a result of these actions as well as several one-time revenues, the City's fund balance on a legally enacted basis increased from $146.8 million in fiscal 2012 to $256.9 million in fiscal 2013. The City's current projection for the fund balance level at the end of fiscal 2014 is $101.5 million.

While the recession officially ended in June 2009, unemployment remains high and many economists anticipate that the recovery will continue to be slow. This is particularly relevant to state and local governments, whose tax revenues generally lag economic conditions.

The table below shows how Philadelphia's local economy has trended in the past five years, characterized by population fluctuations, with increases since 2010 in total compensation and lower unemployment rates.

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
		(thousands of USD)	(USD)	
2008	1,540,351	54,262,716	35,228	7.1%
2009	1,547,297	54,061,223	34,939	9.6%
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%

Long Term Financial Planning

Long term financial planning for the City and for businesses and governments around the world has been made much more challenging with the sudden and dramatic rate of deterioration in the economy in the past five and a half years. As discussed above, the City has made significant changes to its budget and five-year plan to compensate for projected deficits and will continue to make those adjustments as necessary.

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. In fiscal 2013, employee benefits (14%) and pensions (17%) combined, comprised 31% of the total budgeted expenditures and encumbrances.

In order to address the challenges these long term structural costs present, the City has made changes to its labor contracts in the areas of health and pension benefits and is continuing to seek changes in its open contracts. The City has already made changes in the City-administered benefits programs to reduce the cost to the City, implement efficiency savings and increase employee health benefit contributions. Also, the City made additional changes to the health care related to the FOP as a result of the December 18, 2009 Act 111 arbitration award. These changes include lowering the cost to the City, increasing the share paid by employees, changing the funding structure and providing financial incentives to the health fund to keep costs down.

In the area of pensions, the City has sought to reduce its costs, reduce its risk and increase employee contributions. The 2009 FOP interest arbitration introduced a new hybrid pension plan with defined

benefit and defined contribution components for police officers and gave new hires the option of participating in this new plan or paying an additional 1% of pay to enter the existing plan. The City was awarded similar pension changes in the October 12, 2010 Act 111 arbitration award with the IAFF. A 2011 interest arbitration award involving the employees of the Sheriff's Office and Register of Wills included a new hybrid pension plan with defined benefit and defined contribution components for new hires as well. For employees of the Register of Wills, this new plan is mandatory for new hires, while employees of the Sheriff's Office have a choice between the existing plan with a higher employee contribution or the new plan. Interest arbitration awards issued in 2012 covering more than 2,000 prison guards represented by District Council 33 and a unit of court employees represented by District Council 47 require all new hires to enter into the hybrid plan. The interest arbitration covering the prison guards also increased the employee contribution for pensions for current employees. The City has proposed similar changes to exempt and non-represented employees, elected officials and employees represented by Local 2186 of District Council 47. Implementation of these pension changes for prison guards, courts employees, and the latter groups awaits City Council passage of the applicable ordinances. The City is seeking similar changes with the remaining bargaining units whose contracts expired in July of 2009.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the thirty third consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Office of the Director of Finance as well as various City departments and component units. Each has my sincere appreciation for their valuable contributions.

Sincerely,

ROB DUBOW
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

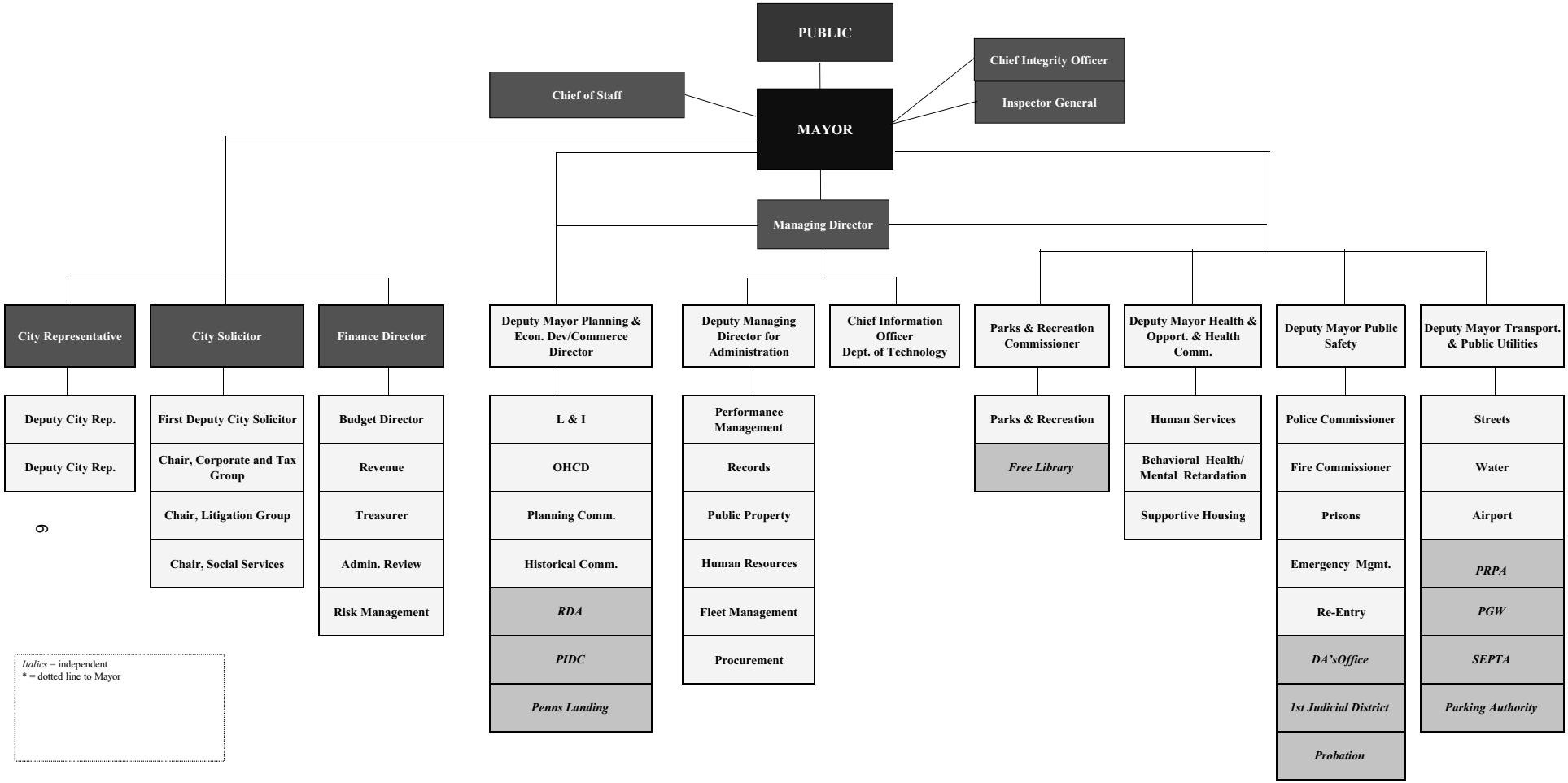
Presented to

City of Philadelphia
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO


PUBLIC
Chief of Staff
MAYOR
Chief Integrity Officer
Inspector General
Managing Director
City Representative
Deputy City Rep.
Deputy City Rep.
City Solicitor
First Deputy City Solicitor
Chair, Corporate and Tax Group
Chair, Litigation Group
Chair, Social Services
Finance Director
Budget Director
Revenue
Treasurer
Admin. Review
Risk Management
Deputy Mayor Planning & Econ. Dev/Commerce Director
L & I
OHCD
Planning Comm.
Historical Comm.
RDA
PIDC
Penns Landing
Deputy Managing Director for Administration
Performance Management
Records
Public Property
Human Resources
Fleet Management
Procurement
Chief Information Officer Dept. of Technology
Parks & Recreation Commissioner
Parks & Recreation
Free Library
Deputy Mayor Health & Opport. & Health Comm.
Human Services
Behavioral Health/ Mental Retardation
Supportive Housing
Deputy Mayor Public Safety
Police Commissioner
Fire Commissioner
Prisons
Emergency Mgmt.
Re-Entry
DA'sOffice
1st Judicial District
Probation
Deputy Mayor Transport. & Public Utilities
Streets
Water
Airport
PRPA
PGW
SEPTA
Parking Authority
Italics = independent
* = dotted line to Mayor

Elected Officials

Mayor ..... Michael A. Nutter

City Council
President, 5th District ..... Darrell L. Clarke

1st District ..... Mark Squilla
2nd District ..... Kenyatta Johnson
3rd District ..... Jannie L. Blackwell
4th District ..... Curtis Jones, Jr.
6th District ..... Bobby Henon
7th District ..... Maria D. Quinones-Sanchez
8th District ..... Cindy Bass
9th District ..... Marian B. Tasco
10th District ..... Brian J. O'Neill
At-Large ..... Blondell Reynolds Brown
At-Large ..... W. Wilson Goode, Jr.
At-Large ..... William K. Greenlee
At-Large ..... David Oh
At-Large ..... James F. Kenney
At-Large ..... Bill Green
At-Large ..... Dennis O'Brien

District Attorney ..... Seth Williams

City Controller ..... Alan Butkovitz

City Commissioners
Chairman ..... Anthony Clark
Commissioner ..... Al Schmidt
Commissioner ..... Stephanie Singer

Register of Wills ..... Ronald R. Donatucci

Sheriff ..... Jewell Williams

First Judicial District of Pennsylvania
President Judge, Court of Common Pleas ..... Pamela P. Dembe
President Judge, Municipal Court ..... Marsha H. Neifield
President Judge, Traffic Court ..... Vacant

Appointed Officials

Managing Director	Richard Negrin
Director of Finance	Rob Dubow
City Solicitor	Shelley R. Smith
City Representative	Desiree Perkin-Bell
Chief of Staff	Everett A. Gillison
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	Donald R. Schwarz, MD
Deputy Mayor for Planning & Economic Development/Commerce Director	Alan Greenberger
Deputy Mayor for Transportation and Utilities	Rina Cutler
Chief Integrity Officer	Joan L. Markman
Inspector General	Amy L. Kurland
Chief Education Advisor to the Mayor	Lori A. Shorr, Ph.D.
Chief Innovation Officer	Adel W. Ebeid
City Treasurer	Nancy Winkler
Revenue Commissioner	Clarena Tolson
Procurement Commissioner	Hugh Ortman
Police Commissioner	Charles Ramsey
Prisons Commissioner	Louis Giorla
Streets Commissioner	David J. Perri
Fire Commissioner	Lloyd Ayers
Commissioner of Parks and Recreation	Michael DiBerardinis
Public Property Commissioner	Bridget Collins-Greenwald
Director of the Office of Behavioral Health	Arthur C. Evans, MD
Department of Human Services Commissioner	Anne Marie Ambrose
Licenses and Inspections Commissioner	Carlton Williams
Water Commissioner	Howard Neukrug
Records Commissioner	Joan T. Decker
Human Resources Director	Albert L. D'Attilio
Executive Director of the Board of Pensions & Retirement	Francis X. Bielli
Executive Director of the Sinking Fund Commission	Charles Jones
Chief Executive Officer of PHL	Mark Gale
Director of the Office of Labor Relations	Rene Vargas

CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ
City Controller

GERALD V MICCIULLA
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Honorable Members
of the Council of the City of Philadelphia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. With the exception of the School District, we did not audit the financial statements of the blended component units and the discretely presented component units listed in Note 1.1, as well as the Municipal Pension Fund, the Gas Works Retirement Reserve Fund, and the Departmental and Permanent Funds which represent 33% and 18% of the total assets and revenues, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those component units and funds, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note I.10 to the financial statements, in 2013 the City adopted new accounting principles required by Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans and other post employment benefits - schedule of funding progress, and the related notes to required supplementary information, on pages 120 through 124 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the above required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit for the year ended June 30, 2013 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements. The accompanying Other Supplementary Information for the year ended June 30, 2013, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2013, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2013.

The other information, which includes the Introductory Section and Statistical Section as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Philadelphia, Pennsylvania as of and for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated February 21, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The 2012 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2012 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The 2012 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations have been subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

Gerald V. Micciulla

GERALD V. MICCIULLA, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 24, 2014

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2013 has been prepared by the city's management. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the city's financial statements immediately following this discussion and analysis.

Financial Highlights

- At the end of the current fiscal year, the assets and deferred outflows of the City of Philadelphia exceeded its liabilities by 15.2 million. Its *unrestricted net position* showed a deficit of $2,415.5 million. This deficiency will have to be funded from resources generated in future years.

- During the current fiscal year the city's total net position increased by $50.1 million. The governmental activities of the city experienced an increase of $2.9 million, while the business type activities had an increase of $47.2 million.

- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of $582.5 million, an increase of $35.8 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of $134.4 million, a decrease of $47.2 million from last year.

- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned* and *unassigned* components of the fund balance) for the general fund was $188.0 million, of which, $90.0 million was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* increased by $90.0 million in comparison with the prior year.

- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a surplus fund balance of $256.9 million, as compared to a $146.8 million surplus last year. This increase of $110.1 million was due to an increase in revenues that resulted in an operating surplus of $84.7 million and the cancellations of prior year obligations further increased the fund balance.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction and overview of the City of Philadelphia's basic financial statements. The city's basic financial statements are comprised of:

- Government-wide financial statements which provide both long-term and short-term information about the city's overall financial condition.
- Fund financial statements which provide a more detailed look at major individual portions, or funds, of the city.
- Notes to the financial statements which explain some of the information contained in the financial statements and provide more detailed data.
- Other supplementary information which further explains and supports the information in the financial statements.

- **Government-wide financial statements.** The government-wide financial statements report information about the city as a whole using accounting methods similar to those used by a private-sector business. The two statements presented are:

The *statement of net position* which includes all of the city's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net assets are an indicator of whether the city's financial position is improving or deteriorating.

The *statement of activities* presents revenues and expenses and their effect on the change in the city's net position during the current fiscal year. These changes in net position are recorded as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

The government-wide financial statements of the city are reflected in three distinct categories:

▪*Governmental activities* are primarily supported by taxes and state and federal grants. The governmental activities include general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; streets, highways and sanitation; and the financing activities of the city's two blended component units - the Pennsylvania Intergovernmental Cooperation Authority and Philadelphia Municipal Authority.

▪*Business-type activities* are supported by user fees and charges which are intended to recover all or a significant portion of their costs. The city's water and waste water systems, airport and industrial land bank are all included as business type activities.

These two activities comprise the primary government of Philadelphia.

▪*Component units* are legally separate entities for which the City of Philadelphia is financially accountable or has oversight responsibility. Financial information for these component units is reported separately from the financial information presented for the primary government. The city's government-wide financial statements contain eight distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, Gas Works, Parking Authority, Delaware River Waterfront Corporation, Philadelphia Authority for Industrial Development and the Redevelopment Authority.

Fund financial statements. The fund financial statements provide detailed information about the city's most significant funds, not the city as a whole. Funds are groupings of activities that enable the city to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City of Philadelphia can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

• ***Governmental funds.*** The governmental funds are used to account for the financial activity of the city's basic services, similar to those described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements which provide a long-term focus of the city, the fund financial statements focus on a short term view of the inflows and outflows of expendable resources, as well as on the balances of expendable resources available at the end of the fiscal year. The financial information presented for the governmental funds are useful in evaluating the city's short term financing requirements.

To help the readers of the financial statements better understand the relationships and differences between the long term view of the government-wide financial statements from the short term view of the fund financial statements, reconciliations are presented between the fund financial statements and the government-wide statements.

The city maintains twenty-two individual governmental funds. Financial information is presented separately for the general fund, grants revenue fund and health choices behavioral health fund, which are considered to be major funds. Data for the remaining nineteen are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

• ***Proprietary funds.*** The proprietary funds are used to account for the financial activity of the city's operations for which customers are charged a user fee; they provide both a long and short term view of financial information. The city maintains three enterprise funds which are a type of proprietary funds - the airport, water and waste water operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.

• ***Fiduciary funds.*** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate *statements of fiduciary net assets* and *changes in fiduciary net assets.* They are not reflected in the government-wide financial statements because the assets are not available to support the city's operations.

The following chart summarizes the various components of the city's government-wide and fund financial statements, including the portion of the city government they cover, and the type of information they contain.

Summary of the City of Philadelphia's Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire city government (except fiduciary funds) and city's component units	Activities of the city that are not proprietary or fiduciary in nature, such as fire, police, refuse collection	Activities the city operates similar to private businesses. Airports, water/waste water system & the land bank.	Activities for which the city is trustee for someone else's assets, such as the employees' pension plan
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis/ measurement focus	Accrual accounting Economic resources	Modified accrual accounting Current financial resources	Accrual accounting Economic resources	Accrual accounting Economic resources
Type of asset, liability and deferred inflow/outflow of resources	All assets, liabilities, deferred inflow/outflow of resources, financial and capital, short and long term	Only assets expected to be used up and liabilities and deferred inflows of resources that come due during the current year or soon thereafter; no capital assets are included	All assets, liabilities, deferred inflow/outflow of resources, financial and capital, short and long term	All assets and liabilities, both short and long term; there are currently no capital assets, although there could be in the future
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Only revenues for which cash is received during the year or soon after the end of the year; only expenditures when goods or services are received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents additional information in three separate sections: *required supplementary information, supplementary information and statistical information.*

• ***Required supplementary information.*** Certain information regarding pension plan funding progress for the city and its component units, as well as budgeted and actual revenues, expenditures and encumbrances for the city's major governmental funds is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.

• ***Supplementary information.*** Combining statements for non-major governmental and fiduciary funds, as well as additional budgetary schedules for the city's governmental and proprietary funds are presented in this section. This supplementary information can be found immediately following the required supplementary information.

• ***Statistical information.*** Long term trend tables of financial, economic, demographic and operating data are presented in the statistical section. This information is located immediately after the supplementary information.

Government-wide Financial Analysis

Net position. As noted earlier, net positions are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's assets & deferred outflows exceeded its liabilities by $15.2 million.

Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net position, $1,215.0 million. Although these capital assets assist the city in providing services to its citizens, they are generally not available to fund the operations of future periods.

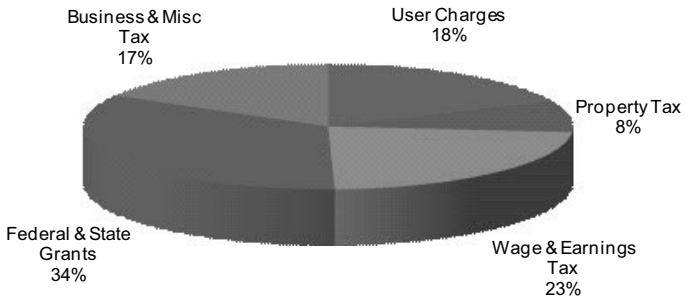
A portion of the city's net position, $1,215.7 million, are subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of $2,415.5 million. The governmental activities reported negative *unrestricted net position* of $2,588.9 million. The business type activities reported an unrestricted net assets surplus of $173.4 million. Any deficits will have to be funded from future revenues.

Following is a comparative summary of the city's assets, liabilities and net position:

City of Philadelphia's Net Position
(millions of USD)

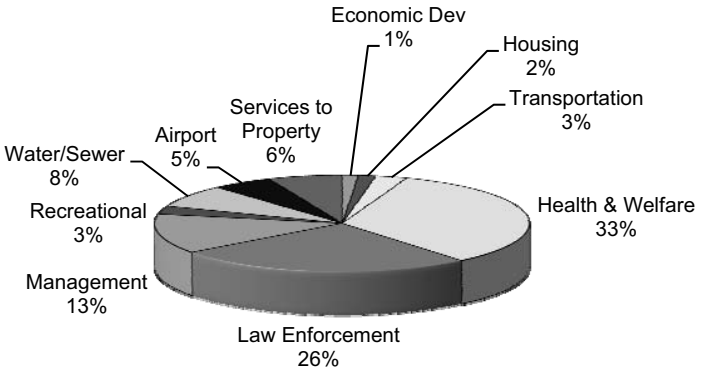
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2013	2012	Change	2013	2012	Change	2013	2012	Change
Current and other assets	1,956.1	1,967.6	-0.58%	1,320.3	1,530.6	-13.74%	3,276.4	3,498.2	-6.34%
Capital assets	2,249.3	2,200.3	2.23%	3,824.4	3,706.5	3.18%	6,073.7	5,906.8	2.83%
Total assets	**4,205.4**	**4,167.9**	0.90%	**5,144.7**	**5,237.1**	-1.76%	**9,350.1**	**9,405.0**	-0.58%
Deferred Outflows	121.2	-		105.8	-		227.0	-	
Long-term liabilities	5,205.4	5,049.9	3.08%	3,253.0	3,271.4	-0.56%	8,458.4	8,321.3	1.65%
Other liabilities	890.7	890.5	0.02%	212.8	228.1	-6.71%	1,103.5	1,118.6	-1.35%
Total liabilities	**6,096.1**	**5,940.4**	2.62%	**3,465.8**	**3,499.5**	-0.96%	**9,561.9**	**9,439.9**	1.29%
Deferred Inflows	-	-		-	-				
Net Position:									
Net Investment in capital assets	232.5	83.9	177.12%	982.5	887.8	10.67%	1,215.0	971.7	25.04%
Restricted	586.9	621.9	-5.63%	628.8	591.8	6.25%	1,215.7	1,213.7	0.16%
Unrestricted	(2,588.9)	(2,478.2)	-4.47%	173.4	257.9	-32.76%	(2,415.5)	(2,220.3)	-8.79%
Total Net Position	**(1,769.5)**	**(1,772.4)**	0.16%	**1,784.7**	**1,737.5**	2.72%	**15.2**	**(34.9)**	-143.55%

Changes in net position. The city's total revenues this year, $6,939.2 million, exceeded total costs of $6,800.0 million by $139.2 million. Approximately 48% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 34%, and the remaining 18% of the revenue coming from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 65% are related to the health, welfare and safety of the general public.



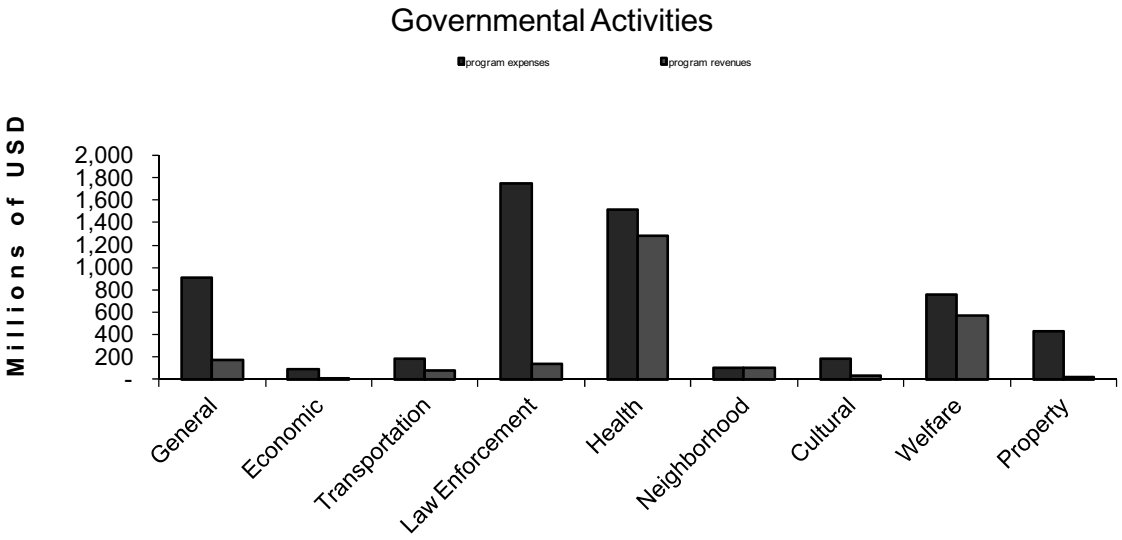
Overall, net position for the city increased by $139.2 million. Total revenues increased by $88.1 million, total expenses increased by $37.4 million over last year. This resulted in the Change in Net Position being $50.7 million higher than in the previous year. Net positions were decreased by $116.9 million from Operating Grants and Contributions, $27.8 million from Capital Grants and Contributions, and $11.7 million from Unrestricted Interest; and, increased by $45.4 million from Charges for Services, $47.0 million for Wage and Earning taxes, $53.0 million from Property taxes, $95.5 million from Other Taxes and $3.6 million from Unrestricted grants and contributions.

Expense increased by $37.4 million with increases of $114.7 million for General Management; $22.6 million in Water and Waste Water, $15.8 million in Airport, and $0.5 in Industrial Land Bank; and, decreases of $8.9 million in Judiciary and Law Enforcement, $5.7 million in Transportation, $34.0 million in Conservation of Health, $34.8 million in Housing and Neighborhood Development, $18.6 million in Improvement in General Welfare, $11.9 million in Services to Taxpayer Property and $2.3 million in Economic Development.



Governmental Activities

The governmental activities of the City resulted in a $17.6 million increase in net position. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



The following table summarizes the city's most significant governmental programs. Costs, program revenues and net cost are shown in the table. The net cost shows the financial burden that was placed on the city's taxpayers by each of these functions.

(millions of USD)	Program Costs		%	Program Revenues		%	Net Cost		%
	2013	2012	Change	2013	2012	Change	2013	2012	Change
General Welfare	757.7	776.3	-2.4%	569.7	520.8	9.4%	188.0	255.5	-26.4%
Judiciary & Law Enforcement	1,748.2	1,757.1	-0.5%	138.4	139.9	-1.1%	1,609.8	1,617.2	-0.5%
Public Health	1,514.5	1,548.5	-2.2%	1,284.6	1,293.2	-0.7%	229.9	255.3	-9.9%
General Governmental	905.2	790.5	14.5%	174.0	262.0	-33.6%	731.2	528.5	38.4%
Services to Property	433.5	445.4	-2.7%	21.4	20.3	5.4%	412.1	425.1	-3.1%
Housing, Economic & Cultural	568.0	610.9	-7.0%	219.1	274.2	-20.1%	348.9	336.7	3.6%
	5,927.1	**5,928.7**	0.0%	**2,407.2**	**2,510.4**	-4.1%	**3,519.9**	**3,418.3**	3.0%

The cost of all governmental activities this year was $5,927.1 million; the amount that taxpayers paid for these programs through tax payments was $3,310.9 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,035.3 million while those who benefited from the programs paid $371.9 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of $226.6 million. The difference of $17.6 million is available to fund future commitments.

The following table shows a more detailed breakdown of program costs and related revenues for both the governmental and business-type activities of the city:

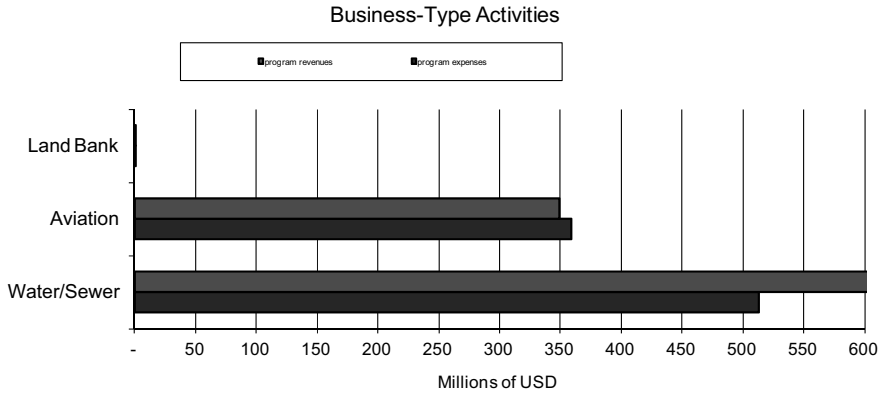
City of Philadelphia-Net Position

(millions of USD)	Governmental Activities		Business-type Activities		Total		%
	2013	2012	2013	2012	2013	2012	Change
Revenues:							
Program revenues:							
Charges for services	371.9	365.1	900.5	861.8	1,272.4	1,226.9	3.7%
Operating grants and contributions	1,986.4	2,102.1	2.3	3.5	1,988.7	2,105.6	-5.6%
Capital grants and contributions	48.9	43.2	58.2	91.7	107.1	134.9	-20.6%
General revenues:							
Wage and earnings taxes	1,598.7	1,551.7	-	-	1,598.7	1,551.7	3.0%
Property taxes	553.8	500.8	-	-	553.8	500.8	10.6%
Other taxes	1,158.4	1,062.9	-	-	1,158.4	1,062.9	9.0%
Unrestricted grants and contributions	187.4	223.1	42.2	2.9	229.6	226.0	1.6%
Unrestricted Interest	17.9	33.3	12.7	9.0	30.6	42.3	-27.6%
Total revenues	**5,923.3**	**5,882.2**	**1,015.9**	**968.9**	**6,939.2**	**6,851.1**	1.3%
Expenses:							
Economic development	94.2	96.5	-	-	94.2	96.5	-2.4%
Transportation	183.9	189.6	-	-	183.9	189.6	-3.0%
Judiciary & law enforcement	1,748.2	1,757.1	-	-	1,748.2	1,757.1	-0.5%
Conservation of health	1,514.5	1,548.5	-	-	1,514.5	1,548.5	-2.2%
Housing & neighborhood development	102.9	137.7	-	-	102.9	137.7	-25.3%
Cultural & recreational	187.0	187.1	-	-	187.0	187.1	-0.1%
Improvement of the general welfare	757.7	776.3	-	-	757.7	776.3	-2.4%
Services to taxpayer property	433.5	445.4	-	-	433.5	445.4	-2.7%
General management	743.4	678.4	-	-	743.4	678.4	9.6%
Interest on long term debt	161.8	112.1	-	-	161.8	112.1	44.3%
Water & waste water	-	-	513.4	490.8	513.4	490.8	4.6%
Airport	-	-	358.9	343.1	358.9	343.1	4.6%
Industrial land bank	-	-	0.6	-	0.6	-	0.0%
Total expenses	**5,927.1**	**5,928.7**	**872.9**	**833.9**	**6,800.0**	**6,762.6**	0.6%
Increase (decrease) in net assets before transfers & special items	(3.8)	(46.5)	143.0	135.0	139.2	88.5	
Transfers	21.4	27.5	(21.4)	(27.5)	-	-	
Increase (decrease) in Net Position	**17.6**	**(19.0)**	**121.6**	**107.5**	**139.2**	**88.5**	
Net Position - Beginning	(1,772.5)	(1,753.4)	1,737.5	1,630.0	(35.0)	(123.4)	-71.6%
Adjustment	(14.6)	-	(74.4)	-	(89.0)	-	
Net Position - End	**(1,769.5)**	**(1,772.4)**	**1,784.7**	**1,737.5**	**15.2**	**(34.9)**	-143.7%

Business-type Activities

Business-type activities caused the city's net position to increase by $121.6 million. This increase was comprised of an increase in net position for water/wastewater of $89.1 million, an increase to aviation of $32.6 million and a decrease for industrial & commercial development operations of $0.1 million. Some of the key reasons for these changes are:

- Increased airport rental concession income and a reduction in Other Expenses, in the Aviation Fund.
- Increased user related charges and increased Interest Income, decreased Debt Service Interest and decreased Other Expenses, in the Water Fund.

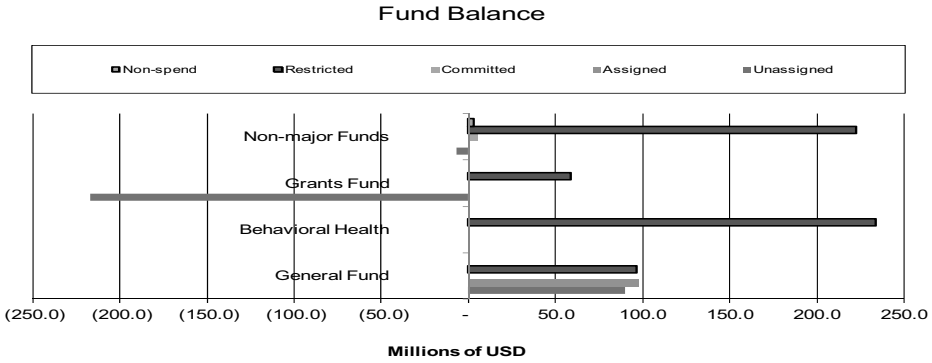


Financial Analysis of the Government's Funds

Governmental funds. The purpose of the city's governmental funds is to provide financial information on the *short term inflow, outflow and balance* of resources. This information is useful in assessing the city's ability to meet its near-term financing requirements. *Unassigned fund balance* serves as a useful measure of the city's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year the city's governmental funds reported a *combined fund balance* of $582.5 million, an increase of $35.8 million over last year. Of the total fund balance, $2.8 million represents *nonspendable fund balance* for amounts that cannot be spent. In addition, $610.9 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, to: revitalize neighborhoods ($34.2 million); pay debt service ($81.5 million); support programs funded by independent agencies ($33.9 million); fund a portion of the city's managed care programs ($233.7 million); fund a portion of new sports stadiums ($8.9 million); fund the 9-1-1 emergency phone system ($24.5 million); fund a portion of the central library renovation project ($2.3 million), pay for a portion of the cultural and commercial corridor project ($12.2 million), pay pension obligation bonds interest ($79.8); and trusts ($8.9 million); fund economic development programs ($7.2 million); improve streets and highways ($23.9 million); fund housing and neighborhood development ($15.0 million); provide health services ($15.2 million); preserve parks, libraries and museums ($0.5 million); and support capital projects ($29.2 million). The fund balance is further broken down as to *committed fund balance* for Prisons ($4.4 million) and Parks and Recreation ($0.7 million). The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of $134.4 million which constitutes *unassigned fund balance,* this deficit must be funded by future budgets.

The general fund, the primary operating fund of the city, reported *assigned fund balance* of $98.0 million and *unassigned fund balance* of $90.0 million at the end of the fiscal year.



Overall, the total fund balance of the general fund increased by $195.7 million during the current fiscal year. This increase was due to an excess of revenues and other financing sources over expenditures, for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- An increase of $161.9 in tax revenue due to increased collections for Wage & Earnings Tax, Real Property Tax, Business Income & Receipts Tax, and Real Property Transfer Tax.
- An increase resulting from issuance of debt for $87.8 million.

Expenditures:

- Expenditures for the year increased $95.1 million, an increase of only 2.9%.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $233.7 million, the entire amount million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by $3.0 million.

The Grants Revenue fund has a total fund balance deficit of $158.4 million which is comprised of a positive restricted fund balance of $58.7 million (earmarked for neighborhood revitalization for $34.2 million and emergency telephone system programs for $24.5 million) and a deficit unassigned fund balance of $217.1 million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unassigned fund balance. The overall fund balance of the grants revenue fund experienced a decrease of $64.5 million during the current fiscal year due primarily to the Act 148 program being included in this fund beginning with fiscal year 2012.

Proprietary funds. The city's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net position* of the proprietary funds increased by $121.6 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had an increase of $89.1 million, airport operations which experienced an increase of $32.6 million, while industrial & commercial development operations experienced a decrease of $0.1 million.

The proprietary funds reported an *unrestricted nets position* surplus of $173.4 million, comprised of $74.6 million for the water and waste water operations, $79.1 million for the airport and $19.7 million for the industrial & commercial development activities. These unrestricted net position represent an overall decrease of $84.5 million over the previous year, comprised of a decrease of $107.6 million for the water and waste water operations, a decrease of $.1 million for the Land Bank; and, an increase of $23.2 million for the airport.

General Fund Budgetary Highlights

The following table shows the General Fund's year end fund balance for the five most recent years:

(millions of USD)

General Fund at June 30….	Fund Balance Available for Appropriation	Increase (Decrease)
2013	256.9	110.1
2012	146.8	146.7
2011	0.1	114.1
2010	(114.0)	23.2
2009	(137.2)	(256.7)

Differences between the original budget and the final amended budget resulted primarily from decreases in revenue estimates and increases to appropriations. These increases were required to support the following activities:

- $22.8 million for Office of the Director of Finance Contributions
- $ 8.5 million for Office of the Director of Finance for Employee Benefits
- $15.1 million for Police personal services
- $ 9.6 million for Fire personal services
- $11.5 million for Prisons personal services

The general fund's budgetary fund balance surplus of $256.9 million differs from the general fund's fund financial statement unassigned fund balance of $90.0 million by $166.9 million, which represents the unearned portion of the business income & receipts tax of $166.9 million. Business income & receipts tax is received prior to being earned but have no effect on budgeted cash receipts.

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to $6.1 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. Major capital asset events for which capital expenditures have been incurred during the current fiscal year include the following:

- Water and Wastewater Improvements of $102.5 million
- Infrastructure improvements for Streets, Highways and Bridges $63.9 million
- Airport terminal and airfield improvements in the amount of $149.6 million.
- City Hall and Municipal Buildings renovations in the amount of $3.6 million.
- Ben Franklin Parkway improvements $4.5 million
- Commuter and Transit System improvements $3.9 million
- Computers, Servers and IT Infrastructure in the amount of $7.9 million

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation

(millions of USD)

	Governmental activities		Inc	Business-type activities		Inc	Total		Inc
	2013	2012	(Dec)	2013	2012	(Dec)	2013	2012	(Dec)
Land	787.1	779.1	8.0	152.2	125.9	26.3	939.3	905.0	34.3
Fine Arts	1.0	1.0	-	0.0	0.0	-	1.0	1.0	-
Buildings	772.1	679.1	93.0	1,469.0	1,532.8	(63.8)	2,241.1	2,211.9	29.2
Improvements other than buildings	94.0	96.0	(2.0)	121.0	121.0	-	215.0	217.0	(2.0)
Machinery & equipment	70.0	78.0	(8.0)	24.0	24.0	-	94.0	102.0	(8.0)
Infrastructure	424.1	395.1	29.0	1,353.2	1,313.8	39.4	1,777.3	1,708.9	68.4
Construction in progress	29.0	96.0	(67.0)	698.0	582.0	116.0	727.0	678.0	49.0
Transit	72.0	76.0	(4.0)	0.0	0.0	-	72.0	76.0	(4.0)
Intangible Assets	0.0	0.0	-	7.0	7.0	-	7.0	7.0	-
Total	**2,249.3**	**2,200.3**	**49.0**	**3,824.4**	**3,706.5**	**117.9**	**6,073.7**	**5,906.8**	**166.9**

The city's governmental activities experienced an overall increase in capital assets of $49.0 million (net of accumulated depreciation) during the current fiscal year. During the fiscal year there were increases in:

land ($8.0 million); buildings ($93.0 million); and infrastructure ($29.0 million); that were offset by decreases in equipment ($8.0 million); construction in progress ($67.0 million); transit ($4.0 million) and other improvements ($2.0 million).

More detailed information about the city's capital assets can be found in notes I.6 & III.5 to the financial statements.

Long-term debt. At year end the city had $8.5 billion in long term debt outstanding. Of this amount, $5.2 billion represents bonds outstanding (comprised of $2.0 billion of debt backed by the full faith and credit of the city, and $3.2 billion of debt secured solely by specific revenue sources) while $3.3 billion represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding

	Governmental activities		Business-type activities		Total	
(millions of USD)	2013	2012	2013	2012	2013	2012
Bonds Outstanding:						
General obligation bonds	1,986.2	2,039.5	-	-	1,986.2	2,039.5
Revenue bonds	-	-	3,185.8	3,203.0	3,185.8	3,203.0
Total Bonds Outstanding	**1,986.2**	**2,039.5**	**3,185.8**	**3,203.0**	**5,172.0**	**5,242.5**
Other Long Term Obligations:						
Service agreements	2,293.7	2,103.6	-	-	2,293.7	2,103.6
Employee related obligations	833.2	814.5	62.1	61.1	895.3	875.6
Indemnities	63.4	51.6	4.8	7.0	68.2	58.6
Leases	28.9	40.7	-	-	28.9	40.7
Other	-	-	0.3	0.3	0.3	0.3
Total Other Long Term Obligations	**3,219.2**	**3,010.4**	**67.2**	**68.4**	**3,286.4**	**3,078.8**
Total Long Term Debt Outstanding	**5,205.4**	**5,049.9**	**3,253.0**	**3,271.4**	**8,458.4**	**8,321.3**

Significant events related to borrowing during the current fiscal year include the following:

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid $127.0 million in Tax and Revenue Anticipation Notes by June 2013 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- Effective March 1, 2013 the city remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B ($100.0 million), and entered into a letter of credit substitution with the Royal Bank of Canada (RBC). The 2009B Bonds are also payable from the proceeds of funds drawn by the U.S. Bank National Association, as fiscal agent, under an irrevocable, direct-pay letter of credit, issued by RBC. The Letter of Credit (LOC) will permit the fiscal agent to draw up to $101.1 million for principal and unpaid interest on the 2009B bonds and will expire on March 7, 2016, unless earlier cancelled, terminated

or renewed. The LOC will constitute both a Credit Facility and Credit Provider and RBC a Liquidity Facility and Liquidity Provider for the 2009B bonds.

- In Fiscal Year 2013, the serial bonds ($65.1 million) for PMA were reclassified to term bonds. This reclassification supports PMA's debt presentation.

- In November 2012, the City issued Water and Wastewater Revenue Refunding Bonds, Series 2012. The bonds were issued in the amount of $70.4 million with interest rates ranging from 1% to 5% and have a maturity date of 2028. The plan is to refund all of the City's outstanding Water and Wastewater Revenue Bonds, Series 2001A and Series 2001B maturing after November 1, 2012 and pay the costs of issuance related to the Bonds.

- In July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2013, PENNVEST drawdowns totaled $15.4 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years.

Currently the city's bonds as rated by Moody's, Standard & Poor's and Fitch are as follows:

Bond Type	Moody's Investor Service	Standard & Poor's Corporation	Fitch Ratings, Inc.
General Obligation Bonds	A2	A+	A-
Water Revenue Bonds	A1	A	A+
Aviation Revenue Bonds	A2	A+	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13% of the average assessed valuations of properties over the past ten years. As of June 30, 2013 the legal debt limit was $1,670.0 million. There is $1,617.9 million of outstanding tax supported debt leaving a legal debt margin of $52.1 million.

More detailed information about the city's debt activity can be found in note III.7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors have been considered in preparing the City of Philadelphia's budget for the 2014 fiscal year:

- Philadelphia entered FY14 with a fund balance of $256.9 million. For FY 2014 Wage and Earnings Tax revenue are projected to grow 1.6%, SalesTax revenue are projected to grow by 3.3% and Real Estate transfer tax is projected to grow by 8.5%, while the Business Income and Receipts tax is projected to grow by 3.0%.

- Due to the larger than expected FY 13 fund balance, the city withdrew its appeal of the 2012 IAFF award. In FY 14 the city paid $96.8 million to the IAFF ($47.5 million for wages and $49.3 million for health care costs) to honor the contract.

- The current five year plan (FY 2014 to 2018) includes a resumption of the wage and business tax cuts in FY 2014, previously suspended in the FY 2010 plan.

- Union contracts for District Council 33, District Council 47 and the International Association of fire Fighters are currently unresolved. Funds have been set aside in the FY 14 budget and the FY 14 – FY 18 Five Year Plan as a reserve for the costs of these agreements in the future.

- To control rising pension plan costs the city introduced a new hybrid pension plan that contains both a defined benefit and a voluntary defined contribution component. Uniformed employees not electing to participate in the hybrid plan must increase their pension contribution percentage.

- The country entered its most recent recession in December 2007. It was the longest recession in the post-WWII period.

- Recovery from the current recession has been slow. Philadelphia's recovery, like that of other local governments, is expected to take longer than the nation due to high urban unemployment and lagging tax revenue collections.

Requests for information

The Comprehensive Annual Financial Report is designed to provide a general overview of the City of Philadelphia's finances for all interested parties. The City also publishes the *Supplemental Report of Revenues & Obligations* that provides a detailed look at budgetary activity at the legal level of compliance, the *Annual Report of Bonded Indebtedness* that details outstanding long term debt and the *Schedule of Financial Assistance* that reports on grant activity. All four reports are available on the City's website, *www.phila.gov/finance*. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Director of Finance
Suite 1340 MSB
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia **Exhibit I**

Statement of Net Position

June 30, 2013

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	68,509	30	68,539	317,023
Equity in Pooled Cash and Investments	-	-	-	93,648
Equity in Treasurer's Account	815,154	179,701	994,855	-
Investments	89,254	-	89,254	50,676
Due from Component Units	51,776	-	51,776	-
Due from Primary Government	-	-	-	57,067
Amounts Held by Fiscal Agent	119,303	-	119,303	98,113
Notes Receivable - Net	-	-	-	29,235
Accounts Receivable - Net	348,309	161,897	510,206	324,149
Interest and Dividends Receivable	1,121	-	1,121	22,184
Due from Other Governments - Net	444,240	940	445,180	127,476
Inventories	15,805	31,094	46,899	114,660
Other Assets	2,677	-	2,677	254,128
Restricted Assets:				
Cash and Cash Equivalents	-	300,388	300,388	135,953
Other Assets	-	646,289	646,289	230,101
Capital Assets:				
Land and Other Non-Depreciated Assets	797,552	849,397	1,646,949	277,258
Other Capital Assets (Net of Depreciation)	1,451,732	2,974,980	4,426,712	3,237,792
Total Capital Assets, Net	2,249,284	3,824,377	6,073,661	3,515,050
Total Assets	4,205,432	5,144,716	9,350,148	5,369,463
Deferred Outflows of Resources	121,198	105,762	226,960	-
Liabilities				
Notes Payable	-	39,600	39,600	113,837
Vouchers Payable	58,730	8,379	67,109	73,247
Accounts Payable	189,514	76,271	265,785	105,080
Salaries and Wages Payable	55,507	5,756	61,263	77,635
Accrued Expenses	42,401	27,708	70,109	278,522
Due to Agency Funds	700	-	700	-
Due to Primary Government	-	-	-	43,273
Due to Component Units	50,177	-	50,177	-
Funds Held in Escrow	37,010	1,902	38,912	12,478
Due to Other Governments	-	-	-	34,267
Unearned Revenue	267,974	22,739	290,713	157,154
Overpayment of Taxes	120,255	-	120,255	9,273
Other Current Liabilities	-	-	-	131,073
Derivative Instrument Liability	68,429	31,381	99,810	23,951
Non-Current Liabilities:				
Due within one year	443,974	186,682	630,656	330,543
Due in more than one year	4,761,465	3,065,357	7,826,822	4,859,911
Total Liabilities	6,096,136	3,465,775	9,561,911	6,250,244
Net Position				
Net Investment in Capital Assets	232,508	982,475	1,214,983	68,648
Restricted For:				
Capital Projects	29,231	172,863	202,094	3,318
Debt Service	80,569	294,502	375,071	223,000
Pension Oblig Bond Refunding Reserve	79,743	-	79,743	18,375
Behavioral Health	233,724	-	233,724	-
Neighborhood Revitalization	34,218	-	34,218	-
Stadium Financing	2,096	-	2,096	-
Central Library Project	2,331	-	2,331	-
Cultural & Commercial Corridor Project	12,175	-	12,175	-
Grant Programs	53,726	-	53,726	30,203
Rate Stabilization	-	161,464	161,464	-
Libraries & Parks:				
Expendable	3,109	-	3,109	-
Non-Expendable	2,633	-	2,633	-
Educational Programs	-	-	-	13,862
Other	53,337	-	53,337	266
Unrestricted(Deficit)	(2,588,906)	173,399	(2,415,507)	(1,238,453)
Total Net Position	(1,769,506)	1,784,703	15,197	(880,781)

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Exhibit II

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
Economic Development	94,202	2,565	2,021	2,000	(87,616)		(87,616)	
Transportation:								
Streets & Highways	112,891	5,268	34,100	42,494	(31,029)		(31,029)	
Mass Transit	71,048	1,853	253	-	(68,942)		(68,942)	
Judiciary and Law Enforcement:								
Police	1,087,927	6,322	12,783	-	(1,068,822)		(1,068,822)	
Prisons	342,153	687	21	-	(341,445)		(341,445)	
Courts	318,077	59,956	58,650	-	(199,471)		(199,471)	
Conservation of Health:								
Emergency Medical Services	49,668	33,345	718	-	(15,605)		(15,605)	
Health Services	1,464,882	16,653	1,233,877	-	(214,352)		(214,352)	
Housing and Neighborhood Development	102,865	23,543	76,577	-	(2,745)		(2,745)	
Cultural and Recreational:								
Recreation	102,311	3,754	8,449	2,678	(87,430)		(87,430)	
Parks	8,556	3,257	6	1,242	(4,051)		(4,051)	
Libraries and Museums	76,111	1,032	7,958	-	(67,121)		(67,121)	
Improvements to General Welfare:								
Social Services	625,271	8,292	507,274	-	(109,705)		(109,705)	
Education	94,399	94	-	-	(94,305)		(94,305)	
Inspections and Demolitions	38,028	53,909	122	-	16,003		16,003	
Service to Property:								
Sanitation	136,723	16,199	1,796	-	(118,728)		(118,728)	
Fire	296,784	924	2,467	-	(293,393)		(293,393)	
General Management and Support	743,377	134,193	39,341	489	(569,354)		(569,354)	
Interest on Long Term Debt	161,796	8	-	-	(161,788)		(161,788)	
Total Governmental Activities	5,927,069	371,854	1,986,413	48,903	(3,519,899)		(3,519,899)	
Business Type Activities:								
Water and Sewer	513,426	608,703	2,285	-	-	97,562	97,562	
Aviation	358,905	291,367	-	58,188	-	(9,350)	(9,350)	
Industrial and Commercial Development	581	430	-	-	-	(151)	(151)	
Total Business Type Activities	872,912	900,500	2,285	58,188	-	88,061	88,061	
Total Primary Government	6,799,981	1,272,354	1,988,698	107,091	(3,519,899)	88,061	(3,431,838)	
Component Units:								
Gas Operations	651,976	683,487	11,131	-				42,642
Housing	57,163	959	-	62,986				6,782
Parking	234,011	240,197	-	-				6,186
Education	3,172,373	41,853	1,009,737	3,809				(2,116,974)
Health	796,234	-	796,234	-				-
Economic Development	199,644	8,539	30,652	157,179				(3,274)
Total Component Units	5,111,401	975,035	1,847,754	223,974				(2,064,638)

General Revenues:				
Taxes:				
Property Taxes	553,795	-	553,795	650,633
Wage & Earnings Taxes	1,598,686	-	1,598,686	-
Business Taxes	452,369	-	452,369	-
Other Taxes	706,005	-	706,005	209,200
Grants & Contributions Not Restricted to Specific Programs	187,369	42,233	229,602	1,085,470
Unrestricted Interest & Investment Earnings	17,916	12,713	30,629	2,554
Miscellaneous	-	-	-	1,347
Special Items	-	-	-	2,258
Transfers	21,380	(21,380)	-	-
Total General Revenues, Special Items and Transfers	3,537,520	33,566	3,571,086	1,951,462
Change in Net Position	17,621	121,627	139,248	(113,176)
Net Position - July 1, 2012	(1,772,472)	1,737,527	(34,945)	(773,441)
Adjustment	(14,655)	(74,451)	(89,106)	5,836
Net Position Adjusted - July 1, 2012	(1,787,127)	1,663,076	(124,051)	(767,605)
Net Position - June 30, 2013	(1,769,506)	1,784,703	15,197	(880,781)

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2013

Exhibit III

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	10,080	-	75	58,354	68,509
Equity in Treasurer's Account	458,185	233,592	-	123,377	815,154
Investments	-	-	-	86,248	86,248
Due from Other Funds	16,351	-	-	17	16,368
Due from Component Units	51,776	-	-	-	51,776
Amounts Held by Fiscal Agent	96,345	-	22,958	-	119,303
Taxes Receivable	581,729	-	-	12,649	594,378
Accounts Receivable	369,764	-	3,421	6,416	379,601
Due from Other Governmental Units	96,388	58,133	259,231	41,759	455,511
Allowance for Doubtful Accounts	(624,009)	-	-	(1,661)	(625,670)
Interest and Dividends Receivable	92	948	-	81	1,121
Other Assets	-	-	-	142	142
Total Assets	1,056,701	292,673	285,685	327,382	1,962,441
Liabilities					
Vouchers Payable	27,865	1,198	22,365	7,302	58,730
Accounts Payable	63,725	9,113	83,977	32,649	189,464
Salaries and Wages Payable	52,138	-	3,099	319	55,556
Due to Other Funds	699	-	5,642	10,727	17,068
Due to Component Units	-	48,638	1,371	168	50,177
Funds Held in Escrow	33,839	-	-	3,171	37,010
Due to Other Governmental Units	-	-	-	11,271	11,271
Unearned Revenue	172,440	-	93,367	2,167	267,974
Overpayment of Taxes	120,255	-	-	-	120,255
Total Liabilities	470,961	58,949	209,821	67,774	807,505
Deferred Inflows of Resources	301,382	-	234,310	36,761	572,453
Fund Balances					
Nonspendable	-	-	-	2,833	2,833
Restricted	96,345	233,724	58,693	222,097	610,859
Committed	-	-	-	5,108	5,108
Assigned	98,033	-	-	-	98,033
Unassigned	89,980	-	(217,139)	(7,191)	(134,350)
Total Fund Balances	284,358	233,724	(158,446)	222,847	582,483
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,056,701	292,673	285,685	327,382	

Amounts reported for governmental activities in the statement of net position are different because:

a. Capital Assets used in governmental activities are not reported in the funds	2,249,284
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	572,453
c. Long Term Liabilities, including bonds payable are not reported in the funds	(5,205,440)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	52,769
e. Other	(21,055)
Net Position of Governmental Activities	(1,769,506)

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit IV**

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,724,307	-	-	580,113	3,304,420
Locally Generated Non-Tax Revenue	267,992	630	48,422	31,561	348,605
Revenue from Other Governments	335,697	812,980	958,854	104,442	2,211,973
Other Revenues	19,489	-	-	8,398	27,887
Total Revenues	3,347,485	813,610	1,007,276	724,514	5,892,885
Expenditures					
Current Operating:					
Economic Development	27,082	-	5,618	53,193	85,893
Transportation:					
Streets & Highways	51,803	-	1,592	28,180	81,575
Mass Transit	66,259	-	253	-	66,512
Judiciary and Law Enforcement:					
Police	1,077,052	-	12,386	-	1,089,438
Prisons	336,674	-	267	1,746	338,687
Courts	261,146	-	48,009	-	309,155
Conservation of Health:					
Emergency Medical Services	49,331	-	718	-	50,049
Health Services	153,019	810,567	361,454	139,584	1,464,624
Housing and Neighborhood Development	2,836	-	50,136	49,876	102,848
Cultural and Recreational:					
Recreation	81,857	-	8,406	-	90,263
Parks	15	-	5	3,853	3,873
Libraries and Museums	63,887	-	7,806	278	71,971
Improvements to General Welfare:					
Social Services	124,166	-	500,163	-	624,329
Education	94,399	-	-	-	94,399
Inspections and Demolitions	31,895	-	13,948	-	45,843
Service to Property:					
Sanitation	135,452	-	1,796	-	137,248
Fire	293,403	-	2,467	-	295,870
General Management and Support	554,846	-	23,266	44,651	622,763
Capital Outlay	-	-	-	161,127	161,127
Debt Service:					
Principal	-	-	-	114,045	114,045
Interest	3,789	-	-	108,421	112,210
Bond Issuance Cost	4,356	-	-	-	4,356
Total Expenditures	3,413,267	810,567	1,038,290	704,954	5,967,078
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,782)	3,043	(31,014)	19,560	(74,193)
Other Financing Sources (Uses)					
Issuance of Debt	231,185	-	-	-	231,185
Issuance of Refunding Debt	299,805	-	-	-	299,805
Bond Issuance Premium	-	-	-	821	821
Excess Pension Contribution	(252,668)	-	-	-	(252,668)
Bond Defeasance	(190,542)	-	-	-	(190,542)
Transfers In	343,174	-	320	269,649	613,143
Transfers Out	(169,424)	-	(33,799)	(388,547)	(591,770)
Total Other Financing Sources (Uses)	261,530	-	(33,479)	(118,077)	109,974
Net Change in Fund Balance	195,748	3,043	(64,493)	(98,517)	35,781
Fund Balance - July 1, 2012	88,610	230,681	(93,953)	321,364	546,702
Fund Balance - June 30, 2013	284,358	233,724	(158,446)	222,847	582,483

