The information in this Preliminary Official Statement is not complete and may be changed. This Preliminary Official Statement is not an offer to sell the referenced Bonds and is not soliciting an offer to buy the Bonds in any state or other jurisdiction where the offer or sale is not permitted.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 8, 2016

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 2016 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 2016 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 2016 Bonds. Under the existing laws of the Commonwealth of Pennsylvania, interest on the 2016 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 2016 Bonds or the interest thereon. For a more complete discussion, see "TAX MATTERS" herein.

$283,085,000*
THE CITY OF PHILADELPHIA, PENNSYLVANIA
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

Dated: Date of Delivery **Due: August 1, as shown on inside cover page**

Defined Terms. All capitalized terms that are not otherwise defined on this cover page have the meanings provided to such terms in this Official Statement.

The 2016 Bonds. The City of Philadelphia, Pennsylvania (the "City"), a corporation, body politic and city of the first class existing under the laws of the Commonwealth of Pennsylvania, is issuing the above-referenced bonds (the "2016 Bonds").

Purpose. The 2016 Bonds are being issued for the purpose of providing funds to (i) refund all or a portion of the City's (A) General Obligation Bonds, Series 2006, (B) General Obligation Fixed Rate Refunding Bonds, Series 2007A, (C) General Obligation Refunding Bonds, Series 2008A, (D) General Obligation Fixed Rate Refunding Bonds, Series 2009A, and (E) General Obligation Bonds, Series 2011, as more particularly described herein, and (ii) pay the costs relating to the issuance of the 2016 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security. The 2016 Bonds are general obligations of the City, and the full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest on the 2016 Bonds when due. The City has covenanted that, so long as the 2016 Bonds remain outstanding, it will make payments out of its sinking fund or any other of its general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of interest thereon and the principal thereof when due, whether at maturity or redemption. See "SECURITY FOR THE 2016 BONDS" herein.

Redemption. The 2016 Bonds are subject to redemption prior to maturity, as described herein. See "THE 2016 BONDS – Redemption Provisions" herein.

Interest Payment Dates. Interest on the 2016 Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2017.

Tax Status. For information on the tax status of the 2016 Bonds, see the italicized language at the top of this cover page and "TAX MATTERS" herein.

Delivery Date. It is expected that the 2016 Bonds will be available for delivery to DTC on or about November 30, 2016.

This cover page contains certain information for quick reference only. It is <u>not</u> a summary of the 2016 Bonds or this Official Statement. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to the making of an informed investment decision regarding the 2016 Bonds.

The 2016 Bonds are offered when, as and if issued by the City and accepted by the Underwriters and subject to the approval of the legality of the issuance of the 2016 Bonds by Cozen O'Connor and Ahmad Zaffarese LLC, Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department, and for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania. Hawkins Delafield & Wood LLP and the Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, Co-Disclosure Counsel to the City, will each deliver an opinion to the City and the Underwriters regarding certain matters.

RBC Capital Markets **Loop Capital Markets**

Barclays **Drexel Hamilton**
Citigroup **TD Securities**

Dated: November ___, 2016

* Preliminary, subject to change.

MATURITIES, AMOUNTS, INTEREST RATES, PRICES, YIELDS, AND CUSIPS†

$283,085,000*
The City of Philadelphia, Pennsylvania
General Obligation Refunding Bonds, Series 2016

Maturity (August 1)*	Principal Amount	Interest Rate	Price	Yield	CUSIP† 717813
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					

Term Bond

Year (August 1)	Principal	Interest Rate	Price	Yield	CUSIP† 717813
2041					

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of 2016 Bonds only at the time of issuance of the 2016 Bonds and the City, the Fiscal Agent and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2016 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the 2016 Bonds.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR
HONORABLE JAMES F. KENNEY

MAYOR'S CHIEF OF STAFF
Jane Slusser

MAYOR'S CABINET

Michael DiBerardinis.....Managing Director
Rob Dubow.....Director of Finance
Sozi Pedro Tulante, Esq.....City Solicitor
Nina Ahmad.....Deputy Mayor for Public Engagement
Nolan Atkinson.....Chief Diversity & Inclusion Officer
James Engler.....Deputy Mayor for Policy & Legislation
Harold Epps. ..... Commerce Director
Anne Fadullon.....Director of Planning & Development
Otis Hackney.....Chief Education Officer
Sheila Hess .....City Representative
Ellen Kaplan.....Chief Integrity Officer
Amy Kurland .....Inspector General
Richard Lazer.....Deputy Mayor for Labor Relations
Deborah Mahler ..... Deputy Mayor for Intergovernmental Affairs
Rebecca Rhynhart .....Chief Administrative Officer

CITY TREASURER
Rasheia Johnson

CITY CONTROLLER
Alan L. Butkovitz

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters.

No Unlawful Offers or Solicitations. The information in this Preliminary Official Statement is not complete and may be changed. This Preliminary Official Statement is not an offer to sell the referenced 2016 Bonds and is not soliciting an offer to buy the 2016 Bonds in any jurisdiction where the offer or sale is not permitted.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2016 Bonds described herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement among the City, the Underwriters and the purchasers or owners of any offered 2016 Bonds. This Official Statement is being provided to prospective purchasers either in bound printed form ("Original Bound Format") or in electronic format on the following website: www.mcelweequinn.com. This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such website.

Preparation of this Official Statement. The information set forth herein has been furnished by the City and includes information obtained from other sources, all of which are believed to be reliable. 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 City since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Order and Placement of Materials. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the cover page, the inside cover page and the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the 2016 Bonds is made only by means of this entire Official Statement.

Estimates and Forecasts. The statements contained in this Official Statement and the Appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available on the date of this Official Statement, and the City assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the 2016 Bonds.

Public Offering Prices. In connection with the offering of the 2016 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2016 Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

No Recommendation or Registration. The 2016 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. The 2016 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption contain in Section 3(a)(2) of such act.

Summary of the Offering

This summary is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the 2016 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page, the inside cover page, and the Appendices.

Issuer:	The City of Philadelphia, Pennsylvania (the "City"), a corporation, body politic and city of the first class existing under the laws of the Commonwealth of Pennsylvania.
Bonds Offered:	$283,085,000* aggregate principal amount of General Obligation Refunding Bonds, Series 2016 (the "2016 Bonds").
Interest Payment Dates:	Interest on the 2016 Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2017.
Security and Sources of Payment:	The 2016 Bonds are general obligations of the City, and the full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest on the 2016 Bonds when due. The City has covenanted that, so long as the 2016 Bonds remain outstanding, it will make payments out of its sinking fund or any other of its general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of interest thereon and the principal thereof when due, whether at maturity or redemption. See "SECURITY FOR THE 2016 BONDS" herein.
Use of Proceeds:	The 2016 Bonds are being issued for the purpose of providing funds to (i) refund all or a portion of the City's (A) General Obligation Bonds, Series 2006, (B) General Obligation Fixed Rate Refunding Bonds, Series 2007A, (C) General Obligation Refunding Bonds, Series 2008A, (D) General Obligation Fixed Rate Refunding Bonds, Series 2009A, and (E) General Obligation Bonds, Series 2011, as more particularly described herein, and (ii) pay the costs relating to the issuance of the 2016 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.
Redemption:	The 2016 Bonds are subject to redemption prior to maturity, as described herein. See "THE 2016 BONDS – Redemption Provisions" herein.
Authorized Denominations:	The 2016 Bonds will be issued as registered bonds in denominations of $5,000 or any integral multiple thereof.
Form and Depository:	The 2016 Bonds will be delivered solely in registered form under a global book-entry system through the facilities of DTC. See APPENDIX F.
Tax Status:	For information on the tax status of the 2016 Bonds, see the italicized language at the top of the cover page of this Official Statement and "TAX MATTERS" herein.
Ratings:	Moody's "A2" S&P "A+" Fitch "A-" See "RATINGS" herein.

* Preliminary, subject to change.

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OFFICIAL STATEMENT

relating to

$283,085,000*
The City of Philadelphia, Pennsylvania
General Obligation Refunding Bonds, Series 2016

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and Appendices hereto, provides information with respect to the issuance by The City of Philadelphia, Pennsylvania (the "City") of $283,085,000* aggregate principal amount of its General Obligation Refunding Bonds, Series 2016 (the "2016 Bonds"). This introduction is a brief description of certain matters set forth in this Official Statement and is qualified by reference to the entire Official Statement, including the Appendices hereto. Reference should be made to the material under the caption "THE 2016 BONDS" for a description of the 2016 Bonds and to APPENDIX F for a description of the book-entry system applicable thereto.

Certain factors that may affect an investment decision concerning the 2016 Bonds are described throughout this Official Statement. Persons considering a purchase of the 2016 Bonds should read this Official Statement, including the cover page, the inside cover page and the Appendices, which are an integral part hereof, in its entirety. 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 the adopted and proposed budgets of the City, as well as from the City's five-year financial plans. See "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information" in APPENDIX A hereto. Accordingly, no assurance is given that any projected future results will be achieved.

Authorization

Under Article 9, Section 12 of the Constitution of the Commonwealth of Pennsylvania (the "Commonwealth") and the Acts of the General Assembly of the Commonwealth of June 25, 1919, P.L. 581, as amended, and June 11, 1941, P.L. 113, amended December 8, 1985, P.L. 324 (together, the "Act"), the City is authorized to issue bonds to secure indebtedness of the City and to refund the same.

Pursuant to the Act, the Council of the City adopted an Ordinance (Bill No. 141027) on February 19, 2015 (the "Refunding Ordinance"), which authorizes borrowings by the issuance and sale of bonds (including the 2016 Bonds) for the purpose of refunding certain general obligation bonds of the City. The Refunding Ordinance, which was signed by the Mayor on March 4, 2015, authorizes the Mayor, the City Controller and the City Solicitor, or a majority of them (the "Bond Committee"), to issue and sell on behalf of the City up to $700,000,000 aggregate principal amount (exclusive of costs of issuance, including, but not limited to, underwriters' discount, costs of liquidity and/or credit enhancement, original issue discount or redemption premiums, if any, on bonds being refunded or similar items) of general obligation bonds of the City in one or more series.

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* Preliminary, subject to change.

By the resolution adopted by the Bond Committee on November __, 2016 (the "Bond Committee Resolution"), the Bond Committee authorized the issuance of the 2016 Bonds in the aggregate principal amount of $_____, and determined the terms of the 2016 Bonds, including the interest rates and maturity dates.

Constitutional Debt Limit

General obligation debt of the City is of two types: (i) debt (herein called "Tax-Supported Debt"), which is subject to the limitation of the Constitution of the Commonwealth (the aggregate limit on such debt equals 13.5% of the average of the annual assessed valuations of the taxable real property in the City during the ten (10) years immediately preceding the year in which such debt is incurred (of which, no more than 3% may be non-electoral debt (the "Constitutional Debt Limit")); and (ii) debt (herein called "Self-Supporting Debt"), which, having been incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay the debt service thereon, is excluded from the computation of debt for the purposes of the Constitutional Debt Limit. The amount of 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 and ranks equally in all respects with Tax-Supported Debt, the only distinction being that it is not used in the calculation of the Constitutional Debt Limit. Self-Supporting Debt, however, is not secured by a lien on any particular revenues. The 2016 Bonds constitute Tax-Supported Debt. The issuance of the 2016 Bonds will not cause the City's indebtedness to exceed the Constitutional Debt Limit. For more information on the Constitutional Debt Limit, see "DEBT OF THE CITY – General" in APPENDIX A hereto.

For purposes of this Official Statement, Tax-Supported Debt and Self-Supporting Debt are referred to collectively as "General Obligation Debt."

Purpose

The 2016 Bonds are being issued for the purpose of providing funds to (i) refund all or a portion of the City's (A) General Obligation Bonds, Series 2006, (B) General Obligation Fixed Rate Refunding Bonds, Series 2007A, (C) General Obligation Refunding Bonds, Series 2008A, (D) General Obligation Fixed Rate Refunding Bonds, Series 2009A, and (E) General Obligation Bonds, Series 2011, as more particularly described herein, and (ii) pay the costs relating to the issuance of the 2016 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security for the 2016 Bonds

The 2016 Bonds are general obligations of the City, and the full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest on the 2016 Bonds when due. The City has covenanted in the Refunding Ordinance that, so long as the 2016 Bonds remain outstanding, it will make payments out of its sinking fund or any other of its general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of interest thereon and the principal thereof when due, whether at maturity or redemption. See "SECURITY FOR THE 2016 BONDS" herein.

Fiscal Agent

U.S. Bank National Association, a national banking association formed under the laws of the United States of America, will serve as fiscal agent for the 2016 Bonds (the "Fiscal Agent"). The address of the designated corporate trust office of the Fiscal Agent is 50 South 16th Street, Philadelphia, Pennsylvania 19102.

Information Regarding The City of Philadelphia

The City's Comprehensive Annual Financial Report and other information about the City can be found on the City's website at www.phila.gov/investor (the "City's Investor Website"). 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's Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City's Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2016 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

APPENDIX A provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the relationship with the Pennsylvania Intergovernmental Cooperation Authority ("PICA") and the City's five-year plans. APPENDIX B contains socioeconomic and demographic information about the City. APPENDIX C contains the Comprehensive Annual Financial Report of the City for the Fiscal Year ended June 30, 2015 (the "Fiscal Year 2015 CAFR"). Certain information contained in APPENDIX A regarding the City is for periods prior to or subsequent to June 30, 2015. 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 Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2015 CAFR. 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 basic financial statements of the City in the Fiscal Year 2015 CAFR.

Miscellaneous

The quotations from and summaries and explanations of the Constitution and laws of the Commonwealth and ordinances and resolutions of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all descriptions and summaries of the 2016 Bonds are qualified in their entirety by reference to the definitive form of the 2016 Bonds. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Bond Committee Resolution.

This Official Statement speaks only as of the date printed on the cover page 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 ("EMMA") system, accessible at http://emma.msrb.org.

THE 2016 BONDS

General

The 2016 Bonds will be dated the date of their original issuance and delivery and will bear interest at fixed rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest on the 2016 Bonds will be (i) computed on the basis of a 360-day year, consisting of twelve 30-day months and (ii) payable on each February 1 and August 1, commencing February 1, 2017 (each, an "Interest Payment Date").

Interest on the 2016 Bonds will be paid by check of the Fiscal Agent mailed to the Registered Owners (as defined herein) at their respective addresses appearing in the bond register at the close of business on the fifteenth day immediately preceding each Interest Payment Date (the "Record Date"). Interest is payable by wire transfer to a designated account within the continental United States upon receipt by the Fiscal Agent, at least two (2) business days prior to the applicable Record Date, of the written request of a Registered Owner of $1,000,000 or more aggregate principal amount of 2016 Bonds. The principal of the 2016 Bonds will be payable at the designated corporate trust office of the Fiscal Agent upon presentation and surrender of the 2016 Bonds.

Notwithstanding the foregoing, while the 2016 Bonds are issued and registered in book-entry only form, interest and principal shall be payable in the manner described in APPENDIX F hereto.

Any interest on a 2016 Bond which is due and payable but is not punctually paid or duly provided for on an Interest Payment Date shall cease to be payable to the person in whose name such 2016 Bond is registered in the bond register ("Registered Owner") maintained by the Fiscal Agent, as bond registrar, on the relevant Record Date and such defaulted interest will be paid to the Registered Owner at the close of business on a special record date, which shall be fixed by the Fiscal Agent. The Fiscal Agent shall cause notice of the date and amount of the proposed payment of defaulted interest and the special record date therefor to be mailed to each Registered Owner of a 2016 Bond, at its respective address appearing in the bond register, not less than ten (10) days prior to the special record date. The full text of the 2016 Bonds is included in the Bond Committee Resolution, a copy of which is on file with the Fiscal Agent. See "INTRODUCTION – Authorization" herein.

The 2016 Bonds will be issued as registered bonds in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations"). The 2016 Bonds are subject to redemption prior to maturity, as described in "– Redemption Provisions" below.

Redemption Provisions

Optional Redemption. The 2016 Bonds maturing before August 1, _____ are not subject to optional redemption. The 2016 Bonds, or portions thereof in integral multiples of $5,000, maturing on or after August 1, _____ are subject to redemption prior to maturity at the option of the City, on or after August 1, _____, either as a whole at any time or in part at any time and from time to time (and, if in part, in such order of maturity as the City may direct, and within a maturity by lot or by such other method as the Fiscal Agent determines to be fair and reasonable), in each case upon payment of the principal amount of the 2016 Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

Each optional redemption of 2016 Bonds shall be conditional and of no effect unless there are on deposit with the Fiscal Agent, as of the redemption date, sufficient funds to effect any such proposed redemption in full.

In the case of a 2016 Bond in a denomination larger than the minimum Authorized Denomination, a portion of such 2016 Bond may be redeemed, provided that the remaining portion of such 2016 Bond shall be in an Authorized Denomination.

Mandatory Redemption. The 2016 Bonds maturing on August 1, _____, are subject to mandatory redemption prior to maturity (to the extent that 2016 Bonds of such maturity in the principal amount otherwise required to be redeemed have not been previously purchased or optionally redeemed by the City), in part, as selected by lot by the Fiscal Agent, upon payment of the principal amount thereof, together with accrued interest to the date fixed for redemption, on August 1 of the following years in the following principal amounts:

Year (August 1)	Amount
	$
*	

*Maturity.

In the event a portion, but not all, of the 2016 Bonds maturing on a particular date are redeemed pursuant to optional redemption or purchased by the City and presented to the Fiscal Agent for cancellation, then the principal amount of any remaining mandatory sinking fund redemptions or the final maturity applicable to such 2016 Bonds shall be reduced (subject to the ability to effect future redemptions of the 2016 Bonds in Authorized Denominations) in such amounts as specified by the City.

Effect of Call for Redemption. On the date designated for redemption by notice given as provided in the Bond Committee Resolution, the 2016 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such 2016 Bonds on such date, plus accrued interest, if any, to such date. If, on the date fixed for redemption, moneys for payment of the redemption price and accrued interest are held by the Fiscal Agent as provided in the Bond Committee Resolution, interest on the 2016 Bonds so called for redemption shall cease to accrue, and such 2016 Bonds shall cease to be entitled to any benefit or security under the Bond Committee Resolution except the right of Registered Owners thereof to receive payment from such moneys held by the Fiscal Agent.

Notice of Redemption. Notice of redemption identifying the 2016 Bonds to be redeemed shall be mailed by first class mail, postage prepaid, to the Registered Owners of the 2016 Bonds selected for redemption by the Fiscal Agent not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption. Such notice shall be mailed to the respective addresses of the Registered Owners of the 2016 Bonds to be redeemed as the same shall appear in the bond register. Such notice shall be given in the name of the City, shall identify the 2016 Bonds to be redeemed by certificate number, unless all of the 2016 Bonds are being redeemed whereupon certificate numbers need not be identified, CUSIP number, date of issue, interest rate, maturity date and any other identifying information (and in the case of a partial redemption of any 2016 Bonds, the respective principal amount thereof to be redeemed and the numbers, including CUSIP number, if applicable, of the 2016 Bonds or portions thereof to be redeemed, which may, if appropriate, be expressed in designated blocks of numbers), shall specify the redemption date, the redemption price and the Fiscal Agent's name and address, and shall state that, on the redemption date, the 2016 Bonds called for redemption will be payable at the designated corporate trust office of the Fiscal

Agent and that, from the date of redemption, interest will cease to accrue; provided, however, that the Registered Owners of all 2016 Bonds to be redeemed may file written waivers of notice with the Fiscal Agent and, if so waived, such 2016 Bonds may be redeemed without the requirement of written notice.

A second notice of redemption shall be mailed in the manner provided above to any Registered Owner who has not tendered the 2016 Bonds that have been called for redemption within sixty (60) days after the applicable redemption date.

Any notice mailed in the manner provided above shall be conclusively presumed to have been duly given, whether or not received by the Registered Owner. Deposit of any notice in the United States mail shall constitute constructive receipt by the Registered Owner. Failure to so mail any such notice to a Registered Owner or any defect therein shall not affect the validity of the proceedings for such redemption as to any Registered Owner to whom proper notice has been mailed.

Each notice of redemption pursuant to the provisions above shall specify that, to the extent that funds on deposit with the Fiscal Agent as of the redemption date are insufficient to provide funds to effect any such proposed redemption, such call for redemption shall be of no effect.

Notwithstanding the foregoing, while the 2016 Bonds are issued and registered in book-entry only form, redemptions of the 2016 Bonds shall occur in the manner described in APPENDIX F hereto.

Transfer and Exchange

Any 2016 Bond may be surrendered for registration of transfer or for exchange to the Fiscal Agent, as bond registrar, duly endorsed or accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the bond registrar and executed by the Registered Owner or the Registered Owner's attorney-in-fact. The bond registrar is required to authenticate and deliver to and in the name of the designated transferee one or more new fully-registered 2016 Bonds of the same maturity, in Authorized Denominations and of the same aggregate principal amount as the 2016 Bonds so surrendered. No service charge will be made for any transfer or exchange, except that the Registered Owner requesting the transfer or exchange shall be required to pay any tax or governmental charge payable in connection therewith. When the book-entry system is in effect, transfers of Beneficial Owners' interests in the 2016 Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. See APPENDIX F.

The City and the bond registrar are not required to issue, transfer or exchange any 2016 Bond: (i) during a period beginning at the opening of business fifteen (15) days before the day of the selection of 2016 Bonds to be redeemed and ending at the close of business on the day on which any notice of redemption is given; or (ii) which is selected for redemption in whole or in part.

SECURITY FOR THE 2016 BONDS

General

The 2016 Bonds are general obligations of the City, and the full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest on the 2016 Bonds when due. The City has covenanted in the Refunding Ordinance that, so long as the 2016 Bonds remain outstanding, it will make payments out of its sinking fund or any other of its general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of interest thereon and the principal thereof when due, whether at maturity or redemption. See "DEBT OF THE CITY" in APPENDIX A.

The availability of revenues and funds of the City to support its general obligation debt, including the 2016 Bonds, is, however, subject to the priority in application of revenues as is required by law for the City's revenue bonds and to covenants made with respect to such revenue bonds, and excludes grants in aid, trust funds and sinking funds designated for application to specific purposes. As of June 30, 2016, the City had outstanding $1,860,324,000 aggregate principal amount of Water and Wastewater Revenue Bonds, $915,175,000 aggregate principal amount of Gas Works Revenue Bonds, and $1,124,705,000 aggregate principal amount of Airport Revenue Bonds. Such revenue bonds are secured by a pledge of the revenues of the City's water and sewer system, revenues of the Philadelphia Gas Works ("PGW"), and revenues of the City's airport system, respectively, constituting a first lien on such revenues. See APPENDIX A for certain financial information regarding the City and APPENDIX C for the City's Fiscal Year 2015 CAFR.

Rights and Remedies of Bondholders

Should a Registered Owner fail to receive payment of principal and interest when due and payable, a suit may be brought by such Registered Owner against the City to seek a judgment for the unpaid amount.

No writ of execution may be issued on such judgment against the real or personal property of the City, but under section 6 of the Act of April 15, 1834, P.L. 537, a judgment creditor may cause the court to issue a writ commanding the City Treasurer to cause the judgment to be paid out of any unappropriated monies of the City, and if there be no such monies, out of the first monies that shall be received for the use of the City. This statute was repealed by the Act of April 28, 1978, P.L. 202, which provides that "[g]eneral rules promulgated pursuant to the Constitution of Pennsylvania and the Judicial Code in effect on the effective date of the repeal of a statute, shall prescribe and provide the practice and procedure with respect to the enforcement of any right, remedy or immunity where the practice and procedure had been governed by the repealed statute on the date of its repeal. If no such general rules are in effect with respect to the repealed statute on the effective date of its repeal, the practice and procedure provided in the repealed statute shall continue in full force and effect, as part of the common law of the Commonwealth, until such general rules are promulgated." Since no general rules were in effect with respect to the repealed statute on the effective date of its repeal and no general rules have been promulgated since such effective date, the practices and procedures provided in the repealed statute continue in full force and effect. Furthermore, the City's Home Rule Charter requires that, if any obligations of the City are not paid or provided for within the fiscal year in which such obligations are payable, the annual operating budget ordinance for the following fiscal year shall provide for discharging the resulting deficit.

The rights and remedies of Bondholders with respect to the City's obligations under the 2016 Bonds could be significantly limited by the provisions of Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Chapter 9 permits, under prescribed circumstances (and only after an authorization by the applicable state legislature or by a governmental office or organization empowered by state law to give such authorization), a "municipality" of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature, and it desires to effect a plan to adjust its debt. Chapter 9 defines "municipality" as a "political subdivision or public agency or instrumentality of a State." Thus, for purposes of Chapter 9, except as may be limited by state law, the City would be considered a "municipality." As a result of the commencement of a federal bankruptcy case by the City, Bondholders could experience delays in receiving payments of principal or redemption price of, or interest on, the 2016 Bonds, as well as partial or total losses of their investments in the 2016 Bonds.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Pa. P.L. 9, No. 6 (1991)) (the "PICA Act"), prohibits the City from filing a petition for relief under Chapter 9 so long as PICA has outstanding any bonds issued pursuant to the PICA Act. As of June 30, 2016, the principal amount of PICA Bonds outstanding was $266,095,000. The final maturity date for such PICA Bonds is June 15, 2023. Furthermore, if no PICA bonds are outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City. If the Governor were to grant an approval for the City to file a petition under Chapter 9, and the City were to so file, provisions of the United States Bankruptcy Code could limit the enforcement of Bondholders' rights and remedies. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Non-Mayoral-Appointed or Nominated Agencies* – PICA" in APPENDIX A hereto.

Regardless of any specific adverse determinations in a City bankruptcy proceeding, the existence of such a proceeding could have a materially adverse effect on the liquidity and value of the 2016 Bonds.

The rights and remedies of Bondholders could also be limited by other reorganization and insolvency proceedings, and general principles of equity (whether asserted in a proceeding at law or in equity).

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PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS

The City intends to use the proceeds of the 2016 Bonds to (i) refund all or a portion of the City's (A) General Obligation Bonds, Series 2006, (B) General Obligation Fixed Rate Refunding Bonds, Series 2007A, (C) General Obligation Refunding Bonds, Series 2008A, (D) General Obligation Fixed Rate Refunding Bonds, Series 2009A, and (E) General Obligation Bonds, Series 2011 (the "Refunded Bonds"), and (ii) pay the costs of issuing the 2016 Bonds.

A portion of the proceeds of the 2016 Bonds will be (i) deposited in an escrow fund established under an Escrow Deposit Agreement dated as of November __, 2016, between the City and _____, as escrow agent, (ii) invested in United States Treasury securities, and (iii) applied to the payment of the interest on and redemption price of the Refunded Bonds, as they become due and payable, to and including the respective dates fixed for the redemption of each series of the Refunded Bonds, as described in the preceding paragraph. See "VERIFICATION" herein.

The following table sets forth estimated sources and uses of funds in connection with the 2016 Bonds:

Sources of Funds	
Principal Amount	$
[Original Issue Premium/Discount]	
Total Sources of Funds	**$**
Uses of Funds	
Refunding of the Refunded Bonds	$
Costs of Issuance[1]	
Total Uses of Funds	**$**

[1] Includes legal fees, Underwriters' discount, printing costs, rating agency fees, Fiscal Agent's fees, financial advisor fees, verification agent fees, and other expenses of the offering.

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FISCAL YEAR DEBT SERVICE REQUIREMENTS

Set forth below is the schedule of debt service payments for all outstanding debt of the City that is supported by the General Fund ("General Fund-Supported Debt"), including the 2016 Bonds and reflecting the refunding of the Refunded Bonds, in each Fiscal Year of the City ending June 30. This schedule does not include (i) debt service on PICA Bonds (as defined in APPENDIX A), (ii) debt service on the City's revenue bonds, which include Water and Wastewater Revenue Bonds, Gas Works Revenue Bonds, and Airport Revenue Bonds, or (iii) letter of credit fees. For more information on the City's outstanding debt, see "DEBT OF THE CITY" (and Tables 40-43 therein) and "OTHER FINANCING RELATED MATTERS" in APPENDIX A hereto.

Amounts in Millions of USD

Period Ending June 30,	Debt Service on the 2016 Bonds (A)	Current Debt Service on General Obligation Debt[(1), (2), (3)] (B)	Current Debt Service on all other General Fund-Supported Debt[(4), (5)] (C)	Aggregate Debt Service on all General Fund-Supported Debt (A+B+C)
2017	$	$141.71	$242.60	$
2018		141.23	248.19	
2019		141.11	214.22	
2020		139.63	204.99	
2021		129.39	205.08	
2022		129.05	205.09	
2023		129.93	205.08	
2024		129.75	203.85	
2025		129.51	203.87	
2026		122.03	203.06	
2027		121.74	205.20	
2028		122.13	201.09	
2029		93.08	296.33	
2030		105.29	62.72	
2031		106.05	62.73	
2032		106.13	20.13	
2033		67.46	11.69	
2034		52.67	11.69	
2035		36.56	11.69	
2036		36.56	11.69	
2037		21.69	11.69	
2038		21.69	11.69	
2039		21.69	11.69	
2040		10.02	4.08	
2041		10.02	4.07	
2042		10.02	4.07	
2043		0	4.08	
2044		0	4.08	
TOTALS[(6)]	**$**	**$2,276.14**	**$3,086.39**	**$**

(1) Includes both Tax-Supported Debt and Self-Supporting Debt. See "INTRODUCTION – Constitutional Debt Limit."
(2) Does not reflect the refunding of the Refunded Bonds.
(3) Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate.
(4) Includes bonds of the Philadelphia Authority for Industrial Development ("PAID"), the Philadelphia Municipal Authority, the Philadelphia Parking Authority, and the Philadelphia Redevelopment Authority. For capital appreciation bonds, only actual amounts payable are included.
(5) Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate, plus any fixed spread. Net of capitalized interest on PAID 2012 Service Agreement Revenue Refunding Bonds.
(6) Totals may not add due to rounding.

UNDERWRITING

The 2016 Bonds are being purchased by the Underwriters named on the cover page of this Official Statement, for whom RBC Capital Markets, LLC is acting as the representative, subject to certain terms and conditions set forth in a Contract of Purchase between the City and the Underwriters, at a purchase price of $_____, which reflects the par amount of the 2016 Bonds, [plus/minus original issue premium/discount] of $_____, less an Underwriters' discount of $_____. The 2016 Bonds are offered for sale to the public at prices set forth on the inside front cover page of this Official Statement. The 2016 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2016 Bonds into investment trusts) at prices lower than such offering prices, and such public offering prices may be changed from time to time by the Underwriters without prior notice.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

Citigroup Global Markets Inc., one of the Underwriters of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2016 Bonds.

TD Securities (USA) LLC, one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the "TD Dealer Agreement") with TD Ameritrade for the retail distribution of certain securities offerings, including the 2016 Bonds, at the original price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase the 2016 Bonds from TD Securities (USA) LLC at the original issue prices less a negotiated portion of the selling concession applicable to any of the 2016 Bonds that TD Ameritrade sells.

LEGALITY FOR INVESTMENT

Under the Pennsylvania Probate, Estates and Fiduciaries Code, the 2016 Bonds are authorized investments for fiduciaries, as defined in that code, within the Commonwealth. The 2016 Bonds are legal investments for Pennsylvania savings banks, banks, trust companies and insurance companies and are acceptable as security for deposits of funds of the Commonwealth.

RATINGS

Moody's Investors Service, Inc., S&P Global Ratings, a division of S&P Global Inc., and Fitch Ratings, Inc. have assigned the 2016 Bonds the City's general obligation bond ratings of "A2" with a negative outlook, "A+" with a negative outlook, and "A-" with a stable outlook, respectively. Such ratings reflect only the view of each such credit rating agency. An explanation of the significance of each of such ratings and any outlook may only be obtained from the rating agency furnishing the same.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that any such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such credit rating agency if, in its judgment, circumstances so warrant. Neither the City nor the Underwriters have undertaken any responsibility to assure the maintenance of any rating. The City has agreed, in the Continuing Disclosure Agreement, to report actual rating changes on the 2016 Bonds. See "CONTINUING DISCLOSURE UNDERTAKING" herein and APPENDIX E. Any downward change in or withdrawal of such credit rating may have an adverse effect on the marketability or market price of the 2016 Bonds.

TAX MATTERS

Federal Tax Exemption

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 2016 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2016 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 subsequent to the issuance and delivery of the 2016 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The City has covenanted to comply with such requirements.

In the opinion of Co-Bond Counsel, interest on the 2016 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 complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2016 Bonds in order that interest thereon continues to be excluded from gross income. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the 2016 Bonds to be includable in gross income retroactive to the date of issuance of the 2016 Bonds. Interest on the 2016 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 2016 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 2016 Bonds should be aware that ownership of the 2016 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 2016 Bonds or the receipt of interest thereon, and prospective purchasers should consult their own tax advisors as to collateral federal income tax consequences.

No assurance can be given that amendments to the Code or other federal legislation will not be introduced and/or enacted which would cause the interest on the 2016 Bonds to be subject, directly or

indirectly, to federal income taxation or adversely affect the market price of the 2016 Bonds or otherwise prevent the holders of the 2016 Bonds from realizing the full current benefit of the federal tax status of the interest thereon.

State Tax Exemption

In the opinion of Co-Bond Counsel, under the existing laws of the Commonwealth, the interest on the 2016 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 2016 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange or other disposition of the 2016 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 2016 Bonds.**

VERIFICATION

GNP Services, CPA, PA (the "Verification Agent") will deliver to the City, on or before the date of the delivery of the 2016 Bonds, its report (the "Verification Report") indicating that it has verified the mathematical accuracy of the information provided by the City and its representatives with respect to the refunding requirements of the Refunded Bonds. Included within the scope of its engagement will be a verification of: (a) the mathematical accuracy of the computations of the adequacy of the cash and maturing principal of the securities to be placed in an escrow account to meet the scheduled payment of interest on the Refunded Bonds, as the same becomes due and payable, until redemption and the payment of the redemption price of each series of the Refunded Bonds on the applicable dates fixed for the redemption, as described in "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" above; and (b) the mathematical accuracy of the computations supporting the conclusion of Co-Bond Counsel that the 2016 Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

The verification performed by the Verification Agent will be based solely upon data, information and documents provided to the Verification Agent. The Verification Report will state that the Verification Agent has no obligation to update the Verification Report for events occurring, or data or information coming to their attention, subsequent to the date of the Verification Report.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2016 Bonds are subject to the approval of the legality of the issuance of the 2016 Bonds by Cozen O'Connor and Ahmad Zaffarese LLC, both of Philadelphia, Pennsylvania, Co-Bond Counsel. The proposed form of opinion of Co-Bond Counsel is included herein as APPENDIX D. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department, and for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania. Hawkins Delafield & Wood LLP and the Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, Co-Disclosure Counsel to the City, will each deliver an opinion to the City and the Underwriters regarding certain matters.

The various legal opinions to be delivered concurrently with the delivery of the 2016 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.

NO LITIGATION

Upon delivery of the 2016 Bonds, the City of Philadelphia Law Department shall furnish an opinion to the effect, among other things, that, except for litigation which in the opinion of the City of Philadelphia Law Department is without merit and except as disclosed in this Official Statement (including APPENDIX A), (i) there is no litigation or other legal proceeding pending in any court or, to the best of its knowledge, threatened in writing to restrain or enjoin the issuance or delivery of the 2016 Bonds or in any way contesting the validity or enforceability of the 2016 Bonds, the Ordinance, the Bond Committee Resolution, or the transactions contemplated thereby, and (ii) there is no litigation or other legal proceeding pending in any court, or to the best of its knowledge, threatened, which can reasonably be anticipated to result in a final unfavorable decision in a magnitude or scope which would materially and adversely affect the financial condition or operations of the City as a whole.

FINANCIAL ADVISORS

PFM Financial Advisors LLC of Philadelphia, Pennsylvania and Acacia Financial Group, Inc. of Marlton, New Jersey are acting as co-financial advisors (together, the "Financial Advisors") to the City in connection with the issuance of the 2016 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 2016 Bonds. They have received and reviewed but have not independently verified information in this Official Statement for accuracy or completeness (except, as to each Financial Advisor, the information in this section). Investors should not draw any conclusions as to the suitability of the 2016 Bonds from, or base any investment decisions upon, the fact that the Financial Advisors have advised the City with respect to the 2016 Bonds. The Financial Advisors' fees for this issue are contingent upon the sale and issuance of the 2016 Bonds.

The Financial Advisors are financial advisory and consulting organizations and not organizations engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

CERTAIN RELATIONSHIPS

Eckert Seamans Cherin & Mellott, LLC, counsel to the Underwriters, provides certain legal services to the City.

The Royal Bank of Canada is the parent company of RBC Capital Markets, LLC, an Underwriter of the 2016 Bonds. The Royal Bank of Canada also serves as swap counter-party to the City and as a letter of credit provider to the City in relation to certain Gas Works Revenue Bonds and certain Airport Revenue Bonds.

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with the requirements of Rule l5c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City (i) will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C., as dissemination agent for the benefit of the Registered Owners (as defined in such agreement) of the 2016 Bonds, to be dated the date of original delivery and payment for the 2016 Bonds, the form of which is annexed hereto as APPENDIX E, and (ii) has provided the disclosure in the following paragraphs.

During the previous five years, the City has failed on occasion to timely file event notices related to certain changes to ratings assigned to bonds issued by or on behalf of the City, including certain rating changes (related to changes to the credit quality of bond insurers and of banks providing credit and liquidity enhancement or support for certain variable rate bonds). In other instances, the City timely filed such notices but did not associate the notices with all specific relevant outstanding obligations or filed the notice through incorporation by reference of information in an offering document. The foregoing description of instances of non-compliance by the City with its continuing disclosure undertakings should not be construed as an acknowledgement by the City that any such instance was material.

In connection with the most recent continuing disclosure annual filing for Gas Works Revenue Bonds that was made in February 2016, certain annual financial information that should have been included was not filed until August 2016. The late-filed information was required by a continuing disclosure agreement that had been entered into in connection with Gas Works Revenue Bonds that were issued in August 2015. The information that the City filed in February 2016 satisfied all prior continuing disclosure agreements relating to Gas Works Revenue Bonds.

As of the date hereof, the City is in compliance in all material respects with its previous continuing disclosure undertakings for its general obligations (such as the 2016 Bonds) and obligations otherwise secured by the General Fund. The City has reviewed and updated its disclosure policies and procedures to ensure that the City remains in compliance with all of its continuing disclosure undertakings in the future.

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MISCELLANEOUS

This Official Statement is made available only in connection with the sale of the 2016 Bonds and may not be used in whole or in part for any other purpose. This Official Statement is not to be construed as a contract or agreement between the City, the Underwriters, and the purchasers or owners of any of the 2016 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 is no change in the affairs of 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 other information available on the City's Investor Website or any other website maintained by the City, nor any hyperlinks referenced therein.

The City has authorized the execution and distribution of this Official Statement.

THE CITY OF PHILADELPHIA

By: _____
Name: Rob Dubow
Title: Director of Finance

APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION

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THE GOVERNMENT OF THE CITY OF PHILADELPHIA

Introduction

The City of Philadelphia (the "City" or "Philadelphia") is located along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth" or "Pennsylvania"). The City is the largest city in the Commonwealth and the fifth largest city in the United States with approximately 1.57 million residents (based on 2015 estimates). The City is also the center of the United States' seventh largest metropolitan statistical area, which is an 11-county area encompassing the City, Camden, NJ, and Wilmington, DE and represents approximately 6.07 million residents (based on 2015 estimates).

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 business and personal services center with strengths in professional services, such as insurance, law, finance, healthcare and higher education, and leisure and hospitality. The cost of living in the City is relatively moderate compared to other major metropolitan areas in the northeast United States. In addition, the City, as one of the country's education centers, offers the business community a large and diverse labor pool.

The University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, and La Salle University are certain of the well-known institutions of higher education located in the City. There are also a number of other well-known colleges and universities located near the City, notably including Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University, among others.

The City is a center for health, education, research and science facilities. In the City, there are more than 30 hospitals, including the Children's Hospital of Philadelphia, Hospital of the University of Pennsylvania, Hahnemann University Hospital, Einstein Medical Center-Philadelphia, and Temple University Hospital, among others, and schools of medicine, dentistry, pharmacy, optometry, podiatry, and veterinary medicine.

Tourism is important to the City and is driven by the City's extraordinary historic and cultural assets. The City's Historic District includes Independence Hall, the Liberty Bell, Carpenters' Hall, Betsy Ross' house and Elfreth's Alley, the nation's oldest residential street. The Parkway District includes the Philadelphia Museum of Art, the Barnes Foundation, and the Rodin Museum. The Avenue of the Arts, located along a mile-long section of South Broad Street between City Hall and Washington Avenue, includes the Kimmel Center, the Academy of Music, and other performing arts venues. All of the foregoing are key tourist attractions in the City.

For more information on the City's demographic and economic resources and economic development initiatives, see APPENDIX B hereto.

History and Organization

The City was incorporated in 1789 by an Act of the General Assembly of the Commonwealth (the "General Assembly") (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 1682). In 1854, the General Assembly, by an act commonly referred to as the Consolidation Act: (i) made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"); (ii) abolished all governments within these boundaries other than the City and the County; and (iii) 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, provides that the City performs all functions of county government, and states 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 (First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City (as amended and supplemented, the "City Charter"). The City Charter provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council") and the executive and administrative branch, as well as the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property, and records. Under Article XII of the City Charter, the School District of Philadelphia (the "School District") operates as a separate and independent 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 City Charter, there are two principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and 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 be elected for no more than two successive terms. Each of the seventeen members of 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 City Council. Of the members of City Council, ten are elected from districts and seven are elected at-large. No more than five of the seven at-large candidates for City Council may be nominated by any one party or political body. 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 City Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards, established by the federal Government Accountability Office (formerly known as the General Accounting Office), and Generally Accepted Auditing Standards, promulgated by the American Institute of Certified Public Accountants.

The City Controller post-audits and reports on the City's and the School District's Comprehensive Annual Financial Reports ("CAFRs"), federal assistance received by the City, and the performance of City departments. The City Controller also conducts a pre-audit program of City 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 City 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.

Under the City Charter, the principal officers of the City's government 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 Director of Commerce (the "Director of Commerce"), and the City Representative (the "City Representative"). Under the City Charter, the Mayor appoints the Managing Director, the Director of Finance, the Director of Commerce, and the City Representative. The Mayor, with the advice and consent of a majority of City Council, also appoints the City Solicitor.

On July 1, 2017, an amendment to the City Charter will become effective that, among other things, creates the Department of Planning and Development and the position of Director of Planning and Development to head such department (the "Director of Planning and Development"). The Director of Planning and Development will be appointed by the Mayor.

The Managing Director, in coordination with the senior officials of City departments and agencies, 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 Director of Planning and Development oversees the Department of Planning and Development, which includes three divisions: (i) the Division of Development Services; (ii) the Division of Planning and Zoning; and (iii) the Division of Housing and Community Development.

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, City Council, and all of the agencies of the City government. The City Solicitor is also responsible for: (i) advising on legal matters pertaining to all of the City's contracts and bonds; (ii) assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council; and (iii) conducting 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, which is established pursuant to the City Charter and is comprised of the President of the Philadelphia Clearing House Association, the Chairman of the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants, and the Dean of the Wharton School of Finance and Commerce of the University of Pennsylvania. Under Mayor Kenney's administration, the Director of Finance is responsible for the financial functions of the City, including: (i) development of the annual operating budget, the capital budget, and capital program; (ii) the City's program for temporary and long-term borrowing; (iii) supervision of the operating budget's execution; (iv) the collection of revenues through the Department of Revenue; (v) the oversight of pension administration as Chairperson of the Board of Pensions and Retirement; and (vi) the supervision of the Office of Property Assessment. 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 Kenney, his Chief of Staff, the Director of Finance, and the City Treasurer.

James F. Kenney, Mayor. On November 3, 2015, James F. Kenney was elected as the City's 99th Mayor and was sworn into office on January 4, 2016. Mayor Kenney is a lifelong resident of the City and a graduate of La Salle University. In 1991, Mayor Kenney was elected to serve as a Democratic City Councilman At-Large and was a member of City Council for 23 years.

Jane Slusser, Chief of Staff. Ms. Slusser was the campaign manager for Mayor Kenney's mayoral campaign. Previously, Ms. Slusser was Organizing Director at Equality Pennsylvania and led Human Rights Campaign's Americans for Workplace Opportunity statewide campaign in Pennsylvania. In 2008 and 2012, Ms. Slusser worked on President Obama's campaigns in South Philadelphia and Northeastern Pennsylvania. Ms. Slusser is a graduate of Barnard College.

Rob Dubow, Director of Finance. Mr. Dubow has served as Director of Finance since being appointed on January 7, 2008. Prior to that appointment, Mr. Dubow was the Executive Director of PICA. He has also served as Executive Deputy Budget Secretary of the Commonwealth, from 2004 to 2005, and as Budget Director for the City, from 2000 to 2004.

Rasheia Johnson, City Treasurer. Ms. Johnson was appointed as City Treasurer on January 19, 2016. Ms. Johnson has over 15 years of experience in government and public finance. In public finance, she has worked in the capacities of investment banker, financial advisor, and issuer officer, including positions at Siebert Brandford Shank, Loop Capital Markets, and Public Financial Management, and as Assistant to the Director of Finance for Debt Management for the City.

Government Services

Municipal services provided by the City include: (i) police and fire protection; (ii) health care; (iii) certain welfare programs; (iv) construction and maintenance of local streets, highways, and bridges; (v) trash collection, disposal and recycling; (vi) provision for recreational programs and facilities; (vii) maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); (viii) acquisition and maintenance of City real and personal property, including vehicles; (ix) maintenance of building codes and regulation of licenses and permits; (x) maintenance of records; (xi) collection of taxes and revenues; (xii) purchase of supplies and equipment; (xiii) construction and maintenance of airport facilities (the "Airport System"); and (xiv) maintenance of a prison system. The City maintains enterprise funds – the Water Fund and the Aviation Fund – for each of the Water and Wastewater Systems and the Airport System. For information on the Water and Wastewater Systems, see APPENDIX B – "KEY CITY-RELATED SERVICES AND BUSINESSES – Water and Wastewater." For information on the Airport System, see APPENDIX B – "ECONOMIC BASE AND EMPLOYMENT – Airport 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. For more information on PGW, see "PGW PENSION PLAN," "PGW OTHER POST-EMPLOYMENT BENEFITS," "EXPENDITURES OF THE CITY – PGW Annual Payments," and "LITIGATION – PGW," among others.

Local Government Agencies

There are a number of 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

Philadelphia Industrial Development Corporation and Philadelphia Authority for Industrial Development. The Philadelphia Industrial Development Corporation ("PIDC") and the Philadelphia Authority for Industrial Development ("PAID"), along with the City's Commerce

Department, coordinate the City's efforts to maintain an attractive business environment, attract new businesses to the City, and retain existing businesses. PIDC manages PAID's activities through a management agreement. Of the 30 members of the board of PIDC, eight are City officers or officials (the Mayor, the Managing Director, the Finance Director, the Commerce Director, the Director of Planning and Development, the City Solicitor, and two members of City Council), nine members are designated by the President of the Chamber of Commerce of Greater Philadelphia (the "Chamber of Commerce"), and the remaining 13 members are jointly designated by the Chamber of Commerce and the Commerce Director. The five-member board of PAID is appointed by the Mayor.

Philadelphia Municipal Authority. 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 that is specifically authorized by ordinance of City Council. PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

Philadelphia Energy Authority. 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. PEA is authorized to participate in projects on behalf of the City, other government agencies, institutions and businesses. PEA is governed by a five-member board appointed by City Council from four nominations made by the Mayor and one nomination from City Council.

Philadelphia Redevelopment Authority. 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. PRA is governed by a five-member board appointed by the Mayor.

Philadelphia Land Bank. The Philadelphia Land Bank (the "PLB") was created in December 2013 with a mission to return vacant and tax delinquent property to productive reuse. The PLB is an independent agency formed under the authority of City ordinance and Pennsylvania law. The PLB has an 11-member board of directors, of which five are appointed by the Mayor and five are appointed by City Council. The final board member is appointed by a majority vote of the other board members. The City provides funds for its operations. For more information on the PLB, see APPENDIX B – "ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – Economic Development Infrastructure – *Land Use and Planning*."

Philadelphia Housing Authority. The Philadelphia Housing Authority (the "PHA") is a public body organized pursuant to the Housing Authorities Law of the Commonwealth and is neither a department nor an agency of the City. PHA 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. PHA is also responsible for administering rental subsidies to landlords who rent their units to housing tenants qualified by PHA for such housing assistance payments. PHA is governed by a nine-member Board of Commissioners, all of whom are appointed by the Mayor with the approval of a majority of the members of City Council. The terms of the Commissioners are concurrent with the term of the appointing Mayor. Two of the members of the Board are required to be PHA residents. For more information on PHA, see APPENDIX B – "ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – Economic Development Infrastructure – *Housing Development*."

Hospitals and Higher Education Facilities Authority of Philadelphia. 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 also 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.

Southeastern Pennsylvania Transportation Authority. 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. For more information on SEPTA, see "EXPENDITURES OF THE CITY – City Payments to SEPTA" and APPENDIX B – "ECONOMIC BASE AND EMPLOYMENT – Southeastern Pennsylvania Transportation Authority (SEPTA)."

Pennsylvania 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 Director of Finance is an ex-officio member of the Board with no voting rights. 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. For more information on the Convention Center Authority, see "EXPENDITURES OF THE CITY – City Payments to Convention Center Authority."

The School District. The School District was established, pursuant to the First Class City Home Rule Education Act, by the Educational Supplement to the City Charter as a separate and independent home rule school district to provide free public education to the City's residents. Under the City Charter, the School District is governed by the Board of Education of the School District of Philadelphia (the "Board of Education"). During a period of distress following a declaration of financial distress by the Secretary of Education of the Commonwealth, all of the powers and duties of the Board of Education granted under the Public School Code of 1949, as amended (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") created pursuant to the School Code. The School Reform Commission is granted all of the powers and duties of the Board of Education by the School Code, as well as all the powers and duties of a board of control 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 District was declared distressed by the Secretary of Education of the Commonwealth pursuant to the School Code, effective December 22, 2001, and such declaration continues to be in effect.

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 may not interfere with the regular selection of the members of the Board of Education. The School Code authorizes the School Reform Commission to delegate duties to the Board of Education if it so chooses. There has been no sitting Board of Education for many years. Two of the five members of the School Reform Commission are appointed by the Mayor and three by the Governor of the Commonwealth (the "Governor"), subject to confirmation by the Pennsylvania Senate.

Under the City Charter, the School District's governing body is required to levy taxes annually, within the limits and upon the subjects authorized by the General Assembly or City Council, in amounts sufficient to provide for operating expenses, debt service charges, and for the costs of any other services incidental to the operation of public schools. The School District has no independent power to authorize school taxes. Certain financial information regarding the School District is included in the City's CAFR.

Except during a period of distress following a declaration of financial distress by the Secretary of Education of the Commonwealth, as described above, the Board of Education consists of nine members appointed by the Mayor from a list supplied by an Educational Nominating Panel established in accordance with provisions set forth in the City Charter.

The School District is part of the Commonwealth system of public education. In a number of matters, including the incurrence of short-term and long-term debt, the School District is governed 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. For more information on the School District, see "EXPENDITURES OF THE CITY – City Payments to School District."

Non-Mayoral-Appointed or Nominated Agencies

PICA. PICA was created by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act") in 1991 to provide financial assistance to cities of the first class, and it continues in existence for a period not exceeding one year after all of its liabilities, including the PICA Bonds (as defined herein), have been fully paid and discharged. The City is the only city of the first class in the Commonwealth. The Governor, 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.

In January 1992, the City and PICA entered into an Intergovernmental Cooperation Agreement (the "PICA Agreement"), pursuant to which PICA agreed to issue bonds from time to time, at the request of the City, for the purpose of funding, among other things, deficits in the General Fund and a debt service reserve. See "DEBT OF THE CITY – PICA Bonds."

Under the PICA Act and for so long as any PICA Bonds are outstanding, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports, each as further described below under "DISCUSSION OF FINANCIAL OPERATIONS – Five-Year Plans of the City" and "– Quarterly Reporting to PICA." Under the PICA Act, at such time when no PICA Bonds are outstanding, the City will no longer be required to prepare such annual financial plans or quarterly reports. See "DEBT OF THE CITY – PICA Bonds" for the current final stated maturities of outstanding PICA Bonds.

The PICA Act and the PICA Agreement provide PICA with certain financial and oversight functions. PICA has the power to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve the five-year financial plans prepared by the City, and to certify non-compliance by the City with the then-existing five-year plan. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place or 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, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements, and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under "DEBT OF THE CITY – PICA Bonds" below, otherwise payable to the City).

Philadelphia Parking Authority. The Philadelphia Parking Authority (the "PPA") is responsible for: (i) the construction and operation of parking facilities in the City and at Philadelphia International Airport ("PHL"); and (ii) enforcement of on-street parking regulations. The members of the PPA's board are appointed by the Governor, with certain nominations from the General Assembly. For more information on the PPA, see "REVENUES OF THE CITY – Philadelphia Parking Authority Revenues."

DISCUSSION OF FINANCIAL OPERATIONS

Principal Operations

The major financial 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 19 non-major governmental funds. The City operates on a July 1 to June 30 fiscal year ("Fiscal Year") and reports on all the funds of the City, as well as its component units, in the City's CAFR. PMA's and PICA's financial statements are blended with the City's statements. The financial statements for PGW, PRA, the PPA, the School District, the Community College of Philadelphia, the Community Behavioral Health, Inc., the Delaware River Waterfront Corporation, and PAID are presented discretely.

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 22 individual governmental funds. The City's CAFRs, including the City's CAFR for Fiscal Year 2015 (the "Fiscal Year 2015 CAFR"), present 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 19 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 fund – 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 CAFRs, including the Fiscal Year 2015 CAFR, as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

See "CITY FINANCES AND FINANCIAL PROCEDURES" for a further description of these governmental, proprietary, and fiduciary funds.

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 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 the 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 Fiscal Years. If the Mayor disapproves the bills, he must return them to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives such bills. If the Mayor does not return the bills within the time required, they become law without his approval. If City Council passes the bills by a vote of two-thirds of all of its members within seven days after the bills have been returned with the Mayor's disapproval, they become law without his approval. While the City Charter requires that City Council adopt the ordinances for the operating and capital budgets at least 30 days before the end of the Fiscal Year, in practice, such ordinances are often adopted after such deadline, but before the end of such Fiscal Year. For example, the City's Fiscal Year 2017 operating budget was presented to City Council on March 3, 2016, approved by City Council on June 16, 2016, and signed by the Mayor on June 20, 2016. There is no practical consequence to adopting the budget ordinances after the deadline in the City Charter, but before the end of the Fiscal Year.

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. The Capital Program for Fiscal Years 2017-2022 (the "Adopted Capital Program") was approved by City Council on June 16, 2016, and signed by the Mayor on June 20, 2016.

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.

For information on the City's Fiscal Year 2017 Adopted Budget (as defined below), see "– Summary of Operations" and "– Current Financial Information" herein. For information on the Adopted Capital Program, see "CITY CAPITAL PROGRAM" herein.

Budget Stabilization Reserve

In April 2011, the City adopted an amendment to the City Charter that established the "Budget Stabilization Reserve." The City Charter provides that the annual operating budget ordinance is required to provide for appropriations to a Budget Stabilization Reserve, to be created and maintained by the Director of Finance as a separate fund, which may not be commingled with any other funds of the City. Appropriations to the Budget Stabilization Reserve are required to be made each Fiscal Year if the projected General Fund balance for the upcoming Fiscal Year equals or exceeds three percent of General Fund appropriations for such Fiscal Year. City Council can appropriate additional amounts to the Budget Stabilization Reserve by ordinance, no later than at the time of passage of the annual operating budget ordinance and only upon recommendation of the Mayor. Total appropriations to the Budget Stabilization Reserve are subject to a limit of five percent of General Fund appropriations. Amounts in the Budget Stabilization Reserve from the prior Fiscal Years, including any investment earnings certified by the Director of Finance, are to remain on deposit therein.

Since the establishment of the Budget Stabilization Reserve, no annual operating budget ordinance has included a provision to fund the Budget Stabilization Reserve because the conditions that would require the funding of such reserve have not been met.

Annual Financial Reports

The City is required by the City Charter to issue, within 120 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 Reports"). The Annual Financial Reports, which are released on or about October 28 of each year, are intended to meet these requirements and are unaudited. As described above, the audited financial statements of the City are contained in its CAFR, which is published at a later date. The Annual Financial Reports contain 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. They also contain 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 Reports are also presented. Historically, the results for General Fund fund balance have not materially changed between the Annual Financial Reports and the CAFRs.

The Annual Financial Report for Fiscal Year 2016 was released on October 26, 2016 (the "FY 2016 AFR (Unaudited)"). The City's CAFR for Fiscal Year 2016 is expected to be filed with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such report (expected to be no later than February 25, 2017). See "CITY FINANCES AND FINANCIAL PROCEDURES – Current City Disclosure Practices."

Five-Year Plans of the City

The PICA Act requires the City to annually prepare a financial plan that includes projected revenues and expenditures of the principal operating funds of the City for five Fiscal Years consisting of the current Fiscal Year and the subsequent four Fiscal Years. Each five-year plan, which must be approved by PICA, is required to, among other things, eliminate any projected deficits, balance the Fiscal Year budgets and provide procedures to avoid fiscal emergencies. For information on the Modified Twenty-Fifth Five-Year Plan (as defined below), see "– Current Financial Information – Fiscal Year 2017 Adopted Budget and Modified Twenty-Fifth Five-Year Plan."

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. Each quarterly report is required to describe actual or current estimates of revenues, expenditures, and cash flows 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.

Under the PICA Agreement, 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 (i.e., a principal operating 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.

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 until it regains compliance with the then-current five-year plan.

PICA last declared a variance in February 2009 and that variance was cured. As of August 31, 2016 (the date PICA approved the Modified Twenty-Fifth Five-Year Plan), PICA has declared no further variances. A failure by the City to explain or remedy a variance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under "DEBT OF THE CITY – PICA Bonds" below, otherwise payable to the City). The City uses its Quarterly City Manager's Reports to satisfy the quarterly reporting requirement to PICA. Such reports are released within 45 days following the end of the applicable quarter and the most recent versions of such reports are available on the City's Investor Website (as defined herein). The most recent Quarterly City Manager's Report is the report for the period ending June 30, 2016, which was released on August 15, 2016. The next Quarterly City Manager's Report will be the report for the period ending September 30, 2016, and is expected to be released on November 15, 2016 (the "First Quarter QCMR").

Overview of City Response to Economic Downturn

Between October 2008 and December 2011, the City implemented significant budgeting measures to balance its operating budget and its five-year plans. Such measures included, among others: (i) reducing overtime costs and employee headcount; (ii) implementing a temporary sales tax increase, a real estate tax increase, and pension funding changes; (iii) temporarily freezing certain wage and business tax reductions; (iv) increasing fees; and (v) instituting spending cuts throughout the City government. During this period of time, the City improved its public safety results due to important changes in policing and largely maintained delivery of its services. The City undertook these measures as a result of the impact of the national and global recession.

As a result of the budgeting measures outlined above, the City was able to go from an actual cumulative adjusted year-end General Fund balance deficit of $114.0 million in Fiscal Year 2010 to an actual cumulative adjusted year-end General Fund balance surplus of $151.5 million in Fiscal Year 2015 (see Table 1).

Summary of Operations

The following table presents the summary of operations for the General Fund for Fiscal Years 2012-2016 and budgeted amounts for Fiscal Year 2017. For a description of the legally enacted basis on which the City's budgetary process accounts for certain transactions, see "CITY FINANCES AND FINANCIAL PROCEDURES – Budgetary Accounting Practices." "Modified Budget," as used in the tables and text below, refers (except as otherwise indicated) to the modified Fiscal Year 2017 budgeted amounts, which were submitted by the City to PICA on August 8, 2016, as part of the Modified Twenty-Fifth Five-Year Plan. The Modified Twenty-Fifth Five-Year Plan was approved by PICA on August 31, 2016. As noted above, the City expects to release the First Quarter QCMR on November 15, 2016, which will include the City's most current estimates for Fiscal Year 2017.

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Table 1
General Fund
Summary of Operations (Legal Basis)
Fiscal Years 2012-2015 (Actual), 2016 (Unaudited Actual), and 2017 (Adopted and Modified Budget)
(Amounts in Millions of USD)[1], [2]

	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Unaudited Actual 2016	Adopted Budget 2017	Modified Budget 2017
Revenues							
Real Property Taxes[3]	500.7	540.5	526.4	536.4	571.6	594.9	594.9
Wage and Earnings Tax	1,196.3	1,221.5	1,261.6	1,325.8	1,373.0	1,418.1	1,426.6
Net Profits Tax	15.1	19.2	16.3	21.2	25.4	24.5	24.5
Business Income and Receipts Tax[4]	389.4	450.9	461.7	438.2	474.2	441.6	446.0
Sales Tax[5]	253.5	257.6	263.1	149.5	169.4	177.5	182.2
Other Taxes[6]	215.4	243.7	266.9	305.9	353.0	369.1	369.1
Philadelphia Beverage Tax[8]	0.0	0.0	0.0	0.0	0.0	46.2	46.2
Total Taxes	2,570.4	2,733.5	2,795.9	2,777.0	2,966.6	3,071.9	3,089.6
Locally Generated Non-Tax Revenue	256.7	266.2	301.8	294.4	291.0	287.3	287.3
Revenue from Other Governments							
Net PICA Taxes Remitted to the City[9]	295.2	314.0	318.7	346.5	-	384.7	387.3
Other Revenue from Other Governments[10]	420.7	337.5	347.3	302.8	-	312.3	312.3
Total Revenue from Other Governments	715.9	651.5	666.0	649.3	689.1	697.0	699.6
Receipts from Other City Funds	48.3	46.8	42.0	39.0	42.3	75.6	75.6
Total Revenue	3,591.4	3,698.0	3,805.6	3,759.8	3,989.0	4,131.8	4,152.0
Obligations/Appropriations							
Personal Services	1,319.0	1,362.4	1,450.6	1,508.7	1,562.6	1,565.8	1,565.8
Purchase of Services	760.8	757.8	787.6	810.6	822.2	896.9	896.9
Materials, Supplies and Equipment	79.9	85.4	88.8	90.6	92.1	109.1	109.1
Employee Benefits	1,066.2	1,119.1	1,194.1	1,099.5	1,181.3[14]	1,229.8	1,243.1[15]
Indemnities, Contributions, and Refunds[11]	118.0	138.3	208.6	150.7	192.7	189.4	189.4
City Debt Service[12]	111.3	118.9	122.5	132.0	132.1	154.0	154.0
Advances & Miscellaneous Payments / Labor Obligations	0.0	0.0	0.0	0.0	0.0	10.0	30.0
Payments to Other City Funds	29.5	31.5	34.4	39.4	32.8	32.1	32.1
Total Obligations/Appropriations	3,484.9	3,613.3	3,886.6	3,831.5	4,015.8	4,187.1	4,220.3
Operating Surplus (Deficit) for the Year	106.5	84.7	(80.9)	(71.7)	(26.8)	(55.3)	(68.3)
Net Adjustments – Prior Year	40.2	25.4	26.1	21.1	23.6	19.5	19.5
Cumulative Fund Balance Prior Year	0.1	146.8	256.9	202.1	151.5	76.1[13]	105.7[13]
Cumulative Adjusted Year End Fund Balance (Deficit)	146.8	256.9	202.1	151.5	148.3	40.3	56.9

(1) Sources: For Fiscal Years 2012-2015, the City's CAFRs for such Fiscal Years. For Fiscal Year 2016, the FY 2016 AFR (Unaudited). For Fiscal Year 2017, Modified Twenty-Fifth Five-Year Plan.

(2) Figures may not sum due to rounding.

(3) The amounts for Fiscal Years 2012 and 2013 reflect a respective 3.9% and 3.6% increase in the Real Estate Tax rate. The amounts for Fiscal Year 2014 and thereafter reflect a reduction in the Real Estate Tax rate, but also an increase in the assessed value of all taxable real property resulting from a citywide property reassessment. See "REVENUES OF THE CITY – Real Property Taxes Assessment and Collection."

(4) As of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax.

(5) The amounts for Fiscal Years 2012-2014 reflect a 1% increase in the City Sales Tax effective October 8, 2009, which expired June 30, 2014. Fiscal Year 2015 figures include remaining 1% City Sales Tax, an additional $15,000,000 for debt service, plus any amounts designated for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

(6) Includes Amusement Tax, Real Property Transfer Tax, Parking Lot Tax, Smokeless Tobacco Tax and miscellaneous taxes.

(7) Reflecting anticipated improved collections of various existing taxes and decreased delinquencies. See "REVENUES OF THE CITY – Improved Collection Initiative."

(8) The Philadelphia Beverage Tax (as defined herein) will tax the distribution of certain beverages at 1.5 cents per ounce and is scheduled to become effective January 1, 2017. On September 14, 2016, a lawsuit challenging the Philadelphia Beverage Tax was filed by the American Beverage Association. For more information on such litigation and any potential impact on the collection of such tax, see "REVENUES OF THE CITY – Other Taxes."

(9) For a detailed breakdown of "Net PICA Taxes Remitted to the City," see Table 43. Such figures reflect revenues received by the City from the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds." An unaudited actual figure for Fiscal Year 2016 is not included in the FY 2016 AFR (Unaudited).

(10) For a detailed breakdown of "Other Revenue from Other Governments," see Table 12. Fiscal Year 2011 was the last year that the full amount of revenue for DHS (as defined herein) was deposited into the General Fund. The decrease in revenues from Fiscal Year 2012 to Fiscal Year 2013 is largely due to the transfer of the majority of DHS revenue and obligations to the Grants Revenue Fund. "Other Revenue from Other Governments" includes state gaming revenues. An unaudited actual figure for Fiscal Year 2016 is not included in the FY 2016 AFR (Unaudited).

(11) Includes contributions to the School District. See also Table 21 and the accompanying text herein.

(12) Excludes PICA bonds. See "DEBT OF THE CITY – PICA Bonds."

(13) In the Fiscal Year 2017 Adopted Budget, the City estimated that Fiscal Year 2016 would end with a General Fund balance of $76.1 million, which was revised to $105.7 million in the Modified Twenty-Fifth Five-Year Plan. In the FY 2016 AFR (Unaudited), the City reported that Fiscal Year 2016 ended with a General Fund balance of $148.3 million, approximately $42 million higher than estimated in the Modified Twenty-Fifth Five-Year Plan.

(14) Includes $9.7 million from City Sales Tax revenues for the Municipal Pension Fund. See "Revenues of the City – Sales and Use Tax."

(15) Assumes $16.1 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

Current Financial Information

Table 2 below shows General Fund balances for Fiscal Years 2015-2016 and budgeted amounts for Fiscal Year 2017.

Table 2
General Fund – Fund Balance Summary
(Amounts in Thousands of USD)[1]

	Fiscal Year 2015 Actual[2] (June 30, 2015)	Fiscal Year 2016 Unaudited Actual[3] (October 26, 2016)	Fiscal Year 2017 Adopted Budget[4] (June 28, 2016)	Fiscal Year 2017 Modified Budget[4] (August 8, 2016)
REVENUES				
Taxes	$2,777,020	$2,966,648	$3,071,895[5]	$3,089,590[5]
Locally Generated Non - Tax Revenues	294,395	290,990	287,291	287,291
Revenue from Other Governments	649,321	689,076	697,010	699,568
Revenues from Other Funds of City	39,031	42,253	75,571	75,570
Total Revenue	**$3,759,767**	**$3,988,967**	**$4,131,767**	**$4,152,019**
OBLIGATIONS / APPROPRIATIONS				
Personal Services	1,508,678	1,562,628	1,565,831	1,565,831
Personal Services - Employee Benefits	1,099,542	1,181,265[6]	1,229,794	1,243,052[7]
Purchase of Services	810,574	822,159	896,926	896,926
Materials, Supplies, and Equipment	90,558	92,086	109,128	109,128
Contributions, Indemnities, and Taxes	150,747	192,729	189,395	189,395
Debt Service	131,968	132,089	153,950	153,950
Payments to Other Funds	39,448	32,839	32,064	32,064
Advances & Miscellaneous Payments	0	0	10,000	29,962
Total Obligations / Appropriations	**$3,831,515**	**$4,015,795**	**$4,187,088**	**$4,220,308**
Operating Surplus (Deficit)	**(71,748)**	**(26,828)**	**(55,321)**	**(68,289)**
OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS				
Net Adjustments - Prior Years	21,144	23,612	19,500	19,500
Operating Surplus/(Deficit) & Prior Year Adj.	(50,604)	(3,216)	(35,821)	(48,789)
Prior Year Fund Balance	202,135	151,531	76,103[8]	105,676[8]
Year End Fund Balance	**$151,531**	**$148,315**	**$40,282**	**$56,887**

(1) Figures may not sum due to rounding.
(2) From the Fiscal Year 2015 CAFR.
(3) From the FY 2016 AFR (Unaudited).
(4) From the Modified Twenty-Fifth Five-Year Plan.
(5) Assumes $46.2 million in revenue from the Philadelphia Beverage Tax, which will tax the distribution of certain beverages at 1.5 cents per ounce and is scheduled to become effective January 1, 2017. On September 14, 2016, a lawsuit challenging the Philadelphia Beverage Tax was filed by the American Beverage Association. For more information on such litigation and any potential impact on the collection of such tax, see "REVENUES OF THE CITY – Other Taxes."
(6) Includes $9.7 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(7) Assumes $16.1 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(8) In the Fiscal Year 2017 Adopted Budget, the City estimated that Fiscal Year 2016 would end with a General Fund balance of $76.103 million, which was revised to $105.676 million in the Modified Twenty-Fifth Five-Year Plan. In the FY 2016 AFR (Unaudited), the City reported that Fiscal Year 2016 ended with a General Fund balance of $148.315 million, approximately $42 million higher than estimated in the Modified Twenty-Fifth Five-Year Plan.

Fiscal Year 2016 Unaudited Actual Results. The unaudited actual results for Fiscal Year 2016 are derived from information included in the FY 2016 AFR (Unaudited).

In the FY 2016 AFR (Unaudited), the City reported that Fiscal Year 2016 ended with a General Fund balance of $148.3 million, approximately $42 million higher than estimated in the Modified Twenty-Fifth Five-Year Plan.

Fiscal Year 2017 Adopted Budget and Modified Twenty-Fifth Five-Year Plan. On March 3, 2016, Mayor Kenney submitted his proposed Fiscal Year 2017 budget to City Council, along with the proposed five-year plan for Fiscal Years 2017-2021. On June 16, 2016, City Council approved the Fiscal Year 2017 budget (the "Fiscal Year 2017 Adopted Budget").

On August 8, 2016, the City submitted to PICA its modified FY 2017-2021 Five Year Financial Plan Per Council Approved Budget (the "Modified Twenty-Fifth Five-Year Plan"). PICA approved the Modified Twenty-Fifth Five-Year Plan on August 31, 2016.

In the Modified Twenty-Fifth Five-Year Plan, the City set forth certain priorities, including: (i) finding efficiencies to stretch taxpayer funds; (ii) increasing collection and revenue efforts; (iii) making investments in children and families; (iv) making investments in the City's workforce; (v) improving public safety; (vi) improving economic opportunities; and (vii) improving the City's neighborhoods.

For Fiscal Years 2017-2021, the Modified Twenty-Fifth Five-Year Plan projects that the City will end such Fiscal Years with General Fund balances (on the legally enacted basis) of $56.9 million (Fiscal Year 2017), $47.1 million (Fiscal Year 2018), $57.8 million (Fiscal Year 2019), $73.6 million (Fiscal Year 2020), and $107.3 million (Fiscal Year 2021). Such projected General Fund balances are below levels recommended by government finance experts.

Labor Agreements. The Modified Twenty-Fifth Five-Year Plan provides $30 million for increased labor obligations in Fiscal Year 2017 and $328.4 million through Fiscal Year 2021. In July 2016, a collective bargaining agreement was reached with American Federation of State, County and Municipal Employees District Council 33 ("AFSCME DC 33"), which provides for pension reforms coupled with salary increases, lump sum payments for health care, and a one-time bonus. This collective bargaining agreement was ratified on August 19, 2016. The costs of such agreement, along with the cost of the wage reopener with International Association of Fire Fighters ("IAFF") Local 22, the City's firefighter union, which resulted in a 3.25% wage increase in Fiscal Year 2017, are included within the $328.4 million set-aside. The $328.4 million included in the Modified Twenty-Fifth Five-Year Plan also provides additional resources for compensation changes for other unionized and non-unionized employees.

For more information on the City's annual budget process under the City Charter and the five-year financial plans and quarterly reporting required under the PICA Act, see "– Budget Procedure," "– Five-Year Plans of the City," and "– Quarterly Reporting to PICA."

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 Fiscal Year 2015 CAFR and notes therein. The Fiscal Year 2015 CAFR was prepared by the Office of the Director of Finance 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.

General

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 Income and Receipts Tax ("BIRT"), 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: (i) charges to customers or applicants for goods received, services rendered or privileges provided; (ii) operating grants and contributions; and (iii) 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, Commonwealth, 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 the Department of Human Services ("DHS") revenues and obligations 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 pension plan. For more information on the PGW Pension Plan (as defined herein), see "PGW PENSION PLAN."

- 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 departments of the City.

The City reports on the following major proprietary funds:

- The Water Fund accounts for the activities related to the operation of the Water and Wastewater Systems.

- The Aviation Fund accounts for the activities of the Airport System.

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 revenues of the Aviation Fund are 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 non-operating revenues and expenses.

Current City Disclosure 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 MSRB as soon as practicable after delivery of such report. For bonds issued in calendar year 2015 and after, the annual filing deadline is February 28; for bonds issued prior to calendar year 2015, the annual filing deadline is 240 days after the end of the respective Fiscal Year, being February 25. The Fiscal Year 2015 CAFR was filed with the MSRB on February 25, 2016, through the MSRB's Electronic Municipal Market Access ("EMMA") system. The Fiscal Year 2015 CAFR is attached hereto as APPENDIX C and is also available on the City's investor information website at http://www.phila.gov/investor (the "City's Investor Website").

A wide variety of information concerning the City is available from publications and websites of the City and others, including the City's Investor Website. Any such information that is inconsistent with

the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

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 2015 CAFR. 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 basic financial statements of the City in the Fiscal Year 2015 CAFR.

Budgetary Accounting Practices

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles ("GAAP"). In accordance with the City 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. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: (i) personal services; (ii) purchase of services; (iii) materials and supplies; (iv) equipment; (v) contributions, indemnities, and taxes; (vi) debt service; (vii) payments to other funds; and (viii) 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 BIRT. The legal basis recognizes BIRT revenues in the Fiscal Year they are 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. For more information on BIRT, see "REVENUES OF THE CITY – Business Income and Receipts Tax."

REVENUES OF THE CITY

General

Prior to 1939, the City relied heavily on the real estate tax as the mainstay of its revenue system. In 1932, the General Assembly adopted an act (commonly referred to as the Sterling Act) under which the City is permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Acting under the Sterling Act and other Pennsylvania legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (i) enacting the wage, earnings, and net profits tax in 1939; (ii) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (iii) requiring under the City Charter that the water, sewer, and other utility systems be fully self-sustaining; (iv) enacting the Mercantile License Tax (a gross receipts tax on business done within the City) in 1952, which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax (renamed the Business Income and Receipts Tax in May 2012), and (v) enacting the City Sales Tax (as defined herein) for City general revenue purposes effective beginning in Fiscal Year 1992.

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for General Fund tax revenues for Fiscal Years 2012-2016, as well as the budgeted amounts for Fiscal Year 2017. The following discussion of the City's revenues does not take into account revenues in the non-debt related funds. The tax rates for Fiscal Years 2012 through 2015 are contained in the Fiscal Year 2015 CAFR.

Table 3 provides a detailed breakdown of the "Total Taxes" line from Table 1 above. Table 3 does not include "Revenues from Other Governments," which consists of "Net PICA Taxes Remitted to the City" and "Other Revenue from Other Governments." "Net PICA Taxes Remitted to the City" is set forth in Table 1 and a detailed breakdown of such revenues is shown in Table 43. "Other Revenue from Other Governments" is set forth in Table 1 and a detailed breakdown of such revenues is shown in Table 12.

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Table 3
General Fund Tax Revenues
Fiscal Years 2012-2015 (Actual), 2016 (Unaudited Actual), and 2017 (Adopted and Modified Budget)
(Amounts in Millions of USD) [(1), (2), (3)]

	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Unaudited Actual 2016	Adopted Budget 2017	Modified Budget 2017
Real Property Taxes[(4)]							
Current	$464.4	$504.2	$483.9	$493.1	$521.2	$537.9	$537.9
Prior	36.3	36.3	42.5	43.4	50.4	57.0	57.0
Total	$500.7	$540.5[(4)]	$526.4	$536.4	$571.6	$594.9	$594.9
Wage and Earnings Tax[(5)]							
Current	$1,192.2	$1,219.5	$1,255.9	$1,318.8	$1,364.6	$1,411.1	$1,419.6
Prior	4.1	2.0	5.7	7.1	8.4	7.0	7.0
Total	$1,196.3	$1,221.5	$1,261.6	$1,325.8	$1,373.0	$1,418.1	$1,426.6
Business Taxes							
Business Income and Receipts Tax[(6)]							
Current & Prior	$389.4	$450.9	$461.7	$438.2	$474.2	$441.6	$446.0
Net Profits Tax							
Current	$12.2	$17.2	$13.2	$14.7	$23.3	$21.4	$21.4
Prior	2.9	1.9	3.1	6.5	2.1	3.1	3.1
Subtotal Net Profits Tax	15.1	19.2	16.3	21.2	25.4	24.5	24.5
Total Business and Net Profits Taxes	$404.5	$470.1	$478.0	$459.4	$499.6	$458.0	$470.5
Other Taxes							
Sales and Use Tax[(7)]	$253.5	$257.6	$263.1	$149.5	$169.4	$177.5	$182.2
Amusement Tax	21.9	19.1	20.0	19.0	19.4	20.5	20.5
Real Property Transfer Tax	119.4	148.0	168.1	203.4	237.3	249.6	249.6
Parking Taxes	70.9	73.3	75.1	79.7	92.7	95.1	95.1
Other Taxes	3.2	3.4	3.7	3.8	3.6	3.9	3.9
Philadelphia Beverage Tax[(8)]	0.0	0.0	0.0	0.0	0.0	46.2	46.2
Subtotal Other Taxes	$468.9	$501.3	$530.0	$455.4	$522.4	$546.6	$551.3
TOTAL TAXES	$2,570.4	$2,733.5	$2,795.9	$2,777.0	$2,966.6	$3,071.9	$3,089.6

(1) Sources: For Fiscal Years 2012-2015, the City's CAFRs for such Fiscal Years. For Fiscal Year 2016, the FY 2016 AFR (Unaudited). For Fiscal Year 2017, the Modified Twenty-Fifth Five-Year Plan.

(2) See Table 7 in the Fiscal Year 2015 CAFR for tax rates.

(3) Figures may not sum due to rounding.

(4) The amounts for Fiscal Years 2012 and 2013 reflect a respective 3.9% and 3.6% increase in the Real Estate Tax rate. The amounts for Fiscal Year 2014 and thereafter reflect a reduction in the Real Estate Tax rate, but also an increase in the assessed value of all taxable real property resulting from a citywide property reassessment. See "– Real Property Taxes Assessment and Collection."

(5) Does not include the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA Bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.

(6) As of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax.

(7) The amounts for Fiscal Years 2012-2014 reflect a 1% increase in the City Sales Tax effective October 8, 2009, which expired June 30, 2014. Fiscal Years 2015-2017 figures include remaining 1% City Sales Tax, an additional $15,000,000 for debt service, plus any amounts designated for the Municipal Pension Fund. See "– Sales and Use Tax."

(8) The Philadelphia Beverage Tax will tax the distribution of certain beverages at 1.5 cents per ounce and is scheduled to become effective January 1, 2017. On September 14, 2016, a lawsuit challenging the Philadelphia Beverage Tax was filed by the American Beverage Association. For more information on such litigation and any potential impact on the collection of such tax, see "– Other Taxes."

Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising 46.3% of all tax revenues in Fiscal Year 2016 and budgeted to comprise 46.2% of all tax revenues in Fiscal Year 2017) 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. The following table sets forth the resident and non-resident wage, earnings and net profits tax rates for Fiscal Years 2012-2017, the annual wage, earnings and net profits tax receipts in Fiscal Years 2012-2015, the current estimate of such receipts for Fiscal Year 2016, and the budgeted amounts of such receipts for Fiscal Year 2017.

Table 4
Summary of Wage, Earnings and Net Profits Tax Rates and Receipts
Fiscal Years 2012-2015 (Actual), 2016 (Current Estimate), and 2017 (Adopted and Modified Budget)[1]

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates[2]	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)[3]
2012	3.9280%	3.4985%	$1,568.9 (Actual)
2013	3.9280%	3.4985%	$1,617.2 (Actual)
2014	3.9240%	3.4950%	$1,662.3 (Actual)
2015	3.9200%	3.4915%	$1,755.5 (Actual)
2016	3.9102%	3.4828%	$1,838.2 (Current Estimate)
2017	3.9004%	3.4741%	$1,892.6 (Adopted Budget) $1,903.7 (Modified Budget)

(1) See Table 7 in the Fiscal Year 2015 CAFR for tax rates.
(2) Includes PICA Tax. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.
(3) Sources: For Fiscal Years 2012-2015, the City's CAFRs for such Fiscal Years. For Fiscal Years 2016-2017, the Modified Twenty-Fifth Five-Year Plan.

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident wage tax rate. Gaming revenues have averaged approximately $86.27 million in Fiscal Years 2012-2014. For Fiscal Year 2015, gaming revenues were $86.28 million. For Fiscal Year 2016, the current estimate of gaming revenues are $86.28 million. For Fiscal Year 2017, the budgeted amounts of gaming revenues are $86.28 million. The wage tax rates in such Fiscal Years reflect a rate reduction due to these revenues.

See "– Proposed Tax Rate Changes" for information regarding proposed wage and earnings tax rate reductions commencing in Fiscal Year 2017 under the Modified Twenty-Fifth Five-Year Plan.

In a recent decision by the Supreme Court of the United States, a state's failure to provide certain credits against its personal income tax was held to have violated the dormant Commerce Clause of the United States Constitution. Such personal income tax was applied to income earned outside of the state of residency, and residents were not given a credit for income taxes paid to the state where such income was earned, resulting, in the circumstances presented, in taxing income earned interstate at a rate higher than income earned intrastate. The City is considering what impact this decision may have on its wage, earnings, and net profits tax revenues, but at this point in time no determinations have been made. The City does not provide a credit to resident taxpayers against their respective wage, earnings, and net profits tax liabilities for similar taxes paid to another jurisdiction.