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds	35,781
Amounts reported for governmental activities in the statement of activities are different because:	
a. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (136,859) exceeded depreciation (138,870) in the current period	(2,011)
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	57,134
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (517,135) exceeded proceeds (530,145)	(13,010)
d. The increase in the Net Pension Obligation reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds	35,371
e. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(95,644)
Change in Net Position of governmental activities	17,621

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Statement of Fund Net Position
Proprietary Funds
June 30, 2013

Exhibit VI

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
	Water and		Industrial & Commercial	
Assets	Sewer	Aviation	Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	82,494	93,581	3,626	179,701
Due from Other Governments	76	864	-	940
Accounts Receivable	160,060	14,596	1,972	176,628
Allowance for Doubtful Accounts	(13,661)	(1,070)	-	(14,731)
Inventories	13,799	3,207	14,088	31,094
Total Current Assets	242,798	111,178	19,686	373,662
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	313,927	332,362	-	646,289
Amounts Held by Fiscal Agent	-	341	-	341
Sinking Funds and Reserves	210,990	51,764	-	262,754
Grants for Capital Purposes	252	29,598	-	29,850
Receivables	1,405	6,038	-	7,443
Total Restricted Assets	526,574	420,103	-	946,677
Capital Assets:				
Land	5,919	146,240	-	152,159
Infrastructure	2,167,639	919,139	-	3,086,778
Construction in Progress	373,844	323,394	-	697,238
Buildings and Equipment	1,591,073	1,851,544	-	3,442,617
Less: Accumulated Depreciation	(2,119,125)	(1,435,290)	-	(3,554,415)
Total Capital Assets, Net	2,019,350	1,805,027	-	3,824,377
Total Non-Current Assets	2,545,924	2,225,130	-	4,771,054
Total Assets	2,788,722	2,336,308	19,686	5,144,716
Deferred Outflows of Resources	73,865	31,897	-	105,762
Liabilities				
Current Liabilities:				
Vouchers Payable	6,763	1,616	-	8,379
Accounts Payable	12,655	14,576	-	27,231
Salaries and Wages Payable	4,187	1,569	-	5,756
Construction Contracts Payable	27,530	21,510	-	49,040
Accrued Expenses	23,812	3,896	-	27,708
Funds Held in Escrow	1,902	-	-	1,902
Unearned Revenue	7,531	15,208	-	22,739
Commercial Paper Notes		39,600		39,600
Bonds Payable-Current	127,492	59,190	-	186,682
Total Current Liabilities	211,872	157,165	-	369,037
Derivative Instrument Liability	8,565	22,816	-	31,381
Net Pension Liability	8,962	14,273	-	23,235
Non-Current Liabilities:				
Bonds Payable	1,702,895	1,296,195	-	2,999,090
Other Non-Current Liabilities	32,205	10,827	-	43,032
Total Non-Current Liabilities	1,735,100	1,307,022	-	3,042,122
Total Liabilities	1,964,499	1,501,276	-	3,465,775
Net Position				
Net Investment in Capital Assets	351,160	631,315	-	982,475
Restricted For:				
Capital Projects	99,856	73,007	-	172,863
Debt Service	210,990	83,512	-	294,502
Rate Stabilization	161,464	-	-	161,464
Unrestricted	74,618	79,095	19,686	173,399
Total Net Position	898,088	866,929	19,686	1,784,703

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit VII**

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
Operating Revenues:				
Charges for Goods and Services	600,156	88,824	-	688,980
Rentals and Concessions	-	197,913	-	197,913
Operating Grants	2,285	-	-	2,285
Miscellaneous Operating Revenues	8,547	4,630	430	13,607
Total Operating Revenues	610,988	291,367	430	902,785
Operating Expenses:				
Personal Services	110,784	63,191	-	173,975
Purchase of Services	88,395	88,684	-	177,079
Materials and Supplies	38,409	6,557	-	44,966
Employee Benefits	104,713	46,467	-	151,180
Indemnities and Taxes	3,108	1,946	-	5,054
Depreciation	89,045	97,873	-	186,918
Cost of Goods Sold	-	-	581	581
Total Operating Expenses	434,454	304,718	581	739,753
Operating Income (Loss)	176,534	(13,351)	(151)	163,032
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	880	41,353	-	42,233
Passenger Facility Charges	-	58,188	-	58,188
Interest Income	12,079	632	2	12,713
Net Pension Obligation	2,839	-	-	2,839
Debt Service - Interest	(80,146)	(40,180)	-	(120,326)
Other Revenue (Expenses)	(1,665)	(14,007)	-	(15,672)
Total Non-Operating Revenues (Expenses)	(66,013)	45,986	2	(20,025)
Income (Loss) Before Contributions & Transfers	110,521	32,635	(149)	143,007
Transfers In/(Out)	(21,380)	-	-	(21,380)
Change in Net Position	89,141	32,635	(149)	121,627
Net Position - July 1, 2012	865,320	852,372	19,835	1,737,527
Adjustment	(56,373)	(18,078)	-	(74,451)
Net Position Adjusted - July 1, 2012	808,947	834,294	19,835	1,663,076
Net Position - June 30, 2013	898,088	866,929	19,686	1,784,703

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	602,342	269,512	-	871,854
Payments to Suppliers	(129,513)	(92,454)	(581)	(222,548)
Payments to Employees	(208,891)	(110,251)	-	(319,142)
Internal Activity-Payments to Other Funds	-	(7,053)	-	(7,053)
Claims Paid	(5,090)	-	-	(5,090)
Other Receipts (Payments)	-	910	430	1,340
Net Cash Provided (Used)	258,848	60,664	(151)	319,361
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	2,285	2,188	-	4,473
Operating Subsidies and Transfers from Other Funds	(21,380)	-	-	(21,380)
Net Cash Provided (Used)	(19,095)	2,188	-	(16,907)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	97,860	39,600	-	137,460
Capital Grants & Contributions Received	628	27,483	-	28,111
Acquisition and Construction of Capital Assets	(153,388)	(176,083)	-	(329,471)
Interest Paid on Debt Instruments	(76,180)	(43,673)	-	(119,853)
Principal Paid on Debt Instruments	(207,220)	(51,465)	-	(258,685)
Passenger Facility Charges	-	58,444	-	58,444
Net Cash Provided (Used)	(338,300)	(145,694)	-	(483,994)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	11,858	-	11,858
Interest and Dividends on Investments	(63,653)	923	2	(62,728)
Net Cash Provided (Used)	(63,653)	12,781	2	(50,870)
Net Increase (Decrease) in Cash and Cash Equivalents	(162,200)	(70,061)	(149)	(232,410)
Cash and Cash Equivalents, July 1 (including $478.0 mil for Water & Sewer and $385.1 mil for Aviation reported in restricted accounts)	558,651	496,345	3,775	1,058,771
Cash and Cash Equivalents, June 30 (including $313.9 mil for Water & Sewer and $332.7 mil for Aviation reported in restricted accounts)	396,451	426,284	3,626	826,361
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	176,534	(13,351)	(151)	163,032
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	89,045	97,873	-	186,918
Changes in Assets and Liabilities:				
Receivables, Net	(9,551)	(759)	-	(10,310)
Unearned Revenue	905	(20,186)	-	(19,281)
Inventories	(343)	(243)	-	(586)
Accounts and Other Payables	(4,134)	(2,670)	-	(6,804)
Accrued Expenses	6,392	-	-	6,392
Net Cash Provided by Operating Activities	258,848	60,664	(151)	319,361

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit IX**

Statement of Net Position
Fiduciary Funds
June 30, 2013

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	-	100,861
Equity in Treasurer's Account	4,908,603	53,156
Investments	-	6,145
Securities Lending Collective Investment Pool	621,546	-
Due from Brokers for Securities Sold	154,907	-
Interest and Dividends Receivable	14,761	-
Due from Other Governmental Units	3,133	-
Due from Other Funds	15,742	699
Total Assets	5,718,692	160,861
Liabilities		
Vouchers Payable	18	31
Accounts Payable	3,853	-
Salaries and Wages Payable	53	-
Payroll Taxes Payable	-	15,262
Funds Held in Escrow	9	145,568
Due on Return of Securities Loaned	622,021	-
Due to Brokers for Securities Purchased	184,142	-
Accrued Expenses	4,778	-
Unearned Revenue	1,792	-
Other Liabilities	488	-
Total Liabilities	817,154	160,861
Net Position Held in Trust for Pension Benefits	4,901,538	-

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit X**

Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	805,496
Employees' Contributions	49,747
Total Contributions	855,243
Investment Income:	
Interest and Dividends	134,699
Net Gain in Fair Value of Investments	258,384
(Less) Investments Expenses	(14,152)
Securities Lending Revenue	2,996
Securities Lending Unrealized Gain	118,126
(Less) Securities Lending Expenses	(331)
Net Investment Gain	499,722
Miscellaneous Operating Revenues	469
Total Additions	1,355,434
Deductions	
Personal Services	3,502
Purchase of Services	1,618
Materials and Supplies	69
Employee Benefits	2,941
Pension Benefits	782,105
Refunds of Members' Contributions	5,744
Administrative Expenses Paid	796
Other Operating Expenses	211
Total Deductions	796,986
Change in Net Position	558,448
Net Position - July 1, 2012	4,343,090
Net Position - June 30, 2013	4,901,538

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2013

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Assets									
Cash on Deposit and on Hand	100,933	80,918	69,077	502	12,312	32,054	4,114	17,113	317,023
Equity in Pooled Cash and Investments	-	-	-	93,648	-	-	-	-	93,648
Investments	-	-	13,655	-	37,021	-	-	-	50,676
Due from Primary Government	-	4,938	-	-	-	52,129	-	-	57,067
Amounts Held by Fiscal Agent	-	-	-	98,113	-	-	-	-	98,113
Notes Receivable	-	29,164	-	-	-	71	-	-	29,235
Taxes Receivable	-	-	-	173,648	-	-	-	-	173,648
Accounts Receivable-Net	97,749	1,110	970	14,298	6,724	-	3,878	25,772	150,501
Interest and Dividends Receivable	-	21,495	226	415	48	-	-	-	22,184
Due from Other Governments	-	203	-	66,711	2,753	-	-	57,809	127,476
Inventories	80,234	30,910	-	3,516	-	-	-	-	114,660
Other Assets	124,364	483	94,577	29,026	1,338	4,048	166	126	254,128
Restricted Assets:									
Cash and Cash Equivalents	-	10,716	-	109,152	-	-	-	16,085	135,953
Other Assets	155,155	25,572	-	18,375	3,633	-	-	27,366	230,101
Capital Assets:									
Land and Other Non-Depreciated Assets	50,004	-	15,980	168,285	30,877	-	1,850	10,262	277,258
Other Capital Assets (Net of Depreciation)	1,104,983	554	166,205	1,744,887	149,176	2,537	7,176	62,274	3,237,792
Total Capital Assets	1,154,987	554	182,185	1,913,172	180,053	2,537	9,026	72,536	3,515,050
Total Assets	1,713,422	206,063	360,690	2,520,576	243,882	90,839	17,184	216,807	5,369,463
Liabilities									
Notes Payable	-	21,894	5,927	-	86,016	-	-	-	113,837
Vouchers Payable	59,379	-	-	-	13,868	-	-	-	73,247
Accounts Payable	-	4,415	15,919	75,982	-	2,040	1,066	5,658	105,080
Salaries and Wages Payable	3,451	-	-	64,239	4,086	5,859	-	-	77,635
Accrued Expenses	198,317	3,488	728	-	902	74,640	447	-	278,522
Funds Held in Escrow	-	11,653	-	-	187	-	-	638	12,478
Due to Other Governments	-	-	14,825	5,374	1,908	-	-	12,160	34,267
Due to Primary Government	-	1,500	30,106	-	-	-	-	11,667	43,273
Unearned Revenue	4,898	38,184	1,348	17,015	3,418	8,300	5,043	78,948	157,154
Overpayment of Taxes	-	-	-	9,273	-	-	-	-	9,273
Other Current Liabilities	-	-	-	131,073	-	-	-	-	131,073
Derivative Instrument Liability	-	-	-	23,951	-	-	-	-	23,951
Non-Current Liabilities:									
Due within one year	49,800	4,464	10,970	262,985	2,324	-	-	-	330,543
Due in more than one year	1,038,990	33,956	168,421	3,531,628	42,738	-	2,313	41,865	4,859,911
Total Liabilities	1,354,835	119,554	248,244	4,121,520	155,447	90,839	8,869	150,936	6,250,244
Net Position									
Net Investment in Capital Assets	112,660	156	57,466	(236,118)	91,370	2,537	9,025	31,552	68,648
Restricted For:									
Capital Projects	-	-	-	-	3,318	-	-	-	3,318
Debt Service	111,100	11,238	2,434	98,228	-	-	-	-	223,000
Behavioral Health	-	-	-	18,375	-	-	-	-	18,375
Educational Programs	-	-	-	6,283	7,579	-	-	-	13,862
Grant Programs	-	-	-	-	-	-	-	30,203	30,203
Other	-	-	-	266	-	-	-	-	266
Unrestricted	134,827	75,115	52,546	(1,487,978)	(13,832)	(2,537)	(710)	4,116	(1,238,453)
Total Net Position	358,587	86,509	112,446	(1,600,944)	88,435	-	8,315	65,871	(880,781)

*** The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2013. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2012. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2013.**

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2013

Exhibit XII

Amounts in thousands of USD

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations													
Gas Works	651,976	683,487	11,131	-	42,642								42,642
Housing													
Redevelopment Authority	57,163	959	-	62,986		6,782							6,782
Parking													
Parking Authority	234,011	240,197	-	-			6,186						6,186
Education													
School District	2,998,778	8,075	941,634	1,000				(2,048,069)					(2,048,069)
Community College	173,595	33,778	68,103	2,809					(68,905)				(68,905)
Total	3,172,373	41,853	1,009,737	3,809									
Health													
Community Behavioral Health	796,234	-	796,234	-						-			-
Economic Development													
Delaware River Waterfront Corp.	12,380	6,520	5,187	-							(673)		(673)
Authority for Ind. Development	187,264	2,019	25,465	157,179								(2,601)	(2,601)
Total	199,644	8,539	30,652	157,179									
Total Component Units	5,111,401	975,035	1,847,754	223,974									(2,064,638)
General Revenues:													
Property Taxes					-	-	-	650,633	-	-	-	-	650,633
Other Taxes					-	-	-	209,200	-	-	-	-	209,200
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,025,762	60,033	-	-	(325)	1,085,470
Unrestricted Interest & Investment Earnings					-	1,445	1,548	(1,864)	1,370	-	55	-	2,554
Miscellaneous					-	-	-	-	1,347	-	-	-	1,347
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	-	-	-	2,258	2,258
Total General Revenue ,Special items and Transfers					-	1,445	1,548	1,883,731	62,750	-	55	1,933	1,951,462
		Change in Net Position			42,642	8,227	7,734	(164,338)	(6,155)	-	(618)	(668)	(113,176)
Net Position - July 1, 2012					309,740	78,651	104,712	(1,436,606)	94,590	-	8,933	66,539	(773,441)
Adjustment					6,205	(369)	-	-	-		-	-	5,836
Net Position Adjusted - July 1, 2012					315,945	78,282	104,712	(1,436,606)	94,590	-	8,933	66,539	(767,605)
Net Position - June 30, 2013					358,587	86,509	112,446	(1,600,944)	88,435	-	8,315	65,871	(880,781)

*** The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2013. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2012. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2013.**

The notes to the financial statements are an integral part of this statement.

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

Notes to the Financial Statements
FYE 06/30/2013

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Philadelphia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. REPORTING ENTITY

The City of Philadelphia was founded in 1682 and was merged with the county in 1854. Since 1951 the City has been governed largely under the Philadelphia Home Rule Charter. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania.

As required by GAAP, the financial statements of the City of Philadelphia include those of the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The financial statements of these component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. The criteria to determine an entity as a component unit is established by Governmental Accounting Standards Board Statement (GASBS) No. 14 which has been amended by GASB Statements No. 39 and No. 61. GASB No. 61 was implemented in fiscal year 2013 to modify certain requirements for inclusion of component units. Certain other organizations also did meet the criteria for inclusion, however they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. **Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.**

As used both on the face of the financial statements and in the footnotes, the term "Primary Government" includes both City funds and Blended Component Units while the term "Component Units" includes only Discretely Presented Component Units. A Related Organization is an entity which the City appoints board members but for which the city has no significant financial responsibility.

A. BLENDED COMPONENT UNITS

Pennsylvania Intergovernmental Cooperation Authority (PICA) – 1500 Walnut St., Philadelphia, PA 19102
PICA was established by act of the Commonwealth of Pennsylvania to provide financial assistance to cities of the first class and is governed by a five member board appointed by the Commonwealth. Currently, the City of Philadelphia is the only city of the first class. The activities of PICA are reflected in two of the governmental fund types (Special Revenue and Debt Service).

Philadelphia Municipal Authority (PMA) – 1515 Arch St., Philadelphia, PA 19102
PMA is governed by a five member board appointed by the City and was established to issue tax exempt bonds for the acquisition and use of certain equipment and facilities for the City. The activities of PMA are reflected in three of the governmental fund types (Special Revenue, Debt Service and Capital Improvement).

B. DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the applicable combined financial statements include the combined financial data for the organizations discussed below. They are reported in a separate column to emphasize that they are legally separate from the City. However, in order to retain their identity, applicable combining statements have been included as part of this report.

Community College of Philadelphia (CCP) – 1700 Spring Garden St., Philadelphia, PA 19130
CCP was established by the City to provide two year post-secondary education programs for its residents. It is governed by a Board appointed by the City, receives substantial subsidies from the City, and its budgets must be submitted to the City for review and approval.

Delaware River Waterfront Corp. (DRWC) – 121 N. Columbus Blvd., Philadelphia, PA 19106
The 16 member board, is headed by the Mayors' Deputy Director for Economic Development and Planning, and is comprised of appointed City officials and private sector experts in design, finance, and real estate development. The group will focus on the development of the seven-mile stretch of water front property between Allegheny and Oregon Avenues.

Philadelphia Parking Authority (PPA) – 3101 Market St., Philadelphia, PA 19104
PPA was established by the City to coordinate a system of parking facilities and on-street parking on behalf of the City. Its fiscal year ends on March 31. The City has guaranteed debt payments for PPA. A voting majority of PPA's governing board is not appointed by the City, however the significance of the City's relationship with PPA is such that exclusion from the City's financial report would be misleading.

Philadelphia Redevelopment Authority (PRA) – 1234 Market St., Philadelphia, PA 19107
PRA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval.

School District of Philadelphia (SDP) – 440 N. Broad St., Philadelphia, PA 19130
SDP was established by the Educational Supplement to the Philadelphia Home Rule Charter to provide free public education for the City's residents. A voting majority of the SDP governing board is not appointed by the City, however, the significance of the City's relationship with SDP is such that exclusion from the City's financial report would be misleading.

Community Behavioral Health (CBH) – 801 Market St., Philadelphia, PA 19107
CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any change in funding would present a financial burden to the City.

Philadelphia Authority for Industrial Development (PAID) – 2600 Centre Sq. West, Philadelphia, PA 19102
PAID was formed under the Industrial Development Authority Law to issue debt to finance eligible industrial and commercial development projects. PAID is the delegate agency responsible for administration of certain state grants and acts in the City's behalf on major development projects in the City. The City appoints a voting majority of PAID's board and is responsible for funding PAID's debt service.

Philadelphia Gas Works (PGW) – 800 W. Montgomery Ave., Philadelphia, PA 19122
PGW was established by the City to provide gas service to residential and commercial customers within the City of Philadelphia. The City appoints a voting majority of PGW's board and has the ability to modify or approve their budget.

C. **RELATED ORGANIZATION**

Philadelphia Housing Authority (PHA) – 12 South 23RD Street, Philadelphia, PA 19103
PHA was established to provide low cost housing and other social services to the residents of the City. It is governed by a nine member board with all members appointed by the City. PHA provides significant services to the City's residents.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's *government wide* financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* which are normally supported by taxes and intergovernmental revenues are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Interfund activity and balances have been eliminated from the statements to avoid duplication.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include: (1) charges to customers or applicants who purchase, use or directly benefit from services or privileges provided by a given program and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate *fund* financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the *government wide* financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the *fund* financial statements.

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The *government wide* financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (except agency funds which only report assets and liabilities and cannot be said to have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business income and receipts, and net profits and earnings taxes are recognized when the underlying exchange transaction has taken place. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. However, those expenditures may be accrued if they are to be liquidated with available resources.

Imposed non-exchange revenues such as real estate taxes are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, business income and receipts tax, net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule, the effect of interfund activity has been eliminated from the *government wide* financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other programs of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various programs concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenue* include: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues. Accordingly, general revenues include all taxes.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth of Pennsylvania. These resources are restricted to providing managed behavioral health care to Philadelphia residents.

- The Grants Revenue Fund accounts for the resources received from various federal, state and private grantor agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Additionally, the City reports on Permanent funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of the funds that hold that the principal remain intact and only the earnings are allowed to be used for the program.

The City reports *on the following fiduciary funds:*

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.
- The Philadelphia Gas Works Retirement Reserve Fund accumulates resources to provide pension benefit payments to qualified employees of the Philadelphia Gas Works.
- The Escrow Fund accounts for funds held in escrow for various purposes.
- The Employees Health & Welfare Fund accounts for funds deducted from employees' salaries for payment to various organizations.
- The Departmental Custodial Accounts account for funds held in custody by various City Departments.

The City reports the following major proprietary funds:

- The Water Fund accounts for the activities related to the operation of the City's water delivery and sewage systems.
- The Aviation Fund accounts for the activities of the City's airports.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Water Fund are charges for water and sewer service. The principal operating revenue of the Aviation fund is charges for the use of the airport. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

B. COMPONENT UNITS

The **SDP** prepares their financial statements in a manner similar to the City and utilizes the full range of governmental and proprietary fund types.

The financial statements of the Community College of Philadelphia have been prepared in accordance with GASBS No. 35 - Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities. The remaining component units prepare their financial statements in a manner similar to that of proprietary funds.

4. DEPOSITS AND INVESTMENTS

The City utilizes a pooled Cash and Investments Account to provide efficient management of the cash of most City funds. In addition, separate cash accounts are maintained by various funds due to either legal requirements or operational needs. For Proprietary and Permanent Funds, all highly liquid investments (except for Repurchase Agreements) with a maturity of three months or less when purchased are considered to be cash equivalents.

The City reports investments at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments which do not have an established market are reported at estimated fair value.

Statutes authorize the City to invest in obligations of the Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. The Pension Trust Fund is also authorized to invest in corporate bonds rated AA or better by Moody's Bond Ratings, common stocks and real estate.

From February to early June, deposits of the City significantly exceeded the amounts reported at calendar year end. This was due to cyclical tax collections (billings for taxes are mailed in January and payable in March).

5. INVENTORIES

A. PRIMARY GOVERNMENT

Supplies of governmental funds are recorded as expenditures when purchased rather than capitalized as inventory. Accordingly, inventories for governmental funds are shown on the Statement of Net Position but not on the Governmental Funds Balance Sheet. Inventories of proprietary funds are valued at moving average cost except for the following:

- **Industrial and Commercial Development Fund** inventory represents real estate held for resale and is valued at cost.

B. COMPONENT UNITS

All inventories are valued at moving average cost except for the following:

- **PGW** inventory consists primarily of fuel stock and gases which are stated at average cost.
- The **SDP** Food Services Fund inventories include food donated by the Federal Government which was valued at government cost or estimated value. All other food or supply inventories were valued at last unit cost and will be expensed when used.
- **PRA** inventory represents real estate held for resale and is recorded based on the estimated appraisal of values and cost basis of land inventories acquired.

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. bridges, curbs and gutters, streets and sidewalks and lighting systems), are reported in the applicable governmental or business-type activities columns in the *government wide* financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years. Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their fair market value at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

The City transfers Construction In Process to one or more of the major asset classes: (1) when project expenditures are equal to or have exceeded 90% of the estimated cost on new facilities (except for the Aviation Fund which uses 80% as the determining percentage), (2) when the expenditures are for existing facilities or (3) when they relate to specific identifiable items completed during the year which were part of a larger project.

Cost of construction for proprietary fund capital assets includes all direct contract costs plus overhead costs. Overhead costs include direct and indirect engineering costs and interest incurred during the construction period for projects financed with bond proceeds. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest on invested proceeds over the same period.

Depreciation on the capital assets for all City funds is provided on the straight-line method over their estimated useful lives: buildings - 20 to 50 years; equipment and storage facilities - 3 to 25 years; and transmission and distribution lines - 50 years.

Collections of art and historical treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement for capitalization is waived for collections that meet certain criteria. The City has collections of art, historical treasures and statuary that are not capitalized as they meet all of the waiver requirements which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved and cared for and (3) should any items be sold, the proceeds are

used only to acquire other items for the collections. Among the City's collections are historical artifacts at the Ryers Museum & Library, Loudoun Mansion, Fort Mifflin, Atwater Kent Museum and the Betsy Ross House. The city also has sculptures, paintings, murals and other works of art on display on public property and buildings throughout the City.

B. COMPONENT UNITS

Depreciation on the capital assets for component units is provided on the straight-line method over their estimated useful lives: buildings - 15 to 50 years; equipment and storage facilities - 3 to 25 years; and transmission and distribution lines - 50 years.

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In FY13 GASB Statement No. 65 was implemented resulting in bond issuance costs being recognized as an expense and reported in the period incurred.

In *governmental fund* financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory workers' compensation, unemployment benefits, and health and welfare to its employees through a self-insured plan.

9. RECEIVABLE AND PAYABLES

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the *governmental-wide* financial statements as "internal balances".

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 30.6% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes, levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. Current real estate rates are $9.771 on each $100 assessment; $5.309 for the SDP and $4.462 for the City. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION

Beginning with the fiscal year ended June 30, 2013 the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This new GASB Statement replaces the term Net Assets with Net Position. Net Position is the residual of (a) assets and deferred outflows, less (b) liabilities and deferred inflows. The new deferred classifications take into consideration the fact that governments enter into transactions that are applicable to future periods.

Also, beginning with the fiscal year ended June 30, 2013 the city chose to early implement GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities*. The objective of Statement No. 65 is to either properly classify or recognize, certain items that were previously reported as assets and liabilities as outflows of resources (expenses/expenditures) or inflows of resources (revenues).

Deferred Outflows of resources represents consumption of net position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time. On the full accrual basis of accounting, the City has two

items that qualify for reporting in this category. Derivative instruments are reported for the changes in fair value. Deferred Refunding results from the difference in the refunding of debt and its reacquisition price. These items have been reported as deferred outflows on the Statement of Net Position.

(Amounts in Thousands of USD)

	Governmental Activities	Business Type Activities
Deferred Outflows of Resources		
Derivative Instrument	62,510	31,381
Deferred Charge of Refunding	58,688	74,381
Total:	121,198	105,762

Deferred Inflows of resources represents an acquisition of net position that applies to future period(s) and will not be recognized as revenue until that time. On the modified accrual statements, the City has three items that are reported in the Governmental Balance Sheet as deferred inflows: Unavailable Tax revenue, Unavailable Agency revenue and Unavailable Governmental revenue.

(Amounts in Thousands of USD)

	General Fund	Grants Revenue Fund	Other Governmental Funds
Deferred Inflows of Resources			
Unavailable Tax Revenue	169,054	-	265
Unavailable Agency Revenue	28,855	-	-
Unavailable Government Revenue	103,473	234,310	36,496
Total:	301,382	234,310	36,761

11. COMPENSATED ABSENCES

It is the City's policy to allow employees to accumulate earned but unused vacation benefits. Vacation pay is accrued when earned in the *government-wide* financial statements and in the proprietary and fiduciary-*fund* financial statements. Sick leave balances are not accrued in the financial statements because sick leave rights are non-vesting.

12. CLAIMS AND JUDGMENTS

Pending claims and judgments are recorded as expenses in the *government wide* financial statements and in the proprietary and fiduciary fund financial statements when the City solicitor has deemed that a probable loss to the City has occurred. Claims and judgments are recorded as expenditures in the government fund financial statements when paid or when judgments have been rendered against the City.

13. UNEARNED REVENUE

GASB Statement No.65 prohibits the usage of the term "deferred" on any line items other than deferred inflows or outflows. Therefore, the term "Deferred Revenue" has been replaced by "Unearned Revenue". Unearned Revenue as reported in all the City's fund financial statements represents revenue received in advance with the exception of the General Fund. The General Fund reports two types of unearned revenue, Revenue Received in Advance ($5.5 million) and Business Income and Receipts Tax (BIRT) ($166.9 million).

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The operating funds of the City, consisting of the General Fund, nine Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, HealthChoices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Housing Trust, and Acute Care Hospital Assessment Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. Included with the Water Fund is the Water Residual Fund. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies; equipment; contributions, indemnities and taxes; debt service; payments to other funds; and advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have council approval. Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are located in the City's *Supplemental Report of Revenues and Obligations*, a separately published report.

The City Capital Improvement Fund budget is adopted annually by the City Council. The Capital Improvement budget is appropriated by project for each department. All transfers between projects exceeding twenty percent of each project's original appropriation must be approved by City Council. Any funds that are not committed or expended at year end are lapsed. Comparisons of departmental project actual activity to budget are located in the City's *Supplemental Report of Revenues and Obligations*.

The budgetary comparison schedules presented differ from the modified accrual basis of accounting. These schedules differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures.

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts presented are as originally passed and as amended by the City Council. As part of the amendment process, budget estimates of City related revenues are adjusted and submitted to City Council for review. Changes in revenue estimates do not need City Council approval, but are submitted in support of testimony with regard to the appropriation adjustments. Revenue estimates are presented as originally passed and as amended.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the carrying amount (book balance) of deposits for the City and the bank balances were $411.9 million and $411.9 million respectively. All of the collateralized securities were held in the City's name except for $120.9 million which was collateralized but held in the pledging institutions name.

Investments

The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund and the Philadelphia Gas Works Retirement Reserve. Both of those funds have separate investment policies designed to meet the long-term goals of the fund. To minimize custodial credit risk, the city's policy is to select custodian banks that are members of the Federal Reserve System to hold its investments. Delivery of the applicable investment documents to the City's custodian is required for all investments.

As of June 30, 2013 the City's Investments including Pension Trust Funds consisted of:

(amounts in thousands of USD)

Classifications	Fair Value	% of Total
Corporate Equities	2,198,128	32.50%
Miscellaneous - Limited Partnership	901,590	13.33%
U.S. Government Securities	645,794	9.55%
U.S. Government Agency Securities	649,675	9.61%
Other Bonds and Investments	610,032	9.02%
Corporate Bonds	591,964	8.75%
Short-Term Investment Pools	558,565	8.26%
Mutual Funds	332,801	4.92%
Commercial Paper	207,462	3.07%
Collateralized Mortgage Obligations	39,502	0.58%
Financial Agreement	23,393	0.35%
Certificate of Deposit	5,000	0.07%
Grand Total	6,763,906	100.00%

Credit Risk: The City's policy to limit credit risks is to invest in US Government securities (9.55%) or US Government Agency obligations (9.61%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (3.07%) must be rated A1 by Standard & Poor's Corp. (S&P) and/or M1G1 by Moody's Investor's Services, Inc (Moody's) and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial Paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 11% had a Standard & Poor's rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). Short Term Investment Pools are rated AAA by Standard & Poor's Corp and Aaa by Moody's Investor Services. The Short Term Investment Pools' Fair Value is the same as the value of the pool shares. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has assets of not less than $100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the City did not have any investments of that nature.

City Excluding Pension Trust Funds

Interest Rate Risk: The City's investment portfolio is managed to accomplish preservation of principal, maintenance of liquidity and maximize the return on the investments. To limit its exposure to fair value losses from rising interest rates, the city's investment policy limits investments to maturities of no longer than 2 years, except in Sinking Fund Reserve Portfolios.

(amount in thousands of USD)

Classifications	Less than 1 Year	1 - 3 Years	More than 3 Years
U.S. Government Securities	346,499	276,365	8,686
Corporate Bonds	108,221	49,369	-
U.S. Government Agency Securities	223,094	199,050	34,752
Commerical Papers	207,462	-	-
Financial Agreement	13,395	9,998	-
Total	898,671	534,782	43,438

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 65.4% of all investments and is invested primarily in equity securities (77.6%). The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Municipal Pension fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 13% had Standard & Poor ratings of AAA to A.

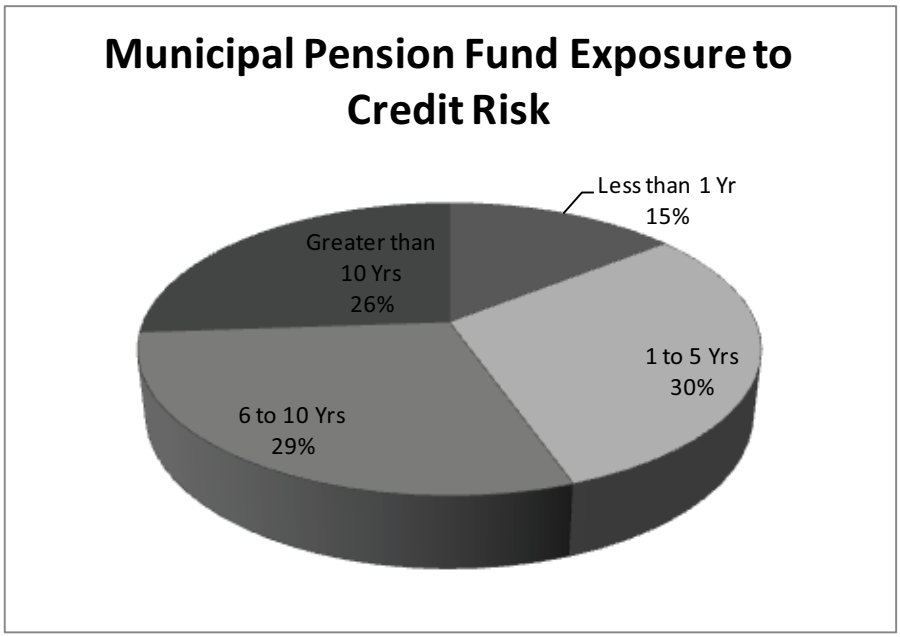
Municipal Pension Fund

Assets subject to foreign currency risk:

(thousands of USD)

Currency	Fixed Income	Equity	% of Equity
Euro Currency	21,679	150,604	21.32%
Pound Sterling	14,328	114,162	16.16%
Japanese Yen	41	115,097	16.30%
Swiss Franc	-	58,778	8.32%
Hong Kong Dollar	39	58,332	8.26%
Mexican Peso	35,526	11,018	1.56%
South Korean Won	8,356	34,916	4.94%
Australian Dollar	17,216	18,975	2.69%
Brazilian Real	14,428	22,156	3.14%
Canadian Dollar	29	33,165	4.70%
South African Rand	13,717	14,424	2.04%
Malaysian Ringgit	14,866	7,645	1.08%
Polish Zloty	14,956	3,846	0.54%
Singapore Dollar	-	16,632	2.35%
Indonesian Rupiah	6,308	6,422	0.91%
Turkish Lira	7,632	3,977	0.56%
Hungarian Forint	10,992	427	0.06%
Swedish Krona	-	10,277	1.46%
Thai Baht	4,747	5,343	0.76%
All Others	18,124	20,109	2.85%
	202,984	706,305	100.00%

This chart details the exposure to interest rate changes based on maturity dates of the fixed income securities:



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 6.93% of all investments and is primarily invested in equity securities (65.84%). The long-term goals of the fund are to manage the assets to produce investment results which meet the Fund's actuarially assumed rate of return and protect the assets from any erosion of inflation adjusted value. The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the **PGWRR** is charged with reviewing the portfolios for compliance with those objectives and guidelines. To protect against credit risk, the fund requires that all domestic bonds must be rated investment grade by at least two ratings agencies (Standard & Poor's, Moody's or Fitch). The portfolio managers' Average Credit Quality ranges from AAA to AA.

The **PGWRR's** fixed income investments are as follows:

(thousands of USD)	Maturity Length				
Investment Type	Less than 1 yr.	1-3 yrs	3-5 yrs	5-10 yrs	More than 10 yrs
Short-Term Investment Pools	12,960	-	-	-	-
U.S. Government Agency Securities	-	10,969	6,641	1,097	9,583
U.S. Government Securities	448	7,391	3,553	2,676	176
MTG Pass Thrus	-	-	-	-	1,792
Municipal Securities	-	-	836	948	512
Asset Backed Securities	-	358	2,110	2,449	18,574
Corporate bonds	1,887	11,220	11,881	38,171	13,483
	15,295	29,938	25,021	45,341	44,120

Blended Component Units

A. PICA

The Authority may deposit funds in any bank that is insured by federal deposit insurance. To the extent that the deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodian) obligations of the US Government, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Investments must be made in accordance with a trust indenture that restricts investments to obligations of the City of Philadelphia, government obligations, repurchase agreements collateralized by direct obligations of or obligations the payments of principal and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America, money market mutual fund shares issued by a fund having assets not less than $100,000,000 or guaranteed investment contracts (GIC) with a bank insurance company or other financial institution that is rated in one of the three highest rating categories by the rating agencies and which GICs are either insured by municipal bond insurance or fully collateralized at all times.

At June 30, 2013 the carrying amount of **PICA**'s deposits with financial institutions (including certificates of deposit and shares in US government money market funds) and other short-term investments was $114 million. Statement balances were insured or collateralized as follows:

	(thousands of USD)
Insured	4,674
Uninsured and uncollateralized	109,322
Total:	113,996

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds.

Investment Derivative Instruments

As of June 30, 2013, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

(amounts in thousands of USD)

	Changes in Fair Value		Fair Value at June 30, 2013		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Caps	Investment Revenue	(406)	Investment	3,006	324,745

a. PICA Series of 2003 and 1999 Basis Cap Agreements

In June 2003 and 2004, the Authority entered into basis cap transactions with the counterparty as follows:

2003 Basis Cap

Beginning July 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of the BMA for the month divided by the one-month LIBOR, less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The agreement matures June 15, 2022.

1999 Basis Cap

Beginning July 15, 2009, the counterparty pays the Authority a fixed rate each month of .46% per year and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of the BMA for the month divided by the one-month LIBOR, less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional agreement matures June 15, 2023.

Fair value: As of June 30, 2013, the 2003 Basis Cap had a positive fair value of $733,062. This means that **PICA** would receive this amount to terminate the 2003 basis cap. As of June 30, 2013, the 1999 Basis Cap had a positive fair value of $2,273,256. This means that **PICA** would receive this amount to terminate the 1999 basis cap.

Risk: The basis caps include an additional termination event based on credit ratings. The basis cap may be terminated by the Authority if the counterparty's ratings fall below A- or A3 and collateral is not posted within 15 days.

B. PHILADELPHIA MUNICIPAL AUTHORITY

The authority does not have a formally adopted investment policy; however, the terms of their bond indentures limit the investments in which the trustee can deposit funds. These limited investments include US government obligations, repurchase agreements for government obligations, certificates of deposits and other time deposit arrangements with financial institutions. Investments at June 30 are summarized as follows:

	(thousands of USD)	
	Fair Value	**Cost**
Money Market Funds	7,195	7,195
U.S. Treasury & Agency obligation	4,250	4,250
U.S. Treasury bonds & notes	750	750
Certificates of Deposit	100	100
Corporate bond & debts	5,334	5,490
	17,629	17,785

All investments were uninsured and collateralized with securities held by the pledging financial institution's trust department or by the Federal Reserve Bank of Philadelphia at June 30, 2013.

The Authority does not have a formally adopted investment policy related to credit risk, but generally follows the practices of the City. As of June 30, 2013 the Authority's investments in U.S. Government Securities were rated AAA, and investments in corporate and foreign debt were rated AA+ or AAA, by Standard & Poor's. Investments in money market funds and certificates of deposit were not rated. Depository cash accounts consisted of $313,418 on deposit with two local banks. Amounts are insured by the FDIC up to $250,000. Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Discretely Presented Component Units

a. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2013, **PAID's** basis swap did not meet the criteria for effectiveness as a hedging instrument. Therefore, it is reported as an investment derivative instrument.

(amounts in thousands of USD)

	Changes in Fair Value		Fair Value at June 30, 2013		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Revenue	(1,169)	Investment	(5,919)	193,520

Objective: **PAID** entered into a basis swap that became effective on July 1, 2004, that provides **PAID** with ten equal payments of $1.2 million with the first payment due on July 1, 2004. **PAID** executed the basis swap to create a benefit similar to entering into a synthetic refunding, using a swap based on a percentage of LIBOR, without having to issue bonds or eliminate future advance refunding opportunities. In July, 2006, a portion of the existing basis swap was restructured such that the variable rate received by **PAID** was converted from a percentage of one month LIBOR to a percentage of the five year LIBOR swap rate, on a forward starting basis. This was intended to provide for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio. The restructured portion of the swap was terminated in December 2009 at a benefit.

Terms: The original swap was executed with Merrill Lynch Capital Service Inc. ("MLCS") with payments based on an amortization schedule and an initial notional amount of $298.5 million. The swap commenced on July 1, 2004 and matures on October 1, 2030. Under the swap, **PAID** pays a variable rate equal to the SIFMA Municipal Swap Index and receives a variable rate computed as 67% of one-month LIBOR + 20 basis points. **PAID,** also receives ten equal payments of $1.2 million from MLCS starting on July 1, 2004. Payments under this swap are a lease rental obligation of the City.

A portion of the original transaction in the amount of $105 million was amended such that the variable payments received by **PAID** were computed as 62.89% of five year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amendment effective date was October 1, 2006, with variable payments to be made (as described above) through October 1, 2020. On December 1, 2009, **PAID** terminated that portion of the swap that was subject to the amendment and received a termination payment of $3,049,000.

As of June 30, 2013, the notional amount on the portion of the swap that was not amended was $193.5 million.

Fair Value: As of June 30, 2013, the swap had a negative fair value of ($5.9 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2013, **PAID** is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by **PAID** if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes **PAID** to basis risk, the risk that the relationship between one month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one month LIBOR plus 20 bps, the anticipated savings of the swap will be reduced and may not materialize.

b. School District of Philadelphia Basis Swaps

Issued and Adopted Accounting Principles: In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. All derivatives are to be reported on the statement of net **position** at fair value. For swaps deemed to be investment instruments under GASB 53, such as the School District's basis swaps, the changes in fair value are reported in the statement of activities as investment revenue or loss.

Objective, Terms, Fair Value and Accounting of Derivative Instruments: The School District engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, and evaluation of the swaps for compliance with GASB 53. Fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The swaps where the School District pays and receives floating rates--basis swaps--are deemed investment instruments under GASB 53 and are accounted for as investment instruments.

The table below displays the objectives, terms, and fair values of the School District's derivative instruments outstanding as of June 30, 2013 along with the counterparties and their credit ratings.

Associated Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Ratings
Series 2003 School Lease Revenue Bonds	$150,000,000	$150,000,000	11/30/06	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	($7,185,341)	Wells Fargo Bank N.A.	Aa3/AA-/AA-
Series 2003 School Lease Revenue Bonds	$350,000,000	$350,000,000	11/30/06	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	($16,765,796)	JPMorgan Chase Bank, N.A.	Aa1/A+/A+
							($23,951,137)		

Basis Risk - The primary objective of the basis swaps was for the School District to reduce interest cost from the expected benefit resulting from short term tax-exempt rates reflecting prevailing income tax rates throughout the life of the swap. The School District receives a percentage of 1-Month LIBOR plus a spread of 0.2788% and pays the SIFMA tax-exempt rate, with the expectation of a 0.2788% net benefit over the life of the swap as long as tax rates remain the same. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus SIFMA Swap Rates (short-term tax-exempt rates), a direct function of income tax rates, is approximately 67%. Therefore, there needs to be a spread payable to the School District in exchange for 67% of LIBOR over the long term and this is the value of the benefit, the risk being tax rates change over the life of the basis swap. This additional receipt of 0.2788% to the School District is the expected benefit and reduction to interest cost on the associated bonds for the life of the basis swap transaction. From the date of execution of the two basis swaps through June 30, 2013, the net benefit to the School District has been $9,134,530.

The value of such a swap is determined by the prevailing level of taxable interest rates received versus the level of tax-exempt interest rates paid.

Credit risk - This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the total fair value of swaps netting, or aggregating under a contract between the School District and each counterparty. The School District would be exposed to credit risk on derivative instruments under a netting agreement that would total to an asset position. As of June 30, 2013, the School District has no credit risk exposure on the two basis swap contracts because the swaps under each netting agreement with each counterparty have negative fair values, meaning the counterparties are exposed to the School District in the amount of the derivatives' fair values. However, should interest rates change and the fair values of the basis swaps become positive, the School District would be exposed to credit risk.

The basis swap agreements contain varying collateral agreements with the counterparties. The basis swaps require collateralization of the fair value of the basis swap should the counterparty's credit rating fall below the applicable thresholds.

Termination risk - Only the School District may terminate the two exiting basis swaps if the counterparty fails to perform under the terms of the respective contracts. If at the time of termination the swaps have a negative fair value, the School District would be liable to the counterparty for a payment equal to the basis swap's fair value.

2. SECURITIES LENDING

The Board of Directors of the Municipal Pension Fund (Pension Fund) and the Sinking Fund Commission (on behalf of the Philadelphia Gas Works Retirement Reserve Fund (PGWRR)) have each authorized management of the respective funds to participate in securities lending transactions. Each fund has entered into a Securities Lending Agreement with its custodian bank to lend its securities to broker-dealers**.**

- **The Pension Fund** lends US Government and US Government Agency securities, domestic and international equity securities and international fixed income securities and receives cash and securities issued or guaranteed by the federal government as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be at least 100% of the market value of the loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced $.5 million in unrealized loss from securities transactions during the year and had no credit risk exposure at June 30.

- The **PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral is generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

3. AMOUNTS HELD BY FISCAL AGENT

Two of the City's component units (**PAID** and **PRA**) have issued debt that, in accordance with GASB Interpretation #2, is considered conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds is shown on their respective financial statements. However, since the City, through various agreements is responsible for the debt, the proceeds of the issuance are shown as assets of the City.

A. GOVERNMENTAL FUNDS

General Fund - Consists of cash and investment balances related to the net proceeds of **PAID's** Sports Stadium Financing Lease Revenue Bonds Series A & B of 2007, **PAID**'s Central Library Project Financing Lease Revenue Bonds Series 2005, **PAID**'s Cultural and Commercial Corridor Lease Revenue Bonds Series 2006 and **PAID** City Service Agreement Refunding Revenue Bonds Series 2012.

Grants Revenue Fund - Consists of cash and investment balances related to the net proceeds of the **PRA's** City of Philadelphia Neighborhood Transformation Initiative Bonds.

B. PROPRIETARY FUNDS

Aviation Fund consists of cash and investment balances related to the net proceeds of **PAID**'s Airport Revenue Bonds, Series 1998A and 2001A. The proceeds are held by a fiscal agent and disbursed at the City's direction to pay for airport related capital improvements.

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

Interfund receivable and payable balances among Primary Government funds at year-end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All balances are expected to be settled during the subsequent year. Interfund receivable and payable balances within the Primary Government at year-end are as follows:

(Amounts in Thousands of USD)	Interfund Receivables Due to:				
		Non major Governmental			
	General	Special Revenue	Debt Service	Other Funds	Total
Interfund Payables Due From:					
General	-	-	-	699	699
Non major Special Revenue Funds	16,351	-	-	17	16,368
Non major Debt Service Funds	-	-	-	-	-
Total	16,351	-	-	716	17,067

B. COMPONENT UNITS

Interfund receivables and payables between the Primary Government and its Component Units at year-end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All interfund balances are expected to be settled during the subsequent year. Interfund receivable and payable balances among the Primary Government and Component Units at year-end are as follows:

(Amounts in Thousands of USD)	Receivables Due to:					
	General	Aviation	CBH	PRA	Timing Difference	Total
Payables Due From:						
Behavioral Health	-	-	48,638	-	-	48,638
Grants Revenue	-	-	-	1,371	-	1,371
Non-major Funds	-	-	-	150	-	150
PPA	8,146	22,700	-	-	(739)	30,107
PAID	39,130	-	-	-	(27,463)	11,667
PRA	-	-	-	-	-	-
PGW	-				-	-
School District of Phila	4,500				-	4,500
Timing Difference	-	(22,700)	3,491	3,417	-	(15,792)
Total	51,776	-	52,129	4,938	(28,202)	80,641

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity for the year ended June 30 was as follows:

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	779	8	-	787
Fine Arts	1	-	-	1
Construction In Process	96	10	(96)	10
Total capital assets not being depreciated	876	18	(96)	798
Capital assets being depreciated:				
Buildings	1,881	158	-	2,039
Other Improvements	313	7	-	320
Equipment	479	22	(20)	481
Infrastructure	1,408	67	-	1,475
Transit	292	-	-	292
Total capital assets being depreciated	4,373	254	(20)	4,607
Less accumulated depreciation for:				
Buildings	(1,202)	(61)	-	(1,263)
Other Improvements	(217)	(9)	-	(226)
Equipment	(382)	(27)	13	(396)
Infrastructure	(1,013)	(38)	-	(1,051)
Transit	(216)	(4)	-	(220)
Total accumulated depreciation	(3,030)	(139)	13	(3,156)
Total capital assets being depreciated, net	1,343	115	(7)	1,451
Governmental activities capital assets, net	2,219	133	(103)	2,249

(Amounts In Millions of USD)

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	126	26	-	152
Intangible Assets	-	-	-	-
Construction In Process	582	197	(81)	698
Total capital assets not being depreciated	708	223	(81)	850
Capital assets being depreciated:				
Buildings	3,039	24	(5)	3,058
Other Improvements	244	13	-	257
Equipment	122	22	(17)	127
Intangible Assets	12	1	-	13
Infrastructure	2,963	119	(8)	3,074
Total capital assets being depreciated	6,380	179	(30)	6,529
Less accumulated depreciation for:				
Buildings	(1,506)	(88)	5	(1,589)
Other Improvements	(123)	(13)	-	(136)
Equipment	(98)	(6)	1	(103)
Intangible Assets	(5)	(1)	-	(6)
Infrastructure	(1,649)	(79)	7	(1,721)
Total accumulated depreciation	(3,381)	(187)	13	(3,555)
Total capital assets being depreciated, net	2,999	(8)	(17)	2,974
Business-type activities capital assets, net	3,707	215	(98)	3,824

Depreciation expense was charged to the programs of the primary government as follows:

	(Amounts in Millions of USD)
Governmental Activities:	
Economic Development	3
Transportation:	
Streets & Highways	39
Mass Transit	5
Judiciary and Law Enforcement:	
Police	9
Prisons	6
Courts	1
Conservation of Health:	
Health Services	3
Cultural and Recreational:	
Recreation	11
Parks	10
Libraries and Museums	9
Improvements to General Welfare:	
Social Services	1
Service to Property:	
Fire	6
General Management & Support	36
Total Governmental Activities	139
Business-Type Activities:	
Water and Sewer	89
Aviation	98
Total Business Type Activities	187

B. DISCRETELY PRESENTED COMPONENT UNITS

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the year ended June 30.

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	132	-	-	132
Construction In Process	58	-	(30)	28
Art	8	-	-	8
Total capital assets not being depreciated	198	-	(30)	168
Capital assets being depreciated:				
Buildings	1,753	45	-	1,798
Other Improvements	1,185	45	-	1,230
Intangible Assets	46	1	-	46
Equipment	272	0	(16)	257
Infrastructure	1	-	-	1
Total capital assets being depreciated	3,256	90	(16)	3,331
Less accumulated depreciation for:				
Buildings	(610)	(32)	-	(642)
Other Improvements	(670)	(58)	-	(728)
Intangible Property	(35)	(2)		(37)
Equipment	(181)	(27)	29	(179)
Infrastructure	(1)	-	-	(1)
Total accumulated depreciation	(1,496)	(119)	29	(1,586)
Total capital assets being depreciated, net	1,761	(29)	13	1,745
Capital assets, net	1,959	(29)	(17)	1,913
Business-type Activities:				
Capital assets not being depreciated:				
Land	39	1	-	40
Fine Arts	(9)	-	-	(9)
Construction In Process	71	94	(108)	57
Total capital assets not being depreciated	101	95	(108)	88
Capital assets being depreciated:				
Buildings	647	32	-	679
Other Improvements	25	1	(1)	25
Equipment	441	19	(8)	452
Infrastructure	1,482	104	(22)	1,564
Total capital assets being depreciated	2,595	156	(31)	2,720
Less accumulated depreciation for:				
Buildings	(269)	(21)	1	(289)
Other Improvements	(28)	(2)	-	(30)
Equipment	(149)	(29)	4	(174)
Infrastructure	(674)	(61)	20	(715)
Total accumulated depreciation	(1,120)	(113)	25	(1,208)
Total capital assets being depreciated, net	1,475	43	(6)	1,512
Capital assets, net	1,576	138	(114)	1,600

6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which closed on January 1, 2013, in the amount of $350 million to provide funding for capital projects currently approved by the airlines. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia International Airport's CP Program will enable projects to be financed on an as-needed basis; lower the Airport's cost of borrowing, as amounts drawn can be closely matched to our capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper.

PGW, pursuant to the provisions of certain ordinances and resolutions, may sell short-term notes in a principal amount which, together with the interest thereon, will not exceed $150 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the **PGW**'s revenues. There were no notes outstanding at year-end (August 31, 2013).

In prior years, **CCP** has entered into various loan agreements with the State Public School Building Authority and the Hospitals & Higher Education Facilities Authority for loans totaling approximately $86 million. The loans have interest rates ranging from 1.198% to 6.25%, mature through 2028 and will be used for various capital projects, the upgrading of network infrastructures and various deferred maintenance cost.

The combined principal balance outstanding at year-end is as follows:

Period	Amount
2014	$ 8,498,508
2015	6,160,293
2016	6,170,886
2017	6,147,857
2018	5,980,767
2019	5,329,480
2020-2024	27,688,101
2025-2028	20,040,000
Total	$ 86,015,892

PPA, in prior years, borrowed a total of $34 million in the form of bank notes ranging in maturity from 5-15 years and in interest rates from 4.06 to 6.5%. The proceeds of these loans were used to finance various capital projects, the acquisition of capital assets, building improvements, installation of Multi-Space parking meters and the development of a records department.

The total outstanding principal balance of these notes at March 31, 2013 was $5,926,559 subject to the following repayment schedule:

Fiscal Year	Amount
2014	$ 3,994,001
2015	484,569
2016	504,512
2017	525,584
2018	417,893
Total	$ 5,926,559

7. DEBT PAYABLE

A. PRIMARY GOVERNMENT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania for bonded indebtedness (General Obligation Bonds) payable principally from property taxes. As of June 30, 2013 the statutory limit for the City is $1.7 billion, the General Obligation Debt net of deductions authorized by law is $1.6 billion, leaving a legal debt borrowing capacity of $52.1 million. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims, Net Pension Obligation and OPEB are typically paid by the General Fund.

The following schedule reflects the changes in long-term liabilities for the fiscal year:

(Amounts In Millions of USD)

Governmental Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Term Bonds	973.8	-	(66.4)	907.4	71.0
Refunding Bonds	821.8	-	(16.8)	805.0	33.4
Serial Bonds	233.6	-	(31.7)	201.9	17.0
Add: Bond Premium	107.8	-	(10.4)	97.4	-
Less: Deferred Amounts					
Unamortized Issuance Expenses	(23.3)	-	1.3	(22.0)	-
Unamortized Discount	(3.7)	-	0.2	(3.5)	-
Total Bonds Payable	2,110.0	-	(123.8)	1,986.2	121.4
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,379.3	54.3	(262.2)	1,171.4	96.2
Neighborhood Transformation	227.6	-	(7.6)	220.0	7.6
One Parkway	43.5	-	(2.1)	41.4	2.1
Sports Stadium	325.6	-	(11.5)	314.1	12.0
Library	8.2	-	(0.5)	7.7	0.5
Cultural Corridor Bonds	119.4	-	(3.6)	115.8	3.8
City Service Agreement	-	531.0	(107.7)	423.3	123.5
Indemnity Claims	51.6	45.1	(33.3)	63.4	21.7
Worker's Compensation Claims	279.4	46.3	(59.2)	266.5	33.4
Termination Compensation Payable	209.7	29.1	(19.5)	219.3	9.7
Net Pension Obligation	216.4	-	(35.3)	181.1	-
OPEB Obligation	109.0	57.3	-	166.3	-
Leases	40.6	-	(11.7)	28.9	12.1
Governmental Activity Long-term Liabilities	5,120.3	763.1	(678.0)	5,205.4	444.0

The beginning balance of bonds payable changed due to the implementation of GASB Statement No. 65 see Note III.13.A

In addition, both blended component units have debt that is classified on their respective balance sheets as General Obligation debt payable. The following schedule summarizes the General Obligation Bonds outstanding for the City, the **PMA** and **PICA**:

(Amounts In Millions of USD)

	Interest Rates				Principal	Due Dates			
Governmental Funds:									
City	2.00 %	to	7.125 %		1,277.6	Fiscal	2014	to	2042
PMA	2.00 %	to	7.50 %		227.4	Fiscal	2014	to	2039
PICA	4.00 %	to	5.00 %		409.3	Fiscal	2014	to	2023
					1,914.3				

- Effective March 1, 2013 the city remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B ($100.0 million), and entered into a letter of credit substitution with Bank of New York Mellon (BNY). The 2009B Bonds are also payable from the proceeds of funds drawn by the U.S. Bank National Association, as fiscal agent, under an irrevocable, direct-pay letter of credit, issued by BNY. The Letter of Credit (LOC) will permit the fiscal agent to draw up to $101.1 million for principal and unpaid interest on the 2009B bonds and will expire on March 7, 2016, unless earlier cancelled, terminated or renewed. The LOC will constitute both a Credit Facility and Credit Provider and BNY a Liquidity Facility and Liquidity Provider for the 2009B bonds.

- In Fiscal Year 2013, the serial bonds ($165.1 million) for **PMA** were reclassified to term bonds. This reclassification supports PMA's debt presentation.

- As of June 30, 2013, **PMA's** Statement of Net Position disclosed $11.04 million of accretion to its bond principal payments for fiscal years 2014-2015. Capitalized interest rates entirely to MSB 1990 Series Capital Appreciation Bonds. Accretion value represents cumulative compounded interest due and payable at bond maturity.

The City has General Obligation Bonds authorized and un-issued at year-end of $390.7 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

	City Fund		Blended Component Units			
Fiscal	**General Fund**		**PMA**		**PICA**	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2014	50.7	66.1	25.1	12.5	45.6	20.4
2015	52.4	63.4	26.6	11.0	47.7	18.1
2016	52.0	60.8	20.6	9.6	49.9	15.7
2017	54.7	58.2	21.6	8.6	52.2	13.3
2018	57.2	55.3	27.7	7.3	45.4	10.6
2019-2023	293.6	231.9	26.3	28.3	168.5	23.2
2024-2028	329.6	152.0	21.0	22.9	-	-
2029-2033	255.1	76.5	21.7	16.4	-	-
2034-2038	84.4	31.0	29.7	8.3	-	-
2039-2043	47.9	5.2	7.1	0.5	-	-
Totals	1,277.6	800.4	227.4	125.4	409.3	101.3

The debt service through maturity for Lease and Service Agreements is as follows:

(Amounts In Millions of USD)

Lease & Service Agreements

Fiscal Year	Pension Service Agreement Principal	Pension Service Agreement Interest	Neighborhood Transformation Principal	Neighborhood Transformation Interest	One Parkway Principal	One Parkway Interest	Sports Stadium Principal	Sports Stadium Interest
2014	91.5	34.5	7.6	10.9	2.1	2.0	12.0	13.3
2015	90.2	40.8	7.9	10.6	2.3	1.8	12.4	12.7
2016	87.6	47.1	8.3	10.2	2.4	1.7	13.0	12.0
2017	82.0	52.7	8.7	9.8	2.5	1.6	13.6	11.3
2018	76.8	57.9	9.2	9.3	2.6	1.5	14.1	10.5
2019-2023	239.2	294.6	53.2	39.4	14.9	5.6	80.2	41.8
2024-2028	279.1	188.5	70.8	24.7	14.6	1.8	98.8	24.0
2029-2033	225.0	7.4	54.3	5.5	-	-	70.0	4.2
Totals	1,171.4	723.5	220.0	120.4	41.4	16.0	314.1	129.8

Fiscal Year	City Service Ageement Principal	City Service Ageement Interest	Cultural Corridors Principal	Cultural Corridors Interest	Central Library Principal	Central Library Interest
2014	123.5	13.3	3.8	5.4	0.5	0.3
2015	-	11.8	3.9	5.3	0.5	0.3
2016	-	11.8	4.2	5.1	0.5	0.3
2017	-	11.7	4.4	4.9	0.6	0.2
2018	-	11.7	4.6	4.6	0.6	0.2
2019-2023	106.9	56.4	26.8	19.4	3.4	0.8
2024-2028	192.9	15.4	34.3	11.8	1.6	0.1
2029-2033	-	-	33.8	3.1	-	-
Totals	423.3	132.1	115.8	59.6	7.7	2.2

(2) Business Type Debt Payable

The following schedule reflects changes in long-term liabilities for Business-Type Activities for the fiscal year:

(Amounts In Millions of USD)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activity					
Bonds Payable					
Revenue Bonds	3,248.0	85.8	(258.6)	3,075.2	186.7
Add: Bond Premium	113.8	12.8	(16.0)	110.6	-
Total Bonds Payable	3,361.8	98.6	(274.6)	3,185.8	186.7
Indemnity Claims	7.0	2.1	(4.3)	4.8	-
Worker's Compensation Claims	17.8	8.1	(4.6)	21.3	-
Termination Compensation Payable	15.8	4.5	(2.7)	17.6	-
Net Pension Obligation	27.5	-	(4.3)	23.2	-
Arbitrage	0.3	-	-	0.3	-
Business-type Activity Long-term Liabilities	3,430.2	113.3	(290.5)	3,253.0	186.7

The beginning balance of bonds payable changed due to the implementation of GASB Statement No. 65 see Note III.13.A

The Enterprise Funds have no debt that is classified on their respective balance sheets as General Obligation debt payable as of June 30, 2013.

Also, the City has General Obligation Bonds authorized and un-issued at year end of $303.6 million for the Enterprise Funds.

The City's Enterprise Funds have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	Interest Rates				Principal	Due Dates			
Water Fund	0.05	%	to	5.75	%	1,759.8	Fiscal	2014	to	2041
Aviation Fund	2.00	%	to	5.375	%	1,315.5	Fiscal	2014	to	2040
Total Revenue Debt Payable						3,075.3				

- In November 2012, the City issued Water and Wastewater Revenue Refunding Bonds, Series 2012. The bonds were issued in the amount of $70.4 million with interest rates ranging from 1% to 5% and have a maturity date of 2028. The plan is to refund all of the City's outstanding Water and Wastewater Revenue Bonds, Series 2001A and Series 2001B maturing after November 1, 2012 and pay the costs of issuance related to the Bonds. The aggregate difference in debt service between the refunding debt and the refunded debt is $13.2 million. This refunding transaction resulted in a net economic gain of $12.7 million.

- In July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2013, PENNVEST drawdowns totaled $15.4 million, which represents an increase in bond issuances. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

Date	Series	Maximum Loan Amount	Estimated Project Costs	Amt Requested thru 6/30/2013	Amt Rec'd Yes/No	Purpose
Oct. 2009	2009B	42,886,030	42,339,199	25,908,165	Yes	Water Plant Improvements
Oct. 2009	2009C	57,268,193	56,264,382	40,338,440	Yes	Water Main Replacements
Mar. 2010	2009D	84,759,263	84,404,754	70,930,405	Yes	Sewer Projects
Jul. 2010	2010B	30,000,000	31,376,846	9,254,100	Yes	Green Infrastructure Project
	Totals:	214,913,486	214,385,181	146,431,110		

The debt service through maturity for the Revenue Debt Payable is as follows:
(Amounts In Millions of USD)

Fiscal	Water Fund		Aviation Fund	
Year	Principal	Interest	Principal	Interest
2014	127.5	75.9	59.2	65.2
2015	125.6	70.2	62.4	62.0
2016	137.0	65.6	60.2	58.6
2017	121.8	58.6	63.6	55.4
2018	128.6	53.7	65.9	52.2
2019-2023	292.7	219.5	331.8	212.2
2024-2028	280.5	162.6	364.1	128.5
2029-2033	290.5	99.2	143.0	62.3
2034-2038	179.7	41.0	130.6	26.5
2039-2043	75.9	7.1	34.7	2.6
Totals	1,759.8	853.4	1,315.5	725.5

(3) Defeased Debt

As of the current fiscal year-end, the City had defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At year end, bonds outstanding pertaining to the following funds are considered defeased.

	(Amounts In Millions of USD)
Enterprise Funds:	
Water Fund Revenue Bonds	40.5
	40.5

(4) Short -Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The city borrowed and repaid $127.0 million in Tax Revenue Anticipation Notes by June 2013 plus interest. In accordance with statute, there are no temporary loans outstanding at year-end.

	(Amounts In Millions of USD)
Tax Revenue Anticipation Notes:	
Balance July 1, 2012	-
Additions	127.0
Deletions	(127.0)
Balance June 30, 2013	-

(5) Arbitrage Liability

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2013, the Aviation Fund had recorded liabilities of $0.3 million.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivatives are as follows:

(amounts in thousandsof USD)

	Changes in Fair Value		Fair Value at June 30, 2013		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	11,218	Debt	(15,798)	100,000
	Deferred Outflow	17,165	Debt	(35,037)	217,275
	Deferred Outflow	5,720	Debt	(11,675)	72,400
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	9,370	Debt	(22,816)	148,400
	Deferred Outflow	3,453	Debt	(8,565)	81,995

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2013, along with the credit rating of the associated counterparty.

(amounts in thousands of USD)

Agency	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
City GO (a)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2009 Series B bonds	100,000	12/20/2007	8/1/2031	City pays 3.829%; receives SIFMA Municipal Swap Index	Aa3/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	217,275	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Aa3/A+
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	72,400	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Baa2/A-
Airport (c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	148,400	6/15/2005	6/15/2025	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index	Aa3/A+
Water (d)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series bonds	81,995	5/4/2005	8/1/2018	City pays 4.53%; receives bond rate/68.5% 1 Month LIBOR	Baa2/A-

a. City of Philadelphia 2009B General Obligation Bond Swap

Objective In December, 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure. On July 28, 2009, the City terminated approximately $213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as, the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of $15.5 million to RBC.

Terms: The swap was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of $ 313.5 million). The swap confirmation was amended and restated effective August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2013, the swap had a notional amount of $100 million and the associated variable rate bonds had a $100 million principal amount. The bonds mature in August, 2031.

Fair Value: As of June 30, 2013, the swap had a negative fair value of ($15.80 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2013, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the rating of RBC falls below Baa3 or BBB- or by RBC if the rating of the City falls below Baa3 or BBB-. There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corp. (formerly FSA), no termination event based on the City's ratings can occur as long as Assured is rated at least A3 and A-.

As of June 30, 2013, the rates were:

	Terms	Rates	
Interest Rate Swap			
Fixed payment to RBC under swap	Fixed	3.82900	%
Variable rate payment from RBC under swap	SIFMA	(0.06000)	%
Net interest rate swap payments		3.76900	%
Variable Rate bond coupon payments	Weekly reset	0.06000	%
Synthetic interest rate on bonds		3.82900	%

Swap payments and associated debt: As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2014	$ -	$ 60,000	$ 3,769,000	$ 3,829,000
2015	-	60,000	3,769,000	3,829,000
2016	-	60,000	3,769,000	3,829,000
2017	-	60,000	3,769,000	3,829,000
2018	-	60,000	3,769,000	3,829,000
2019-2023	-	300,000	18,845,000	19,145,000
2024-2028	30,535,000	300,000	18,845,000	19,145,000
2029-2032	69,465,000	106,272	6,675,653	6,781,925
Total:	$ 100,000,000	$ 1,006,272	$ 63,210,653	$ 64,216,925

b. Philadelphia Authority for Industrial Development (PAID) 2007B Swaps

Objective: In October, 2007, **PAID** entered into two swaps to synthetically refund **PAID**'s outstanding Series 2001B bonds. The swap structure was used as a means to increase **PAID's** savings when compared with fixed-rate bonds at the time of issuance. The intention of the swaps was to create a synthetic fixed-rate structure.

Terms: The total original notional amount of the two swaps was $289.7 million which matched the principal amount of the 2007B bonds issued. One swap, with a notional amount of $217.3 million, was executed with JP Morgan Chase Bank. The other swap, with a notional amount of $72.4 million was executed with Merrill Lynch Capital Services, Inc. Both swaps commenced on October 25, 2007 and will terminate on October 1, 2030. Under the swaps, **PAID** pays a fixed rate of 3.9713% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule. As of June 30, 2013, the swaps together had a notional amount of $289.7 million which matched the principal amount of the associated variable rate bond deal. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2013, the swap with JP Morgan Chase Bank had a negative fair value of ($35.0 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of ($11.7 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2013, **PAID** was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swaps include an additional termination event based on credit ratings. The swaps may be terminated by **PAID** if the rating of the respective counterparty on the swaps falls below Baa3 or BBB- or by the respective counterparties if the underlying rating on the associated bonds falls below Baa3 or BBB-. There are 30-day cure periods to these termination events. The City's swap payments are insured by FGIC.

As of June 30, 2013, the rates for the $217.3 million notional swap with JP Morgan Chase Bank were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JPMorgan under Swap	Fixed	3.97130 %
Variable rate payment from JPMorgan under Swap	SIFMA	(0.06000) %
Net interest rate swap payments		3.91130 %
Variable Rate bond coupon payments	Weighted Average Weekly resets	0.34990 %
Synthetic interest rate on bonds		4.26120 %

As of June 30, 2013, the rates for the $72.4 million notional swap with Merrill Lynch Capital Services, Inc. were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Merrill Lynch under Swap	Fixed	3.97130 %
Variable rate payment from Merrill Lynch under Swap	SIFMA	(0.06000) %
Net interest rate swap payments		3.91130 %
Variable Rate bond coupon payments	Weekly resets	0.34975 %
Synthetic interest rate on bonds		4.26105 %

Swap payments and associated debt: As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2014	$ -	$ 760,241	$ 8,498,277	$ 9,258,518
2015	-	760,241	8,498,277	9,258,518
2016	9,745,000	760,241	8,498,277	9,258,518
2017	10,165,000	603,347	8,117,121	8,720,467
2018	10,595,000	439,690	7,719,537	8,159,227
2019-2023	60,150,000	597,037	32,016,533	32,613,570
2024-2028	74,125,000	254,861	19,205,461	19,460,322
2029-2031	52,495,000	55,252	4,163,579	4,218,831
Total:	$ 217,275,000	$ 4,230,910	$ 96,717,062	$ 100,947,971

Swap payments and associated debt: As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2014	$ -	$ 253,219	$ 2,831,781	$ 3,085,000
2015	-	253,219	2,831,781	3,085,000
2016	3,245,000	253,219	2,831,781	3,085,000
2017	3,385,000	200,974	2,704,860	2,905,834
2018	3,530,000	146,476	2,572,462	2,718,938
2019-2023	20,050,000	198,919	10,669,049	10,867,968
2024-2028	24,695,000	84,925	6,399,669	6,484,594
2029-2031	17,495,000	18,413	1,387,534	1,405,947
Total:	$ 72,400,000	$ 1,409,364	$ 32,228,917	$ 33,638,281

c. Philadelphia Airport Swap

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Department (the Philadelphia Airport) with an up-front payment of $6.5 million. As a synthetic refunding of its 1995 Bonds, this payment approximated the present-value savings as of April, 2002, of refunding on June 15, 2005, based upon interest rates in effect at the time. The swaption gave JP Morgan Chase Bank the option to enter into an interest rate swap with the Airport whereby JP Morgan would receive fixed amounts and pay variable amounts.

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005, and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The payments are based on an amortizing notional schedule (with an initial notional amount of $189.5 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into. The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2013, the swap had a notional amount of $148.4 million and the associated variable-rate bonds had a $148.4 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2013, the swap had a negative fair value of ($22.8 million). This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase.

Risk: As of June 30, 2013, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.
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As of June 30, 2013, the rates were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JP Morgan under swap	Fixed-declining	4.98577 %
Variable rate payment from JP Morgan under swap	SIFMA	(0.06000) %
Net interest rate swap payments		4.92577 %
Variable Rate bond coupon payments	Weekly resets	0.07000 %
Synthetic interest rate on bonds		4.99577 %

Swap payments and associated debt: As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows.

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2014	$ 8,200,000	$ 103,880	$ 7,309,836	$ 7,413,716
2015	9,000,000	98,140	6,542,356	6,640,496
2016	9,800,000	91,840	5,779,656	5,871,496
2017	10,700,000	84,980	4,921,020	5,006,000
2018	11,400,000	77,490	4,262,830	4,340,320
2019-2023	68,100,000	256,900	10,992,930	11,249,830
2024-2025	31,200,000	32,900	844,000	876,900
Total:	$ 148,400,000	$ 746,130	$ 40,652,628	$ 41,398,758

d. City of Philadelphia, 2005 Water & Sewer Swap

Objective: In December, 2002, the City entered into a swaption that provided the City with an up-front payment of $4.0 million. As a synthetic refunding of all or a portion of its 1995 Bonds, this payment approximated the present value savings, as of December 2002, of a refunding on May 4, 2005. The swaption gave Citigroup (formerly of Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: Citigroup exercised its option to enter into a swap May 4, 2005, and the swap commenced on that date. Under the terms of the swap, the City pays a fixed rate of 4.53% and receives a variable payment computed as the actual bond rate or alternatively, 68.5% of one month LIBOR, in the event the average rate on the Bonds as a percentage of the average of one month LIBOR has exceeded 68.5% for a period of more than 180 days. Citigroup is currently paying 68.5% of one month LIBOR under the swap. The payments are based on an amortizing notional schedule (with an initial notional amount of $86.1 million), and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into.

In May 2013, the City converted the original variable rate bonds associated with the swap to an index-based rate, terminating the existing letter of credit in the process.

As of June 30, 2013, the swap had a notional amount of $82.0 million and the associated variable-rate bond had an $82.0 million principal amount. The bonds' variable-rate coupons are based on the same index as the receipt on the swap. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 30, 2013, the swap had a negative fair value of ($8.6 million). This means that the City would have to pay this amount if the swap terminated.

Risk: As of June 30, 2013 the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one month LIBOR, and paying 68.5% of one month LIBOR plus a fixed spread, the City is no longer exposed to basis risk or tax risk. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of Citigroup or its Credit Support Provider fall below A3 and A-, or by Citigroup if the rating of the City's water and wastewater revenue bonds falls below A3 or A-.There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation (formerly FSA), no termination event based on the City's water and wastewater revenue bond ratings can occur as long as Assured is rated at least A or A2.

As of June 30, 2013, the rates were:

	Terms	Rates	
Interest Rate Swap			
Fixed payment to Citi under swap	Fixed	4.53000	%
Variable rate payment from Citi under swap	68.5% of 1-month LIBOR	(0.13334)	%
Net interest rate swap payments		4.39666	%
Variable Rate bond coupon payments	68.5% of 1-month LIBOR + fixed	0.13334	%
Synthetic interest rate on bonds		4.53000	%

Swap payments and associated debt: As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2014	$ 14,820,000	$ 109,328	$ 3,605,045	$ 3,714,373
2015	15,535,000	89,568	2,953,460	3,043,028
2016	16,315,000	68,854	2,270,438	2,339,292
2017	17,145,000	47,101	1,553,122	1,600,223
2018	18,015,000	24,240	799,314	823,554
2019	165,000	221	7,253	7,474
Total:	$ 81,995,000	$ 339,312	$ 11,188,632	$ 11,527,944

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued $1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of $1.2 billion is reflected in the City's financial statements in Other Long Term Obligations. The net proceeds of the bond sale of $1.3 billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments. The fiscal year 2013 Pension Funding Bonds liability of $1,171.4 million is reflected in the City's financial statements as another Long Term Obligation.

(8) Neighborhood Transformation Initiative Service Agreement

In Fiscal 2004, **PRA** issued a $30.0 million City of Philadelphia NTI Taxable Revenue Bond. The **PRA** and the City plan to borrow a taxable bank line of credit (the 2003 Bond) to fund certain costs of the NTI related to the acquisition of property. The line of credit is being issued in anticipation of future long term financing. This will allow the City and **PRA** to better manage the carrying costs of unspent loan proceeds and to possibly issue a portion of the take out financing as tax exempt bonds after obtaining certain state approvals.

In March, 2005, **PRA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of $25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of $ 44.0 million, with interest rates ranging from 4.75 through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for $81.3 million and mature through 2031.

In Fiscal 2012, **PRA** issued $91.3 million City of Philadelphia Neighborhood Transformation Initiative (NTI) Revenue Refunding Series 2012 Bonds. These bonds were issued to refund the City of Philadelphia Revenue Bonds, Series 2002A, originally issued in the aggregate principal amount of $124 million. The bonds will be initially issued in the name of Cede & Co., as nominee for The Depository Trust Company (DTC), which will act as securities depository. The bonds are subject to optional redemption prior to maturity. Interest on the series bonds range from 2% to 5% and is payable on April 15 and October 15 each year until maturity in 2026. The fiscal year 2013 NTI Service Agreement liability of $220 million is reflected in the City's financial statements as another Long Term Obligation.

(9) Sports Stadium Financing Agreement

In FY 2002, **PAID** issued $346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of **PAID**. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In October, 2007 **PAID** issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2013, the Sports Stadium Financing Agreement liability of $314.1 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December, 2006, **PAID** issued $135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. In fiscal 2013 the liability of $115.8 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) City Service Agreement

In October 2012, **PAID** issued City Service Agreement Revenue Bonds, Series 2012 in the amount of $231.2 million. The bonds mature on April 1, 2013 ($107.7 million) and April 1, 2014 ($123.5 million). **PAID** issued the bonds at the request of the City of Philadelphia and the proceeds will be used to finance the early repayment of the City's Deferred Funding Obligation Bond in the amount of $230 million and payment of the costs of issuance of the Bonds. The bond is payable as set forth in the Service Agreement solely from revenues of the City. The debt service payments began in 2013. In fiscal 2013 the liability of $123.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

In December 2012, **PAID** issued City Service Agreement Refunding Revenue Bonds, Series 2012 in the amount of 299.8 million. The bonds were issued as term Bonds with interest rates of 3.664% ($42.2 million) and 3.964% ($257.6 million). The term bonds have a maturity date of April 15, 2026. The bonds were issued to refund outstanding Pension Funding Bonds Series 1999B, fund interest on the Bonds through April 15, 2020, make a deposit to the City Retirement System and pay the cost of issuance of the Bonds. The bond is payable as set forth in the Service Agreement solely from revenues of the City. The debt service payments begin in 2021. The reacquisition price exceeded the net carrying value of the old debt by $23.1 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The portion of the Series 1999B Bonds that were refunded are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

(12) Forward Purchase Agreements

On June 6, 2000 PICA entered into a debt service reserve forward delivery agreement, which would begin on June 15, 2010 and expires on June 15, 2023. **PICA** received a premium of $1,970,000 on June 6, 2000 for the debt service reserve fund in exchange for future earnings from the debt service reserve fund investments. The premium amounts were deferred and are being recognized ratably as revenue over the term of respective agreements.

(13) Net Pension Liability

Net Pension Liabilities at June 30, 2012 was $216.4 million and $27.5 million for the Governmental and Business Type Activities, respectively. The decrease in the Governmental Activities' Net Pension Obligations (NPO) during fiscal year 2013 of $35.3 million resulted in Net Pension Liabilities of $181.1 million. During FY 2013, the Business Type Activities' NPO decreased by $4.3 million resulting in a Net Pension Liability of $23.2 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The School District has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total $3,295 million in principal, with interest rates from 2.0% to 6.765% and have due dates from 2014 to 2040. The following schedule reflects the changes in long-term liabilities for the School District:

(Amounts in Millions of USD)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	3,144.2	265.0	(114.2)	3,295.0	113.7
Add: Bond Premium	100.9	36.9	(8.9)	128.9	9.7
Less: Bond Refunding Losses	(167.3)	-	13.2	(154.1)	(13.2)
Less: Bond Discounts	(10.3)	-	0.5	(9.8)	(0.5)
Total Bonds Payable	3,067.5	301.9	(109.4)	3,260.0	109.7
Termination Compensation Payable	253.5	19.4	(67.5)	205.4	38.8
Severance Payable	166.9	2.1	(36.5)	132.5	17.3
Interfund Loan	7.1	-	(3.0)	4.1	-
Other Liabilities	136.5	33.8	(37.8)	132.5	37.8
Incurred But Not Reported (IBNR) Payable	12.0	0.5	-	12.5	12.5
Deferred Reimbursement	45.3	-	-	45.3	45.3
DHS Liability	4.0	-	(0.5)	3.5	0.5
OPEB Liability	0.1	-	-	0.1	-
Arbitrage Liability	0.3	0.3	-	0.6	0.3
NFS Federal Liability	-	2.5	(0.1)	2.4	0.8
Early Retirement Incentive	11.4	-	(11.4)	-	-
Total	3,704.6	360.5	(266.2)	3,798.9	263.0

Debt service to maturity on the School District's general obligation bonds and lease rental debt at year end is summarized as follows:

(Amounts In Millions of USD)

Fiscal Year	Principal	Interest
2014	117.4	155.3
2015	119.0	146.4
2016	125.9	140.9
2017	130.1	135.4
2018	132.0	129.4
2019-2023	716.9	555.5
2024-2028	786.0	400.4
2029-2033	847.6	223.1
2034-2038	272.6	49.4
2039-2040	47.5	3.5
Totals	3,295.0	1,939.3

(2) Business Type Debt Payable

Several of the City's Proprietary Type Component Units have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	Interest Rates				Principal	Due Dates			
PGW	2.00 %	to	5.38 %		1,065.7	Fiscal	2015	to	2040
PPA	3.00 %	to	5.25 %		167.1	Fiscal	2014	to	2030
PRA	4.55 %	to	4.75 %		14.9	Fiscal	2017	to	2028
Total Revenue Debt Payable					1,247.7				

The debt service through maturity for the Revenue Debt Payable of Component Units is as follows:

(Amounts in Millions of USD)

Fiscal	Philadelphia Gas Works †		Philadelphia Parking Authority		Philadelphia Redevelopment Authority	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2014	49.8	49.2	11.0	8.1	-	0.7
2015	51.0	46.8	11.4	7.6	-	0.7
2016	49.1	44.1	11.9	7.0	-	0.7
2017	49.9	41.7	12.6	6.4	1.8	0.7
2018	49.3	39.2	13.2	5.7	-	0.7
2019-2023	260.6	160.8	68.6	18.7	-	3.1
2024-2028	268.3	101.0	33.1	4.6	13.1	2.5
2029-2033	142.6	51.4	5.3	0.1	-	-
2034-2038	126.7	18.8	-	-	-	-
2039-2040	18.4	1.5	-	-	-	-
Totals	1,065.7	554.5	167.1	58.2	14.9	9.1

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2013

(3) Defeased Debt

At year end, defeased bonds are outstanding from the following Component Units of the City as shown below:

	(Amounts In Millions of USD)
Philadelphia Gas Works †	32.5
School District of Philadelphia	106.5
Total	139.0

† - Gas Works amounts are presented as of August 31, 2013

The investments held by the trustee and the defeased bonds are not recognized on **PGW**'s balance sheets in accordance with the terms of the Indentures of Defeasance. The investments pledged for the redemption of the defeased debt have maturities and interest payments scheduled to coincide with the trustee cash requirements for debt service.

The assets pledged, primarily noncallable U.S. Government securities, had a market value of $34.1 million at August 31, 2013, bearing interest on face value from 0.0% to 7.74%.

As in prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As such, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. As of June 30, 2013, $91.0 million of bonds outstanding are considered to be totally defeased and the liability has been removed from long-term liabilities.

In addition, the QZAB bond Series 2004E of $19.3 million, issued September 2004, and due September 1, 2018 is considered partially defeased in substance for accounting and financial reporting purposes. The School District irrevocably places $1.4 million in trust with its fiscal agent each September 1st. These amounts are invested in a forward purchase agreement to be used solely for satisfying a scheduled payment of the defeased debt. As of June 30, 2013, $11.0 million is considered partially defeased in substance for accounting and financial reporting purposes.

The QZABs bond Series 2007C and 2007D of $13.5 and $28.2 million, respectively, were issued December 28, 2007, and due December 28, 2022 are considered partially defeased in substance for accounting and financial reporting purposes. The School District irrevocably places $0.9 million in trust with its fiscal agent each December 15th for Series 2007C. These amounts are invested in a forward purchase agreement to be used solely for satisfying scheduled payments of the defeased debt. As of June 30, 2013, $4.5 million is considered partially defeased in substance for accounting and financial reporting purposes.

(4) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2013, the arbitrage rebate calculation indicates a liability totaling $265,502 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. This liability will continue to decrease since the project funds are no longer earning above the bond yield. The School District will continue to perform an annual audit rebate calculation until all funds have been expended. The actual amount payable may be less than the amount recorded as a liability as of June 30, 2013.

The School District has reserved $265,502 under the fund balance of the Capital Projects Fund. In addition, a contingent liability for this amount has been accounted for in the governmental activities column of the government-wide statement of net position.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

In January 2006, the City entered into a fixed rate payer, floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The interest rate swap was used to hedge interest rate risk.

The swaps have a maturity date of August 1, 2031 and require the City to pay a fixed rate of 3.6745% and receive a variable rate equal to 70.0% of one month LIBOR until maturity.

In August 2009, the City terminated approximately $54.8 million of the notional amount of the swap, issued fixed rate refunding bonds related to that portion and kept the remaining portion of the swap to hedge the Eight Series variable rate refunding bonds backed with letters of credit. The Company paid a swap termination payment of $3.8 million to the counterparty to partially terminate the swap.

The original swap confirmation was amended and restated on August 12, 2009 to reflect the principal amount of the Eighth Series B Bonds, with all other terms remaining the same. The remainder of the notional amount was divided among separate trade confirmations with the same terms as the original swap that was executed with the counterparty for the Eighth Series C through E.

In September 2011, the underlying variable rate bonds were remarketed with new letters of credit. During the remarketing, PGW partially redeemed portions of the bonds, and re-allocated remaining principal amongst the bond subseries. At the same time, the City terminated an aggregate notional amount of $29.5 million of the swaps, keeping the remaining portion of the swap to hedge the remaining variable rate bonds backed with letters of credit. The partial termination was competitively bid, with the winning swap counterparty providing the lowest cost of termination/assignment. PGW paid a swap termination payment of $7.0 million to partially terminate the swaps. The remaining notional amounts of each of the swaps were adjusted to match the reallocation of the underlying bonds.

In April 2013, each of the swaps was amended to include additional language specifying the exact process to be used to calculate a termination amount in the event of an optional termination at the request of the City on or before April 1, 2015.

As of August 31, 2013, the swaps had a notional amount of $225.5 million and the associated variable rate debt had a $225.5 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of $50.3 million and the associated variable rate bonds had a $50.3 million principal amount.
- The Series C swap had a notional amount of $50.0 million and the associated variable rate bonds had a $50.0 million principal amount.

- The Series D swap had a notional amount of $75.0 million and the associated variable rate bonds had a $75.0 million principal amount.
- The Series E swap had a notional amount of $50.2 million and the associated variable rate bonds had a $50.2 million principal amount.

The final maturity date for all swaps is on August 1, 2028.

As of August 31, 2013, the swaps had a combined negative fair value of approximately $33.4 million. The fair values of the interest rate swaps were estimated using the zero coupon method. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps.

As of August 31, 2013, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard ISDA master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A – (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the Company's bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at A2/AA – (Moody's/S&P).

The City is exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month LIBOR received on the swap.

The impact of the interest rate swaps on the financial statements for the year ended August 31, 2013 and 2012 is as follows (thousands of U.S. dollars):

	Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2012	57,435	34,712
Change in fair value through August 31, 2013	(24,072)	(22,653)
Balance August 31, 2013	33,363	12,059

	Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2011	51,671	25,360
Change in fair value through August 31, 2012	5,764	9,352
Balance August 31, 2012	57,435	34,712

The interest rate swap liability is included in other liabilities and deferred credits and deferred outflow of resources is included in other assets and deferred debits on the balance sheet.

There are no collateral posting requirements associated with the swap agreements.

b. School District of Philadelphia Swap Agreements

The School District adopted, in Fiscal Year 2010, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2013 financial statements are as follows (amounts in thousands; debit (credit)):

	Change in Fair Value		Fair Value at June 30, 2013		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment derivatives:					
Pays-variable Interest rate swaps	Investment expense	$ (1,864)	Investment	$(23,951)	$ 500,000
				$(23,951)	

As of June 30, 2013, the School District determined that the pay variable interest rate swaps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. It is therefore reported within the investment revenue classification.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

The City's operating leases consist of leases of airport facilities, recreation facilities, certain transit facilities and various other real estate and building sites. Rental income for all operating leases for the year was:

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	8,319	28,758	3,853
Additional Rentals	-	153,316	185
Sublease	12,281	-	1,985
Total Rental Income	20,600	182,074	6,023

Future minimum rentals receivable under non-cancelable operating leases are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government: Governmental Funds	Primary Government: Proprietary Funds	Component Units
2014	3,898	13,815	4,375
2015	4,142	7,534	3,492
2016	4,384	6,897	3,183
2017	4,371	6,549	2,355
2018	4,687	6,557	1,377
2019-2023	29,121	25,304	2,890
2024-2028	41,662	16,551	1,637
2029-2033	59,311	10,859	855
2034-2038	85,649	5,754	717
2039-2043	-	-	717
2044-2048	-	-	717
2049-2053	-	-	717
2054-2058	-	-	717
2059-2063	-	-	717
2064-2068	-	-	717
2069-2073	-	-	717
2074-2078	-	-	717
2079-2083	-	-	704
2084-2088	-	-	623
2089-2093	-	-	47
Total	237,225	99,820	27,991

B. CITY AS LESSEE

1) OPERATING LEASES

The City's operating leases consist principally of leases for office space, data processing equipment, duplicating equipment and various other items of property and equipment to fulfill temporary needs. Rental expense for all operating leases for the year was as follows:

(Amounts In Thousands of USD)	Primary Government: Governmental Funds	Primary Government: Proprietary Funds	Component Units
Minimum Rentals	174,594	36,910	205,593
Additional	-	-	77
Sublease	-	-	1,982
Total Rental Expense	174,594	36,910	207,652

At year end, the future minimum rental commitments for operating leases having an initial or remaining non-cancelable lease term in excess of one year are as follows:

(Amounts In Thousands of USD)

	Primary Government		Component Units
Fiscal Year Ending June 30	Governmental Funds	Proprietary Funds	
2014	36,096	537	208,180
2015	29,277	49	206,212
2016	28,841	-	206,166
2017	26,944	-	206,235
2018	25,545	-	207,828
2019-2023	78,603	-	199,850
2024-2028	36,052	-	-
2029-2033	16,257	-	-
2034-2038	16,414	-	-
Total	294,029	586	1,234,471

2) CAPITAL LEASES

Capital leases consist of leased real estate and equipment from various component units. Future minimum rental commitments are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Component Units
2014	2,324
2015	1,734
2016	1,544
2017	1,255
2018	944
2019-2023	2,370
Future Minimum Rental Payments	10,171
Interest Portion of Payments	(957)
Obligation Under Capital Leases	9,214

9. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2013, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

B. COMPONENT UNITS

In December 2011, the Pension Plan for **PGW** sponsored by the City was amended by Ordinance and a new deferred compensation plan was authorized by Ordinance as well. Newly hired employees will have an irrevocable option to join either a new deferred compensation plan created in accordance with Internal Revenue Code Section 401 or the existing defined benefit plan. The deferred compensation plan provides for an employer contribution equal to 5.5% of applicable wages. The defined benefit plan provides for a newly hired employee contribution equal to 6.0% of applicable wages. The Ordinance did not affect the retirement benefits of active employees, current retirees and beneficiaries, or terminated employees entitled to benefits but not yet receiving them.

10. FUND BALANCE POLICIES

Fund Balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. GASB 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Non-Spendable Fund Balance — Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The Departmental Funds ($.2 million) and Permanent Funds ($2.6 million) were non-spendable.

- Restricted Fund Balance — Includes amounts for which constraints have been placed on the use of resources which are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The General Fund had a restricted fund balance of $96.3 million at June 30, 2013. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health ($233.7 million); Grants Revenue ($58.7 million); County Liquid Fuels ($2.6 million); Special Gasoline Tax ($21.3 million); Hotel Room Rental Tax ($7.2 million); Car Rental Tax ($6.8 million); Housing Trust ($15 million); Acute Care Hospital Assessment ($15.2 million); Departmental ($6.3 million); Municipal Authority Administrative ($.3 million); PICA Administrative ($33.9 million). The entire fund balances of the Debt Service ($81.2 million) and Capital Improvement ($29.2 million) funds were restricted. The Permanent Fund had a restricted fund balance of $3.1 million at June 30, 2013.

- Committed Fund Balance – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by an ordinance passed by Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the ordinance that was employed when the funds were initially committed. The fund balances in the following Special Revenue Funds were committed: Philadelphia Prisons ($4.4 million) and Departmental ($.7 million).

- Assigned Fund Balance — Includes amounts that are constrained by government's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Budget Director, other authorized department heads or their designees to which the Finance Director has granted the authority to assign amounts to be used for specific purposes. There is no prescriptive action to be taken by the authorized officials in removing or modifying the constraints imposed on the use of the assigned amounts. The General fund reported an assigned fund balance of $98 million at June 30, 2013 which represents the encumbrance balance at the end of the reporting period.

- Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed or restricted or non-spendable. The General Fund had a $90 million unassigned fund balance at June 30, 2013. Within the Special Revenue Funds the Grants Revenue fund had a negative fund balance of $217.1 million and the Community Development fund had a negative fund balance of $7.2 million at June 30, 2013.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the non-spendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding non-spendable. To the extent that funds are available for expenditure in these other categories, except for the non-spendable fund balance, the order of use shall be: committed balances, assigned amounts, and lastly, unassigned amounts.

Table below presents a more detailed breakdown of the City's fund balances at June 30, 2013:

(Amounts In Thousands of USD)	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund (Principal)	-	-	-	2,833	2,833
Subtotal Nonspendable:	-	-	-	2,833	2,833
Restricted for:					
Neighborhood Revitalization	-	-	34,218	-	34,218
Economic Development	-	-	-	7,150	7,150
Public Safety Emergency Phone System	-	-	24,475	-	24,475
Streets & Highways	-	-	-	23,904	23,904
Housing & Neighborhood Dev	-	-	-	15,042	15,042
Health Services	-	-	-	15,196	15,196
Behavioral Health	-	233,724	-	-	233,724
Parks & Recreation	-	-	-	418	418
Libraries & Museums	-	-	-	96	96
Intergovernmental Financing (PICA)	-	-	-	33,880	33,880
Intergovernmentally Financed Programs	-	-	-	-	-
Central Library Project	2,331	-	-	-	2,331
Stadium Financing	2,096	-	-	6,822	8,918
Cultural & Commercial Corridor Project	12,175	-	-	-	12,175
Capitalized Interest	79,743	-	-	-	79,743
Debt Service Reserve	-	-	-	81,474	81,474
Capital Projects	-	-	-	29,230	29,230
Trust Purposes	-	-	-	8,885	8,885
Subtotal Restricted	96,345	233,724	58,693	222,097	610,859
Committed, reported in:					
Social Services	-	-	-	34	34
Prisons	-	-	-	4,401	4,401
Parks & Recreation	-	-	-	673	673
Subtotal Committed	-	-	-	5,108	5,108
Assigned, reported in:					
General Fund	98,033	-	-	-	98,033
Subtotal Assigned:	98,033	-	-	-	98,033
Unassigned Fund Balance:	89,980	-	(217,139)	(7,191)	(134,350)
Total Fund Balances	284,358	233,724	(158,446)	222,847	582,483

11. INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds. These transactions are recorded as operating transfers and are reported as other financial sources (uses) in the Governmental Funds and as transfers in the Proprietary Funds. Some of the more significant transfers are: the PICA administrative fund collects a portion of the wage tax paid by City residents and transfers funds that are not needed for debt service and administrative costs to the general fund. Also, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

(Amounts in Thousands of USD)	Governmental	*Transfers To:* Non major Governmental				
Transfers From:	**General**	**Grants**	**Special Revenue**	**Debt Service**	**Capital Improvement**	**Total**
General	-	320	12,005	156,070	1,029	169,424
Grants	26,772	-	1,433	-	5,594	33,799
Non major Special Revenue Funds	315,842	-	-	63,849	8,850	388,541
Water Fund	560	-	20,820	-	-	21,380
Total	343,174	320	34,258	219,919	15,473	613,144

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet (Exhibit III) includes reconciliation to the Net Position of Governmental Activities. One element of that reconciliation states that "Long Term Liabilities, including bonds payable, are not reported in the funds". The details of this difference are as follows:

(Amounts in Millions of USD)

Bonds Payable	1,986.2
Service Agreements	2,293.7
Employee Related Obligations	652.1
Indemnities	63.4
Arbitrage	-
Leases	28.9
Net Pension Obligation	181.1
Total Adjustment	5,205.4

13. PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

A. PRIMARY GOVERNMENT

- The **PMA** net position beginning balance was increased by $19.1 million. This increase was a result of an adjustment from "Expense-General Management and Support" to "Other Capital Assets (Net of Depreciation)". This adjustment involved the correction of a **PMA** purchase of capital assets being incorrectly recorded as an expense in the 2012 full accrual financial statements.

- The City implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 amends the accounting and financial reporting guidance for certain items previously required to be reported as assets and liabilities. As a result of this accounting change, the beginning net position as of July 1, 2012 has been decreased by $33.8 million in Governmental Activities and $74.5 million in Business-Type Activities. GASB No. 65 requires bond issuance costs to be expensed. Prior unamortized costs were retroactively written off as reflected in the effect of restating prior periods.

  The impact of these changes in the primary government is as follows:

(Amounts in Thousands of USD)

	Governmental Activities	Business-Type Activities
Net Position as previously reported	(1,772,472)	1,737,527
Cumulative effect for a change in accounting principles:		
Related to bond issuance cost	(33,792)	(74,451)
Prior Period Adjustment	19,137	
Total Adjustments	(14,655)	(74,451)
Net Position as restated	(1,787,127)	1,663,076

B. COMPONENT UNIT

- **PGW** net position beginning balance was increased by $11.8 million. The City historically used **PGW** financial statements from their previous fiscal year (August 31, 2012). However, in FY13 to comply with GASB 14, which states that it is acceptable to incorporate an entity's fiscal year if the component unit's fiscal year ends within the first quarter, **PGW** financial statements ending August 31, 2013 were used to provide a timely and accurate presentation of the financial statements.

- **PGW** implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, that amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Certain debt issuance costs are now expensed rather than recorded as an asset and amortized over the life of the debt. This provision was applied retroactively and resulted in beginning net assets as of September 1, 2011 being reduced by $5.6 million.

14. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports $1,266.2 million of restricted net position, of which $68.1 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	252,657	-
Debt Service	375,071	-
Pension Oblig Bond Refunding Reserve	79,743	-
Behavioral Health	233,724	-
Neighborhood Revitalization	34,218	-
Stadium Financing	2,096	-
Central Library Project	2,331	-
CCC Project	12,175	-
Grant Programs	53,726	15,042
Rate Stabilization	161,464	-
Libraries & Parks:		
Expendable	3,109	-
Non-Expendable	2,633	-
Other	53,337	53,072
Total	1,266,284	68,114

15. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year end of $158.4 million. The deficit was primarily caused due to the recording of reimbursed costs and corresponding revenues for services provided by the Department of Human Services to the grants fund, and the delay of billing and receiving reimbursements from the state.

- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year end of $7.2 million.

16. ADVANCE SERVICE CHARGE

The City's Water Fund Regulations provide for the assessment of an "Advance Service Charge" (ASC) at the time a property is initially connected to the system. The initial charge is calculated to be the equivalent of three (3) monthly service charges. This long-standing practice of assessing an initial charge equivalent to the average of three monthly service charges has been consistent whether the billing period was semi-annually (through 1979), quarterly (1979-1994) or monthly (1994-2012). The Fund includes these charges in current revenues at the time they are received. Fund regulations also provide for a refund of any advance service charges upon payment of a $100 fee and permanent disconnection from the system.

During FY 2013, 333 disconnection permits were issued resulting in a refund or final credit of approximately $149,760. During the period of July 1, 2012 and December 31, 2012, 403 new connection permits were issued resulting in additional advance service charges of approximately $175,765. As part of the process for setting rates and charges, the Department revised the regulations to freeze advanced service charges at their then current levels starting on January 1, 2013. As a result, advance service charges will no longer be collected or charged to new customers of the system.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. The City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system (PERS). The fund covers all officers and employees of the city and the officers and employees of certain other governmental and quasi-governmental organizations.

A. SINGLE EMPLOYER PLANS

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements.

Required Supplementary Information calculated in accordance with GASB Statement No. 25 is presented in audited financial statements of the respective pension plans. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

(1) City Plan

a. Plan Description

The Philadelphia Home Rule Charter (the Charter) mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains the single-employer Municipal Pension Plan (the Plan). The plan covers all officers and employees of the City and officers and employees of five other governmental and quasi-governmental organizations. By authority of two Ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Each of these two plans has multiple divisions. In addition to the two major classes of members, a third class of members was enacted in fiscal year 2011 that features a defined benefit and a defined contribution component.

Retirement Benefits

An employee who meets the age and service requirements of the particular division in which he participates is entitled to an annual benefit, payable monthly for life, equal to the employee's average final compensation multiplied by a percentage that is determined by the employee's years of credited service. The formula for determining the percentage is different for each division. If fund earnings exceed the actuarial assumed rate by a sufficient amount, an enhanced benefit distribution to retirees, their beneficiaries, and their survivors shall be considered. A deferred vested benefit is available to an employee who has 10 years of credited service, has not withdrawn contributions to the system and has attained the appropriate service retirement age. Members of both plans may opt for early retirement with a reduced benefit. The **Deferred Retirement Option Plan** (DROP) was initiated on October 1, 1999. Under this plan employees that reach retirement age may accumulate their monthly service retirement benefit in an interest bearing account at the Board of Pensions for up to four (4) years and continue to be employed by the City of Philadelphia.

Death Benefits

If an employee dies from the performance of duties, his/her spouse, children or dependent parents may be eligible for an annual benefit ranging from 15% to 80% of the employee's final average compensation. Depending on age and years of service, the beneficiary of an employee who dies other than from the performance of duties will be eligible for either a lump sum benefit only or a choice between a lump sum or an annual pension.

Disability Benefits

Employees disabled during the performance of duties are eligible for an immediate benefit equal to contributions plus a yearly benefit. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned. Certain employees who are disabled other than during the performance of duties are eligible for an ordinary disability payment if they apply for the benefit within one year of termination. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned.

Membership

Membership in the plan as of July 1, 2012 was as follows:

Retirees and beneficiaries currently receiving benefits	36,890
Terminated members entitled to benefits but not yet receiving them	1,289
Active members	26,306
Total Members	64,485

The Municipal Pension Fund issues a separate annual financial report. To obtain a copy, contact the Director of Finance of the City of Philadelphia.

b. Funding Policy

Employee contributions are required by City Ordinance. For Plan 67 members, employees contribute 3¾% of their total compensation that is subject to FICA and 6% of compensation not subject to FICA. Plan 87 contribution rates are defined for the membership as a whole by Council ordinance. Rates for individuals are then determined annually by the actuary so that total individual contributions satisfy the overall rate set by Council.

The City is required to contribute the remaining amounts necessary to fund the Plan, using an acceptable actuarial basis as specified by the Home Rule Charter, City Ordinance and State Statute. Court decisions require that the City's annual employer contributions are sufficient to fund:

- The accrued actuarially determined normal costs
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:
  - non active member's benefit modifications (10 years)
  - experience gains and losses (15 years)
  - changes in actuarial assumptions (20 years)
  - active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to $727.6 million or 51.1% of the covered payroll of $1,423.4 million. The City's actual contribution was $763.7 million. The City's contribution did meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189.

In Fiscal Year 2011 the City made several changes to the pension plan based on Act 44, which provided a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline. The City adopted fresh start amortization, alternating to 30 years and lowered the assumed rate of interest from 8.15% to 8.10% assuming a partial deferral of the pension payments in fiscal years 2010 and 2011 of $150 million and $80 million respectively, which must be repaid by fiscal year 2014. The change in amortization period and the partial deferral were approved by the Commonwealth of Pennsylvania General Assembly's Act 44. Act 44 also allowed the City to temporarily impose an additional local sales tax of 1.0% to fund future MMO Payments.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years are as follows:

(Millions of USD)

Fiscal Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2011	721.7	65.14%	80.0
2012	719.6	77.22%	243.9
2013	729.1	105.43%	204.3

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2012. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a ten-year smoothed market value method for valuing investments
- a level percentage closed method for amortizing the unfunded liability
- an annual investment rate of return of 7.95%
- projected annual salary increases based on new age based scale
- payroll growth rate is 3.3%
- no post-retirement benefit increases

Administrative costs of the Plan are paid out of the Plan's assets.

c. Funding Status

The following schedule shows the funding status based on the latest actuary report. The schedule of funding progress, which presents multiyear trend information about whether the actuarial value of plan assets is decreasing over time relative to the actuarial accrued liability for benefits, can be found in the Required Supplementary Information section immediately following the Notes to the Financial Statements.

(Amounts in Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
07/01/2010	4,380.9	9,317.0	4,936.1	47.02%	1,421.2	347.32%
07/01/2011	4,489.1	9,487.5	4,998.4	47.32%	1,371.3	364.50%
07/01/2012	4,486.8	9,799.9	5,313.1	45.78%	1,372.2	387.20%

d. Net Pension Obligation

The City and other employers' annual pension cost and net pension obligation (NPO) for the Municipal Pension Plan for the current year were as follows:

	(Amounts in Thousands of USD)
Annual Required Contribution (ARC)	738,010
Interest on Net Pension Obligation (NPO)	19,756
Adjustment to ARC	(28,660)
Annual Pension Cost	729,106
Contributions Made	(768,702)
Increase in NPO	(39,596)
NPO at beginning of year	243,898
NPO at end of year	204,302
Interest Rate	8.10%
15 Year amortization Factor (EOY)	8.51%

e. Derivative Instruments

In 2010 the City of Philadelphia adopted GASB Statement No. 53 which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments such as swaps, options, futures and forwards are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities.

The City of Philadelphia Municipal Pension Fund (Pension Fund) enters into a variety of financial contracts which include options, futures, forwards and swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMO's); other forward contracts, and U.S. Treasury strips. The contracts are used primarily to enhance performance and reduce volatility of the portfolio. The Pension Fund is exposed to credit risk in the event of non performance by counterparties to financial instruments. The Pension Fund generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The Pension Fund is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by Board approved guidelines, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Pension Fund's involvement in the various types and uses of derivative financial instruments and do not measure the Pension Fund's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives. The following table summarizes the aggregate notional or contractual amounts for the Pension Fund's derivative financial instruments at June 30, 2013:

List of Derivatives Aggregated by Investment Type

	Changes in Fair Value		Fair Value at June 30, 2013		
	Classification	Amount	Classification	Amount	Notional
Investment Derivatives					
Forward Currency Contracts	Net appreciation/(depreciation) in investments	$ 2,036,338	Accrued interest and other receivables	$ 1,742,854	$ 211,776,936
Futures	Net appreciation/(depreciation) in investments	(153,003)	Accrued interest and other receivables	(27,773)	36
Swaps	Net appreciation/(depreciation) in investments	284,636	Accrued interest and other receivables	-	-
Grand Totals		**$2,167,971**		**$1,715,081**	**$211,776,972**

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the Pension Fund. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings available from nationally recognized rating institutions such as Moody, Fitch and S&P.

The details of other risks and financial instruments in which the municipal pension fund of Philadelphia is involved are described below:

Concentration of Credit Risk: Currently, the Fund is invested primarily in equity securities (70.79%). The Fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 59.8% had Standard & Poors ratings of AAA to A.

***Credit Risk*:** The Pension Fund is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Pension Fund's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Fitch Ratings and Standard & Poor's or Aa as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The city has never failed to access collateral when required.

It is the Pension Fund's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2013, was $1,742,854. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is reduced by ($27,773) of collateral or liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of $1,715,082.

Interest Rate Swap Agreements. provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. During the year ended June 30, 2013 the Fund entered into interest rate swaps. Under the receive fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were not any total receive fixed interest Swaps this year. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Fund's net payment on the swap increases.

Future Contracts are types of contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed.

Forward contracts The Fund is exposed to basis risk on its forward contract because the expected funds purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle.

Termination risk: The Fund or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Fund is exposed to termination risk on its receive-fixed interest rate swap. The Fund is exposed to termination risk on its rate cap because the counterparty has the option to terminate the contract if the SIFMA swap index exceeds 12 percent. If at the time of termination, a hedging derivative instrument is in a liability position, the city would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover Risk: The Fund is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

In addition, the Pension Fund also was involved in other financial instruments such as rights that were worth $3,993 and warrants that were $19,626,337.

f. Summary of Significant Accounting Policies

Financial statements of the Fund are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Fund. Investments are valued as described in Footnote III.1.