Business Income and Receipts Tax

In 1984, the Commonwealth passed legislation known as The First Class City Business Tax Reform Act of 1984, authorizing City Council to impose a business tax measured by gross receipts, net income or the combination of the two. The same year, 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 (the "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.

The BIRT allows for particular allocations and tax computations 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 profits tax liability for that tax year.

In November 2011, legislation was enacted to halt a previously enacted program of reducing the gross receipts portion of the BIRT and to commence reductions in the net income portion of the BIRT to take effect in tax year 2014 with changes phasing in through tax year 2023. The following table reflects such changes and provides a summary of BIRT rates for tax years 2012-2023. Future scheduled reductions in the net income portion of the BIRT remain subject to amendment by action of City Council and the Mayor.

Table 5
Summary of Business Income and Receipts Tax Rates

Tax Year	Gross Receipts	Net Income
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 legislation incorporated several changes intended to help small and medium sized businesses and lower costs associated with starting a new business in order to stimulate new business formation and increase employment in the City, including the following: (i) the Commercial Activity License fee for all businesses was eliminated in 2014; (ii) business taxes for the first two years of operations for all new businesses with at least three employees in their first year and six employees in their second year were eliminated beginning in 2012; and (iii) across the board exclusions on the gross receipts portion of the BIRT were provided for all businesses phased in over a three-year period beginning in 2014 and eventually excluding the first $100,000 of gross receipts, along with proportional reductions in the net income portion of the BIRT. The legislation also provides for implementation of

single sales factor apportionment in 2015, which enables businesses to pay BIRT based solely on sales in the City, rather than on property or payroll.

The net impact of the 2011 legislative changes to be employed in Fiscal Year 2017 is estimated to decrease BIRT revenues in the amount of $9.8 million in Fiscal Year 2017. The amounts of such estimated decreases are projected to grow annually through Fiscal Year 2021, for which a $21.5 million estimated decrease is projected. For Fiscal Years 2017-2021, the estimated cumulative decrease in revenues that could have been collected from the BIRT if the above legislative changes were halted in Fiscal Year 2016 is projected to be $77.7 million.

Real Property Taxes Assessment and Collection

A tax is levied on the assessed value of all taxable residential and commercial real property located within the City's boundaries (the "Real Estate Tax") as assessed by the Office of Property Assessment ("OPA") and collected by the Department of Revenue ("Revenue"). Real Estate Taxes are allocated to the City and the School District with the millage split between the two taxes changing over the years.

Beginning in 2010, the City significantly changed the system used for assessing Real Estate Tax in Philadelphia. On May 18, 2010, Philadelphia voters approved an amendment to the City Charter that split the assessment and appeals functions, moving assessment functions into City government into a new agency, OPA, and creating an independent board of appeals, replacing the Board of Revision of Taxes ("BRT") which previously combined both functions. OPA formally took over responsibility for assessments in October 2010. However, the Pennsylvania Supreme Court ruled on September 20, 2010, that without an amendment to state law, the City did not have the authority to replace the BRT in its capacity as an existing appeals board. Therefore, the BRT remains in place as the property assessment appeals board; but the separation of the appeals function from the assessment function, which removed an inherent conflict and was a key goal of the legislation, remains in place. The BRT is an independent, seven-member board appointed by the Board of Judges of the Philadelphia Common Pleas Court.

For tax year 2014, under the Actual Value Initiative ("AVI"), all 579,000 properties in Philadelphia were reassessed at their actual market value by OPA, replacing outdated values and inequities within the system. As the new total assessed value of all properties more accurately reflected the market in Philadelphia, the total assessment grew substantially. As a result, the Mayor and City Council significantly reduced the tax rate to ensure that the reassessment resulted in the collection of approximately the same amount of current year revenue as the prior year (the rates are shown in Table 6 below). Moreover, in order to make the tax bills more understandable, AVI removed the complicated fractional system. Prior to AVI, tax bills were calculated by multiplying the certified market value by an established predetermined ratio ("EPR") multiplied by the tax rate. The last applicable EPR was 32%.

The changes in the system had implications for most property owners in the City. 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 saw relatively smaller increases in assessments and when those assessment changes were coupled with the much lower Real Estate Tax rate, they produced tax decreases. On the other hand, properties that were relatively undervalued saw tax increases, a small number of which were substantial.

In order to mitigate the hardship that could be created by those large increases, the ordinance imposing the new Real Estate Tax rates included a homestead exemption of $30,000 for all primary residential owner-occupants. Alternative programs are also available to reduce Real Estate Tax bills for homeowners, including the Longtime Owner-Occupant Program (LOOP) to provide relief to longtime

owners with large increases and the ten-year tax abatement. As of March 2016, more than 77% of homeowners are enrolled in one of these relief programs. In addition to the homestead exemption, the City has also instituted several other property tax relief programs for taxpayers.

The Real Estate Tax rates for tax years 2012-2017 are set forth in Table 6 below:

Table 6
Real Estate Tax Rates and Allocations

Tax Year	City	School District	Total
2012	4.1230%	5.3090%	9.4320%
2013	4.4620%	5.3090%	9.7710%
2014[1]	0.6018%	0.7382%	1.3400%
2015[1]	0.6018%	0.7382%	1.3400%
2016[1]	0.6317%	0.7681%	1.3998%
2017[1]	0.6317%	0.7681%	1.3998%

[1] The reduction of the Real Estate Tax rates from tax year 2013 to tax year 2014 and succeeding tax years reflects the City's Actual Value Initiative.

In the Fiscal Year 2015 CAFR, the actual amount of Fiscal Year 2015 Real Estate Tax revenue for the City is $493.1 million (excluding delinquent collections), greater than the Fiscal Year 2014 actual amount of $483.9 million. For Fiscal Year 2016, the unaudited actual amount of Real Estate Tax revenue for the City is $521.2 million (excluding delinquent collections). For Fiscal Year 2017, the modified budget estimates $594.9 million of Real Estate Tax revenue for the City. See Table 3 above. Real Estate Taxes are due on March 31 of each year.

Table 7 shows the assessed values of properties used for tax year 2015 and 2016 Real Estate Taxes (both of which reflect the effect of AVI). Under AVI, the OPA certifies the market values by March 31 of the prior year (that is, for tax year 2016, the OPA certified the market values on March 31, 2015). Taxpayers base their appeals on the certified market values, and therefore, the assessed values are adjusted as the appeals are finalized. For budgetary purposes, the OPA provides an updated table to the Office of the Director of Finance in December, from which tax rates are determined.

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Table 7
Certified Property Values for Tax Years 2015 and 2016
(with Revised Market Values for Tax Year 2015)

Tax Year 2015*

Category	Tax Status	Assessed Value	Taxable Assessed Value	Exempt Assessed Value	Number of Parcels
Residential	Fully Taxable	$60,857,901,488	$60,857,901,488	$0	450,613
Residential	Abatement	5,491,428,100	1,082,840,451	4,408,587,649	15,575
Residential	Exemption	606,677,900	9,683,298	596,994,602	6,122
Total		**$66,956,007,488**	**$61,950,425,237**	**$5,005,582,251**	**472,310**
Hotels and Apartments	Fully Taxable	$12,137,156,500	$12,137,156,500	$0	25,574
Hotels and Apartments	Abatement	1,962,493,600	595,063,304	1,367,430,296	576
Hotels and Apartments	Exemption	2,112,930,200	149,657,172	1,963,273,028	1,102
Total		**$16,212,580,300**	**$12,881,876,976**	**$3,330,703,324**	**27,252**
Store with Dwelling	Fully Taxable	$3,167,238,700	$3,167,238,700	$0	14,544
Store with Dwelling	Abatement	97,020,800	44,216,602	52,804,198	181
Store with Dwelling	Exemption	40,883,100	4,198,242	36,684,858	199
Total		**$3,305,142,600**	**$3,215,653,544**	**$89,489,056**	**14,924**
Commercial	Fully Taxable	$15,364,630,300	$15,364,630,300	$0	10,150
Commercial	Abatement	1,619,298,800	729,888,364	889,410,436	403
Commercial	Exemption	25,810,707,200	566,613,770	25,244,093,430	4,299
Total		**$42,794,636,300**	**$16,661,132,434**	**$26,133,503,866**	**14,852**
Industrial	Fully Taxable	$2,737,960,700	$2,737,960,700	$0	4,189
Industrial	Abatement	192,190,700	70,341,441	121,849,259	81
Industrial	Exemption	554,278,000	23,907,337	530,370,663	185
Total		**$3,484,429,400**	**$2,832,209,478**	**$652,219,922**	**4,455**
Vacant Land	Fully Taxable	$1,531,824,135	$1,531,824,135	$0	33,983
Vacant Land	Abatement	22,124,500	2,134,462	19,990,038	23
Vacant Land	Exemption	2,034,115,700	42,407,110	1,991,708,590	12,029
Total		**$3,588,064,335**	**$1,576,365,707**	**$2,011,698,628**	**46,035**
Grand Total		***$136,340,860,423**	**$99,117,663,376**	**$37,223,197,047**	**579,828**
		****$135,204,347,059**	**$95,887,423,992**	**$39,316,923,067**	**579,828**

* Certified Market Value as of 3/31/2014.
** Revised Market Value as of 7/17/2015.

Tax Year 2016*

Category	Tax Status	Assessed Value	Taxable Assessed Value	Exempt Assessed Value	Number of Parcels
Residential	Fully Taxable	$26,264,061,193	$26,264,061,193	$0	227,060
Residential	Abatement	8,297,419,600	2,773,190,544	5,524,229,056	31,295
Residential	Exemption	32,665,233,808	25,863,433,627	6,801,800,181	214,564
Total		**$66,877,995,701**	**$54,900,685,364**	**$12,326,029,237**	**472,919**
Hotels and Apartments	Fully Taxable	$11,097,523,000	$11,097,523,000	$0	21,864
Hotels and Apartments	Abatement	2,519,189,900	803,639,111	1,715,550,789	1,326
Hotels and Apartments	Exemption	3,118,605,200	913,756,282	2,204,848,918	4,017
Total		**$16,735,318,100**	**$12,814,918,393**	**$3,920,399,707**	**27,207**
Store with Dwelling	Fully Taxable	$2,710,425,800	$2,710,425,800	$0	12,722
Store with Dwelling	Abatement	248,270,600	135,312,637	112,957,963	760
Store with Dwelling	Exemption	273,755,100	215,685,182	58,069,918	1,281
Total		**$3,232,451,500**	**$3,061,423,619**	**$171,027,881**	**14,763**
Commercial	Fully Taxable	$15,061,397,900	$15,061,397,900	$0	10,020
Commercial	Abatement	1,710,678,900	841,467,004	869,211,896	400
Commercial	Exemption	25,401,030,100	529,930,868	24,871,099,232	4,394
Total		**$42,173,106,900**	**$16,432,795,772**	**$25,740,311,128**	**14,814**
Industrial	Fully Taxable	$2,781,476,200	$2,781,476,200	$0	4,129
Industrial	Abatement	127,442,100	50,481,990	76,960,110	60
Industrial	Exemption	553,087,800	27,130,885	525,956,915	238
Total		**$3,462,006,100**	**$2,859,089,075**	**$602,917,025**	**4,427**
Vacant Land	Fully Taxable	$1,447,838,635	$1,447,838,635	$0	33,302
Vacant Land	Abatement	32,505,900	2,054,545	30,451,355	47
Vacant Land	Exemption	1,985,521,500	17,718,350	1,967,803,150	12,057
Total		**$3,465,866,035**	**$1,467,611,530**	**$1,998,254,505**	**45,406**
Grand Total		**$136,295,463,236**	**$91,536,523,753**	****$44,758,939,483**	**579,536**

* Certified Market Value as of 3/31/2015.

** Increase in exempt assessment for tax year 2016 is due to a shift of $6,425,966,073 in assessed value from taxable to exempt assessment to reflect the homestead exemption totals. This exemption had not been reflected in prior (tax years 2014 and 2015) assessment totals, but was reflected directly in the tax billing.

As part of the transition to the new assessment system, OPA set up a new process called a first level review ("FLR"), where a taxpayer could request an administrative review of its assessment notice prior to launching a formal appeal with the BRT. The BRT has the authority, following a formal appeal, to either 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.

For tax year 2015, OPA mailed approximately 3,700 Change of Assessment notices. OPA received 239 FLRs and BRT received 4,903 formal appeals. As of July 17, 2015, all but 54 FLRs and 2,125 formal BRT appeals have been decided. As a result of decisions rendered for those FLR and BRT appeals and appeals from previous years, the total taxable assessment has been revised from $99,117,663,376 (at certification on March 31, 2014) to $95,887,423,991. This is a net taxable assessment decrease of $3,230,239,385. See Table 7.

For tax year 2016, OPA mailed approximately 131,000 Change of Assessment notices. OPA received 3,828 FLRs and BRT received 3,663 formal appeals. As of July 14, 2016, all but 450 FLRs and 1,120 BRT appeals have been decided. As a result of decisions rendered for those FLR and BRT appeals and appeals from previous years, the total taxable assessment has been revised from $91,536,523,753 (at certification on March 31, 2015) to $89,274,659,390. This is a net taxable assessment decrease of $2,261,864,363.

The vast majority of the appeals for tax years 2014 and 2015 have been disposed of by the BRT, and relatively few were filed for tax year 2016. The remaining appeals for tax years 2014 and 2015 include mostly commercial appeals, and are expected to result in approximately the same rate of losses to the taxable assessment base as those that have been decided. All tax year 2016 appeals are expected to be decided by early 2017, after which time the BRT will begin hearings on tax year 2017 appeals. On October 24, 2012, the Governor approved Act 160 ("Act 160"), which permits downward adjustments to School District property tax and use and occupancy 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 permits such adjustment for the reassessment year and the two years thereafter. Act 160 also precludes the School District from using its direct 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 yielding an amount not lower than total real estate taxes yielded in the year prior to the year of the revision of assessments, adjusted to account for increases in assessed value since the first year of revision.

In 2014, City Council passed legislation intended to ease the transition to AVI, which provided, 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 Real Estate Tax and (if applicable) use and occupancy tax, pending the assessment appeal. Interest and penalties would not accrue on the additional 2014 tax liability during the appeal, whether or not the appeal is ultimately successful. The City estimates that it will collect net of refunds approximately $1.1 million of additional one-time tax revenues in Fiscal Year 2016 from taxpayers who are paying the tax year 2014 amounts and the tax year 2015 amounts in Fiscal Year 2016 and an additional $6.6 million of additional one-time tax revenues stemming from delayed appeals in Fiscal Year 2017.

With AVI, the OPA planned to conduct full reassessments annually; however, staff resources have been redeployed to focus on the large number of appeals. For tax year 2017, OPA has conducted reassessments on residential properties for which land to building allocations are inaccurate, and for all vacant land parcels not currently being used for commercial purposes. In total, OPA has re-assessed

approximately 520,000 properties for tax year 2017. OPA has begun doing additional reassessments that focus on commercial, industrial, and institutionally-owned parcels for tax year 2018.

Historically, the City did not commence collection of Real Estate Taxes while they were "overdue," between the March 31 due date and January 1 when they became "delinquent." In late 2010, the Department of Revenue sent a letter to taxpayers who had overdue taxes, but had paid all prior years, to explain that if they did not pay by the end of the year, the addition on their Real Estate 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 Department of Revenue and the Law Department hired two outside collection firms to collect overdue Real Estate Taxes with an Outbound Calling Campaign. This project has been extremely successful, contributing to a decrease in first time Real Estate Tax delinquencies and generating a total of approximately $17,000,000 in collections of overdue Real Estate Taxes 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 and tax lien sales.

See Table 8 below for data with respect to Real Estate Taxes levied from 2011 to 2015 and collected by the City from 2011 to June 30, 2015. See Table 9 for the assessed property values of the City's principal taxable assessed parcels in 2016. See Table 10 for the 2016 market and assessed values of the ten highest valued taxable real properties in the City as well as the amounts and duration of Real Estate Tax abatements with respect to such properties.

Table 8
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2011-2015
(Amounts in Millions of USD)[(1), (2)]

Calendar Year	Taxes Levied Based on Original Assessment[(3)]	Taxes Levied Based on Adjusted Assessment[(4)]	Collections in the Calendar Year of Levy	Percentage Collected in the Calendar Year of Levy	Collections in Subsequent Years[(5)]	Total Collections to Date: All Years	Percentage Collected to Date: All Years
2011	$509.1	N/A	$440.9	86.6%	$42.7	$483.6	95.0%
2012	$508.6	$491.2	$459.2	93.5%	$19.6	$478.8	97.5%
2013	$554.0	$538.0	$505.6	94.0%	$16.8	$522.4	97.1%
2014	$553.2	$523.1	$482.1	92.2%	$9.9	$492.0	94.1%
2015	$547.4	$532.0	$470.3[(6)]	88.4%[(6)]	N/A	$470.3[(6)]	88.4%[(6)]

(1) Source: Fiscal Year 2015 CAFR.
(2) Real Estate Taxes are levied by the City and the School District. While this table reflects City General Fund Real Estate Tax revenues exclusively, the School District Real Estate Tax collection rates are the same.
(3) Taxes are levied on a calendar year basis. They are due on March 31.
(4) Adjustments include assessment appeals, a 1% discount for payment in full by February 28, the senior citizen tax discount, and the tax increment financing return of tax paid.
(5) Includes payments from capitalization charges. This capitalization occurs one time, after the end of the first year of the levy, on any unpaid balances.
(6) Reflects collections through June 30, 2015.

Table 9
Principal Taxable Assessed Parcels – 2016
(Amounts in Millions of USD)

Taxpayer	2016 Assessment[1]	2016 Percentage of Total Assessments
HUB Properties Trust	$265.7	0.27%
Nine Penn Center Associates	232.6	0.24
Phila Liberty Place ELP	207.7	0.21
Philadelphia Market Street	203.7	0.21
Tenet Health Systems Hahnemann	192.1	0.20
Commerce Square Partners	178.2	0.18
Maguire / Thomas	170.1	0.17
NNN 1818 Market Street 37	170.0	0.17
Franklin Mills Associates	163.2	0.17
Brandywine Cira	160.7	0.16
Total	$1,966.0	1.98%
Total Taxable Assessments[2]	$91,536.5	

Source: City of Philadelphia, Office of Property Assessment.

(1) 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.

(2) Total 2016 Taxable Assessment as of March 31, 2015.

Table 10
Ten Largest Certified Market and Assessment Values of Tax-Abated Properties
Certified Values for 2016
(Amounts in Millions of USD)

Location	2016 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Through Tax Year
1701 John F Kennedy Blvd.	$212.5	$212.5	$9.1	$203.4	2017
1001 N Delaware Ave.	$150.9	$150.9	$39.3	$111.6	2020
1500-30 Spring Garden St.	$138.7	$138.7	$78.4	$60.3	2020
2116 Chestnut St.	$72.5	$72.5	$1.4	$71.1	2023
2323 Race St.	$72.4	$72.4	$2.8	$69.5	2016
2026-58 Market St.	$65.0	$65.0	$8.4	$56.6	2023
1601 N 15th St.	$64.2	$64.2	$0.5	$63.7	2017
233-43 S Broad St.	$62.4	$62.4	$56.1	$6.3	2023
3401 Chestnut St.	$61.2	$64.6	$0.0	$61.2	2017
907-37 Market St.	$61.0	$61.0	$41.4	$19.6	2016

Source: City of Philadelphia, Office of Property Assessment.

Sales and Use Tax

Pursuant to the authorization granted by the Commonwealth under the PICA Act, the City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes effective beginning in Fiscal Year 1992. It is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. Vendors are required to pay City Sales Taxes to the Commonwealth Department of Revenue together with the Commonwealth sales and use tax. The State Treasurer deposits the collections of City Sales Taxes 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's budgets for Fiscal Years 2010-2014 provided for an increase in the City Sales Tax rate to 2%, as authorized by the Commonwealth effective October 8, 2009, through June 30, 2014. In July 2013, the Commonwealth authorized the implementation of a new, permanent 1% increase in the City Sales Tax rate effective July 1, 2014, which was adopted by the City on June 12, 2014 and became effective on July 1, 2014. Under the reauthorized City Sales Tax, the first $120 million collected from such additional 1% is distributed to the School District. For Fiscal Years 2015-2018, the General Assembly has also authorized the City to use the next $15 million of City Sales Tax revenues from such additional 1% collected in such Fiscal Years for the payment of debt service on obligations issued by the City for the benefit of the School District. Following any such debt service payments, that remaining portion of the City Sales Tax revenues from such additional 1% distributed to the City is required to be used exclusively in accordance with Act 205 (as defined herein) and deposited to the Municipal Pension Fund.

In October 2014, the City, through PAID, issued $57.5 million in bonds to fund a portion of the School District's operating deficit for Fiscal Year 2015 and refund certain outstanding bonds. The debt service on such bonds is approximately $15 million annually through Fiscal Year 2018 and the City expects to continue paying its obligations with respect to such bonds with a combination of proceeds from the City Sales Tax revenues and other General Fund revenues. Such City Sales Tax revenues are not pledged to the holders of such bonds. Such funding by the City of a portion of the School District's operating deficit for Fiscal Year 2015, and the related payment of debt service, does not require a comparable increase in grants by the City to the School District in subsequent Fiscal Years. See "EXPENDITURES OF THE CITY – City Payments to School District" and the paragraphs that follow Table 21.

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The following table sets forth the City Sales Taxes collected in Fiscal Years 2012-2016 and the budgeted amounts for Fiscal Year 2017.

Table 11
Summary of City Sales Tax Collections
Fiscal Years 2012-2015 (Actual), 2016 (Unaudited Actual), and 2017 (Adopted and Modified Budget)
(Amounts in Millions of USD)[1]

Fiscal Year	City Sales Tax Collections
2012 (Actual)	$253.5
2013 (Actual)	$257.6
2014 (Actual)	$263.1
2015 (Actual)	$149.5[2]
2016 (Unaudited Actual)	$169.4[2]
2017 (Adopted Budget)	$177.5[2]
2017 (Modified Budget)	$182.2[2]

(1) Sources: For Fiscal Years 2012-2015, the City's CAFRs for such Fiscal Years. For Fiscal Year 2016, the FY 2016 AFR (Unaudited). For Fiscal Year 2017, the Modified Twenty-Fifth Five-Year Plan.

(2) Net collections estimated to be distributed to the City from the first 1% City Sales Tax and following the distribution of $120 million of revenues from the second 1% City Sales Tax to the School District, as described above.

Other Taxes

The City also collects real property transfer taxes, parking taxes, an amusement tax, a valet parking tax, an outdoor advertising tax, a smokeless tobacco tax, the Philadelphia Beverage Tax (see below), and other miscellaneous taxes.

In June 2016, City Council passed the Philadelphia Beverage Tax (Chapter 19-4100 of the Philadelphia Code) (the "Philadelphia Beverage Tax"). The Philadelphia Beverage Tax will tax the distribution of certain beverages at 1.5 cents per ounce and will become effective January 1, 2017. On September 8, 2016, the Department of Revenue provided proposed regulations for the Philadelphia Beverage Tax for public review. Such regulations are not yet final. The Philadelphia Beverage Tax is expected to provide funding for pre-kindergarten, community schools, and improvements to parks, recreational centers, and libraries. For Fiscal Years 2017-2021, the Modified Twenty-Fifth Five-Year Plan projects that the City will collect approximately $46.2 million (Fiscal Year 2017), $92.4 million (Fiscal Year 2018), $92.5 million (Fiscal Year 2019), $92.6 million (Fiscal Year 2020), and $92.1 million (Fiscal Year 2021) in revenues from the Philadelphia Beverage Tax in such Fiscal Years.

On September 14, 2016, a lawsuit challenging the Philadelphia Beverage Tax was filed by the American Beverage Association and other co-plaintiffs in the Court of Common Pleas – Trial Division – Civil. The City expects to vigorously defend this litigation. The parties to this matter requested that the Pennsylvania Supreme Court hear this matter on an expedited basis under such court's extraordinary jurisdiction power ("King's Bench Jurisdiction") as provided by Pennsylvania law. On November 2, 2016, the Pennsylvania Supreme Court declined to exercise King's Bench Jurisdiction over the Philadelphia Beverage Tax litigation.

On October 7, 2016, while the petition for King's Bench Jurisdiction was pending before the Pennsylvania Supreme Court, the City filed preliminary objections in the Court of Common Pleas seeking to dismiss the case. The plaintiffs responded to the City's preliminary objections on October 31, 2016, and simultaneously filed a motion for a special injunction to prevent the Philadelphia Beverage Tax from becoming effective on January 1, 2017. The City's reply brief in support of its preliminary objections is

due November 14, 2016. The due date for the City's response to the plaintiff's motion for special injunction has yet not been decided by the Court of Common Pleas. The City expects that the Court of Common Pleas will rule on the City's preliminary objections by December 31, 2016.

If, as a result of such litigation, the City is unable to begin collecting the Philadelphia Beverage Tax as planned, the City expects to cut back the programs to be funded with such tax revenues. For more general information on judgments and settlements on claims against the City, see "LITIGATION."

Improved Collection Initiative

The City is pursuing a multifaceted strategy designed to improve collections of various taxes while decreasing delinquencies. Key compliance strategies continue to include revocation of commercial licenses and sequestration and tax lien sales, among others.

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

The following table presents revenues received from other governmental jurisdictions for Fiscal Years 2012-2015, the current estimate for Fiscal Year 2016, and budgeted amounts for Fiscal Year 2017, and the percentage such revenues represent in the General Fund. The table does not reflect 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.

Table 12
Revenue from Other Governmental Jurisdictions
Fiscal Years 2012-2015 (Actual), 2016 (Current Estimate), and 2017 (Adopted and Modified Budget)
(Dollar Amounts in Millions of USD)[1]

Fiscal Year	Commonwealth[2]	Federal Government	Other Governments[3], [4]	Total	Percentage of General Fund Revenues
2012 (Actual)	$536.8	$97.0	$82.1	$715.9[5]	19.9%
2013 (Actual)	$233.6	$39.7	$64.2	$337.5[5]	9.1%
2014 (Actual)	$255.3	$31.0	$61.0	$347.3	9.1%
2015 (Actual)	$212.7	$30.1	$60.0	$302.8	8.1%
2016 (Current Estimate)	$218.2	$30.5	$60.6	$309.4	7.8%
2017 (Adopted Budget)	$220.8	$31.4	$58.1	$310.3	7.6%
2017 (Modified Budget)	$220.8	$31.4	$60.1	$312.3	7.5%

(1) Sources: For Fiscal Years 2012-2015, the City's CAFRs for such Fiscal Years. For Fiscal Years 2016-2017, the Modified Twenty-Fifth Five-Year Plan.
(2) Such revenues are for health, welfare, court, and various other specified purposes.
(3) Such revenues primarily consist of payments from PGW, parking fines and fees from PPA.
(4) Does not include the PICA Tax.
(5) Fiscal Year 2011 was the last year that the full amount of revenue for DHS (as defined herein) was deposited into the General Fund. The decrease in revenues from Fiscal Year 2012 to Fiscal Year 2013 is largely due to the transfer of the majority of DHS revenue and obligations to the Grants Revenue Fund.

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 only in a limited amount and upon satisfaction of certain other conditions.

Water Fund. The revenues of the Philadelphia Water Department (the "Water Department") are 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 (i) all Net Reserve Earnings and (ii) $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, each as defined in the Water Ordinance. The following table shows the amounts transferred from the Water Fund to the General Fund for Fiscal Years 2012-2015, the current estimate for Fiscal Year 2016, and the budgeted amounts for Fiscal Year 2017.

Table 13
Transfers from Water Fund to General Fund (Excess Interest on Sinking Fund Reserve)
Fiscal Years 2012-2015 (Actual), 2016 (Current Estimate), and 2017 (Adopted and Modified Budget)[1]

Fiscal Year	Amount Transferred
2012 (Actual)	$1,086,165
2013 (Actual)	$560,156
2014 (Actual)	$400,364
2015 (Actual)	$745,585
2016 (Current Estimate)	$800,000
2017 (Adopted Budget)	$900,000
2017 (Modified Budget)	$900,000

[1] Sources: For Fiscal Years 2012-2015, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Years 2016-2017, the Modified Twenty-Fifth Five-Year Plan.

PGW. The revenues of PGW are required to be segregated from other funds of the City. Payments for debt service on PGW bonds are made directly by PGW. PGW is required to make an annual payment of $18 million to the General Fund. The Fiscal Year 2017 Adopted Budget includes such $18 million annual payment to the General Fund from PGW for Fiscal Year 2017 and the Modified Twenty-Fifth Five-Year Plan includes an annual payment in such amount for Fiscal Years 2018-2021. In certain past Fiscal Years, the City granted back to PGW such annual payments. For more information on PGW, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services."

Philadelphia Parking Authority Revenues

The 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 PHL, and to administer the City's on-street parking program.

PPA owns and operates five parking garages and a number of surface parking lots at PHL. The land on which these garages and surface lots are located is leased from the City, acting through the 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 PHL and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its operations at PHL, if any.

One component of the operating expenses is PPA's administrative costs. In 1999, at the request of the 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 locations in the City in addition to those at PHL. 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.

On-street parking revenues are administered and collected on behalf of the City by the PPA. Pursuant to Pennsylvania law, 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 accordance 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. Pursuant to Act 84 of 2012, the effect of which commenced in Fiscal Year 2015, the threshold, which was previously set at $25 million, was set at $35 million, including a mandatory escalator to take into account increases in revenues. The following table presents payments received by the City from PPA for on-street parking for Fiscal Years 2012-2015, the current estimate for Fiscal Year 2016, and budgeted payments for Fiscal Year 2017.

Table 14
PPA On-Street Parking Payments to the City
Fiscal Years 2012-2015 (Actual), 2016 (Current Estimate), and 2017 (Adopted and Modified Budget)[1]

Fiscal Year	Payments to the City
2012	$37.3
2013	$36.5
2014	$37.7
2015	$38.0
2016 (Current Estimate)	$38.8
2017 (Adopted Budget)	$39.6
2017 (Modified Budget)	$39.6

[1] Sources: For Fiscal Years 2012-2015, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Years 2016-2017, the Modified Twenty-Fifth Five-Year Plan.

Proposed Tax Rate Changes

The Modified Twenty-Fifth Five-Year Plan includes future changes to some of the taxes described above.

Wage and Earnings Tax. Reductions in both the resident and non-resident wage and earnings tax, which resumed in Fiscal Year 2014 after being suspended during the national economic downturn, are proposed to continue under the Modified Twenty-Fifth Five-Year Plan. The following table details rates under the Modified Twenty-Fifth Five-Year Plan.

Table 15
Adopted Changes in Wage and Earnings Tax Rates[1]

	Modified Twenty-Fifth Five-Year Plan	
Fiscal Year	Resident Wage and Earnings Tax Rates[2]	Non-Resident Wage and Earnings Tax Rates
2016[3]	3.9102%	3.4828%
2017	3.9004%	3.4741%
2018	3.8907%	3.4654%
2019	3.8420%	3.4221%
2020	3.7844%	3.3707%
2021	3.7276%	3.3202%

(1) Source: The Modified Twenty-Fifth Five-Year Plan.
(2) Includes PICA Tax. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.
(3) Changes went into effect July 1, 2015.

Under the Modified Twenty-Fifth Five-Year Plan, receipts from the Wage and Earnings Tax are estimated to grow at a rate of 3.73% in Fiscal Year 2017, 3.52% in Fiscal Year 2018, 3.08% in Fiscal Year 2019, 3.19% in Fiscal Year 2020, and 3.15% in Fiscal Year 2021.

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EXPENDITURES OF THE CITY

Three of the principal City expenditures are for personal services (including pensions and other employee benefits), purchase of services (including payments to SEPTA), and debt service. The expenditures for personal services and purchase of services are addressed below under this caption; debt service is addressed below under "DEBT OF THE CITY."

Personal Services (Personnel)

As of June 30, 2016, the City employed 27,042 full-time employees, representing approximately 3.89% of non-farm public and private employment in the City (approximately 694,900 employees, according to non-seasonally adjusted data from the Bureau of Labor Statistics). Of these full-time public employees, the salaries of 21,427 were paid from the General Fund. Additional sources of funding for full-time public employees include the Grants Revenue Fund, the Water Fund, and the Aviation Fund, as well as grants and contributions from other governments. Activities funded through such grants and contributions 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 16
Filled, Full-Time Positions[(1), (2)]

	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
General Fund					
Police	7,225	7,193	7,095	7,061	6,942
Fire	2,072	2,125	2,053	2,150	2,316
Courts	1,957	1,909	1,866	1,842	1,839
Prisons	2,144	2,248	2,268	2,286	2,289
Streets	1,682	1,690	1,684	1,664	1,676
Public Health	669	673	659	653	653
Human Services[(3)]	804	377	382	395	449
All Other	4,622	4,710	4,984	5,115	5,263
Total – General Fund	21,175	20,925	20,991	21,166	21,427
Other Funds	4,540	5,547	5,657	5,626	5,615
Total – All Funds	25,715	26,472	26,648	26,792	27,042

(1) Source: Table P-1 in the City's Quarterly City Manager's Reports.
(2) Table 16 does not include seasonal or temporary employees.
(3) Fiscal Year 2011 was the last year that the full amount of revenue for DHS was deposited into the General Fund. The decrease in filled, full-time positions Fiscal Year 2012 to Fiscal Year 2013 is largely due to the transfer of the majority of DHS revenue and obligations 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: (i) employees who are not subject to the civil service system ("exempt employees"); (ii) employees who fall under the civil service system but are not represented by a union ("non-represented employees"); and (iii) employees who are subject to the civil service system and are represented by a union ("union employees").

As of June 30, 2016, the City's 22,789 unionized employees, representing approximately 84.3% of the City's employees, were represented by the City's four municipal unions: (i) Fraternal Order of Police ("FOP") Lodge No. 5; (ii) IAFF Local 22; (iii) AFSCME DC 33; and (iv) American Federation of State, County and Municipal Employees District Council 47 ("AFSCME DC 47").

Collective bargaining with respect to the wages, hours and other terms and conditions of employment of union employees, other than uniformed employees of the Police Department and the Fire Department, is governed by the Public Employee Relations Act (Pa. P.L. 563, No. 195 (1970)) ("PERA"). PERA requires the City and the unions to negotiate in good faith to attempt to reach agreement on new contract terms and, if an impasse exists after such negotiations, to mediate through the Commonwealth Bureau of Mediation. Once the mediation procedures have been satisfied, and if no collective bargaining agreement has been reached, most employees covered by PERA are permitted to strike. Certain employees, however, including employees of the Sheriff's Office and the Register of Wills represented by the FOP, corrections officers represented by AFSCME DC 33, and employees of the First Judicial District represented by AFSCME DC 47, are not permitted to strike under PERA. These employees must submit any impasse to binding interest arbitration once the mediation procedures have been satisfied. PERA permits parties at an impasse, which are not required to submit to binding interest arbitration, to do so voluntarily. Provisions of an interest arbitration award issued under PERA 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 the Fire Department bargain under the Policemen and Firemen Collective Bargaining Act (Pa. P.L. 237, No. 111 (1968)) ("Act 111"), which provides for final and binding interest arbitration to resolve collective bargaining impasses and prohibits these employees from striking. Interest arbitration under Act 111 operates similarly to interest arbitration under PERA, but City Council is not permitted to reject the portions of an interest arbitration award that require legislative action. To the contrary, City Council 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 PERA, 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 a PERA interest arbitration award on appeal, the PICA Act requires an Act 111 interest arbitration panel to, among other things, 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, among other things, if it awards wages or benefits that exceed what is assumed in the most-recent 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 2011 through 2016 are shown in the following table.

Table 17
General Fund Employee Benefit Expenditures
Fiscal Years 2011-2015 (Actual) and 2016 (Projected)
(Amounts in Millions of USD)[1]

	2011	2012	2013	2014	2015	2016
Pension Contribution[2]	$485.2	$547.8	$618.9[3]	$646.4[3]	$558.3	$619.1[7]
Health						
Payments under City-administered plan	75.0	79.5	76.4	75.6	75.5	79.9
Payments under union-administered plans[4]	268.6	299.9	286.8	333.8	319.1	330.6
Total Health	343.6	379.4	363.2	409.4	394.6	410.5
Federal Insurance Contributions Act (FICA) Taxes[5]	64.6	67.2	64.7	67.5	71.2	72.4
Other[6]	73.6	71.8	72.3	70.8	75.6	76.6
Total	$967.1	$1,066.2	$1,119.1	$1,194.1	$1,099.5	$1,178.6

(1) Source: From the City's five-year financial plans, except for "Payments under City-administered plan," which was provided by the City, Department of Human Resources.
(2) Includes debt service on Pension Bonds (as defined herein) and the Commonwealth contributions to the Municipal Pension Fund. See Tables 29 and 30.
(3) Includes repayment of deferred contributions. See Table 29.
(4) AFSCME DC 33 receives a per member per month amount of $1,194 from the City.
(5) Includes payments of social security and Medicare taxes.
(6) Includes payments for unemployment compensation, employee disability, group life, group legal, tool allowance, and flex cash payments.
(7) Assumes $8.8 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

Figures may not sum due to rounding.

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 AFSCME DC 33 who have chosen not to become members of the union, receive health benefits through a plan sponsored and administered by the City. Each of the plans provides different benefits determined by the plan sponsor or through collective bargaining. To provide health care coverage, the City pays a negotiated monthly premium for employees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible employees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City's unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services and administrative expenses. In addition, employees who satisfy the eligibility criteria receive five years of health benefits after their retirement. See "OTHER POST-EMPLOYMENT BENEFITS" below. These benefits are determined and administered by the plan in which the employee participated at the time of his or her retirement. As reflected in Table 17, the health payments under the City-administered plan have been relatively constant; the health payments for the union-sponsored plans have increased substantially since Fiscal Year 2011. 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 Pension Plan. See "PENSION SYSTEM" below.

Overview of Current Labor Situation

Table 18 summarizes the current status of the interest arbitration awards that have been issued for, and contract settlements reached with, the City's major labor organizations, as well as changes that have been made for exempt and non-represented employees. It also provides a brief summary of pension reforms that have occurred since 2009.

Table 18
Status of Arbitration Awards and Labor Contract Settlements

Organization	Authorized Number of Full-Time Citywide Employees Represented[1]	Status of Arbitration Award or Contract Settlement	Wage Increases	Pension Reforms[2]
FOP Lodge No. 5 (Police Department)	6,375	Three-year contract effective July 1, 2014 through June 30, 2017 awarded by arbitration panel on July 30, 2014	• 3% pay increase for Fiscal Year 2015. • 3.25% pay increase for Fiscal Years 2016 and 2017.	• Employees in Plan 87 hired before 1/1/10 pay 5% of salary • Employees hired on or after 1/1/10 elect to either enter Plan 87 and pay 6% of salary or enter Plan 10

FOP Lodge No. 5 (Sheriff's Office and Register of Wills)	372	Three-year contract effective July 1, 2014 through June 30, 2017 awarded by arbitration panel on April 16, 2015	• 2.5% increase for Fiscal Year 2015.
			• 3.0% increase for Fiscal Year 2016.
			• 3.25% increase for Fiscal Year 2017.
			• Register of Wills employees receive same wage package as AFSCME DC 33.
				• Sheriff's Office:
				  • Employees in Plan 87 hired before 1/1/12 pay 30% of normal cost
				  • Employees hired on or after 1/1/12 elect to enter Plan 87 and pay 50% of normal cost or enter Plan 10
				• Register of Wills:
				  • Employees in Plan 87 hired before 1/1/12 pay 30% of normal cost
				  • Employees hired on or after 1/1/12 participate in Plan 10

IAFF Local 22	2,407	Four-year contract effective July 1, 2013 through June 30, 2017 awarded by arbitration panel on January 9, 2015	• 3% pay increase for Fiscal Year 2014 and 2015. • 3.25% pay increase for Fiscal Year 2016. • 3.25 % pay increase for Fiscal Year 2017.	• Employees in Plan 87 hired before 7/2/12 pay 5% of salary • Employees hired on or after 7/2/12 elect to enter Plan 87 and pay 6% of salary or enter Plan 10
AFSCME DC 33	7,372	Four-year contract term effective July 1, 2016 through June 30, 2020 (ratified on August 19, 2016)	• 3.0% pay increase effective July 1, 2016. • 3.0% pay increase for Fiscal Year 2018 • 2.5% pay increase for Fiscal Year 2019. • 3.0% pay increase for Fiscal Year 2020.	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked hybrid plan for new hires under which employees would receive a defined benefit pension for their first $50,000 of earnings and a defined contribution pension for earnings above $50,000 • Plan 10 would be closed to new enrollment for members of DC33 but would remain unchanged for other employee groups • Those currently in Plan 10 would have 90 days from effective date to make an irrevocable election to opt into the stacked-hybrid • DROP (as defined below) interest rate would decrease from 4.5% to the rate on the one year treasury effective January 1st of each year (currently 0.65%) for participants not currently enrolled or eligible to enrolled

(1) From data provided by the Mayor's Office of Labor Relations as of June 30, 2016.
(2) "Plan 87" and "Plan 10" referenced in this column are described in Table 19. Plan 10 is mandatory for newly-hired employees of the Register of Wills and was mandatory for employees covered by the Correctional Officers arbitration award who are now covered by the same pension provisions as other employees of AFSCME DC 33.