(2) Gas Works Plan

a. Plan Description

PGW sponsors a public employee retirement system (PERS), a single-employer defined benefit plan to provide benefits for all its employees. The **PGW** Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25% of the first $6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over $6,600, times years of credited service, with a maximum of 60% of the highest annual earnings during the last 10 years of credited service, applicable to all participants, or

- 2% of total earnings received during the period of credited service plus 22.5% of the first $1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final-average earnings is the employees' average pay, over the highest 5 years of the last 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Employees with 30 years of service may retire without penalty for reduced age.

At September 1, 2012 the beginning of the Plan Year of the last actuarial valuation, the Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,373
Current Employees	1,473
Total Members	3,846

b. Funding Policy

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Covered employees are not required to contribute to the PGW Pension Plan. The Gas Works is required by statute to contribute the amounts necessary to finance the Plan.

The funding policy of the **PGW** Plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of employer contribution rates are based on the actuarial accrued liability as determined by using the Projected Unit Credit actuarial funding method. The actuarial asset value is equal to the value of fund assets. The unfunded actuarial accrued liability is being amortized using the open method. Contributions of $23.6 million (approximately 22.3% of covered payroll) were made to the PGW Plan during the year.

Beneficiary payments of $41.6 million were made in FY 2013. Withdrawals from the pension assets of $14.5 million were utilized to meet these beneficiary payments. Additionally, $3.5 million is due to the Company from the pension fund at the end of FY 2013.

In December 2011, the Pension Plan sponsored by the City was amended by Ordinance and a new deferred compensation plan was authorized by Ordinance as well. Newly hired employees will have an irrevocable option to join either a new deferred compensation plan created in accordance with Internal Revenue Code Section 401 or the existing defined benefit plan. The deferred compensation plan provides for an employer contribution equal to 5.5% of applicable wages. The defined benefit plan provides for a newly hired employee contribution equal to 6.0% of applicable wages. The Ordinance did not affect the retirement benefits of active employees, current retirees and beneficiaries, or terminated employees entitled to benefits but not yet receiving them.

c. Funding Status

The funded status of the **PGW** plan as of September 1, 2012 the most recent actuarial valuation is as follows (amounts in thousands):

(Amounts In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded/ (Over Funded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
09/01/2012	$437,780	$585,632	$147,852	74.8%	$106,000	139.5%
09/01/2011	$421,949	$572,190	$150,241	73.7%	$106,308	141.3%
09/01/2010	$381,975	$533,630	$151,655	71.6%	$106,125	142.9%

The analysis of pension funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Amortization Method	Level percent open
Remaining Amortization Period	20 years

d. Annual Pension Cost

PGW's annual pension cost for the current year of $23.6 million is equal to its required contribution. The annual required contribution for the current year was determined based on an actuarial study or updates thereto, using the projected unit credit method. Significant actuarial assumptions used include an annual rate of return on investments of 7.95%, compounded annually, projected salary increases of 3.00% of the salary at the beginning of FY 2013, and retirements that are assumed to occur prior to age 62, at a rate of 10% at 55 to 61 and 100% at age 62. The assumptions did not include post retirement benefit increases.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years is as follows:

(Amounts in Millions of USD)

Fiscal Year Ended August 31	Annual Required Contribution	Percentage Contributed
2013	23.6	100%
2012	24.0	100%
2011	22.6	100%

e. Summary of Significant Accounting Policies

The financial statements of the Plan are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Plan investments are reported at fair value based on quoted market price for those similar investments.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. **SDP** employees have an unlimited maximum accumulation, and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

***Plan description*:** The City of Philadelphia self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. Certain union represented employees may defer their coverage until a later date, but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to $7,500 coverage and all other employees receive $6,000 in coverage. The plan does not issue stand alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

Funding Policy: The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self insured for non-union employees. For fiscal year 2013, the City paid $57.1 million for retiree healthcare.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation:

	(Amounts in Thousands of USD)
Annual required contribution	113,934
Interest on net OPEB obligation	4,633
Adjustment to ARC	(4,175)
Annual OPEB cost	114,392
Payments made	(57,096)
Increase/(Decrease) in net OPEB Obligation	57,296
Net OPEB obligation - beginning of year	109,019
Net OPEB obligation - end of year	166,315

The City of Philadelphia's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2013 was as follows:

(Amounts in thousands USD)

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2013	$	114,392	50%	$	166,314
6/30/2012	$	105,369	72%	$	109,019
6/30/2011	$	101,713	64%	$	79,481

Funded Status and Funding Progress: As of July 1, 2012, the most recent actuarial valuation date, the City is funding OPEB on a pay as you go basis and accordingly, the unfunded actuarial accrued liability for benefits was $1.5 billion. The covered annual payroll was $ 1.372 billion and the ratio of the UAAL to the covered payroll was 110.2 percent.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projections of future benefit payments for an ongoing plan obligation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the obligation and the contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of costs for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point.

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. The city uses a level percent open approach as its method of amortization. Unfunded liabilities are funded over a 30 year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4.25% per year. The actuarial assumption included a 7.95% compound annual interest rate on the City's general investments. The current plan incorporates the following assumptions: no post-retirement benefit increases since last year; a 7.95% Investment Rate of Return, a 3.30% Rate of Salary increases; and, a 4% Ultimate Rate of Medical Inflation.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occur, rather than in the future when they will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the **SDP** recognizes the costs of postemployment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the **SDP**'s future cash flows. Recognition of the liability accumulated from prior years is amortized over no more than 30 years.

Plan Description:

The **SDP** provides up to $2,000 of life insurance coverage for retired and disabled employees in a single-employer plan. A retired employee is eligible for this benefit if covered for ten years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or 35 years of service regardless of age. A disabled employee's eligibility is determined by the insurance company providing the coverage. An unaudited copy of the life insurance benefit plan can be obtained by writing to The **SDP**, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The number of eligible participants enrolled to receive such benefits as of June 30, 2012, the effective date of the most recent biennial OPEB valuation, is below. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of Employees	Average Age
Active:		
Represented	13,907	45.9
Non-represented	848	48.4
Retirees	9,758	76.3
Disabled	120	58.6
Total	24,633	55.9

Annual OPEB Cost and Net OPEB Obligation:

The **SDP**'s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, a contribution is determined that consists of the normal cost and the unfunded actuarial liability payment. The normal cost for each employee is derived as a level contribution from entry age to assumed retirement age. The accumulation of normal costs for service already completed is the actuarial accrued liability (AAL), which under

GASB Statement No. 45 may be amortized over no more than 30 years. The **SDP** has elected to amortize the OPEB obligation as an open amortization period, which is recalculated at each biennial actuarial valuation date, amortized over a 30 year period for the valuation period ending June 30, 2012, using the level percentage of payroll method. The following table shows the elements of the **SDP**'s annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in the **SDP**'s net OPEB obligation to the plan:

Normal Cost	$	206,936
Amortization of Unfunded Actuarial Accrued Liability (UAAL)		603,813
Annual Required Contribution (ARC)		810,749
Interest on Net OPEB Obligation		-
Adjustment to the ARC		-
Annual OPEB Cost	$	810,749
Net OPEB Obligation as of June 30, 2012	$	130,344
Annual OPEB Cost		810,749
Employer Contributions		(552,663)
Increase/(Decrease) in net OPEB Obligation	$	258,086
Net OPEB Obligation as of June 30, 2013	$	388,430

The **SDP**'s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending June 30, 2013 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2011	$673,167	100%	$0
2012	810,749	83.9%	130,344
2013	810,749	68.2%	388,430

Basis of Accounting:

As defined by GASB Statement No. 45, if the amount of expenditures recognized during the current year is not equal to the annual OPEB cost, the difference is added or subtracted to the net obligation. The **SDP**'s policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement No. 45.

Funded Status and Funding Progress:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of $18.1 million and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $18.1 million.

Active	$4,088,289
Inactive	$14,026,106
Total	$18,114,395

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2012 OPEB actuarial valuations are those specific to the OPEB valuations. Actuarial valuations involve estimates of the values of reported amounts, assumptions about the probability of events far into the future, and are subject to continual revision. Actuarial calculations reflect a long-term perspective.

- Discount Rate: 3.25% per year, compounded annually.
- Payroll Growth: Payroll is assumed to increase at an average rate of 3.25% per year considering inflation.
- Mortality: Pre-termination and post-termination healthy annuitant rates are projected on a generational basis using Scale AA. As generational tables, they reflect mortality improvements both before and after the measurement date.

  Pre-termination: RP-2000 Employee Mortality Table for Males and Females.

  Post-termination Healthy Lives: RP-2000 Healthy Annuitant mortality table for males and females.

  Post-termination Disabled Lives: RP-2000 Disabled Annuitant mortality table for males and females. No provision was made for future mortality improvements for disabled lives.
- Termination: Rates which vary by age and years of services were used. Sample rates are shown below:

If less than 5 years of Service		If 5 or more Years of Service	
Years of Service	Rate	Age	Rate
Less than one year	24.49%	25	24.75%
1 - 2	25.23%	30	18.01%
2 - 3	16.54%	35	10.98%
3 - 4	14.07%	40	7.91%
4 - 5	10.88%	45	6.71%
		50	4.03%
		55	3.81%
		60	6.40%

- Retirement: Retirement rates are the rates utilized in the June 30, 2011 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Sample rates are shown below.

Sample Early Retirement Rates

Age	Male	Female
55	15%	15%
60	12	15

Sample Superannuation Retirement Rates

Age	Male	Female
55	30%	30%
60	28	30
65	20	25
74	100	100

- Disability: Disability rates are the rates utilized in the June 30, 2011 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age and gender. In addition, no disabilities are assumed to occur at age 60 or later. Sample rates are shown below

Attained	**Percentage Disability Incidence**	
Age	**Male**	**Female**
25	0.024%	0.030%
30	0.024%	0.040%
35	0.100%	0.060%
40	0.180%	0.100%
45	0.180%	0.150%
50	0.280%	0.200%
55	0.430%	0.380%

- Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death.
- Life Insurance Coverage while Disabled: The maximum amount of life insurance of $45,000 for non-represented employees or $25,000 for represented employees was assumed to be in effect for future disabled retirees prior to age 65. Actual amounts were used for current disabled retirees prior to age 65.
- Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of June 30, 2012 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.
- Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.
- Special Data Adjustments: Male was assumed for 555 retirees for whom gender was not provided. Active members hired after June 30, 2011 were assumed to be in Class T-E or T-F in PSERS; otherwise Class T-C or T-D was assumed.

Philadelphia Gas Works (PGW) OPEB

***P*lan Description: PGW** sponsors a single employer defined benefit healthcare plan and provided postemployment healthcare and life insurance benefits to approximately 2,044 participating retirees and their beneficiaries and dependents in FY 2013, in accordance with their retiree medical program. The annual covered payroll (which was substantially equal to total payroll) was $110.1 million at August 31, 2013.

PGW pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided a choice of three plans at **PGW**'s expense and can elect to pay toward a more expensive plan. Retirees may also contribute toward enhanced dental plan and life insurance coverage. **PGW** pays 100% of the cost for the prescription drug plan after drug co-pays. Union employees hired on or after May 21, 2011 and Non-Union employees hired on or after December 21, 2011 are entitled to receive post-retirement medical, prescription, and dental benefits for five years only. Currently, **PGW** provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go basis.

Total expense incurred for healthcare and life insurance related to retirees amounted to $23.7 million in FY 2013. In addition, **PGW** expensed $18.5 million of funding for the OPEB Trust. Retirees contributed $0.4 million towards their healthcare in FY 2013. These contributions represent the additional cost of healthcare plans chosen by retirees above the basic plan offered by **PGW**. Total premiums for group life insurance were $2.2 million in FY 2013 which included $1.7 million for retirees. Retirees contributed $0.1 million towards their life insurance in FY 2013.

Annual Postemployment Benefit Cost, Contributions Required, and Contributions Made*:* The amount paid by the Company for retiree benefits in FY 2013 was $42.2 million, consisting of $22.2 million of healthcare expenses, $1.5 million of life insurance expenses, and $18.5 million contributed to the OPEB trust. The difference between the AOC and the Company's contributions resulted in an increase in the OPEB obligation of $2.0 million in FY 2013, which was recorded to other liabilities and expensed. The actuarial accrued liability for benefits at August 31, 2013 was $436.5 million. The ratio of the unfunded actuarial accrued liability to the covered payroll was 340.3% as of August 31, 2013.

The valuation was prepared utilizing certain assumptions, including the following:

- Economic Assumptions – the discount rate and healthcare cost trends rates

The report utilized an 8.0% discount rate for purposes of developing the liabilities and ARC on the Plan for FY 2013. This rate is based on the expected return of investments of the OPEB Trust.

	Healthcare cost trend rates			
Year	Medical (pre-65)	Medical (post-65)	Prescription	Dental
1	10.0%	8.0%	8.0%	4.5%
2	9.0	7.0	7.0	4.5
3	8.0	6.0	6.0	4.5
4	7.0	5.0	5.0	4.5
5	6.5	4.5	4.5	4.5
6	6.0	4.5	4.5	4.5
7	5.5	4.5	4.5	4.5
8	5.0	4.5	4.5	4.5
9	4.5	4.5	4.5	4.5
10 and beyond	4.5	4.5	4.5	4.5

- Benefit Assumption – the initial per capita rates for medical coverage, and the face amount of PGW paid life insurance.

- Demographic Assumptions – including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates), and coverage levels.

The following table shows the calculation of **PGW's** OPEB liability for FY2013. The difference between the annual OPEB cost and contributions made is recorded as other postemployment benefits expense on the statement of revenues and expenses. Contributions made are allocated to operating expense line items along with salaries and other employee benefit costs.

	(Amounts in Thousands)
Annual required contribution	41,216
Interest on net OPEB obligation	8,885
Adj to annual required contribution	(9,866)
Annual OPEB cost	40,235
Payments made	(42,242)
Increase/(Decrease) in net OPEB obligation	(2,007)
Net OPEB obligation - beginning of year	111,067
Net OPEB obligation - end of year	109,060

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2013 and the preceding years is as follows:

(Amounts in Thousands of USD)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
8/31/2013	$ 40,235	105.00%	$ 109,060
8/31/2012	46,105	96.50%	111,067
8/31/2011	45,691	91.31%	109,448

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non voting members. The Governor of Pennsylvania, the President Pro Tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member to the Board.

The Act provides that, upon **PICA's** approval of a request of the City to **PICA** for financial assistance, **PICA** shall have certain financial and oversight functions. First, **PICA** shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, **PICA** also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City and to certify noncompliance by the City with its current five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth of Pennsylvania to cause certain Commonwealth payments due to the City to be withheld).

PICA bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. **PICA** returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2013 this transfer amounted to $314 million.

5. RELATED PARTY TRANSACTIONS

The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of $65.17 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled $199.9 million during the year) to the following organizations:

- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund For Philadelphia Incorporated
- Philadelphia Housing Authority

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Workers' Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was $356.1 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2011 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2011	371.3	82.0	(99.8)	353.5
Fiscal 2012	353.5	102.1	(99.8)	355.8
Fiscal 2013	355.8	101.6	(101.3)	356.1

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro rata charge to the various funds. Payments for the year were $4.6 million for Unemployment Compensation claims and $63.8 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $287.8 million discounted at 3.5%. On an undiscounted basis, these liabilities total $375.8 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total $259.9 million (discounted) and $339.9 million (undiscounted).

During the last five (5) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

B. COMPONENT UNITS

The City's Component Units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The **SDP** has self-Insured Medical Benefits and Workers' Compensation coverage which is funded by a pro-rata charge to the various funds while both the **SDP** and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage. **SDP** does purchase certain other insurance. Most Component Units are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the combined amount of these liabilities totaled $195.9 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability since June 30, 2012 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2012	184.8	283.0	(268.0)	199.8
Fiscal 2013	199.8	250.4	(254.3)	195.9

The **SDP** is exposed to various risks related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. As previously noted, the SDP is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness) and employee medical benefits.

The **SDP** maintains additional property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of $500,000 and a limit of $250.0 million. Also, certain insurance coverages including employee performance bonds and fire insurance are obtained.

7. COMMITMENTS

COMPONENT UNITS

- The **SDP's** outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled $26.3 million.

- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year

is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances, and efficiency of vehicle utilization.

8. CONTINGENCIES

A. PRIMARY GOVERNMENT

1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Division, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a $500,000 aggregate limitation on damages arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately $356.1 million. Of this amount, $26.1 million is charged to current operations of the Enterprise Funds. The remaining $330.0 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City for which an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimates of the loss which could result if unfavorable legal determinations were rendered against the City with respect to those lawsuits is approximately $75 million to the General Fund and $2.5 million to the Enterprise Funds.

Significant cases included in the current litigation against the City are as follows:

- **Condemnation of Tract of Land k/a Parcel C (within Eastwick Urban Renewal Area)**

In November 2003, the City filed a declaration of taking condemning certain property known as Parcel C within the Eastwick Urban Renewal Area Plan of 1958 for the benefit of Philadelphia International Airport. The Philadelphia Redevelopment Authority ("PRA") (formerly known as the "Redevelopment Authority of the City of Philadelphia" or "RDA") was the record title holder of the property. The City deposited in Court in April 2006 estimated just compensation in the amount of $7,714,000.

In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation ("Eastwick Development") petitioned the Court for appointment of a Board of View and the Court appointed a Board of View to ascertain and award just compensation. Eastwick Development alleged they owned or held equitable interests in and certain development rights to the condemned property and had not received just compensation.

After a view of the premises and a hearing in July 2009, the Board of View filed a report with the Court in October 2009. The Board made an award of just compensation for the property of $13,500,500 (including attorney fee), subject to credit for the $7,714,000 million already paid and distributed. In addition, the Board awarded delay damages from the date of taking (11/18/03) until July 31,2009 in the amount of $3,298,200, and accruing thereafter until payment.

The City filed its appeal to the Court of Common Pleas in November 2009, requesting a jury trial de novo. The City objected, among other things, to the award of any compensation amount beyond that amount already paid into court, to evidentiary, procedural and substantive errors in the Board of View proceeding and award, and to the delay damage computation and award. Eastwick Development filed a separate appeal from the Board of View Report to the Court of Common Pleas in November 2009. Eastwick Development sought a jury trial de novo and objected to the sufficiency of the amount of compensation awarded.

The parties completed discovery. At a final pretrial conference, the Court issued an order consolidating the two separate appeals from the Board of View report and scheduled the case for trial. Subsequently, at the request of the parties, the Court adjourned the start of trial on the basis of a settlement in principle.

The parties signed as of December 13, 2011 a binding settlement term sheet providing for, among other things, discontinuance of the lawsuit, payment by City of $9.6 million, an amended redevelopment agreement, and release or transfer of property interests to City, all upon certain terms and conditions, and to take effect or occur on or before an Effective Date. If the conditions precedent and Effective Date do not occur, the settlement will expire and the parties will be restored to their previous litigation positions (with some modification to any accrual of delay damages). The Court ordered the case to remain in deferred status to allow for implementation of the settlement.

The parties have agreed to extend the potential Effective Date of the settlement until June 30, 2014. The case was marked settled by the Court. Should the settlement not be consummated on account of a failure of condition, the case may be restored, on the request of either party, as if the case had not been marked settled.

The City will vigorously contest the award if the settlement is not consummated. At this time, the City's attorneys are unable in their professional judgment to evaluate the likelihood of an unfavorable outcome in terms of probability and the range or amount of any loss assuming an unfavorable outcome. Any ultimate judgment would be paid from the Aviation Fund.

- **G&T Conveyor Co., Inc. vs. Ernest Bock & Sons, Inc, et al**

G&T commenced a civil action for declaratory and monetary relief against Bock, Liberty Mutual Insurance Company ("Liberty") and Fidelity and Deposit Company of Maryland ("Fidelity"), issuers of a payment bond on behalf of Bock. G&T sued Bock for, among other things, about $1.3 million in damages for work performed but unpaid by Bock; and for nearly $7 million in additional costs incurred as a result of construction delays G&T attributed to Bock.

Bock had successfully bid to perform general contractor work on the Airport's Terminal D&E expansion and modernization project for baggage system (Bid #6851; Contract #084002). G&T subcontracted with Bock to supply all necessary labor, supervision, material and equipment to furnish the baggage handling equipment. Bock's Purchase Order (subcontract) with G&T required that G&T perform and complete work in strict accordance with the Plans and Specifications, and eleven addenda and other terms and conditions prepared by Daroff Design Inc. (“DDI”), and in compliance with certain milestones and deadlines. G&T alleged that, by early 2010, the project was over 660 days behind schedule and its attempts to address and resolve delay and other problems with Bock had failed.

Bock answered the Complaint, denying responsibility, asserting affirmative defenses and counterclaiming against G&T for damages caused by G&T's alleged breach of its contract obligations. Bock also filed a "third party" complaint against City and others, particularly Chisom Electrical (reportedly a defunct entity).

Bock contended City was solely liable or liable with Bock to G&T on the "delay damages" claims made by G&T, pursuant to common law theories of indemnification and contribution. Bock also claimed City was liable to Bock for damages caused by City's material breaches of its contract with Bock. Bock alleges that these damages are approximately $1.7 million in addition to the G&T damages for which Bock seeks recovery from City.

City filed preliminary objections to the third party complaint, challenging its propriety and sufficiency but the Court overruled the objections and ordered the filing of an Answer. The City filed an Answer to Bock's third party complaint, asserting its defenses, counterclaims against Bock for indemnity and breach of contract and the bonding companies for indemnity, and added a fourth party claim against the designer of the project, DDI. The City thereafter made a tolling agreement with DDI. The Court dismissed Daroff from the case pursuant to a voluntary discontinuance of claims against Daroff.

The parties have completed the initially scheduled discovery and submitted expert reports. The Court denied City’s petition to dismiss the claims against it for lack of subject matter jurisdiction (City claimed in essence the absence of a justiciable controversy due to the incomplete status of the project and the absence of required inspection, testing and approval of the system). City filed a motion to amend its Answer to add a more specific defense of release. The Court granted that motion and City filed an Amended Answer. In addition, the City has asserted a liquidated damages claim against Bock, on account of the incomplete work, and has received delay claims from two other contractors, due to the unfinished work on the BHS project.

G&T filed a motion for partial summary judgment, opposed by Bock and City. After oral argument, the Court granted the motion solely as to legal interpretation of particular contract terms, and denied the balance. City and Bock filed motions for summary judgment that were opposed by G&T and both were denied.

Judge Snite agreed with the City and Bock that the case cannot be tried until at least the baggage handling system had successfully completed the integrated site acceptance testing ("ISAT"). Both the City and Bock filed Motions for Extraordinary Relief requesting that the Court reopen discovery and move the trial date to a later date, based primarily on the fact that the system had not passed ISAT. Judge Snite, on August 28, 2012, after an on-the-record conference, granted the Motions for Extraordinary Relief over G&T's opposition. As a result, Judge Snite reopened discovery and rescheduled trial.

Bock filed a Motion for Summary Judgment to preclude the City from assessing liquidated damages until the Court made a determination that such damages were allowed. The City opposed that Motion and cross-moved arguing that Bock's failure to provide any contractually-mandated analysis justifying delays warranted award of judgment to the City on the delays incurred to date.

TSA conducted another round of ISAT in August 2012. On September 5, 2012, the TSA issued a quick look report ("QLR") which noted that the BHS had failed ISAT. On September 7, 2012, the City issued a Notice of Default to Bock based on the QLR.

Subsequently, G&T filed a Motion asking the Court to declare that TSA conducted the ISAT according to the wrong standards and that future ISAT testing should be conducted differently. The City responded to that Motion with affidavits from TSA's testing agent, Battelle Memorial Institute, and from the City's security consultant noting that they had personally witnessed the testing and that the testing conformed to the applicable standards and that ISAT demonstrated that the BHS fails to meet the contract standards. The Court denied this Motion without prejudice.

The City also filed a Motion for Declaratory Judgment requesting the Court to determine that the BHS failed to meet the applicable standards and failed to pass ISAT, and therefore, Bock is in default of its contract. The City also requested that the Court determine that the City is entitled to get the source code for the BHS pursuant to the terms of the contract between the City and Bock. Bock and G&T responded and the Motion is currently pending. However, the Court did order that a copy of the source code currently on the BHS be placed in escrow pending further order of the Court.

On January 17, 2013, the City issued a Notice of termination to Bock for cause based on the failure of Bock to provide a working BHS that could pass ISAT. Bock brought a Motion for Special Injunction to enjoin the Notice of Termination. On January 23, 2013, the Court stayed the "legal effect" of the Notice on Bock only, and not Bock's surety, until January 28, 2013 to allow the Judge to hear the matter. On January 28, 2013, Bock withdrew the Motion for Special Injunction, and the Termination became effective as to Bock on January 28. Bock has also issued a Notice of Termination to G&T on January 28 for failure to perform.

After termination, the Court ordered that G&T assist in the copying of all software and source code on the BHS and provide copies of all pass words and passcodes for the BHS and place all the information in escrow. As part of that order, the Court required that the BHS not be modified pending further order of the Court. G&T failed to comply with portions of the Order concerning copying and escrow. The City moved for contempt of the Order, and the Court held G&T in contempt.

Bock and G&T also moved to have the Court order testing to determine the status of the BHS at testing. The Court ordered that Alliant, a company previously under contract with both Bock and G&T, would perform the status quo testing. To the extent G&T requested testing different than G&T's requested testing, the Judge denied G&T's request. Testing was to begin by March 18, 2013 and conclude by April 5, 2013. Testing concluded on March 27, 2013 with Alliant determining that the BHS was not ready for ISAT and further demonstrating the basis for termination. As part of the testing order, the Court maintained requirement that the BHS not be modified pending further order of the Court.

On April 4, 2013, the Court transferred all of the Bock and City cases to another Judge. The City moved to remove the limitation on modification of the BHS. The Court held argument on the City's Motion to Lift the Stay on June 6, 2013. During this time, G&T had appealed to the Superior Court the Judge's denial of G&T's testing plan to the extent it was different than Bock's testing plan. On July 8, 2013, the Superior Court granted the City's Motion to squash G&T's appeal. That same day the City's Motion was granted to Lift the Stay.

Subsequently, G&T moved for permission to retest the BHS. On September 10, 2013, the Court granted G&T the opportunity to retest provided it met a number of requirements including securing TSA's approval and beginning testing by October 7, 2013. Testing did not begin by October 7 and TSA denied G&T's request to test. Testing was to conclude by November 11, 2013. On November 13, 2013, the Court issued an order which denied G&T's supplemental request to extend the time to test, held the time for testing had expired and stated that the Court's prior order allowing repairs to go forward remained in effect. Repair efforts have proceeded, with repairs and confirmatory testing scheduled to be completed in the first quarter of 2015.

Discovery is expected to close on February 28, 2014, and trial is scheduled for August of 2014. However, there is a pending Motion filed by G&T to extend the case management deadlines until after the completion of ISAT in 2015.

The City intends to mount vigorous defenses to defeat Bock's claims (both Bock's delay claims and the G&T pass-through claims). The City's lawyers reasonably believe that the third party plaintiffs will not likely succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

- **Pingitore vs. John Green and O'Hara vs. City**

John O'Hara and Finn Land Corporation filed a now consolidated putative class action on behalf of classes of former property owners whose property was subject to a sheriff's sale. They claim for themselves and the class an entitlement to excess funds from Sheriff's sales of their properties.

In the consolidated action, Plaintiffs allege that they are owed excess proceeds of approximately $9,000 and $10,000 respectively from the sheriff's sale of two properties that were not paid to them. They assert claims in unjust enrichment, equitable conversion, fraudulent concealment, violation of the Pennsylvania Constitution, mandamus relief, an award of damages to plaintiffs and the class of the excess proceeds due them, interest, attorney's fees and costs and all such other relief that the Court deems proper.

The Court granted the Treasurer's request to intervene in the consolidated lawsuit and subsequently denied plaintiffs' motion for class certification. Plaintiffs have appealed that denial to Commonwealth Court.

If the class were to be certified, it is unclear the number of class members entitled to relief, whether the plaintiffs will succeed on the merits and whether plaintiffs will recover from City monetary damages in excess of $8,000,000.

- **Lower Darby Creek Area Superfund Site**

In 2001, the U.S. Environmental Protection Agency (EPA) added the Lower Darby Creek Area (Site) to the National Priority List, EPA's list of the most serious uncontrolled or abandoned hazardous waste sites. The Site includes two former municipal landfills: the Folcroft Landfill and the Clearview Landfill. In 2002, EPA sent the City a letter alleging that the City is a Potentially Responsible Party (PRP) at the Clearview Landfill site. Designation as a PRP means the City may be jointly and severally liable with other PRPs for the site's clean-up costs. EPA has concluded that the City owns the Recreational Property and streets adjacent to the Clearview Landfill and alleges that there is a reasonable basis to believe there may be or has been a release or threat of release of hazardous substances, pollutants or contaminants at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at the Clearview Landfill. The City received and responded to two separate requests from EPA for additional information. EPA completed the Remedial Investigation for the Clearview Landfill in May 2011 and a feasibility study of remedial options in October 2012. In August 2013, EPA issued a proposed plan identifying its preferred remedy and proposed cleanup plan. The comment period on the proposed plan expired at the end of September 2013. Once EPA reviews the public comments, it will issue a Record of Decision documenting the selected cleanup option. Because of the broad liability scheme under the federal Superfund law, Superfund litigation generally focuses not on avoiding a finding of liability, but rather on ensuring that the remediation is cost-effective and the allocation of costs among all parties identified as bearing some degree of liability is fair and reasonable. The total costs of the removal and remedial actions for which EPA may assert cost recovery claims are estimated to be in the range of approximately $30 million to $50 million. Insufficient information is available to the City at this time to determine the exact amount of those costs that will be allocated to the City, but based on existing information the City's allocated share may exceed 20% of the total cleanup costs or approximately ($6 million- $10 million).

- **Fraternal Order of Police grievance of deplorable conditions**

The police union, the FOP, has filed a grievance against the City protesting the conditions at police facilities, including district stations, the Police Academy, Police headquarters and a number of other places. Because many of the facilities are old, upgrading them could potentially cost millions. However, the arbitrator's power to order remedies is limited. Additional hearings were held, and briefs submitted.

The arbitrator issued an interim award on April 6, 2013, finding that the City had breached the collective bargaining agreement and ordering the parties to create a working group. That group meets on a monthly basis and discusses what issues need to be addressed and the City's progress. Reports are sent to the arbitrator on a quarterly basis. If the parties are unable to resolve a dispute, the arbitrator retains jurisdiction to hold a hearing and issue an additional award. Under the interim award the City has not been exposed to excessive costs, but the FOP recently indicated that it would like to return to the arbitrator for additional remedies. Depending on what, if any, additional remedies are awarded, the City could face a substantial financial loss.

- **Appeals related to the State Tax Equalization Board assessment of real estate**

In July 2011 the State Tax Equalization Board (STEB) published a Common Level Ratio (CLR) of 18.1% for Philadelphia, significantly lower than the City's Established Predetermined Ratio (EPR) of 32% used to calculate assessed values for real estate tax purposes. If the CLR varies from the EPR by more than 15% (i.e., if it is not between 27.2% and 36.8%), then in any assessment appeals, the Board of Revision of Taxes (BRT) is directed by statute to calculate the assessed value using the CLR rather than the EPR as a percentage of the property's market value. In April 2012, in response to informal objections filed by the City and the Philadelphia School District, STEB raised the CLR to 25.2; that is not enough to avoid the use of CLR in calculating assessed value for real estate tax purposes, but it effectively halves the City's potential losses. The appeal period from STEB's increase to the CLR passed without any appeal being filed, so that number is now final.

For tax year 2012, about 2,000 taxpayers with property collectively valued at about $2 billion filed assessment appeals with the BRT. The School District filed cross-appeals seeking higher market values in all of those cases. Roughly 1,500 of those cases now have been resolved at a total estimated cost of $7 million. We believe a prudent yet reasonable (as opposed to worst case) estimate for the loss on the remaining 500 cases would be around $7.3 million for both the City and the School District.

New state legislation ("Act 131") mandates that 2013 real estate taxes will be based on 2011 assessed values (with adjustments for subsequent demolitions and improvements) and will not be subject to adjustment for the common level ratio, so this issue should not resurface next year. Act 131 also mandates the adoption of actual values for 2014 real estate taxes; therefore this issue also should not arise for 2014 real estate taxes because the CLR does not apply to assessment appeals made immediately after a full reassessment. To date, about 857 taxpayers with property collectively valued at about $814 million filed assessment appeals with the BRT. The School District filed cross appeals in all cases deemed appropriate. The deadline to file an assessment appeal for 2013 expired on October 1, 2013 for all but about 5,000 taxpayers. We believe a prudent yet reasonable estimate of the amount of potential loss on the 800 cases for 2013 would be less than $5 million.

- **Reach Communications Specialists, Inc (Reach) vs. Jewell Williams, Sheriff, et al**

Reach, for itself and t/a RCS Searchers, Inc., commenced an action by writ of summons in Court of Common Pleas of Philadelphia County in January 2013 against, among others, Sheriff Williams in his official capacity, the City of Philadelphia, Alan Butkovitz, Controller in his official and individual capacity and Barbara Deeley, former Acting Sheriff, in her individual and official capacity ("collectively City Defendants"). Reach thereafter filed a complaint. The following summary is drawn from the complaint.

Reach pleaded federal law and state law claims for damages against City Defendants. Reach alleged in pertinent part that Acting Sheriff Deeley, immediately after her appointment as Acting Sheriff and following the retirement of former Sheriff Green, in January 2011, "unlawfully" terminated cettain alleged contracts ("Alleged Contracts") made between former Sheriff Green and Reach/RCS for advettising and printing services, settlement services, distribution policies of title insurance, and computer systems and website technical support and services, relating to the official functions of the Office of the Sheriff in connection with judicial sales of real property. Reach further alleged that it had provided (and expected to continue to render), such services or distribution policies pursuant to those Alleged Contracts (a series of oral and written agreements and amendments with former Sheriff Green or his staff).

Reach asserted that it has been a minority-owned and controlled corporation, with mostly black employees, and has acquired an imputed racial identity as a "black corporation". Reach also asserted that it actively and publicly supported and assisted Sheriff Green's efforts to help homeowners from foreclosure sales and to maintain the power and office of Sheriff from its alleged dissolution.

Reach alluded to certain official actions taken, statements made, familial connections and employment relationships by the former Sheriff, her daughter and Controller Butkovitz or by and between Chief Deputy Sheriff Vignola and Lexington officials, in connection with the Controller's audit of Sheriff Office operations (and critical Auditor's Report), the engagement of Lexington Technology Auditing, Inc. ("Lexington") to assist in that audit and the information Lexington purportedly obtained about Reach, and the President Judge of the Court of Common Pleas' involvement in the termination of Reach and First Judicial District's hiring of Lexington. Reach contended that these relationships, actions and statements established improper motivation and conspiratorial conduct to terminate the Alleged Contracts unlawfully and take over the functions, powers and monies of Sheriff's Office. Additionally, Reach contended that the termination of Reach's Alleged Contracts fits into a pattern and practice of racial discrimination engaged in by Acting Sheriff Deeley and results from her retaliatory animus or conspiratorial activity.

Reach made claims for damages (compensatory and punitive), interest, attorneys fees and costs under 42 U.S.C. §§1983 and 1985(3) arising out of former Sheriff Deeley's termination of the Alleged Contracts and her (and current Sheriff Williams') refusal to continue the relationships. In summary, Reach alleged: deprivation of property without due process by former Sheriff Deeley and Sheriff Williams; retaliation by City and City Official Defendants for protected First Amendment conduct in violation of the First Amendment; racial discrimination by Controller Butkovitz, former Sheriff Deeley and Sheriff Williams in violation of 42 U.S.C. § 1981; and conspiracies by all in violation of Section 1983 and 42 U.S.C. § 1985(3).

Reach also made claims for damages against Sheriff Williams, in his official capacity, for breach of contract, or alternatively promissory estoppel or unjust enrichment, and against City for breach of contract or alternatively unjust enrichment. Reach asserted in substance that Sheriff Williams (or City) refused to be bound by the Alleged Contracts, alleged promises of Green or implied restitutionary obligations and refused to pay post-termination any alleged unpaid balances due and owing for services rendered. Reach contended such actions resulted in breach of those Alleged Contracts (or alternatively) necessitated enforcement of Green's promises to pay to avoid injustice or justified creation of implied contracts (at law) to avoid unjust enrichment.

The City Defendants, with the consent of other co-Defendant Lexington Technology Auditing, Inc. ("Lexington"), removed the action to federal court, specifically the Eastern District of Pennsylvania. The case was assigned to a Federal Judge.

Lexington and City Defendants filed motions to dismiss the Complaint and Reach responded. The Court denied the motions by Order of August 12, 2013. The Court scheduled a Rule 16 conference. As a result of the conference, based on the Court's determination that continued litigation may interfere with an ongoing criminal investigation, the Court issued an order placing the case in suspense (deferred status).

If and when the case is removed from suspense status and litigation resumes, The City (and City Defendants in their official capacities) intend to pursue defenses and potentially counterclaims vigorously to defeat Reach's claims. At this very early stage of the action, and based on filed papers and matters of record, the City's lawyers reasonably believe that Reach will not likely succeed on their claims or for the amount of damages sought and that the City's defenses/counterclaims have merit.

- **Grubel vs. City of Philadelphia, et al**

This is a class action lawsuit in the Court of Common Pleas by a class of Election Day workers who worked in one or more elections in Philadelphia from November 2005 to the present. They claim they should have been paid at least the "minimum wage" per the Philadelphia 21st Century Minimum Wage Standard, Chapter 17-1300 of the Philadelphia Code. The Ordinance requires covered employers to pay each employee an hourly wage of at least 150% of the federal minimum wage. Plaintiffs contend that they are "employees" of the City for purposes of the Ordinance. Employers who violate the Ordinance are liable for back pay plus attorneys' fees and costs.

Philadelphia minimum wage is $10.88 for covered employees. The plaintiffs contend they should have been paid at least $152.25 per day or $137.55 per day, depending on the year, if the Ordinance applies to them. The City paid these workers, in compliance with the State Election Code, on a per diem, rather than hourly, basis. Judges of Election (one at each polling place) were paid $100 per day; the remaining workers received $95 per day. We estimate the total back pay that would be payable to the plaintiff class is approxi-

mately $6.6 million. The addition of prejudgment interest (at 6%) and attorneys' fees raises the total potential liability to about $8.4 million.

The City Commissioners Office requested and was granted a waiver from the Office of Labor Standards. Such a waiver is expressly permitted by the Ordinance and excuses the employer from the obligation to the Philadelphia minimum wage. This should cut off any potential liability for the May 2013 and all future elections. However, the plaintiffs contend that the waiver establishes that the City was liable to pay pursuant to the Ordinance before the waiver, and is now estopped from continuing to assert that the election workers were not covered employees under the Ordinance. The plaintiffs also contend that the change to the Home Rule Charter in 2010 did not grant City Council the right to regulate compensation of City employees; it "merely confirmed" Council's pre-existing authority. This is based on the wording of the amendment as submitted to the voters.

The Court has denied plaintiffs' motion for summary judgment. The case had been scheduled for trial starting June 3, 2013, but the Court instead ordered the parties to participate in mediation. The mediator proposed some parameters for a partial settlement, which the City considered, but decided that if a global settlement was not possible, it would be in the City's interest to defend the action globally.

A conference was held February 11, 2014 by the Judge, who will decide a pending motion and who will probably allow the City to file another motion for summary judgment.

- **Ernest Bock & Sons, Inc. vs. City of Philadelphia**

Ernest Bock & Sons, Inc. filed a suit against the City on February 6, 2014, seeking $5,900,000 in damages plus penalty, interest, and attorney fees arising out of alleged contract delays and change orders in a contract at Philadelphia International Airport (Bid No. 6843, Contract No. 084016) for Terminal D-E Bag Claim Expansion & Ticketing Renovations. The complaint includes counts for declaratory judgment, breach of contract, violation of Pennsylvania's Contracts for Public Works Statute, and quantum meruit. The City expects to contest the claim vigorously.

- **District Council 33, District Council 47 and Firefighter's union contracts**

Union contracts for District Council 33, District Council 47 and the International Association of Firefighters are currently unresolved. Some funds have been set aside in FY14-FY18 Five Year Plan as a reserve for the costs of these agreements in the future; however, the full amount of costs cannot be calculated until the contracts are resolved.

- **Prison Overcrowding**

A Prison Overcrowding case is currently in the discovery phase. At the conclusion of the discovery phase, the city anticipates filing a summary judgment motion, which could be ruled upon in mid to late calendar year 2015. Also, the city feels it has valid defenses to the claims. In the event that the City is unsuccessful, monetary damages are unlikely, however, there is potential exposure for capital expenditures in excess of $8 million.

2) Guaranteed Debt

The City has guaranteed certain debt payments of two of its component units. As such, the City's General Fund has a potential financial obligation toward the extinguishment of this debt, either by replacing the various reserve funds, if used, or the actual payment of principal or interest. At June 30, principal balances outstanding were as follows:

(Amounts In Thousands of USD)

HUD Section 108 Loans	112,740
Philadelphia Parking Authority	14,250
Total:	126,990

3) Single Audit

The City receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements, and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2012, which accounted for $968.3 million for all open programs as of December 27, 2013. Of this amount, $540.1 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2012 due to timing differences in audit requirements, $80.2 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2012 and prior and $348.0 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed $267.1 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from un-loaned funds are used to repay HUD. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City from HUD. The total remaining principal to be repaid to HUD for all loans at the end of the year was $112.7 million.

5) Act 148 Children and Youth Program Activities Moved to Grants Revenue Fund

In previous fiscal years the Act 148 Children and Youth Program, reimbursed by the Commonwealth of Pennsylvania, was accounted for in the General Fund. Starting in fiscal year 2012, the reimbursable portion of this program was accounted for in the Grants Revenue fund, and the non-reimbursable portion continues to be accounted for in the General Fund. At June 30, 2012 the Grants Revenue Fund had a $132.5 million receivable for the Children and Youth program. In FY2013 the Grants Revenue fund had expenditures totaling $457.8 million and revenue totaling $437.3 million. At June 30, 2013 the Grants Revenue Fund had a $153 million receivable for the Children and Youth Program. Due to the nature of the program's billing policies, the city has 24 months after the current fiscal yearend date to submit a final reimbursement request. If receivables for program costs submitted for reimbursement are subsequently deemed as ineligible, such non-reimbursable costs will be charged to the General Fund.

B. COMPONENT UNITS

1) Claims and Litigation

Special Education and Civil Rights Claims – There are two hundred eighty-seven (287) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $1.9 million.

Of those, two hundred seventy-seven (277) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, one hundred and thirty-nine (139) unfavorable outcomes are deemed probable and one hundred and seventeen (117) are considered reasonably possible, in the aggregate of $1.0 million and $0.4 million respectively.

There are three (3) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes of two (2) are deemed probable in the aggregate amounts of approximately $0.03 million.

There are six (6) suits in federal court by parents of special education students for reimbursement for attorneys' fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately $0.22 million and $0.05 million

respectively.

Another special education case which the School District is considering whether to file a petition with the Supreme Court of the United States is deemed by General Counsel to be reasonably possible in the amount of $0.1 million.

Other Matters - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of $24.1 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of $2.4 million and $6.1 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of $1.9 million and $2.7 million, respectively, arising from personal injury and property damage claims and lawsuits.

Education Audits - In the early 1990s, the School District received basic education subsidies from the Commonwealth of Pennsylvania based primarily on student average daily membership ("ADM"). In July of 1995, the Department of Education notified the School District that an audit conducted by the Auditor General for fiscal years ending in 1991, 1992 and 1993 indicated over-reporting of student ADM in fiscal year 1991, the year established by the Commonwealth as the base year calculation for all subsidies through fiscal year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately $40 million through fiscal year 1999, and subsequently reduced by half, to approximately $20 million, as a result of additional reviews of School District documentation. In May 1999, the School District appealed the adverse determination to the Secretary of Education, as provided by law. The Secretary was to appoint a hearing officer to consider the matter further. During the pendency of the dispute over the adequacy of documentation to support 1991 student ADM figures, an audit of reported ADM in school years 1994-95 through 1996-97 was also undertaken. The Department of Education asserted a claim for an additional $20 million for the alleged over-reporting of ADM during those periods. The School District has denied this additional claim and has produced supporting documentation to the Secretary of Education. As part of an agreement with the School District, the Commonwealth postponed all potential collection actions in this category while both matters remain pending.

The Pennsylvania Auditor General's Bureau of Audits conducted a performance audit of the School District's pupil membership and attendance reporting procedures for the 2009-2010 school year, and issued a draft report on October 26, 2011. The School District's response to the draft report was filed on December 16, 2011. The final audit report was issued on February 14, 2012, including the School District's corrective action plan. Because no final determination of forgiveness has been made, however, there remains a reasonably possible loss in this category on the amount of $40 million.

Federal Audit - The U.S. Department of Education Office of the Inspector General ("OIG") conducted an audit of the School District's controls over Federal expenditures for the period commencing July 1, 2005 through June 30, 2006. A preliminary draft audit report was issued by the OIG in May, 2009. In accordance with applicable audit standards, the School District responded to the draft audit findings in August, 2009, supporting the vast majority of the expenditures questioned. On January 15, 2010, the OIG issued an audit report, assessing the School District's management of federal grant funds during the 2006 fiscal year. The report identified $138.8 million in findings resulting from the audit of controls over federal expenditures, of which $121.1 million were considered inadequately supported and $17.7 million were considered unallowable costs. The report included five findings, the largest of which related to undocumented salary and benefits charged to federal programs in the amount of $123 million.

As of June 30, 2013 and continuing until the date of this letter, in the opinion of outside counsel, the School District has potential material liability related to the OIG audit issued in January 2010. The OIG issued an audit report to the School District assessing the School District's management of federal grant funds during the 2006 fiscal year.

To date, the U.S. Department of Education (DOE) has issued two program determination letters (PDLs) related to the 2010 audit report seeking a recovery of funds. The PDLs were issued to the Pennsylvania Department of Education (PDE) and appeals of both are pending. DOE issued a third PDL on the remaining findings that required corrective actions, but did not result in monetary exposure. Most of the corrective actions have already been implemented or are being addressed as part of the corrective action plan agreed upon with the PDE and DOE. DOE has indicated that it may issue a fourth (final) PDL related to the 2010 audit seeking a recovery of questioned costs under Funds for the Improvement of Education (FIE) and Gain-

ing Early Awareness and Readiness for Undergraduate Programs (GEAR UP). The fourth PDL will likely result in additional sustained liabilities related to these programs; however, the District has arguments to defend against the recovery.

The first PDL demanded a recovery of $9.9 million and was appealed to the Office of Administrative Law Judge. Of that amount, DOE's counsel stipulated to approximately $2.8 million as barred by the statute of limitations, leaving a balance of $7.2 million. To extinguish the remaining liability, the School District submitted, on April 27, 2012, documentation for equitable offset. The case is briefed and the Administrative Law Judge may issue the decision entirely on the bases of the briefs, or may schedule a hearing. Once the initial decision is rendered by the Administrative Law Judge, either party may request a review of that initial decision by the Secretary. The Secretary may affirm, remand or set aside the decision. The Secretary's final decision may be appealed to the U.S. Court of Appeals for the Third Circuit.

The second PDL demanded a recovery of $2.5 million. That PDL was not timely appealed by PDE. However, the PDL invited the State to present evidence to DOE of the amount barred by the statute of limitations. PDE and the School District have assembled documentation demonstrating the application of the statute of limitations. DOE will then review the documentation and indicate what costs DOE agrees are barred by the statute of limitations.

On December 18, 2012, DOE's office of the Chief Financial Officer (OCFO) requested the School District provide additional documentation $341,693 of questioned GEAR UP expenditures. The School District provided documentation supporting $281,858 of the costs at issue to OCFO, as well as evidence covering the remaining liability through equitable offset, on January 30, 2013. The School District continued to work with OCFO regarding the documentation requests, and provided additional evidence on April 12, 2013. In April 2013, OCFO also asked about costs related to the FIE program. The School District provided the requested supporting documentation for FIE expenditures to OCFO on May 1, 2013. To date, DOE has not issued a formal determination regarding these expenditures.

Because of the long appeal process, no assurance can be given as to the final resolution of the OIG audit findings, or the amounts, if any, which may be required to be repaid by the School District at this time.

Therefore, no assurance can be given by outside counsel as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the School District or whether such repayments could have a material adverse effect on the financial condition of the School District. Of the $9.7 remaining exposure from the $138.8 million of findings, the School District is optimistic that all of the liability included on the PDLs will be eliminated based on the application of the statute of limitations and equitable offset. In the opinion of the School District, with regard to the March PDL and the September PDL, the likelihood of a recovery by USDE in the amount of $9.7 million is remote.

The School District of Philadelphia 403(b) Plan and 457(b) Deferred Compensation Plan

Pursuant to resolutions approved by the School Reform Commission, the School District implemented The School District of Philadelphia 403(b) Plan ("403(b) Plan") and The School District of Philadelphia 457(b) Deferred Compensation Plan (the "457(b) Plan")(collectively, the 403(b) Plan and the 457(b) Plan shall be known as the "Plans") in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District, after withholding all applicable payroll taxes, (i) would pay termination pay owed to a resigning or retiring employee in cash or, (ii) at the direction of the employee, would deposit such termination pay into the retiring or resigning employee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees retiring or resigning during or after the calendar year in which they attain age 55, after June 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans. Based on the advice of legal counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld FICA taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. By letter dated October 16, 2012, the IRS stated that the School District is following its revised policy concerning the treatment

of termination pay under the 403(b) Plan, and thus no federal employment tax liability exists. By letter dated November 18, 2013, the Department of Revenue of the City of Philadelphia determined that the contributions of termination pay to the 403(b) Plan are employer contributions, and, as such, are not subject to City Wage Taxes at the time of contribution, and the School District is not required to withhold City Wage Tax from such contributions. The School District management believes that if it were finally determined that any liability for State taxes (including interest and penalties) relating to these plans existed at June 30, 2013, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2013.

Administrative Appeals in Pennsylvania Department of Education

The School District received several subsidy withholding requests filed with the Pennsylvania Department of Education (PDE) by charter schools that have enrolled resident students from the School District. These withholding requests address whether the PDE's charter school funding form (PDE-363) used to calculate charter school tuition contains an allowance for improper deductions in the calculation of the regular education expenditure. The issue is not whether the School District made improper calculations on the form, but whether the form itself is flawed, in that PDE has authorized federal funding to be deducted from the expenditure calculation in violation of the law. This is an issue pending with respect to more than 200 subsidy withholding requests were submitted to PDE, seeking additional subsidies from school districts throughout the Commonwealth, all of which requests raise the same issue.

Because there are over 200 appeals pending, PDE elected to select four cases involving Pittsburgh School District and charter schools as example cases on the legal issues involved. PDE has assigned a Hearing Officer to hear these administrative appeals and to make a recommendation to the Secretary of Education. The School District of Philadelphia intends to Petition to Intervene in the example case so that the School District's interests can be adequately represented. It is not yet known when that Petition will be filed or if the School District will be permitted to intervene. The direct cases against the School District are currently stayed pending the outcome of the example case.

The School District intends to vigorously defend its position in this matter, both as an intervenor and as a party, if the direct cases against the School District ever move forward. It is the belief of the School District – and of PDE according to their own form and guidance documents – that federal funding is not appropriately included in the calculation of charter school funding due to the nature of the funding itself and the fact that charter schools are equally eligible for the same federal funding as school districts. Although it is impossible to determine with any degree of certainty, based upon our evaluation of the case and the legal claims, it is the opinion of outside counsel that there is a high likelihood of success for the School Districts' positions in this matter. The likelihood of an unfavorable outcome, in the opinion of outside counsel, would be between reasonably possible and remote. If, however, the charter schools successfully argue that they are entitled to a portion of the School District's federal funding, the exposure to the School District is approximately $5.7 million in terms of the pending withholding requests of which we are aware. The exposure in terms of future effects if the PDE-363 form is invalidated and all charter schools are permitted, going forward, to receive a portion of the School District's federal funding on an annual basis, is estimated to be upwards of $100 million each year.

On December 9, 2013, the lead petitioner Urban Pathways 6-12 Charter Schools withdrew its requests for withholding and reimbursement from Pittsburg Public Schools. The proceedings are in suspense until PDE determines who will be the lead petitioner.

9. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2013 through and including February 24, 2014. The following events are described below:

A. PRIMARY GOVERNMENT

1) In July 2013, the City issued $208 million of General Obligation Bonds Series 2013 A. Serial bonds were issued with interest rates ranging from 1% to 5.25%. The 2013 Bonds were issued to provide funds for a portion of the city's capital program, for the purpose of refunding Series the City's outstanding Series 2003 A General Obligation Bonds and for the cost relating to the issuance of the 2013 Bonds.

2) In August 2013, the City issued Water and Wastewater Revenue Bonds Series 2013 A in the amount of $170 million. Serial bonds were issued in the amount of $120 million with interest rates ranging from 3% to

5% and have a maturity date of 2023. Term Bonds were issued in the amount of $50 million with an interest rate of 5.125% and mature in 2043. The proceeds of the bonds together with other available funds of the City's Water Department will be used to finance capital improvements to the City's Water and Wastewater systems, a deposit to the Debt Reserve account of the Sinking Fund and the cost of issuance relating to the Bonds.

3) In December 2013 the city issued $100 million of Tax and Revenue Anticipation Notes (TRAN), Series A of 2013-2014 to provide cash to supplement the receipts of the City in the General Fund for the purpose of paying the general expenses of the city prior to receipt of taxes and other revenues to be received in the current fiscal year and pay the costs of issuance of the Notes. The proceeds will be invested and repaid by June 30, 2014.

4) Through January 24, 2014 drawdowns totaling $23.6 million represent new loans from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for: Water Treatment Plant ($2.9 million); Sewer Piping Replacement ($.8 million); Water Main Replacement ($1.4 million); Green Infrastructure ($18.5 million).

5) In January 2014 the City issued Water and Wastewater Revenue Bonds Series 2014A in the amount of $123.2 million. Serial Bonds were issued for $93.2 million with interest rates ranging from 3.0% to 5.0% maturing July 1, 2027. Term bonds were issued in the amount of $30 million with a 5.0% interest rate maturing July 1, 2043. The purpose of the bonds is to provide funds that will be used for the advance refunding of a portion of the City's outstanding Water and Wastewater Revenue Bonds, Series 2005A, capital improvements to the City's Water and Wastewater System, a deposit to the Debt Reserve Sinking Fund and the cost of issuance relating to the bonds.

6) In February 2014 the City issued General Obligation Refunding Bonds, Series 2014A in the amount of $154.3 million. Serial Bonds were issued in the amount of $112 million with interest rates ranging from 3.0% to 5.25% and mature July 15, 2034. Term Bonds were issued in the amount of $42.3 million with an interest rate of 5.0% and mature July 15, 2038. The 2014 Bonds were issued to refund certain maturities of the City's outstanding General Obligation Bonds, Series 2008B and for the payment of the cost relating to the issuance of the Bonds.

7) During fiscal year 2013, the City engaged a team of legal and financial advisors, as well as brokers, to assist with a process to consider the sale of PGW to a private entity. Lazard Frères & Co. LLC is serving as financial advisor and has conducted a financial review of the proposed transaction, including an analysis of the anticipated loss to the City of the $18 million annual payment from PGW. Lazard prepared a report for the City, which was completed in October 2013. The City's brokers, J.P. Morgan Securities LLC and Loop Capital Markets LLC, are assisting the City in managing the bidding process. On August 30, 2013, the City received more than 30 responses to its Request for Qualifications from potential bidders, and later received indicative bids from a number of prequalified bidders on November 1, 2013. A short-list of bidders was approved to continue in the process, and final bids were received on January 31, 2014. Negotiations with potential Buyers are underway, and the City expects to finalize the terms of any sale in February/March 2014. If an agreement is reached, the sale must then be authorized by Philadelphia City Council and approved by the Pennsylvania Public Utility Commission. It should be noted that no sale can be finalized without providing for the defeasance of the City's outstanding Gas Works Revenue Bonds and Notes. After all outstanding PGW obligations are met, it is the City's intention to utilize the proceeds of the Sale to fund other long-term obligations of the City, most likely through a deposit into the City's Pension fund. As part of the evaluation of the benefits of the sale, the City will be conducting a more detailed analysis of the long-term impact of this deposit into the Pension Fund. Currently, the City is under no obligation to sell PGW.

B. COMPONENT UNITS

1) On July 2, 2013 the **SDP** issued Tax and Revenue Anticipation Notes, the Series A of 2013-2014 in the principal amount of $125 million ("Series A Notes"). The Commonwealth of Pennsylvania provided the School District with $400 million of basic education subsidy advances. Both the Series A Notes and the advances were for cash flow purposes.

2) On September 23, 2013 the **SDP** authorized the extension and amendment of two letters of Credit agreements and authorized two new Letters of Credit agreements effective October 31, 2013 through January 3, 2017. The LOC providers are, Barclays Bank for the Series F2010 Bonds, PNC Bank for the Series G 2010 Bonds, RBC Bank for the series H 2010 Bonds and TD Securities for the Series C 2009 Bonds. These LOCs cover $349 million of existing variable rate demand bonds.

3) In October 2013, an Ordinance was introduced in City Council which authorizes the City to sell **PGW** Revenue Capital Project Commercial Paper Notes in an aggregate principal amount of up to $120.0 million at any one time outstanding to pay the costs related to any or all of the purposes set forth in the Ordinance. This includes providing funds for any or all of the following purposes: (a) the capital projects included in the capital program of **PGW**, which may include, without limitation, (i) the acquisition of land or rights therein; (ii) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery and apparatus; (iii) the acquisition, construction or replacement of pipes and pipe lines; and (iv) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City; (b) the provision of interest on the Notes during construction of the capital projects; (c) paying the costs of issuing the Notes; and (d) paying any other Project Costs (as defined in the First Class Revenue Bond Act of October 18, 1972, Act No. 234). The Ordinance was passed by City Council on November 21, 2013 and was signed by the Mayor on December 4, 2013. This Ordinance does not expire.

4) In September 2013, **PMA** adopted a resolution to proceed with the project of refunding the 2003 Series Bonds with the issuance of its City Agreement Revenue Refunding Bonds, 2013 Series A, in the aggregate principal amount not to exceed $100 million. In April 2013, the City Council of the City of Philadelphia, by Ordinance approved by the mayor authorized the refunding project to refund all or a portion of the Lease Revenue Refunding Bonds, 2003 Series A and B of which $106 million was outstanding as of June 30, 2013.

City of Philadelphia

P E N N S Y L V A N I A

Required Supplementary Information

(Other than Management's Discussion and Analysis)

City of Philadelphia **Exhibit XIV**

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	2,614,398	2,712,511	2,733,457	20,946
Locally Generated Non-Tax Revenue	246,253	258,606	266,173	7,567
Revenue from Other Governments	653,817	650,864	651,539	675
Revenue from Other Funds	53,253	58,583	46,821	(11,762)
Total Revenues	3,567,721	3,680,564	3,697,990	17,426
Expenditures and Encumbrances				
Personal Services	1,341,313	1,373,989	1,362,360	11,629
Pension Contributions	629,106	620,806	618,874	1,932
Other Employee Benefits	489,151	504,078	500,200	3,878
Sub-Total Employee Compensation	2,459,570	2,498,873	2,481,434	17,439
Purchase of Services	768,574	799,068	757,803	41,265
Materials and Supplies	63,219	69,222	68,090	1,132
Equipment	16,071	19,112	17,326	1,786
Contributions, Indemnities and Taxes	137,862	138,414	138,273	141
Debt Service	127,433	118,874	118,874	-
Payments to Other Funds	31,138	31,598	31,466	132
Total Expenditures and Encumbrances	3,603,867	3,675,161	3,613,266	61,895
Operating Surplus (Deficit) for the Year	(36,146)	5,403	84,724	79,321
Fund Balance Available for Appropriation, July 1, 2012	98,970	146,754	146,754	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,500	24,500	25,441	941
Revenue Adjustments - Net	-	(6,225)	(13)	6,212
Prior Period Adjustments	-	-	(4)	(4)
Funding for Future Obligations	-	(11,633)	-	11,633
Other Adjustments	(6,000)	(550)	-	550
Adjusted Fund Balance, July 1, 2012	117,470	152,846	172,178	19,332
Fund Balance Available for Appropriation, June 30, 2013	81,324	158,249	256,902	98,653

* Refer to the notes to required supplementary information.

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
HealthChoices Behavioral Health Fund
For the Fiscal Year Ended June 30, 2013

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	2,500	1,500	630	(870)
Revenue from Other Governments	840,143	815,995	812,979	(3,016)
Total Revenues	842,643	817,495	813,609	(3,886)
Other Sources				
Increase in Unreimbursed Committments	-	-	2,477	2,477
Increase in Financed Reserves	-	-	(20,727)	(20,727)
Total Revenues and Other Sources	842,643	817,495	795,359	(22,136)
Expenditures and Encumbrances				
Purchase of Services	899,317	898,512	814,451	84,061
Equipment	100	100	-	100
Payments to Other Funds	1,226	2,031	1,679	352
Total Expenditures and Encumbrances	900,643	900,643	816,130	84,513
Operating Surplus (Deficit) for the Year	(58,000)	(83,148)	(20,771)	62,377
Fund Balance Available for Appropriation, July 1, 2012	-	25,164	25,164	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	3,087	3,087
Other Adjustments	58,000	(1,333)	-	1,333
Adjusted Fund Balance, July 1, 2012	58,000	23,831	28,251	4,420
Fund Balance Available for Appropriation, June 30, 2013	-	(59,317)	7,480	66,797

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XVI**

Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	76,955	79,745	46,317	(33,428)
Revenue from Other Governments	1,351,315	1,187,637	875,991	(311,646)
Total Revenues	1,428,270	1,267,382	922,308	(345,074)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(12,708)	(12,708)
Decrease in Financed Reserves	-	-	22,437	22,437
Total Revenues and Other Sources	1,428,270	1,267,382	932,037	(335,345)
Expenditures and Encumbrances				
Personal Services	178,960	179,499	139,436	40,063
Pension Contributions	31,441	48,563	27,569	20,994
Other Employee Benefits	40,279	42,910	29,059	13,851
Sub-Total Employee Compensation	250,680	270,972	196,064	74,908
Purchase of Services	998,413	975,684	768,477	207,207
Materials and Supplies	39,329	20,608	13,567	7,041
Equipment	-	19,207	7,313	11,894
Contributions, Indemnities and Taxes	-	467	467	-
Payments to Other Funds	39,848	45,047	46,644	(1,597)
Advances, Subsidies, Miscellaneous	100,000	21,197	-	21,197
Total Expenditures and Encumbrances	1,428,270	1,353,182	1,032,532	320,650
Operating Surplus (Deficit) for the Year	-	(85,800)	(100,496)	(14,695)
Fund Balance Available for Appropriation, July 1, 2012	-	(175,082)	(175,082)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	58,483	58,483
Revenue Adjustments - Net	-	-	(44)	(44)
Prior Period Adjustments	-	175,082	-	(175,082)
Adjusted Fund Balance, July 1, 2012	-	-	(116,643)	(116,643)
Fund Balance Available for Appropriation, June 30, 2013	-	(85,800)	(217,139)	(131,338)

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XVII**

Required Supplementary Information

Pension Plans and Other Post Employment Benefits - Schedule of Funding Progress *Amounts in millions of USD*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
City of Philadelphia Municipal Pension Plan						
07/01/2007	4,421.7	8,197.2	3,775.5	53.94%	1,351.8	279.29%
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
07/01/2010	4,230.9	9,317.0	5,086.1	45.41%	1,421.2	357.87%
07/01/2011	4,489.1	9,487.5	4,998.4	47.32%	1,371.3	364.50%
07/01/2012	4,486.8	9,799.9	5,313.1	45.78%	1,372.2	387.20%
City of Philadelphia Other Post Employment Benefits						
07/01/2007	-	1,136.7	1,136.7	0.00%	1,351.8	84.09%
07/01/2008	-	1,156.0	1,156.0	0.00%	1,456.5	79.37%
07/01/2009	-	1,119.6	1,119.6	0.00%	1,461.7	76.60%
07/01/2010	-	1,169.5	1,169.5	0.00%	1,419.5	82.39%
07/01/2011	-	1,212.5	1,212.5	0.00%	1,469.2	82.53%
07/01/2012	-	1,511.9	1,511.9	0.00%	1,371.6	110.23%
Philadelphia Gas Works Pension Plan						
09/01/2007	416.2	482.4	66.2	86.28%	105.6	62.69%
09/01/2008	430.4	495.2	64.8	86.92%	107.9	60.01%
09/01/2009	355.5	519.8	164.3	68.39%	106.0	155.00%
09/01/2010	382.0	533.7	151.7	71.58%	106.1	142.98%
09/01/2011	421.9	572.2	150.2	73.73%	106.3	141.30%
09/01/2012	437.8	585.6	147.9	74.76%	106.0	139.53%

I. BASIS OF BUDGETING

The budgetary comparison schedules presented differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts presented are as originally passed and as amended by the City Council. As part of the amendment process, budget estimates of City related revenues are adjusted and submitted to City Council for review. Changes in revenue estimates do not need City Council approval, but are submitted in support of testimony with regard to the appropriation adjustments. Revenue estimates are presented as originally passed and as amended.

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
Revenues			
Budgetary Comparison Schedule	3,697,990	813,610	922,308
Transfers	(343,174)	-	-
Program Income	-	-	73,760
Change in Amount Held by Fiscal Agent	1,739	-	-
Change in BPT Adjustment	(9,070)	-	-
Other	-	-	11,208
Statement of Revenues, Expenditures & Changes in Fund Balance	3,347,485	813,610	1,007,276
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,613,266	816,131	1,032,532
Transfers	(169,424)	-	(33,799)
Bond Issuance Costs	4,356	-	-
Expenditures applicable to Prior Years Budgets	30,872	(3,627)	24,085
Program Income	-	-	73,760
Other	-	-	11,573
Change in Amount Held by Fiscal Agent	6,922	-	-
Current Year Encumbrances	(72,725)	(1,937)	(69,861)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,413,267	810,567	1,038,290

City of Philadelphia
PENNSYLVANIA

Other Supplementary Information

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

ACUTE CARE HOSPITAL ASSESSMENT - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

RIVERVIEW RESIDENTS - Established to maintain a commissary and provide other benefits for the residents.

PHILADELPHIA PRISONS - Established to operate a workshop and to provide benefits for the prison inmates.

ARBITRATION APPEALS - Established to account for certain court fees and provide funds for the arbitration board.

DEPARTMENTAL - Established to account for various activities of the Free Library and Parks and Recreation.

MUNICIPAL AUTHORITY ADMINISTRATIVE - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE - Established to account for PICA revenues from taxes and deficit financing transactions.

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

CITY - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

MUNICIPAL AUTHORITY - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE - Established to account for the debt service activities related to the deficit financing provided by PICA.

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets .

CITY - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

MUNICIPAL AUTHORITY - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

PERMANENT FUNDS

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

LIBRARIES & PARKS - Established to account for trust of the Free Library and Parks and Recreation.

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

Schedule I

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets														
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	-	5,639	313	20,621	26,573
Equity in Treasurer's Account	3,281	22,699	7,845	-	6,293	15,582	27,706	34	5,059	-	1,665	-	-	90,164
Investments	-	-	-	-	-	-	-	-	-	-	1,283	100	13,398	14,781
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	17	-	-	17
Taxes Receivable	-	-	5,961	-	548	-	1,163	-	-	-	-	-	4,977	12,649
Accounts Receivable	-	-	-	2,793	-	-	-	-	-	-	-	3,623	-	6,416
Due from Other Governmental Units	-	-	-	4,420	-	-	-	-	-	-	-	-	-	4,420
Allowance for Doubtful Accounts	-	-	(600)	-	(15)	-	(1,046)	-	-	-	-	-	-	(1,661)
Interest and Dividends Receivable	-	-	-	-	1	-	-	-	-	-	-		1	2
Other Assets	-	-	-	-	-	-	-	-	-	-	119	-	22	141
Total Assets	3,281	22,699	13,206	7,213	6,827	15,582	27,823	34	5,059	-	8,723	4,036	39,019	153,502
Liabilities														
Vouchers Payable	205	597	-	495	-	28	1	-	147	-	193	-	-	1,666
Accounts Payable	488	786	5,912	3,683	-	494	1,174	-	64	-	530	3,731	112	16,974
Salaries and Wages Payable	-	-	-	115	-	-	65	-	-	-	-	-	49	229
Due to Other Funds	-	-	-	5,732	-	-	-	-	-	-	17	-	4,978	10,727
Due to Component Units	-	-	-	150	-	18	-	-	-	-	-	-	-	168
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	-	820	-	-	1,267
Due to Other Governmental Units	-	-	-	-	-	-	11,271	-	-	-	-	-	-	11,271
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	693	1,383	5,912	10,175	-	540	12,511	-	658	-	1,560	3,731	5,139	42,302
Deferred Inflows of Resources	-	-	144	4,229	5	-	116	-	-	-	-	-	-	4,494
Fund Balances														
Nonspendable	-	-	-	-	-	-	-	-	-	-	200	-	-	200
Restricted	2,588	21,316	7,150	-	6,822	15,042	15,196	-	-	-	6,290	305	33,880	108,589
Committed	-	-	-	-	-	-	-	34	4,401	-	673	-	-	5,108
Unassigned	-	-	-	(7,191)	-	-	-	-	-	-	-	-	-	(7,191)
Total Fund Balances	2,588	21,316	7,150	(7,191)	6,822	15,042	15,196	34	4,401	-	7,163	305	33,880	106,706
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	3,281	22,699	13,206	7,213	6,827	15,582	27,823	34	5,059	-	8,723	4,036	39,019	153,502

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2013

Schedule I

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	
Assets									
Cash on Deposit and on Hand	-	-	31,526	31,526	-	-	-	255	58,354
Equity in Treasurer's Account	1,180	-	-	1,180	32,033	-	32,033	-	123,377
Investments	-	11	48,451	48,462	-	17,518	17,518	5,487	86,248
Due from Other Funds	-	-	-	-	-	-	-	-	17
Taxes Receivable	-	-	-	-	-	-	-	-	12,649
Accounts Receivable	-	-	-	-	-	-	-	-	6,416
Due from Other Governmental Units	-	-	-	-	37,339	-	37,339	-	41,759
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(1,661)
Interest and Dividends Receivable	-	-	1	1	26	52	78	-	81
Other Assets	-	-	-	-	-	-	-	1	142
Total Assets	1,180	11	79,978	81,169	69,398	17,570	86,968	5,743	327,382
Liabilities									
Vouchers Payable	-	-	-	-	5,636	-	5,636	-	7,302
Accounts Payable	-	-	-	-	13,466	2,208	15,674	1	32,649
Salaries and Wages Payable	-	-	-	-	90	-	90	-	319
Due to Other Funds	-	-	-	-	-	-	-	-	10,727
Due to Component Units	-	-	-	-	-	-	-	-	168
Funds Held in Escrow	-	-	-	-	1,904	-	1,904	-	3,171
Due to Other Governmental Units	-	-	-	-	-	-	-	-	11,271
Unearned Revenue	-	-	-	-	2,167	-	2,167	-	2,167
Total Liabilities	-	-	-	-	23,263	2,208	25,471	1	67,774
Deferred Inflows of Resources	-	-	-	-	32,267	-	32,267	-	36,761
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	2,633	2,833
Restricted	1,180	11	79,978	81,169	13,868	15,362	29,230	3,109	222,097
Committed	-	-	-	-	-	-	-	-	5,108
Unassigned	-	-	-	-	-	-	-	-	(7,191)
Total Fund Balances	1,180	11	79,978	81,169	13,868	15,362	29,230	5,742	222,847
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,180	11	79,978	81,169	69,398	17,570	86,968	5,743	327,382

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2013

Schedule II

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues														
Tax Revenue	-	-	50,042	-	5,383	-	148,309	-	-	-	-	-	376,379	580,113
Locally Generated Non-Tax Revenue	-	1	-	7,856	3	12,749	-	-	2,934	353	4,596	1,213	193	29,898
Revenue from Other Governments	4,728	24,189	-	33,078	-	-	-	-	-	-	-	-	-	61,995
Other Revenues	-	-	-	-	-	-	-	-	-	-	539		3,903	4,442
Total Revenues	4,728	24,190	50,042	40,934	5,386	12,749	148,309	-	2,934	353	5,135	1,213	380,475	676,448
Expenditures														
Current Operating:														
Economic Development	-	-	53,193	-	-	-	-	-	-	-	-	-	-	53,193
Transportation:														
Streets & Highways	4,719	23,461	-	-	-	-	-	-	-	-	-	-	-	28,180
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	1,746	-	-	-	-	1,746
Conservation of Health:														
Health Services	-	-	-	-	-	-	139,584	-	-	-	-	-	-	139,584
Housing and Neighborhood Development	-	-	-	41,640	-	8,236	-	-	-	-	-	-	-	49,876
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	3,781	-	-	3,781
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	278	-	-	278
General Management and Support	-	-	-	-	5,000	-	-	-	987	353	1,862	35,082	1,284	44,568
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,719	23,461	53,193	41,640	5,000	8,236	139,584	-	2,733	353	5,921	35,082	1,284	321,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	9	729	(3,151)	(706)	386	4,513	8,725	-	201	-	(786)	(33,869)	379,191	355,242
Other Financing Sources (Uses)														
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	1,150	33,868		35,018
Transfers Out	-	-	-	-	-	-	(3,000)	-	-	-	-	-	(385,547)	(388,547)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(3,000)	-	-	-	1,150	33,868	(385,547)	(353,529)
Net Change in Fund Balances	9	729	(3,151)	(706)	386	4,513	5,725	-	201	-	364	(1)	(6,356)	1,713
Fund Balance - July 1, 2012	2,579	20,587	10,301	(6,485)	6,436	10,529	9,471	34	4,200	-	6,799	306	40,236	104,993
Fund Balance - June 30, 2013	2,588	21,316	7,150	(7,191)	6,822	15,042	15,196	34	4,401	-	7,163	305	33,880	106,706

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds(Continued)
For the Fiscal Year Ended June 30, 2013

Schedule II

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	580,113
Locally Generated Non-Tax Revenue	-	-	1,210	1,210	-	80	80	373	31,561
Revenue from Other Governments	-	-	-	-	42,447	-	42,447	-	104,442
Other Revenues	-	-	-	-	3,956	-	3,956	-	8,398
Total Revenues	-	-	1,210	1,210	46,403	80	46,483	373	724,514
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	53,193
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	28,180
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	1,746
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	139,584
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	49,876
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	72	3,853
Libraries and Museums	-	-	-	-	-	-	-	-	278
General Management and Support	-		-	-	-	83	83	-	44,651
Capital Outlay	-	-	-	-	134,148	26,979	161,127	-	161,127
Debt Service:									
Principal	48,535	21,855	43,655	114,045	-	-	-	-	114,045
Interest	68,055	17,827	22,539	108,421	-	-	-	-	108,421
Total Expenditures	116,590	39,682	66,194	222,466	134,148	27,062	161,210	72	704,954
Excess (Deficiency) of Revenues Over (Under) Expenditures	(116,590)	(39,682)	(64,984)	(221,256)	(87,745)	(26,982)	(114,727)	301	19,560
Other Financing Sources (Uses)									
Bond Issuance Premium	821	-	-	821	-	-	-	-	821
Transfers In	115,627	39,682	63,849	219,158	15,473		15,473	-	269,649
Transfers Out	-	-	-	-	-	-	-	-	(388,547)
Total Other Financing Sources (Uses)	116,448	39,682	63,849	219,979	15,473	-	15,473	-	(118,077)
Net Change in Fund Balances	(142)	-	(1,135)	(1,277)	(72,272)	(26,982)	(99,254)	301	(98,517)
Fund Balance - July 1, 2012	1,322	11	81,113	82,446	86,140	42,344	128,484	5,441	321,364
Fund Balance - June 30, 2013	1,180	11	79,978	81,169	13,868	15,362	29,230	5,742	222,847

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Position

Pension Trust Funds

June 30, 2013

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	469,768	4,438,835	4,908,603
Securities Lending Collective Investment Pool	7,279	614,267	621,546
Due from Brokers for Securities Sold	1,351	153,556	154,907
Interest and Dividends Receivable	1,461	13,300	14,761
Due from Other Governmental Units	-	3,133	3,133
Due from Other Funds	-	15,742	15,742
Total Assets	479,859	5,238,833	5,718,692
Liabilities			
Vouchers Payable	-	18	18
Accounts Payable	562	3,291	3,853
Salaries and Wages Payable	-	53	53
Funds Held in Escrow	-	9	9
Due on Return of Securities Loaned	7,279	614,742	622,021
Due to Brokers for Securities Purchased	13,360	170,782	184,142
Accrued Expenses	2,344	2,434	4,778
Unearned Revenue	-	1,792	1,792
Other Liabilities	-	488	488
Total Liabilities	23,545	793,609	817,154
Net Position Held in Trust for Pension Benefits	456,314	4,445,224	4,901,538

City of Philadelphia **Schedule IV**

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	23,673	781,823	805,496
Employees' Contributions	133	49,614	49,747
Total Contributions	23,806	831,437	855,243
Investment Income:			
Interest and Dividends	11,806	122,893	134,699
Net Gain in Fair Value of Investments	44,510	213,874	258,384
(Less) Investments Expenses	(1,926)	(12,226)	(14,152)
Securities Lending Revenue	-	2,996	2,996
Unrealized Gain	-	118,126	118,126
(Less) Securities Lending Expenses	-	(331)	(331)
Net Investment Gain	54,390	445,332	499,722
Miscellaneous Operating Revenues	-	469	469
Total Additions	78,196	1,277,238	1,355,434
Deductions			
Personal Services	-	3,502	3,502
Purchase of Services	-	1,618	1,618
Materials and Supplies	-	69	69
Employee Benefits	-	2,941	2,941
Pension Benefits	41,359	740,746	782,105
Refunds of Members' Contributions	-	5,744	5,744
Administrative Expenses Paid	796	-	796
Other Operating Expenses	-	211	211
Total Deductions	42,155	754,831	796,986
Change in Net Position	36,041	522,407	558,448
Net Position - July 1, 2012	420,273	3,922,817	4,343,090
Net Position - June 30, 2013	456,314	4,445,224	4,901,538

City of Philadelphia **Schedule V**

Combining Statement of Fiduciary Net Position

Agency Funds

June 30, 2013

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	100,861	100,861
Equity in Treasurer's Account	27,453	25,703	-	53,156
Investments	-	-	6,145	6,145
Due from Other Funds	-	-	699	699
Total Assets	27,453	25,703	107,705	160,861
Liabilities				
Vouchers Payable	6	25	-	31
Payroll Taxes Payable	-	15,262	-	15,262
Funds Held in Escrow	27,447	10,416	107,705	145,568
Total Liabilities	27,453	25,703	107,705	160,861
Net Position	-	-	-	-

City of Philadelphia **Schedule VI**

Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Balance 7-1-2012	Additions	Deductions	Balance 6-30-2013
Escrow Fund				
Assets				
Equity in Treasurer's Account	17,494	390,755	380,796	27,453
Liabilities				
Funds Held in Escrow	14,452	390,741	377,746	27,447
Vouchers Payable	3,042	1,202	4,238	6
Total Liabilities	17,494	391,943	381,984	27,453
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	24,741	886,599	885,637	25,703
Liabilities				
Vouchers Payable	90	8,941	9,006	25
Payroll Taxes Payable	14,589	787,499	786,826	15,262
Funds Held in Escrow	10,062	84,014	83,660	10,416
Total Liabilities	24,741	880,454	879,492	25,703
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	104,934	261,319	265,392	100,861
Investments	9,676	-	3,531	6,145
Due from Other Funds	826	-	127	699
Total Assets	115,436	261,319	269,050	107,705
Liabilities				
Funds Held in Escrow	115,436	261,319	269,050	107,705
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	104,934	261,319	265,392	100,861
Equity in Treasurer's Account	42,235	1,277,354	1,266,433	53,156
Investments	9,676	-	3,531	6,145
Due from Other Funds	826	-	127	699
Total Assets	157,671	1,538,673	1,535,483	160,861
Liabilities				
Vouchers Payable	3,132	10,143	13,244	31
Payroll Taxes Payable	14,589	787,499	786,826	15,262
Funds Held in Escrow	139,950	736,074	730,456	145,568
Total Liabilities	157,671	1,533,716	1,530,526	160,861

City of Philadelphia **Schedule VII**

City Related Schedule of Bonded Debt Outstanding

June 30, 2013

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2013 Outstanding	Maturities	Interest Rates	FY 2014 Debt Service Requirements Interest	Principal
General Obligation Bonds:								
Term Bonds	97,493,541	07/27/2006	531,988	531,988	8/2030 to 8/2031	5.00	26,599	-
	7,222,518	07/27/2006	7,222,518	7,222,518	8/2030 to 8/2031	5.00	361,126	-
	11,024,437	07/27/2006	11,024,437	11,024,437	8/2030 to 8/2031	5.00	551,222	-
	10,131,057	07/27/2006	10,131,057	10,131,057	8/2030 to 8/2031	5.00	506,553	-
	113,608,890	01/06/2009	113,608,890	113,608,890	7/2013 to 7/2038	5.25 to 7.125	7,859,694	239,739
	30,926,110	01/06/2009	30,926,110	30,926,110	7/2013 to 7/2038	5.25 to 7.125	2,139,531	65,261
	13,834,573	04/19/2011	13,834,573	13,834,573	8/2027 to 8/2041	5.875 to 6.50	856,361	-
	37,647,372	04/19/2011	37,647,372	37,647,372	8/2027 to 8/2041	5.875 to 6.50	2,330,377	-
	45,818,055	04/19/2011	45,818,055	45,818,055	8/2027 to 8/2041	5.875 to 6.50	2,836,143	-
Total Term Bonds	367,706,553		270,745,000	270,745,000			17,467,606	305,000
Refunding Issues	188,910,000	12/20/2007	188,910,000	159,520,000	8/2013 to 8/2019	5.00 to 5.25	7,573,212	21,075,000
	195,170,000	05/01/2008	195,170,000	192,885,000	12/2013 to 12/2032	4.00 to 5.25	10,011,138	470,000
	237,025,000	08/13/2009	237,025,000	237,025,000	8/2019 to 8/2031	4.25 to 5.50	12,030,260	-
	100,000,000	08/13/2009	100,000,000	100,000,000	8/2027 to 8/2031	variable rates	3,829,000	-
	114,570,000	04/19/2011	114,570,000	79,410,000	8/2013 to 8/2020	2.00 to 5.25	3,485,023	11,850,000
	21,295,000	05/08/2012	21,295,000	21,295,000	9/2014 to 9/2021	5.00	1,064,750	-
Total Refunding Bonds	856,970,000		856,970,000	790,135,000			37,993,383	33,395,000
Serial Bonds	99,400,449 [1]	07/27/2006	3,472,002	2,907,166	8/2013 to 8/2029	4.75 to 5.125	141,551	111,329
	12,165,000	12/02/2003	12,165,000	1,661,739	2/2014	5.25	87,241	1,661,739
	84,972,482	12/02/2003	37,835,000	5,168,261	2/2014	5.25	271,334	5,168,261
	[1]	07/27/2006	47,137,482	39,469,022	8/2013 to 8/2029	4.75 to 5.125	1,921,754	1,511,457
	71,950,563 [1]	07/27/2006	71,950,563	60,245,441	8/2013 to 8/2029	4.75 to 5.125	2,933,362	2,307,086
	66,119,953 [1]	07/27/2006	66,119,953	55,363,371	8/2013 to 8/2029	4.75 to 5.125	2,695,653	2,120,128
	16,086,110 [1]	01/06/2009	16,086,110	9,404,852	7/2013 to 7/2018	4.75 to 6.00	480,348	1,678,175
	4,378,890 [1]	01/06/2009	4,378,890	2,560,148	7/2013 to 7/2018	4.75 to 6.00	130,758	456,825
	5,950,427 [1]	04/19/2011	5,950,427	5,674,589	8/2013 to 8/2026	4.00 to 5.375	281,375	287,213
	16,192,628 [1]	04/19/2011	16,192,628	15,442,002	8/2013 to 8/2026	4.00 to 5.375	765,694	781,580
	19,706,945 [1]	04/19/2011	19,706,945	18,793,409	8/2013 to 8/2026	4.00 to 5.375	931,874	951,207
Total Serial Bonds	396,923,447		300,995,000	216,690,000			10,640,944	17,035,000
Total General Obligation Bonds	1,621,600,000		1,428,710,000	1,277,570,000			66,101,933	50,735,000
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
Series 1995	221,630,000	04/15/1995	-	-	8/2012	6.25	-	-
Series 1997 B	100,000,000 [2]	11/25/1997	100,000,000	67,000,000	8/2013 to 8/2027	variable rates	32,062	3,200,000
Series 1998	135,185,000	12/25/1998	135,185,000	74,100,000	12/2013 to 12/2014	5.25	2,943,281	36,075,000
Series 1999 A	6,700,000	N.A.	6,700,000	488,418	7/2013 to 4/2019	2.73	12,354	78,311
Series 2005 A	250,000,000	05/04/2005	250,000,000	220,580,000	7/2013 to 7/2035	3.60 to 5.25	10,988,400	5,260,000
Series 2005 B	86,105,000 [2]	05/04/2005	86,105,000	81,995,000	8/2013 to 8/2018	variable rates	3,378,701	14,820,000
Series 2007 A	191,440,000	05/09/2007	191,440,000	145,135,000	8/2013 to 8/2027	4.50 to 5.00	6,754,325	8,125,000
Series 2007 B	153,595,000	05/09/2007	153,595,000	152,455,000	11/2013 to 11/2031	4.00 to 5.00	6,932,675	235,000
Series 2009 A	325,000,000	05/21/2009	140,000,000	140,000,000	1/2017 to 1/2036	4.00 to 5.75	7,294,038	-

City of Philadelphia **Schedule VII**

City Related Schedule of Bonded Debt Outstanding

June 30, 2013

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2013 Outstanding	Maturities	Interest Rates	FY 2014 Debt Service Requirements Interest	Principal
Series 2010C		08/05/2010	185,000,000	185,000,000	8/2016 to 8/2040	3.00 to 5.00	9,022,250	-
Series 2009B	42,886,030	10/14/2009	22,827,986	24,318,749	7/2013 to 1/2024	1.19	278,485	2,132,855
Series 2009C	57,268,193	10/14/2009	35,666,542	37,574,905	7/2013 to 10/2025	1.19	433,063	2,786,940
Series 2009D	84,759,263	03/31/2010	64,380,070	67,866,366	7/2013 to 6/2028	1.19	787,144	4,124,132
Series 2010B	30,000,000	02/16/2011	9,254,100	9,254,100	7/2014 to 6/2019	1.19	106,737	1,054,598
Series 2010A	396,460,000	04/15/2010	396,460,000	298,785,000	6/2013 to 6/2019	3.00 to 5.00	14,324,785	46,955,000
Series 2011A	135,000,000	11/16/2011	135,000,000	135,000,000	1/2036 to 1/2041	4.50 to 5.00	6,737,000	-
Series 2011B	49,855,000	11/16/2011	49,855,000	49,855,000	11/2016 to 11/2026	4.00 to 5.00	2,460,500	-
Series 2012	70,370,000	11/01/2012	70,370,000	70,370,000	11/2013 to 11/2028	1.00 to 5.00	3,372,275	2,645,000
Total Water Revenue Bonds	2,336,253,486		2,031,838,698	1,759,777,538			75,858,075	127,491,836
Aviation Revenue Bonds:								
Series 1998 B	443,700,000	07/01/1998	443,700,000	5,000	7/2028	5.125	256	-
Series 2005 C	189,500,000 [2]	06/02/2005	189,500,000	148,400,000	6/2014 to 6/2025	variable rates	7,398,876	8,200,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	112,060,000	6/2014 to 6/2035	4.20 to 5.00	5,333,455	2,985,000
Series 2007 A	172,470,000	08/16/2007	172,470,000	162,520,000	6/2014 to 6/2037	5.00	8,126,000	3,650,000
Series 2007 B	82,915,000	08/16/2007	82,915,000	63,065,000	6/2014 to 6/2027	5.00	3,153,250	3,775,000
Series 2009 A	45,715,000	04/14/2009	45,715,000	40,595,000	6/2014 to 6/2029	3.25 to 5.375	1,941,016	1,805,000
Series 2010A	273,065,000	11/15/2010	273,065,000	273,050,000	6/2014 to 6/2040	3.00 to 5.25	13,599,413	5,070,000
Series 2010B	24,395,000	11/15/2010	24,395,000	10,360,000	6/2014 to 6/2015	5.00	518,000	5,055,000
Series 2010C	54,730,000	11/15/2010	54,730,000	40,895,000	6/2014 to 6/2018	5.00	2,044,750	7,400,000
Series 2010D	272,475,000	11/15/2010	272,475,000	245,585,000	6/2014 to 6/2028	4.00 to 5.25	12,403,850	13,985,000
Series 2011A	199,040,000	12/14/2011	199,040,000	187,200,000	6/2014 to 6/2028	4.625 to 5.00	9,304,406	6,015,000
Series 2011B	34,790,000	12/14/2011	34,790,000	31,720,000	6/2014 to 6/2031	2.00 to 5.00	1,343,019	1,250,000
Total Aviation Revenue Bonds	1,917,780,000		1,917,780,000	1,315,455,000			65,166,291	59,190,000
Total Revenue Bonds	4,254,033,486		3,949,618,698	3,075,232,538			141,024,366	186,681,836
Total All Bonds	5,875,633,486		5,378,328,698	4,352,802,538 [3]			207,126,299	237,416,836

NOTES:

[1] These General Obligation Authorizations were issued as both Term and Serial Bonds.

[2] Based on latest available estimated rates.

[3] A summary of all Bonds Outstanding is as follows:

	General Obligation Bonds	Revenue Bonds	Total
General Fund Types:			
General Fund	1,277,570,000	-	1,277,570,000
Proprietary Fund Types:			
Water Fund	-	1,759,777,538	1,759,777,538
Aviation Fund	-	1,315,455,000	1,315,455,000
Total Proprietary Funds	-	3,075,232,538	3,075,232,538
Total All Funds	1,277,570,000	3,075,232,538	4,352,802,538

City of Philadelphia **Schedule VIII**

Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	584,399	573,855	572,017	(1,838)
Revenue from Other Governments	1,500	2,250	2,727	477
Revenue from Other Funds	85,990	69,691	37,212	(32,479)
Total Revenues	671,889	645,796	611,956	(33,840)
Expenditures and Encumbrances				
Personal Services	115,699	115,699	104,392	11,307
Pension Contributions	56,068	56,068	55,960	108
Other Employee Benefits	43,130	43,130	40,369	2,761
Sub-Total Employee Compensation	214,897	214,897	200,721	14,176
Purchase of Services	156,865	156,865	134,417	22,448
Materials and Supplies	49,066	49,085	45,492	3,593
Equipment	4,869	4,850	2,802	2,048
Contributions, Indemnities and Taxes	6,601	6,601	5,090	1,511
Debt Service	201,986	201,986	201,016	970
Payments to Other Funds	57,605	57,605	53,566	4,039
Total Expenditures and Encumbrances	691,889	691,889	643,104	48,785
Operating Surplus (Deficit) for the Year	(20,000)	(46,093)	(31,148)	14,945
Fund Balance Available for Appropriation, July 1, 2012	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	20,000	20,000	31,148	11,148
Adjusted Fund Balance, July 1, 2012	20,000	20,000	31,148	11,148
Fund Balance Available for Appropriation, June 30, 2013	-	(26,093)	-	26,093

City of Philadelphia **Schedule IX**

Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	-	828	9	(819)
Revenue from Other Funds	28,060	23,241	27,293	4,052
Total Revenues	28,060	24,069	27,302	3,233
Expenditures and Encumbrances				
Payments to Other Funds	72,605	72,605	71,099	1,506
Total Expenditures and Encumbrances	72,605	72,605	71,099	1,506
Operating Surplus (Deficit) for the Year	(44,545)	(48,536)	(43,797)	4,739
Fund Balance Available for Appropriation, July 1, 2012	52,813	44,644	44,644	-
Fund Balance Available for Appropriation, June 30, 2013	8,268	(3,892)	847	4,739

City of Philadelphia **Schedule X**

Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Revenue from Other Governments	4,950	4,950	4,728	(222)
Total Revenues	4,950	4,950	4,728	(222)
Expenditures and Encumbrances				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	861	856	5
Materials and Supplies	336	336	231	105
Payments to Other Funds	19	19	19	-
Total Expenditures and Encumbrances	4,950	4,950	4,840	110
Operating Surplus (Deficit) for the Year	-	-	(112)	(112)
Fund Balance Available for Appropriation, July 1, 2012	2,060	2,352	2,352	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	25	25	148	123
Adjusted Fund Balance, July 1, 2012	2,085	2,377	2,500	123
Fund Balance Available for Appropriation, June 30, 2013	2,085	2,377	2,388	11

City of Philadelphia **Schedule XI**

Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	20	3	1	(2)
Revenue from Other Governments	24,579	23,413	24,189	776
Total Revenues	24,599	23,416	24,190	774
Expenditures and Encumbrances				
Personal Services	4,000	4,000	4,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	5,000	5,000	5,000	-
Purchase of Services	15,459	15,459	14,368	1,091
Materials and Supplies	3,990	3,990	2,988	1,002
Equipment	-	-	723	(723)
Payments to Other Funds	20	20	20	-
Total Expenditures and Encumbrances	24,469	24,469	23,099	1,370
Operating Surplus (Deficit) for the Year	130	(1,053)	1,091	2,144
Fund Balance Available for Appropriation, July 1, 2012	16,460	16,507	16,507	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	150	500	1,809	1,309
Adjusted Fund Balance, July 1, 2012	16,610	17,007	18,316	1,309
Fund Balance Available for Appropriation, June 30, 2013	16,740	15,954	19,407	3,453

City of Philadelphia
Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2013

Schedule XII

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	48,644	50,540	50,042	(498)
Locally Generated Non-Tax Revenue	2	2	-	(2)
Total Revenues	48,646	50,542	50,042	(500)
Expenditures and Encumbrances				
Contributions, Indemnities and Taxes	48,646	50,542	50,542	-
Total Expenditures and Encumbrances	48,646	50,542	50,542	-
Operating Surplus (Deficit) for the Year	-	-	(500)	(500)
Fund Balance Available for Appropriation, July 1, 2012	6,562	7,352	7,352	-
Fund Balance Available for Appropriation, June 30, 2013	6,562	7,352	6,852	(500)

City of Philadelphia **Schedule XIII**

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	371,050	321,825	301,099	(20,726)
Revenue from Other Governments	3,500	3,500	2,528	(972)
Revenue from Other Funds	2,500	2,575	989	(1,586)
Total Revenues	377,050	327,900	304,616	(23,284)
Expenditures and Encumbrances				
Personal Services	64,235	64,235	60,461	3,774
Pension Contributions	27,811	26,511	30,365	(3,854)
Other Employee Benefits	18,264	19,564	19,564	-
Sub-Total Employee Compensation	110,310	110,310	110,390	(80)
Purchase of Services	114,435	114,435	97,824	16,611
Materials and Supplies	8,757	9,022	7,899	1,123
Equipment	9,110	8,845	1,862	6,983
Contributions, Indemnities and Taxes	5,262	5,262	1,946	3,316
Debt Service	112,549	112,549	109,521	3,028
Payments to Other Funds	21,373	21,373	9,870	11,503
Total Expenditures and Encumbrances	381,796	381,796	339,312	42,484
Operating Surplus (Deficit) for the Year	(4,746)	(53,896)	(34,696)	19,200
Fund Balance Available for Appropriation, July 1, 2012	58,060	64,679	64,679	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	10,000	10,000	16,925	6,925
Adjusted Fund Balance, July 1, 2012	68,060	74,679	81,604	6,925
Fund Balance Available for Appropriation, June 30, 2013	63,314	20,783	46,908	26,125

City of Philadelphia **Schedule XIV**

Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	250	250	7,856	7,606
Revenue from Other Governments	84,877	64,877	30,460	(34,417)
Total Revenues	85,127	65,127	38,316	(26,811)
Other Sources				
Increase in Financed Reserves	-	-	(12,327)	(12,327)
Total Revenues and Other Sources	85,127	65,127	25,989	(39,138)
Expenditures and Encumbrances				
Personal Services	6,544	6,576	3,999	2,577
Pension Contributions	2,395	2,609	1,844	765
Other Employee Benefits	2,186	1,972	1,147	825
Sub-Total Employee Compensation	11,125	11,157	6,990	4,167
Purchase of Services	53,625	53,593	36,495	17,098
Materials and Supplies	205	227	141	86
Equipment	142	120	33	87
Payments to Other Funds	30	30	20	10
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	85,127	85,127	43,679	41,448
Operating Surplus (Deficit) for the Year	-	(20,000)	(17,690)	2,310
Fund Balance Available for Appropriation, July 1, 2012	-	(6,485)	(6,485)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	16,984	16,984
Prior Period Adjustments	-	6,485		(6,485)
Adjusted Fund Balance, July 1, 2012	-	-	10,499	10,499
Fund Balance Available for Appropriation, June 30, 2013	-	(20,000)	(7,191)	12,809

City of Philadelphia **Schedule XV**

Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	5,330	5,330	5,383	53
Locally Generated Non-Tax Revenue	3	3	3	-
Total Revenues	5,333	5,333	5,386	53
Expenditures and Encumbrances				
Purchase of Services	5,000	5,000	5,000	-
Total Expenditures and Encumbrances	5,000	5,000	5,000	-
Operating Surplus (Deficit) for the Year	333	333	386	53
Fund Balance Available for Appropriation, July 1, 2012	6,466	6,436	6,436	-
Fund Balance Available for Appropriation, June 30, 2013	6,799	6,769	6,822	53

City of Philadelphia **Schedule XVI**

Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	10,610	12,020	12,749	729
Total Revenues	10,610	12,020	12,749	729
Expenditures and Encumbrances				
Personal Services	700	700	700	-
Purchase of Services	14,800	16,800	13,289	3,511
Total Expenditures and Encumbrances	15,500	17,500	13,989	3,511
Operating Surplus (Deficit) for the Year	(4,890)	(5,480)	(1,240)	4,240
Fund Balance Available for Appropriation, July 1, 2012	3,484	1,929	1,929	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	4,000	4,750	4,904	154
Adjusted Fund Balance, July 1, 2012	7,484	6,679	6,833	154
Fund Balance Available for Appropriation, June 30, 2013	2,594	1,199	5,593	4,395

City of Philadelphia **Schedule XVII**

Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	481,674	482,129	4,200	(477,929)
Revenue from Other Governments	347,194	347,429	48,297	(299,132)
Revenue from Other Funds	-	-	9,379	9,379
Total Revenues	828,868	829,558	61,876	(767,682)
Other Sources (Uses)				
Decrease in Unreimbursed Committments	-	-	(34,243)	(34,243)
Total Revenues and Other Sources	828,868	829,558	27,633	(801,925)
Expenditures and Encumbrances				
Capital Outlay	828,868	829,558	118,914	710,644
Operating Surplus (Deficit) for the Year	-	-	(91,281)	(91,281)
Fund Balance Available for Appropriation, July 1, 2012	-	-	31,293	31,293
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	804	804
Adjusted Fund Balance, July 1, 2012	-	-	32,097	32,097
Fund Balance Available for Appropriation, June 30, 2013	-	-	(59,184)	(59,184)

City of Philadelphia **Schedule XVIII**

Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2013

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Tax Revenue	142,000	142,000	148,309	6,309
Total Revenues	142,000	142,000	148,309	6,309
Other Sources				
Increase in Unreimbursed Committments	-	-	5,324	5,324
Total Revenues and Other Sources	142,000	142,000	153,633	11,633
Expenditures and Encumbrances				
Personal Services	4,303	3,008	2,730	278
Pension Contributions	100	87	87	-
Other Employee Benefits	139	152	152	-
Sub-Total Employee Compensation	4,542	3,247	2,969	278
Purchase of Services	137,869	142,059	142,059	-
Materials and Supplies	3	6	5	1
Equipment	6	6	-	6
Payments to Other Funds	3,000	3,000	3,000	-
Total Expenditures and Encumbrances	145,420	148,318	148,033	285
Operating Surplus (Deficit) for the Year	(3,420)	(6,318)	5,600	11,918
Fund Balance Available for Appropriation, July 1, 2012	6,623	9,471	9,471	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	125	125
Adjusted Fund Balance, July 1, 2012	6,623	9,471	9,596	125
Fund Balance Available for Appropriation, June 30, 2013	3,203	3,153	15,196	12,043

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2013 (with comparative actual amounts for the Fiscal Year Ended June 30, 2012)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2013 Actual	Positive (Negative)	FY 2012 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	479,905	500,149	504,207	4,058	464,420	39,787
Prior Years	35,000	35,000	36,324	1,324	36,301	23
Total Real Property Tax	514,905	535,149	540,531	5,382	500,721	39,810
Wage and Earnings Taxes:						
Current	1,197,814	1,227,484	1,219,500	(7,984)	1,192,221	27,279
Prior Years	10,000	4,250	2,006	(2,244)	4,102	(2,096)
Total Wage and Earnings Taxes	1,207,814	1,231,734	1,221,506	(10,228)	1,196,323	25,183
Business Taxes:						
Business Income & Receipts Taxes:						
Current	359,920	399,959	411,731	11,772	370,189	41,542
Prior Years	35,000	35,000	39,180	4,180	19,197	19,983
Total Business Income & Receipts Taxes	394,920	434,959	450,911	15,952	389,386	61,525
Net Profits Tax:						
Current	9,791	9,972	17,230	7,258	12,193	5,037
Prior Years	2,500	2,500	1,934	(566)	2,928	(994)
Total Net Profits Tax	12,291	12,472	19,164	6,692	15,121	4,043
Total Business Taxes	407,211	447,431	470,075	22,644	404,507	65,568
Other Taxes:						
Sales Tax	259,316	259,263	257,550	(1,713)	253,523	4,027
Amusement Tax	22,064	19,064	19,081	17	21,911	(2,830)
Real Property Transfer Tax	124,541	143,300	147,968	4,668	119,364	28,604
Parking Lot Tax	75,138	73,162	73,261	99	70,930	2,331
Smokeless Tobacco	631	631	728	97	628	100
Miscellaneous Taxes	2,778	2,777	2,756	(21)	2,538	218
Total Other Taxes	484,468	498,197	501,344	3,147	468,894	32,450
Total Taxes	2,614,398	2,712,511	2,733,456	20,945	2,570,445	163,011
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	5,290	5,790	5,933	143	5,507	426
Licenses and Permits	45,148	51,108	55,253	4,145	47,993	7,260
Fines, Forfeits, Penalties, Confiscated Money and Property	19,775	19,825	19,020	(805)	21,716	(2,696)
Interest Income	3,135	2,170	1,843	(327)	7,727	(5,884)
Service Charges and Fees	127,407	126,541	126,685	144	120,762	5,923
Other	45,498	53,172	57,440	4,268	52,989	4,451
Total Locally Generated Non-Tax Revenue	246,253	258,606	266,174	7,568	256,694	9,480
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	43,056	41,766	39,706	(2,060)	96,998	(57,292)
Commonwealth of Pennsylvania:						
Grants and Other Payments	244,066	232,853	233,634	781	536,806	(303,172)
Other Governmental Units	366,695	376,245	378,199	1,954	82,069	296,130
Total Revenue from Other Governments	653,817	650,864	651,539	675	715,873	(64,334)
Revenue from Other Funds	53,253	58,583	46,821	(11,762)	48,341	(1,520)
Total Revenues	3,567,721	3,680,564	3,697,990	17,426	3,591,353	106,637

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2013 (with comparative actual amounts for the Fiscal Year Ended June 30, 2012)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2013 Actual	Positive (Negative)	FY 2012 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	35,549	15,672	13,468	2,204	13,758	(290)
Mayor's Office:						
Mayor's Office	3,711	3,738	3,729	9	3,514	215
Scholarships	200	318	318	-	196	122
Mural Arts Program	941	1,149	947	202	996	(49)
Labor Relations	541	550	543	7	517	26
MDO Office of Technology	70,044	71,254	63,234	8,020	63,272	(38)
Office of Property Assessment	11,715	14,693	11,564	3,129	7,967	3,597
Transportation	546	634	604	30	498	106
Law	12,771	15,340	14,827	513	14,501	326
Board of Ethics	898	909	713	196	683	30
Youth Commission	94	94	57	37	42	15
Inspector General	1,256	1,461	1,259	202	1,239	20
City Planning Commission	2,212	2,257	2,252	5	2,209	43
Commission on Human Relations	1,998	2,025	1,688	337	1,830	(142)
Zoning Code Commisssion	-	-	-	-	216	(216)
Arts & Culture	2,670	2,675	2,596	79	2,662	(66)
Board of Revision of Taxes	709	1,058	1,056	2	576	480
Total General Government	145,855	133,827	118,855	14,972	114,676	4,179
Operation of Service Departments						
Housing	2,520	2,840	2,840	-	4,213	(1,373)
Managing Director	69,476	74,123	73,276	847	21,732	51,544
Police	556,818	585,104	585,104	-	568,922	16,182
Streets	111,818	124,300	118,695	5,605	123,523	(4,828)
Fire	189,305	200,545	200,457	88	195,532	4,925
Public Health	111,646	112,378	109,077	3,301	107,770	1,307
Office-Behavioral Health/Mental Retardation	14,272	14,287	14,145	142	14,240	(95)
Parks and Recreation	47,781	53,184	52,468	716	47,344	5,124
Atwater Kent Museum	269	270	270	-	266	4
Public Property	180,671	182,446	172,472	9,974	169,143	3,329
Department of Human Services	111,038	103,285	90,871	12,414	103,761	(12,890)
Philadelphia Prisons	227,851	242,659	242,659	-	232,232	10,427
Office of Supportive Housing	39,641	42,706	42,112	594	38,384	3,728
Office of Fleet Management	55,375	60,949	60,810	139	55,944	4,866
Licenses and Inspections	21,661	21,937	21,649	288	21,429	220
Board of L & I Review	153	161	127	34	124	3
Board of Building Standards	70	71	57	14	58	(1)
Zoning Board of Adjustment	356	366	361	5	366	(5)
Records	4,009	4,022	3,933	89	3,841	92
Philadelphia Historical Commission	388	395	352	43	359	(7)
Art Museum	2,300	2,400	2,400	-	2,315	85
Philadelphia Free Library	33,682	34,040	33,591	449	33,399	192
Total Operations of Service Departments	1,781,100	1,862,468	1,827,726	34,742	1,744,897	82,829
Financial Management						
Office of Director of Finance	9,960	14,961	14,216	745	12,469	1,747
Department of Revenue	19,338	19,594	18,661	933	18,850	(189)
Sinking Fund Commission	222,473	211,883	209,845	2,038	201,046	8,799
Procurement	4,152	4,633	4,564	69	4,461	103
City Treasurer	887	896	884	12	825	59
Audit of City Operations	7,449	7,665	7,027	638	7,289	(262)
Total Financial Management	264,259	259,632	255,197	4,435	244,940	10,257

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2013 (with comparative actual amounts for the Fiscal Year Ended June 30, 2012)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2013 Actual	Positive (Negative)	FY 2012 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,118,256	1,124,884	1,119,075	5,809	1,066,251	52,824
Community College of Philadelphia	25,409	25,409	25,409	-	25,409	-
Legal Services	-	-	-	-	37,066	(37,066)
Hero Award	25	25	21	4	28	(7)
Refunds	250	93	-	93	-	-
Indemnities	32,458	258	295	(37)	14	281
Office of Risk Management	3,019	3,056	2,916	140	2,925	(9)
Witness Fees	172	172	132	40	140	(8)
Contribution to School District	48,990	68,990	68,990	-	48,930	20,060
Total City-Wide Under Director of Finance	1,228,579	1,222,887	1,216,838	6,049	1,180,763	36,075
Promotion and Public Relations						
City Representative	890	960	960	-	879	81
Commerce	18,976	18,998	18,839	159	18,361	478
Total Promotion and Public Relations	19,866	19,958	19,799	159	19,240	559
Personnel						
Civic Service Commission	167	171	171	-	167	4
Personnel Director	5,347	5,560	5,301	259	4,945	356
Total Personnel	5,514	5,731	5,472	259	5,112	360
Administration of Justice						
Register of Wills	3,331	3,333	3,269	64	3,312	(43)
District Attorney	31,055	31,489	31,450	39	30,888	562
Sheriff	14,089	15,146	15,146	-	15,462	(316)
First Judicial District	99,935	110,374	109,394	980	115,562	(6,168)
Total Administration of Justice	148,410	160,342	159,259	1,083	165,224	(5,965)
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,437	1,437	1,437	-	1,412	25
Conduct of Elections						
City Commissioners	8,847	8,879	8,683	196	8,611	72
Total Obligations	3,603,867	3,675,161	3,613,266	61,895	3,484,875	128,391
Operating Surplus (Deficit) for the Year	(36,146)	5,403	84,724	79,321	106,478	(21,754)

City of Philadelphia **Schedule XX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Water Operating Fund *Amounts in thousands of USD*