Organization	Authorized Number of Full-Time Citywide Employees Represented[1]	Status of Arbitration Award or Contract Settlement	Wage Increases	Pension Reforms[2]
AFSCME DC 33, Local 159 Correctional Officers	2,220	Three-year contract effective July 1, 2014 through June 30, 2017 awarded by arbitration panel on March 23, 2015	• 3% pay increase for Fiscal Year 2015. • 3.25% pay increase for Fiscal Years 2016 and 2017. • $600 equity adjustment to base wages on January 1, 2016.	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked hybrid plan for new hires under which employees would receive a defined benefit pension for their first $50,000 of earnings and a defined contribution pension for earnings above $50,000 • Plan 10 would be closed to new enrollment for members of DC33 but would remain unchanged for other employee groups • Those currently in Plan 10 would have 90 days from effective date to make an irrevocable election to opt into the stacked-hybrid • DROP interest rate would decrease from 4.5% to the rate on the one year treasury effective January 1st of each year (currently 0.65%) for participants not currently enrolled or eligible to enrolled
AFSCME DC 47	3,566	Contract term from July 1, 2009 through June 30, 2017 ratified on March 5, 2014	• 3.5% pay increase effective April 4, 2014. • 2.5% pay increase for Fiscal Year 2016. • 3% pay increase for Fiscal Year 2017.	• Employees in Plan 87 hired before 3/5/14 pay 30% of normal cost plus an additional 0.5% of pay in 2015 and an additional 0.5% of pay in 2016 (for a total of an additional 1% of pay by 1/1/16) • Employees hired on or after 3/5/14 may elect to enter Plan 87 and pay an additional 1% of pay over what others in Plan 87 pay or enter Plan 10
AFSCME DC 47 Local 810 Court Employees	477	Agreement ratified August 13, 2014 on economic terms for July 1, 2014 through June 30, 2016	• 2.5% pay increase for Fiscal Year 2015. • 2.5% pay increase for Fiscal Year 2016.	• Employees in Plan 87 hired before 3/5/14 pay 30% of normal cost plus an additional 0.5% of pay in 2015 and an additional 0.5% of pay in 2016 (for a total of an additional 1% of pay by 1/1/16) • Employees hired on or after 11/14/14 may elect to enter Plan 87 and pay an additional 1% of pay over what others in Plan 87 pay or enter Plan 10
Exempt and Non-Represented Employees	3,752	Changes for exempt and non-represented employees	• 2.5% pay increase effective October 1, 2012. • 3.5% exempt pay increase effective September 1, 2014. • 3.5% non-represented pay increase effective April 1, 2014. • 2.5% non-represented pay increase for Fiscal Year 2016.	• Employees in Plan 87 hired before 5/14/14 for non-represented civil service and before 11/14/14 for non-represented non-civil service pay 30% of normal cost plus an additional 0.5% of pay in 2015 and an additional 0.5% of pay in 2016 (for a total of an additional 1% of pay by 1/1/16) • Employees hired on or after dates above may elect to enter Plan 87 and pay an additional 1% of pay over what others in Plan 87 pay or enter Plan 10

(1) From data provided by the Mayor's Office of Labor Relations as of June 30, 2016.

(2) "Plan 87" and "Plan 10" referenced in this column are described in Table 19. Plan 10 is mandatory for newly-hired employees of the Register of Wills and was mandatory for employees covered by the Correctional Officers arbitration award who are now covered by the same pension provisions as other employees of AFSCME DC 33.

Certain features of the 1987 Plan ("Plan 87") and the 2010 Plan ("Plan 10") are summarized below. Plan 87 is solely a defined benefit plan. Plan 10 is a "hybrid" plan that includes both a defined benefit and a defined contribution component. A more comprehensive summary of each plan is included as Appendix C of the July 1, 2015 Valuation. See "PENSION SYSTEM" below.

Table 19
Summary of Key Aspects of Plan 87 and Plan 10

Plan 87	Normal Retirement Eligibility	Average Final Compensation ("AFC")	Defined Benefit – Retirement Benefits Multiplier
Municipal (Plan Y)	Age 60 and 10 years of credited service[1]	Average of three highest calendar or anniversary years	• (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC
Police and Fire	Age 50 and 10 years of credited service[1]	Average of two highest calendar or anniversary years	• (2.2% x AFC x years of service up to 20 years) plus (2.0% x AFC x numbers of years in excess of 20 years), subject to a maximum of 100% of AFC
Elected Official (Plan L)	Age 55 and 10 years of credited service[2]	Average of three highest calendar or anniversary years	• 3.5% x AFC x years of service, subject to a maximum of 100% of AFC

Plan 10	Normal Retirement Eligibility	Average Final Compensation ("AFC")	Defined Benefit – Retirement Benefits Multiplier
Municipal[3]	Age 60 and 10 years of credited service	Average of five highest calendar or anniversary years	• 1.25% x AFC x years of service up to 20 years
Police and Fire	Age 50 and 10 years of credited service	Average of five highest calendar or anniversary years	• 1.75% x AFC x years of service up to 20 years - **Defined Contribution** • City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year • After five years of credited service, the full amount in the account is distributed to the employee when he or she separates from City service • The right to the portion of the account attributable to City contributions does not vest until the completion of five years of credited service

(1) Five years of credited service for those who make additional contributions. See "PENSION SYSTEM – Pension System; Pension Board – Membership."

(2) The lesser of two full terms or eight years of credited service for those elected officials who make additional contributions. See "PENSION SYSTEM – Pension System; Pension Board – Membership."

(3) Under Plan 10 (Municipal), pension contributions freeze after 20 years. At such time and for each subsequent year, the employee's pension payments remain fixed and the employee may no longer make pension contributions.

As part of the new collective bargaining agreement for AFSCME DC 33, the City and AFSCME DC 33 have agreed on a new, stacked hybrid pension plan for new municipal employees represented by AFSCME DC 33 ("Plan S-16"). Plan S-16 includes a defined benefit and defined contribution component. The defined benefit is applied to annual earnings up to $50,000. Employees with annual salaries over $50,000 may voluntarily participate in the defined contribution portion. The City will match a portion of an eligible employee's voluntary contributions up to a cap of 1.5% of annual compensation. Current municipal employees represented by AFSCME DC 33 will pay a tiered employee pension contribution rate based on their pay range. Starting at an annual salary of $45,000, the tiered structure is progressive so that higher earning employees will contribute at a higher rate.

Purchase of Services

The following table shows the City's major purchase of services, which represents one of the major classes of expenditures from the General Fund. Table 20 shows contracted costs of the City for Fiscal Years 2012-2015, the current estimate for Fiscal Year 2016, and the budgeted amounts for Fiscal Year 2017.

Table 20
Purchase of Services in the General Fund
Fiscal Years 2012-2015 (Actual), 2016 (Current Estimate), 2017 (Adopted and Modified Budget)
(Amounts in Millions of USD)[(1), (9)]

	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Current Estimate 2016	Adopted Budget 2017	Modified Budget 2017
Human Services[(2)]	$78.2	$67.5	$76.3	$77.3	$76.8	$78.9	$78.9
Public Health	63.0	63.0	60.5	59.4	65.7	66.9	66.9
Public Property[(3)]	139.5	139.5	140.7	148.8	156.4	159.4	159.4
Streets[(4)]	45.7	40.5	48.3	47.6	52.1	49.0	49.0
Legal Services[(5)]	37.1	38.7	40.6	42.9	44.7	45.8	45.8
First Judicial District	24.1	16.5	15.8	17.1	10.7	10.7	10.7
Licenses & Inspections[(6)]	7.0	7.1	10.1	10.0	10.3	11.1	11.1
Supportive Housing[(7)]	30.4	34.2	36.9	36.6	37.1	37.6	37.6
Prisons	104.0	105.4	105.8	101.6	105.5	105.5	105.5
All Other[(8)]	142.1	154.4	159.1	162.9	187.1	210.8	332.0
Total	**$671.1**	**$666.8**	**$694.1**	**$704.2**	**$746.3**	**$775.5**	**$896.9**

(1) Sources: For Fiscal Years 2012-2015, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years and the City, Office of Budget and Program Evaluation. For Fiscal Years 2016-2017, the Modified Twenty-Fifth Five-Year Plan and the City, Office of Budget and Program Evaluation.
(2) Includes payments for care of dependent and delinquent children.
(3) Includes payments for SEPTA, space rentals, and utilities.
(4) Includes solid waste disposal costs.
(5) Includes payments to the Defender Association to provide legal representation for indigents.
(6) Includes payments for demolition in Fiscal Year 2012.
(7) Includes homeless shelter and boarding home payments.
(8) Includes the Convention Center subsidy and payments for vehicle leasing.
(9) Figures may not sum due to rounding.

City Payments to School District

In each Fiscal Year since Fiscal Year 1996, the City has made an annual grant of at least $15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's then current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional $20 million annual grant beginning in Fiscal Year 2002. The following table presents the City's payments to the School District from the General Fund for Fiscal Years 2012-2016 and the budgeted amounts for Fiscal Year 2017.

Table 21
City Payments to School District
Fiscal Years 2012-2015 (Actual), 2016 (Unaudited Actual), and 2017 (Adopted and Modified Budget)
(Amounts in Millions of USD)[1]

	Actual 2012	Actual 2013[2]	Actual 2014[3]	Actual 2015	Unaudited Actual 2016	Adopted and Modified Budget 2017
City Payments to School District	$48.9	$68.9	$114.1	$69.1	$104.2	$104.3

(1) Sources: For Fiscal Years 2012-2015, the City's CAFRs for such Fiscal Years. For Fiscal Year 2016, the FY 2016 AFR (Unaudited). For Fiscal Year 2017, the Modified Twenty-Fifth Five-Year Plan.
(2) The City's contribution included a budgeted contribution of $48.9 million and an additional contribution of $20 million, which was derived from an increase in the Real Estate Tax rate.
(3) In Fiscal Year 2014, the City's contribution included a budgeted contribution of $69.1 million and an additional $45.1 million one-time contribution that was passed through from the Commonwealth.

In Fiscal Year 2014, the City also issued, through PAID, $27.3 million of bonds for the benefit of the School District. In Fiscal Year 2015, the City issued, through PAID, $57.5 million of bonds for the benefit of the School District and to refund the bonds issued in Fiscal Year 2014. The bond proceeds paid to the School District are not subject to the maintenance of effort described below.

The City's adopted Fiscal Year 2016 budget included a property tax increase and parking tax increase to benefit the School District in amounts of $25 million and $10 million, respectively, which are included in the $104.2 million for Fiscal Year 2016 and the $104.3 million for Fiscal Year 2017 reflected in Table 21 above. Both the $25 million and the $10 million are City revenues collected by the City and then granted to the School District. Each year in the Modified Twenty-Fifth Five-Year Plan reflects these increases in tax revenues, as well as the related expense of the grant to the School District; therefore, this does not impact the City's General Fund balance.

Section 696 of the School Code imposes 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 (i) 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 (ii) authorizing for the School District tax rates at least equal to the rates of taxation authorized by the City for the School District in the previous year. The School District was declared distressed effective December 22, 2001, and such declaration continues to be in effect. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Mayoral-Appointed or Nominated Agencies* – The School District."

For a discussion of changes and proposed changes in the funding provided by the City to the School District, see "REVENUES OF THE CITY – Sales and Use Tax." For a discussion of the transition to AVI, see "REVENUES OF THE CITY – Real Property Taxes Assessment and Collection."

City Payments to SEPTA

SEPTA operates a public transportation system within the City and Bucks, Chester, Delaware, and Montgomery counties. SEPTA's operating budget is supported by federal, Commonwealth, and local subsidies, including payments from the City. The following table presents the City's payments to SEPTA from the General Fund for Fiscal Years 2012-2016 and the budgeted amounts for Fiscal Year 2017.

Table 22
City Payments to SEPTA
Fiscal Years 2012-2015 (Actual), 2016 (Unaudited Actual), and 2017 (Adopted and Modified Budget)
(Amounts in Millions of USD)[1]

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Unaudited Actual 2016[4]	Adopted and Modified Budget 2017
City Payment to SEPTA	$65.9	$66.4	$65.2	$66.0	$70.4	$74.2	$79.7

(1) Sources: For Fiscal Years 2012-2015, the City's CAFRs for such Fiscal Years. For Fiscal Year 2016, the FY 2016 AFR (Unaudited). For Fiscal Year 2017, the Modified Twenty-Fifth Five-Year Plan.

The City budgets operating subsidies each Fiscal Year to match the estimated operating subsidies of the Commonwealth under Act 89. The state operating subsidy is funded through the Pennsylvania Public Transportation Trust Fund as created by Act 44 of 2007, amended by Act 89 of 2013. The local match requirement for Fiscal Years 2017-2021 has been calculated to match state operating subsidies. In addition, local matching funds must be appropriated each Fiscal Year in which state funds are received in order for SEPTA to receive the full allocation of state funds. The Modified Twenty-Fifth Five-Year Plan projects operating subsidy payments to SEPTA from the City will increase to $102.4 million by Fiscal Year 2021. For more information on SEPTA, see APPENDIX B – "KEY CITY-RELATED SERVICES AND BUSINESSES – Transportation – SEPTA."

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 (the "Convention Center Operating Agreement"). The Convention Center Operating Agreement provides for the operation of the Convention Center by the Convention Center Authority and includes an annual service fee of $15,000,000 from the City to the Convention Center Authority in each Fiscal Year through Fiscal Year 2040.

As authorized by ordinance, the City has agreed to pay to the Convention Center Authority on a monthly basis a certain percentage of hotel room taxes and hospitality promotion taxes collected during the term of the Convention Center Operating Agreement. The remaining percentages of such taxes are paid to the City's tourism and marketing agencies. The General Fund does not retain any portion of the proceeds of the hotel room rental tax or the hospitality promotion tax.

PENSION SYSTEM

The amounts and percentages set forth under this heading relating to the City's pension system, including, for example, actuarial liabilities and funded ratios, are based upon numerous demographic and economic assumptions, including the investment return rates, inflation rates, salary increase rates, post-retirement mortality, active member mortality, rates of retirement, etc. The reader is cautioned to review and carefully consider the assumptions set forth in the documents that are cited as the sources for the information in this section. In addition, the reader is cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to changes, any of which could cause a significant change in the unfunded actuarial liability.

Overview

The City faces significant ongoing financial challenges in meeting its pension obligations, including an unfunded actuarial liability ("UAL") of approximately $5.9 billion as of July 1, 2015. In Fiscal Year 2015, the City's contribution to the Municipal Pension Fund was approximately $577.2 million, of which the General Fund's share (including the Commonwealth contribution) was $388.5 million. See Table 29. The City's aggregate pension costs (consisting of payments to the Municipal Pension Fund and debt service on the Pension Bonds (as defined herein)) have increased from approximately 8% of the City's General Fund budget to approximately 12.95% of the General Fund budget from Fiscal Years 2006 to 2015. See Table 31. As reflected in the Funded Ratio chart following Table 28, the funded ratio of the Municipal Pension Plan was 48.2% on July 1, 1996 (at which time the UAL was approximately $2.5 billion), and was 45.0% on July 1, 2015.

The decline in the Municipal Pension System's funded status and the net growth of the unfunded liability is the product of a number of factors, including the following:

- The declines in the equity markets in 2000-2001 and in 2008-2009. See Table 24 and the Funded Ratio chart below.

- A reduction in the assumed rate of return, from 9.00% in 2004 to 7.75% effective July 1, 2015. Although the gradual reductions in the assumed rates of return reflected in Table 24 are considered a prudent response to experience studies, by reducing the assumed return in the measurement of the actuarial liabilities, it serves to increase the UAL from what it otherwise would have been.

- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary.

- The Municipal Pension Plan is a mature system, which means the number of members making contributions to the Municipal Pension Plan is less than the number of retirees and other beneficiaries receiving payments from the Municipal Pension Plan, by approximately 10,000. As a result, the aggregate of member contributions and the City's contributions are less than the amount of benefits and refunds payable in any particular year, with the result that investment income must be relied upon to meet such difference before such income can contribute to an increase in the Municipal Pension System's assets growth. See Table 26.

- The determination by the City, commencing in Fiscal Year 2005, to fund in accordance with the "minimum municipal obligation" ("MMO"), as permitted and as defined by Pennsylvania law, in lieu of the City Funding Policy (as defined herein), resulted in the City contributing

less than otherwise would have been contributed. See below, "– Funding Requirements; Funding Standards."

- Revising, in Fiscal Year 2009, the period over which the UAL was being amortized, such that the UAL as of July 1, 2009 was "fresh started" to be amortized over a 30 year period ending June 30, 2039. In addition, changes were made to the periods over which actuarial gains and losses and assumption changes were amortized under Pennsylvania law. See "UAL and its Calculation – Actuarial Valuations."

The City has taken a number of steps to address the funding of the Municipal Pension Plan, including the following:

- Reducing the assumed rate of return on a gradual and consistent basis. See Table 24 below.

- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary.

- In conjunction with the revisions to the amortization periods that occurred in Fiscal Year 2009, changing from a level percent of pay amortization schedule to a level dollar amount schedule. This results in producing payments that ensure that a portion of principal on the UAL is paid each year.

- Funding consistently an amount greater than the MMO (subject to the deferrals for Fiscal Years 2010 and 2011 described below).

- Negotiating collective bargaining agreements by which additional contributions are being made (and will be made) by certain current (and future) members and by which benefits will be capped for certain future members of the Municipal Pension Plan. See Table 18.

- Securing additional funding, including funds required to be deposited by the City to the Municipal Pension Fund from its share of future sales tax revenue.

This "Overview" is intended to highlight certain of the principal factors that led to the pension system's current funded status, and significant steps the City and the Pension Board have taken to address the underfunding. The reader is cautioned to review with care the more detailed information presented below under this caption, "PENSION SYSTEM."

Pension System; Pension Board

The City maintains two defined-benefit pension programs: (i) the Municipal Pension Plan, a multi-employer plan, which provides benefits to police officers, firefighters, non-uniformed employees, and non-represented appointed and elected officials, and (ii) the PGW Pension Plan, a single employer plan, which provides benefits to PGW employees. The Municipal Pension Plan is administered through 18 separate benefit structures, the funding for which is accounted for on a consolidated basis by the Municipal Pension Fund. The 18 benefit structures establish for their respective members different contribution levels, retirement ages, etc., but all assets are available to pay benefits to all members of the Municipal Pension Plan. The Municipal Pension Plan is a mature plan, initially established in 1915, with investment assets that totaled approximately $4.7 billion as of June 30, 2015. The Municipal Pension Plan has approximately 28,000 members who make contributions to the plan, and provides benefits to approximately 38,000 retirees and other beneficiaries.

PGW is principally a gas distribution facility owned by the City. For accounting presentation purposes, PGW is a component unit of the City and follows accounting rules as they apply to proprietary fund-type activities. The PGW Pension Plan is funded with contributions by PGW to such plan, which are treated as an operating expense of PGW, and such plan is not otherwise addressed under the caption "PENSION SYSTEM." See "PGW PENSION PLAN" below.

Contributions are made by the City to the Municipal Pension Fund from: (i) the City's General Fund; (ii) funds that are received by the City from the Commonwealth for deposit into the Municipal Pension Fund; and (iii) various City inter-fund transfers, representing amounts contributed, or reimbursed, to the City's General Fund for pensions from the City's Water Fund, Aviation Fund, and certain other City funds or agencies. See Table 29. In addition to such City (employer) contribution, the other principal additions to the Municipal Pension Fund are: (i) member (employee) contributions; (ii) interest and dividend income; (iii) net appreciation in asset values; and (iv) net realized gains on the sale of investments. See Table 26 below. An additional source of funding in the future is expected to be that portion of the 1% Sales Tax rate increase that is required under Pennsylvania law to be deposited to the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

The City of Philadelphia Board of Pensions and Retirement (the "Pension Board") was established by the City Charter to administer "a comprehensive, fair and actuarially sound pension and retirement system covering all officers and employees of the City." The City Charter provides that the Pension Board "shall consist of the Director of Finance, who shall be its chairman, the Managing Director, the City Controller, the City Solicitor, the Personnel Director and four other persons who shall be elected to serve on the Board by the employees in the civil service in such manner as shall be determined by the Board." In addition, there is one non-voting member on the Pension Board, who is appointed by the President of City Council. An Executive Director, together with a staff of 75 personnel, administers the day-to-day activities of the retirement system, providing services to approximately 66,000 members.

The Municipal Pension Plan, the Municipal Pension Fund, and the Pension Board are for convenience sometimes collectively referred to under this caption as the "Municipal Retirement System."

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Membership. The following table shows the membership totals for the Municipal Pension Plan, as of July 1, 2015 and as compared to July 1, 2014.

Table 23
Municipal Pension Plan – Membership Totals

	July 1, 2015	July 1, 2014	% Change
Actives	27,951	27,065	3.3%
Terminated Vesteds	1,334	1,224	9.0%
Disabled	4,016	3,954	1.6%
Retirees	22,245	21,768	2.2%
Beneficiaries	8,566	8,547	0.2%
Deferred Retirement Option Plan ("DROP")	1,784	2,264	-21.2%
Total City Members	65,896	64,822	1.7%
Annual Salaries	$1,597,848,869	$1,495,421,387	6.8%
Average Salary per Active Member	$57,166	$55,253	3.5%
Annual Retirement Allowances	$719,580,951	$686,601,608	4.8%
Average Retirement Allowances	$20,662	$20,036	3.1%

Source: July 1, 2015 Valuation.

As shown in Table 23, total membership in the Municipal Pension Plan increased by 1.7%, or 64,822 to 65,896 members, from July 1, 2014 to July 1, 2015, including an increase of 3.3% in active members from 27,065 to 27,951 (who were contributing to the Municipal Pension Fund). Of the 65,896 members, 37,945 were retirees, beneficiaries, disabled, and other members (who were withdrawing from, or not contributing to, the Municipal Pension Fund).

Subject to the exceptions otherwise described in this paragraph, employees and officials become vested in the Municipal Pension Plan upon the completion of ten years of service. Employees and appointed officials who hold positions that are exempt from civil service and who are not entitled to be represented by a union, and who were hired before January 13, 1999, may elect accelerated vesting after five years of service in return for payment of a higher employee contribution than if the vesting period were ten years. Such employees and officials hired after January 13, 1999, become vested after five years of service and pay a higher employee contribution than if the vesting period were ten years. Elected officials become vested in the Municipal Pension Plan once they complete service equal to the lesser of two full terms in their elected office or eight years and pay a higher contribution than if the vesting period were ten years. Elected officials pay an additional employee contribution for the full cost of the additional benefits they may receive over those of general municipal employees. Upon retirement, employees and officials may receive up to 100% of their average final compensation depending upon their years of credited service and the plan in which they participate.

All City employees participate in the U.S. Social Security retirement system except for uniformed Police and uniformed 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 July 1, 2015 Actuarial Valuation Report (the "July 1, 2015 Valuation") and includes as of July 1, 2015, 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.

Funding Requirements; Funding Standards

City Charter. The City Charter establishes the "actuarially sound" standard quoted above. Case law has interpreted "actuarially sound" as used in the City Charter to require the funding of two components: (i) "normal cost" (as defined below) and (ii) interest on the UAL. (*Dumbrowski v. City of Philadelphia*, 431 Pa. 199, 245 A.2d 238 (1968)).

Pennsylvania Law. The Municipal Pension Plan Funding Standard and Recovery Act (Pa. P.L. 1005, No. 205 (1984)) ("Act 205"), applies to all municipal pension plans in Pennsylvania, "[n]otwithstanding any provision of law, municipal ordinance, municipal resolution, municipal charter, pension plan agreement or pension plan contract to the contrary . . . ." Act 205 provides that the annual financial requirements of the Municipal Pension Plan are: (i) the normal cost; (ii) administrative expense requirements; and (iii) an amortization contribution requirement. In addition, Act 205 requires that the MMO be payable to the Municipal Pension Fund from City revenues, and that the City shall provide for the full amount of the MMO in its annual budget. The MMO is defined as "the financial requirements of the pension plan reduced by . . . the amount of any member contributions anticipated as receivable for the following year." Act 205 further provides that the City has a "duty to fund its municipal pension plan," and the failure to provide for the MMO in its budget, or to pay the full amount of the MMO, may be remedied by the institution of legal proceedings for mandamus.

In accordance with Pennsylvania law and Act 205, the City uses the entry age normal actuarial funding method, whereby "normal cost" (associated with active employees only) is the present value of the benefits that the City expects to become payable in the future distributed evenly as a percent of expected payroll from the age of first entry into the plan to the expected age at retirement. The City's share of such normal cost (to which the City adds the Plan's administrative expenses) is reduced by member contributions. The term "level" means that the contribution rate for the normal cost, expressed as a percentage of active member payroll, is expected to remain relatively level over time.

The City has budgeted and paid at least the full MMO amount since such requirement was established, and more specifically, prior to Fiscal Year 2005 the City had been contributing to the Municipal Pension Plan the greater amount as calculated pursuant to the City Funding Policy which was implemented before Act 205 was effective, as described below. Payment of the MMO is a condition for receipt of the Commonwealth contribution to the Municipal Pension Fund. See Table 29.

Act 205 was amended in 2009 by Pa. P.L. 396, No. 44 ("Act 44") to authorize the City to: (i) "fresh start" the amortization of the UAL as of July 1, 2009 by a level annual dollar amount over 30 years ending June 30, 2039; and (ii) revise the amortization periods for actuarial gains and losses and assumption changes in accordance with Act 44, as described below under "UAL and its Calculation – Actuarial Valuations." In addition, Act 44 authorized the City to defer, and the City did defer, $150 million of the MMO otherwise payable in Fiscal Year 2010, and $80 million of the MMO otherwise payable in Fiscal Year 2011, subject to repayment of the deferred amounts by June 30, 2014. The City repaid the aggregate deferred amount of $230 million, together with interest at the then-assumed interest rate of 8.25%, in Fiscal Year 2013. See Table 29. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 30-year schedule.

GASB 27; Annual Required Contribution; City Funding Policy. Governmental Accounting Standards Board ("GASB") Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" ("GASB 27"), applied to the City for Fiscal Years beginning prior to July 1, 2014. For the Fiscal Year beginning July 1, 2014, GASB Statement No. 68 ("GASB 68"), which amends GASB 27 in several significant respects, applies. GASB 27 defined an "annual required contribution" ("ARC") as that amount sufficient to pay (i) the normal cost and (ii) the amortization of UAL, and provides that the maximum acceptable amortization period is 30 years (for the initial 10 years of implementation, 1996-2006, a 40-year amortization period was permitted). GASB 27 did not establish funding requirements for the City but rather was an accounting and financial reporting standard. GASB 68 does not require the calculation of an ARC but does require the City to include as a liability on its balance sheet the City's "net pension liability," as defined by GASB 68. The City has been funding the Municipal Pension Fund since Fiscal Year 2003 based on the MMO, including the deferral permitted by Act 44. See Table 29 below.

The City, prior to Fiscal Year 2005, had been funding the Municipal Pension Fund in accordance with what the City referred to as the "City Funding Policy." That reference was used and continues to be used in the Actuarial Reports. Under the City Funding Policy, the UAL as of July 1, 1985 was to be amortized over 34 years ending June 30, 2019, with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability were amortized in level-dollar payments over various periods as prescribed in Act 205. In 1999, the City issued pension funding bonds, the proceeds of which were deposited directly into the Municipal Pension Fund to pay down its UAL. See "– Annual Contributions – Pension Bonds" below.

UAL and its Calculation

According to the July 1, 2015 Valuation, the funded ratio (the valuation of assets available for benefits to total actuarial liability) of the Municipal Pension Fund as of July 1, 2015 was 45.0% and the Municipal Pension Fund had an unfunded actuarial liability ("UAL") of $5.937 billion. The UAL is the difference between total actuarial liability ($10.800 billion as of July 1, 2015) and the actuarial value of assets ($4.863 billion as of July 1, 2015).

Key Actuarial Assumptions. In accordance with Act 205, the actuarial assumptions must be, in the judgment of both Cheiron (the independent consulting actuary for the Municipal Pension Fund) and the City, "the best available estimate of future occurrences in the case of each assumption." The assumed investment return rate used in the July 1, 2015 Valuation was 7.75% a year (which includes an inflation assumption of 2.75%), net of administrative expenses, compounded annually. For the prior actuarial valuation, the assumed investment return rate was 7.80%. See Table 24 for the assumed rates of return for Fiscal Years 2006 to 2015. The 7.80% was used to establish the MMO payment for Fiscal Year 2016; 7.75% will be used to establish the MMO payment for Fiscal Year 2017.

Other key actuarial assumptions in the July 1, 2015 Valuation include the following: (i) total annual payroll growth of 3.30%, (ii) annual administrative expenses assumed to increase 3.30% per year, (iii) to recognize the expense of the benefits payable under the Pension Adjustment Fund, actuarial liabilities were increased by 0.54%, based on the statistical average expected value of the benefits, (iv) a vested employee who terminates will elect a pension deferred to service retirement age so long as their age plus years of service at termination are greater than or equal to 55 (45 for police and fire employees), (v) for municipal and elected members, 70% of all disabilities are ordinary and 30% are service-connected, and (vi) for police and fire members, 50% of all disabilities are ordinary and 50% are service-connected.

"Smoothing Methodology". The Municipal Retirement System uses an actuarial value of assets to calculate its annual pension contribution, using an asset smoothing method to dampen the volatility in asset values that could occur because of fluctuations in market conditions. The Municipal Retirement System used a five-year smoothing prior to Fiscal Year 2009, and beginning with Fiscal Year 2009 began employing a ten-year smoothing. Using the ten-year smoothing methodology, investment returns in excess or below the assumed rate are prospectively distributed in equal amounts over a ten-year period, subject to the requirement that the actuarial value of assets will be adjusted, if necessary, to ensure that the actuarial value of assets will never be less than 80% of the market value of the assets, nor greater than 120% of the market value of the assets. The actuarial value of assets as of July 1, 2015, was approximately 105% of the market value of the assets.

Actuarial Valuations. The Pension Board engages an independent consulting actuary (currently Cheiron) to prepare annually an actuarial valuation report. Act 205, as amended by Act 44, establishes certain parameters for the actuarial valuation report, including: (i) use of the entry age normal actuarial cost method; (ii) that the report shall contain: (a) actuarial exhibits, financial exhibits, and demographic exhibits; (b) an exhibit of normal costs expressed as a percentage of the future covered payroll of the active membership in the Municipal Pension Plan; and (c) an exhibit of the actuarial liability of the Municipal Pension Plan; and (iii) that changes in the actuarial liability be amortized in level-dollar payments as follows: (a) actuarial gains and losses be amortized over 20 years beginning July 1, 2009 (prior to July 1, 2009, gains and losses were amortized over 15 years); (b) assumption changes be amortized over 15 years beginning July 1, 2010 (prior to July 1, 2010, assumption changes were amortized over 20 years); (c) plan changes for active members be amortized over 10 years; (d) plan changes for inactive members be amortized over one year; and (e) plan changes mandated by the Commonwealth be amortized over 20 years.

Act 205 further requires that an experience study be conducted at least every four years, and cover the five-year period ending as of the end of the plan year preceding the plan year for which the actuarial valuation report is filed. The most recent Experience Study was prepared by Cheiron in March 2014 for the period July 1, 2008 – June 30, 2013. The changes to the actuarial and demographic assumptions that were adopted by the Pension Board in response to such Experience Study have been employed in the July 1, 2015 Valuation. The principal revisions included marginal changes in salary growth rates; changes in retirement assumptions (increase for those under the pension plan the City established in 1967; decrease for those under the pension plan the City established in 1987); increase in the expected disability rates for police and fire employees; and changes in mortality assumptions to fully reflect the most recent experience. Details of these assumption changes and the experience of the Municipal Pension Plan can be found in the *City of Philadelphia Municipal Retirement System Experience Study Results and Recommendations For the period covering July 1, 2008 – June 30, 2013,* available at the Investor Information section of the City's Investor Website.

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Pension Adjustment Fund

Pursuant to § 22-311 of the Philadelphia Code, the City directed the Pension Board to establish a Pension Adjustment Fund ("PAF") on July 1, 1999, and further directed the Pension Board to determine, effective June 30, 2000 and each Fiscal Year thereafter, whether there are "excess earnings" as defined available to be credited to the PAF. The Pension Board's determination is to be based upon the actuary's certification using the "adjusted market value of assets valuation method" as defined in § 22-311. Although the portion of the assets attributed to the PAF is not segregated from the assets of the Municipal Pension Fund, the Philadelphia Code provides that the "purpose of the Pension Adjustment Fund is for the distribution of benefits as determined by the Board for retirees, beneficiaries or survivors [and] [t]he Board shall make timely, regular and sufficient distributions from the Pension Adjustment Fund in order to maximize the benefits of retirees, beneficiaries or survivors." Distributions are to be made "without delay" no later than six months after the end of each Fiscal Year. The PAF was established, in part, because the Municipal Retirement System does not provide annual cost-of-living increases to retirees or beneficiaries. At the time the PAF was established, distributions from the PAF were subject to the restriction that the actuarial funded ratio using the "adjusted market value of assets" be not less than such ratio as of July 1, 1999 (76.7%). That restriction was deleted in 2007 by an ordinance adopted by City Council; the Mayor vetoed such ordinance, and City Council overrode such veto.

The amount to be credited to the PAF is 50% of the "excess earnings" that are between one percent (1%) and six percent (6%) above the actuarial assumed investment rate. Earnings in excess of six percent (6%) of the actuarial assumed investment rate remain in the Municipal Pension Fund. Although the Pension Board utilizes a ten-year smoothing methodology, as explained above, for the actuarial valuation of assets for funding and determination of the MMO, § 22-311 provides for a five-year smoothing to determine the amount to be credited to the PAF. The actuary determined that for the Fiscal Year ended June 30, 2015, there were "excess earnings" as defined to be credited to the PAF of approximately $7.8 million available for transfer and distribution. The Pension Board transfers to the PAF the full amount calculated by the actuary as being available in any year for transfer within six months of the Pension Board designating the amount to be transferred.

Transfers to the PAF and the resultant additional distributions to retirees result in removing assets from the Municipal Pension Plan. To account for the possibility of such transfers, and as an alternative to adjusting the assumed investment return rate to reflect such possibility, the actuary applies a load of 0.54% to the calculated actuarial liability as part of the funding requirement and MMO. Such calculation was utilized for the first time in the July 1, 2013 actuarial valuation.

The market value of assets as used under this caption, "PENSION SYSTEM," represents the value of the assets if they were liquidated on the valuation date and this value includes the PAF (except as otherwise indicated in certain tables), although the PAF is not available for funding purposes. The actuarial value of assets does not include the PAF.

Rates of Return; Asset Values; Changes in Plan Net Position

Rates of Return. The following table sets forth for the Fiscal Years 2006-2015 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 annual average returns as of June 30, 2015, were 9.02% and 5.73%, respectively, on a market value basis.

Table 24
Municipal Pension Fund
Annual Rates of Return

Year Ending June 30,	Market Value	Actuarial Value[1]	Assumed Rate of Return
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%
2014	15.7%	4.8%	7.85%
2015	0.29%	5.8%	7.80%

Source: July 1, 2015 Valuation for Market and Actuarial Value annual rates of return; annual Actuarial Valuation Reports prepared by Mercer Human Resources Consulting for Fiscal Year 2006 and Cheiron for Fiscal Years 2007-2015 for Assumed Rates of Return.

(1) Net of PAF. See "Pension Adjustment Fund" above. The actuarial values for 2006-2008 reflect a five-year smoothing; for 2009-2015, a ten-year smoothing.

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Asset Values. The following table sets forth as of the July 1 actuarial valuation date for the years 2006-2015 the actuarial and market values of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

Table 25
Actuarial Value of Assets vs. Market Value of Net Assets
(Dollar Amounts in Millions of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets[1]	Market Value of Net Assets[1]	Actuarial Value as a Percentage of Market Value
2006	$4,168.5	$4,315.6	96.6%
2007	$4,421.7	$4,850.9	91.2%
2008	$4,623.6	$4,383.5	105.5%
2009	$4,042.1	$3,368.4	120.0%
2010[2]	$4,380.9	$3,650.7	120.0%
2011[2]	$4,719.1	$4,259.2	110.8%
2012[2]	$4,716.8	$4,151.8	113.6%
2013	$4,799.3	$4,444.1	108.0%
2014	$4,814.9	$4,854.3	99.2%
2015	$4,863.4	$4,636.1	104.9%

Source: July 1, 2015 Valuation for Actuarial Value of Assets; 2006-2015 Actuarial Reports for Market Value of Net Assets.

(1) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2015 equaled $38,198,762. The Actuarial Value of Assets excludes that portion of the Municipal Pension Fund that is allocated to the PAF. The actuarial values for 2006-2008 reflect a five-year smoothing; for 2009-2015, a ten-year smoothing.

(2) 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. See Table 29 below.

Changes in Plan Net Position. The following table sets forth for the Fiscal Years 2011-2015, the additions, including employee (member) contributions, City contributions (including contributions from the Commonwealth), investment income and miscellaneous income, and deductions, including benefit payments and administration expenses, for the Municipal Pension Fund. Debt service payments on pension funding bonds (as described below at "Annual Contributions – Pension Bonds") are made from the City's General Fund, Water Operating Fund, and Aviation Operating Fund, but are not made from the Municipal Pension Fund, and therefore are not included in Table 26. In those years in which the investment income is less than anticipated, the Municipal Pension Fund may experience negative changes (total deductions greater than total additions), which, as the table reflects, did occur in Fiscal Year 2012. Furthermore, if unrealized gains are excluded from Table 26, resulting in a comparison of cash actually received against actual cash outlays, it results in a negative cash flow in each year, which is typical of a mature retirement system.

Contributions from the Commonwealth are provided pursuant to the provisions of Act 205. Any such contributions are required to be used to defray the cost of the City's pension system. The amounts contributed by the Commonwealth for each of the last ten Fiscal Years are set forth in Table 29 below. The contributions from the Commonwealth are capped pursuant to Act 205, which provides that "[n]o municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount greater that 25% of the total amount of the general municipal pension system State aid available."

Employee (member) contribution amounts reflect contribution rates as a percent of pay, which for the plan year beginning July 1, 2016, vary from 5.00% to 6.00% for police and fire employees, and from 2.02% to 6.00% for municipal employees. These rates do not include the increases in contributions for certain municipal employees and elected officials currently in Plans 67, 87 and 87 Prime and elected officials as required by legislation. This legislation called for employees in these groups to pay an additional 0.5% of compensation from January 1, 2015 to December 31, 2015 and an additional 1.0% from January 1, 2016 onwards. New employees in these groups entering Plan 87 Municipal prime will pay an additional 1.0% of compensation which is included in the table below.

Table 26
Changes in Net Position of the Municipal Pension Fund
Fiscal Years 2011-2015
(Amounts in Thousands of USD)

	2011	2012	2013	2014	2015
Beginning Net Assets (Market Value)[1]	$3,501,602	$4,030,216	$3,922,817	$4,445,224	$4,916,705
Additions					
- Member Contributions	52,706	49,979	49,614	53,722	58,658
- City Contributions[2,3]	470,155	556,031	781,823	553,179	577,195
- Investment Income[4]	701,225	13,297	442,667	677,380	11,790
- Miscellaneous Income[5]	(385)	1,224	3,134	4,089	2,049
Total	$1,223,701	$620,531	$1,277,238	$1,288,370	$649,692
Deductions					
- Benefits and Refunds	(687,034)	(712,684)	(746,490)	(808,597)	(881,666)
- Administration	(8,053)	(15,246)[6]	(8,341)	(8,292)	(10,479)
Total	$(695,087)	$(727,930)	$(754,831)	$(816,889)	$(892,145)
Ending Net Assets (Market Value)[7]	$4,030,216	$3,922,817	$4,445,224	$4,916,705	$4,674,252

Source: Municipal Pension Fund's audited financial statements.

(1) Includes the PAF, which is not available for funding purposes.

(2) City Contributions include pension contributions from the Commonwealth. See Table 29.

(3) City Contributions are the actual cash outlays for Fiscal Year 2011, which do not include deferred amount of $80 million.

(4) Investment income is shown net of fees and expenses, and includes interest and dividend income, net appreciation in fair value of investments, and net gains realized upon the sale of investments.

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

(6) The $15.2 million is the number in the Fund's 2012 audited financial statements. However, it was subsequently determined that certain investment expenses had been misclassified as administration expenses. If those investment expenses were not included, the administration deduction for Fiscal Year 2012 would have been $8.5 million.

(7) For Fiscal Years 2011 and 2012, does not include the $230 million total contribution receivable, which was paid back and is included in Fiscal Year 2013.

Funded Status of the Municipal Pension Fund

The following two tables set forth as of the July 1 actuarial valuation date for the years 2006-2015, the asset value, the actuarial liability, the UAL, the funded ratio, covered payroll and UAL, as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively.

Table 27
Schedule of Funding Progress (Actuarial Value)
(Dollar Amounts in Millions of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets[1] (a)	Actuarial Liability (b)	UAL (Actuarial Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2006	$4,168.5	$8,083.7	$3,915.2	51.6%	$1,319.4	296.7%
2007	$4,421.7	$8,197.2	$3,775.5	53.9%	$1,351.8	279.3%
2008	$4,623.6	$8,402.2	$3,778.7	55.0%	$1,456.5	259.4%
2009	$4,042.1	$8,975.0	$4,932.9	45.0%	$1,463.3	337.1%
2010	$4,380.9	$9,317.0	$4,936.1	47.0%	$1,421.2	347.3%
2011	$4,719.1[2]	$9,487.5	$4,768.4	49.7%	$1,371.3	347.7%
2012	$4,716.8[2]	$9,799.9	$5,083.1	48.1%	$1,372.2	370.4%
2013	$4,799.3	$10,126.2	$5,326.9	47.4%	$1,429.7	372.6%
2014	$4,814.9	$10,521.8	$5,706.9	45.8%	$1,495.4	381.6%
2015	$4,863.4	$10,800.4	$5,937.0	45.0%	$1,597.8	371.6%

Source: July 1, 2015 Valuation.