For the Fiscal Year Ended June 30, 2013 (with comparative actual amounts for the Fiscal Year Ended June 30, 2012)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2013 Actual	Positive (Negative)	FY 2012 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	481,100	486,740	489,134	2,394	474,478	14,656
Sales and Charges - Prior Years	52,250	39,500	33,511	(5,989)	34,224	(713)
Fire Service Connections	2,086	2,129	2,026	(103)	2,097	(71)
Surcharges	5,733	5,671	5,656	(15)	5,110	546
Fines and Penalties	1,037	960	1,026	66	838	188
Miscellaneous Charges	1,950	1,439	1,446	7	1,223	223
Charges to Other Municipalities	34,000	30,000	29,512	(488)	35,160	(5,648)
Licenses and Permits	2,250	2,480	3,184	704	2,398	786
Interest Income	850	850	551	(299)	246	305
Fleet Management - Sale of Vehicles & Equipment	195	175	125	(50)	108	17
Contributions from Sinking Fund Reserve	-	-	1,707	1,707	1,086	621
Reimbursement of Expenditures	186	316	569	253	438	131
Repair Loan Program	1,866	2,645	2,802	157	2,489	313
Other	896	950	768	(182)	417	351
Total Locally Generated Non-Tax Revenue	584,399	573,855	572,017	(1,838)	560,312	11,705
Revenue from Other Governments						
State	500	350	163	(187)	327	(164)
Federal	1,000	1,900	2,564	664	2,865	(301)
Total Revenue from Other Governments	1,500	2,250	2,727	477	3,192	(465)
Revenue from Other Funds	85,990	69,691	37,212	(32,479)	28,985	8,227
Total Revenues	671,889	645,796	611,956	(33,840)	592,489	19,467
Obligations						
Mayor's Office of Information Services	16,971	16,971	14,046	2,925	11,530	2,516
Public Property	3,740	3,740	3,739	1	3,726	13
Office of Fleet Management	8,510	8,510	7,219	1,291	7,603	(384)
Water Department	335,863	340,954	302,494	38,460	292,887	9,607
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	56,068	56,068	55,959	109	48,613	7,346
Other Employee Benefits	43,130	43,130	40,369	2,761	38,395	1,974
Contributions, Indemnities and Taxes	6,500	1,410	-	1,410	-	-
Department of Revenue	15,708	15,707	14,602	1,105	13,933	669
Sinking Fund Commission	201,986	201,986	201,576	410	193,509	8,067
Procurement Department	69	69	69	-	46	23
Law	3,108	3,108	2,861	247	2,993	(132)
Mayor's Office of Transportation	236	236	170	66	56	114
Total Obligations	691,889	691,889	643,104	48,785	613,291	29,813
Operating Surplus (Deficit) for the Year	(20,000)	(46,093)	(31,148)	14,945	(20,802)	(10,346)

City of Philadelphia **Schedule XXI**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Aviation Operating Fund *Amounts in thousands of USD*

For the Fiscal Year Ended June 30, 2013 (with comparative actual amounts for the Fiscal Year Ended June 30, 2012)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2013 Actual	Positive (Negative)	FY 2012 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	26,000	35,000	34,123	(877)	35,284	(1,161)
Space Rentals	140,000	110,000	105,207	(4,793)	97,483	7,724
Landing Fees	65,000	65,000	60,025	(4,975)	57,669	2,356
Parking	29,000	25,500	24,041	(1,459)	25,035	(994)
Car Rentals	23,000	20,000	19,711	(289)	18,274	1,437
Interest Earnings	1,000	1,000	333	(667)	666	(333)
Sale of Utilities	5,000	4,200	3,227	(973)	4,119	(892)
Passenger Facility Charge	35,000	32,000	31,160	(840)	31,573	(413)
Overseas Terminal Facility Charges	-	-	11	11	13	(2)
International Terminal Charge	28,000	20,000	19,744	(256)	16,349	3,395
Other	19,050	9,125	3,517	(5,608)	7,298	(3,781)
Total Locally Generated Non-Tax Revenue	371,050	321,825	301,099	(20,726)	293,763	7,336
Revenue from Other Governments						
State	500	500	-	(500)	-	-
Federal	3,000	3,000	2,528	(472)	4,493	(1,965)
Total Revenue from Other Governments	3,500	3,500	2,528	(972)	4,493	(1,965)
Revenue from Other Funds	2,500	2,575	989	(1,586)	947	42
Total Revenue	377,050	327,900	304,616	(23,284)	299,203	5,413
Obligations						
Mayor's Office of Information Services	6,728	6,728	5,966	762	5,684	282
Police	14,148	14,148	14,050	98	13,738	312
Fire	6,203	6,203	5,645	558	5,641	4
Public Property	26,900	26,900	21,930	4,970	26,894	(4,964)
Office of Fleet Management	8,109	8,109	3,552	4,557	3,255	297
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	27,811	30,365	30,365	-	25,441	4,924
Other Employee Benefits	18,264	19,564	19,564	-	16,271	3,293
Purchase of Services	4,146	2,574	2,574	-	2,641	(67)
Contributions, Indemnities and Taxes	2,512	-	-	-	-	-
Sinking Fund Commission	112,549	111,361	109,521	1,840	103,178	6,343
Commerce	152,234	153,652	124,249	29,403	124,759	(510)
Law	1,878	1,878	1,709	169	1,686	23
Mayor's Office of Transportation	314	314	187	127	56	131
Total Obligations	381,796	381,796	339,312	42,484	329,244	10,068
Operating Surplus (Deficit) for the Year	(4,746)	(53,896)	(34,696)	19,200	(30,041)	(4,655)

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

Statistical Section

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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City of Philadelphia
Net Position by Component
For the Fiscal Years 2004 Through 2013

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets	175.0	241.3	248.6	161.4	206.4	(5.8)	(59.3)	(47.5)	83.9	232.5
Restricted	484.1	516.5	471.5	689.7	641.0	833.8	705.1	789.5	621.8	586.8
Unrestricted	(707.0)	(1,028.6)	(1,010.9)	(1,220.5)	(1,567.1)	(2,120.6)	(2,421.9)	(2,495.5)	(2,478.2)	(2,588.9)
Total Governmental Activities Net Position	(47.9)	(270.8)	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,776.1)	(1,753.5)	(1,772.5)	(1,769.6)
Business-Type Activities										
Net Investment in Capital Assets	541.0	548.4	537.4	544.0	591.8	750.6	831.8	845.1	887.8	982.5
Restricted	504.0	472.0	551.9	635.1	644.1	511.2	489.3	550.6	591.8	628.9
Unrestricted	91.3	269.7	273.9	257.3	266.2	269.8	257.3	234.3	257.9	173.4
Total Business-Type Activities Net Position	1,136.3	1,290.1	1,363.2	1,436.4	1,502.1	1,531.6	1,578.4	1,630.0	1,737.5	1,784.8
Primary Government										
Net Investment in Capital Assets	716.0	789.7	786.0	705.4	798.2	744.8	772.5	797.6	971.7	1,215.0
Restricted	988.1	988.5	1,023.4	1,324.8	1,285.1	1,345.0	1,194.4	1,340.1	1,213.6	1,215.7
Unrestricted	(615.7)	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(2,164.6)	(2,261.2)	(2,220.3)	(2,415.5)
Total Primary Government Net Position	1,088.4	1,019.3	1,072.4	1,067.0	782.4	239.0	(197.7)	(123.5)	(35.0)	15.2

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2004 Through 2013

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
Economic Development	127.4	89.5	89.8	92.6	116.4	116.0	145.0	92.2	96.5	94.2
Transportation:										
Streets & Highways	109.9	119.0	116.0	116.6	117.7	119.1	129.4	136.3	115.6	112.9
Mass Transit	81.3	84.9	84.5	85.1	88.3	90.5	82.7	75.2	74.0	71.0
Judiciary and Law Enforcement:										
Police	793.8	817.1	836.0	921.4	1,002.9	985.6	990.5	1,048.1	1,094.2	1,087.9
Prisons	237.1	250.2	268.7	293.2	311.4	339.1	343.8	340.4	336.7	342.2
Courts	277.2	284.9	287.1	304.1	321.6	318.7	312.0	315.0	326.2	318.1
Conservation of Health:										
Emergency Medical Services	30.6	34.2	35.6	36.0	37.2	36.9	47.8	53.3	48.4	49.7
Health Services	1,174.6	1,275.0	1,411.9	1,442.6	1,572.6	1,701.5	1,446.7	1,524.6	1,500.1	1,464.9
Housing and Neighborhood Development	119.0	123.0	149.5	111.2	142.1	149.1	131.3	126.1	137.7	102.9
Cultural and Recreational										
Recreation	118.4	68.3	73.3	73.4	86.2	77.3	77.0	98.7	97.3	102.3
Parks	32.6	30.2	28.9	32.6	36.6	37.7	37.9	14.0	9.0	8.6
Libraries and Museums	67.5	80.7	68.6	90.3	87.0	92.8	79.0	75.7	80.8	76.1
Improvements to General Welfare:										
Social Services	691.2	697.6	702.0	765.5	794.1	756.3	718.8	718.4	675.5	625.3
Education	58.6	61.6	59.9	64.0	65.5	67.2	65.4	64.0	74.3	94.4
Inspections and Demolitions	81.3	79.0	55.3	64.3	47.3	27.8	23.4	30.1	26.5	38.0
Service to Property:										
Sanitation	121.0	126.0	128.8	134.4	138.0	137.8	142.7	143.0	153.2	136.7
Fire	215.4	229.6	236.1	285.3	284.8	278.6	266.0	285.9	292.2	296.8
General Management and Support	576.9	519.9	574.8	568.7	636.9	684.1	683.3	561.0	678.4	743.4
Interest on Long Term Debt	98.3	138.2	136.9	149.5	95.1	214.6	174.9	136.3	112.1	161.8
Total Governmental Activities Expenses	5,012.1	5,108.9	5,343.7	5,630.8	5,981.7	6,230.7	5,897.6	5,838.3	5,928.7	5,927.2
Business-Type Activities:										
Water and Sewer	416.9	442.3	455.4	476.2	504.3	530.8	502.5	520.2	490.8	513.4
Aviation	261.0	269.5	303.1	314.3	323.1	326.2	330.1	336.0	343.1	358.9
Industrial and Commercial Development	2.5	4.7	2.1	3.7	2.1	3.0	0.1	1.9	-	0.6
Total Business-Type Activities Expenses	680.4	716.5	760.6	794.2	829.5	860.0	832.7	858.1	833.9	872.9
Total Primary Government Expenses	5,692.5	5,825.4	6,104.3	6,425.0	6,811.2	7,090.7	6,730.3	6,696.4	6,762.6	6,800.1
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	6.9	0.1	-	-	-	0.3	0.1	-	1.1	2.6
Transportation:										
Streets & Highways	1.5	1.9	2.2	3.5	3.9	2.8	4.4	5.1	5.2	5.3
Mass Transit	0.5	0.5	0.6	0.6	0.5	0.4	0.5	0.6	1.3	1.9
Judiciary and Law Enforcement:										
Police	2.4	2.2	7.2	1.7	4.3	5.0	3.3	3.5	5.5	6.3
Prisons	0.5	0.4	0.4	0.3	0.3	0.4	0.5	0.5	0.9	0.7
Courts	52.5	48.4	51.5	51.5	52.7	51.8	53.4	45.6	60.6	59.9
Conservation of Health:										
Emergency Medical Services	20.7	23.1	25.0	27.7	27.6	37.5	36.8	34.7	27.5	33.3
Health Services	11.6	13.5	14.0	12.6	15.3	14.4	16.2	16.7	14.8	16.7
Housing and Neighborhood Development	12.0	10.0	22.3	45.2	25.2	31.3	20.8	23.1	28.6	23.5
Cultural and Recreational:										
Recreation	13.0	0.8	0.4	0.2	0.3	3.2	(0.1)	2.8	2.2	3.8
Parks	1.7	0.9	0.4	0.5	1.5	0.6	0.9	5.0	4.8	3.3
Libraries and Museums	0.4	0.5	0.9	0.9	0.8	1.3	0.9	1.8	1.2	1.0
Improvements to General Welfare:										
Social Services	6.9	7.6	7.4	7.3	6.4	7.6	14.4	6.8	5.2	8.3
Education	-	-	-	-	-	1.1	-	-	-	0.1
Inspections and Demolitions	0.8	0.7	0.7	44.4	44.9	40.3	43.9	45.5	50.0	53.9
Service to Property:										
Sanitation	2.0	2.1	1.8	-	3.1	2.9	2.0	11.6	15.9	16.2
Fire	0.1	0.5	0.4	0.7	0.2	0.7	0.3	0.5	0.3	0.9
General Management and Support	138.2	130.8	179.1	107.5	110.6	131.9	127.9	136.6	139.7	134.2
Interest on Long Term Debt	-	-	-	-	-	-	-	9.2	0.3	-
Operating Grants and Contributions	1,958.7	2,067.2	2,142.1	2,204.9	2,339.9	2,438.1	2,050.4	2,223.5	2,102.1	1,986.4
Capital Grants and Contributions	19.6	9.1	21.4	15.8	10.0	35.0	46.9	32.1	43.2	48.9
Total Governmental Activities Program Revenues	2,250.0	2,320.3	2,477.8	2,525.3	2,647.5	2,806.6	2,423.5	2,605.2	2,510.4	2,407.2

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2004 Through 2013

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-Type Activities:										
Charges for Services:										
Water and Sewer	401.6	450.6	470.8	493.6	503.3	499.7	552.4	558.5	598.3	608.7
Aviation	251.9	278.4	295.0	309.2	303.2	251.7	240.0	258.1	263.2	291.4
Industrial and Commercial Development	1.2	1.1	1.2	1.5	1.5	0.5	0.3	0.5	0.4	0.4
Operating Grants and Contributions	4.8	2.0	2.5	2.8	5.4	2.6	6.1	4.8	3.5	2.3
Capital Grants and Contributions	21.0	20.7	25.3	22.4	36.6	109.4	90.5	105.9	91.6	58.2
Total Business-Type Activities Program Revenues	680.5	752.8	794.8	829.5	850.0	863.9	889.3	927.8	957.0	961.0
Total Primary Government Revenues	2,930.5	3,073.1	3,272.6	3,354.8	3,497.5	3,670.5	3,312.8	3,533.0	3,467.4	3,368.2
Net (Expense)/Revenue										
Governmental Activities	(2,762.1)	(2,788.6)	(2,865.9)	(3,105.5)	(3,334.2)	(3,424.1)	(3,474.1)	(3,233.1)	(3,418.3)	(3,520.0)
Business-Type Activities	0.1	36.3	34.2	35.3	20.5	3.9	56.6	69.7	123.1	88.1
Total Primary Government Net Expense	(2,762.0)	(2,752.3)	(2,831.7)	(3,070.2)	(3,313.7)	(3,420.2)	(3,417.5)	(3,163.4)	(3,295.2)	(3,431.9)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	374.4	381.8	386.3	399.2	401.3	409.2	400.8	506.6	500.8	553.8
Wage & Earnings Taxes	1,345.9	1,373.0	1,424.9	1,498.5	1,524.5	1,465.5	1,448.5	1,504.6	1,551.7	1,598.7
Business Taxes	319.2	367.9	430.2	453.7	414.5	407.6	385.2	364.2	399.2	452.4
Other Taxes	342.1	406.4	457.7	460.3	457.0	435.0	578.3	645.8	663.6	706.0
Unrestricted Grants & Contributions	47.1	84.3	81.7	104.1	104.7	107.8	171.4	173.8	223.2	187.4
Interest & Investment Earnings	26.0	32.9	60.2	81.8	65.3	46.1	25.5	35.8	33.3	17.9
Special Items	-	-	-	-	-	-	-	-	-	-
Transfers	-	4.4	5.0	4.9	4.9	4.2	28.3	24.9	27.5	21.4
Total Governmental Activities	2,454.7	2,650.7	2,846.0	3,002.5	2,972.2	2,875.4	3,038.0	3,255.7	3,399.3	3,537.6
Business-Type Activities:										
Interest & Investment Earnings	6.6	15.8	43.8	45.7	48.7	22.9	7.7	6.9	9.0	12.7
Unrestricted Grants & Contributions	-	-	-	-	-	-	-	-	2.9	42.2
Transfers	-	(4.4)	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)	(24.9)	(27.5)	(21.4)
Total Business-Type Activities	6.6	11.4	38.9	40.8	43.8	18.7	(20.6)	(18.0)	(15.6)	33.5
Total Primary Government	2,461.3	2,662.1	2,884.9	3,043.3	3,016.0	2,894.1	3,017.4	3,237.7	3,383.7	3,571.1
Change in Net Position										
Governmental Activities	(307.4)	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)	(436.1)	22.6	(19.0)	17.6
Business-Type Activities	6.7	47.7	73.1	76.1	64.3	22.6	36.0	51.7	107.5	121.6
Total Primary Government	(300.7)	(90.2)	53.2	(26.9)	(297.7)	(526.1)	(400.1)	74.3	88.5	139.2

City of Philadelphia **Table 3**
Fund Balances
Governmental Funds
For the Fiscal Years 2004 Through 2013

Amounts in millions of USD

(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	-	-	10.0	4.8	4.9	4.7	2.3	2.3	2.3	2.3
Stadium Financing	18.7	4.3	6.0	6.4	0.1	1.7	0.6	0.3	0.5	2.1
Cultural & Commercial Corridor Project	-	-	-	143.3	122.5	89.8	30.8	19.2	15.3	12.2
Long Term Loan	45.0	45.0	45.0	45.0	22.5	-	-	-	-	79.7
Committed to:										
Encumbrances	88.5	141.5	132.4	135.6	108.8	102.8	-	-	-	-
General Fund	-	-	-	-	-	-	87.9	-	-	-
Assigned to:	-	-	-	-	-	-	-	-	70.5	98.0
Unassigned:	(148.1)	(36.4)	111.2	152.7	(24.3)	(274.6)	(251.8)	(45.7)	-	90.0
Total General Fund:	4.1	154.3	304.5	487.8	234.4	(75.6)	(130.2)	(23.9)	88.6	284.4
All Other Governmental Funds										
Non-spendable:										
Permanent Fund (Principal)	-	-	-	-	-	-	-	2.6	2.6	2.8
Restricted for:										
Behavioral Health	36.9	61.5	196.0	192.9	177.8	188.7	171.0	250.1	230.7	233.7
Neighborhood Revitalization	87.4	173.6	130.1	99.9	77.8	74.6	73.1	61.3	51.6	34.2
Public Safety Emergency Phone System	8.4	6.8	16.7	21.7	28.7	38.8	40.4	36.9	29.6	24.5
Economic Development	-	-	-	-	-	-	-	6.6	10.3	7.2
Intergovernmental Financing	30.6	31.7	26.8	24.5	18.6	12.1	7.9	21.1	21.7	33.9
Intergovernmentally Financed Pgms								24.5	18.9	-
Streets & Highways	2.2	2.8	4.0	7.5	12.8	16.8	16.8	18.3	23.2	23.9
Housing & Neighborhood Development	-	-	-	-	-	-	-	10.5	10.5	15.0
Health Services	-	-	-	-	-	4.0	10.8	8.8	9.5	15.2
Debt Service	88.3	88.1	84.3	92.3	80.9	79.1	76.6	82.8	82.4	81.5
Capital Improvements	80.9	-	-	103.0	21.0	196.1	152.2	267.7	128.5	29.2
Trust Purposes	7.1	7.4	7.8	8.9	8.3	6.4	4.7	8.1	8.3	8.9
Parks & Recreation	-	-	-	-	-	-	-	0.3	0.4	0.4
Libraries & Museums	-	-	-	-	-	-	-	0.1	0.1	0.1
Stadium Financing	-	-	-	-	-	-	-	6.3	6.4	6.8
Committed to:										
Capital Improvements	77.8	76.5	76.0	56.7	61.7	62.5	37.9	-	-	-
Economic Development	-	-	-	-	-	-	6.5	-	-	-
Housing & Neighborhood Development	-	-	9.6	15.9	17.4	18.6	15.2	-	-	-
Debt Service	5.7	6.5	4.9	5.2	5.7	5.6	7.9	-	-	-
Trust Purposes	5.0	5.6	6.9	9.2	9.1	8.0	7.7	-	-	-
Intergovernmental Financing	44.9	43.6	50.1	53.3	52.2	62.6	36.2	-	-	-
Social Services	-	-	-	-	-	-	-	-	0.0	0.0
Prisons	-	-	-	-	-	-	-	3.6	4.2	4.4
Parks & Recreation	-	-	-	-	-	-	-	0.5	0.9	0.7
Assigned to:										
Behavioral Health	144.0	134.7	-	28.4	40.5	-	42.5	-	-	-
PICA Rebate Fund	3.9	5.7	6.5	7.0	7.4	8.0	7.5	-	-	-
PMA	0.1	0.2	0.2	0.2	0.2	0.2	0.2	-	-	-
Unassigned:										
Community Behavioral Health	-	-	(24.8)	-	-	(5.4)	-	-	-	-
Housing & Neighborhood Dev	(6.6)	(8.0)	(5.5)	(3.9)	(3.2)	(5.0)	(4.0)	(4.0)	(6.5)	(7.2)
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Grants Revenue Fund	(53.9)	(43.3)	(51.2)	(26.2)	(23.0)	(36.7)	(39.0)	(34.3)	(175.1)	(217.1)
Capital Improvement	-	(6.3)	(67.1)	-	-	-	-	-	-	-
Total All Other Governmental Funds	562.6	587.1	471.3	696.3	594.2	734.9	672.1	771.7	458.1	298.1

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability.
A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occured.

City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2004 Through 2013

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax Revenue	2,379.0	2,535.2	2,535.2	2,805.1	2,781.8	2,705.2	2,812.3	2,995.0	3,112.5	3,304.4
Locally Generated Non-Tax Revenue	280.0	265.2	265.2	381.7	349.7	349.3	302.7	370.6	336.5	348.6
Revenue from Other Governments	1,922.3	2,242.0	2,242.0	2,376.6	2,468.4	2,564.9	2,323.4	2,366.4	2,226.1	2,212.0
Other Revenues	18.5	16.7	16.7	17.1	17.9	49.6	33.1	25.8	27.5	27.9
Total Revenues	4,599.8	5,059.1	5,059.1	5,580.5	5,617.8	5,669.0	5,471.5	5,757.8	5,702.6	5,892.9
Expenditures										
Current Operating:										
Economic Development	157.0	92.7	92.7	85.5	112.3	107.0	135.1	82.6	88.9	85.9
Transportation:										
Streets & Highways	75.9	77.7	77.7	89.2	89.7	89.9	91.1	87.4	75.6	81.6
Mass Transit	52.9	56.6	56.6	58.1	61.7	63.7	65.2	67.1	67.7	66.5
Judiciary and Law Enforcement:										
Police	752.0	770.9	770.9	860.2	951.9	933.9	882.7	955.9	1,020.0	1,089.4
Prisons	224.5	241.3	241.3	278.1	298.2	326.9	315.2	315.9	318.2	338.7
Courts	267.8	276.9	276.9	292.3	311.1	310.5	288.1	294.9	312.3	309.2
Conservation of Health:										
Emergency Medical Services	29.7	33.3	33.3	34.9	36.0	36.2	45.0	50.7	46.7	50.0
Health Services	1,170.3	1,271.1	1,271.1	1,436.8	1,567.6	1,695.0	1,436.5	1,514.8	1,492.7	1,464.6
Housing and Neighborhood Development	119.0	122.9	122.9	109.2	141.9	148.4	131.2	126.1	133.8	102.8
Cultural and Recreational:										
Recreation	65.7	58.3	58.3	62.2	74.3	65.1	58.4	82.9	85.9	90.3
Parks	23.8	23.7	23.7	26.3	28.9	31.8	26.9	5.8	6.1	3.9
Libraries and Museums	61.1	68.2	68.2	83.2	84.2	81.0	68.8	68.7	71.9	72.0
Improvements to General Welfare:										
Social Services	683.4	689.1	689.1	756.7	778.2	743.1	699.7	701.8	674.3	624.3
Education	58.6	61.5	61.5	64.0	65.5	67.2	65.4	64.0	74.3	94.4
Inspections and Demolitions	83.6	81.2	81.2	63.0	46.3	33.1	27.3	34.8	32.2	45.8
Service to Property:										
Sanitation	117.8	122.0	122.0	129.5	132.9	134.6	130.6	133.9	146.2	137.2
Fire	203.0	217.8	217.8	267.6	276.4	266.9	237.6	258.1	267.8	295.9
General Management and Support	472.4	477.1	477.1	563.7	618.4	693.8	615.0	568.5	619.1	622.8
Capital Outlay	126.0	103.1	103.1	92.3	105.8	126.9	148.9	134.9	202.0	161.1
Debt Service:										
Principal	105.7	95.8	95.8	91.5	94.1	87.6	89.7	91.4	103.2	114.1
Interest	101.6	101.0	101.0	103.4	100.0	105.7	96.7	105.6	105.2	112.2
Bond Issuance Cost	9.2	3.9	3.9	5.0	24.2	8.5	23.5	2.2	1.6	4.4
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,961.0	5,046.1	5,046.1	5,552.7	5,999.6	6,156.8	5,678.6	5,748.0	5,945.7	5,967.1
Excess of Revenues Over (Under) Expenditures	(361.2)	13.0	13.0	27.8	(381.8)	(487.8)	(207.1)	9.8	(243.1)	(74.2)
Other Financing Sources (Uses)										
Issuance of Debt	487.7	157.3	157.3	353.1	1,303.8	262.9	207.0	139.1	12.6	299.8
Issuance of Refunding Debt	-	-	-	-	-	354.9	337.0	114.6	112.6	231.2
Bond Issuance Premium	4.8	-	-	13.8	31.1	26.7	24.3	5.0	16.6	0.8
Proceeds from Lease & Service Agreements	10.9	-	-	-	-	(3.1)	(1.0)	28.1	-	(252.7)
Bond Defeasance	(233.1)	-	-	-	(1,313.7)	(326.9)	(504.0)	(117.6)	(127.3)	(190.5)
Transfers In	442.9	581.4	581.4	460.1	465.2	574.5	558.1	583.1	600.8	613.1
Transfers Out	(442.9)	(577.0)	(577.0)	(455.1)	(460.2)	(570.3)	(529.7)	(558.1)	(573.3)	(591.7)
Total Other Financing Sources (Uses)	270.3	161.7	161.7	371.9	26.2	318.7	91.7	194.2	42.0	110.0
Net Change in Fund Balances	(90.9)	174.7	174.7	399.7	(355.6)	(169.1)	(115.4)	204.0	(201.1)	35.8
Debt Service as a Percentage of Non-capital Expenditures	4.3%	4.0%	4.0%	3.6%	3.3%	3.2%	3.4%	3.5%	3.6%	3.9%

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. $166.9 million of these estimated tax payments were deferred in the general fund in FY2013 because the underlying events had not occured.

City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2004 through 2013

Table 5

Amounts in millions of USD

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Additions:										
Contributions:										
Employee Contributions	50.5	49.3	48.9	49.2	51.7	54.0	51.6	52.7	50.0	49.6
Employer's:										
City of Philadelphia	196.6	290.6	321.3	419.2	412.4	440.0	297.4	455.8	539.8	763.7
Quasi-Governmental Agencies	6.2	8.6	10.4	13.1	14.5	15.4	15.1	14.2	16.2	18.1
Total Employer's Contributions	202.8	299.2	331.7	432.3	426.9	455.4	312.5	470.1	556.0	781.8
Total Contributions	253.3	348.5	380.6	481.5	478.6	509.4	364.1	522.8	606.0	831.4
Interest & Dividends	68.4	74.6	65.1	80.3	97.1	75.6	70.5	79.5	86.2	122.9
Net Gain (Decline) in Fair Value of Investments	526.6	306.2	386.4	684.7	(322.0)	(945.6)	381.2	618.5	(57.7)	213.9
(Less) Investment Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(13.3)	(12.2)
Net Securities Lending Revenue	0.8	0.9	0.7	1.1	7.4	5.7	1.9	1.5	2.1	3.0
Securities Lending Unrealized Loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	118.0
(Less) Securities Lending Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)	(0.3)
Net Investment Income (Loss)	595.8	381.7	452.2	766.1	(217.5)	(864.3)	453.6	699.5	14.5	445.3
Miscellaneous Operating Revenue	1.3	0.4	2.1	2.1	1.1	1.0	0.7	1.4	0.0	0.5
Total Additions	850.4	730.6	834.9	1,249.7	262.2	(353.9)	818.4	1,223.7	620.5	1,277.2
Deductions:										
Pension Benefits	657.5	590.6	608.6	655.8	725.7	681.1	680.1	681.9	706.2	740.8
Refunds to Members	4.1	4.6	4.8	4.5	4.2	4.8	4.5	5.1	6.5	5.7
Administrative Costs	6.4	6.8	6.7	6.7	7.6	8.4	8.1	8.0	0.0	8.1
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.2	0.2
Total Deductions	668.0	602.0	620.1	667.0	737.5	694.3	692.7	695.0	727.9	754.8
Net Increase (Decrease)	182.4	128.6	214.8	582.7	(475.3)	(1,048.2)	125.7	528.7	(107.4)	522.4
Net Assets: Adjusted Opening	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2	3,922.8
Closing	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2	3,922.8	4,445.2
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1417.03%	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%	1432.56%	1623.45%	1687.47%
Closing Net Assets	16.55%	14.40%	14.10%	13.39%	16.40%	20.18%	19.42%	16.92%	18.00%	16.67%
Coverage of Additions over Deductions	127.31%	121.36%	134.64%	187.36%	35.55%	-50.97%	118.15%	176.07%	85.25%	169.21%
Investment Earnings as % of Pension Benefits	90.62%	64.63%	74.30%	116.82%	-29.97%	-126.90%	66.70%	102.58%	2.05%	60.11%

City of Philadelphia

Table 6

Wage and Earnings Tax Taxable Income
For the Calendar Years 2003 Through 2012

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1,2]	Taxable Income	% of Total	Direct Rate [1, 2]	Total Taxable Income	Total Direct Rate
2003	18,073.7	58.86%	4.48130%	12,635.0	41.14%	3.89640%	30,708.7	4.24064%
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	21,051.3	57.33%	4.26000%	15,670.2	42.67%	3.75570%	36,721.5	4.04480%
2008	22,013.7	57.19%	4.09950%	16,479.4	42.81%	3.63170%	38,493.1	3.89923%
2009	21,805.5	57.38%	3.92980%	16,197.3	42.62%	3.49985%	38,002.8	3.74655%
2010	22,170.8	57.02%	3.92880%	16,713.5	42.98%	3.49910%	38,884.3	3.74410%
2011	22,726.3	57.06%	3.92800%	17,102.2	42.94%	3.49850%	39,828.5	3.74357%
2012	23,292.1	56.83%	3.92800%	17,690.6	43.17%	3.49850%	40,982.7	3.74260%

Note:

The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

[1] For the years 2000 through 2003 the rate changed on July 1st. For those years the direct rate is an average of the two rates involved during the calendar year.

[2] In 2008 and 2009, the rate changed on January 1st and July 1st. The direct rate is an average of the two rates involved during that calendar year.

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 2004 through 2013

Tax Classification	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Wage and Earnings Tax:										
a City Residents	4.4625%	4.3310% [b]	4.3010% [b]	4.2600% [b]	4.2190% [b]	3.9300% [b]	3.9296% [b]	3.9280% [b]	3.9280% [b]	3.9280%
Non-City Residents	3.8801%	3.8197% [b]	3.7716% [b]	3.7557% [b]	3.7242% [b]	3.5000% [b]	3.4997% [b]	3.4985% [b]	3.4985% [b]	3.4985%
	Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax									
[d] **Real Property: (% on Assessed Valuation)**										
City	3.474%	3.474%	3.474%	3.474%	3.305%	3.305%	3.305%	4.123%	4.123%	4.462%
School District of Philadelphia	4.790%	4.790%	4.790%	4.790%	4.959%	4.959%	4.959%	4.959%	5.309%	5.309%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	9.082%	9.432%	9.771%
[e] Assessment Ratio	30.02%	29.70%	29.69%	29.24%	29.22%	28.86%	28.46%	26.73%	28.05%	28.87%
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.481%	2.454%	2.454%	2.416%	2.415%	2.385%	2.352%	2.428%	2.646%	2.821%
	The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest. If you pay your bill on or before the last day of February, you receive a 1% discount.									
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate. Certain long term leases are also subject to this tax.									
Business Income and Receipts Taxes										
(% on Gross Receipts)	0.2300% [c]	0.2100% [c]	0.1900% [c]	0.1665% [c]	0.1540% [c]	0.1415% [c]	0.1415% [c]	0.1415% [c]	0.1415% [c]	0.1415% [c]
[f] (% on Net Income)	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.4500% [c]	6.4500% [c]	6.4500% [c]	6.4500% [c]	6.4500% [c]
	Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BIRT Return.									
[c] **Net Profits Tax:**										
[a] City Residents	4.4625%	4.4625%	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%	3.9280%	3.9280%	3.9280%
Non-City Residents	3.8801%	3.8801%	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%	3.4985%	3.4985%	3.4985%
	Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.									

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 2004 through 2013

Tax Classification	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.0%	8.0%	8.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged.										
Parking Lot Tax	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City.										
Hotel Room Rental Tax	6.0%	6.0%	6.0%	6.0%	6.0%	7.2%	8.2%	8.2%	8.2%	8.2%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	7.0%	7.0%	7.0%	7.0%	7.0%	8.2%	9.2%	9.2%	9.2%	9.2%
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.										
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration.										

[a] Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

[b] Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 2011, from July 1 through December 31, 2010 the rates were 3.928 % and 3.4985%.

[c] Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

[d] Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

[e] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[f] 60% of the Net Income portion of the Business Income and Receipts Tax is allowed to be credited against the Net Profits Tax.

City of Philadelphia **Table 8**

Principal Wage and Earnings Tax Remitters [1]

Current Calendar Year and Nine Years Ago

Amounts in millions of USD

	2012			2003		
Remittance Range	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater then $10 million	16	$397.8	25.94%	15	$323.8	24.87%
Between $1 million & $10 million	157	369.2	24.07%	126	298.7	22.94%
Between $100,000 & $1 million	1,636	418.4	27.28%	1,379	355.6	27.31%
Between $10,000 & $100,000	8,785	259.7	16.93%	8,238	242.0	18.58%
Less then $10,000	39,138	88.7	5.78%	36,217	82.1	6.30%
Total	49,732	$1,533.8	100.00%	45,975	$1,302.2	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia

Table 9

Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2004 through 2013

Amounts in millions of USD

Calendar Year of Levy [1]	Assessed Value [3]	Less: Tax-Exempt Property [2, 3]	Total Taxable Assessed Value	Total Direct Tax Rate [4]	STEB Ratio [5]	Estimated Actual Taxable Value (STEB)	Sales Ratio [6]	Estimated Actual Taxable Value (Sales)
2004	14,813	3,867	10,946	3.474%	30.02%	36,462	24.21%	45,213
2005	15,072	4,040	11,032	3.474%	29.70%	37,145	23.73%	46,490
2006	15,803	4,372	11,431	3.474%	29.69%	38,501	17.42%	65,620
2007	16,243	4,628	11,615	3.474%	29.24%	39,723	17.94%	64,744
2008	16,974	4,799	12,175	3.305%	29.22%	41,667	16.44%	74,057
2009	17,352	5,146	12,206	3.305%	28.86%	42,294	24.64%	49,537
2010	17,615	5,339	12,276	3.305%	28.46%	43,134	13.35%	91,955
2011	17,940	5,593	12,347	4.123%	26.73%	46,192	13.13%	94,037
2012	18,022	5,685	12,337	4.123%	28.05%	43,982	11.88%	103,847
2013	18,181	5,765	12,416	4.462%	28.87%	43,007	NA	NA

[1] Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

[3] Source: Board of Revison of Taxes

[4] per $1,000.00 of assessed value

[5] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

[6] This ratio is compiled by the Board of Revision of Taxes based on sales of property during the year.

City of Philadelphia
Principal Property Tax Payers
Current Year and Nine Years Ago

Table 10

Amounts in millions of USD

	2013			2004		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
Franklin Mills Associates	57.6	1	0.46	48.4	5	0.44
Phila Liberty Pla E Lp	54.4	2	0.44	64.3	1	0.59
Nine Penn Center Associates	54.1	3	0.44	57.4	2	0.52
HUB Properties Trust	43.8	4	0.35	52.3	4	0.48
PRU 1901 Market LLC	35.2	5	0.28	32.9	7	0.30
Maguire/Thomas	33.9	6	0.27	32.0	9	0.29
Commerce Square Partners	33.3	7	0.27	32.3	8	0.30
Brandywine Operating Part (Bell Atlantic)	33.1	8	0.27	45.1	6	0.41
Phila Shipyard Development Corp	30.3	9	0.24	-	-	-
Philadelphia Market Street	28.8	10	0.23	30.4	10	0.28
Two Liberty Place			-	56.0	3	0.51
	404.5		3.26	451.1		4.12
Total Taxable Assessments	12,416.2		100.00	10,945.9		100.00

[1] Source: Office of Property Assessment

City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2004 through 2013
General Fund

Table 11

Amounts in millions of USD

Calendar Year	Taxes Levied for the Year **1	Taxes Levied Based on Adjusted Assessment **2	Collected in the Calendar Year of Levy **3	Percentage Collected in the Calendar Year of Levy	Collected in Subsequent Years **4	Total Collected to Date: All Years	Percentage Collected to Date: All Years
2004	372.5	NA	340.9	91.5%	26.7	367.6	98.7%
2005	373.5	NA	350.3	93.8%	22.5	372.8	99.8%
2006	385.6	NA	339.6	88.1%	23.7	363.3	94.2%
2007	391.7	NA	347.5	88.7%	24.5	372.0	95.0%
2008	390.2	NA	346.4	88.8%	26.3	372.7	95.5%
2009	396.5	NA	315.4	79.5%	44.5	359.9	90.8%
2010	405.8	NA	353.7	87.2%	37.7	391.4	96.5%
2011	509.1	NA	440.9	86.6%	38.1	479.0	94.1%
2012	508.6	492.5	459.2	93.2%	6.4	465.6	94.5%
2013	554.0	540.7	487.1	90.1%	N/A	487.1	90.1%

**1 Taxes are levied on a calendar year basis. They are due on March 31st.

**2 Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid.

**3 For 2013, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections thru the end of June 2013.

**4 Includes payments from capitalized interest and penalty. This capitalization occurs only after the first year of the levy on any principal that remains unpaid at that time.

Note that all amounts in this table pertain to the General Fund only and do not include amounts levied and collected for the school district.

The collection percentages for the school district are the same as for the General Fund.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2004 through 2013

Table 12

Amounts in millions of USD (except per capita)

	Governmental Activities									Business-Type Activities						
Fiscal Year	General Obligation Bonds	Pension Service Agreement	City Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	% of Personal Income [1]	Per Capita
2004	2,047.1	1,416.4	-	146.5	53.5	341.9	-	-	4,005.4	11.6	1,614.7	1,073.1	2,699.4	6,704.8	0.2	4,440.3
2005	1,950.8	1,429.7	-	285.3	52.2	341.1	-	-	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	0.2	4,597.1
2006	1,863.8	1,439.2	-	279.8	50.9	339.6	10.1	-	3,983.4	7.0	1,747.3	1,168.8	2,923.1	6,906.5	0.2	4,549.7
2007	1,993.7	1,444.9	-	273.9	49.6	334.0	9.7	139.6	4,245.4	5.8	1,674.3	1,141.0	2,821.1	7,066.5	0.1	4,649.0
2008	1,899.1	1,446.6	-	267.8	47.7	328.8	9.3	136.6	4,135.9	4.6	1,590.0	1,282.2	2,876.8	7,012.7	0.1	4,583.5
2009	2,093.8	1,443.8	-	261.5	46.3	323.6	8.9	133.3	4,311.2	3.4	1,648.7	1,250.4	2,902.5	7,213.7	0.1	4,684.2
2010	2,085.1	1,428.3	-	254.8	44.9	319.6	8.5	129.9	4,271.1	2.2	1,574.9	1,213.9	2,791.0	7,062.1	0.1	4,565.0
2011	2,135.0	1,407.3	-	247.8	43.4	314.9	8.1	126.4	4,282.9	1.0	1,738.2	1,450.8	3,190.0	7,472.9	0.1	4,897.1
2012	2,041.1	1,379.3	-	240.3	41.9	310.0	7.7	122.8	4,143.1	-	1,819.9	1,383.1	3,203.0	7,346.1	0.1	4,782.6
2013 [2]	1,968.7	1,171.3	423.3	234.1	41.8	313.0	7.7	119.9	4,279.8	-	1,830.4	1,355.4	3,185.8	7,465.6	0.1	4,822.7

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1] See Table 17 for Personal Income and Population Amounts

[2] FY 2013 amounts reflect the implementation of GASB Statement No. 65

City of Philadelphia **Table 13**

Ratios of General Bonded Debt Outstanding

For the Fiscal Years 2004 through 2013

Amounts in millions of USD (except per capita)

Fiscal Year	General Obligation Bonds	Assessed Taxable Value of Property [1]	Assessed Ratio [2]	Actual Taxable Value of Property	% of Actual Taxable Value of Property	Per Capita [3]
2004	2,047.1	10,945.9	30.02%	36,462.0	5.61%	1,348.88
2005	1,950.8	11,031.8	29.70%	37,144.1	5.25%	1,283.21
2006	1,863.8	11,430.6	29.69%	38,499.8	4.84%	1,218.15
2007	1,993.7	11,615.0	29.24%	39,723.0	5.02%	1,294.32
2008	1,899.1	12,175.2	29.22%	41,667.4	4.56%	1,227.37
2009	2,093.8	12,205.6	28.86%	42,292.4	4.95%	1,372.08
2010	2,085.1	12,276.3	28.46%	43,135.3	4.83%	1,357.07
2011	2,135.0	12,347.1	26.73%	46,191.9	4.62%	1,365.09
2012	2,041.1	12,337.0	28.05%	43,982.2	4.64%	1,328.84
2013	1,968.7	12,416.0	28.87%	43,006.6	4.58%	1,271.77

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Board of Revison of Taxes

[2] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[3] See Table 17 for Population Amounts

City of Philadelphia
Direct and Overlapping Governmental Activities Debt
June 30, 2013

Table 14

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	3,226.0	100.00%	3,260.0
[1] **City Direct Debt**			4,279.8
Total Direct and Overlapping Debt			7,539.8

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

[1] Refer to Table 12

City of Philadelphia
Legal Debt Margin Information
For the Fiscal Years 2004 through 2013

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2013

[1]	Assessed Value	12,370.3
[2]	Debt Limit	1,670.0
[3]	Debt Applicable to Limit:	
	Tax Supported General Obligation Debt:	
	Issued & Outstanding	1,276.2
	Authorized but Unissued	341.7
	Total	1,617.9
	Less: Amount set aside for repayment of general obligation debt	-
	Total Net Debt Applicable to Limit	1,617.9
	Legal Debt Margin	52.1

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	1,280.3	1,304.8	1,335.6	1,374.7	1,418.0	1,469.4	1,523.4	1,571.9	1,622.3	1,670.0
Total Net Debt Applicable to Limit	1,159.1	1,205.5	1,185.8	1,293.4	1,329.3	1,352.3	1,407.0	1,474.6	1,542.5	1,617.9
Legal Debt Margin	121.2	99.3	149.8	81.3	88.7	117.1	116.4	97.3	79.8	52.1
Total Net Debt Applicable to the Limit as a Percent of Total Debt	90.53%	92.39%	88.78%	94.09%	93.74%	92.03%	92.36%	93.81%	95.08%	96.88%

[1] Average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

[2] Thirteen and one-half percent (13.5%) of the average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

[3] Refer to Purdon's Statutes 53 P.S. Section 15721

City of Philadelphia **Table 16**

Pledged Revenue Coverage

For the Fiscal Years 2004 through 2013

Amounts in millions of USD

No.		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	421.6	463.5	504.0	536.2	597.8	527.5	566.7	589.7	613.3	638.4
2	Net Operating Expenses	262.0	277.7	284.2	303.2	334.7	342.6	334.0	357.7	375.1	399.3
3	Transfer To (From) Rate Stabilization Fund	(28.8)	(0.6)	21.6	26.0	(9.8)	(34.7)	(2.7)	10.9	8.5	(4.7)
4	Net Revenues	188.4	186.4	198.2	207.0	272.9	219.6	235.4	221.1	229.7	243.8
	Debt Service:										
5	Revenue Bonds Outstanding	157.0	155.4	165.2	172.7	173.8	183.0	195.7	184.3	191.4	201.0
6	General Obligation Bonds Outstanding	-	-	-	-	-	-				
7	Pennvest Loan	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.0	-
8	Total Debt Service	158.2	156.6	166.4	173.9	175.0	184.2	196.9	185.5	192.4	201.0
9	Net Revenue after Debt Service	30.2	29.8	31.8	33.1	97.9	35.4	38.5	35.6	37.3	42.8
10	Transfer to General Fund	-	4.4	5.0	5.0	5.0	4.2	2.3	-	1.1	0.6
11	Transfer to Capital Fund	16.4	16.7	16.9	16.9	16.9	17.1	17.3	18.1	18.9	19.4
12	Transfer to Residual Fund	13.8	8.7	9.9	11.2	76.0	14.1	18.9	17.5	17.3	22.8
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.57	1.20	1.20	1.20	1.20	1.21
	Coverage B (Line 4/(Line 8 + Line 11))	1.08	1.08	1.08	1.08	1.42	1.09	1.10	1.09	1.09	1.11
	Airport Revenue Bonds										
1	Fund Balance	-	-	-	10.2	42.6	61.4	55.1	77.6	65.9	69.3
2	Project Revenues	183.3	185.1	200.8	211.3	250.5	255.3	246.9	260.8	269.6	291.8
3	Passenger Facility Charges	32.8	32.9	32.6	32.9	32.9	32.9	33.1	32.4	31.6	31.2
4	Total Fund Balance and Revenue	216.1	218.0	233.4	254.4	326.0	349.6	335.1	370.8	367.1	392.3
5	Net Operating Expenses	71.9	71.3	77.2	87.1	99.8	99.5	102.9	98.1	99.0	110.7
6	Interdepartmental Charges	52.2	57.6	57.9	70.6	89.1	89.0	80.7	88.6	92.7	101.9
7	Total Expenses	124.1	128.9	135.1	157.7	188.9	188.5	183.6	186.7	191.7	212.6
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	144.2	146.7	156.2	167.3	226.2	250.1	232.2	272.7	268.1	281.6
9	All Bonds (Line 4-Line 7)	92.0	89.1	98.3	96.7	137.1	161.1	151.5	184.1	175.4	179.7
	Debt Service:										
10	Revenue Bonds	89.7	88.1	88.1	85.5	84.4	95.6	94.3	102.4	103.0	109.8
11	General Obligation Bonds	1.0	1.1	-	-	-	-	-	-	-	-
12	Total Debt Service	90.7	89.2	88.1	85.5	84.4	95.6	94.3	102.4	103.0	109.8
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.61	1.67	1.77	1.96	2.68	2.62	2.46	2.66	2.60	2.56
	Total Debt Service - Test "B" (Line 9/Line 12)	1.01	1.00	1.12	1.13	1.62	1.69	1.61	1.80	1.70	1.64

Note:

The rate covenant of the Aviation issues permit inclusion of Fund Balance at the beginning of the period with project revenues for the period to determine adequacy of coverage.

Coverage "A" requires that Net Revenues equal at least 120% of the Debt Service Requirements while Coverage "B" requires that Net Revenues equal at least 100% of the Debt Service Requirements plus Required Capital Account Transfers. Test "A" requires that Project Resources be equal to Net Operating Expenses plus 150% of Revenue Bond Debt Service for the year. Test "B" requires Project Resources be equal to Operating Expenses for the year plus all debt service requirements for the year except any General Obligation Debt Service not applicable to the project.

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis. Prior to FY2008 Airport Revenues and Expenses were reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

City of Philadelphia

Table 17

Demographic and Economic Statistics

For the Calendar Years 2003 through 2012

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2003	1,510,068	42,198,628	27,945	7.5%
2004	1,514,658	43,463,015	28,695	7.3%
2005	1,517,628	44,944,207	29,615	6.7%
2006	1,520,251	47,566,075	31,288	6.2%
2007	1,530,031	50,672,227	33,118	6.0%
2008	1,540,351	54,262,716	35,228	7.1%
2009	1,547,297	54,061,223	34,939	9.6%
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%

[1] US Census Bureau

[2] US Department of Commerce, Bureau of Economic Analysis

[3] US Department of Labor, Bureau of Labor Statistics

City of Philadelphia

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2013	2004
Albert Einstein Medical	Albert Einstein Medical
Children's Hospital of Philadelphia	City of Philadelphia
City of Philadelphia	Hospital of the University of Pennsylania
Comcast Corporation	School District of Philadelphia
Hospital of the University of Pennsylvania	SEPTA
School District of Philadelphia	Temple University
SEPTA	Tenet Healthsystem
Temple University	Thomas Jefferson University Hospitals
Thomas Jefferson University Hospitals	United States Postal Service
University Of Pennsylvania	University Of Pennsylvania

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2004 through 2013

Table 19

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Economic Development	9	6	6	6	6	23	25	27	28	31
Transportation:										
Streets & Highways	597	564	579	585	584	568	515	499	524	517
Mass Transit	1	1	1	1	1	8	7	9	13	15
Judiciary and Law Enforcement										
Police	7,888	7,578	7,522	7,639	7,754	7,685	7,503	7,439	7,292	7,270
Prisons	2,002	2,227	2,228	2,183	2,153	2,309	2,268	2,173	2,150	2,245
Courts	3,471	3,450	3,403	3,361	3,386	3,310	3,215	3,225	3,249	3,260
Conservation of Health:										
Emergency Medical Services	300	289	255	249	237	256	329	341	338	375
Health Services	1,210	1,163	1,133	1,148	1,140	1,163	1,135	1,139	1,143	1,117
Housing and Neighborhooc										
Development	110	105	97	111	108	99	96	94	83	75
Cultural and Recreational										
Recreation	556	511	495	482	483	462	453	601	605	596
Parks	200	182	158	156	156	152	158	1	-	-
Libraries and Museums	774	726	812	816	808	723	687	682	658	651
Improvements to General Welfare:										
Social Services	2,220	2,196	2,140	2,164	2,232	2,107	2,079	1,989	1,924	1,832
Inspections and Demolitions	417	380	248	243	246	221	223	214	230	286
Service to Property:										
Sanitation	1,340	1,233	1,272	1,229	1,239	1,169	1,157	1,185	1,154	1,152
Fire	2,004	1,925	1,974	2,109	2,052	2,019	1,820	1,838	1,700	1,705
General Management and Support	2,369	2,253	2,347	2,331	2,414	2,393	2,276	2,225	2,454	2,384
Total Governmental Activities	25,468	24,789	24,670	24,813	24,999	24,667	23,946	23,681	23,545	23,511
Business Type Activities:										
Water and Sewer	2,342	2,326	2,239	2,229	2,291	2,256	2,196	2,116	2,228	2,218
Aviation	1,021	967	1,004	1,010	1,057	1,033	1,001	1,010	1,021	1,057
Total Business-Type Activities	3,363	3,293	3,243	3,239	3,348	3,289	3,197	3,126	3,249	3,275
Fiduciary Activities:										
Pension Trust	64	64	65	65	59	69	66	65	61	53
Total Primary Government	28,895	28,146	27,978	28,117	28,406	28,025	27,209	26,872	26,855	26,839

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2004 through 2013

Table 20

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	117	105	102	107	74	119	69	36	37	51
Potholes Repaired	23,179	20,862	18,203	12,721	12,326	11,976	23,049	24,406	14,451	12,093
Judiciary and Law Enforcement:										
Police										
Arrests	68,486	67,795	69,166	73,606	75,805	68,922	64,465	73,310	70,971	71,109
Calls to 911	3,290,786	3,270,114	3,321,896	3,398,985	3,164,454	3,084,261	3,064,973	2,949,231	3,118,648	2,979,990
Prisons										
Average Inmate Population	7,738	8,141	8,613	8,796	9,133	9,554	8,806	7,935	8,240	8,987
Inmate Beds (city owned)	8,283	8,405	8,605	8,443	9,005	9,137	9,137	8,200	8,417	8,417
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	NA	NA	209,654	216,606	215,305	217,505	222,882	227,147	273,557	280,877
First Responder Runs	NA	NA	69,740	68,203	60,756	53,610	54,960	66,763	60,972	57,047
Health										
Patient Visits	317,184	337,770	324,014	323,121	334,139	349,078	350,695	339,032	348,472	341,305
Children Screened for Lead Poisoning	37,863	38,013	43,038	43,501	41,590	50,525	47,713	45,844	28,244	32,271
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	NA	NA	2,878	2,227	1,389	1,420	1,388	2,714	1,978	2,442
Libraries										
Items borrowed	6,963,935	6,294,315	6,188,637	6,328,706	7,037,694	7,419,466	6,530,662	7,210,217	7,503,031	6,579,054
Visitors to all libraries	6,216,973	5,517,569	6,103,354	6,422,857	6,648,998	6,396,633	5,615,201	6,103,528	6,020,321	6,116,762
Visitors to library website	1,661,794	2,044,518	2,594,527	3,285,380	4,912,405	4,613,496	5,256,928	6,131,726	6,886,339	7,301,311
Improvements to General Welfare:										
Social Services										
Children Receiving Services	28,039	28,926	28,086	28,898	25,893	35,685	31,416	28,572	28,939	27,391
Children in Placement	9,037	8,548	7,999	8,070	7,739	7,993	8,792	7,122	7,839	8,509
Emergency Shelter Beds (average)	2,412	2,539	2,781	2,677	2,747	2,689	2,617	2,520	2,987	2,116
Transitional Housing Units (new placements)	489	597	448	543	435	476	487	510	558	539
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	3,006	3,008	3,006	2,922	2,798	2,532	2,412	2,254	2,299	2,179
Recyclables Collected (tons per day)	169	157	155	179	197	288	381	441	461	470
Fire										
Fires Handled	NA	NA	9,523	8,080	7,444	6,850	4,927	7,945	7,319	6,365
Fire Marshall Investigations	NA	NA	2,734	3,153	3,097	3,031	2,726	2,711	2,387	2,135
Business Type Activities:										
Water and Sewer										
New Connections	106	137	207	125	295	281	704	121	125	147
Water Main Breaks	794	706	660	825	687	802	646	954	557	823
Avg. Daily Treated Water Delivered (x 1000 gallons)	175,600	174,100	175,800	169,400	167,000	163,660	242,900	250,000	239,200	245,500
Peak Daily Treated Water Delivered (x 1000 gallons)	201,700	210,000	207,400	179,100	170,500	167,090	272,200	282,000	254,500	270,200
Avg. Daily Water Sewage Treatment (x 1000 gallons)	476,110	478,670	430,170	463,080	411,830	417,330	468,200	410,000	443,500	388,400
[1] **Aviation**										
Passengers Handled (PIA)	26,190,976	31,074,454	31,341,459	31,885,333	32,287,035	30,819,348	30,469,899	31,225,470	30,612,150	30,358,905
Air Cargo Tons (PIA)	568,898	599,758	591,815	571,452	575,640	475,365	440,495	449,683	416,731	388,383
Aircraft Movements (PIA and NPA)	584,214	629,885	625,692	614,720	593,757	551,191	543,462	458,832	517,842	506,261

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

City of Philadelphia
Capital Assets Statistics by Function
For the Fiscal Years 2004 through 2013

Table 21

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Transportation:										
Streets & Highways										
[1] Total Miles of Streets	2,400	2,400	2,400	2,575	2,575	2,575	2,575	2,575	2,575	2,575
Streetlights	101,836	102,000	102,219	102,840	102,949	103,982	104,219	104,219	104,600	105,151
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	33	33	33	34	36	35	35	31	32	37
Prisons										
Major Correctional Facilities	6	6	6	6	6	6	6	6	6	6
Conservation of Health:										
Health Services										
Health Care Centers	9	9	9	9	9	9	9	9	9	9
Cultural and Recreational:										
Recreation										
Recreation Centers	164	165	165	171	171	171	171	153	184	185
[2] Athletic Venues	1,121	1,121	1,117	1,117	919	915	914	1,148	1,102	1,101
[4] Neighborhood Parks and Squares	232	232	232	232	79	79	79	-	-	-
Parks										
Parks	62	62	62	63	63	63	63	150	177	175
Baseball/Softball Fields	106	106	106	109	77	79	79	407	404	404
Libraries										
Branch & Regional Libraries	54	53	54	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	63	63	64	64	64	63	63	63	68	68
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,169	3,169	3,169	3,133	3,137	3,145	3,236	3,164	3,172	3,174
Fire Hydrants	27,987	26,080	26,080	25,195	25,181	25,208	25,234	25,353	25,321	25,355
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,400	1,065,400	1,065,400	1,065,400
Sanitary Sewers (miles)	596	596	596	768	750	749	751	758	759	762
Stormwater Conduits (miles)	623	623	623	784	713	720	721	731	734	738
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,065,400
[3] **Aviation**										
Passenger Gates (PIA)	120	120	120	120	120	120	120	126	126	126
Terminal Buildings (square footage) (PIA)	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	3,144,000	3,144,000	3,144,000	3,144,000
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	43,500	43,500	43,500	43,500	43,500

[1] Street System-83% city streets, 2% park streets, 15% state highways

[2] Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

[3] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.

[4] FPC and Recreation Dept were merged in FY2011, hence the category of Neighborhood Parks and Squares was eliminated.

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Report can be found @ http://www.phila.gov/finance/reports-Comprehensive.html

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT

The following sets forth the definitions of certain terms used in the Indenture and Service Agreement and elsewhere in this Official Statement, and a summary of certain provisions of the Indenture and the Service Agreement. Reference should be made to the full texts of the Indenture and the Service Agreement for a complete statement of all of these provisions and other provisions. Copies of the Indenture and the Service Agreement may be obtained from the Trustee. Capitalized terms used but not defined herein shall have the meanings set forth in the forepart of this Official Statement.

DEFINITIONS OF CERTAIN TERMS

"Account" shall mean any account authorized to be established by the Indenture.

"Additional Obligations" shall mean all bonds, notes, evidences of indebtedness, lines of credit or other credit facility or liquidity facility (other than a Credit Facility), or other obligations issued under the Indenture (including all payment and reimbursement obligations in connection therewith), other than the 2014 Bonds, in each case with respect to which the City has agreed to pay the Service Fee.

"Administrative Expenses" shall mean the reasonable fees and expenses of the Authority (including the Authority's initial fee) and the Trustee and any paying agent, remarketing agent or other fiduciary or agent appointed under the Indenture, including reasonable legal fees and expenses, in connection with the funding and administration of the Project, the issuance of any Obligations, the administration of the Indenture, the performance of the Authority's obligations under the Service Agreement, or in connection with inquiring into, or enforcing the performance of, the City's obligations under the Service Agreement or the Indenture.

"Annual Debt Service Requirement" shall mean, with respect to each Fiscal Year, the sum of the amounts required to be paid by the Authority in such Fiscal Year for (i) the payment of principal and mandatory sinking fund redemption of and interest on the Obligations, and (ii) the payment of any Credit Facility Payment Obligations.

"Authorized Representative of the Authority" shall include the Executive Director, Chairman, Vice Chairman, Secretary and Assistant Secretary of the Authority.

"Authorized Representative of the City" shall include the City Treasurer, the Director of Finance or any other Person designated as such in a writing signed by the City Treasurer or the Director of Finance.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations thereunder, as the same may be amended from time to time. Reference herein to any specific provision of the Code shall be deemed to refer to any successor provision of the Code.

"Certified Resolution" shall mean one or more resolutions of the governing body of the Authority, certified by the Secretary or Assistant Secretary of the Authority, under its seal, to have been duly adopted or enacted and to be in full force and effect as of the date of certification.

"Cost" or "Costs" shall mean all costs of the Project which the City or the Authority or either of them is authorized to incur under applicable law (including the Act and the Ordinance) and includes Costs of Issuance.

"Costs of Issuance" shall mean the costs of issuance of Obligations, including without limitation underwriting fees; costs of financial, legal, professional and other advice; Credit Facility Payment Obligations (and/or the costs thereof) payable in connection with the issuance of such Obligations; and any other expenses as may be necessary or incident to the issuance of such Obligations.

"Counsel" shall mean an attorney at law or law firm (which may include counsel to the Authority or the City) not unsatisfactory to the Trustee.

"Credit Facility" shall mean any letter of credit, surety bond, insurance policy, standby bond purchase agreement, line of credit or other credit facility or liquidity facility issued or entered into for the benefit of the Holders of the Obligations of any series or any portion thereof to further secure payment of the principal of (including any mandatory sinking fund redemptions), purchase price of, if applicable, and interest on such Obligations.

"Credit Facility Payment Obligations" shall mean all payment and reimbursement obligations of the Authority to a Credit Issuer in connection with any Credit Facility securing all or a portion of any series of Obligations. The Authority's obligations to pay the principal of (including any mandatory sinking fund redemptions) and interest on Obligations held by a Credit Issuer (whether by purchase, subrogation, foreclosure of a pledge of such Obligations or otherwise) shall be Payment Obligations and shall not be Credit Facility Payment Obligations.

"Credit Issuer" shall mean each provider of a Credit Facility.

"Event of Default" shall mean any of the events described below under "THE INDENTURE−Events Of Default And Remedies."

"Fiscal Year" shall mean the period of twelve (12) months beginning on July 1 and ending on June 30 of the following calendar year.

"Fund" shall mean any fund authorized to be established by the Indenture.

"Government Obligations" shall mean direct obligations of, or obligations the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by, the United States of America.

"Holders" or "Holder" (when used with respect to Obligations) shall mean the Person in whose name any Obligation is registered. A Credit Issuer which owns Obligations by purchase or which is subrogated to the rights of Holders of the Obligations is a Holder of the Obligation for purposes of the Indenture.

"Indenture" shall mean the Indenture as amended or supplemented by all Supplemental Indentures in effect at the time in question.

"Independent" shall mean, with respect to any Person, a Person: (i) who is not a member of the Board of the Authority or an elected official of the City; (ii) who is not an officer or employee of the Authority or the City; (iii) which is not a partnership, corporation or association having a partner, director, or officer, who is a member of the Board of the Authority or an elected official of the City, or who is an officer or employee of the Authority or the City; provided, however, that the fact that such Person or entity is retained regularly by or transacts business with the Authority or the City shall not make such Person or entity an employee of the Authority or the City.

"Independent Certified Public Accountant" shall mean an Independent accounting firm which is appointed by the Authority for the purpose of examining and reporting on or passing on questions relating to the financial statements of the Authority, has all certifications necessary for the performance of such services and has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors.

"Investment Securities" shall mean: (1) Government Obligations; (2) any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, the Student Loan Marketing Association and Export-Import Bank of the United States; (3) any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by any other Federal agency and backed by the full faith and credit of the United States of America; (4) deposits in interest-bearing time or demand deposits, or certificates of deposit, fully insured by the Federal Deposit Insurance Corporation, or its successors, or fully secured by any of the obligations described above to the extent not so insured; (5) repurchase agreements relating to, or investment agreements secured by or providing for the

acquisition of and, if applicable, resale of, obligations described in (1) or (2) above, with: (i) banks or trust companies (which may include any banking entity or depository); (ii) brokers or broker-dealers registered under the Securities Exchange Act of 1934 which are members of the Securities Investors' Protection Corporation and which are acceptable to the City; or (iii) insurance companies rated A+ or better by Best's having a net capital and surplus of at least $25,000,000; provided that any such repurchase agreement or investment agreement shall meet the following requirements: (A) the repurchase or investment agreement must be secured in the principal amount thereof by securities listed in subsections (1) or (2) above having at all times a fair market value of at least 100% of such agreement and deposited with the Trustee or its agents as collateral therefor, (B) the Trustee shall have a perfected first security interest in such collateral securities, and (C) the collateral securities shall be owned by the pledgor free and clear of any liens or security interests other than that of the Trustee; (6) certificates of deposit with such banks or trust companies as described in paragraph (5)(i) above fully secured as to principal and accrued interest by obligations described in paragraphs (1) through (4) deposited with or subject to the control of the Authority or the Trustee; (7) money market deposit accounts of banks or trust companies having a net capital and surplus of at least $25,000,000 (which may include the Trustee or any affiliate thereof); the authorized investments set forth in (5), (6) and (7) shall only be made if the agreements referenced therein provide for the repayment of the principal amount invested at an amount not less than that so invested; whenever security is required as set forth in (4) through (7), such security shall be deposited with the Trustee or other agent of the Trustee satisfactory to the Trustee and the City; (8) direct and general obligations of any state of the United States, for which the full faith and credit of such state is pledged, if at the time of their purchase such obligations are rated in any of the two highest rating categories by either S&P or Moody's, upon the discontinuance of either or both of such services, such other nationally recognized rating service or services, as the case may be, as shall be determined by an Authorized Representative of the City; (9) shares of open-end, diversified investment companies (i) registered under the Investment Company Act of 1940, (ii) investing exclusively in Investment Securities of the types set forth in (1) or (2) above, (iii) maintaining a constant net asset value per share in accordance with regulations of the Securities and Exchange Commission, and (iv) individually having aggregate net assets of not less than $10,000,000 on the date of purchase; provided that the purchase of shares of any particular investment company shall be limited to an aggregate amount of not more than 5% of the aggregate net assets of that investment company on the date of purchase; (10) commercial paper rated, at the time of purchase, in the highest category by S&P and Moody's; and (11) investment agreements with, or which are guaranteed by, a financial institution or financial services company which has an unsecured, uninsured and unguaranteed obligation rated, at the time such agreement is entered into, in one of the three highest rating categories by Moody's or S&P, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, or is an insurance company or insurance holding company with a claims paying ability rated in one of the three highest categories, provided (i) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with Interest Payment Dates, (ii) moneys invested thereunder may be withdrawn without any penalty, premium or charge upon not more than seven days' notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); (iii) the agreement is not subordinated to any other obligations of such financial institution or bank, (iv) the same guaranteed interest rate will be paid on any future deposits permitted to be made under such investment agreement, and (v) the Trustee receives an opinion of Counsel that such agreement is an enforceable obligation of such financial institution.

“Moody's” shall mean Moody's Investors Service, Inc. and any successor thereto.

"Obligation" or "Obligations" shall mean the 2014 Bonds and any Additional Obligations issued by the Authority under the Indenture.

“Outstanding” shall mean all Obligations authenticated and delivered under the Indenture, except: (a) all Obligations theretofore cancelled or required to be cancelled; (b) Obligations for the payment of which provision has been made; and (c) Obligations in substitution for which other Obligations have been authenticated and delivered.

“Paying Agent” or “Co-Paying Agent” means any national banking association, bank, bank and trust company or trust company appointed by the Authority.

"Payment Date" shall mean a date on which a payment of principal (including any mandatory sinking fund redemptions) or interest with respect to any Obligations or payment of any Credit Facility Payment Obligations shall be due and payable.

"Payment Obligations" shall mean the Authority's obligation to repay the Obligations.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a limited liability company, a trust, an unincorporated organization, a governmental unit or an agency, political subdivision or instrumentality thereof, or any other group or organization of individuals.

"Reserved Rights" shall have the same meaning as set forth in the Service Agreement.

"Revenues" shall mean (i) the Service Fee and all other amounts payable to the Authority by the City under the Service Agreement, and all rights to receive the same (except for payments with respect to the Reserved Rights), (ii) all moneys, investments and securities at any time and from time to time held in the Funds and Accounts including all interest earnings and gains on sales of Investment Securities on deposit in such Funds and Accounts established under the Indenture, and (iii) any other amounts appropriated by the City and paid by the City to the Authority or the Trustee and pledged by the Authority as security for the payment of Payment Obligations and Credit Facility Payment Obligations or received from any other source by the Authority or the Trustee and pledged by the Authority as security for the payment of Payment Obligations and Credit Facility Payment Obligations.

"S&P" shall mean Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and any successor thereto.

"Service Fee" shall mean the service fee payable by the City to the Authority pursuant to the Service Agreement, and assigned to the Trustee.

"Supplemental Indenture" or "indenture supplemental hereto" shall mean any indenture amending or supplementing the Indenture which may be entered into in accordance with the provisions of the Indenture.

"Trust Estate" shall mean the security pledged for the Obligations as described below under THE INDENTURE−Pledge of the Trust Estate."

"2014 Bonds" shall mean the "Bonds" as described in the forepart of this Official Statement.

THE INDENTURE

Pledge of the Trust Estate

To secure all Obligations issued and Outstanding in accordance with the terms and conditions of the Indenture and each Supplemental Indenture, and to the extent and in the manner provided in the Indenture, the payment of Credit Facility Payment Obligations, the rights of the Holders of Obligations (and, to the extent provided in the Indenture, Credit Issuers) and the performance and observance of all of the covenants contained in said Obligations, in the Indenture and in each Supplemental Indenture, the Authority sells, assigns, transfers, sets over and pledges unto the Trustee, its successors in the trust and its assigns forever, and grants to said Trustee, its successors in trust and its assigns forever a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for the Reserved Rights) and the Revenues; provided, however, that the security interest granted and the pledge of the Trust Estate and assignment to secure the Credit Facility Payment Obligations shall be subject and subordinate to the pledge and security interest granted to secure the Obligations.

Disposition of Proceeds of 2014 Bonds

The Trustee shall establish a Settlement Fund for disposition of the proceeds of the 2014 Bonds. Upon the issuance and delivery of the 2014 Bonds, the proceeds thereof shall be deposited to the Settlement Fund and withdrawn therefrom and applied to Costs of the 2014 Project or deposited in the Project Fund as set forth in a written direction from an Authorized Representative of the Authority and an Authorized Representative of the City.

Establishment of Project Fund; Accounts within Fund

The Trustee shall establish a Project Fund for the payment of Costs of the Project (including Costs of Issuance) and shall deposit into the Project Fund the specified proceeds of the Obligations in accordance with the Indenture, and Revenues in accordance with the Indenture. All amounts deposited into the Project Fund shall be held for the security of all Outstanding Obligations and, on a subordinate basis, for all Credit Facility Payment Obligations.

Payments from Project Fund

Payments from the Project Fund established under the Indenture shall be made in respect of Costs of the Project (including Costs of Issuance) as are authorized by a closing statement signed by an Authorized Representative of the Authority and by an Authorized Representative of the City, and delivered at settlement for such Obligations and upon receipt by the Trustee of a requisition signed by an Authorized Representative of the City with a copy to the Authority. Prior to expenditure of any proceeds of Obligations (issued with the expectation that the interest thereon will be federally tax-exempt) on Costs of the Project other than Costs of the Public Safety Services Campus Project, the Authority shall provide the Trustee with an opinion of nationally-recognized bond counsel to the effect that such expenditure, in and of itself, will not adversely affect the exclusion of the interest payable on any Obligations (issued with the expectation that the interest thereon will be federally tax-exempt) from the gross income of the Holders thereof for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

Issuance of Additional Obligations

Additional Obligations may be issued under the Indenture upon satisfaction of the conditions set forth in the Supplemental Indenture providing for the issuance thereof; provided that no Additional Obligation may be issued unless the City executes and delivers to the Authority an amendment or supplement to the Service Agreement acknowledging the issuance of such Additional Obligations and confirming the obligations of the City to pay the Service Fee in amounts sufficient to pay the Payment Obligations with respect to such Additional Obligations.

Revenues to be Paid over to Trustee

The Revenues and all moneys, securities and funds held or set aside or to be held or set aside pursuant to the Indenture by the Trustee or in any Fund, Account or subaccount created by the Indenture and all other pledged property comprising the Trust Estate are pledged and a security interest is therein granted, to secure the payment of the Payment Obligations and Credit Facility Payment Obligations; provided, however, that the pledge and security interest granted to secure the Authority's obligation to pay Credit Facility Payment Obligations shall be subject and subordinate to the pledge and security interest in the Indenture granted to secure Payment Obligations. The Authority shall pay or cause to be paid the Revenues directly to the Trustee. Upon receipt of any Revenues, or other amounts forming a part of the Trust Estate under the Indenture, the Trustee shall deposit the same in the appropriate Fund or Funds. Except as otherwise provided in the Indenture, the Trust Estate under the Indenture shall be collected, held and applied for the equal and ratable benefit and security of all Holders of the Obligations.

Revenue Fund; Application Thereof

The Trustee shall establish a Revenue Fund, into which it shall deposit all Revenues received by it. Amounts on deposit in the Revenue Fund shall be deposited, on each Payment Date, <u>first</u> to the Debt Service Fund, to the extent (if any) needed to increase the amount in the Debt Service Fund so that it equals the Payment Obligations then due, <u>second</u>, into the Subordinated Payment Obligations Fund, the amount of any Credit Facility Payment Obligations due on such Payment Date, and <u>third</u>, at the written direction of an Authorized Representative of the City, to the Project Fund; provided, however, that the Service Fee shall be deposited only into the Debt Service Fund and the Subordinated Payment Obligations Fund.

Debt Service Fund; Application Thereof

The Trustee shall establish and maintain a Debt Service Fund. Moneys on deposit in the Debt Service Fund shall be applied on each Payment Date as follows: (1) to the payment, when due, of interest on all Outstanding Obligations (including accrued interest due upon redemption); (2) to the payment, when due, of the principal of Obligations then payable at maturity or mandatory sinking fund redemption (but, except as otherwise provided in the Indenture, only upon surrender of such Obligations), subject to reduction by the principal amount of Obligations of the same series, maturity and interest rate purchased by the Authority and surrendered to the Trustee for cancellation or purchased for cancellation by the Trustee; and (3) during the 12-month period preceding each principal maturity or mandatory sinking fund redemption, the Trustee shall, at the request of the Authority, accept the purchase of Obligations of the series, maturity and interest rate becoming due or subject to mandatory redemption on such date from funds in the Debt Service Fund; provided, however, that no such purchase shall be made unless the purchase price does not exceed 100% of the principal amount of the Obligations so to be purchased plus accrued interest. Payments from the Debt Service Fund shall be made ratably (to the extent payable on the same date) by the Trustee according to amounts due in respect of each Obligation without preference of one Obligation over another.

Subordinated Payment Obligations Fund; Application Thereof

The Trustee shall establish a Subordinated Payment Obligations Fund into which the Trustee shall deposit for each series of Obligations amounts required to be deposited therein with respect to any Credit Facility Payment Obligations. The Trustee shall withdraw from the Subordinated Payment Obligations Fund on or before each Payment Date the amount of any Credit Facility Payment Obligations due on such date and shall cause the same to be paid to the applicable Credit Issuer. Payments from the Subordinated Payment Obligations Fund shall be made ratably (to the extent payable on the same date) by the Trustee according to the amounts due in respect of each Credit Facility Payment Obligation without priority or preference of one Credit Facility Payment Obligation over another.

Procedure When Funds Are Sufficient to Pay All Obligations

If at any time the amounts held by the Trustee in the Funds established under the Indenture are sufficient to pay principal of and interest on all Obligations then Outstanding to maturity or prior redemption, together with any amounts due the Trustee, the Trustee shall so notify the Authority and the City and, if so directed by the City, the Trustee shall apply the amounts in the Funds to the payment of the aforesaid obligations to effect a defeasance of the Obligations.

Moneys to Be Held for All Holders, With Certain Exceptions

Moneys and investments held in all Funds and Accounts established and held under the lien of the Indenture shall be held in trust for the benefit of the Holders of all Outstanding Obligations and each Credit Issuer, except that: (a) on and after the date on which the interest on or principal (including any mandatory sinking fund redemptions) of any particular Obligation or Obligations is due and payable from the Debt Service Fund, the unexpended balance of the amount deposited or reserved in such Fund for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Holder of the Obligations or Holders of the Obligations entitled thereto; and (b) the rights of any Holders of the Obligations with respect to principal or interest payments extended beyond their due dates pursuant to the provisions of the Indenture shall be subordinate to the rights of Holders of the Obligations with respect to payments not so extended.

Investment or Deposit of Funds

Moneys on deposit in the Funds established pursuant to the Indenture shall be invested and reinvested by the Trustee at the direction of an Authorized Representative of the City in Investment Securities that shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates on which the amounts invested are reasonably expected to be

needed for the purposes of the Indenture. The principal of the Investment Securities and the earnings thereon, including interest, income and net profits received in respect thereof, shall be applied upon receipt as follows: (i) earnings on the Revenue Fund, the Settlement Fund, the Project Fund and the Debt Service Fund shall in each case be retained in such Fund or Account; and (ii) whenever any other transfer or payment is required to be made from any particular Fund, such transfer or payment shall be made from such combination of maturing principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Authority deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any Investment Securities to be redeemed, withdrawn or sold, and any penalties, gains or losses to be realized upon any such redemption, withdrawal or sale. The Trustee shall not be accountable for any depreciation in the value of the Investment Securities or any losses incurred upon any authorized disposition thereof. The Trustee shall not be responsible for monitoring the ongoing ratings of Investment Securities.

Covenants Of Authority

The covenants of the Authority under the Indenture include:

Payment of Principal and Interest on Obligations. The Authority shall promptly pay the interest on and the principal and redemption price of Obligations, but only out of the Trust Estate.

Corporate Existence and Maintenance of Properties. The Authority shall (a) maintain its corporate existence, (b) maintain its power to perform its obligations under the Indenture, and (c) maintain the Service Agreement in full force and effect.

Compliance with Service Agreement. The Authority covenants and agrees that (a) it shall comply with all applicable provisions of the Service Agreement; (b) it shall enforce against the City the obligations of the City under the Service Agreement, including, without limitation, the obligation to pay the Service Fee when due; (c) it shall cause a true and correct copy of the Service Agreement to be filed with the Trustee, and a true and correct copy of any amendment to the Service Agreement to be filed with the Trustee; and (d) it shall furnish to the Trustee such documents, certificates and reports as it may be required under the terms of the Service Agreement to deliver to the City from time to time, whether or not otherwise specifically required under the Indenture.

Extension of Time for Payment. The Authority shall not directly or indirectly extend or assent to the extension of the time for payment of the principal of or interest on any Obligations and shall not directly or indirectly be a party to or approve any arrangement therefor. Notwithstanding the foregoing, the Holder of any Obligation may extend the time for payment of the principal of or interest on such Obligation; provided, however, that upon the occurrence of an Event of Default, funds available under the Indenture for the payment of the principal of and interest on the Obligations shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Further Assurances: Additional Revenues. The Authority shall not enter into any contract or take any action by which the rights under the Indenture of the Trustee or the Holders of the Obligations or Credit Issuers may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture and each Supplemental Indenture and for the better assuring, transferring, conveying, pledging, assigning, and confirming unto the Trustee the Trust Estate. If at any time the Authority receives any Revenues which are not assigned to the Trustee, it shall promptly pay the same to the Trustee for deposit in the Revenue Fund and, at the request of the Trustee, shall execute and deliver an assignment of its right, title and interest in and to future income or payments of the same type to the Trustee to be held as part of Revenues and file or record such assignment as may be appropriate to perfect the security interest created by the Indenture.

Creation of Liens. The Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of a similar nature, other than the Obligations and Credit Facility Payment Obligations, payable out of or secured by a pledge or assignment of the Trust Estate and shall not create or cause to be created any lien or charge on the Trust Estate.

Events Of Default And Remedies

Events of Default Defined. Each of the following shall be an Event of Default under the Indenture: (i) if payment of any installment of interest on any Obligation is not made when it becomes due and payable; (ii) if payment of the principal of any Obligation is not made when it becomes due and payable at maturity or mandatory sinking fund redemption; (iii) if the Authority defaults in the due and punctual performance of any other covenant in the Obligations or in the Indenture and such default continues for sixty (60) days after written notice requiring the same to be remedied shall have been given to the Authority and the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of any Credit Issuer or the Holders of not less than 25% in principal amount of Obligations then Outstanding, provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such sixty (60)-day period, no Event of Default shall be deemed to have occurred or exist if and so long as the Authority or the City shall commence such performance within such sixty (60)-day period and shall diligently and continuously prosecute the same to completion; (iv) if the City fails to pay the Service Fee at the times and in the amounts required under the Service Agreement and any grace period with respect to such failure under the Service Agreement shall have lapsed; or (v) if the Authority fails to comply with the Act.

The Service Agreement provides that an acceleration of the Authority's payment obligations with respect to the Obligations or with respect to any Credit Facility Payment Obligation shall not cause an acceleration of the payment of the Service Fee thereunder.

Acceleration and Annulment Thereof. If any Event of Default under (i), (ii) or (iii) above has occurred and is continuing, the Trustee may, and at the written direction of the Holders of a majority in principal amount of the Obligations then Outstanding the Trustee shall, by notice in writing to the Authority, declare the principal of all Obligations then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Obligations to the contrary notwithstanding; provided, however, that no such declaration shall be made, if the Authority or the City cures such Event of Default prior to the date of the declaration.

If after the principal of the Obligations has been so declared to be due and payable, all arrears of interest upon the Obligations are paid by the Authority, and the Authority also performs all other things in respect to which the Authority may have been in default under the Indenture and pays the reasonable charges of the Trustee and the Holders of Obligations, including reasonable attorney's fees, then, and in every such case, the Trustee may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Holders of Obligations; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Legal Proceedings by Trustee. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Obligations then Outstanding and receipt of indemnity to its satisfaction shall, in its own name: (a) by action at law or in equity enforce rights of the Holders of Obligations including the right to require the Authority to (i) collect the Service Fee; (ii) carry out any other agreements with or for the benefit of Holders of Obligations; and (iii) its duties under the Act; (b) bring suit upon the Obligations; (c) by action in equity require the Authority to account as if it were the trustee of an express trust for the Holders of Obligations; and (d) enjoin an action which may be unlawful or in violation of the rights of the Holders of Obligations.

Discontinuance of Proceedings by Trustee. If any proceeding taken by the Trustee on account of any default is discontinued or is determined adversely to the Trustee, then the Authority, the Trustee, the Credit Issuers and the Holders of Obligations shall be restored to their former positions and rights under the Indenture as though no such proceeding had been taken.

Holders of Obligations May Direct Proceedings. The Holders of a majority in principal amount of the Obligations then Outstanding under the Indenture shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided such directions shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitations on Actions by Holders of Obligations. No Holder of the Obligations shall have any right to pursue any remedy under the Indenture unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the Holders of at least a majority in principal amount of the Obligations then Outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove described or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity and security satisfactory to it against fees, costs, expenses and liabilities, including reasonable attorneys' fees, and (d) the Trustee shall have failed to comply with such request within a reasonable time.

Application of Moneys in Event of Default. Except as described herein under "Moneys to Be Held for All Holders, With Certain Exceptions," any moneys on deposit in any Fund or Account established under the Indenture and any moneys received by the Trustee under the Indenture shall be applied after the occurrence of an Event of Default under the Indenture: FIRST: To the payment of the costs of the Trustee, including counsel fees, any disbursements of the Trustee with interest thereon and its reasonable compensation; SECOND: subject to the provisions described under "Covenants Of Authority−Extension of Time for Payment," to the payment of all interest then due on Outstanding Obligations or, if the amount available is insufficient for such purpose, to the payment of interest ratably in accordance with the amount due in respect of each Obligation; THIRD: subject to the provisions described herein under "Covenants Of Authority−Extension of Time for Payment," to the payment of the outstanding principal amount of all Obligations or, if the amount available for the payment of principal is insufficient for such purpose, to the payment of principal ratably in accordance with the amount due in respect of each Obligations; and FOURTH: to the payment to any Credit Issuer of any Credit Facility Payment Obligation then due or, if the amount available is insufficient for such purpose, to the payment of Credit Facility Payment Obligations ratably in accordance with the amount due in respect of each Credit Facility Payment Obligation. The surplus, if any, shall be paid to the City or the person lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Trustee's Right to Receiver; Compliance with Act. As provided by the Act, the Trustee shall be entitled as of right to the appointment of a receiver if an Event of Default under the Indenture shall have occurred and be continuing; and the Trustee, the Credit Issuers, the Holders of Obligations and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act.

Trustee and Holders of Obligations Entitled to All Remedies Under the Act. Should any remedy under the Indenture be held unlawful, the Trustee and the Holders of Obligations shall nevertheless be entitled to every other remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of the Indenture shall apply to and be binding upon the trustee or receiver appointed under the Act.

Direction of Remedies by Credit Issuer

Except as otherwise specifically provided in the Indenture, each Credit Issuer shall have the same right to direct the Trustee in the exercise of remedies under the Indenture as though it were the Holder of all Obligations Outstanding that are entitled to the benefit of the Credit Facility issued by it. No Credit Issuer shall be entitled to direct the exercise of remedies under the Indenture if it shall then be in default of its payment obligations under the Credit Facility issued by it or if the Credit Facility issued by it is no longer in full force and effect.

The Trustee

Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Secretary of the Authority not less than sixty (60) days before the date when such resignation is intended to take effect; provided that notice of any such resignation shall be mailed by the resigning Trustee to the Holders of all Outstanding Obligations at their registered addresses and each Credit Issuer not less than 30 days prior to the intended effective date of the resignation, and that no resignation shall take effect until a successor Trustee has been appointed and has accepted such appointment. In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the retiring Trustee or any Holder of Obligations may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. Such court may thereupon (after such notice, if any, as it may deem proper and prescribe), appoint a successor Trustee.

Removal of Trustee. Any Trustee may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed by the Authority at the written direction of the City (if no Event of Default under the Indenture has occurred and is continuing) or otherwise executed by the Holders of a majority in principal amount of the Obligations then Outstanding and filed with the Trustee, the Authority and each Credit Issuer. Any such removal shall be effective on the date on which a successor Trustee has been appointed and has accepted such appointment. Notice of any such removal shall be mailed promptly by the Authority to the Holders of all Outstanding Obligations at their registered addresses.

Appointment of Successor Trustee. If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, the Authority at the written direction of the City shall appoint a successor and shall mail or cause to be mailed notice of such appointment. If the Authority fails to make such appointment within thirty (30) days, the appointment may be made by the Holders of a majority in principal amount of the Obligations then Outstanding. Notice of any such appointment shall be mailed promptly by the successor Trustee to the Holders of all Outstanding Obligations at their registered addresses.

Qualification of Successor. A successor Trustee shall be a national bank with trust powers, a banking association with trust powers, or a bank and trust company or a trust company organized under the laws of the Commonwealth, in each case having a combined net capital and surplus of at least $50,000,000 (or the obligations and liabilities of which are irrevocably and unconditionally guaranteed by an affiliated company having a combined net capital and surplus of at least $50,000,000).

Amendments and Supplements Without Consent of Holders of Obligations

The Indenture may be amended or supplemented from time to time, without the consent of the Holders of the Obligations but with the consent of the City by a Supplemental Indenture authorized by a Certified Resolution of the Authority filed with the Trustee, for one or more of the following purposes: (a) to add additional covenants of the Authority or to surrender any right or power in the Indenture conferred upon the Authority; (b) to cure any ambiguity or to cure any defect in the Indenture in such manner as shall not be inconsistent with the provisions of the Indenture; (c) to modify, supplement, alter or amend the provisions of the Indenture in such manner as may be requested by a securities rating service in order to obtain a securities rating or ratings for any Obligations or to maintain or improve any such rating or ratings previously obtained; (d) to modify, supplement, alter or amend the provisions of the Indenture in such manner as may be necessary or appropriate to conform the provisions of the Indenture to the provisions of the Service Agreement as it may be amended from time to time; (e) to set forth such matters (not inconsistent with the provisions of the Indenture) as may be necessary or appropriate in connection with the issuance of any series of Obligations; or (f) to make such other changes in the Indenture as the Authority and the Trustee deem appropriate; provided that the foregoing clause (f) shall not permit amendments or supplements to be made which materially adversely affect the security of the Indenture or the rights of Holders of the Obligations.

Amendments With Consent of Holders of Obligations

The Indenture may be amended from time to time, with the consent of the City, by a Supplemental Indenture approved by the Holders of at least 51% in aggregate principal amount of the Obligations then Outstanding; provided, that (a) no amendment shall be made which adversely affects the rights of some but less than all series of Obligations without the consent of the Holders of at least 51% of the aggregate principal amount of the Outstanding Obligations so affected, and (b) no amendment which alters the interest rates on or principal amounts of any Obligations, the maturities, mandatory redemption provisions or Interest Payment Dates of any Obligations or the provisions for amendment may be made without the consent of the Holders of all Outstanding Obligations adversely affected thereby.

A Credit Issuer of a Credit Facility securing a series of Obligations shall have the right to consent to amendments to the Indenture on behalf of and in lieu of the Holders of the Obligations of such Series (except with respect to the matters referred to in the proviso of the immediately preceding paragraph), so long as such Credit Issuer shall not be in default of its obligations under such Credit Facility.

Amendments to Service Agreement

The Authority may amend or supplement the Service Agreement in connection with the issuance of Additional Obligations and to make such other changes therein as may be deemed appropriate by the Authority and the City; provided, however, that the approval by the Holders of at least 51% in aggregate principal amount of the Obligations then Outstanding shall be required for any amendment or supplement to the Service Agreement that would materially adversely affect the security of the Service Agreement or of the Indenture or the rights of Holders of the Obligations under the Indenture; and provided further, that the Authority shall not amend or supplement the Service Agreement in any manner which would adversely affect the validity or enforceability of the Service Agreement.

A Credit Issuer of a Credit Facility securing a series of Obligations shall have the right to consent to amendments of the Service Agreement on behalf of and in lieu of the Holders of the Obligations of such Series, so long as such Credit Issuer shall not be in default of its obligations under such Credit Facility.

Defeasance

When all interest on and principal or redemption price (as the case may be) of all Obligations have been paid, or there shall have been deposited with the Trustee an amount, evidenced by moneys or "escrowed obligations" (as defined below) the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Obligations at the maturity date (including any mandatory sinking fund redemptions) or date fixed for redemption thereof, as well as all other sums payable under the Indenture by the Authority, and all Credit Facility Payment Obligations have been paid or provided for, the right, title and interest of the Trustee shall thereupon cease and the Trustee, on demand of the Authority, shall release the Indenture and all Supplemental Indentures and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such person, body or authority as may be entitled to receive the same all balances remaining in any funds under the Indenture.

"Escrowed obligations" shall mean the following, but only to the extent they are Investment Securities at the time of delivery to the Trustee: (a) Government Obligations; (b) rights to receive the principal of or the interest on Government Obligations through (i) direct ownership, as evidenced by physical possession of such Government Obligations or unmatured interest coupons thereof or by registration as to ownership thereof on the books of the issuer or its duly authorized paying agent or transfer agent, or (ii) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on Government Obligations; and (c) debt obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that (i) the principal of and interest on such obligations are secured by and payable from amounts received (without reinvestment) in respect of the principal of and interest on non-callable

Government Obligations, and (ii) such debt obligations are rated "AAA" by S&P, if S&P has assigned a rating to the Obligations, and "Aaa" by Moody's, if Moody's has assigned a rating to the Obligations (or, upon the discontinuation of both of the foregoing rating services, by such other nationally recognized rating service or services as may be acceptable to the Trustee).

In the event the Authority deposits "escrowed obligations" with the Trustee, the lien of the Indenture shall not be defeased unless the Trustee shall have received a report of an Independent Certified Public Accountant verifying the sufficiency of such escrowed obligations.

Deposit of Funds for Payment of Obligations

If the Authority deposits with the Trustee moneys or "escrowed obligations" the principal of and interest on which, when due, are sufficient to pay the principal or redemption price of any particular Obligation or Obligations becoming due, either at maturity (including any mandatory sinking fund redemptions) or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on the Obligation or Obligations shall cease to accrue on the due date and all liability of the Authority with respect to such Obligation or Obligations shall likewise cease, except as provided below; provided that if such Obligations are to be redeemed prior to maturity thereof, there shall have been taken all action necessary to call such Obligations for redemption and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice. Thereafter such Obligation or Obligations shall be deemed not to be Outstanding and the Holder or Holders of such Obligation or Obligations shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Obligation or Obligations, and the Trustee shall hold such funds in trust for such Holder or Holders.

Moneys deposited with the Trustee which remain unclaimed six (6) years after the date payment thereof becomes due shall, at the direction of the Authority, if the Authority is not at the time to the knowledge of the Trustee in default with respect to any covenant in the Indenture or the Obligations contained, be paid to the Authority for and on account of the City; and the Holders of the Obligations for which the deposit was made shall thereafter be limited to a claim against the Authority; provided, however, that before making any such payment to the Authority, the Trustee shall, at the expense of the Authority, give notice to Holders of such Obligations by first class mail stating that moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be paid to the Authority.

Limitations on Recourse

No personal recourse shall be had for any claim based on the Indenture or the Obligations or any Credit Facility against any member, officer or employee, past, present or future, of the Authority or of any successor body as such, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise. The Obligations and the Credit Facility Payment Obligations are payable solely from the Trust Estate held under the Indenture for such purpose. There shall be no other recourse under the Obligations, the Indenture, any Credit Facility or otherwise against the Authority or any other property now or hereafter owned by it and, upon entry of any judgment, the judgment creditor or creditors shall request the Prothonotary (or any successor official) to mark the judgment index accordingly.

Payments on Saturdays, Sundays and Holidays

Whenever the date fixed for the payment of the principal or redemption price of or the interest on any Obligations falls on a Saturday, Sunday, legal holiday or other day on which the Trustee or any Paying Agent is authorized by law to close, then the payment of principal, redemption price or interest need not be made on such date, but shall be made on the next succeeding regular business day with the same force and effect as if made on the date fixed, and no interest shall accrue on such payment to the date payment is made.

References to the Credit Issuer

References to any Credit Issuer in the Indenture or in any Supplemental Indenture shall be deemed inapplicable at any time that (A)(i) no Credit Facility issued by such Credit Issuer is in effect with respect to Obligations and (ii) no amount is owing to such Credit Issuer by the Authority or (B) such Credit Issuer is in default of its payment obligations under the Credit Facility issued by it.

THE SERVICE AGREEMENT

Additional Obligations

Upon the written request of the Director of Finance of the City, the Authority may issue Additional Obligations to pay or reimburse Costs of the Project and/or refund Outstanding Obligations, including amounts necessary for Costs of Issuance of such Additional Obligations, costs of credit or liquidity enhancement, and amounts necessary to effect any refunding. In connection therewith, the Authority and the City shall enter into an appropriate supplement to the Service Agreement, subject to the provisions of the Ordinance.

Service Fee

In consideration of the undertakings by the Authority under the Service Agreement with respect to the Project, the City agrees to pay as a Service Fee in each Fiscal Year directly to the Trustee, as the assignee of the Authority, the following sums:

The Annual Debt Service Requirement for such Fiscal Year, payable as follows: (i) on the business day preceding the date such amount is required to be paid to the Holders of the Obligations, the amount which is equal to the principal of the Obligations becoming due on such principal maturity date, subject to credit for other available funds in the manner provided in the Indenture; (ii) on the business day preceding the date such amount is required to be paid to the Holders of the Obligations, the amount which is equal to (A) interest on the Obligations becoming due on such Interest Payment Date, and (B) any other amounts due other than those set forth in clause (i) above on the due date for such amounts, subject to credit for other available funds in the manner provided in the Indenture; (iii) on or before the dates specified in any Credit Facility, the amounts which are equal to any Credit Facility Payment Obligations becoming due on such dates, subject to credit for other available funds in the manner provided in the Indenture.

Notwithstanding any other provision of the Service Agreement, an acceleration of the Authority's payment obligations with respect to the Obligations or with respect to any Credit Facility Payment Obligation shall not cause an acceleration of the payment of the Service Fee.

In lieu of the portion of the payments due as stated above, the City, or at its written direction, the Trustee, may purchase for cancellation Obligations of the series and term next becoming due at maturity or upon mandatory sinking fund redemption, subject to the applicable requirements set forth in the Indenture.

The Service Fee shall be payable only out of the current revenues of the City, and the City agrees to provide for the payment of the Service Fee and include the same in its annual operating budget for each Fiscal Year. If the current revenues are insufficient to pay the total Service Fee in any Fiscal Year as the same becomes due and payable, the City covenants to include amounts not so paid in its operating budget for the ensuing Fiscal Year in order to provide sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of Service Fee due for such ensuing year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Service Fee payments due and payable under the Service Agreement in each of the City's Fiscal Years.

No Set-Off

The obligation of the City to make the payments required under the Service Agreement shall be absolute and unconditional. The City will pay without suspension, abatement, reduction, abrogation, waiver or diminution all payments required thereunder regardless of any cause or circumstance whatsoever, which may now exist or may hereafter arise, including, without limitation, any defense, set-off, recoupment or counterclaim which the City may have or assert against the Authority, the Trustee, any Bondholder or any other person.

City to Perform Certain Covenants Under Indenture

The City acknowledges that it has received an executed copy of the Indenture, and that it is familiar with its provisions, and agrees to be bound to the fullest extent permitted by law to all provisions thereof directly or indirectly relating to it, and that, in consideration of the service of the Authority rendered to the City under the Service Agreement, it will take all such actions as are required of it under the Indenture to preserve and protect the rights of the Trustee, the Holders of the Obligations and Credit Issuers thereunder and that it will not take or effect any action which would cause a default thereunder or impair such rights. The City assumes and agrees to perform all of the covenants and other obligations of the Authority under the Indenture, excepting only any approvals or consents required to be given by the Authority thereunder, and those covenants contained in the Indenture which are not within the control of the City.

Provisions Related to Tax-Exemption.

Each of the City and the Authority covenants that it, with respect to any Obligations which are initially issued with the expectation that the interest thereon will be federally tax-exempt: (i) will neither make nor instruct the Trustee to make any investment or other use of the proceeds of the Obligations, the interest on which is intended to be excludable from gross income of the Holders thereof, which would cause such Obligations to be "arbitrage bonds" (as defined in Section 148(a) of the Code); (ii) will comply with the requirements of the Code throughout the term of such Obligations so that the interest on such Obligations shall be excludable from gross income for federal income tax purposes; and (iii) will not apply the proceeds of such Obligations in such a manner as would result in the loss of the exclusion of interest on such Obligations from gross income of the Holders for federal tax purposes. The City further covenants that it will calculate and pay directly to the United States the amount of arbitrage rebate with respect to any such Obligation payable to the United States Treasury under the Code. The Authority agrees to cooperate with the City's undertaking to comply with the arbitrage rebate rules.

Events of Default

Each of the following shall constitute an Event of Default under the Service Agreement: (a) the failure of the City to make any payment to the Trustee of the Service Fee due; (b) the failure of the City to make any other payment or to perform any other covenant, condition or agreement on its part to be performed; and (c) if the City proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the City or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, state or federal, by or against the City and if such is not vacated, dismissed or stayed on appeal within 60 days (provided that any such assignment, agreement, appointment or proceeding commenced under the First Class City Revenue Bond Act or the Municipal Utility Inventory and Receivables Financing Act, and/or any acceleration of the payment obligations in respect of any bonds, notes or other evidence of indebtedness issued under either aforementioned act, shall not be an Event of Default).

Notice of Defaults; Opportunity to Cure Such Defaults

No default shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the City by the Authority or the Trustee and the City shall have had 30 days after receipt of such notice to correct the default and shall not have corrected it; provided, however. if the default cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the City within the period and diligently pursued until the default is corrected.

Remedies

If any Event of Default shall occur and be continuing, the Authority (or the Trustee as assignee of the Authority) may at its option exercise any one or more of the following remedies: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the City to perform its duties and obligations under the Service Agreement; (b) by action or suit in equity require the City to account as if it were the trustee of an express trust for the Authority; or (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority. In no event (including an acceleration of the Authority's payment obligations under the Obligations or with respect to any Credit Facility Payment Obligation) shall the due dates for payments of the Service Fee be accelerated.

Termination

The Service Agreement shall terminate on such date as the principal of and interest on all Obligations and all other amounts required under the Indenture to be paid and all other expenses payable by the City under the Service Agreement shall have been paid (or provision for such payment shall have been made as provided in the Indenture) and all other conditions of the Service Agreement and the Indenture shall have been fully satisfied.

Amendments and Supplements

The City and the Authority may enter into any written amendments or supplements to the Service Agreement as shall not adversely affect the rights of or the security of the Holders of the Obligations, subject to the provisions of the Ordinance, only for the following purposes: (i) to cure any ambiguity, defect, or inconsistency or omission or in any amendment thereto; (ii) to grant to or confer upon the Authority or the Trustee any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon the Authority or the Trustee; (iii) to reflect a change in applicable law; (iv) as appropriate in connection with the issuance of Additional Obligations; or (v) to provide terms not inconsistent with the Indenture or the Service Agreement; provided, however, that the Service Agreement as so amended or supplemented shall provide at least the same security for Holders of the Obligations issued under the Indenture as the Service Agreement in this form.

All other amendments must be approved by the Trustee and, to the extent required by the Indenture, by the Holders of the Obligations, in the manner as is set forth in the Indenture.

Any amendment or supplement to the Service Agreement (other than an amendment or supplement pursuant to clauses (i) through (v) above) shall be approved by ordinance of the City Council and a copy of any such amendment or supplement, together with a copy of such ordinance, certified by the Clerk of the City Council, shall be filed with the Trustee.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "**Disclosure Agreement**") is executed and delivered as of April 1, 2014 by and between the City of Philadelphia, Pennsylvania (the "**City**") and Digital Assurance Certification, LLC, as dissemination agent (the "**Dissemination Agent**"), in connection with the issuance by The Philadelphia Municipal Authority (the "**Authority**") on behalf of the City of the Authority's City Service Agreement Revenue Bonds, Series 2014A (Federally Taxable), and its City Service Agreement Revenue Bonds, Series 2014B (Tax-Exempt) (together, the "**Bonds**").

The Bonds are being issued under the Indenture (defined below) pursuant to the provisions of the Pennsylvania Municipal Authorities Act (the Act of June 19, 2001, P.L. 287, as amended and supplemented) (the "**Act**"), and a resolution of the Authority adopted on April 1, 2014, and the ordinance of the City Council of the City (Bill No. 140072) approved by the Mayor on April 4, 2014 (together, the "**Bond Authorization**"). The City has agreed in the Service Agreement (defined below) to pay the Service Fee (defined therein) with respect to debt service on the Bonds and is an obligated person (as defined in the Rule, defined below) with respect to the Bonds.

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. Definitions

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly requires otherwise) terms defined in the recitals hereto shall have such meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below:

"**Annual Financial Information**" shall mean the financial information or operating data with respect to the City delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in Appendix A attached hereto and in accordance with the Rule (as hereinafter defined). The financial statements comprising the Annual Financial Information are prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board.

"**Business Day**" or "**Business Days**" shall mean any day other than a Saturday or Sunday or, in the City, a legal holiday or a day on which banking institutions are authorized by law or contracted to remain closed or a day on which the Dissemination Agent is closed.

"**Disclosure Representative**" shall mean the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

"**EMMA**" shall mean the Electronic Municipal Market Access System maintained by the MSRB (as hereinafter defined).

"**Indenture**" shall mean the Trust Indenture dated as of April 1, 2014, between the Authority and the Trustee (as hereinafter defined).

"**Listed Event**" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"**MSRB**" shall mean the Municipal Securities Rulemaking Board.

"**Official Statement**" shall mean the Official Statement dated _____, 2014, relating to the Bonds.

"**Participating Underwriters**" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with their purchase and reoffering of the Bonds.

"**Registered Owner**" or "**Owners**" shall mean the person or persons in whose name a Bond is registered on the books of the City maintained by the Trustee in accordance with the Indenture. For so long as the Bonds shall be registered in the name of the Securities Depository (as hereinafter defined) or its nominee, the term "Registered Owners" shall also mean and include, for the purposes of this Disclosure Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds, except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Disclosure Agreement.

"**Rule**" shall mean Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

"**Securities Depository**" shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the Indenture.

"**Service Agreement**" shall mean that certain Service Agreement between the Authority and the City dated as of April 1, 2014.

"**Trustee**" shall mean U.S. Bank National Association, as trustee for the Bonds.

All words and terms used in the Disclosure Agreement and not defined above or elsewhere herein shall have the same meanings as set forth in the Indenture, if defined therein.

Section 2. Authorization and Purpose of Disclosure Agreement

This Disclosure Agreement is authorized to be executed and delivered by the City pursuant to the Bond Authorization in order to assist the Participating Underwriters in complying with the requirements of the Rule.

Section 3. Annual Financial Information

(a) Within 240 days of the close of each fiscal year of the City, commencing with the fiscal year ending June 30, 2014, the Disclosure Representative shall file Annual Financial Information for such fiscal year with the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with the MSRB.

(b) The Annual Financial Information may contain unaudited financial statements if audited financial statements are unavailable. As soon thereafter as audited financial statements for the City are available, the Disclosure Representative shall file the audited financial statements with the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file the audited financial statements with the MSRB.

Section 4. Listed Events

(a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner, not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds (each a "Listed Event"):

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) 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 Bonds, or other material events affecting the tax status of the Bonds;

(vii) Modifications to the rights of the holders of the Bonds, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City;

(xiii) 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; and

(xiv) Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

The foregoing fourteen (14) events are quoted from the Rule.

(b) Whenever the City concludes that a Listed Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Listed Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB. Upon receipt, the Dissemination Agent shall promptly file such notice with the MSRB. In addition, the Dissemination Agent shall promptly file with the MSRB notice of any failure by the City or the Dissemination Agent to timely file the Annual Financial Information as provided in Section 3

hereof, including, any failure by the City or the Dissemination Agent to provide the Annual Financial Information on or before the date specified in Section 3(a) hereof.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a)(i), (iii), (iv), (viii) or (ix), notify the Disclosure Representative of the occurrence of such event and shall, within five (5) Business Days of giving notice to the Disclosure Representative, file a notice of such occurrence with the MSRB, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event is not a Listed Event within the meaning of the Rule.

(d) The Dissemination Agent shall prepare an affidavit of filing for each notice delivered pursuant to clauses (b) and (c) of this Section 4 and shall deliver such affidavit to the City no later than three (3) Business Days following the date of delivery of such notice.

(e) Upon the return of all completed acknowledgments of a notice, the Dissemination Agent shall prepare an affidavit of receipt specifying the date and hour of receipt of such notice by each recipient to the extent such information has been provided to the Dissemination Agent. Such affidavit of receipt shall be delivered to the City no later than three (3) Business Days following the date of receipt by the Dissemination Agent of the last completed acknowledgment.

(f) For the purposes of the event identified in clause (a)(xii) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, trustee 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 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.

Section 5. Amendment; Waiver

(a) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement or waive any of the provisions hereof, provided that no such amendment or waiver shall be executed by the parties hereto or effective unless:

(i) the amendment or waiver is made in writing and in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the City or the governmental operations conducted by the City;

(ii) this Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Registered Owners of the Bonds.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Dissemination Agent of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, acceptable to both

the City and the Dissemination Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a) (i), (ii), and (iii) of this Section 5.

(c) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Dissemination Agent upon execution of the amendment or waiver and the Dissemination Agent shall promptly file such notice with the MSRB. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner including owners of book-entry credits in the Bonds who have filed their names and addresses with the Dissemination Agent.

Section 6. Other Information; Duties of Dissemination Agent

(a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Listed Events specifically provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under any other agreement or in any other capacity.

(c) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners or the MSRB.

Section 7. Default

(a) In the event that the City or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Registered Owner of the Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of the Bonds and if, in the Dissemination Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for expenses satisfactory to it.

(b) A default under this Disclosure Agreement shall not be or be deemed to be an event of default under the Bonds, the Indenture, the Service Agreement, the Bond Authorization, the Act or any agreement related thereto and the sole remedy in the event of a failure of the City or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in Section 7(a) above.

Section 8. Concerning the Dissemination Agent

(a) The Dissemination Agent accepts and agrees to perform the duties imposed on it by this Disclosure Agreement, but only upon the terms and conditions set forth herein. The Dissemination Agent shall have only such duties in its capacity as are specifically set forth in this Disclosure Agreement. The

Dissemination Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees, selected by it, and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Dissemination Agent shall not be answerable for the default or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Dissemination Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or liable to the City or any other person for actions taken hereunder, except for its own willful misconduct or negligence.

(b) The City shall pay the Dissemination Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Dissemination Agent and the City. Nothing in this Section 8(b) shall be deemed to constitute a waiver of governmental immunity by the City. The provisions of this paragraph shall survive termination of this Disclosure Agreement.

(c) The Dissemination Agent may act on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, electronic mail, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement; and the Dissemination Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. The Dissemination Agent shall be under no obligation to institute any suit, or to take any action under this Disclosure Agreement, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the execution of the duties hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified by the Registered Owners to its satisfaction against any and all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements, and against all liability; the Dissemination Agent may, nevertheless, begin suit or appear in and defend suit, or do anything else in its judgment proper to be done by it as Dissemination Agent, without indemnity.

(d) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be filed through EMMA in an electronic format and accompanied by identifying information as prescribed by the MSRB.

In addition to filings through EMMA, the Dissemination Agent may file any of the information necessary to be filed hereunder with such other electronic filing systems and entities as are approved by the Securities and Exchange Commission by interpretive letter or "no action" letter for receipt of such information in compliance with the requirements of paragraph (b)(5) of the Rule.

Section 9. Term of Disclosure Agreement

This Disclosure Agreement shall terminate upon (1) payment or provision for payment in full of the Bonds, or (2) repeal or rescission of paragraph (b)(5) of the Rule; or (3) a final determination that paragraph (b)(5) of the Rule is invalid or unenforceable.

Section 10. Beneficiaries

This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent and the Registered Owners from time to time of the Bonds and nothing herein contained shall confer any right upon any other person.

Section 11. Notices

Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid or in a recognized form of overnight mail, or by e-mail or by telecopy with confirmation of receipt, addressed:

(a) To the Dissemination Agent at:

Digital Assurance Certification LLC
390 North Orange Avenue, Suite 1750
Orlando, FL 32801
Attention: Jenny Emami
Fax: (407) 515-6513
E-mail: jemami@dacbond.com

(b) To the City or the Disclosure Representative at:

City of Philadelphia
Office of the Director of Finance
Municipal Services Building, Room 1330
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
Attention: Director of Finance
Fax: (215) 568-1947
E-mail: rob.dubow@phila.gov ; or

City of Philadelphia
Office of the City Treasurer
Municipal Services Building, Room 640
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
Attention: City Treasurer
Fax: (215) 686-3815
E-mail: nancy.winkler@phila.gov

(c) To the MSRB at:

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314
Attention: CDI
Fax: (703) 683-1930
http://emma.msrb.org/

or such other addresses as may be designated in writing to all parties hereto.

Section 12. Personal Recourse

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the City (including without limitation, the Disclosure Representative), or of any successor body as such, either directly or through the City or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 13. Controlling Law

The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement.

Section 14. Removal and Resignation of the Dissemination Agent

The City has appointed the Dissemination Agent as exclusive Dissemination Agent under this Disclosure Agreement. The City may, upon thirty days' written notice to the Dissemination Agent and the Trustee, replace or appoint a successor Dissemination Agent. Upon termination of the Dissemination Agent's services as Dissemination Agent, whether by notice of the City or the Dissemination Agent, the City agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the Registered Owners of the Bonds. Notwithstanding any replacement or appointment of a successor, the City shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing prior written notice to the City, such resignation to become effective upon the later of (1) the tenth (10th) business day following the City's receipt of such notice (or such different date and time as stated in such notice) and (2) the City's appointment of a new Dissemination Agent or the City's notice to the Dissemination Agent and the Trustee that it intends to act in such capacity.