(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.

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Table 28
Schedule of Funding Progress (Market Value)
(Dollar Amounts in Millions of USD)

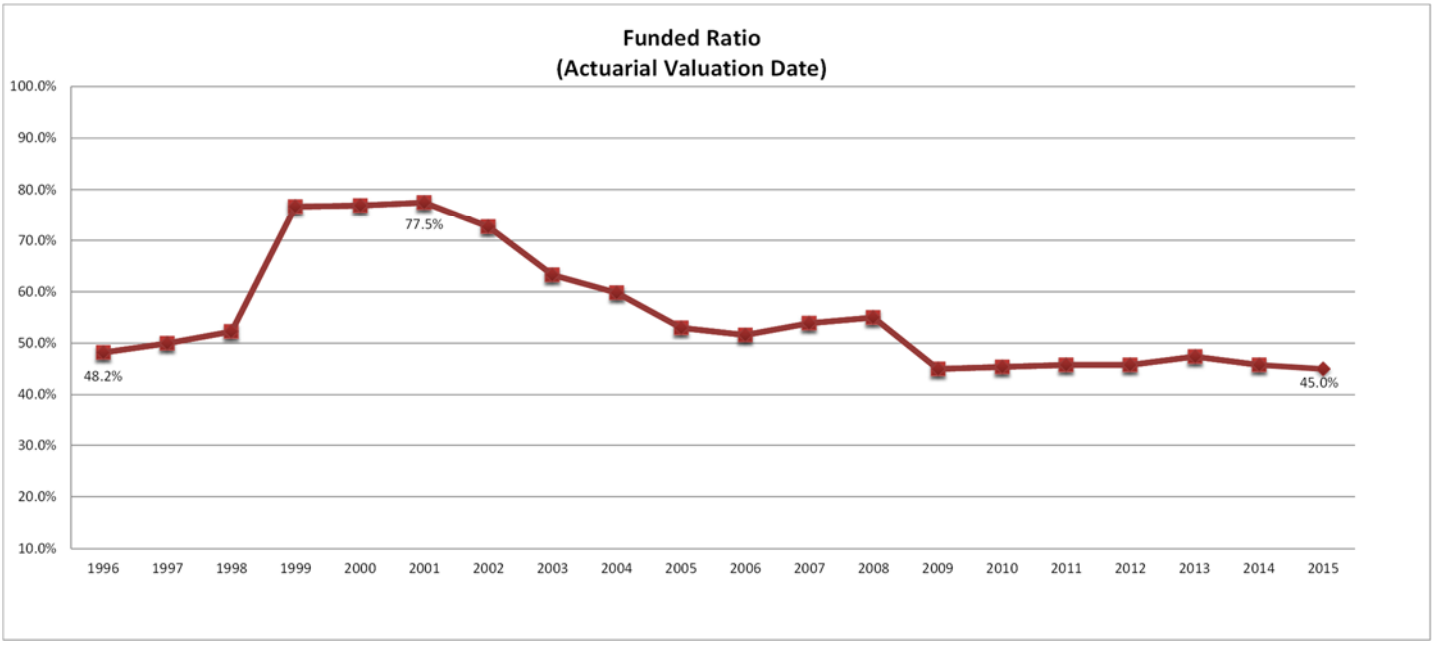
Actuarial Valuation Date (July 1)	Market Value of Net Assets[1] (a)	Actuarial Liability (b)	UAL (Market Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2006	$4,315.6	$8,083.7	$3,768.1	53.4%	$1,319.4	285.6%
2007	$4,850.9	$8,197.2	$3,346.3	59.2%	$1,351.8	247.5%
2008	$4,383.5	$8,402.2	$4,018.7	52.2%	$1,456.5	275.9%
2009	$3,368.4	$8,975.0	$5,606.6	37.5%	$1,463.3	383.2%
2010	$3,650.7	$9,317.0	$5,666.3	39.2%	$1,421.2	398.7%
2011	$4,259.2	$9,487.5	$5,228.3	44.9%	$1,371.3	381.3%
2012	$4,151.8	$9,799.9	$5,648.1	42.4%	$1,372.2	411.6%
2013	$4,444.1	$10,126.2	$5,682.1	43.9%	$1,429.7	397.4%
2014	$4,854.3	$10,521.8	$5,667.6	46.1%	$1,495.4	379.0%
2015	$4,636.1[2]	$10,800.4	$6,164.3	42.9%	$1,597.8	385.8%

Source: 2006-2015 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.

(2) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2015 equaled $38,198,762.

The following chart reflects the funded ratios, using the actuarial value of assets, for the period 1996 – 2015.



Annual Contributions

Annual Municipal Pension Contributions

Table 29 shows the components of the City's annual pension contributions to the Municipal Pension Fund for the Fiscal Years 2006-2015.

Table 29
Total Contribution to Municipal Pension Fund
(Dollar Amounts in Millions of USD)

Fiscal Year	General Fund Contribution (A)	Commonwealth Contribution (B)	Aggregate General Fund Contribution (A+B)	Water Fund Contribution	Aviation Fund Contribution	Grants Funding and Other Funds Contribution[1]	Contributions from Quasi-governmental Agencies	Pension Bond Proceeds	Total Contribution (C)	MMO (D)	MMO (Deferred) Makeup Payments	% of MMO Contributed (C/D)
2006	$218.8	$57.3	$276.1	$24.4	$10.9	$10.0	$10.4	$0.0	$331.8	$306.9		108.1%
2007	$304.6	$57.7	$362.3	$31.5	$14.3	$11.2	$13.0	$0.0	$432.3	$400.3		108.0%
2008	$292.7	$59.6	$352.3	$32.4	$15.5	$12.2	$14.5	$0.0	$426.9	$412.4		103.5%
2009	$315.0	$59.6	$374.6	$36.4	$17.5	$11.5	$15.4	$0.0	$455.4	$438.5		103.9%
2010	$190.8[2]	$59.2	$250.0	$25.1	$11.6	$10.8	$15.1	$0.0	$312.6[2]	$447.4	$(150.0)[3]	100.0%[4]
2011	$325.8[2]	$61.8	$387.6	$37.7	$17.1	$13.6	$14.2	$0.0	$470.2[2]	$511.0	$(80.0)[3]	100.0%[4]
2012	$352.7	$95.0	$447.7	$43.8	$20.6	$27.4	$16.2	$0.0	$555.7	$507.0		109.7%
2013	$356.5	$65.7	$422.2	$41.4	$20.3	$27.2	$18.1	$252.6[3]	$781.8	$492.0	$230.0[3]	100.0%[4]
2014	$365.8	$69.6	$435.4	$45.5	$22.5	$30.0	$19.8	$0.0	$553.2	$523.4		105.7%
2015	$388.5	$62.0	$450.5	$48.3	$23.9	$33.4	$21.1	$0.0	$577.2	$556.0		103.8%

(1) Other Funds Contributions represents contributions to the Municipal Pension Fund from the City's Special Gasoline Tax Fund, Community Development Block Grant Fund, Municipal Pension Fund, Acute Care Hospital Assessment Fund, and General Capital Improvement Fund.

(2) Reflects the actual cash outlays for Fiscal Year 2010 and Fiscal Year 2011, which do not include the deferred contributions authorized pursuant to Act 44. See "– Funding Requirements; Funding Standards – Pennsylvania Law" above for a discussion of pension contribution deferrals authorized pursuant to Act 44.

(3) As authorized pursuant to Act 44, the City deferred payments to the Municipal Pension Fund of $150 million in fiscal year 2010 and $80 million in fiscal year 2011. Those amounts were repaid in fiscal year 2013, in which year the City made a contribution of $252.6 to the Municipal Pension Fund, consisting of $230 million of proceeds of Pension Bonds that were issued in October 2012 and $22.6 million in refunding savings from a refunding Pension Bond financing in December 2012. See " – Pension Bonds" below.

(4) Act 205 directs the Actuary, in performing the actuarial valuations, to disregard deferrals, and therefore for ease of presentation 100.0% is reflected in this column for both the years in which the deferrals occurred and the year in which the makeup payment was made.

Annual Debt Service Payments on the Pension Bonds

Table 30 shows the components of the City's annual debt service payments on the Pension Bonds for the Fiscal Years 2006-2015.

Table 30
Total Debt Service Payments on Pension Bonds
(Amounts in Millions of USD)

Fiscal Year	General Fund Payment	Water Fund Payment	Aviation Fund Payment	Other Funds Payment[1]	Grants Funding	Total Payment
2006	$70.4	$6.9	$2.9	$0.5	$1.3	$82.0
2007	$74.6	$7.2	$3.2	$0.5	$1.3	$86.8
2008	$78.4	$7.8	$3.5	$0.6	$1.3	$91.6
2009	$84.4	$7.2	$3.3	$0.6	$1.3	$96.8
2010	$96.7	$7.6	$3.4	$0.6	$1.5	$109.8
2011	$97.7	$10.3	$4.6	$0.8	$1.5	$114.9
2012	$100.1	$10.7	$4.8	$0.7	$3.4	$119.7
2013[2]	$196.6	$21.5	$10.1	$1.3	$3.8	$233.3
2014[2]	$211.0	$23.6	$11.2	$1.4	$3.7	$250.9
2015	$107.7	$12.6	$5.9	$0.8	$4.0	$131.0

(1) Other Funds Payments represents the allocable portion of debt service payments on the City's Pension Bonds from the City's Special Gasoline Tax Fund, Community Development Block Grant Fund, Municipal Pension Fund, Acute Care Hospital Assessment Fund, and General Capital Improvement Fund.

(2) The increase in debt service payments in fiscal years 2013 and 2014 over the fiscal year 2012 amounts reflect the debt service payments on the Pension Bonds that were issued in October 2012. See " – Pension Bonds" below.

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Annual Pension Costs of the General Fund

Table 31 shows the annual pension costs of the General Fund for the Fiscal Years 2006-2015, being the sum of the General Fund Contribution to the Municipal Pension Fund (column (A) in Table 29 above) and the General Fund debt service payments on Pension Bonds (Table 30 above).

Table 31
Annual Pension Costs of the General Fund
(Amounts in Millions of USD)

Fiscal Year	General Fund Pension Fund Contribution (A)[1]	General Fund Pension Bond Debt Service Payment (B)	Annual Pension Costs (A+B)	Total General Fund Expenditures (C)	General Fund portion of Annual Pension Costs as % of Total General Fund Expenditures (A+B) / C
2006	$218.8	$70.4	$289.2	$3,426.05	8.44%
2007	$304.6	$74.6	$379.2	$3,736.66	10.15%
2008	$292.7	$78.4	$371.1	$3,919.84	9.47%
2009	$315.0	$84.4	$399.4	$3,915.29	10.20%
2010	$190.8	$96.7	$287.5	$3,653.73	7.87%
2011	$325.8	$97.7	$423.5	$3,785.29	11.19%
2012	$352.7	$100.1	$452.8	$3,484.88	12.99%
2013	$356.5	$196.6	$553.1	$3,613.27	15.31%
2014	$365.8	$211.0	$576.8	$3,886.56	14.84%
2015	$388.5	$107.7	$496.2	$3,831.51	12.95%

(1) Does not include Commonwealth contribution. See Table 29.

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The following table shows the annual City contribution to the Municipal Pension Fund as a percentage of the covered employee payroll.

Table 32
Annual City Contribution as % of Covered Employee Payroll
(Dollar Amounts in Thousands of USD)

Fiscal Year	Annual City Contribution	Fiscal Year Covered Employee Payroll	ACC as % of Payroll
2006	$331,765	$1,319,400	25.15%
2007	$432,267	$1,351,826	31.98%
2008	$426,934	$1,461,640	29.21%
2009	$455,389	$1,462,451	31.14%
2010	$312,556	$1,422,987	21.96%
2011	$470,155	$1,410,207	33.34%
2012	$556,031	$1,387,086	40.06%
2013	$781,823	$1,423,417	54.93%
2014	$553,179	$1,556,660	35.54%
2015	$577,195	$1,545,500	37.35%

Source: Municipal Pension Fund Financial Statements, June 30, 2015.

Pension Bonds. Pension funding bonds ("Pension Bonds") were issued in Fiscal Year 1999, at the request of the City, by PAID. Debt service on the Pension Bonds is payable pursuant to a Service Agreement between the City and PAID. The Service Agreement provides that the City is obligated to pay a service fee from its current revenues and the City covenanted in the agreement to include the annual amount in its operating budget and to make appropriations in such amounts as are required. If the City's revenues are insufficient to pay the full service fee in any Fiscal Year as the same becomes due and payable, the City has covenanted to include amounts not so paid in its operating budget for the ensuing Fiscal Year.

The 1999 Pension Bonds were issued in the principal amount of $1.3 billion, and the net proceeds were used, together with other funds of the City, to make a contribution in Fiscal Year 1999 to the Municipal Pension Fund in the amount of approximately $1.5 billion.

In October 2012, PAID, at the request of the City, issued Pension Bonds in the principal amount of $231.2 million, the proceeds of which were used principally to make the $230 million repayment of deferred contributions to the Municipal Pension Fund reflected in Table 29 above. These bonds had maturities of April 1, 2013 and 2014, and have been repaid.

In December 2012, PAID, at the request of the City, issued Pension Bonds in the approximate principal amount of $300 million, the proceeds of which were used to current refund a portion of the 1999 Pension Bonds. The refunding generated savings of approximately $22.6 million, which the City deposited into the Municipal Pension Fund.

Actuarial Projections of Funded Status

Cautionary Note. The information under this subheading, "Actuarial Projections of Funded Status," was prepared by Cheiron. The table below shows a five-year projection of MMO payments, Actuarial Value of Assets, Actuarial Liability, UAL, and Funded Ratio. The charts below show projections through 2034 of funded ratios and MMO contributions. All projections, whether for five years or for twenty years, are subject to actual experience deviating from the underlying assumptions and methods, and that is particularly the case for the charts below for the periods beyond the projections in the five-year table. **Projections and actuarial assessments are "forward looking" statements and are 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.**

The projections are on the basis that all assumptions in the July 1, 2015 Valuation are exactly realized and the City makes all future MMO payments on schedule as required by Pennsylvania law, and must be understood in the context of the assumptions, methods and benefits in effect as described in the July 1, 2015 Valuation. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.75% 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 the July 1, 2015 Valuation for a further discussion of the assumptions and methodologies used by the Actuary in preparing the July 1, 2015 Valuation and the following projections, all of which should be carefully considered in reviewing the projections. The July 1, 2015 Valuation is available for review on or downloading from the City's Investor Website at http://www.phila.gov/pensions/PDF/PHILARBP_2015%20AVR_032516s.pdf. In addition, the table and charts below reflect estimates of sales tax revenues that will be deposited by the City into the Municipal Pension Fund, which were provided by the City to Cheiron. Please note that the sales tax contribution figures below do not reflect the updated sales tax contribution figures included in the Modified Twenty-Fifth Five-Year Plan (see line 13 of the "Supporting Revenue Schedules Fiscal Years 2015 to 2021" on page 4 of the Modified Twenty-Fifth Five-Year Plan). Cheiron has not analyzed and makes no representation regarding the validity of the sales tax revenue assumptions and estimates provided by the City. See "REVENUES OF THE CITY – Sales and Use Tax."

Five-Year Projection. For the following chart, dollar amounts are in millions of USD.

Fiscal Year End	MMO	Sales Tax Contribution	Actuarial Value of Assets	Actuarial Liability	UAL	Funded Ratio
2016	$ 595.0	$ 10.4	$ 4,863.4	$ 10,800.4	$ 5,936.9	45.0%
2017	629.7	15.4	4,916.4	10,888.0	5,971.6	45.2%
2018	645.6	20.9	5,004.9	10,969.7	5,964.8	45.6%
2019	659.6	41.4	5,116.1	11,046.0	5,929.9	46.3%
2020	672.3	47.0	5,390.6	11,118.5	5,727.9	48.5%
2021	670.9	52.6	5,718.8	11,233.8	5,515.0	50.9%

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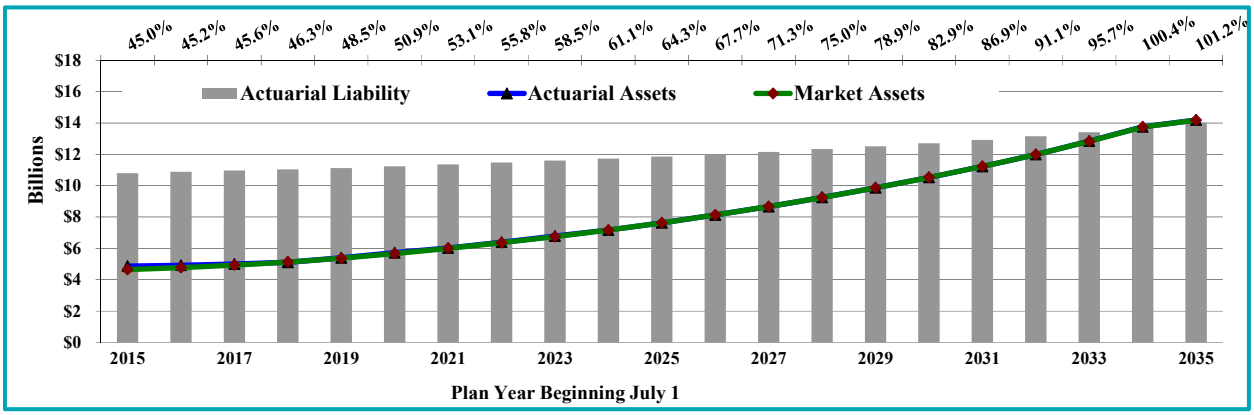
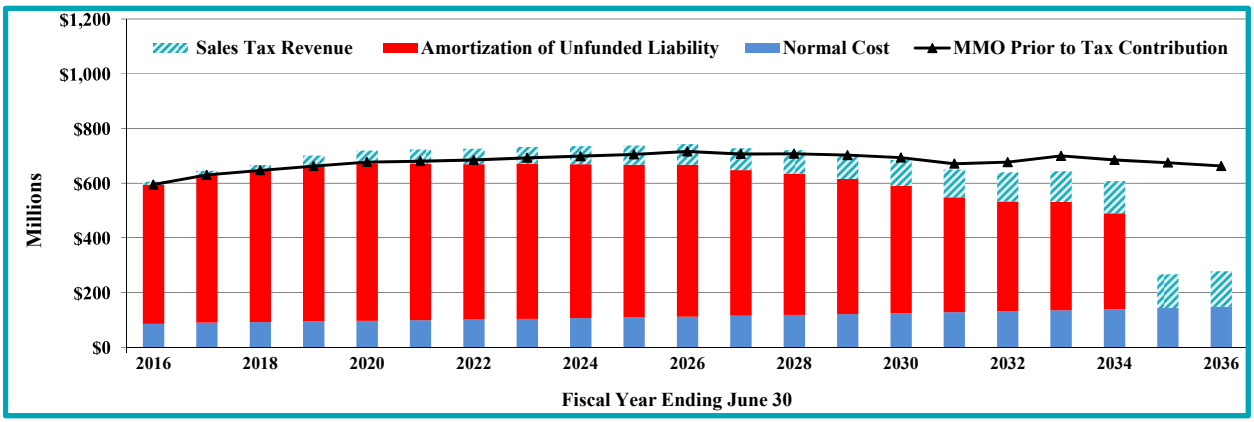
Twenty-Year Projections.

Funded Ratio Chart:



MMO Contribution Chart:



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OTHER POST-EMPLOYMENT BENEFITS

The City self-administers a single employer, defined benefit plan for post-employment benefits other than pension benefits ("OPEB"), and funds such plan on a pay-as-you-go basis. The City's OPEB plan provides for those persons who retire from the City and are participants in the Municipal Pension Plan: (i) post-employment healthcare benefits for a period of five years following the date of retirement and (ii) lifetime life insurance coverage ($7,500 for firefighters who retired before July 1, 1990; $6,000 for all other retirees). In general, retirees eligible for OPEB are those who terminate their employment after ten years of continuous service to immediately become pensioned under the Municipal Pension Plan.

To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible pre-Medicare retirees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City's unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services, and administrative expenses. Eligible union represented employees receive five years of coverage through their union's health fund. The City's funding obligation for pre-Medicare retiree benefits is the same as for active employees. Union represented and non-union employees may defer their retiree health coverage until a later date. For some groups, the amount that the City pays for their deferred health care is based on the value of the health benefits at the time the retiree claims the benefits, but for police and fire retirees who retired after an established date, the City pays the cost of five years of coverage when the retiree claims the benefits.

The annual payments made by the City for OPEB for the last five Fiscal Years are shown in Table 33 below.

Table 33
Annual OPEB Payment
(Amounts in Thousands of USD)

Fiscal Year ended June 30,	Annual OPEB Payment
2011	$65,533
2012	$76,344
2013	$57,096
2014	$67,100
2015	$95,300

Source: See Note IV.3 to the City's audited Financial Statements for such Fiscal Years (as included in the City's CAFRs).

For financial reporting purposes, although the City funds OPEB on a pay-as-you-go basis, it is required to include in its financial statements (in accordance with GASB Statement No. 45) a calculation similar to that performed to calculate its pension liability. Pursuant to GASB 45, an annual required contribution is calculated which, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. As of July 1, 2014, the date of the most recent actuarial valuation, the UAL for the City's OPEB was $1.7 billion, the covered annual payroll was $1.5 billion, and the ratio of UAL to the covered payroll was 115.8%. See Note IV.3 to the City's audited Financial Statements for the Fiscal Year ended June 30, 2015.

PGW PENSION PLAN

General

PGW consists of all the real and personal property owned by the City and used for the acquisition, manufacture, storage, processing, and distribution of gas within the City, and all property, books, and records employed and maintained in connection with the operation, maintenance, and administration of PGW. The City Charter provides for a Gas Commission (the "Gas Commission") to be constituted and appointed in accordance with the provisions of contracts between the City and the operator of PGW as may from time to time be in effect, or, in the absence of a contract, as may be provided by ordinance. The Gas Commission consists of the City Controller, two members appointed by City Council and two members appointed by the Mayor.

PGW is operated by PFMC, pursuant to an agreement between the City and PFMC dated December 29, 1972, as amended, authorized by ordinances of City Council (the "Management Agreement"). Under the Management Agreement, various aspects of PFMC's management of PGW are subject to review and approval by the Gas Commission. The PUC has the regulatory responsibility for PGW with regard to rates, safety, and customer service.

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 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. At June 30, 2016, the PGW Pension Plan membership total was 3,733, comprised of: (i) 2,472 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them; and (ii) 1,261 participants, of which 1,054 were vested and 207 were nonvested.

PGW Pension Plan

The PGW Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after five years of credited service. Retirement payments for vested employees commence: (i) at age 65 and five years of credited service; (ii) age 55 and 15 years of credited service; or (iii) without regard to age, after 30 years of credited service. For covered employees hired prior to May 21, 2011 (union employees) or prior to December 21, 2011 (non-union employees), PGW pays the entire cost of the PGW Pension Plan. Union employees hired on or after May 21, 2011 and non-union employees hired on or after December 21, 2011 have the option to participate in the PGW Pension Plan and contribute 6% of applicable wages, or participate in a plan established in compliance with Section 401(a) of the Internal Revenue Code (deferred compensation plan) and have PGW contribute 5.5% of applicable wages.

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, together with investment earnings and employee contributions required for new hires after December 2011 who elect to participate in the PGW Pension Plan. Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. The pension payments are treated as an operating expense of PGW and are included as a component of PGW's base rate. As such, the payment amounts are subject to the approval of the PUC. To date, the PUC has approved the amounts requested that are allocable to pension payments. Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund. Prior to October 2015, payments to beneficiaries of the PGW Pension Plan were made by PGW through

its payroll system. The financial statements for the PGW Pension Plan for the fiscal year ended June 30, 2016, show an amount due to PGW of approximately $6.0 million, which represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of PGW's required annual contribution and reimbursements received from the PGW Pension Plan.

Pension Costs and Funding

PGW pays an annual amount that is projected to be sufficient to cover its normal cost and an amortization of the PGW Pension Plan's UAL. The following table shows the normal cost, the amortization payment, and the resulting annual required contribution (being the amount also paid) for the last five PGW Fiscal Years. PGW has been using a 20-year open amortization period (and the payments in Table 34 are on the basis of a 20-year open amortization). Commencing in PGW's fiscal year 2016, PGW will calculate an annual required contribution on the basis of both a 20-year open amortization period and a 30-year closed amortization period, and will contribute the higher of the two amounts. See "– Projections of Funded Status" below. An open amortization period is one that begins again or is recalculated at each actuarial valuation date. With a closed amortization period, the unfunded liability is amortized over a specific number of years to produce a level annual payment. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 30-year schedule.

Table 34
PGW Pension Payments
(Dollar Amounts in Thousands of USD)

Fiscal Year ended August 31,	Normal Cost	Amortization Payment	Annual Required Contribution (amount paid)[1]	Payments to Beneficiaries
2011	$8,499	$14,098	$22,597	$38,232
2012	$8,171	$15,801	$23,972	$40,122
2013	$8,782	$14,832	$23,614	$41,614
2014	$8,533	$15,988	$24,521	$43,168
2015	$4,890	$16,636	$21,526	$46,917
2016 (est.)	N/A[3]	N/A[3]	$25,131	$50,529[2]

(1) As described above, until October 2015, PGW did not make a net cash contribution to the PGW Pension Plan, but rather paid beneficiaries through its payroll system, and then was reimbursed by the Plan. Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund.

(2) Reflects actual payments through July 2016 plus an estimated amount for August 2016.

(3) The details of the normal cost and the amortization payment are not available at this time.

Although PGW has paid its annual required contribution each year, the actuarial value of assets for the PGW Pension Plan is less than the actuarial accrued liability, as shown in the next table.

Table 35
Schedule of Pension Funding Progress
(Dollar Amounts in Thousands of USD)

Actuarial valuation date	Actuarial value of assets	Actuarial liability	UAL	Funded ratio
9/1/2011	$421,949	$572,190	$150,241	73.74%
9/1/2012	$437,780	$585,632	$147,852	74.75%
9/1/2013	$462,691	$623,612	$160,921	74.20%
9/1/2014	$514,944	$643,988	$129,044	79.96%
7/1/2015	$515,287	$706,704	$191,417	72.91%
7/1/2016	$483,259	N/A[1]	N/A[1]	N/A[1]

[1] The details of the actuarial liability, unfunded actuarial liability, and funded ratio are not available at this time.

The current significant actuarial assumptions for the PGW Pension Plan are: (i) investment return rate of 7.65% compounded annually; (ii) salary increases assumed to reach 4.5% per year; and (iii) retirements that are assumed to occur, for those with 30 or more years of service, at a rate of 15% at ages 55 to 60, 30% at age 61, 50% at ages 62-69, and 100% at age 70 and older. The investment return for the period September 1, 2014 – June 30, 2015 was 2.99% (on a non-annualized basis), and for the period July 1, 2014 – June 30, 2015 was 4.57%. Effective September 1, 2016, PGW began utilizing an investment rate of return of 7.30% for the PGW Pension Plan. Such reduction in the investment rate of return increased the measurement of plan liabilities by approximately 3.6% and increased the annual contribution by $2,407,000 (2.6% of pay).

The change in the actuarial value of assets from approximately $514.9 million (September 1, 2014) to approximately $515.3 million (July 1, 2015) reflects receipts, including employer contribution, employee contributions, and investment return, of approximately $40.1 million and disbursements, including benefit payments, refunds, and administrative expenses of approximately $39.8 million.

The increase in the UAL from $129.0 million at September 1, 2014 to $191.4 million at July 1, 2015 is the product of a number of factors, including: (i) the number of retirees who commenced benefits earlier than had been expected under the prior assumptions; (ii) the change in the discount rate from 7.95% to 7.65%; (iii) investment returns lower than anticipated; and (iv) the use of a new mortality table and a new scale for projections of future mortality improvements, which recognize longer life spans for workers and retirees.

PGW uses a September 1 – August 31 fiscal year, while the PGW Pension Plan uses a July 1 – June 30 fiscal year (the same as the City's fiscal year). Prior Actuarial Reports were prepared on the basis of a September 1 – August 31 plan year, while the most recent Actuarial Valuation Report is for the plan year July 1, 2015 – June 30, 2016. This is reflected in Table 35 above.

The PGW Pension Plan actuary prepared a separate actuarial valuation report ("GASB 67 Report") for the fiscal year ending June 30, 2015, for purposes of plan reporting information under Governmental Accounting Standards Board Statement No. 67, "Financial Reporting for Pension Plans." The GASB 67 Report shows for the fiscal year ending June 30, 2015, an unfunded liability of approximately $235.3 million (rather than the approximately $191.4 million reflected in Table 35), which

results in a funded ratio of 68.65%. In addition, that report provides an interest rate sensitivity, which shows that were the investment rate to be 6.65% (1% lower than the assumed investment rate), the unfunded liability would be approximately $322.2 million.

Projections of Funded Status

The information under this subheading, "Projections of Funded Status," is extracted from tables prepared by Aon Hewitt, as actuary to the PGW Pension Plan, which were included in their "Actuarial Valuation Report for the Plan Year July 1, 2015 – June 30, 2016." The charts show 10-year projections, using both the current amortization method (20-year, open) and the alternative amortization method (30-year, fixed). See "– Pension Costs and Funding" above. Projections are subject to actual experience deviating from the underlying assumptions and methods. **Projections and actuarial assessments are "forward looking" statements and are based upon assumptions that 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.**

Table 36
Schedule of Prospective Funded Status (20-Year Open Amortization)
(Dollar Amounts in Thousands of USD)

Actuarial Valuation Date (July 1)	Market Value of Assets	Actuarial Accrued Liability	UAL	Contribution	Funded Ratio
2015	$515,287	$706,704	$191,417	$26,476	72.91%
2016	$529,269	$717,666	$188,396	$26,131	73.75%
2017	$543,175	$727,092	$183,917	$25,735	74.71%
2018	$556,774	$735,975	$179,200	$25,162	75.65%
2019	$569,645	$744,361	$174,716	$24,672	76.53%
2020	$581,781	$752,606	$170,826	$24,111	77.30%
2021	$592,936	$759,992	$167,056	$23,418	78.02%
2022	$602,971	$765,489	$162,518	$22,657	78.77%
2023	$611,704	$769,438	$157,734	$21,887	79.50%
2024	$619,048	$772,467	$153,419	$20,807	80.14%

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Table 37
Schedule of Prospective Funded Status (30-Year Closed Amortization)
(Dollar Amounts in Thousands of USD)

Actuarial Valuation Date (July 1)	Market Value of Assets	Actuarial Accrued Liability	UAL	Contribution	Funded Ratio
2015	$515,287	$706,704	$191,417	$24,020	72.91%
2016	$526,719	$717,666	$190,946	$24,075	73.39%
2017	$538,295	$727,092	$188,797	$24,092	74.03%
2018	$549,816	$735,975	$186,159	$23,923	74.71%
2019	$560,868	$744,361	$183,493	$23,828	75.35%
2020	$571,455	$752,606	$181,151	$23,645	75.93%
2021	$581,337	$759,992	$178,655	$23,323	76.49%
2022	$590,386	$765,489	$175,103	$22,929	77.13%
2023	$598,439	$769,438	$170,999	$22,517	77.78%
2024	$605,422	$772,467	$167,045	$21,780	78.38%

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 Fiscal Year 2015 CAFR.

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PGW OTHER POST-EMPLOYMENT BENEFITS

PGW provides post-employment healthcare and life insurance benefits to its participating retirees and their beneficiaries and dependents. 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.

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. 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 (the "OPEB Surcharge"), PGW established the trust in July 2010, and began funding the trust in accordance with the Rate Settlement in September 2010. The Rate Settlement provides that PGW shall deposit $15.0 million annually for an initial five-year period 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. In PGW's most recent Gas Cost Rate ("GCR") proceeding, PGW proposed to continue its OPEB Surcharge. The parties to the GCR proceeding submitted a settlement agreement continuing the OPEB Surcharge at the same level of revenue ($16 million annually) and funding ($18.5 million annually). Such settlement agreement was approved by the PUC.

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Table 38 provides detail of actual PGW OPEB payments for the last five PGW Fiscal Years and projected PGW OPEB payments for PGW Fiscal Years 2016-2021.

Table 38
PGW OPEB Payments
(Amounts in Thousands of USD)

	Fiscal Year ended August 31,	Healthcare	Life Insurance	OPEB Trust	Total
Actual					
	2011	$21,819	$1,400	$18,500	$41,719
	2012	$24,503	$1,483	$18,500	$44,486
	2013	$22,180	$1,562	$18,500	$42,242
	2014	$24,247	$1,615	$18,500	$44,362
	2015	$28,598	$1,749	$18,500	$48,847
Projections					
	2016	$27,939	$1,700	$18,500	$48,139
	2017	$30,971	$1,700	$18,500	$51,171
	2018	$34,449	$1,700	$18,500	$54,649
	2019	$37,659	$1,700	$18,500	$57,859
	2020	$41,010	$1,700	$18,500	$61,210
	2021	$44,661	$1,700	$18,500	$64,861

Table 39 is the schedule of PGW OPEB funding progress, as of the actuarial valuation date of August 31 for 2011-2015.

Table 39
Schedule of OPEB Funding Progress
(Dollar Amounts in Thousands of USD)

Actuarial valuation date (August 31)	Actuarial value of assets	Actuarial liability	Unfunded actuarial liability	Funded ratio
2011	$17,886	$485,722	$467,836	3.68%
2012	$38,860	$443,982	$405,122	8.75%
2013	$61,796	$436,527	$374,731	14.16%
2014	$90,838	$450,289	$359,451	20.17%
2015	$104,318	$505,434	$401,116	20.64%

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 Fiscal Year 2015 CAFR.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

Because the receipt of revenues into the General Fund generally lags behind expenditures from the General Fund during each Fiscal Year, the City issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account (described below) to finance its on-going operations.

The timing imbalance referred to above results from a number of factors, principally the following: (i) Real Estate Taxes, BIRT, and certain other taxes are not due until the latter part of the Fiscal Year; and (ii) 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 has issued, or PICA has issued on behalf of the City, tax and revenue anticipation notes in each Fiscal Year since Fiscal Year 1972. Each issue was repaid when due, prior to the end of the Fiscal Year. The City issued $175 million of tax and revenue anticipation notes on October 19, 2016, which mature on June 30, 2017.

The repayment of the tax and revenue anticipation notes is funded through cash available in the General Fund.

Consolidated Cash

The Act of the General Assembly of June 25, 1919 (Pa. P.L. 581, No. 274, Art. XVII, § 6) authorizes the City to make temporary inter-fund loans between certain operating and capital funds. The City maintains a Consolidated Cash Account for the purpose of pooling the cash and investments 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 Aviation Fund, the Water Fund, and certain other restricted purpose funds). A separate accounting is maintained to record the equity of each member fund that participates in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the procedures described below.

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, an advance is made from the Consolidated Cash Account, in an amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a member fund that has negative equity 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 to make investments that preserve principal while striving to obtain the maximum rate of return. Pursuant to the City 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 investment 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 in accordance with the applicable bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy (as described below). 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 Commonwealth reporting.

Investment guidelines for the City are embodied in section 19-202 of the Philadelphia Code. In furtherance of these guidelines, as well as Commonwealth and federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that went into effect in August 1994 and was most recently revised in September 2014. The Policy supplements other legal requirements and establishes guiding principles for the overall administration and effective management of all of the City's monetary funds (except the Municipal Pension Fund, the PGW Retirement Reserve Fund, the PGW OPEB Trust and the PGW Workers' Compensation Reserve Fund).

The Policy delineates the authorized investments as authorized by the Philadelphia Code 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 U.S. agency or instrumentality, all of investment grade rating or better and with maturity limitations.

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 U.S. agency or instrumentality are limited to no more than 5% of the total portfolio.

U.S. government securities carry no limitation as to the percent of the total portfolio per issuer. U.S. agency securities are limited to no more than 33% 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 U.S. agency or instrumentality are limited to no more than 3% of the total portfolio per issuer.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance, the City Treasurer and one representative each from the Water Department, the Division of Aviation, and PGW. 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 (excluding U.S. Treasury and U.S. agency floating rate securities) 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

General

Section 12 of Article IX of the Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of [the] 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 [the] 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." The Supreme Court of Pennsylvania has held that bond authorizations once approved by the voters need not be reduced as a result of a subsequent decline in the average assessed value of City property. The general obligation debt subject to the limitation described in this paragraph is referred to herein as "Tax-Supported Debt."

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.

For purposes of this Official Statement, Tax-Supported Debt and Self-Supporting Debt are referred to collectively as "General Obligation Debt." The term "General Fund-Supported Debt" is comprised of: (i) General Obligation Debt; and (ii) PAID, PMA, PPA, and PRA bonds.

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Using the methodology described above, as of June 30, 2016, the Constitutional debt limitation for Tax-Supported Debt was approximately $5,454,001,000. The total amount of authorized debt applicable to the debt limit was $1,841,420,000, including $689,329,000 of authorized but unissued debt, leaving a legal debt margin of $3,612,581,000. Based on the foregoing figures, the calculation of the legal debt margin is as follows:

Table 40
General Obligation Debt
June 30, 2016
(Amounts in Thousands of USD)

Authorized, issued and outstanding	$1,505,575
Authorized and unissued	689,329
Total	$2,194,904
Less: Self-Supporting Debt	(353,484)
Less: Serial bonds maturing within a year	0
Total amount of authorized debt applicable to debt limit	1,841,420
Legal debt limit	5,454,001
Legal debt margin	$3,612,581

As a result of the implementation of the City's AVI, the assessed value of taxable real estate within the City has increased substantially. See "REVENUES OF THE CITY – Real Property Taxes Assessment and Collection." The $5.454 billion Constitutional debt limit calculation includes three years of property values certified under the City's AVI program, and seven years of property values under the City's former property valuation process. Assuming no increase or decrease in property values used to calculate the Constitutional debt limit in Table 40, the Constitutional debt limit is estimated to be $14.473 billion by 2024.

The City is also empowered by statute to issue revenue bonds and, as of June 30, 2016, had outstanding $1,860,324,000 aggregate principal amount of Water and Wastewater Revenue Bonds ("Water and Wastewater Bonds"), $915,175,000 aggregate principal amount of Gas Works Revenue Bonds, and $1,124,705,000 aggregate principal amount of Airport Revenue Bonds. As of June 30, 2016, the principal amount of PICA bonds outstanding was $266,095,000. The City has enacted ordinances authorizing the total issuance of approximately $120 million and $350 million aggregate principal amount in commercial paper for PGW and the Division of Aviation, respectively.

Short-Term Debt

The City issued $175 million of tax and revenue anticipation notes on October 19, 2016, which mature on June 30, 2017. As provided in the PICA Act, the City's tax and revenue anticipation notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of the Constitutional debt limit. See "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – General Fund Cash Flow."

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. Of the total balance of the City's general obligation bonds issued and outstanding as of June 30, 2016, approximately 30% is scheduled to mature within five Fiscal Years and approximately 57% is scheduled to mature within ten Fiscal Years. When PICA's outstanding bonds are included with the City's general obligation bonds, approximately 64% is scheduled to mature within ten Fiscal Years.

Table 41
Bonded Debt – City of Philadelphia and Component Units
as of June 30, 2016
(Amounts in Thousands of USD)[(1), (2)]

General Obligation Debt and PICA Bonds				
General Obligation Bonds		$1,505,575		
PICA Bonds		266,095		
Subtotal: General Obligation Debt and PICA Bonds			$1,771,670	
Other General Fund-Supported Debt[(3)]				
Philadelphia Municipal Authority				
Criminal Justice Center	$51,150			
Juvenile Justice Center	90,160			
Public Safety Campus	65,155			
Fleet Management Equipment Lease	8,692			
Energy Conservation	10,615			
		225,773		
Philadelphia Authority for Industrial Development				
Pension capital appreciation bonds	$535,566			
Pension fixed rate bonds	761,655			
Stadiums	276,515			
Library	6,160			
Cultural and Commercial Corridor	93,585			
One Parkway	34,645			
Philadelphia School District	29,105			
		1,737,231		
Parking Authority		12,355		
Redevelopment Authority		182,415		
Subtotal: Other General Fund-Supported Debt			$2,157,774	
Revenue Bonds				
Water Fund		1,860,324		
Aviation Fund		1,124,705		
Gas Works		915,175		
Subtotal: Revenue Bonds			$3,900,204	
Grand Total				**$7,829,648**

(1) Unaudited; figures may not add up due to rounding.
(2) For tables setting forth a ten-year historical summary of Tax-Supported Debt of the City and the School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2015, see the Fiscal Year 2015 CAFR.
(3) The principal amount outstanding relating to the PAID 1999 Pension Obligation Bonds, Series B (capital appreciation bonds) is reflected as the accreted value thereon as of June 30, 2016.

Table 42
City of Philadelphia
Annual Debt Service on General Fund-Supported Debt
(as of June 30, 2016)
(Amounts in Millions of USD)[1]

	General Obligation Debt[2]			Other General Fund-Supported Debt[4]			Aggregate General Fund-Supported Debt		
Fiscal Year	Principal	Interest[3]	Total	Principal	Interest[5]	Total	Principal	Interest	Total
2017	$67.89	$73.82	$141.71	$101.04	$141.55	$242.60	$168.93	$215.38	$384.31
2018	70.82	70.41	141.23	107.44	140.74	248.19	178.26	211.16	389.42
2019	74.31	66.80	141.11	74.21	140.01	214.22	148.52	206.81	355.33
2020	76.55	63.08	139.63	65.09	139.90	204.99	141.64	202.98	344.62
2021	69.90	59.50	129.39	80.29	124.79	205.08	150.18	184.29	334.47
2022	73.06	55.99	129.05	78.10	126.99	205.09	151.16	182.98	334.14
2023	77.77	52.16	129.93	115.51	89.57	205.08	193.28	141.73	335.01
2024	81.69	48.06	129.75	114.28	89.57	203.85	195.97	137.63	333.60
2025	85.72	43.79	129.51	118.75	85.12	203.87	204.47	128.91	333.37
2026	82.50	39.53	122.03	134.38	68.68	203.06	216.88	108.22	325.09
2027	86.50	35.24	121.74	159.56	45.64	205.20	246.06	80.88	326.93
2028	91.24	30.89	122.13	164.73	36.37	201.09	255.97	67.26	323.22
2029	65.90	27.18	93.08	276.97	19.36	296.33	342.86	46.54	389.40
2030	81.67	23.63	105.29	53.18	9.54	62.72	134.85	33.16	168.01
2031	86.52	19.53	106.05	55.71	7.02	62.73	142.23	26.55	168.78
2032	90.93	15.20	106.13	15.23	4.90	20.13	106.16	20.10	126.26
2033	55.95	11.51	67.46	7.40	4.29	11.69	63.35	15.80	79.15
2034	43.80	8.88	52.67	7.81	3.88	11.69	51.61	12.75	64.36
2035	29.55	7.01	36.56	8.26	3.43	11.69	37.81	10.44	48.25
2036	31.00	5.56	36.56	8.73	2.96	11.69	39.72	8.53	48.25
2037	17.33	4.36	21.69	9.23	2.46	11.69	26.56	6.82	33.38
2038	18.31	3.38	21.69	9.76	1.93	11.69	28.07	5.31	33.37
2039	19.37	2.32	21.69	10.33	1.37	11.69	29.70	3.69	33.38
2040	8.52	1.50	10.02	3.31	0.77	4.08	11.83	2.26	14.09
2041	9.10	0.93	10.02	3.45	0.62	4.07	12.55	1.55	14.10
2042	9.71	0.32	10.02	3.60	0.48	4.07	13.30	0.79	14.09
2043	0.00	0.00	0.00	3.75	0.33	4.08	3.75	0.33	4.08
2044	0.00	0.00	0.00	3.91	0.17	4.08	3.91	0.17	4.08
Total	**$1,505.58**	**$770.56**	**$2,276.14**	**$1,793.96**	**$1,292.44**	**$3,086.39**	**$3,299.53**	**$2,063.00**	**$5,362.53**

(1) Does not include letter of credit fees.
(2) Includes both Tax-Supported Debt and Self-Supporting Debt. See "– General." Does not include PICA Bonds.
(3) Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate.
(4) Includes PAID, PMA, PPA, and PRA bonds, with capital appreciation bonds including only actual amounts payable. The original issuance amount of such capital appreciation bonds is included under the "Principal" column in the Fiscal Year such bonds mature and the full accretion amount at maturity less the original issuance amount is included in the "Interest" column in the Fiscal Year such bonds mature.
(5) Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate, plus any fixed spread. Net of capitalized interest on PAID 2012 Service Agreement Revenue Refunding Bonds.

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 in Table 41. The City budgets all other long-term debt-related obligations as a single budget item with the exception of PPA, which has a budget of $1,339,375 for Fiscal Year 2016.

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 (Pa. P.L. 103, No. 31 (1985)), 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 amount paid by the City in Fiscal Year 2015 was $26.9 million. The budgeted amount and current estimate for Fiscal Year 2016 is $30.3 million.

In the first quarter of Fiscal Year 2016, the City entered into a service agreement supporting PAID's guaranty of a $15 million letter of credit securing the funding of certain costs related to the 2016 Democratic National Convention.

PICA Bonds

PICA has issued 11 series of bonds at the request of the City (the "PICA Bonds"). PICA no longer has authority under the PICA Act to issue bonds for new money purposes, but may refund bonds previously issued. As of June 30, 2016, the principal amount of PICA Bonds outstanding was $266,095,000. The final maturity date for such PICA Bonds is June 15, 2023. The proceeds of the PICA Bonds were used to: (i) 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 of the City's general obligation bonds; (ii) refund other PICA Bonds; and (iii) pay costs of issuance.

The PICA Act authorizes 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 execution of the PICA Agreement, as so authorized by the PICA Act, 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"), which continues in effect. The PICA Tax secures the PICA Bonds. Pursuant to the PICA Act, at such time when no PICA Bonds are outstanding, the PICA Tax will expire. At any time, the City is authorized to increase for its own use its various taxes, including its wage, earnings, and net profits taxes on City residents and could do so upon the expiration of the PICA Tax.

The PICA Tax is collected by the City's Department of Revenue, as agent of the State Treasurer, and 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. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Non-Mayoral-Appointed or Nominated Agencies* – PICA."

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 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. The State Treasurer is required to pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account. The 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, are required to 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 total amount of PICA Tax remitted by the State Treasurer to PICA (which is net of the costs of the State Treasurer in collecting the PICA Tax), PICA annual debt service and investment expenses, and net PICA tax revenue remitted to the City for Fiscal Years 2012-2015, the current estimate for Fiscal Year 2016, and the budgeted amounts for Fiscal Year 2017 are set forth below.

Table 43
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)

Fiscal Year	PICA Tax	PICA Annual Debt Service and Investment Expenses	Net taxes remitted to the City
2012 (Actual)	$357.5	$62.3	$295.2
2013 (Actual)	$376.5	$62.5	$314.0
2014 (Actual)	$384.5	$65.8	$318.7
2015 (Actual)	$408.5	$62.0	$346.5
2016 (Current Estimate)	$435.8	$65.5	$370.3
2017 (Adopted Budget)	$450.0	$65.3	$384.7
2017 (Modified Budget)	$452.6	$65.3	$387.3

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OTHER FINANCING RELATED MATTERS

Swap Information

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

Table 44
Summary of Swap Information
for General Fund-Supported Debt
as of June 30, 2016

City Entity	City GO	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID
Related Bond Series	2009B[1]	2007A (Stadium)[2]	2007B-2,3 (Stadium)[3],[5]	2014A (Stadium)[3]	2007B-2,3 (Stadium)[3],[6]	2014A (Stadium)[3]
Initial Notional Amount	$313,505,000	$298,485,000	$217,275,000	$87,961,255	$72,400,000	$29,313,745
Current Notional Amount	$100,000,000	$193,520,000	$87,758,745	$87,961,255	$29,246,255	$29,313,745
Termination Date	8/1/2031	10/1/2030	10/1/2030	10/1/2030	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20% plus fixed annuity	SIFMA	70% 1-month LIBOR	SIFMA	70% 1- month LIBOR
Rate Paid by City Entity	3.829%	SIFMA	3.9713%	3.62%	3.9713%	3.632%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	JPMorgan Chase Bank, N.A.	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.	Merrill Lynch Capital Services, Inc.
Fair Value[4]	($30,572,998)	($708,478)	($21,992,643)	($20,851,667)	($7,329,224)	($6,979,083)
Additional Termination Events	For Dealer: Rating change below BBB- or Baa3 For City: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event.	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)

(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) On May 13, 2014, PAID converted a portion of the 2007B SIFMA Swap to a LIBOR-based swap in conjunction with the refunding of its Series 2007B bonds with the Series 2014A bonds. Under the conversion, PAID pays a fixed rate of 3.62% and 3.632% to JPMorgan and Merrill Lynch, respectively, and receives a floating rate of 70% of 1-month LIBOR.

(4) Fair values are as of June 30, 2016, and are shown from the City's perspective and include accrued interest.

(5) On July 21, 2014, PAID terminated a portion of the swap in the amount of $41,555,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of $4,171,000 to JPMorgan.

(6) On July 21, 2014, PAID terminated a portion of the swap in the amount of $13,840,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of $1,391,800 to MLCS.

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, the Water Department, and the Division of Aviation, see the Fiscal Year 2015 CAFR. In addition, PICA has entered into swaps, which are detailed in the Fiscal Year 2015 CAFR.

Swap Policy

The City has adopted a swap policy for the use of swaps, caps, floors, collars and other derivative financial products (collectively, "swaps") in conjunction with the City's debt management. The swap program managed by the City includes swaps related to the City's general obligation bonds, tax-supported service contract debt issued by related authorities, debt of the Water Department, Division of Aviation, and debt of PGW. Swaps related to debt of the PICA, the School District, and the PPA are managed by those governmental entities, respectively.

The Director of Finance has overall responsibility for entering into swaps. Day-to-day management of swaps is the responsibility of the City Treasurer, and the Executive Director of the Sinking Fund Commission is responsible for making swap payments. The Office of the City Treasurer and the City Solicitor's Office coordinate their activities to ensure that all swaps that are entered into are in compliance with applicable federal, state, and local laws.

The swap policy addresses the circumstances when swaps can be used, the risks that need to be evaluated prior to entering into swaps and on an ongoing basis after swaps have been executed, the guidelines to be employed when swaps are used, and how swap counterparties will be chosen. The swap policy is used in conjunction with the City's Debt Management Policy, reviewed annually, and updated as needed.

Under the swap policy, permitted uses of swaps include: (i) managing the City's exposure to floating interest rates through interest rate swaps, caps, floors and collars; (ii) locking in fixed rates in current markets for use at a later date through the use of forward starting swaps and rate locks; (iii) reducing the cost of fixed or floating rate debt through swaps and related products to create "synthetic" fixed or floating rate debt; and (iv) managing the City's credit exposure to financial institutions and other entities through the use of offsetting swaps.

Since swaps can create exposure to the creditworthiness of financial institutions that serve as the City's counterparties on swap transactions, the City has established standards for swap counterparties. As a general rule, the City enters into transactions with counterparties whose obligations are rated in the double-A rated category or better from two nationally recognized rating agencies. If counterparty's credit rating is downgraded below the double-A rating category, the swap policy requires that the City's exposure be collateralized. If a counterparty's credit is downgraded below the A category, even with collateralization, the swap policy requires a provision in the swap permitting the City to exercise a right to terminate the transaction prior to its scheduled termination date.

Letter of Credit Agreements

The City has entered into various letter of credit agreements related to its General Fund-Supported Debt 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 45
Summary of Letter of Credit Agreements
for General Fund-Supported Debt
as of June 30, 2016

Variable Rate Bond Series	Amount Outstanding	Bond Maturity Date	Provider	Expiration Date	Rating Thresholds [1]
General Obligation Multi-Modal Refunding Bonds, Series 2009B	$100,000,000	August 1, 2031	Barclays Bank PLC	May 24, 2019	The long-term rating assigned by any one of the rating agencies to any unenhanced long-term parity debt of the City is (i) withdrawn or suspended for credit-related reasons or (ii) reduced below investment grade.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2	$72,400,000	October 1, 2030	TD Bank	May 29, 2019	The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-3	$44,605,000	October 1, 2030	PNC Bank	May 23, 2017	The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade.

[1] The occurrence of a Rating Threshold event would result in an event of default under the reimbursement agreement with the related bank.

Recent and Upcoming Financings

Recent Financings. The following is a list of financings that the City has entered into since June 30, 2016:

- In November 2016, the City, together with the Water Department, issued $192,680,000 in Water and Wastewater Bonds to refund certain outstanding maturities.

- In October 2016, the City issued $175,000,000 of its tax and revenue anticipation notes to finance certain cash flow needs of the City.

- In August 2016, the City, together with PGW, issued $312,425,000 of its Gas Works Revenue Refunding Bonds to refund certain outstanding series of such bonds.

Upcoming Financings. The City currently expects to enter into the following financings within the next two months:

- In December 2016, the City, through PMA, expects to issue approximately $90 million in City Agreement Bonds to refund certain outstanding PMA bonds.

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CITY CAPITAL PROGRAM

As part of the annual budget process, the Mayor submits for approval a six-year capital program to City Council, together with the proposed operating budget. For more information on the City's budget process, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Procedure."

Certain Historical Capital Expenditures

Table 46 shows the City's historical expenditures for Fiscal Years 2012-2015 for certain capital purposes, including expenditures for projects related to transit, streets and sanitation, municipal buildings, recreation, parks, museums, and stadia, and economic and community development. The source of funds used for such expenditures are primarily general obligation bond proceeds, but also include federal, state, private, and other government funds and operating revenue.

Table 46
Historical Expenditures for Certain Capital Purposes
Fiscal Years 2012-2015

Purpose Category	2012	2013	2014	2015
Transit	$ 1,224,771	$ 3,895,208	$ 2,168,224	$ 1,283,307
Streets & Sanitation	61,753,417	63,925,744	46,806,225	63,612,248
Municipal Buildings	41,583,740	37,979,932	35,579,152	53,419,449
Recreation, Parks, Museums & Stadia	27,002,563	26,609,320	17,787,234	29,875,633
Economic & Community Development	4,654,093	4,654,403	11,839,066	12,714,468
TOTAL	**$136,218,584**	**$137,064,607**	**$114,179,901**	**$160,905,105**

Table 47 shows the City's historical expenditures for Fiscal Years 2012-2015 for certain capital purposes from general obligation bond proceeds only and the percentage of the total costs covered by such proceeds in such Fiscal Years.

Table 47
Historical Expenditures for Certain Capital Purposes
(General Obligation Bond Proceeds Only)
Fiscal Years 2012-2015

Purpose Category	2012	2013	2014	2015
Transit	$ 1,224,771	$ 3,895,208	$ 2,168,224	$ 1,274,467
Streets & Sanitation	27,421,106	20,921,343	18,642,621	24,887,488
Municipal Buildings	18,611,628	19,108,015	27,936,597	47,163,418
Recreation, Parks, Museums & Stadia	20,992,545	23,403,765	15,838,047	25,494,778
Economic & Community Development	3,739,978	4,459,786	11,816,222	12,714,468
TOTAL	**$71,990,028**	**$71,788,117**	**$76,401,711**	**$111,534,619**
Percentage of Total Costs	**53%**	**52%**	**67%**	**69%**

Adopted Capital Program

The Adopted Capital Program is included as part of the Modified Twenty-Fifth Five-Year Plan and contemplates a total budget of $9,335,554,204. In the Adopted Capital Program, $3,504,298,157 is expected 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 in the Adopted Capital Program.

Table 48
Adopted Capital Program (Fiscal Years 2017-2022)

Funding Source	2017	2018	2019	2020	2021	2022	2017-2022
City Funds--Tax Supported							
General Obligation Bonds-New	$177,214,000	$150,289,000	$160,472,000	$134,357,698	$136,643,132	$137,839,132	$896,814,962
General Obligation Bonds-Prior	344,444,249	-	-	-	-	-	344,444,249
General Obligation Bonds Reprogrammed Loans-New	2,821,800	-	-	-	-	-	2,821,800
General Obligation Bonds Reprogrammed Loans-Prior	2,033,771	-	-	-	-	-	2,033,771
Operating Revenue-New	3,600,000	2,100,000	2,100,000	2,100,000	2,100,000	1,600,000	13,600,000
Operating Revenue-Prior	22,781,281	-	-	-	-	-	22,781,281
PICA (Prefinanced Loans)-Prior	4,946,169	-	-	-	-	-	4,946,169
City Funds--Self Sustaining							
Airport Revenue Bonds-New	331,665,836	329,833,000	331,625,002	342,427,997	343,396,988	324,400,011	2,003,348,834
Airport Revenue Bonds-Prior	151,840,097	-	-	-	-	-	151,840,097
Water Revenue Bonds-New	243,894,000	259,898,000	254,310,000	247,653,000	241,434,000	231,334,000	1,478,523,000
Water Revenue Bonds-Prior	341,816,338	-	-	-	-	-	341,816,338
Water Operating Revenue-New	51,215,000	57,997,000	64,646,000	72,395,000	74,999,000	81,658,000	402,910,000
WOR-Prior	88,815,536	-	-	-	-	-	88,815,536
Airport Operating Revenue-New	7,750,000	7,632,999	7,541,001	7,393,003	7,244,002	7,399,005	44,960,010
AOR-Prior	21,600,000	-	-	-	-	-	21,600,000
Other City Funds							
REVOLVING-Revolving Funds	10,000,000	-	-	-	-	-	10,000,000
Other Than City Funds							
Other Gov't Funds-New	300,000	-	-	-	-	-	300,000
Other Gov't Funds-Prior	6,100,479	-	-	-	-	-	6,100,479
State Funds-New	57,974,996	26,185,002	29,399,995	31,086,002	29,838,005	28,979,992	203,463,992
State Funds-Prior	118,829,683	-	-	-	-	-	118,829,683
Federal Funds-New	127,184,998	93,512,002	113,234,005	93,197,995	84,205,003	76,064,994	587,398,997
Federal Funds-Prior	209,662,008	-	-	-	-	-	209,662,008
Private-New	96,570,001	114,431,997	106,269,997	104,015,003	105,036,002	104,025,998	630,348,998
Private-Prior	119,746,000	-	-	-	-	-	119,746,000
State Off Budget-New	219,904,000	216,417,000	219,754,000	225,960,000	226,335,000	222,048,000	1,330,418,000
State Off Budget-Prior	23,376,000	-	-	-	-	-	23,376,000
Other Government Funds Off Budget-New	2,791,000	1,700,000	1,724,000	1,824,000	1,721,000	1,411,000	11,171,000
Other Government Funds Off Budget-Prior	37,000	-	-	-	-	-	37,000
Federal Off-Budget-New	22,855,000	47,057,000	72,114,000	77,374,000	14,439,000	1,912,000	235,751,000
Federal Off-Budget-Prior	27,695,000	-	-	-	-	-	27,695,000
TOTAL	**$2,839,464,242**	**$1,307,053,000**	**$1,363,190,000**	**$1,339,783,698**	**$1,267,391,132**	**$1,218,672,132**	**$9,335,554,204**

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 PGW, which are paid out of their respective funds or revenues and only secondarily out of 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 the recent decision of the Supreme Court of Pennsylvania in *Zauflik v. Pennsbury School District*, 104 A.3d 1096 (2014). 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 that does not arise under state tort law, such as claims made against the City under federal civil rights laws.

On March 4, 2015, legislation was introduced in the General Assembly that would increase the $500,000 limitation described in the preceding paragraph. Such legislation, if enacted, would increase the damages limitation to $10 million. Such legislation was referred to the Committee on Judiciary on March 4, 2015. There has been no further action on this legislation. A similar bill in the 2013-2014 legislative session was never reported out of committee and never scheduled for a vote.

General Fund

The following table presents the City's aggregate losses from settlements and judgments paid out of the General Fund for Fiscal Years 2012-2016 and the budgeted amount and current estimate for Fiscal Year 2017.

Table 49
Aggregate Losses – General and Special Litigation Claims (General Fund)
Fiscal Years 2012-2016 (Actual) and 2017 (Budget and Current Estimate)
(Amounts in Millions of USD)

	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Budget and Current Estimate 2017
Aggregate Losses	$32.6	$30.3	$41.0	$37.3	$41.2	$40.6

Source: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

Based on the Modified Twenty-Fifth Five-Year Plan, the current estimate of settlements and judgments from the General Fund for Fiscal Years 2018-2021 is $40.7 million for each such Fiscal Year.

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 2014, payments from the General Fund for these claims totaled $542,904 of which $522,404 was

paid from the Indemnities account, and $20,500 from the operating budgets of the affected departments. For Fiscal Year 2015, payments from the General Fund for these claims totaled $1,091,548, of which $911,548 was paid from the Indemnities account, and $180,000 from the operating budgets of the affected departments.

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 General Fund. These proceedings involve: (i) 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; (ii) contract disputes and other commercial litigation; (iii) union arbitrations and other employment-related litigation; (iv) potential and certified class action suits; and (v) civil rights litigation. The ultimate outcome and fiscal impact, if any, on the General Fund of the claims and proceedings described in this paragraph are not currently predictable.

On September 14, 2016, a lawsuit challenging the Philadelphia Beverage Tax was filed by the American Beverage Association. For more information on such litigation and any potential impact on the collection of such tax, see "REVENUES OF THE CITY – Other Taxes."

Water Fund

Various claims 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 following table presents the Water Department's aggregate losses from settlements and judgments paid out of the Water Fund for Fiscal Years 2012-2016 and the budgeted amount and current estimate for Fiscal Year 2017. The Water Fund is the first source of payment for any of the claims against the Water Department.

Table 50
Aggregate Losses – General and Special Litigation Claims (Water Fund)
Fiscal Years 2012-2016 (Actual) and 2017 (Budget and Current Estimate)
(Amounts in Millions of USD)

	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Budget and Current Estimate 2017[1]
Aggregate Losses	$3.1	$5.1	$6.1	$3.8	$5.4	$6.5

Source: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

1. The current estimate for Fiscal Year 2017 reflects the amount the City has historically budgeted for aggregate losses from settlements and judgments paid out of the Water Fund for Fiscal Years 2012-2016.

Aviation Fund

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 following table presents the Division of Aviation's aggregate losses from settlements and judgments paid out of the Aviation Fund for Fiscal Years 2012-2016 and the budgeted amount and current estimate for Fiscal Year 2017. The Aviation Fund is the first source of payment for any of the claims against the Division of Aviation.

Table 51
Aggregate Losses – General and Special Litigation Claims (Aviation Fund)
Fiscal Years 2012-2016 (Actual) and 2017 (Budget and Current Estimate)

	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Budget and Current Estimate 2017[1]
Aggregate Losses	$1.3 million	$1.4 million	$665,527	$750,793	$1.3 million	$2.5 million

Source: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

1. The current estimate for Fiscal Year 2017 reflects the amount the City has historically budgeted for aggregate losses from settlements and judgments paid out of the Aviation Fund for Fiscal Years 2012-2016.

PGW

Various claims have been asserted against PGW and in some cases lawsuits have been instituted. Many of these PGW claims have been reduced to judgment or otherwise settled in a manner requiring payment by PGW. The following table presents PGW's settlements and judgments paid out of PGW revenues, with accompanying reserve information, in PGW Fiscal Years 2011 through 2015. PGW revenues are the first source of payment for any of the claims against PGW. PGW currently estimates approximately $4.8 million in settlements and judgments for PGW Fiscal Year 2016.

Table 52
Claims and Settlement Activity (PGW)
PGW Fiscal Years 2011-2015
(Amounts in Thousands of USD)

Fiscal Year (ending August 31)	Beginning of Year Reserve	Current Year Claims and Adjustments	Claims Settled	End of Year Reserve	Current Liability Amount
2011	$ 9,866	$4,299	$(3,468)	$10,697	$4,141
2012	10,697	3,725	(3,320)	11,102	7,664
2013	11,102	2,616	(3,307)	10,411	4,925
2014	10,411	2,498	(2,965)	9,944	4,728
2015	9,944	3,610	(2,042)	11,512	5,011

Source: PGW's audited financial statements.

APPENDIX B

CITY SOCIOECONOMIC INFORMATION

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INTRODUCTION

The City of Philadelphia (the "City" or "Philadelphia") is the fifth largest city in the nation by population, and is at the center of the United States' seventh largest metropolitan statistical area, according to 2015 American Community Survey estimates. The Philadelphia MSA (further described below) includes a substantial retail sales market as well as a diverse network of business suppliers and complementary industries. Some of the City's top priorities include attracting and retaining knowledge workers, increasing educational attainment and employment skills among Philadelphians, attracting real estate 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 percent in the ten years from 2000 to 2010 to 1.526 million residents, ending six decades of population decline. Although the increase was modest, it was an indicator of more recent growth and development in Philadelphia. From 2010 to 2015, the City increased its population by 2.7 percent to 1.57 million residents, which exceeded the rate of population growth projected by the Philadelphia City Planning Commission in its 2011 comprehensive plan.

Although facing challenges such as underfunded pension liabilities, low estimated General Fund balances in Fiscal Years 2016-2020, high rates of poverty, and the School District of Philadelphia's (the "School District") ongoing fiscal challenges, the City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries.

Geography

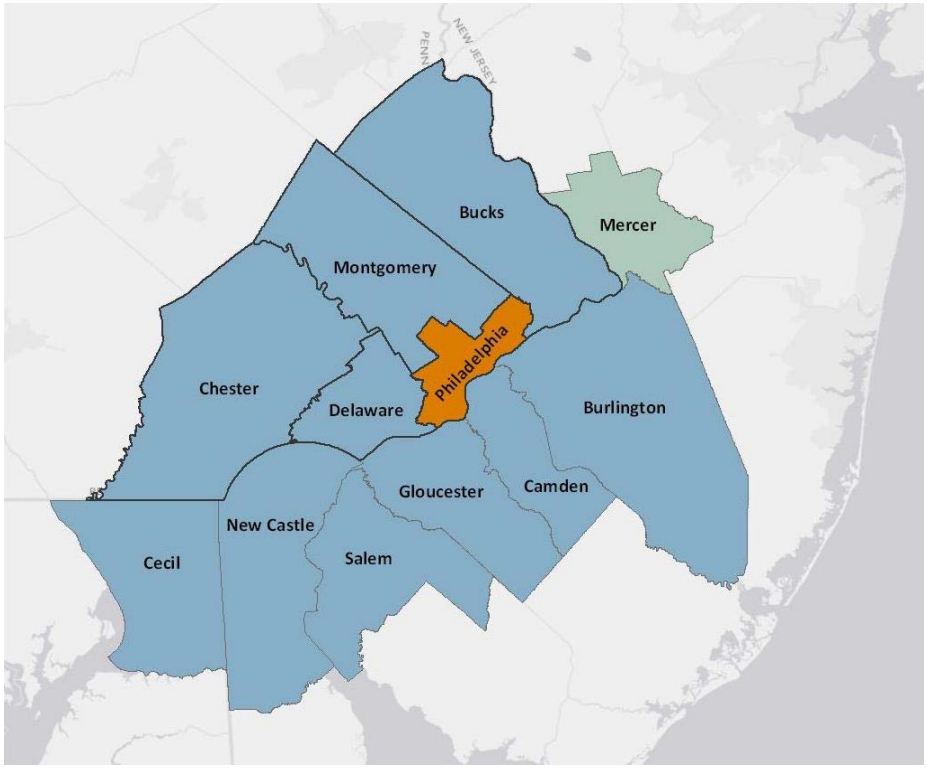
The City has an area of approximately 134 square miles, and is located along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth"), at the confluence of the Delaware and Schuylkill Rivers. The City, highlighted in orange in Figure 1, lies at the geographical and economic center of the MSA and PMSA (described below). Philadelphia is both the largest city and the only city of the first class in the Commonwealth, and is coterminous with the County of Philadelphia.

Philadelphia Metropolitan Statistical Area (the "MSA"), highlighted in blue in Figure 1, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of approximately 5,118 square miles with approximately 6,069,875 residents according to 2015 estimates by the U.S. Census Bureau.[1]

Philadelphia Primary Metropolitan Statistical Area (the "PMSA"), outlined in black in Figure 1, is a five-county area that is within the MSA that lies in the Commonwealth and is sometimes called the Philadelphia Metropolitan Division. 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, New Jersey, highlighted in green in Figure 1, 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

Philadelphia is at the center of the second largest MSA on the East Coast, and is served by a robust transportation infrastructure, including: the Philadelphia International Airport, Amtrak's Northeast Corridor service, major interstate highway access, regional train service provided by Southeastern Pennsylvania Transportation Authority ("SEPTA") and New Jersey's PATCO (as defined herein), and the Port of Philadelphia. Due to the transportation infrastructure centered in the City, Philadelphia is accessible to regional and international markets, and is within a day's drive of 50 percent of the nation's population. Philadelphia's central location along the East Coast, an hour from New York City and less than two hours from Washington, D.C. by high-speed rail, also allows for convenient access to these significant economic centers.

Essential to Philadelphia's strategic location is the region's access to public transit. The U.S. Census reports that 26.5 percent of Philadelphians used public transit to commute to work in 2014. SEPTA regional rail service had record ridership in Fiscal Year 2015, and SEPTA public transit modes collectively had an average annual aggregate ridership increase of 1.2 percent from fiscal years 2006-2015.

Challenges

As evidenced by the City's development and population growth, Philadelphia has made progress in transforming itself into a vibrant, attractive city over the past two and a half decades. However, challenges still exist, including (i) the poverty rate, which is 26% according to the 2014 American Community Survey and is the highest of the nation's ten largest cities, (ii) persistent budget deficits for the School District, stemming from funding reductions by the Commonwealth and the growth in charter school enrollment, among other factors, and resulting in local spending cuts and the closure of 23 School

District schools in June 2013, (iii) underfunded pension liabilities, which is discussed in more detail in APPENDIX A hereto (see "PENSION SYSTEM"), and (iv) low estimated General Fund balances in Fiscal Years 2017-2021, which is discussed in more detail in APPENDIX A hereto (see "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information").

A related potential challenge is Philadelphia's ability to retain young families in the future. Philadelphia's cultural amenities and quality of life attract millennials, generally defined as those born between 1980 and 2000, which now comprise the largest demographic group in the City. Reports such as "Millennials in Philadelphia, A Promising but Fragile Boom," published by the Pew Charitable Trusts in 2014 (the "2014 Pew Report"), suggest that Philadelphia will struggle to retain these recent transplants unless it can alleviate numerous challenges and most notably the real and perceived state of Philadelphia's public schools. Although 59 percent of millennials said they would recommend the City to a friend as a place to live, only 36 percent of millennials surveyed said they would recommend Philadelphia as a place to raise children. Conversely, 56 percent responded they would not recommend the City as a place to raise children.

POPULATION AND DEMOGRAPHICS

Philadelphia is the nation's fifth most populous city, with 1.57 million residents, based on 2015 U.S. Census estimates. The 2000 and 2010 U.S. Census reflect the City's first population gain in 60 years. The City's population reached its nadir in 2006 with 1.49 million residents. Philadelphia's population has increased by nearly 79,000 residents from 2006 – 2015, or 5.3 percent.

From 2006 to 2012, the share of the population represented by citizens age 20 to 34 grew from 20 percent to 26 percent, becoming the largest share of Philadelphia's population. Of the 30 largest cities in the country, Philadelphia had the largest percentage point increase of millennials as a share of overall population from 2006 to 2012, according to the 2014 Pew Report referred to above. This demographic tends to be better educated than the City's and the nation's adult population as a whole. In 2014, 39.2 percent of 25- to 34-year-olds in Philadelphia held a bachelor's degree or higher, while only 33.5 percent of 25 to 34-year-olds in the United States were college graduates. The City's many universities and diverse employment opportunities are likely draws for residents in the 20 to 34 age group. In addition to an increase in the millennial population, the City's immigrant population also grew significantly, with the City's Asian population increasing 161.4 percent and the Hispanic or Latino population growing by 164.6 percent from 2000 to 2014, according to the US Census Bureau.

Table 1
Population
City, MSA, Pennsylvania & Nation

	1990	2000	2010	2015	Percent Change 2000-2010	Percent Change 2010-2015
Philadelphia	**1,585,577**	**1,517,550**	**1,526,006**	**1,567,442**	**0.6%**	**2.7%**
Philadelphia-Camden-Wilmington MSA	5,437,468	5,687,147	5,965,343	6,069,875	4.9%	1.8%
Pennsylvania	11,881,643	12,281,054	12,702,379	12,802,503	3.4%	0.8%
United States	248,709,873	281,421,906	308,745,538	321,418,820	9.7%	4.1%

Source: U.S. Census Bureau, Population Estimates 2015, Census 2010, Census 2000, Census 1990.

Nearly 27 percent of Philadelphia's population is school-aged (aged 5-17) and, in 2015, Philadelphia exceeded many selected peer cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Selected peer cities (as shown in Table 2) reflect characteristics consistent with Philadelphia, such as geography, socio-economic statistics, industrial legacies, or port facilities. Among these cities, while Boston had the highest percentage of its population enrolled in higher education, Philadelphia had over 40,000 more students total enrolled in

higher education than Boston. Philadelphia had the sixth highest percentage of its population enrolled in higher education and the fifth largest university student population.

Table 2
2015 Total Number of Students, as a Percent of Total Population of Selected Cities, Ranked by Total Number of Students Enrolled in Higher Education

	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
Los Angeles, CA	1,038,559	349,274	33.6%	9.0%
Chicago, IL	716,732	235,270	32.8%	8.7%
Houston, TX	580,250	158,500	27.3%	7.3%
San Diego	376,850	151,123	40.1%	11.3%
Philadelphia, PA	**416,404**	**149,309**	**35.9%**	**9.7%**
San Antonio, TX	400,885	115,474	28.8%	8.3%
Boston, MA	196,461	109,297	55.6%	17.1%
Phoenix, AZ	410,064	100,234	24.4%	6.7%
Washington, DC	160,085	74,625	46.6%	11.8%
Baltimore, MD	163,549	61,535	37.6%	9.9%
Milwaukee, WI	186,920	60,014	32.1%	10.0%
Detroit, MI	196,294	52,600	26.8%	7.6%
Memphis, TN	179,757	52,217	29.0%	8.0%
Cleveland, OH	103,805	29,643	28.6%	7.6%
United States	82,735,509	23,628,485	28.6%	7.5%

Source: 2014 American Community Survey, 1-Year Estimates.

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 a major regional business and personal services center with strengths in insurance, law, finance, health, education, utilities, and the arts. As of 2013, approximately 182,600 residents of the Philadelphia region's four suburban counties (Bucks, Chester, Delaware, and Montgomery), and an additional 129,000 residents of counties outside the five-county region, worked within the City. 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 MSA plus Mercer County, New Jersey.

As shown in Table 13 further in this report, the cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas along the East Coast. Philadelphia's cost of living is 20 percent less than the Washington DC metropolitan area and 61 percent less than Manhattan. The City, as one of the country's education centers, offers the business community a large, diverse, and industrious labor pool.

Key Industries

Table 3 provides location quotients for Philadelphia's most concentrated industry sectors. Location quotients quantify how concentrated a particular industry is in a region as compared to a base reference area, usually the nation. A location quotient greater than 1.00 indicates an industry with a greater share of the local area employment than is the case in the reference area.

As shown in Table 3, compared to the nation, Philadelphia County has higher concentrations in eight sectors: educational services; health care and social assistance; management of companies and enterprises; arts, entertainment, and recreation; finance and insurance; professional and technical services; other services, and transportation and warehousing.[2] Of these eight sectors, the City has a higher concentration of employment than the Commonwealth in six sectors: educational services; health care and social assistance; arts, entertainment and recreation; finance and insurance; professional and technical services; and other services.

Table 3
Ratio of Philadelphia County and Pennsylvania Industry Concentrations Compared to the United States

Industry	Philadelphia County to the US	Pennsylvania to the US
Educational Services	4.32	1.51
Health Care and Social Assistance	1.73	1.22
Management of Companies and Enterprises	1.27	1.42
Arts, Entertainment, and Recreation	1.20	1.01
Finance and Insurance	1.16	1.05
Professional and Technical Services	1.13	0.92
Other Services	1.12	1.06
Transportation and Warehousing	1.10	1.18

Source: Bureau of Labor Statistics: 2015 Location Quotient, Quarterly Census of Employment and Wages Data. Industry Location Quotients are calculated by comparing the industry's share of regional employment with its share of national employment.

The concentration of educational services not only provides stable support to the local economy, but also generates a steady and educated workforce, fueling the City's professional services and healthcare industries. In a 2014 Campus Philly report "Choosing Philadelphia," 51 percent of non-native students, and 76 percent of native graduates from the region, chose to live in Philadelphia directly after graduation.

The City is also capitalizing on the region's assets to become a leader in research generated by life sciences and educational institutions. Several sites now foster life science incubator facilities, including The Navy Yard, University City Science Center, University of Pennsylvania, Children's Hospital of Philadelphia, Jefferson Hospital, Drexel University, and Wistar Institute. The University of Pennsylvania's Penn Center for Innovation and Temple University's Office of Technology Development and Commercialization are two of several organizations driving tech transfer and commercialization of innovations developed at Philadelphia's major research institutions.

[2] The Bureau of Labor Statistics ("BLS") defines the "Other Services" (except Public Administration) sector as establishments engaged in providing services not specifically provided for elsewhere in the BLS classification system, such as equipment and machinery repairing, promoting or administering religious activities, grantmaking, advocacy, providing dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

Employment

Table 4 shows non-farm payroll employment in the City over the last decade by industry sectors. In the past 10 years, growth has occurred in Trade, Transportation, and Utilities; Professional and Business Services; Education and Health Services; and Leisure and Hospitality. These sectors provide stability to the City's overall economy. Despite a 10 percent contraction within the sector over the last decade, Government remains the second largest sector by number of employees.

Table 4
Philadelphia Non-Farm Payroll Employment[1]
(Amounts in Thousands)

Sector	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	% Change in 2006-2015	Average Annual % Change
Leisure and Hospitality	58.0	58.0	57.9	56.9	58.4	60.6	63.2	64.8	66.9	68.1	17.4%	1.9%
Education and Health Services	187.7	192.4	196.7	199.5	202.3	206.4	208.1	209.3	212.7	217.2	15.7%	1.7%
Professional and Business Services	84.2	85.8	85.3	80.1	81.6	83.0	84.1	86.4	88.3	90.3	7.2%	0.8%
Trade, Transportation, and Utilities	88.5	87.8	87.6	85.9	86.6	87.4	88.9	89.5	90.9	92.9	5.0%	0.6%
Other Services	28.2	28.0	27.8	26.6	26.5	26.4	26.8	26.9	26.8	27.4	-2.8%	-0.3%
Mining, Logging, and Construction	12.4	11.9	12.1	10.1	10.0	10.0	10.2	10.4	11.0	11.5	-7.3%	-0.8%
Information	12.8	12.6	12.5	12.6	12.2	12.0	12.0	11.5	11.5	11.8	-7.8%	-0.9%
Financial Activities	47.7	47.1	46.5	44.9	42.6	41.6	41.0	41.1	41.7	42.4	-11.1%	-1.2%
Manufacturing	29.9	28.5	27.8	25.7	24.7	23.7	22.9	21.8	21.5	21.1	-29.4%	-3.3%
Private Sector Total	**549.4**	**552.1**	**554.2**	**542.3**	**544.9**	**551.1**	**557.2**	**561.7**	**571.3**	**582.7**	**6.1%**	**0.7%**
Government	113.2	110.6	109.2	110.4	112.1	109.0	105.3	103.5	102.2	101.8	-10.1%	-1.1%
Total	**662.6**	**662.7**	**663.4**	**652.7**	**657.0**	**660.1**	**662.5**	**665.2**	**673.5**	**684.5**	**3.3%**	**0.4%**

Source: Bureau of Labor Statistics, 2015.
[1] Includes persons employed within the City, without regard to residency.

Table 5
Philadelphia Change in Share of Employment Sectors[1], ranked by Percent Change of Share

Sector	Share of Total Employment 2006	Share of Total Employment 2015	Percent Change of Share 2006 – 2015
Leisure and Hospitality	8.8%	9.9%	13.7%
Education and Health Services	28.3%	31.7%	12.0%
Professional and Business Services	12.7%	13.2%	3.8%
Trade, Transportation, and Utilities	13.4%	13.6%	1.6%
Other Services	4.3%	4.0%	-5.9%
Mining, Logging, and Construction	1.9%	1.7%	-10.2%
Information	1.9%	1.7%	-10.8%
Financial Activities	7.2%	6.2%	-14.0%
Manufacturing	4.5%	3.1%	-31.7%
Private Sector Total	**82.9%**	**85.1%**	**2.7%**
Government	17.1%	14.9%	-12.9%

Source: Bureau of Labor Statistics, 2015.
[1] Includes persons employed within the City, without regard to residency.

Preliminary Bureau of Labor Statistics data show that in 2015, the Education and Health Services, Professional and Business Services, Financial Activities, and Leisure and Hospitality sectors collectively represented 61.1 percent of total employment in the City for the year, and 76.9 percent of total private sector wages. From 2010 to 2015, Philadelphia has created 40,000 private sector jobs since losing nearly 12,000 private jobs at the peak of the recession in 2009.

Unemployment

Although Philadelphia narrowed the gap between its unemployment levels and the national unemployment levels throughout the 1990s and as late as 2009, the effects of the recession on unemployment endured longer in Philadelphia than in many other parts of the country.

As shown in Table 6, employment gains in the latter part of 2013 through 2015 have resulted in a decline in Philadelphia's unemployment rate from a high of 10.9 percent in 2012 to 6.9 in 2015.

Table 6 below shows unemployment information for Philadelphia, the MSA, the Commonwealth and the United States.

Table 6
Unemployment Rate in Selected Geographical Areas
(Annual Average 2006-2015)

Geographical Area	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Change in rate from 2006-2015
United States	4.6	4.6	5.8	9.3	9.6	8.9	8.1	7.4	6.2	5.3	0.7
Pennsylvania	4.7	4.3	5.3	7.9	8.5	7.9	7.9	7.4	5.9	5.1	0.4
Philadelphia-Camden-Wilmington MSA	4.5	4.3	5.3	8.3	8.8	8.5	8.4	7.7	6.2	5.3	0.8
Philadelphia	**6.2**	**6.1**	**7.1**	**9.7**	**10.6**	**10.7**	**10.9**	**10.3**	**8.1**	**6.9**	**0.7**

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

Principal Private Sector Employers in the City

Table 7 lists Philadelphia's 15 largest private sector employers, by wage tax revenue. Five 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, and broadcasting/cable.