Section 15. Successors and Assigns

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 16. Headings for Convenience Only

The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17. Counterparts

This Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 18. Entire Agreement

This Disclosure Agreement sets forth the entire understanding and agreement of the City and the Dissemination Agent with respect to the matters herein contemplated and no modification or amendment

of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

Section 19. Severability

In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall be construed and enforced as if such illegal or invalid or inoperable portion were not contained herein.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, LLC, as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its duly authorized officers all as of the day and year first above written.

THE CITY OF PHILADELPHIA,
PENNSYLVANIA

By:_____
Rob Dubow
Director of Finance

DIGITAL ASSURANCE CERTIFICATION,
LLC, as Dissemination Agent

By:_____
Authorized Officer

APPENDIX A

1. Commencing with the fiscal year ending June 30, 2014, a copy of the Comprehensive Annual Financial Report ("CAFR") which contains the audited combined financial statements of the City prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units, and

2. Commencing with the fiscal year ending June 30, 2014, to the extent such information is not contained in the CAFR, an update of the information in Appendix A of the Official Statement under the captions "DISCUSSION OF FINANCIAL OPERATIONS," "SUMMARY FINANCIAL INFORMATION," "REVENUES OF THE CITY," "EXPENDITURES OF THE CITY," "DEBT OF THE CITY," "OTHER FINANCING RELATED MATTERS – Swap Information" and "OTHER FINANCING RELATED MATTERS – Letter of Credit and Liquidity Agreements."

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APPENDIX F

PROPOSED FORM OF CO-BOND COUNSEL OPINION

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APPENDIX F

BELOW IS THE PROPOSED FORM OF OPINION OF CO-BOND COUNSEL EXPECTED TO BE DELIVERED IN CONNECTION WITH THE ISSUANCE OF THE 2014 BONDS

_____, 2014

RE: THE PHILADELPHIA MUNICIPAL AUTHORITY
City Service Agreement Revenue Bonds, Series 2014A (Federally Taxable)
City Service Agreement Revenue Bonds, Series 2014B (Tax-Exempt)

TO THE PURCHASERS OF THE 2014 BONDS:

We have served as Co-Bond Counsel to The Philadelphia Municipal Authority (the "Authority") in connection with the issuance of $_____ aggregate principal amount of its City Service Agreement Revenue Bonds, Series 2014A (Federally Taxable) (the "2014A Bonds") and $_____ aggregate principal amount of its City Service Agreement Revenue Bonds, Series 2014B (Tax-Exempt) (the "2014B Bonds," and together with the 2014A Bonds, the "2014 Bonds"). The 2014 Bonds are being issued under and pursuant to the Pennsylvania Municipality Authorities Act, the Act of June 19, 2001, P.L. 287, as amended and supplemented (the "Act"), and a Trust Indenture dated as of April 1, 2014 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and pursuant to a resolution of the Authority adopted on April 1, 2014, authorizing the issuance of the 2014 Bonds (the "Resolution").

The 2014 Bonds will bear interest at the fixed rates shown in the official statement (the "Official Statement") prepared for the 2014 Bonds dated _____, 2014. The 2014 Bonds will be issued only as fully registered bonds, in denominations of $5,000 and any integral multiples of $5,000 in excess thereof. The 2014B Bonds are subject to redemption as described in the Official Statement.

The 2014 Bonds are being issued to finance the 2014 Project as further described in the Indenture.

Pursuant to a Service Agreement dated as of April 1, 2014 (the "Service Agreement"), between the City of Philadelphia, Pennsylvania (the "City") and the Authority, the City will pay to the Trustee, as assignee of the Authority, a Service Fee (as defined therein) sufficient to pay debt service on the 2014 Bonds when due and payable. Under the Indenture, the Authority has assigned and granted to the Trustee a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for certain reserved rights) and the Revenues (as defined therein).

The City Council of the City by Ordinance (Bill No. 140072), approved by the Mayor on April 4, 2014 (the "Ordinance"), authorized and approved, among other things, the execution and delivery of the Service Agreement and approved the issuance by the Authority of the 2014 Bonds to finance the 2014 Project.

We have examined the proceedings relating to the authorization and issuance of the 2014 Bonds, including, among other things: (a) the Act, and the Articles of Incorporation and By-Laws of the Authority; (b) a certified copy of the Resolution; (c) executed counterparts of the Indenture and the Service Agreement or copies thereof; (d) a certified copy of the Ordinance; (e) the opinion of Austin McGreal, Esq., Authority Counsel and the opinion of Shelley R. Smith, City Solicitor, on each of which we have relied; (f) various certificates executed by the Authority, the City and/or the Trustee including certificates as to the authentication and delivery of the 2014 Bonds, and a certificate with regard to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code") with

respect to the 2014B Bonds; (g) the Form 8038-G of the Authority with respect to the 2014B Bonds; and (h) such other constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to matters set forth herein. We have also examined a fully executed and authenticated 2014 Bond of each series, and we assume all other 2014 Bonds are in such form and are similarly executed and authenticated.

In rendering our opinion, we have assumed the accuracy of and not undertaken to verify the factual matters set forth in such agreements, certificates and other documents by independent investigation and have relied on the covenants, warranties and representations made by the Authority, the Trustee and the City in such certificates and in the Indenture, the Service Agreement and other financing documents.

In addition, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity with originals of all documents submitted to us as copies and the authenticity of certificates of public officials. We have also assumed that the Indenture has been duly authorized by the Trustee and is a legally binding obligation of, and enforceable in accordance with its terms against, the Trustee.

From our examination of the foregoing and such other items as we deem relevant, we are of the opinion that:

1. The Authority is validly existing under the Act and has the power to issue the 2014 Bonds for the purpose of financing the 2014 Project.

2. The 2014 Bonds have been duly authorized, executed and delivered by the Authority, are entitled to the benefit and security of the Indenture, and are valid and binding special limited obligations of the Authority, payable as to principal, interest and all other obligations thereunder solely from and enforceable only against the revenues and receipts derived from the Trust Estate (as defined in the Indenture, which includes the Revenues), except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and to the exercise of judicial discretion in appropriate cases.

3. The Authority has the power to enter into the Indenture and the Service Agreement, each of which has been duly authorized, executed and delivered by the Authority, and which are enforceable against the Authority in accordance with their respective terms, except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and to the exercise of judicial discretion in appropriate cases.

4. The City has the power to enter into the Service Agreement, which has been duly authorized, executed and delivered by the City, and which is enforceable against the City in accordance with its terms, except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and to the exercise of judicial discretion in appropriate cases.

5. Under existing laws of the Commonwealth of Pennsylvania (the "Commonwealth"), the interest on the 2014 Bonds is free from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2014 Bonds or the interest thereon.

6. Interest on the 2014B Bonds is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2014B Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. The Authority and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the 2014B Bonds to be includable in gross income retroactive to the date of issuance of the 2014B Bonds. Interest on the 2014B Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on the 2014B Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax. We express no opinion regarding any other federal tax consequences relating to the 2014B Bonds or the receipt of interest thereon. We express no opinion regarding any federal tax consequences relating to the 2014A Bonds or the receipt of interest thereon.

We express no opinion herein on the adequacy, completeness or accuracy of any official statement, placement memorandum or other disclosure document pertaining to the offering of the 2014 Bonds. We also express no opinion as to the validity or enforceability of any provision which purports to require that provisions of an agreement may be amended or waived only in writing.

We call to your attention that the 2014 Bonds do not pledge the general credit or taxing power of the Commonwealth or any political subdivision, agency or instrumentality of the Commonwealth, nor shall the Commonwealth or any political subdivision, agency or instrumentality thereof be liable for the payment of the principal of or interest on the 2014 Bonds (other than the Authority, to the limited extent described herein).

These opinions are rendered on the basis of federal law and the laws of the Commonwealth as enacted and construed on the date hereof.

This opinion is limited to the matters expressly stated herein. No implied opinions are to be inferred to extend this opinion beyond the matters expressly stated herein. This opinion is expressed as of the date hereof. We do not assume any obligation to update or supplement this opinion to reflect, or otherwise advise you of, any facts or circumstances which may hereafter come to our attention or any changes in facts, circumstances or law which may hereafter occur. This opinion is rendered and may be relied upon solely in connection with the transactions contemplated hereby and may not be relied upon for any other purpose.

Very truly yours,

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APPENDIX G

OFFICIAL NOTICE OF SALE

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OFFICIAL NOTICE OF SALE

$4,050,000*
THE PHILADELPHIA MUNICIPAL AUTHORITY
City of Philadelphia, Pennsylvania

City Service Agreement Revenue Bonds, Series 2014A (Taxable)

Electronic Bids only will be received until 10:45 a.m.,
Local Philadelphia, Pennsylvania Time, on April 22, 2014

Electronic bids only will be received until **10:45 a.m., LOCAL PHILADELPHIA, PENNSYLVANIA TIME ON APRIL 22, 2014** by the Chairman, Vice Chairman or Executive Director (any such officer being the "Designated Officer") of The Philadelphia Municipal Authority (the "Authority") via *PARITY*® for the purchase of The Philadelphia Municipal Authority City Service Agreement Revenue Bonds, Series 2014A (Taxable) (the "Bonds"), in the aggregate principal amount of $4,050,000*, dated the date of delivery (the "Closing"), currently anticipated to be April 30, 2014, subject to the Authority's right to make changes to the provisions of this Notice of Sale, including the right to change the dates of sale and delivery. The Bonds will bear interest from the date of delivery payable on July 15, 2014 and semiannually thereafter on each January 15 and July 15 until maturity as hereinafter set forth. Interest will be computed on the basis of a year of 360 days consisting of twelve 30-day months. The Bonds are not subject to optional redemption. The Bonds will mature as hereinafter set forth, on January 15 in the following years and in the following principal amounts:

Maturity	Principal Amount*
1/15/2018	$1,090,000
1/15/2019	$1,115,000
1/15/2020	$1,140,000
1/15/2021	$705,000

**Preliminary; subject to change.*

BID PARAMETER TABLE[1]

INTEREST		PRICING	
Dated Date:	Date of Delivery	Maximum Bid Price:	Unlimited
Anticipated Date of Delivery*:	April 30, 2014	Minimum Aggregate Bid Price:	99.0%
Interest Payment Dates:	July 15 and January 15 commencing July 15, 2014	Max. Reoffering Price (each maturity):	Unlimited
Coupon Multiples:	1/100 of 1%	Min. Reoffering Price (each maturity):	98.5%
Maximum Coupon:	N/A		
Minimum Coupon:	No Zero Coupon may be specified		
Maximum TIC:	N/A		
Maximum Difference Between Coupons:	4%		
PRINCIPAL		**PROCEDURAL**	
Optional Redemption:	Not subject to optional redemption.	Sale Date: Sale Time:	April 22, 2014 10:45 a.m. Local Philadelphia, Pennsylvania Time
Post-bid Principal Increases: Each Maturity: Aggregate:	 N/A 15%	Bid Submission:	Electronic bids through *PARITY*® only
Post-bid Principal Reductions: Each Maturity: Aggregate:	 N/A 15%	All or None?	Yes
Term Bonds:	N/A	Bid Award Method:	Lowest TIC Electronically
		Bid Confirmation:	Fax Signed *PARITY*® screen
		Awarding of Bid(s):	On the Sale Date by the City
		Good Faith Deposit:	1% of principal amount awarded. See "Good Faith Deposit."

[1]If numerical or date references contained in the body of this Notice of Sale conflict with the Bid Parameter Table, the Bid Parameter Table of this Notice of Sale shall control. Consult the body of this Notice of Sale for a detailed explanation of the items contained in the Bid Parameter Table, including interpretation of such items and methodologies used to determine such items.
*Preliminary, subject to change.

Book-Entry Only

The Bonds will be issued in fully registered, book-entry only form, and a bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by U.S. Bank National Association, as Trustee (the "Trustee"), by wire transfer or in clearinghouse funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to the beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the Authority, the City nor the Trustee will be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. The successful bidder will be required to furnish to DTC within seven days after the sale the customary underwriter's questionnaire and information as to each DTC participant and the Bonds to be held for it. See the Preliminary Official Statement for more information regarding DTC.

General Information

The Authority, a body corporate and politic, was organized and exists under and by virtue of the laws of the Commonwealth of Pennsylvania. It was incorporated pursuant to the Municipality Authorities Act (as amended from time to time, the "Act") on January 9, 1976 under the name of The Equipment Leasing Authority of Philadelphia, pursuant to the Act and an ordinance of Council of the City of Philadelphia ("City Council") approved December 23, 1975 (Bill No. 2201) for the purpose of leasing equipment to the City. By ordinance effective March 24, 1983 (Bill No. 1530), City Council approved a change to the Authority's present name and expanded the Authority's powers. City Council adopted an ordinance (Bill No. 071082) approved by the Mayor on January 3, 2008, which extended the term of the Authority's existence to January 1, 2054. City Council adopted an ordinance (Bill No. 140073) approved by the Mayor on April 4, 2014 authorizing the Authority to undertake any project (as defined in the Act) that the Authority is specifically authorized to undertake from time to time by ordinance of the City Council; the undertaking of the Public Safety Services Campus Project (as defined below) was specifically authorized by City Council by an ordinance (Bill No. 140072) adopted by City Council on April 3, 2014 and approved by the Mayor on April 4, 2014 (the "Ordinance").

The Bonds are being issued pursuant to the provisions of the Act and of a Trust Indenture dated as of April 1, 2014 (the "Indenture"), between the Authority and the Trustee.

The proceeds of the Bonds are expected to be used to finance a portion of a project (the "Public Safety Services Campus Project") consisting of: (i) the acquisition from the Philadelphia Authority for Industrial Development of an approximately fifteen-acre tract of land together with the improvements thereon (the "Facility") situated in the City in the area bounded by 46th Street, Market Street, Haverford Avenue, and 48th Street, known as 4601 Market Street; (ii) the demolition, remediation, renovation and equipping of the Facility as the Public Safety Services Campus for the City (including the headquarters of the City's Police Department and certain other public safety and health related uses); (iii) the construction of parking accommodations and other capital improvements to the Facility; and (iv) the payment of certain costs of issuing the Bonds.

Security for the Bonds

The Bonds are limited obligations of the Authority payable solely from revenues derived by the Authority under a Service Agreement dated as of April 1, 2014 (the "Service Agreement") between the Authority and the City. The Service Agreement was authorized by City Council by the Ordinance. Under the Indenture, the Authority has assigned and granted to the Trustee a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for Reserved Rights), and the Revenues, including all monies, investments and securities held in the Funds and Accounts established under the Indenture (the "Trust Estate"). The City agrees in the Service Agreement to pay not later than the business day immediately preceding the date such amounts are required to be paid to the holders of Obligations, to the Trustee, as assignee of the Authority, an amount (the "Service Fee") sufficient to:

(i) make the Authority's required payments of principal (including mandatory sinking fund redemptions), premium, if any, and interest then becoming due on Obligations issued under the Indenture, including the Bonds, at maturity or otherwise; and (ii) pay any Credit Facility Payment Obligation becoming due. Acceleration pursuant to the Indenture of the Authority's payment obligations with respect to the Bonds shall not cause an acceleration of the Service Fee. Capitalized terms used herein and not defined herein shall have the meaning ascribed to such terms in the Indenture or Service Agreement.

NEITHER THE GENERAL CREDIT OF THE AUTHORITY, NOR THE CREDIT OR TAXING POWER OF THE CITY, THE COMMONWEALTH OF PENNSYLVANIA (THE "COMMONWEALTH") OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS, NOR WILL THE BONDS BE OR BE DEEMED TO BE OBLIGATIONS OF THE CITY, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

No Optional Redemption

The Bonds are not subject to optional redemption.

Bond Insurance

If the successful bidder chooses to obtain a municipal bond insurance policy or other form of credit enhancement unconditionally and irrevocably guaranteeing payment of the principal of and interest on the Bonds, any purchase of such credit enhancement shall be at the sole option and expense of the successful bidder. If the Bonds are to be subject to credit enhancement, the successful bidder shall pay the premium therefor and other costs therefor prior to the delivery of the Bonds. At the same time it provides the Initial Reoffering Prices (as defined herein) and yields, it shall advise the Authority of the cost of such credit enhancement, and shall provide such further information related thereto as the Authority or the City may request.

Failure of the Bonds to be so insured or of any such policy or credit enhancement to be issued shall not in any manner relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds, nor shall any change in the ratings provided by Moody's Investors Service, Standard & Poor's Rating Service or Fitch Ratings with respect to any such credit enhancement provider occurring between the time of the award of the Bonds and the time of their delivery in any manner relieve the successful bidder of such contractual obligations.

Electronic Bidding and Bidding Procedures

Notice is hereby given that electronic proposals will be received via *PARITY*®, in the manner described below, until 10:45 a.m., local Philadelphia, Pennsylvania time, on April 22, 2014.

Bids may be submitted electronically pursuant to this Notice of Sale until 10:45 a.m., local Philadelphia, Pennsylvania time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY*® conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about *PARITY*®, potential bidders may contact *PARITY*® at i-Deal, LLC, at 1359 Broadway, 2nd Floor, New York, NY 10018 and by telephone at (212) 849-5021.

Electronic bids must be submitted for the purchase of the Bonds (all or none) via *PARITY*®. Bids will be communicated electronically to the Authority at 10:45 a.m., local Philadelphia, Pennsylvania time, on April 22, 2014. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via *PARITY*®, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via *PARITY*® to the Authority, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on *PARITY*® shall constitute the official time.

Disclaimer

Each prospective electronic bidder shall be solely responsible to submit its bid via *PARITY*® as described above. Each prospective electronic bidder shall be solely responsible to make necessary arrangements to access *PARITY*® for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Authority, the City nor *PARITY*® shall have any duty or obligation to provide or assure access to *PARITY*® to any prospective bidder, and neither the Authority, the City nor *PARITY*® shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*®. The Authority and the City are using *PARITY*® as a communication mechanism, and not as the Authority's or the City's agent, to conduct the electronic bidding for the Bonds. Neither the Authority nor the City is bound by any advice and determination of *PARITY*® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via *PARITY*® are the sole responsibility of the bidders; and neither the Authority nor the City is responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, the bidder should telephone *PARITY*® at i-Deal, LLC, (212) 849-5021 and notify the City's financial advisors, Public Financial Management, Inc., by telephone at (215) 567-6100 and Acacia Financial Group, Inc. by telephone at (856) 234-2266.

Good Faith Deposit

The successful bidder for the Bonds is required to submit a good faith deposit (the "Good Faith Deposit") in the amount equal to one percent (1.00%) of the principal amount awarded to the winning bidder payable to the order of the Authority in the form of a wire transfer in federal funds. The winning bidder shall submit the Good Faith Deposit not later than 6 hours after the verbal award is made. The winning bidder should provide as quickly as it is available, evidence of wire transfer by providing the Authority the federal funds reference number. If the Good Faith Deposit is not received in the time allotted, the bid of the winning bidder may be rejected and the Authority, with the approval of the Director of Finance of the City, may direct the next lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the Bonds to the same. If the winning bidder fails to comply with the Good Faith Deposit requirement as described herein, that bidder is nonetheless obligated to pay to the Authority the Good Faith Deposit as liquidated damages due to the failure of the winning bidder to timely deposit the Good Faith Deposit. The Good Faith Deposit so wired will be retained by the Authority until the delivery of the Bonds, at which time the Good Faith Deposit will be applied against the purchase price of the Bonds or the Good Faith Deposit will be retained by the Authority (on behalf of the City) as full liquidated damages in the event of the failure of the successful bidder to take up and pay for such Bonds in compliance with the terms of this Notice of Sale and of its bid. In the event of the Authority's failure to deliver the Bonds at Closing, or if the Authority or the City shall be unable to satisfy the conditions to the obligations of the winning bidder contained herein (unless such conditions are waived by the winning bidder), the Authority shall immediately return to the winning bidder the Good Faith Deposit and the delivery of the Good Faith Deposit shall constitute a full release and discharge of all claims by the winning bidder against the Authority and the City arising out of the transactions contemplated hereby. No interest on the Good Faith Deposit will be paid by the Authority. The balance of the purchase price must be wired in federal funds to the account detailed in the closing memorandum, simultaneously with delivery of the Bonds.

Bid Specifications

Proposals for purchase of the Bonds must be for all of the Bonds herein described and must be submitted electronically pursuant to this Notice of Sale until 10:45 a.m., local Philadelphia, Pennsylvania time on April 22, 2014. In their proposals, bidders are requested to specify the annual rate or rates of interest to be borne by the Bonds. Bidders are requested to name the interest rate or rates in multiples of 1/100 of 1%. Bidders may specify more than one rate of interest to be borne by the Bonds, but all Bonds maturing on the same date must bear interest at the same rate. The Bonds on successive maturity dates may bear the same interest rate. No Bond shall bear more than one rate of interest, and the interest rate borne by each Bond shall be uniform for the life of the Bond. The maximum difference between the high and low coupon may not exceed four percent (4%). No bid of less than 99.0% of par will be considered. After selecting the winning bid, the Authority, at the direction of the City, will determine the final aggregate principal amount of the Bonds (the "Final Aggregate Principal Amount") and the final annual principal amounts of the Bonds maturing in each year (the "Final Annual Principal Amounts", together with the Final Aggregate Principal Amount, the "Final Amounts"). In determining the Final Amounts, the Authority, at the direction

of the City, reserves the right to reduce or increase the Final Aggregate Principal Amount of the Bonds by up to 15% of the amount set forth in the winning bid.

Adjustments to Principal Amounts

The aggregate principal amount of the Bonds and the principal amount of each maturity of the Bonds set forth in this Notice of Sale may be revised before the receipt of electronic bids for their purchase. ANY REVISIONS TO SUCH AMOUNTS WILL BE PUBLISHED ON THE THOMSON MUNICIPAL MONITOR ("TM3") (www.tm3.com) NEWS SERVICE NOT LATER THAN 4:00 P.M. (LOCAL PHILADELPHIA, PENNSYLVANIA TIME) ON THE BUSINESS DAY IMMEDIATELY PRIOR TO THE SALE DATE FOR THE BONDS. Bidders shall submit bids based on the aggregate principal amount of the Bonds and the principal amount of each maturity of the Bonds set forth in this Notice of Sale, as adjusted as described in the preceding sentence (the "Preliminary Aggregate Principal Amount" and the "Preliminary Principal Amount," respectively, and collectively, the "Preliminary Amounts") and the Preliminary Amounts will be used to compare bids and select a winning bidder.

Award of Bonds

As promptly as reasonably possible after the bids are opened, the Designated Officer will, with the approval of the Director of Finance of the City, notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the Designated Officer of the initial reoffering prices to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) (the "Public") of each maturity of the Bonds (the "Initial Reoffering Prices"). Such Initial Reoffering Prices, among other things, will be used by the Authority to calculate the Final Aggregate Principal Amount of the Bonds and the Final Principal Amount of each maturity of the Bonds. In determining the Final Amounts, the Authority expects that the Preliminary Amounts will be changed as necessary to affect the objectives of the Authority, but the Authority will not reduce or increase the Preliminary Aggregate Principal Amount of the Bonds by more than fifteen percent (15%). THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE WITHIN THIS LIMIT. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the Final Aggregate Principal Amount and Final Principal Amounts of each maturity of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriters' discount and original issue discount/premium, if any, but will not change the underwriters' discount per $1,000 of par amount of the Bonds from the underwriters' discount that would have been received based on the purchase price in the winning bid and the initial public offering prices. The interest rates specified by the successful bidder for each maturity in its bid for the Bonds will not change. ALL BIDS SHALL REMAIN FIRM FOR FOUR (4) HOURS AFTER THE TIME SPECIFIED FOR THE OPENING OF THE BIDS. An award of the Bonds, if made, will be made by the Designated Officer, with the approval of the Director of Finance of the City, within such four (4)-hour period of time. The Final Amounts will be communicated to the successful bidder as soon as possible, but not later than 12:00 p.m., local Philadelphia, Pennsylvania time the day after awarding the Bonds.

The award, if made, will be made as promptly as possible after the bids are opened to the bidder naming **the lowest true interest cost** for all the Bonds in any legally acceptable proposal. The lowest true interest cost is the rate of interest which will produce the least interest cost over the life of the Bonds, after accounting for the premium offered, if any. Each bidder shall include in its bid a statement of the true interest cost offered in its bid, but this statement shall not be deemed to be part of the bid. Where the proposals of two or more bidders result in the same lowest true interest cost, the Bonds may be apportioned between such bidders or may be awarded to one bidder, as the Designated Officer shall determine, in his sole discretion, with the approval of the Director of Finance of the City. **THE RIGHT IS RESERVED TO THE DESIGNATED OFFICER, WITH THE APPROVAL OF THE DIRECTOR OF FINANCE OF THE CITY, TO REJECT ANY OR ALL PROPOSALS AND TO WAIVE ANY IRREGULARITIES IN ANY OF THE PROPOSALS.** The judgment of the Designated Officer shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale. **THE SUCCESSFUL BIDDER SHALL MAKE A *BONA FIDE* PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW.** Each bidder, by submission of a bid, agrees that it will offer the Bonds only pursuant to the Official Statement (as defined herein) and only in jurisdictions where the offer is

legal, and deliver a copy of the Official Statement to each person or entity that purchases the Bonds from the winning bidder as required by Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The winning bidder shall abide by all rules of the Municipal Securities Rulemaking Board ("MSRB") in connection with the issuance and sale of the Bonds, including the delivery to the MSRB of the Official Statement.

Closing and Miscellaneous

Legal Opinions

The Bonds will be issued and sold subject to approval as to legality by Cozen O'Connor and the Law Office of Ann C. Lebowitz, both of Philadelphia, Pennsylvania, Co-Bond Counsel to the Authority. Copies of the approving opinion of Cozen O'Connor and the Law Office of Ann C. Lebowitz will be delivered, upon request, to the purchaser or purchasers of the Bonds, without charge. Such opinion shall be substantially in the form included in Appendix F to the Preliminary Official Statement referred to below.

Continuing Disclosure

In order to assist bidders in complying with the Rule, the City will execute and deliver a continuing disclosure agreement substantially in the form included in Appendix E to the Preliminary Official Statement. The form of such agreement will also be set forth in the Official Statement.

Delivery of the Bonds

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Not later than seven (7) business days after the date of sale, or by Closing, whichever comes first, the Authority will deliver to the successful bidder an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement (the "Official Statement"). If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the Authority will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds by the successful bidder ("Reoffering Information"), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the Authority and the City and their respective officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with up to 50 copies of the Official Statement (and any amendments or supplements thereto).

Delivery of the Bonds, without expense, will be made by the Authority to DTC on April 30, 2014 or as soon as practicable thereafter, and thereupon, the purchaser or purchasers will be required to accept delivery of the Bonds purchased and pay, in federal funds, the balance of the purchase price due. Such Bonds will be accompanied by the customary closing documents, including certificates of the Authority and the City, effective as of the date of delivery, stating that, except as disclosed in the Preliminary Official Statement and Official Statement and except for litigation which is without merit, there is no litigation pending affecting the validity of the Bonds. It shall be a condition to the obligation of such purchaser or purchasers to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, such purchaser or purchasers shall be furnished a certificate or certificates of the City to the effect that, the information with respect to the City in the Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCING," "ESTIMATED SOURCES AND USES" and in Appendix A and Appendix B, as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE AUTHORITY A CERTIFICATE ACCEPTABLE TO CO-BOND COUNSEL STATING (I) THE INITIAL REOFFERING PRICES OF THE BONDS AND (II) THAT THE SUCCESSFUL BIDDER HAS MADE A *BONA FIDE* PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES. Co-Bond Counsel advises that such certificate must be made on the best knowledge, information and belief of the successful bidder.

The Preliminary Official Statement relating to the Bonds may be downloaded from the City's website at http://www.phila.gov/investor, and from i-dealprospectus.com. Questions may be directed to the undersigned at City of Philadelphia, Pennsylvania, Office of the City Treasurer, 1401 John F. Kennedy Blvd., Suite 640 MSB, Philadelphia, Pennsylvania 19102 (tel: 215-686-2301), or to Katherine Clupper at Public Financial Management, Inc. (tel: 215-567-6100) or Peter Nissen at Acacia Financial Group, Inc. (tel: 856-234-2266).

Right to Change Notice of Sale and Postpone Offering

The Authority, at the direction of the City, reserves the right to change this Notice of Sale and to postpone, from time to time, the date established for the receipt of bids. In the event of a postponement, the new date and time of sale will be announced via TM3-News Service at least twenty-four (24) hours prior to the time proposals are to be submitted. On any such alternative sale date, bidders may submit electronic bids for the purchase of the Bonds in conformity with the provisions of this Notice of Sale, except for any changes to this Notice of Sale, the change of the date of sale and the changes described in the next sentence. If the date fixed for receipt of bids is postponed, the expected date of delivery of the Bonds also may be postponed. Such changes, if any, will be announced via TM3-News Service at the time any alternative sale date is announced.

THE PHILADELPHIA MUNICIPAL AUTHORITY

By: /s/ Albert E. Childs
Albert E. Childs
Executive Director

CITY OF PHILADELPHIA, PENNSYLVANIA

By: /s/ Rob Dubow
Rob Dubow
Director of Finance

Dated: April 10, 2014

OFFICIAL NOTICE OF SALE

$51,085,000*
THE PHILADELPHIA MUNICIPAL AUTHORITY
City of Philadelphia, Pennsylvania

City Service Agreement Revenue Bonds, Series 2014B (Tax-Exempt)

Electronic Bids only will be received until 11:00 a.m.,
Local Philadelphia, Pennsylvania Time, on April 22, 2014

Electronic bids only will be received until **11:00 a.m., LOCAL PHILADELPHIA, PENNSYLVANIA TIME ON APRIL 22, 2014** by the Chairman, Vice Chairman or Executive Director (any such officer being the "Designated Officer") of The Philadelphia Municipal Authority (the "Authority") via *PARITY*® for the purchase of The Philadelphia Municipal Authority City Service Agreement Revenue Bonds, Series 2014B (Tax-Exempt) (the "Bonds"), in the aggregate principal amount of $51,085,000*, dated the date of delivery (the "Closing"), currently anticipated to be April 30, 2014, subject to the Authority's right to make changes to the provisions of this Notice of Sale, including the right to change the dates of sale and delivery. The Bonds will bear interest from the date of delivery payable on July 15, 2014 and semiannually thereafter on each January 15 and July 15 until maturity or prior redemption as hereinafter set forth. Interest will be computed on the basis of a year of 360 days consisting of twelve 30-day months. The Bonds will mature, subject to prior redemption as hereinafter set forth, on January 15 in the following years and in the following principal amounts:

Maturity	Principal Amount*
1/15/2021	$470,000
1/15/2022	$1,220,000
1/15/2023	$1,285,000
1/15/2024	$1,345,000
1/15/2025	$1,415,000
1/15/2026	$1,485,000
1/15/2027	$1,560,000
1/15/2028	$1,635,000
1/15/2029	$1,720,000
1/15/2030	$1,805,000
1/15/2031	$1,895,000
1/15/2032	$1,990,000
1/15/2033	$2,090,000
1/15/2034	$2,195,000
1/15/2035	$2,305,000
1/15/2036	$2,420,000
1/15/2037	$2,540,000
1/15/2038	$2,665,000
1/15/2039	$2,800,000
1/15/2040	$2,940,000
1/15/2041	$3,085,000
1/15/2042	$3,240,000
1/15/2043	$3,405,000
1/15/2044	$3,575,000

**Preliminary; subject to change.*

BID PARAMETER TABLE[1]

INTEREST		PRICING	
Dated Date:	Date of Delivery	Maximum Bid Price:	Unlimited
Anticipated Date of Delivery*:	April 30, 2014	Minimum Aggregate Bid Price:	99.0%
Interest Payment Dates:	July 15 and January 15 commencing July 15, 2014	Max. Reoffering Price (each maturity):	Unlimited
Coupon Multiples:	1/8 or 1/20 of 1%	Min. Reoffering Price (each maturity):	98.5%
Maximum Coupon:	N/A		
Minimum Coupon:	No Zero Coupon may be specified		
Maximum TIC:	N/A		
Maximum Difference Between Coupons:	4%		
PRINCIPAL		**PROCEDURAL**	
Optional Redemption:	Bonds maturing on and after January 15, 2025 are callable on January 15, 2024 and thereafter at par.	Sale Date: Sale Time:	April 22, 2014 11:00 a.m. Local Philadelphia, Pennsylvania Time
Post-bid Principal Increases: Each Maturity: Aggregate:	 N/A 15%	Bid Submission:	Electronic bids through *PARITY*® only
Post-bid Principal Reductions: Each Maturity: Aggregate:	 N/A 15%	All or None?	Yes
Term Bonds:	Any two or more sequential maturities of the Bonds may be designated as term bonds; the term bonds must have sinkers equal to date and amount shown on the principal amortization schedule.	Bid Award Method:	Lowest TIC Electronically
		Bid Confirmation:	Fax Signed *PARITY*® screen
		Awarding of Bid(s):	On the Sale Date by the City
		Good Faith Deposit:	1% of principal amount awarded. See "Good Faith Deposit."

[1]If numerical or date references contained in the body of this Notice of Sale conflict with the Bid Parameter Table, the Bid Parameter Table of this Notice of Sale shall control. Consult the body of this Notice of Sale for a detailed explanation of the items contained in the Bid Parameter Table, including interpretation of such items and methodologies used to determine such items.
*Preliminary, subject to change.

Book-Entry Only

The Bonds will be issued in fully registered, book-entry only form, and a bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co. Principal of, premium, if any, and interest on the Bonds will be payable by U.S. Bank National Association, as Trustee (the "Trustee"), by wire transfer or in clearinghouse funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal, premium, if any, and interest payments to the beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the Authority, the City nor the Trustee will be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. The successful bidder will be required to furnish to DTC within seven days after the sale the customary underwriter's questionnaire and information as to each DTC participant and the Bonds to be held for it. See the Preliminary Official Statement for more information regarding DTC.

General Information

The Authority, a body corporate and politic, was organized and exists under and by virtue of the laws of the Commonwealth of Pennsylvania. It was incorporated pursuant to the Municipality Authorities Act (as amended from time to time, the "Act") on January 9, 1976 under the name of The Equipment Leasing Authority of Philadelphia, pursuant to the Act and an ordinance of Council of the City of Philadelphia ("City Council") approved December 23, 1975 (Bill No. 2201) for the purpose of leasing equipment to the City. By ordinance effective March 24, 1983 (Bill No. 1530), City Council approved a change to the Authority's present name and expanded the Authority's powers. City Council adopted an ordinance (Bill No. 071082) approved by the Mayor on January 3, 2008, which extended the term of the Authority's existence to January 1, 2054. City Council adopted an ordinance (Bill No. 140073) approved by the Mayor on April 4, 2014 authorizing the Authority to undertake any project (as defined in the Act) that the Authority is specifically authorized to undertake from time to time by ordinance of the City Council; the undertaking of the Public Safety Services Campus Project (as defined below) was specifically authorized by City Council by an ordinance (Bill No. 140072) adopted by City Council on April 3, 2014 and approved by the Mayor on April 4, 2014 (the "Ordinance").

The Bonds are being issued pursuant to the provisions of the Act and of a Trust Indenture dated as of April 1, 2014 (the "Indenture"), between the Authority and the Trustee.

The proceeds of the Bonds are expected to be used to finance a portion of a project (the "Public Safety Services Campus Project") consisting of: (i) the acquisition from the Philadelphia Authority for Industrial Development of an approximately fifteen-acre tract of land together with the improvements thereon (the "Facility") situated in the City in the area bounded by 46th Street, Market Street, Haverford Avenue, and 48th Street, known as 4601 Market Street; (ii) the demolition, remediation, renovation and equipping of the Facility as the Public Safety Services Campus for the City (including the headquarters of the City's Police Department and certain other public safety and health related uses); (iii) the construction of parking accommodations and other capital improvements to the Facility; and (iv) the payment of certain costs of issuing the Bonds.

Security for the Bonds

The Bonds are limited obligations of the Authority payable solely from revenues derived by the Authority under a Service Agreement dated as of April 1, 2014 (the "Service Agreement") between the Authority and the City. The Service Agreement was authorized by City Council by the Ordinance. Under the Indenture, the Authority has assigned and granted to the Trustee a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for Reserved Rights), and the Revenues, including all monies, investments and securities held in the Funds and Accounts established under the Indenture (the "Trust Estate"). The City agrees in the Service Agreement to pay not later than the business day immediately preceding the date such amounts are required to be paid to the holders of Obligations, to the Trustee, as assignee of the Authority, an amount (the "Service Fee") sufficient to:

(i) make the Authority's required payments of principal (including mandatory sinking fund redemptions), premium, if any, and interest then becoming due on Obligations issued under the Indenture, including the Bonds, at maturity or otherwise; and (ii) pay any Credit Facility Payment Obligation becoming due. Acceleration pursuant to the Indenture of the Authority's payment obligations with respect to the Bonds shall not cause an acceleration of the Service Fee. Capitalized terms used herein and not defined herein shall have the meaning ascribed to such terms in the Indenture or Service Agreement.

NEITHER THE GENERAL CREDIT OF THE AUTHORITY, NOR THE CREDIT OR TAXING POWER OF THE CITY, THE COMMONWEALTH OF PENNSYLVANIA (THE "COMMONWEALTH") OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS, NOR WILL THE BONDS BE OR BE DEEMED TO BE OBLIGATIONS OF THE CITY, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

Optional Redemption

Bonds maturing on or before January 15, 2024 are not subject to redemption prior to their respective maturities. The Bonds maturing on or after January 15, 2025 shall be subject to redemption prior to their maturity, at the option of the Authority as directed by the City, on or at any time after January 15, 2024, as a whole or in part (and if in part, in such order of maturity as directed by the City and within a maturity by lot) at a redemption price of 100 percent of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate or rates stated in the Bonds to be redeemed.

Mandatory Sinking Fund Redemption

The successful bidder for the Bonds may designate two or more sequential maturities of the Bonds as term bonds ("Term Bonds"), in accordance with the section of this Notice of Sale captioned "Electronic Bidding and Bidding Procedures - Right to Specify Term Bonds." Term Bonds shall be subject to mandatory sinking fund redemption by the Authority at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date set for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a sequential maturity included as part of a Term Bond would otherwise have been payable and in the amount of the maturing principal amount of the Bonds of such maturity, determined as described in this Notice of Sale, due on such principal payment date.

Bond Insurance

If the successful bidder chooses to obtain a municipal bond insurance policy or other form of credit enhancement unconditionally and irrevocably guaranteeing payment of the principal of and interest on the Bonds, any purchase of such credit enhancement shall be at the sole option and expense of the successful bidder. If the Bonds are to be subject to credit enhancement, the successful bidder shall pay the premium therefor and other costs therefor prior to the delivery of the Bonds. At the same time it provides the Initial Reoffering Prices (as defined herein) and yields, it shall advise the Authority of the cost of such credit enhancement, and shall provide such further information related thereto as the Authority or the City may request.

Failure of the Bonds to be so insured or of any such policy or credit enhancement to be issued shall not in any manner relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds, nor shall any change in the ratings provided by Moody's Investors Service, Standard & Poor's Rating Service or Fitch Ratings with respect to any such credit enhancement provider occurring between the time of the award of the Bonds and the time of their delivery in any manner relieve the successful bidder of such contractual obligations.

Electronic Bidding and Bidding Procedures

Notice is hereby given that electronic proposals will be received via *PARITY*®, in the manner described below, until 11:00 a.m., local Philadelphia, Pennsylvania time, on April 22, 2014.

Bids may be submitted electronically pursuant to this Notice of Sale until 11:00 a.m., local Philadelphia, Pennsylvania time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY*® conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about *PARITY*®, potential bidders may contact *PARITY*® at i-Deal, LLC, at 1359 Broadway, 2nd Floor, New York, NY 10018 and by telephone at (212) 849-5021.

Electronic bids must be submitted for the purchase of the Bonds (all or none) via *PARITY*®. Bids will be communicated electronically to the Authority at 11:00 a.m., local Philadelphia, Pennsylvania time, on April 22, 2014. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via *PARITY*®, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via *PARITY*® to the Authority, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on *PARITY*® shall constitute the official time.

Disclaimer

Each prospective electronic bidder shall be solely responsible to submit its bid via *PARITY*® as described above. Each prospective electronic bidder shall be solely responsible to make necessary arrangements to access *PARITY*® for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Authority, the City nor *PARITY*® shall have any duty or obligation to provide or assure access to *PARITY*® to any prospective bidder, and neither the Authority, the City nor *PARITY*® shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*®. The Authority and the City are using *PARITY*® as a communication mechanism, and not as the Authority's or the City's agent, to conduct the electronic bidding for the Bonds. Neither the Authority nor the City is bound by any advice and determination of *PARITY*® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via *PARITY*® are the sole responsibility of the bidders; and neither the Authority nor the City is responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, the bidder should telephone *PARITY*® at i-Deal, LLC, (212) 849-5021 and notify the City's financial advisors, Public Financial Management, Inc., by telephone at (215) 567-6100 and Acacia Financial Group, Inc. by telephone at (856) 234-2266.

Good Faith Deposit

The successful bidder for the Bonds is required to submit a good faith deposit (the "Good Faith Deposit") in the amount equal to one percent (1.00%) of the principal amount awarded to the winning bidder payable to the order of the Authority in the form of a wire transfer in federal funds. The winning bidder shall submit the Good Faith Deposit not later than 6 hours after the verbal award is made. The winning bidder should provide as quickly as it is available, evidence of wire transfer by providing the Authority the federal funds reference number. If the Good Faith Deposit is not received in the time allotted, the bid of the winning bidder may be rejected and the Authority, with the approval of the Director of Finance of the City, may direct the next lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the Bonds to the same. If the winning bidder fails to comply with the Good Faith Deposit requirement as described herein, that bidder is nonetheless obligated to pay to the Authority the Good Faith Deposit as liquidated damages due to the failure of the winning bidder to timely deposit the Good Faith Deposit. The Good Faith Deposit so wired will be retained by the Authority until the delivery of the Bonds, at which time the Good Faith Deposit will be applied against the purchase price of the Bonds or the Good Faith Deposit will be retained by the Authority (on behalf of the City) as full liquidated damages in the event of the failure of the successful bidder to take up and pay for such Bonds in compliance with the terms of this Notice of Sale and of its bid. In the event of the Authority's failure to deliver the Bonds at Closing, or if the Authority or the City shall be unable to satisfy the conditions to the obligations of the winning bidder contained herein (unless such conditions are waived by the winning bidder), the Authority shall immediately return to the winning bidder the Good Faith Deposit and the delivery of the Good Faith Deposit shall constitute a full release and discharge of all claims by the winning bidder against the Authority and the City arising out of the transactions contemplated hereby. No interest on the Good Faith Deposit will be paid by the Authority. The balance of the purchase price must be wired in federal funds to the account detailed in the closing memorandum, simultaneously with delivery of the Bonds.

Bid Specifications

Proposals for purchase of the Bonds must be for all of the Bonds herein described and must be submitted electronically pursuant to this Notice of Sale until 11:00 a.m., local Philadelphia, Pennsylvania time on April 22, 2014. In their proposals, bidders are requested to specify the annual rate or rates of interest to be borne by the Bonds. Bidders are requested to name the interest rate or rates in multiples of 1/8 or 1/20 of 1%. Bidders may specify more than one rate of interest to be borne by the Bonds, but all Bonds maturing on the same date must bear interest at the same rate. The Bonds on successive maturity dates may bear the same interest rate. No Bond shall bear more than one rate of interest, and the interest rate borne by each Bond shall be uniform for the life of the Bond. The maximum difference between the high and low coupon may not exceed four percent (4%). No bid of less than 99.0% of par will be considered. After selecting the winning bid, the Authority, at the direction of the City, will determine the final aggregate principal amount of the Bonds (the "Final Aggregate Principal Amount") and the final annual principal amounts of the Bonds maturing in each year (the "Final Annual Principal Amounts", together with the Final Aggregate Principal Amount, the "Final Amounts"). In determining the Final Amounts, the Authority, at the direction of the City, reserves the right to reduce or increase the Final Aggregate Principal Amount of the Bonds by up to 15% of the amount set forth in the winning bid.

Right to Specify Term Bonds

Each bidder may designate in its proposal any two or more sequential maturities of the Bonds as mandatory sinking fund installments due on a Term Bond maturing on the maturity date of the last maturity of the sequence. Each such Term Bond shall be issued in a principal amount equal to the sum of the principal amounts of the Bonds in each year of such sequence. The bidder shall name a single rate of interest to be borne by each such Term Bond. Each bidder may designate more than one Term Bond.

Adjustments to Principal Amounts

The aggregate principal amount of the Bonds and the principal amount of each maturity of the Bonds set forth in this Notice of Sale may be revised before the receipt of electronic bids for their purchase. ANY REVISIONS TO SUCH AMOUNTS WILL BE PUBLISHED ON THE THOMSON MUNICIPAL MONITOR ("TM3") (www.tm3.com) NEWS SERVICE NOT LATER THAN 4:00 P.M. (LOCAL PHILADELPHIA, PENNSYLVANIA TIME) ON THE BUSINESS DAY IMMEDIATELY PRIOR TO THE SALE DATE FOR THE BONDS. Bidders shall submit bids based on the aggregate principal amount of the Bonds and the principal amount of each maturity of the Bonds set forth in this Notice of Sale, as adjusted as described in the preceding sentence (the "Preliminary Aggregate Principal Amount" and the "Preliminary Principal Amount," respectively, and collectively, the "Preliminary Amounts") and the Preliminary Amounts will be used to compare bids and select a winning bidder.

Award of Bonds

As promptly as reasonably possible after the bids are opened, the Designated Officer will, with the approval of the Director of Finance of the City, notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the Designated Officer of the initial reoffering prices to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) (the "Public") of each maturity of the Bonds (the "Initial Reoffering Prices"). Such Initial Reoffering Prices, among other things, will be used by the Authority to calculate the Final Aggregate Principal Amount of the Bonds and the Final Principal Amount of each maturity of the Bonds. In determining the Final Amounts, the Authority expects that the Preliminary Amounts will be changed as necessary to affect the objectives of the Authority, but the Authority will not reduce or increase the Preliminary Aggregate Principal Amount of the Bonds by more than fifteen percent (15%). THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE WITHIN THIS LIMIT. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the Final Aggregate Principal Amount and Final Principal Amounts of each maturity of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriters' discount and original issue discount/premium, if any, but will not change the underwriters' discount per $1,000 of par amount of the Bonds from the underwriters' discount that would have been received based on the purchase price in the

winning bid and the initial public offering prices. The interest rates specified by the successful bidder for each maturity in its bid for the Bonds will not change. ALL BIDS SHALL REMAIN FIRM FOR FOUR (4) HOURS AFTER THE TIME SPECIFIED FOR THE OPENING OF THE BIDS. An award of the Bonds, if made, will be made by the Designated Officer, with the approval of the Director of Finance of the City, within such four (4)-hour period of time. The Final Amounts will be communicated to the successful bidder as soon as possible, but not later than 12:00 p.m., local Philadelphia, Pennsylvania time the day after awarding the Bonds.

The award, if made, will be made as promptly as possible after the bids are opened to the bidder naming **the lowest true interest cost** for all the Bonds in any legally acceptable proposal. The lowest true interest cost is the rate of interest which will produce the least interest cost over the life of the Bonds, after accounting for the premium offered, if any. Each bidder shall include in its bid a statement of the true interest cost offered in its bid, but this statement shall not be deemed to be part of the bid. Where the proposals of two or more bidders result in the same lowest true interest cost, the Bonds may be apportioned between such bidders or may be awarded to one bidder, as the Designated Officer shall determine, in his sole discretion, with the approval of the Director of Finance of the City. **THE RIGHT IS RESERVED TO THE DESIGNATED OFFICER, WITH THE APPROVAL OF THE DIRECTOR OF FINANCE OF THE CITY, TO REJECT ANY OR ALL PROPOSALS AND TO WAIVE ANY IRREGULARITIES IN ANY OF THE PROPOSALS.** The judgment of the Designated Officer shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale. **THE SUCCESSFUL BIDDER SHALL MAKE A *BONA FIDE* PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW.** Each bidder, by submission of a bid, agrees that it will offer the Bonds only pursuant to the Official Statement (as defined herein) and only in jurisdictions where the offer is legal, and deliver a copy of the Official Statement to each person or entity that purchases the Bonds from the winning bidder as required by Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The winning bidder shall abide by all rules of the Municipal Securities Rulemaking Board ("MSRB") in connection with the issuance and sale of the Bonds, including the delivery to the MSRB of the Official Statement.

Closing and Miscellaneous

Legal Opinions

The Bonds will be issued and sold subject to approval as to legality by Cozen O'Connor and the Law Office of Ann C. Lebowitz, both of Philadelphia, Pennsylvania, Co-Bond Counsel to the Authority. Copies of the approving opinion of Cozen O'Connor and the Law Office of Ann C. Lebowitz will be delivered, upon request, to the purchaser or purchasers of the Bonds, without charge. Such opinion shall be substantially in the form included in Appendix F to the Preliminary Official Statement referred to below.

Continuing Disclosure

In order to assist bidders in complying with the Rule, the City will execute and deliver a continuing disclosure agreement substantially in the form included in Appendix E to the Preliminary Official Statement. The form of such agreement will also be set forth in the Official Statement.

Delivery of the Bonds

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Not later than seven (7) business days after the date of sale, or by Closing, whichever comes first, the Authority will deliver to the successful bidder an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement (the "Official Statement"). If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the Authority will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds by the successful bidder ("Reoffering Information"), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds

resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the Authority and the City and their respective officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with up to 50 copies of the Official Statement (and any amendments or supplements thereto).

Delivery of the Bonds, without expense, will be made by the Authority to DTC on April 30, 2014 or as soon as practicable thereafter, and thereupon, the purchaser or purchasers will be required to accept delivery of the Bonds purchased and pay, in federal funds, the balance of the purchase price due. Such Bonds will be accompanied by the customary closing documents, including certificates of the Authority and the City, effective as of the date of delivery, stating that, except as disclosed in the Preliminary Official Statement and Official Statement and except for litigation which is without merit, there is no litigation pending affecting the validity of the Bonds. It shall be a condition to the obligation of such purchaser or purchasers to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, such purchaser or purchasers shall be furnished a certificate or certificates of the City to the effect that, the information with respect to the City in the Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCING," "ESTIMATED SOURCES AND USES" and in Appendix A and Appendix B, as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE AUTHORITY A CERTIFICATE ACCEPTABLE TO CO-BOND COUNSEL STATING (I) THE INITIAL REOFFERING PRICES OF THE BONDS, (II) THAT THE SUCCESSFUL BIDDER HAS MADE A *BONA FIDE* PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES, (III) THAT AS OF THE DATE OF THE SALE OF THE BONDS, THE SUCCESSFUL BIDDER REASONABLY EXPECTED TO SELL A SUBSTANTIAL AMOUNT OF EACH MATURITY OF THE BONDS AT THE INITIAL REOFFERING PRICES, (IV) THAT A SUBSTANTIAL AMOUNT OF EACH MATURITY OF THE BONDS WAS SOLD TO THE PUBLIC ON THE DATE OF SALE OF THE BONDS AT SUCH INITIAL REOFFERING PRICES, AND (V) THE INITIAL REOFFERING PRICES DID NOT EXCEED THE FAIR MARKET VALUE OF THE BONDS ON THE DATE OF SALE, OR (VI) SUCH OTHER FACTS REGARDING THE ACTUAL SALE OF THE BONDS AS CO-BOND COUNSEL SHALL REQUEST (AS FURTHER DESCRIBED BELOW). Co-Bond Counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of ten percent (10%) or more in par amount of the Bonds of each maturity at the Initial Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by Co-Bond Counsel to assure compliance with the statutory requirement to establish issue price.

The Preliminary Official Statement relating to the Bonds may be downloaded from the City's website at http://www.phila.gov/investor, and from i-dealprospectus.com. Questions may be directed to the undersigned at City of Philadelphia, Pennsylvania, Office of the City Treasurer, 1401 John F. Kennedy Blvd., Suite 640 MSB, Philadelphia, Pennsylvania 19102 (tel: 215-686-2301), or to Katherine Clupper at Public Financial Management, Inc. (tel: 215-567-6100) or Peter Nissen at Acacia Financial Group, Inc. (tel: 856-234-2266).

Right to Change Notice of Sale and Postpone Offering

The Authority, at the direction of the City, reserves the right to change this Notice of Sale and to postpone, from time to time, the date established for the receipt of bids. In the event of a postponement, the new date and time of sale will be announced via TM3-News Service at least twenty-four (24) hours prior to the time proposals are to be submitted. On any such alternative sale date, bidders may submit electronic bids for the purchase of the Bonds in conformity with the provisions of this Notice of Sale, except for any changes to this Notice of Sale, the change of the date of sale and the changes described in the next sentence. If the date fixed for receipt of bids is postponed, the expected date of delivery of the Bonds also may be postponed. Such changes, if any, will be announced via TM3-News Service at the time any alternative sale date is announced.

THE PHILADELPHIA MUNICIPAL AUTHORITY

By: /s/ Albert E. Childs
Albert E. Childs
Executive Director

CITY OF PHILADELPHIA, PENNSYLVANIA

By: /s/ Rob Dubow
Rob Dubow
Director of Finance

Dated: April 10, 2014

CITY OF PHILADELPHIA, PENNSYLVANIA (ISSUER)

City Treasurer's Office, Municipal Services Building
1401 JFK Blvd., Suite 640
Philadelphia, PA 19102

Nancy E. Winkler, *City Treasurer*
Phone: (215) 686-2301 / Fax: (215) 686-3815
Email: nancy.winkler@phila.gov

PUBLIC FINANCIAL MANAGEMENT, INC. (CO-FINANCIAL ADVISOR)

Two Logan Square, Suite 1600
18th & Arch Streets
Philadelphia, PA 19103

Katherine Clupper, *Managing Director*
Phone: (215) 567-6100 / Fax: (215) 567-4180
Email: clupperk@pfm.com

Rebecca Perry-Glickstein, *Director*
Phone: (215) 567-6100 / Fax: (215) 567-4180
Email: perry-glicksteinr@pfm.com

ACACIA FINANCIAL GROUP, INC. (CO-FINANCIAL ADVISOR)

Four Greentree Centre, Suite 206
13000 Lincoln Drive West
Marlton, NJ 08053

Peter Nissen, *Managing Director*
Phone: (856) 234-2266 / Fax: (856) 234-6697
Email: pnissen@acaciafin.com

COZEN O'CONNOR (CO-BOND COUNSEL)

1900 Market Street
Philadelphia, PA 19103

Suzanne Mayes, Esq.
Phone: (215) 665-6922 / Fax: (215) 701-2104
Email: smayes@cozen.com

LAW OFFICE OF ANN C. LEBOWITZ (CO-BOND COUNSEL)

200 South Broad Street, Suite 600
Philadelphia, PA 19102

Ann Lebowitz, Esq.
Phone: (215) 893-4976 / Fax: (215) 790-0509
Email: acl@alebowitz.com

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Client Services
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The Philadelphia Municipal Authority, City of Philadelphia, Pennsylvania • City Service Agreement Revenue Bonds, Series 2014A (Federally Taxable) and Series 2014B (Tax-Exempt)

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