Fortune 500 companies headquartered or maintaining a major presence in Philadelphia include: the Comcast Corporation, Cigna Corporation, Aramark Corporation, Crown Holdings Inc., and Lincoln National. Four Fortune 1000 companies are also headquartered within the City: FMC Corporation, Urban Outfitters Inc., Pep Boys, and Radian Group Inc.

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Table 7
Principal Private Sector Employers by Wage Tax Revenue
Ranked by Employment in Philadelphia*

Employer	Sector	Employees within Philadelphia
University of Pennsylvania	Education	21,193
University of Pennsylvania Health System	Health	15,956
Children's Hospital of Philadelphia	Health	11,895
Temple University Hospital, Inc.	Health	9,030
Temple University	Education	8,674
Comcast Corporation	Media/IT	8,000
Thomas Jefferson University Hospitals	Health	7,825
Drexel University	Education	6,291
Aramark Corporation	Food Service	6,207
Albert Einstein Medical	Education	5,323
Thomas Jefferson University	Education	4,547
Independence Blue Cross	Insurance	3,554
PNC Bank N.A.	Finance	1,883
Ace Insurance Company	Insurance	1,512
GlaxoSmithKline LLC	Bio-tech	1,376
	Total	**113,266**

Source: City of Philadelphia Department of Commerce
*As of October 2015
†Employment data for Comcast Corporation are an estimate provided by Comcast Corporation, May 2015. This estimate includes approximately 2,000 contract workers.

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 located in the City. 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 and medical schools: Children's Hospital of Philadelphia, the Hospital of the University of Pennsylvania, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. Philadelphia is home to two of the nation's 41 National Cancer Institute ("NCI")-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).

Children's Hospital of Philadelphia Expansion. Top-ranked Children's Hospital of Philadelphia ("CHOP") is the oldest children's hospital in the nation and one of the largest in the world. Since 2002, CHOP has invested over $2.6 billion in its expansion in Philadelphia. The $500 million Ruth and Tristram Colket, Jr. Translational Research Building opened in 2010. CHOP recently approved an additional $2.7 billion expansion in Philadelphia through 2017. Most recently, phase one of the $500 million, 700,000 square foot Buerger Center for Advanced Pediatric Care opened in fall of 2015; phase two will open in 2017. Future projects include phase one of a nine-acre, 1.5 million square foot medical research campus along the east banks of the Schuylkill River, which is expected to be completed by the end of 2016.

The Wistar Institute. The Wistar Institute was founded in 1892 and was the nation's first independent biomedical research facility. In 2014, the Institute completed construction of a $100 million expansion and renovation project, the Robert and Penny Fox Tower. Currently, Wistar has 180 doctorate-level researchers and scientists on staff, which will expand to 350 over the next seven years, significantly increasing Wistar's ability to carry out biomedical research and make advancements in the fields of genetics, cancer biology, translational research, immunology and virology.

Table 8 lists the top ten recipients of funding from the National Institutes of Health ("NIH") in fiscal year 2015, in order of total funding received. The University of Pennsylvania, located in Philadelphia, was the fourth largest recipient of NIH funding in 2015 and consistently places near the top of this list.

Table 8
Largest Recipients of National Institutes of Health Funding, FY2015

Organization	City	State	Awards	Funding
Johns Hopkins University	Baltimore	MD	973	$567,666,828
University of California, San Francisco	San Francisco	CA	948	$557,140,709
University of Michigan	Ann Arbor	MI	836	$449,440,199
University of Pennsylvania	**Philadelphia**	**PA**	**902**	**$448,051,440**
University of Pittsburgh	Pittsburgh	PA	798	$425,603,684
University of Washington	Seattle	WA	716	$422,917,954
Stanford University	Stanford	CA	694	$421,175,041
University of California San Diego	La Jolla	CA	678	$387,576,202
Washington University	Saint Louis	MO	686	$377,643,762
Univ. of North Carolina Chapel Hill	Chapel Hill	NC	689	$375,543,736

Source: National Institutes of Health, 2015

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Table 9 lists the number of licensed and staffed beds in certain hospitals and medical centers in the City, as of June 30, 2015, and does not reflect any mergers, consolidations or closures that have occurred since that date.

Table 9
Hospitals and Medical Centers as of June 2015

Institution Name	Total Licensed Beds	Total Staffed Beds
Aria Health[1]	480	480
Belmont Center for Comprehensive Treatment	147	147
Chestnut Hill Hospital	129	129
Eastern Regional Medical Center	74	56
Einstein Medical Center-Philadelphia	772	444
Fairmount Behavioral Health Systems	239	239
Fox Chase Cancer Center	100	100
Good Shepherd Penn Partners Specialty Hospital	38	38
Hahnemann University Hospital	496	496
Hospital of the University of Pennsylvania	788	788
Jeanes Hospital	176	146
Kensington Hospital	45	45
Kindred Hospital - Philadelphia	52	52
Kindred Hospital – South Philadelphia	58	58
Kirkbride Center	74	25
Magee Rehabilitation Hospital	96	96
Mercy Philadelphia Hospital	178	157
Nazareth Hospital	203	173
Penn Presbyterian Medical Center	328	328
Pennsylvania Hospital	496	397

Roxborough Memorial Hospital	141	141
Shriners Hospitals for Children - Philadelphia	53	39
St. Joseph's Hospital[2]	184	184
St. Christopher's Hospital for Children	189	189
Temple University Hospital[3]	850	818
The Children's Hospital of Philadelphia	535	520
Thomas Jefferson University Hospital[4]	951	893
VA Medical Center[5]	0	0
Wills Eye Hospital	4	4

Source: PA Department of Health Annual Hospital Questionnaire, Reports 1A and 1B, June 30, 2015.
[1]Aria Health System includes data for all three divisions - Frankford, Torresdale and Bucks County.
[2]St. Joseph's Hospital includes data for Girard Medical Center/Continuing Care Hospital of Philadelphia.
[3]Temple University Hospital includes data for Episcopal Hospital.
[4]Thomas Jefferson University Hospital includes data for the Methodist Hospital Division.
[5]The Veterans Administration Medical Center is not considered a public hospital by the PA Department of Health because its beds are not available for the general public; therefore, the number of licensed and staffed beds reflected in Reports 1A and 1B are zero. According to the VA Medical Center, the facility supports 145 acute care beds and a 135-bed Community Living Center.

Educational Institutions

The MSA plus Mercer County, New Jersey, has the second largest concentration of undergraduate and graduate students on the East Coast, with 101 degree granting institutions of higher education and a total enrollment of over 434,000 full and part-time students. Approximately 149,000 students lived within the geographic boundaries of the City in 2015. 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 Princeton University, Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

University of Pennsylvania. The campus of the University of Pennsylvania ("Penn"), an Ivy League institution, is located in West Philadelphia across the Schuylkill River from downtown Philadelphia. More than 24,000 undergraduate, graduate and professional full-time students attend the university. Penn and its health system are the largest private sector employers in Philadelphia, employing 40,577 combined staff in the region and with a total university budget of $7.25 billion for Fiscal Year 2015. In 2011, Penn completed a $400 million medical research building, the Smilow Center for Translational Research. The Krishna P. Singh Center for Nanotechnology, an $88 million nanotechnology research facility, opened in October 2013.

In 2014, Penn unveiled a master plan for a 23-acre Innovation and Research Park called Pennovation Works. In fall 2016, Penn formally opened the first project within the complex, a $26 million rehabilitation of an existing building to include 52,000 square feet of wet lab and incubator space that will house all of Penn's technology transfer facilities. The master planning process includes redevelopment plans for the entire acreage; however, Penn has been leasing various buildings with an innovation center end-use in mind since 2012, including leases with technology companies stemming from innovations developed at Penn and Drexel University.

Drexel University. Founded in 1891 as the Drexel Institute of Science, Art and Industry, Drexel University ("Drexel") occupies a 74-acre main campus in University City. Drexel's student body has grown considerably in the past two decades, from 4,500 in 1996 to approximately 26,000 students in 2015, resulting in expansion of both curriculum and campus. In September 2011, Drexel opened the doors to its new $69 million science building, the Constantine N. Papadakis Integrated Sciences Building. Drexel also completed construction of a $92 million facility for its LeBow School of Business in October 2013 and a new mixed use residential and retail project, Chestnut Square, on Chestnut Street in 2014. Design is also complete for a $44 million renovation of a 161,000 square foot building housing the College of Media Arts and Design. Most recently, Drexel has drafted a plan to develop 14 acres of underutilized land near Philadelphia's 30th Street Station into a transit-oriented live/learn/work neighborhood, called Schuylkill Yards. In March, 2016, Drexel announced a partnership with Brandywine Realty Trust to facilitate redevelopment; phase one commences in fall 2016 with the creation of Drexel Square, a public park that is currently a parking lot, and streetscape improvements along John F. Kennedy Boulevard.

Temple University. Temple University ("Temple") 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 has invested heavily in the renovation of its various existing student housing inventory as well as, most recently, the development of a new state-of-the art residence facility, Morgan Hall, which opened in summer 2013 and houses approximately 1,275 students. Temple has also actively partnered with private developers in the expansion of on-campus housing alternatives for students. Currently, an estimated 12,000 of Temple's 37,619 students live on or around the Temple campus. The university's Board of Trustees approved a master plan, "Visualize Temple," in December 2014, and the university has already begun $1.2 billion of investment. Planned upgrades include improved green space,

a student recreation facility, and academic buildings such as a library and a new science research lab. Temple also purchased the vacant William Penn High School property on North Broad Street, and received permission from the Planning Commission in February 2015 to tear down the high school building and construct a new facility. The $22 million dollar project is currently under construction.

Median and Average Household Income

Table 10 shows median family income, which includes related people living together, and Table 11 shows median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Table 12 shows the average household income for the same areas, which is based on a more comprehensive measure of total income. Over the period 2006-2014, median family income for Philadelphia increased by 9.30 percent (see Table 10), while average household income increased by 32.4 percent over the period 2006-2014 as a result of an influx of higher income households (see Table 12).

Table 10
Median Family Income* for Selected Geographical Areas, 2006-2014
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2006	$43.0	$70.8	$58.1	$58.5	73.50%
2007	$44.1	$73.5	$60.2	$60.4	73.01%
2008	$46.4	$77.0	$63.1	$63.2	73.42%
2009	$45.8	$76.8	$62.8	$62.4	73.40%
2010	$45.1	$76.7	$63.0	$62.1	72.62%
2011	$45.0	$78.1	$64.3	$62.7	71.77%
2012	$44.6	$77.8	$65.1	$63.1	70.68%
2013	$44.7	$78.5	$66.1	$63.8	70.06%
2014	$47.0	$80.6	$67.9	$65.9	71.32%
Change 2006-2014	$4.0	$9.8	$9.8	$7.4	

* Includes related people living together.
Source: American Community Survey, Annual and 1-Year Estimates

Table 11
Median Household Income* for Selected Geographical Areas, 2006-2014
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2006	$32.8	$53.6	$44.5	$46.2	71.00%
2007	$33.2	$55.6	$46.3	$48.5	68.45%
2008	$34.8	$57.8	$47.9	$50.0	69.60%
2009	$36.2	$60.3	$50.3	$52.2	69.35%
2010	$36.7	$60.2	$50.0	$51.4	71.40%
2011	$36.0	$60.0	$50.3	$51.2	70.31%
2012	$36.0	$60.6	$51.0	$51.5	69.90%
2013	$35.6	$60.4	$51.4	$51.8	68.73%
2014	$36.2	$60.7	$52.0	$52.2	69.35%
Change 2006-2014	$3.4	$7.1	$7.5	$6.0	

* Includes unrelated people living together.
Source: American Community Survey, Annual and 1-Year Estimates

Given the high percentage of employers in knowledge-based industries in the City, including higher education, healthcare and other professional services, such as law, accounting and finance, the average household income within the City is higher than the median household income. Also contributing to the lower median household income is the fact that Philadelphia has the fifth largest undergraduate and graduate student population among major U.S. cities. These individuals, numbering approximately 149,309 according to the 2014 American Community Survey, or approximately 9.5 percent 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.

Table 12
Average Household Income for Selected Geographical Areas, 2006-2014
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2006	$82.3	$117.2	$96.9	$99.5	82.71%
2007	$86.6	$121.3	$101.2	$103.6	83.59%
2008	$93.3	$125.1	$104.0	$106.9	87.28%
2009	$95.1	$123.5	$102.7	$103.8	91.62%
2010	$99.2	$126.1	$105.4	$106.1	93.50%
2011	$103.8	$132.3	$111.0	$111.6	93.01%
2012	$107.1	$137.8	$115.4	$116.2	92.17%
2013	$106.1	$140.5	$117.5	$117.4	90.37%
2014	$109.0	$145.4	$121.9	$121.5	89.71%

Source: iHS Economics

Cost of Living Index

Philadelphia has the second lowest cost of living index among major cities in the Northeast, as shown in Table 13 below. The City markets its relatively low labor costs and cost of living to attract businesses. Additionally, the City's Wage, Earnings, and Net Profits Tax Rates have decreased in Fiscal Years 2014 and 2015, which may further incentivize both business and residents to relocate into the City. See "REVENUES OF THE CITY – Wages, Earnings, and Net Profits Taxes" in APPENDIX A to this Official Statement.

Table 13
2015 Cost of Living Index* of Cities in the Northeastern U.S.

Metropolitan Area	Cost of Living Index
New York (Manhattan)	225.8
Washington-Arlington-Alexandria	145.9
Boston-Cambridge-Quincy	142.6
Philadelphia-Camden-Wilmington	119.6
Baltimore-Towson	112.2

*Data reflects Q3 2014 – Q3 2015
Source: 2016 ACCRA Cost of Living Index

Housing

For purposes of the information included under this "Housing" subheading, the City engaged an outside consultant, Kevin C. Gillen, Ph.D., who prepared the text and tables below and conducted the analysis related thereto. As a professional in the field of urban and real estate economics, the City has relied on the analysis Mr. Gillen has provided below.

Philadelphia is a post-industrial city located in the northeast corridor of the U.S. between New York and Baltimore. Its housing stock is among the oldest of any city in the country, and has suffered from decades of depopulation and abandonment during the postwar era. However, like many U.S. cities, it has also undergone a significant revitalization in the past 25+ years, particularly in and around its downtown core of Center City. Philadelphia experienced a net population increase in the most recent Census for the first time since 1950, which was overwhelmingly due to new household growth in these aforementioned neighborhoods. In the last year, total City population grew by approximately 14,000 people, from 1.553 million to 1.567 million.

As population has continued to increase, many neighborhoods have undergone significant new construction and investment, leading to significant increases in the value of the City's housing stock. Significant parts of the rest of the City, however, still face significant challenges caused by the persistent problems of poverty, crime, underperforming schools and lack of employment opportunities. But, most housing indicators for Philadelphia indicate a positive outlook for the near future. The following table lists the values of key metrics for the Philadelphia housing market, including their percent changes from one year and five years ago, and the direction of their current trend:

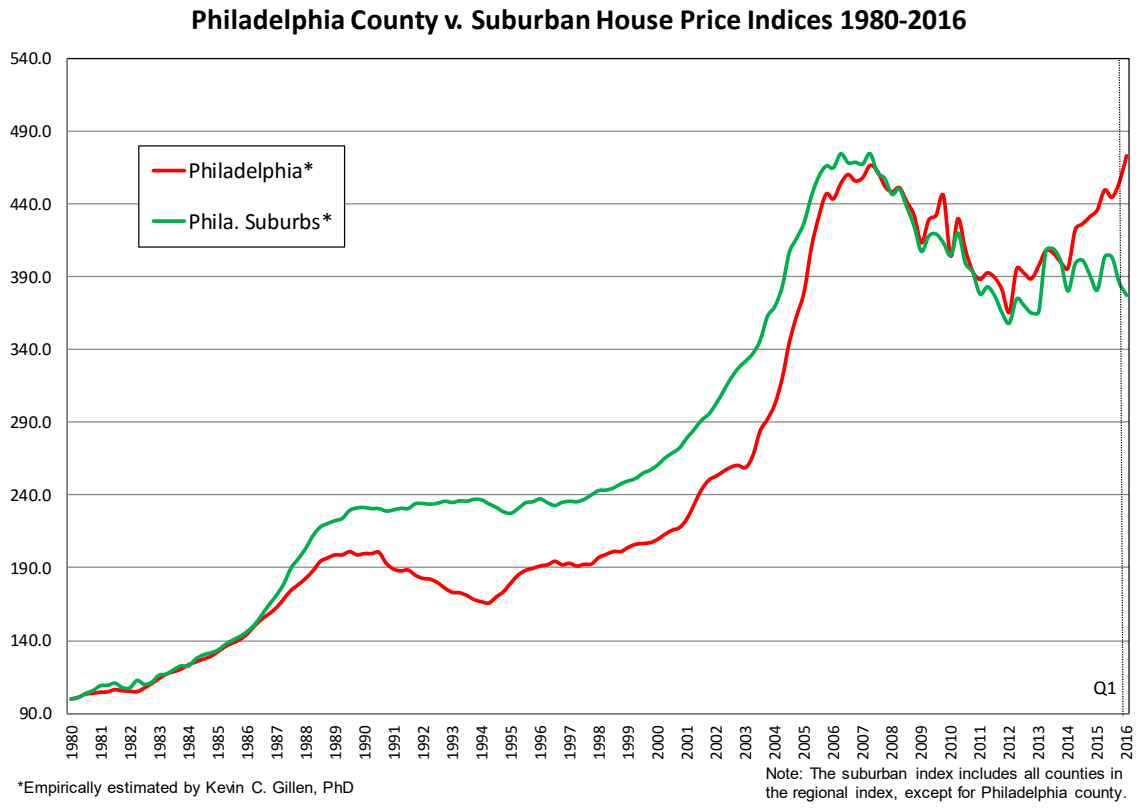
Table 14
Housing Market Metrics[1]

Housing Market Metrics	2015	%Change from 1 Year Ago	%Change from 5 Years Ago	Trend
Total Housing Stock (# of properties)	500,374	0.13%	3.30%	↑
# of Single-Family Units[2]	459,230	0.13%	1.44%	↑
# of Multifamily Units[3]	41,144	-56.33%	6.70%	↑
Median House Price	$143,000	14.40%	43.00%	↑
# of House Sales	15,601	9.40%	31.81%	↑
Months' Supply of Inventory	3.81	-59.89%	-55.03%	↓
Avg. Days-on-Market	61	-29.89%	-9.40%	↓
# of New Units Permitted	3,666	-7.73%	136.21%	↑
Avg. Housing Rent (Monthly)	$1,209	1.26%	10.71%	↑
Homeownership Rate	52.9%	1.34%	-7.19%	↓

Source: Philadelphia Recorder of Deeds, Philadelphia Office of Property Assessment, U.S. Census, National Multifamily Housing Council, TrEND MLS.

1. Table 14 shows housing market metrics for 2015.
2. Structures with 1-4 dwelling units.
3. Structures with 5 or more dwelling units.

After nearly ten years of house price deflation and sluggish recovery, 2015 proved to be the best year for Philadelphia housing since the recession. Both the median house price and the house price index for Philadelphia hit new all-time highs. The following chart shows an empirically estimated house price index that displays the trajectory and level of average house prices in Philadelphia on a quality- and seasonally-adjusted basis (the red line) and a similar house price index for Philadelphia's suburbs (the green line). The index is computed via regression, using a hybrid hedonic repeat-sales specification, which is very similar to the same methodology used in the computation of the Case-Shiller House Price Indices.



Source: Philadelphia Recorder of Deeds, Computed by Kevin C. Gillen, Ph.D.

The index is normalized to a starting value of 100 in its first period of 1980 Q1, with its percent change over time reflecting the average price appreciation (or depreciation) rate of the average Philadelphia home. After hitting a peak in mid-2007, the index began a 5-year decline of 23% before hitting bottom in early 2012. Since then, Philadelphia has lagged both other cities and the nation as a whole in its house price recovery. But, after making significant gains in the latter half of 2015 and early 2016, the current index stands at a value that is slightly higher than its peak in 2007, thus indicating that the aggregate loss in the value of Philadelphia's housing stock from the Great Recession has been erased.

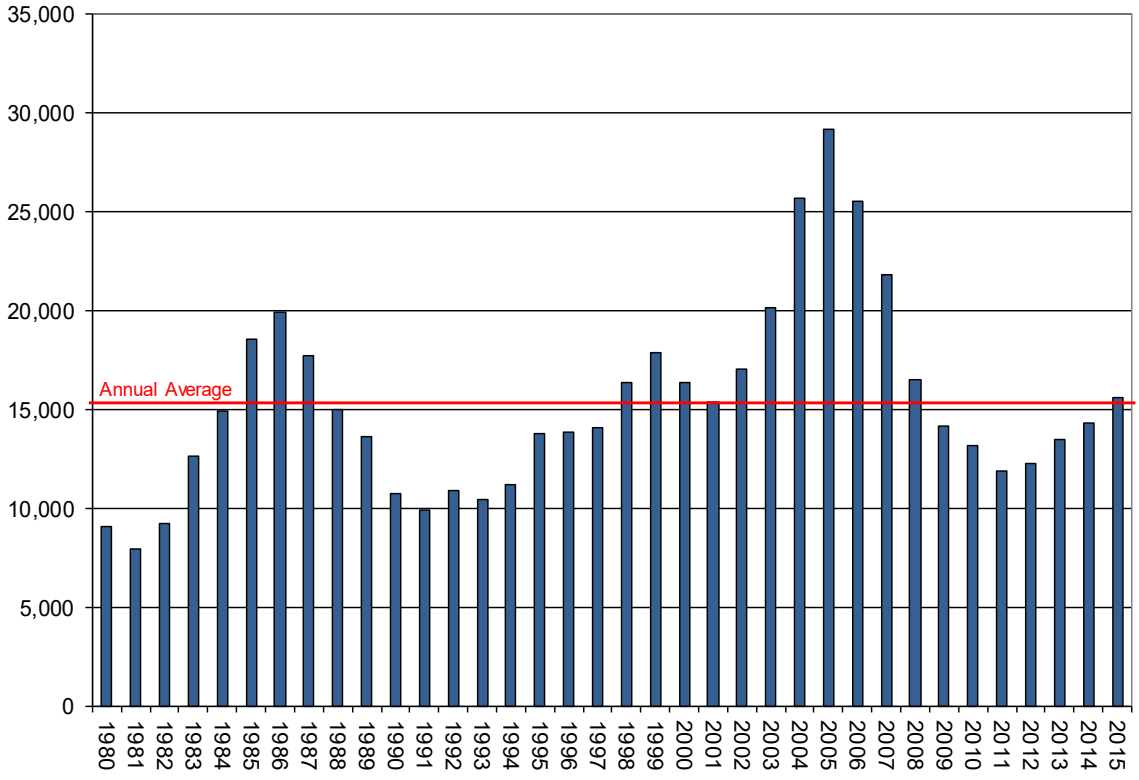
Many households who purchased a home at or near the peak of the Housing Bubble had been locked into a negative equity position in their homes in the wake of the Bubble's bursting. Because they could not sell their home at a price that would simultaneously allow them to pay off their mortgage, these households were essentially "locked into" their existing dwellings. This has important implications both upstream and downstream in the housing market: since these "underwater" households were unable to sell, this restricted the supply of homes that many potential first-time and move-up homebuyers could either buy or sell to, thus reducing overall home sales in the City's economy. But, with prices restored to their pre-bubble levels, these households have been liberated from their negative equity positions, which should increase housing mobility and overall home sales activity throughout the City, with obvious positive fiscal implications.

Moreover, Philadelphia's housing recovery has been both faster-paced and of greater magnitude than its suburbs. As indicated by the current spread between the red line and green line, Philadelphia's housing values have appreciated faster than those of its suburbs, despite hitting bottom at exactly the same time in early 2012. While Philadelphia has since erased its aggregate losses in house values, its suburbs have only regained only about a third of its lost values since the recession.

Lastly, their positions are reversed since the last serious recession of the early 1990s. As indicated by the spread between the indices in the 1990-1995 period, suburban house prices held their value during that recession, while the City's house values dropped significantly. In addition to the depopulation that was occurring in the City at the time, the loss in house values was amplified by a fiscal crisis that was specific to the City, which saw the Commonwealth of Pennsylvania impose a fiscal oversight board to guide the City back to economic balance. The fact that the position of these indices are now reversed—with the City outperforming its suburbs—is strongly indicative of how much progress Philadelphia has made since those events.

Another positive indicator of the housing market's recovery is the current level of home sales. The following chart shows the annual number of single-family house sales in Philadelphia since 1980. Only arms-length home sales at market-rate prices are counted in the following chart.

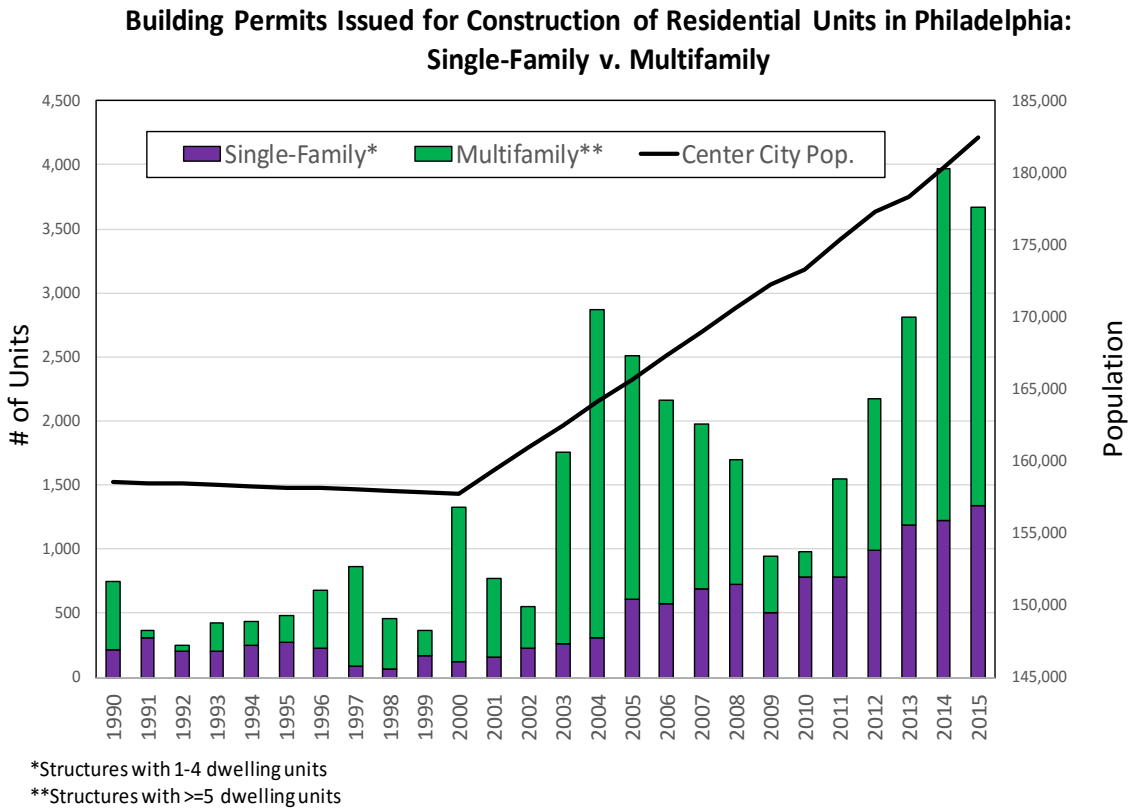
Number of Philadelphia House Sales Per Year: 1980-2015



Source: Philadelphia Recorder of Deeds

Like prices, home sales dropped significantly following the bursting of the housing bubble, and after hitting bottom in 2011 have only sluggishly recovered. However, in 2015, total home sales were just above 15,000 units in Philadelphia, which is back to its historic long-run annual average, and is at its highest level since 2008. As such, the current level of home sales activity further supports the conclusion that Philadelphia's housing market has fully recovered.

Homebuilding activity in Philadelphia has also made significant progress since hitting its recessionary low in 2009. The following chart shows the number of newly constructed units being added to Philadelphia's housing stock, as represented by the number of building permits issued for such units, from 1990 through 2015.



Source: U.S. Census

Because the overwhelming amount of current new construction is in and around the Center City (downtown) neighborhoods of Philadelphia, the above chart also shows total population growth in those same neighborhoods, as represented by the black line.

Prior to 2000, construction of new housing units in Philadelphia was low by both absolute and relative measures, averaging only 400 units per year, while population growth during this period was actually slightly negative. Following passage of a ten-year property tax abatement program[3] in 2000, construction began to grow steadily, hitting a peak of nearly 3,000 units in 2004. After declining to 947 units during the recession in 2009, construction activity has recovered steadily, and currently stands well above the boom years of the previous decade. In 2014, permits were issued to approve the construction of nearly 4,000 new housing units in Philadelphia—an all-time high. Although total permitting activity declined in 2015 from the previous year, total residential development activity still remains quite high, and appears justified by continued population growth. An easing in development activity could actually be taken as a positive sign, since it gives the market time to allow recently finished projects to be absorbed by the current population, rather than having the flow of supply (new units) exceed the flow in demand (new households).

[3]Under the tax abatement program, the value of any new improvements to real estate in Philadelphia is untaxed for the first ten years after the improvements are made. In the case of new construction, this is a substantial tax break to the owner because the entire structure represents an improvement. As such, the owner only pays real estate taxes on the value of the land for the first ten years after a new building is completed.

Going forward, Philadelphia's housing recovery would appear to be sustained by continued positive—albeit modest—population growth that has been driven by a combination of a positive birthrate, foreign immigration and domestic in-migration. But, since it is recognized that much of this growth (especially in revitalizing neighborhoods) has been due to an influx of millennials, it remains to be seen whether these gains can be sustained as this group ages and becomes more sensitive to Philadelphia's issues of high taxes, struggling schools and overall sluggish economic growth. However, reasons for optimism include the prospects of Generation Z, who could be attracted to Philadelphia's strong concentration of top-tier institutions of higher education, especially those that excel in the STEM fields.

The following summarizes the information under this "Housing" subheading:

- After significant price deflation that ended in 2012, Philadelphia's aggregate housing stock has since recovered all of its lost value.

- The post-recession house price recovery has been faster-paced and more substantial in the City of Philadelphia than in its suburban counterparts.

- Home sales have also recovered from their recessionary levels to be restored to their long-term historic average.

- Although construction of new housing units in 2015 declined for the first time since the housing recovery began, it still remains near an all-time high and appears rationalized by continued population growth.

- While the short-term outlook remains bullish, the longer-term outcome will be significantly influenced by how many millennial households choose to stay versus leave as they age, and how many of those who leave will be replaced by the younger members of Generation Z.

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Office Market and New Development

The City currently has approximately 44.8 million square feet of office space in the central business district ("CBD"), with an additional 2.1 million square feet under construction according to Jones Lang LaSalle's Q2 2016 Office Insights. Although total vacancy eased slightly in University City with the delivery of the new 49-story, 861,000 square foot FMC Tower at Cira South, Jones Lang LaSalle also reports that total vacancy in the City's other CBD submarkets remain tight at 9.4 percent. This low vacancy and the delay of delivery of other Class A office towers, have driven trophy rent in University City to surpass $50 per square foot and the conversion of Class B office space into Class A across the CBD. Properties undergoing redevelopment, especially those in the Market East submarket, are well positioned in current market conditions.

The latest average direct asking rental rates in the City's CBD rose to $29.75 per square foot in the second quarter of 2016. Markedly, the City's CBD enjoys rising rents with low overall total vacancy, the second lowest vacancy rate among peer CBDs across the nation, while its suburban counterparts have higher overall total vacancy and lower rents during the same period, at 14.2 percent and $25.46 per square foot.

Table 15 shows comparative overall second quarter 2016 office vacancy rates for selected office markets.

Table 15
Total Office Vacancy Rates of Selected Office Markets Central Business Districts
Second Quarter 2016

Market	Vacancy Rate
New York (Midtown South)	6.7%
Philadelphia	**9.4%**
Boston	9.6%
New York (Midtown)	10.3%
Washington DC	10.6%
Chicago	11.0%
New York (Downtown)	11.2%
United States CBD, All Markets	**12.1%**
Detroit	14.5%
Houston	14.5%
Los Angeles	16.4%
San Diego	16.4%
Baltimore	17.7%
Phoenix	21.4%
Cleveland	21.6%
San Antonio	24.1%

Source: Jones Lang LaSalle, National CBD Data, Second Quarter 2016

Most notably, Comcast Corporation broke ground in July 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) into 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. When completed in 2017, the tower will also serve as the new home to the Four Seasons Hotel, which will occupy the tower's top floors with 222 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.

Retail Market, Food and Dining

Based on strong employment, residential, and hospitality growth, Philadelphia continues to establish itself as a retail destination. The Center City District reports that more than $1 billion in retail demand for goods and services is now generated from the downtown core and its surrounding neighborhoods. According to CBRE's "Surging Demand for Urban Retail," Center City's prime retail rents grew second fastest of ten major U.S. cities, rising 87.5 percent from Q1 2008 to Q4 2014. The Center City District also reports that pedestrian volumes along West Chestnut now match and surpass pedestrian volumes along West Walnut, the City's traditional "high street." In January 2015, Philadelphia was named the second of 24 "Best Shopping Cities in the World," by Condé Nast Traveler Magazine, behind Barcelona.

While Center City's prime retail district has been centered west of Broad Street near Rittenhouse since the 1980s, both local boutiques seeking lower rents and national tenants looking for larger footprints, are looking east of Broad Street. A number of key developments in the East Market submarket are creating opportunities for retailers to expand.

Most notably, the planned redevelopment of The Gallery at Market East, a 430,000 square foot, 130-store retail mall complex at 907 Market Street, continues to forge ahead. In April 2013, Pennsylvania Real Estate Investment Trust ("PREIT") acquired single entity ownership of The Gallery at Market East. In July 2014, the Macerich Company, which owns 55 shopping centers across the nation, acquired a 50 percent interest in The Gallery. In December 2015, Macerich and PREIT closed on their agreement for the $325 million redevelopment of the shopping center. Interior demolition of The Gallery at Market East began in 2016 with an estimated completion date of Q4 2018.

Recent improvements along East Market Street also include the 2014 opening of New York-based department store Century 21, the chain's first store outside of New York City, in a 95,000 square foot space that was previously vacant. Also, in March 2014, NREA Development Services announced a mixed-use redevelopment project, called East Market, also located on East Market Street between 11th and 12th Streets. Once completed in 2016, the project will include 325 apartments, and up to 122,000 square feet of retail space. In September 2015, East Market secured its first corporate tenant, the Design Center, a well-known group of interior designers and showrooms, taking 48,000 square feet. The Design Center is currently located in Center City and will be moving from 2400 Market Street. Another future tenant of East Market is Mom's Organics, a Maryland-based grocery chain. Just one block south of Market Street, as of July 2016, Brickstone Co. has completed construction of a mixed-use redevelopment project on the 1100 block of Chestnut Street. The project is a mix of new construction and historic preservation and includes up to 115 apartments and 90,000 square feet of retail space. Tenants include Target Express, one of two Center City locations that opened in 2016.

Complementing the rise of retail in Philadelphia, the City has experienced a revival of restaurant establishments, especially in Center City and in the Greater Center City area, indicating an improved quality of life and vibrancy of those neighborhoods. The Center City District's investment in 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 Center City. In 1995, no sidewalk cafes existed in Center City. By 2015, the same area had 412 sidewalk cafes. Additionally, from 1992 to 2010, the number of fine dining establishments within the Center City District increased 322 percent. 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.

Preliminary data from the Bureau of Labor Statistics show that about 50,000 people were employed in retail trades in Philadelphia in 2015, a slight decrease from 50,115 in 2014. Employment in retail trades grew 0.5 percent annually from 2005 to 2015. Preliminary data reports that food service and drinking establishments employed about 48,800 people in 2015, representing an average annual growth of

2.4 percent since 2005. The number of private retail establishments and private food services and drinking establishments has recovered from pre-recession levels; the number of retail trade establishments grew six percent between 2007 and 2015, and the number of food services and drinking places grew by nine percent in the same time period, according to the Bureau of Labor Statistics' Quarterly Census of Employment Wages.

Table 16 reflects taxable retail sales for the City from Fiscal Years 2007 to 2013.

Table 16
Taxable Retail Sales 2007-2013
(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.

Airport System

The Airport System serves residents and visitors from a broad geographic area that includes eleven counties within four states: Pennsylvania, New Jersey, Delaware and Maryland. The Airport System consists of the following:

Philadelphia International Airport ("PHL"). PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0 percent or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked the nineteenth busiest airport in the United States, serving 30.7 million passengers in calendar year 2014 (i.e. total passengers enplaned and deplaned), and was ranked the twelfth busiest in the nation based on aircraft operations. PHL consists of approximately 2,410 acres located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles from Center City Philadelphia. PHL's runway system consists of parallel Runways 9L-27R and 9R-27L, crosswind Runway 17-35, commuter Runway 8-26, and interconnecting taxiways.

PHL terminal facilities include approximately 3.3 million square feet, consisting of seven terminal units (A-West, A-East, B, C, D, E and F). The terminal facilities principally include ticketing areas, passenger holdrooms, baggage claim areas and approximately 170 food, retail and service establishments. There are certain other buildings and areas located at PHL, consisting of six active cargo facilities, an American Airlines aircraft maintenance hangar, and a former United States Postal Service building located at the western end of PHL. On July 2, 2015, PHL purchased an adjacent property to PHL known as International Plaza, which has two fully leased buildings with approximately 500,000 square feet of rentable space on a 27-acre tract of land. This property was acquired for future PHL expansion.

The outside terminal area consists of a 15-story, 419-room hotel (414 rooms and 5 suites), seven rental car facilities, a 150-vehicle cell-phone lot and two employee parking lots with a total of 4,200

spaces. This area also includes five parking garages and surface lots consisting of a total of 18,940 vehicle spaces, operated by the Philadelphia Parking Authority.

Northeast Philadelphia Airport ("PNE"). PNE is located on approximately 1,126 acres situated within the City limits, ten miles northeast of Center City Philadelphia. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service. There are presently 85 T-hangars, nine corporate hangars, and six open hangars for general aviation activities. There are approximately 175 general aviation aircraft based at PNE.

Airport Capital Projects. Since 2000, PHL has constructed more than $1.7 billion of capital improvements, including construction of new terminals, expansion and renovation of existing terminals, and an extension of runways (17-35 and 9L/27R) and taxiways (TW K) . PHL continues to upgrade its existing facilities under its Capital Improvement Program ("CIP"), which focuses primarily on repair and rehabilitation of PHL facilities. Recently, PHL embarked on the Capacity Enhancement Program ("CEP"), which is PHL's long range plan to improving efficiency, modernizing airport facilities and providing additional capacity for future growth. The CEP will enable PHL to enhance the Greater Philadelphia region's position by providing more efficient access and increased competitive stature.

In September 2011, the Federal Aviation Administration issued a Letter of Intent to contribute $466.5 million toward the CEP over the life of the program. In addition to federal funds, the CEP will be financed by Airport Revenue Bonds and a variety of other funding sources, such as user fees and additional grants. PHL is evaluating the complex projects that are part of the CEP and is in discussions with the airlines and other key stakeholders regarding the phasing and timing of the projects.

New Use and Lease Agreement. Effective July 1, 2015, PHL and American Airlines, Inc. ("American Airlines"), which operates a majority of the flights to and from PHL, executed a new Airport-Airline Use and Lease Agreement (the "New Airline Agreement"). Certain other airlines are expected to execute the New Airline Agreement, which will have the same effective date of July 1, 2015 (American Airlines and such other airlines, the "Signatory Airlines"). The New Airline Agreement has a term of five years with two one-year extensions upon mutual agreement. The financial structure of the New Airline Agreement is relatively the same as the previous agreement and provides for a residual rate-making structure for the recovery of rentals and fees from the airlines. In a residual rate-making structure, PHL sets rates and charges to recover the net budgeted operating cost or requirement after crediting all budgeted revenues from sources other than airlines. At the end of each Fiscal Year, the actual net operating requirement is calculated and compared with the actual airline revenues. Any surplus or deficit resulting from this comparison is included in the net operating cost or requirement for the following year. The New Airline Agreement also requires that the Signatory Airlines approve any new capital projects over $500,000, in excess of an aggregate annual total of $5,000,000. Concurrent with the New Airline Agreement, the Signatory Airlines approved $173.25 million in new capital projects. These new capital projects will provide for the repair and rehabilitation of PHL infrastructure to enhance and improve the existing facility.

PHL will continue to study, plan, and modularly execute the mission to ensure its full potential benefit to PHL and its stakeholders. Table 17 provides the total project amounts approved since 2007.

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Table 17
Ongoing Capital Projects Approved since 2007

Capital Projects	Current Project Amount (millions $)
Capacity Enhancement Program (CEP)[1]	$1,125.90
2007-2015 Capital Improvement Program (CIP)[2]	$309.92
2016 Capital Improvement Program (CIP)[3]	$173.25

Source: City of Philadelphia, Division of Aviation.

1. Includes redevelopment of existing terminals; relocations of on-airport and off-airport facilities; environmental commitment start-up; Runway 9R-27L (future 9C-27C) extension and associated eastside taxiway work; stage 1 airfield site work and fuel line work; automated people mover (design); and ground transportation center.
2. Includes repair, rehabilitation and upgrade programs for roofs, restrooms, windows, passenger loading bridges, mechanical and electrical systems, and security and access control systems; airfield civil improvements; and landside infrastructure improvements.
3. Includes airfield repavement, emergency operations center, repair, rehabilitation and upgrade programs for curb doors, roofs, loading bridges, air handling units, HVAC and fire protection systems; emergency operations center; and LED conversion program.

PHL Passenger Traffic and Cargo. Beginning in the early part of Fiscal Year 2000, PHL began serving significantly more passengers. From Fiscal Year 2000-2015, the total number of passengers traveling through PHL increased 27.1%. Passenger traffic for PHL for Fiscal Years 2006-2015 is summarized in Tables 18 and 19 below. Table 20 summarizes cargo transported through PHL, segmented into mail and freight, from Fiscal Years 2006-2015.

Table 18
PHL Enplanements and Deplanements
Fiscal Years 2006-2015

Fiscal Year	Deplaned	Enplaned	Total	Percent Change over Prior Year
2006	15,766,462	15,574,997	31,341,459	0.9%
2007	16,033,642	15,851,691	31,885,333	1.7%
2008	16,234,062	16,052,973	32,287,035	1.3%
2009	15,497,428	15,362,743	30,860,171	-4.4%
2010	15,276,158	15,193,741	30,469,899	-1.3%
2011	15,613,887	15,611,583	31,225,470	2.5%
2012	15,268,024	15,344,126	30,612,150	-2.0%
2013	15,143,020	15,215,885	30,358,905	-0.8%
2014	15,223,377	15,316,053	30,539,430	0.6%
2015	15,289,247	15,312,738	30,601,985	0.2%

Source: City of Philadelphia, Division of Aviation.

Table 19
PHL Domestic and International Passenger Traffic
Fiscal Years 2006-2015

Fiscal Year	Domestic	International	Total	Percent Change over Prior Year
2006	27,327,488	4,013,971	31,341,459	0.9%
2007	27,912,154	3,973,179	31,885,333	1.7%
2008	28,135,663	4,151,372	32,287,035	1.3%
2009	26,870,636	3,989,535	30,860,171	-4.4%
2010	26,339,648	4,130,251	30,469,899	-1.3%
2011	26,852,566	4,372,904	31,225,470	2.5%
2012	26,218,341	4,393,809	30,612,150	-2.0%
2013	25,985,009	4,373,896	30,358,905	-0.8%
2014	26,055,259	4,484,171	30,539,430	0.6%
2015	26,088,976	4,513,009	30,601,985	0.2%

Source: City of Philadelphia, Division of Aviation.

Table 20
PHL Cargo Tonnage
Fiscal Years 2006-2015

Fiscal Year	Air Mail Tons (US)	Air Freight Tons (US)	Total	Percent Change over Prior Year
2006	22,408	591,815	614,223	-1.6%
2007	18,131	571,452	589,583	-4.0%
2008	22,181	575,640	597,821	1.4%
2009	24,692	475,365	500,057	-16.4%
2010	20,544	440,495	461,039	-7.8%
2011	23,937	449,683	473,620	2.7%
2012	27,151	416,731	443,882	-6.3%
2013	28,285	388,383	416,668	-6.1%
2014	29,545	395,661	425,206	2.0%
2015	26,681	402,194	428,875	0.9%

Source: City of Philadelphia, Division of Aviation.

Southeastern Pennsylvania Transportation Authority (SEPTA)

SEPTA was established in 1964 for the purpose of planning, acquiring, holding, constructing, improving, maintaining, and operating a comprehensive public transportation system within the City and the local counties, which include Bucks, Chester, Delaware, and Montgomery. SEPTA operates facilities across this five-county area encompassing approximately 2,200 square miles and serving approximately 4.0 million inhabitants. SEPTA operates service 24 hours a day, seven days a week, 365 days a year. SEPTA's Fiscal Year 2016 operating budget totals $1.365 billion. This is supported by $829 million in federal, state, and local subsidies, as well as $535 million of operating revenue. As noted in Table 21 below, a significant segment of the region relies on SEPTA for public transportation and annual SEPTA ridership totaled more than 330 million in Fiscal Year 2015.

SEPTA's operations are accounted for in three separate divisions, the percentages following each division representing its approximate share of SEPTA's expense budget: City Transit (67%); Regional Rail Division (23%); and Suburban (10%). The City Transit Division serves the City with a network of 84 subway-elevated, light rail, trackless trolley and bus routes, providing approximately 902,000 unlinked passengers trips per weekday. The Regional Rail Division serves the City and the local counties with a network of 13 commuter rail lines providing approximately 123,000 passenger trips per weekday. The Suburban Division, which includes the Norristown High Speed Line, serves the western and northern suburbs of the City through a series of 46 interurban trolley, streetcar and bus routes providing approximately 67,000 unlinked passenger trips per weekday.

SEPTA ridership has generally trended upward over the last decade with exceptions in Fiscal Years 2010, 2013, 2014, and 2015 (see Table 21). In Fiscal Year 2010, transit service was shut down for six days as the result of a Transport Worker's Union work stoppage causing a decline in ridership for the year. In Fiscal Year 2013, Hurricane Sandy caused service stoppages that accounted for the decrease of approximately 2 million rides over the previous year. Finally, in Fiscal Years 2014 and 2015, SEPTA suspended some of its services throughout the winter as a result of severely inclement weather. Demand for public transportation has steadily increased over the past decade in the City, and in Fiscal Year 2012, SEPTA experienced its highest ridership in 25 years and in Fiscal Year 2015, SEPTA experienced its highest ridership ever for regional rail.

Table 21
Annual SEPTA Ridership by Division

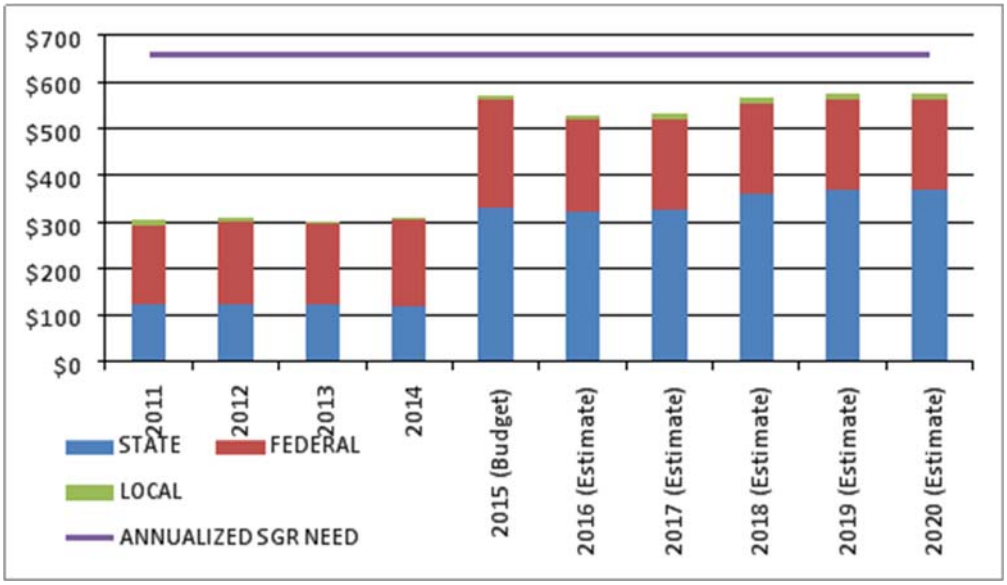
Fiscal Year	City Transit	Regional Rail	Suburban	Total
2006	247,957,108	30,433,631	18,196,551	296,587,290
2007	256,120,000	31,712,000	19,356,000	307,188,000
2008	269,556,000	35,450,000	20,112,000	325,118,000
2009	273,890,000	35,443,000	20,248,000	329,581,000
2010	266,296,000	34,955,000	19,733,000	320,984,000
2011	277,877,000	35,387,000	20,702,000	333,966,000
2012	282,239,000	35,255,000	21,794,000	339,288,000
2013	279,296,000	36,023,000	21,995,000	337,314,000
2014	271,818,000	36,657,000	21,680,000	330,155,000
2015	270,737,000	37,413,000	21,969,000	330,119,000

Source: SEPTA.

Beginning in Fiscal Year 2015, SEPTA's annual capital budget and 12-year capital program have increased significantly. The Fiscal Year 2016 capital budget is $534.5 million, representing an 74 percent increase over the Fiscal Year 2014 budget of $308 million. The Fiscal Year 2016-2027 capital program also increased significantly to $6.8 billion from $3.7 billion in the Fiscal Year 2014-2025 capital program. These increases are largely the result of the passage of Pennsylvania Act 89 in 2013 ("Act 89"), a state transportation funding bill. Table 22 below shows the increase in capital program funding over the previous year, beginning in Fiscal Year 2015.

SEPTA's increased capital budget will enable it to address a variety of needs. First, SEPTA will address its State of Good Repair ("SGR") backlog, which has grown as a result of funding shortfalls in previous years. In addition to renovating and upgrading substations, bridges, stations, and aging rail vehicles, SEPTA will also focus on expanding its capacity to serve a growing ridership and enhance accessibility to public transportation. Other projects and expenses supported by the capital program include the New Payment Technology project, expansion of the fleet of hybrid busses, installation of federally-mandated Positive Train Control signal technology, vehicle overhauls, capital leases, and debt service.

Table 22
Capital Program Spending and Budget, 2011-2020



Source: SEPTA.

Recent Ridership Trends. For the first quarter of Fiscal Year 2017, SEPTA has reported an overall ridership increase of 4.5%, when compared to the same period for Fiscal Year 2016. However, SEPTA Regional Rail has been impacted by a rail car shortage, resulting from a defect discovered on new rail cars causing 120 cars to be pulled from service. Such shortage has resulted in an approximately 9.1% decline in Regional Rail trips and an overall passenger revenue decrease of 2.3% when compared to the same period for Fiscal Year 2016.

Port of Philadelphia

The Port of Philadelphia (the "Port") is located on the Delaware River within the City limits. Philadelphia's Port facilities are serviced by three Class I railroads (Canadian Pacific 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 Interstate 95 and Interstate 76. Over 1,600 local general freight trucking companies operate in the MSA, according to Hoover's Inc.

The Philadelphia Regional Port Authority (the "PRPA") reported approximately 6,092,787 metric tons of cargo moved through the Port in 2015, the first time the Port handled more than 6 million tons of cargo in a single calendar year, representing a 2.3 percent increase over 2014. The Port 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 imports. In December 2015, the PRPA secured a new shipping service that will link directly with burgeoning port operations on the Gulf of Mexico at Veracruz and Altamira. This service will target commodities including goods such as avocados, lemons, tomatoes and commercial cargo.

The PRPA is working to increase the Port's competitiveness by increasing capacity with three major capital projects: a channel deepening project and the construction of additional port facilities. The deepening of the main navigation channel of the Delaware River from 40 to 45 feet is on schedule to be completed in early 2017. 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. In fall 2015, the Port announced it is pursuing public-private partnerships to develop the Southport terminal, releasing a Request for Qualifications to develop the site. The first component of the terminal project is projected to begin operating in 2018.

In July 2016, the PRPA announced a public-private partnership with Holt Logistics Corp. and Greenwich Terminals, LLC, for the purchase of two new Super Post-Panamax container cranes for installation at the Packer Avenue Marine Terminal. With the expansion of the Panama Canal and an expected increase of volume for ports along the East Coast, the cranes will allow the PRPA to service vessels 22 or more containers wide. These container cranes are expected to be delivered and fully operational by late 2017.

ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION

City of Philadelphia Economic Development Mission and Goals

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.

Economic Development Infrastructure

The Director of Commerce manages and collaborates with 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, each discussed below. Furthermore, the City provides additional programs to businesses and individuals as incentives 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.

The Philadelphia Department of Commerce oversees and implements policies to help both small businesses and major corporations in Philadelphia thrive. The Department of Commerce 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 the Philadelphia Industrial Development Corporation ("PIDC"), a non-profit economic development corporation founded by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce, maintaining a relationship that is fully coordinated on business attraction and retention activities and development issues. In partnership with the Department of Commerce, PIDC plans and implements real estate and financing transactions that attract investment, jobs and tax ratables to the City.

The City has also actively worked to raise its profile in the international business community. In October 2015, Philadelphia received the designation of the first World Heritage City in the United States by the Organization of World Heritage Cities. In summer 2015, the City entered into a "sister city" agreement with Frankfurt, Germany, considered the largest financial center in continental Europe. This agreement is Philadelphia's first sister city since 1992. In September 2016, a delegation of City officials and business leaders participated in a trade mission to Frankfurt and Berlin, further enhancing Philadelphia's relationship to Germany. In fall 2014 and 2015, Philadelphia hosted delegations of Israeli high-tech companies following a 2013 Israeli trade mission. Additionally, by participating in the Global Cities Initiative with multiple private stakeholders, the City of Philadelphia is supporting the development of a metro export growth plan, which launched in spring 2016.

Lending, Land Use and Employer-Based Strategies to Expand Business and Investment. PIDC partners with the City to spur investments. PIDC serves as the landholding entity for the City and acquires and improves commercial and industrial properties, positioning them for industrial redevelopment.

PIDC attracts, manages, and invests public and private resources that are used to leverage even greater investments into Philadelphia. Since its founding in 1958, PIDC has settled over 6,700 transactions with a diverse range of clients – including $14 billion of financing and more than 3,100 acres of land sales – which have leveraged over $25 billion in total investment and have assisted in retaining and creating hundreds of thousands of jobs in Philadelphia.

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 in which eligible businesses may be exempt from all Commonwealth and local business taxes until a specified date; (iii) Commonwealth-designated Keystone Innovation Zones 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 Improvement Districts and reimbursement for certain storefront and interior retail improvements.

Additionally, the City 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 as well as through contracts to support Commercial Corridor Managers on select commercial corridors located in

low to moderate income areas. With the growth of Philadelphia's immigrant population, the City has implemented multilingual business outreach programming.

Land Use and Planning. The Philadelphia City Planning 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.

The Philadelphia Redevelopment Authority (the "PRA") is the public government agency charged with the redevelopment of the City's neighborhoods, and residential housing development in particular. 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.

A new institutional partner in land use is the newly established Philadelphia Land Bank (the "PLB"). The aim of the PLB is to consolidate many of the land acquisition and disposition processes of the City under one umbrella, making it easier for private individuals and organizations to acquire properties that otherwise contribute to neighborhood disinvestment and turn them into assets for the community in which they are located.

The PLB can: (i) consolidate properties owned by multiple public agencies into single ownership to speed property transfers to new, private owners; (ii) acquire tax-delinquent properties through purchase or by bidding the City's lien interests at a tax foreclosure; (iii) with consent of the City, clear the title to those properties so that new owners are not burdened by old liens; and (iv) assist in the assemblage and disposition of land for community, non-profit, and for-profit uses.

On October 30, 2014, the PLB approved its first proposed strategic plan (the "Strategic Plan"), which identifies market conditions across the City, identifies inventory of vacant and tax delinquent properties that the PLB could take in, and sets goals to guide PLB activity. Such goals include priority acquisition areas and annual targets against which to measure progress. On December 11, 2014, City Council approved the Strategic Plan. In December 2014, the Mayor and City Council appointed their respective members to the PLB's permanent board of directors, replacing the interim board that was named in the authorizing ordinance. This board of directors convened for the first time in late January 2015, appointed the final member of the board, and elected officers.

On December 9, 2015, then-Mayor Nutter announced the transfer of 150 properties into the PLB's inventory from the Philadelphia Housing Development Corporation ("PHDC"). Such properties are the first properties in the PLB's inventory. Approximately 550 PHDC properties were transferred to the PLB at the end of December 2015. On December 10, 2015, City Council adopted resolutions authorizing the transfer of 833 vacant, City-owned properties to the PLB.

As of the end of June 2016, approximately 1,100 properties have been transferred into the PLB's inventory from PHDC, the City, and PRA. Once in the PLB's inventory, the properties are expected to be packaged and marketed for repurposing with no outstanding tax liability for the purchaser. For more information on the PLB, see APPENDIX A – "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Mayoral-Appointed or Nominated Agencies* – Philadelphia Land Bank."

Housing Development. The Office of Housing and Community Development (the "OHCD") manages planning, policy and investment in low-income housing through several assistance programs. Most significantly, the 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. 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 (the "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.

Over 93% of PHA's annual budget is funded directly or indirectly by the U.S. Department of Housing and Urban Development, and most of the balance of PHA's budget is derived from resident rent payments. Neither PHA's funds nor its assets are available to pay City expenses, debts or other obligations, and the City has no power to tax PHA or its property. Neither the City's funds nor its assets are subject to claims for the expenses, debts, or other obligations of PHA. For more information on PHA, see APPENDIX A – "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Mayoral-Appointed or Nominated Agencies* – Philadelphia Housing Authority."

Historic Preservation and Public Art. 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, and approves the design of all construction projects located on City property or funded with City money. 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.

Key Development Achievements

Over the last two decades the efforts of Philadelphia's economic development agencies and others have spurred significant economic changes throughout the City. In particular, a number of geographic areas have experienced concentrated developments: Philadelphia's Historic District, Avenue of the Arts, North Broad Street, and the Benjamin Franklin Parkway. Many of these developments, such as a significant increase to Philadelphia's hotel room inventory in Center City Philadelphia and expansion of the Pennsylvania Convention Center, are key to the growth of Philadelphia's leisure and hospitality sector.

Notable Districts. Several key areas within the City have been instrumental in the economic development of Philadelphia over the past twenty-five years and the population growth since 2000. Much of the real estate development referenced throughout this APPENDIX B has occurred in these districts.

- **Center City** – a district that has seen a resurgence over the last two and a half decades, Center City is Philadelphia's central business and office region within the City. Center City is the strongest employment center in the City. 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 the Center City District, one of the City's business improvement districts, 290,664 riders took public transportation into Center City on the average weekday in 2015. 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. In 2013, 42.3 percent of all jobs in Philadelphia were

located in Greater Center City and Center City together, and accounted for 184,998 residents in 2015, a 17% increase from 2000.

- **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 approximately 11 percent of the City's employment in 2015. 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 1,200-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 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 12,000 employees in January 2016, making the Navy Yard a growing employment area with close to 2 percent of the City's jobs.

As of June 2016, Philadelphia had 48 major projects under construction concurrently, representing over $7.3 billion in combined public and private investment. Most significantly, in summer 2014, Comcast Corporation broke ground on a 59-story, $1.2 billion office tower adjacent to its headquarters building in Center City. Residential and mixed use developments represent $3.2 billion in investment across 32 projects are under construction across various neighborhoods throughout the City. Commercial developments, represent over $1.9 billion invested across 11 projects, the majority of which are concentrated in Center City and the Navy Yard. Projects from higher education and health care institutions in the University City district represent over $1.9 billion in investment. Table 23 reflects select major real estate developments under construction as of June 2016. From 2013 through the second quarter of 2016, 84 projects representing more than a $4.3 billion investment were completed.

Table 23
Selected Major Development Investments Under Construction
(As of June 2016)

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
Center City		**$4,114.0**	
The Griffin - 1346 Chestnut Street	Residential	-	Q3 2016
1919 Market Street	Mixed Use	148.0	Q3 2016
1116-28 Chestnut	Mixed Use	75.0	Q3 2016
Rodin Square, Whole Foods	Mixed Use	160.0	Q3 2016
1601 Vine Street	Residential	120.0	Q4 2016
American Revolution Center	Arts & Culture	101.0	Q4 2016
Mormon Temple	Religious	70.0	Q4 2016
The Sterling - Redevelopment	Residential	75.0	Q1 2017
205 Race Street	Residential	65.0	Q1 2017
500 Walnut	Residential	174.0	Q1 2017
National Building	Residential	23.0	Q1 2017
East Market (formerly Girard Square)	Mixed Use	250.0	Q2 2017
218 Arch	Mixed Use	58.0	Q2 2017
One Riverside	Residential	90.0	Q3 2017

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
View 32 - 3201 Race Street	Residential	55.0	Q3 2017
1213 Walnut	Residential	125.0	Q3 2017
Comcast Innovation and Technology Center	Commercial/Hotel	1,200.0	Q4 2017
Eastern Tower Community Center	Mixed Use	76.0	2017
Park Towne Place - Redevelopment	Residential	200.0	Q1 2018
401 Race	Residential	-	Q2 2018
W Hotel/Element	Hotel	359.0	Q2 2018
The Gallery	Commercial	100.0	Q4 2018
1900 Chestnut	Mixed Use	-	2018
1911 Walnut	Mixed Use	300.0	2018
Hanover North Broad	Mixed Use	50.0	2018
SLS Hotel and Residences	Residential and Hotel	240.0	Q1 2019
Navy Yard		**$184.2**	
4701 League Island Blvd	Commercial	34.5	Q3 2016
1200 Intrepid	Commercial	47.7	Q3 2016
Adaptimmune	Commercial	23.5	Q4 2016
Axalta R & D Facility	Commercial	67.5	Q4 2017
Pavilion	Commercial	11.0	Q4 2018
Other Neighborhoods		**$472.0**	
Broad Street Armory	Residential	-	Q3 2016
One Water Street	Residential	65.0	Q3 2016
Philadelphia Mills	Commercial	34.0	Q4 2016
Divine Lorraine	Residential	43.0	Q1 2017
Ridge Flats	Mixed Use	-	Q1 2018
Lincoln Square	Mixed Use	130.0	Q1 2018
1222 N 2nd Street	Residential	-	2018
1300 Fairmount	Mixed Use	200.0	2018
University City		**$2,588.0**	
New College House at Hill Field	University Residential	127.0	Q3 2016
FMC Tower at Cira Centre South	Mixed Use	385.0	Q3 2016
The Study at University City	Hotel	50.0	Q3 2016
University of Pennsylvania Pennovation Works	Commercial	26.0	Q4 2016
CHOP Schuylkill Ave Expansion	Health Care	250.0	Q2 2017
4601 Market - Public Safety Services Campus	Public	250.0	Q2 2018
4224 Baltimore Avenue	Mixed Use	-	Q2 2018
Penn Health Tower	Health Care	1,500.0	2018
3675 Market	Mixed Use	-	2018
Total		**$7,358.2**	

Source: Philadelphia Department of Commerce

Navy Yard. The Navy Yard is a 1,200 acre mixed-use office, research and industrial park with over 12,000 people working on site across 152 companies. The Navy Yard has diverse tenants such as the Philly Shipyard, one of the world's most advanced commercial shipbuilding facilities, the corporate headquarters for retailer Urban Outfitters, a 208,000 square foot, LEED Platinum office building for pharmaceutical company GlaxoSmithKline, and a LEED Silver facility for the Tasty Baking Company. More than 7.5 million square feet of space is currently occupied or in development with significant additional capacity available for office, industrial, retail and residential development.

PIDC and its partners released an updated Navy Yard master plan in 2013, detailing a 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 30,000 employees and over $3 billion in private investment. Currently, PIDC is negotiating changes to deed restrictions with the U.S. Navy to allow the construction of housing at Philadelphia's Navy Yard.

The Navy Yard attracted 22 new tenants in 2013, 10 new tenants in 2014, and 12 new businesses and over 500 employees in 2015, bringing the Navy Yard closer to its strategic targets. Recently completed construction projects include: 201 Rouse Blvd, an 80,050 square foot headquarters for Franklin Square Capital Partners, an investment firm; 4701 League Island Blvd, the third facility on campus for WuXi AppTec, a leading pharmaceutical and biotechnology company; and Central Green, a new five-acre, $9.4 million park. Most recently, in October, 2015, UK-based life sciences company, Adaptimmune, announced it will locate its U.S. headquarters and Clinical and Manufacturing Operations at the Navy Yard. This was in addition to the City's announcement in September 2015 that Axalta Coating Systems, an advanced coatings manufacturer, will also develop a 175,000 square foot Global Innovation Center at the Navy Yard. Since 2000, the Navy Yard has leveraged more than $150 million in publicly funded infrastructure improvements to spur more than $750 million in new private investment.

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 based on property taxes from commercial and multi-family properties within the district. 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 and 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 BIDs in the City and have played a pivotal role in the resurgence of their service areas.

The Center City District was founded in 1990. 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 36.9 percent of the population, Center City has more than twice the national average of residents ages 25-34, according to the 2013 five-year American Community Survey estimates. In 2013, 76.2 percent of Center City residents 25 and older had a bachelor degree or higher, compared to the national average of 28.8 percent. From 2010 to 2013, household income in Center City increased by 14.7 percent from $56,121 to $64,383.

The University City District, founded in 1997, is Philadelphia's second largest BID by area, population, and employment. According to the University City District, there are approximately 75,000 jobs in the 2.2 square mile area, 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 also works with City agencies in planning and implementing improvements for public spaces and transportation infrastructure.

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 improves the tourist experience as well as quality of life for Philadelphia residents. In January 2015, the *New York Times* ranked Philadelphia third on its listing of "52 Best Places to Visit in 2015," the top listing for a location in the United States.

With Philadelphia's historic assets, the City has natural appeal as a tourist destination. The City continues to invest and work to increase 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 Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. In May 2014, SMG implemented new work rules through a customer service agreement signed by the Convention Center and four of six unions. The Convention Center continues to operate with no plans to replace the two unions that did not sign the agreement. In February 2016, the Convention Center announced that 2015 was its highest booking year ever with 856,663 bookings, a 1.2 percent increase from 2014, representing an estimated $1.1 billion in future economic impact.

Over 4.2 million hotel room nights were sold in Philadelphia in 2015, a 1 percent increase over 2014, resulting in over $716 million in room sales. Contributing to these sales, the Philadelphia Convention and Visitors Bureau (the "PHLCVB") attracted more than two million visitors, filling 558,000 hotel room nights. The total Convention and Group segment of travelers, which includes smaller conferences and meetings not held in the Convention Center, purchased 33.1 percent of all hotel rooms booked in Center City in 2015. With increased convention and group bookings comes a heightened profile and increases in leisure tourism due in part to the City's hosting of high profile, global events such as the 2015 World Meeting of Families, culminating in a papal visit from Pope Francis, the 2016 Democratic National Convention, and the 2017 National Football League Draft.

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 percent occupancy. In 2015, the City's hotel room inventory was 11,119 rooms, with occupancy at 75.0 percent. Several hotel projects are currently under development, which will increase hotel room inventory by more than 1,300 rooms. In October 2013, City Council approved a tax increment financing assistance package for the development of a 755-room hotel, home to both the W and Element brands, which will serve as an anchor to the Convention Center. Additionally, in February 2014, the City 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; however, the project is currently stalled. The Logan Hotel, a luxury brand of Hilton, opened in 2015, redeveloping the building vacated by the Four Seasons Hotel; the 222-room Four Seasons Hotel will reopen in 2017 on the top 12 floors of the Comcast Innovation and Technology Center. Currently in planning are the SLS Lux, a 152 room hotel and residential tower, and the SLS Hyde, a 76-room boutique hotel, both located on South Broad Street.

Table 24 lists notable hotel developments since 2008, representing over $1 billion in investment.

Table 24
Notable Hotel Developments since 2008, in Millions

Project Name	Cost (millions)
Four Points by Sheraton	$14.00
Le Meridien	61.00
Kimpton Hotel Palomar	94.00
Homewood Suites University City	43.00
Marriott Courtyard, Navy Yard	31.00
Hotel Monaco, by Kimpton	88.00
Hilton Home2 Suites	60.00
Residence Inn by Marriott, Airport	26.00
The Logan Hotel (2015)	-
101 N. Broad Street Hotel (Opening 2016)	-
The Study at University City (2016)	50.00
Four Seasons Hotel in Comcast Tower (Opening 2017)	-
SLS Hotel and Residences (2017)	220.00
Aloft by Starwood (2017)	-
W Hotel/Element Hotel (Opening 2018)	280.40
1801 Vine Street	85.00
Total	**$1,052.40**

Source: City of Philadelphia Commerce Department and PIDC

Despite a drop during the national recession beginning in 2008, Philadelphia's employment in the leisure and hospitality sector had recovered by 2011, with 60,684 employed in the sector, and far exceeded pre-recession levels in 2015 with over 68,100 employed. The Bureau of Labor Statistics reports that employment in this sector grew 17.4 percent from 2006 to 2015, as illustrated in Table 4.

Beyond working to increase convention business, the City and its regional partners work to increase the number of leisure travelers as well. According to a 2014 report by Visit Philadelphia, the region's leisure tourism and marketing corporation, since 1997, the number of overnight leisure hotel stays has grown 90 percent. This can be attributed to a number of factors, notably, an increased supply of hotel rooms and marketing of the region. The City, through Visit Philadelphia, supports domestic marketing efforts.

The City supports international marketing efforts through the PHLCVB. The U.S. Office of Travel and Tourism Industries reported that international visitors to Philadelphia in 2014 numbered more than 620,000, a decrease of 8 percent over 2013. Table 25 shows the Greater Philadelphia Region's visitation growth from 1997 to 2014.

Table 25
Greater Philadelphia† Visitation Growth, 1997-2014
(in millions)

	1997	2014	Net Change	Percent Growth
Total Visitation	26.7	39.7	13.0	49%
Day - Leisure	15.5	21.0	5.5	35%
Overnight - Leisure	7.3	13.9	6.6	90%
Day - Business	2.5	2.6	0.1	4%
Overnight - Business	1.4	2.2	0.8	57%

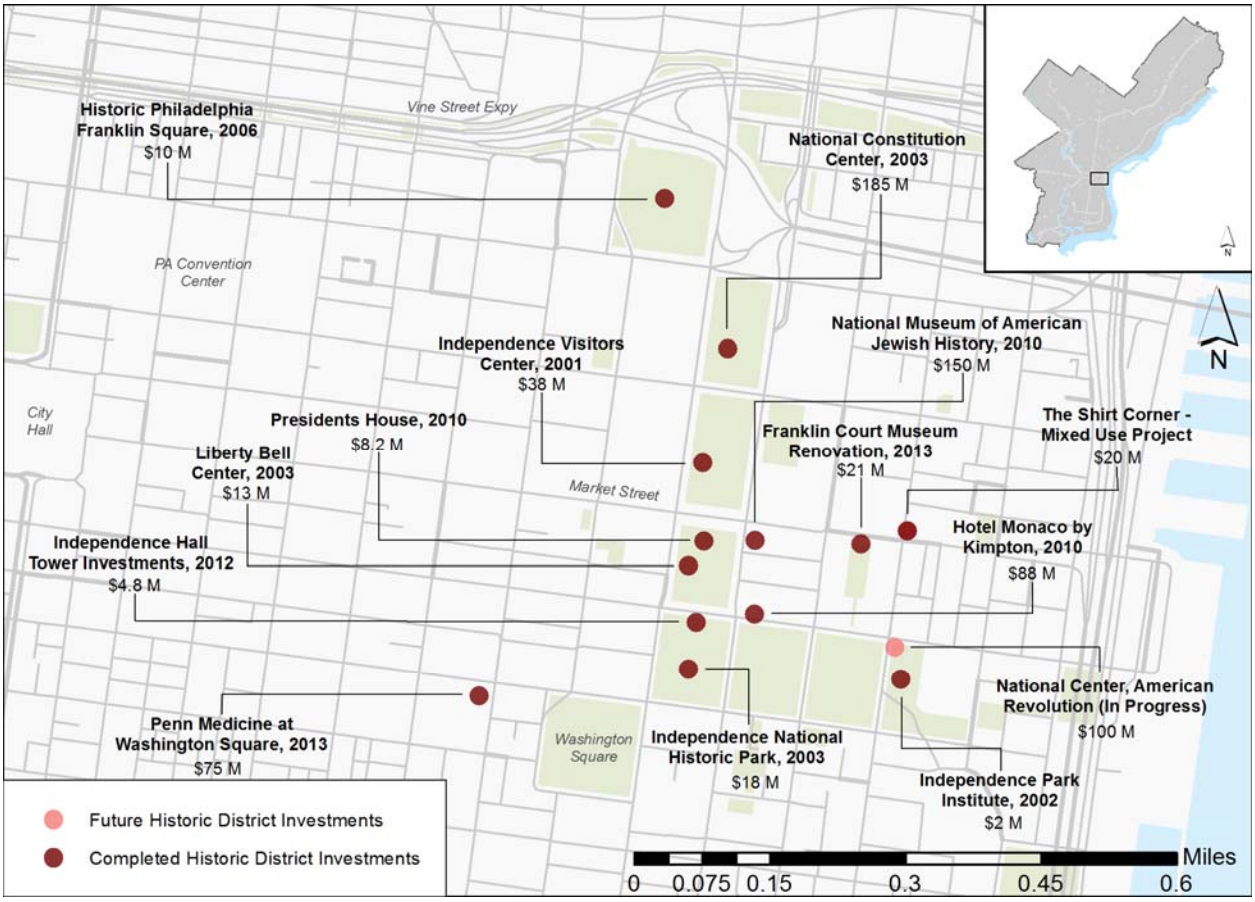
†Bucks, Chester, Delaware, Montgomery and Philadelphia counties.
Source: Visit Philadelphia, Tourism Economics, Longwoods International.

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 2016, *Lonely Planet* named Philadelphia on its top-10 best list of "unexpectedly exciting places to see." In 2015, the top attractions in Philadelphia, including the Independence National Park, the Philadelphia Zoo, and the Philadelphia Museum of Art, had over 14.5 million visitors according to the Philadelphia Business Journal.

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. The Greater Philadelphia Cultural Alliance reported in 2012 that cultural institutions in the PMSA contributed an estimated $1.4 billion in household income in 2011, with $490.3 million in Philadelphia County alone. 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.

Figure 2
Map of Select Historic District Development Projects
Representing $733 Million in Selected Completed and Future Investment



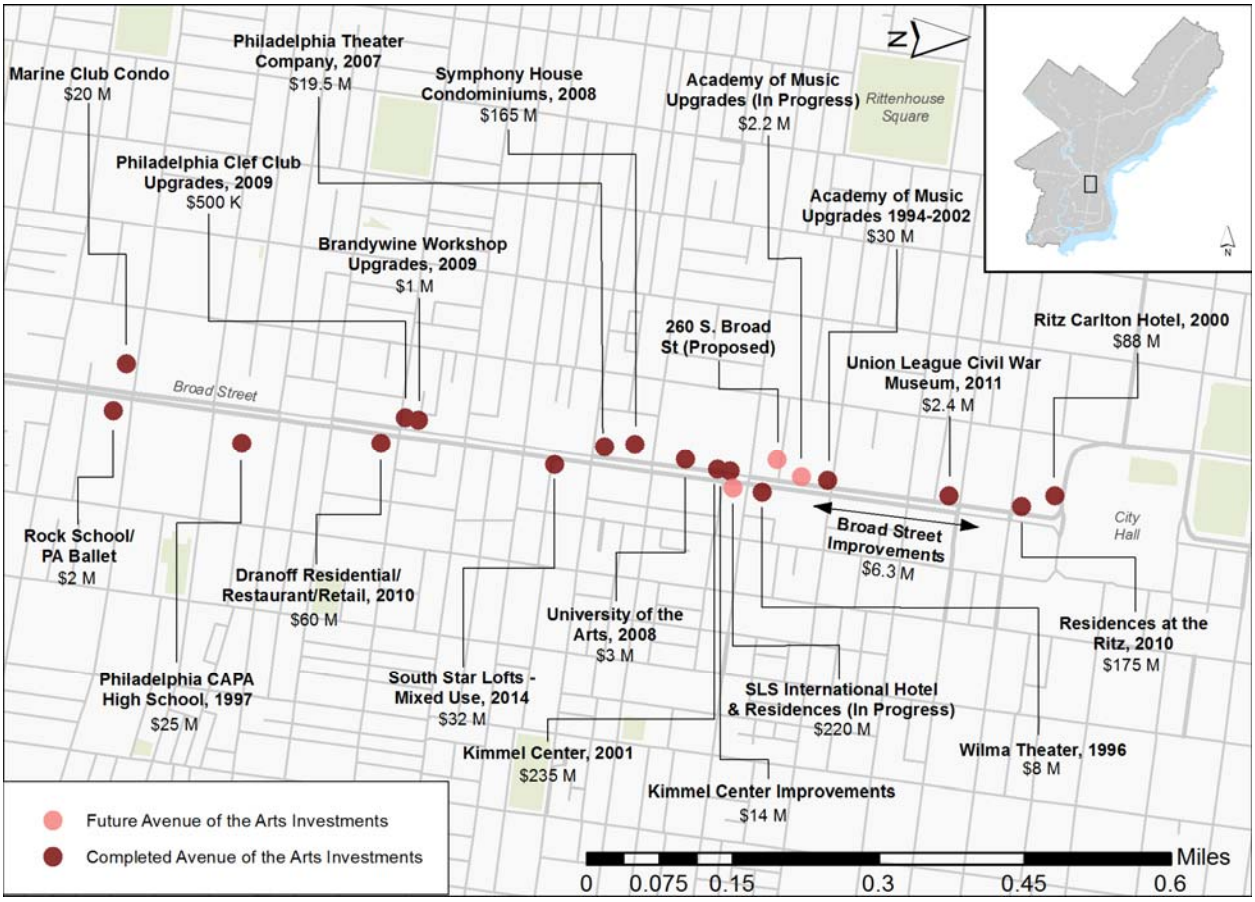
Source: City of Philadelphia Department of Commerce

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 of improvements have been made in Philadelphia's historic district, with an additional $120 million either under construction or planned over the next three years. Figure 2

shows select investments 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.

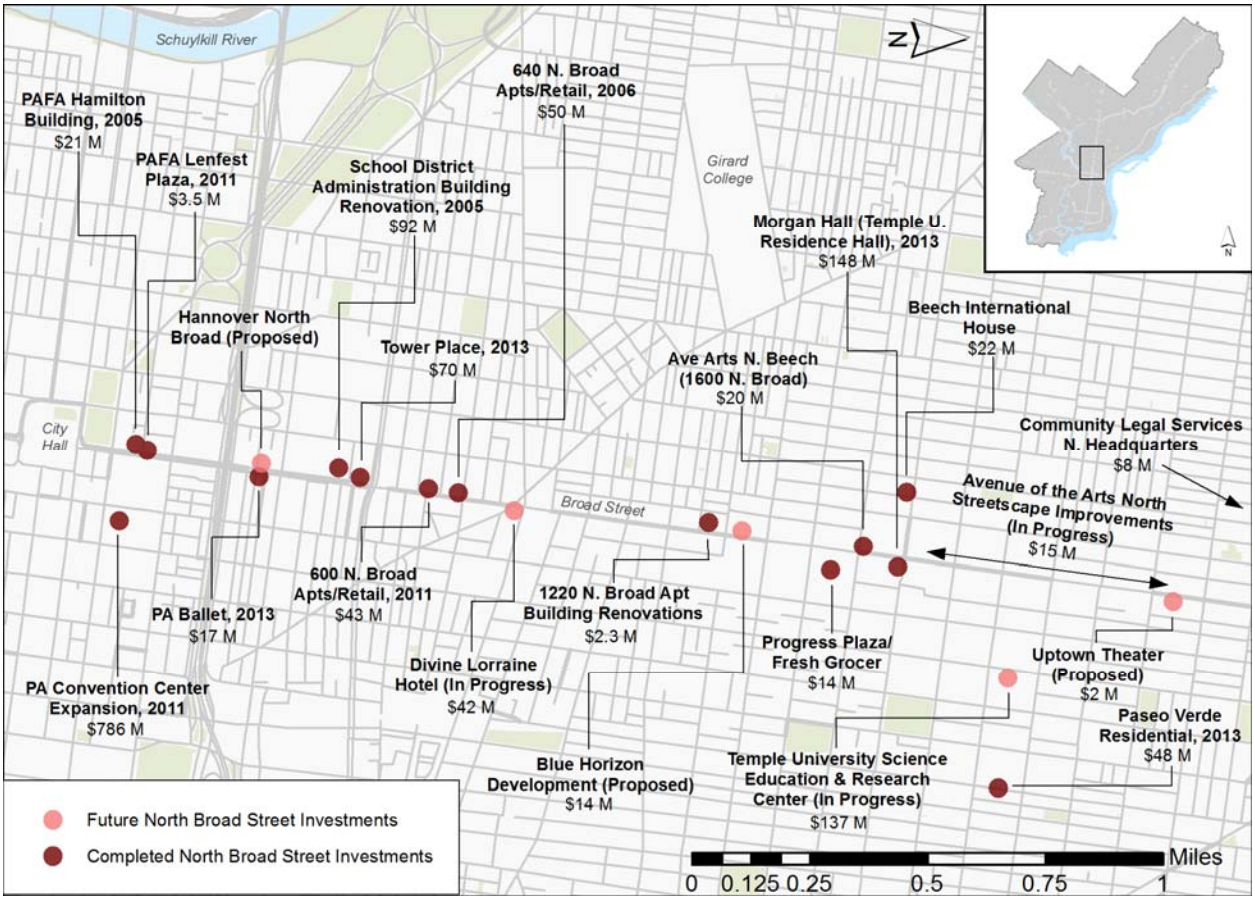
Figure 3
Map of Selected Avenue of the Arts (South Broad Street) Development Projects Representing $1.11 Billion in Selected Completed and Future Investments



Source: City of Philadelphia Department of Commerce

Avenue of the Arts (South Broad Street) Investments. 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 more than two decades. 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 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. Figure 3 provides an overview of investment to date in this district.

Figure 4
Map of Selected North Broad Street Development Projects
Representing $1.55 Billion in Selected Completed and Future Investments



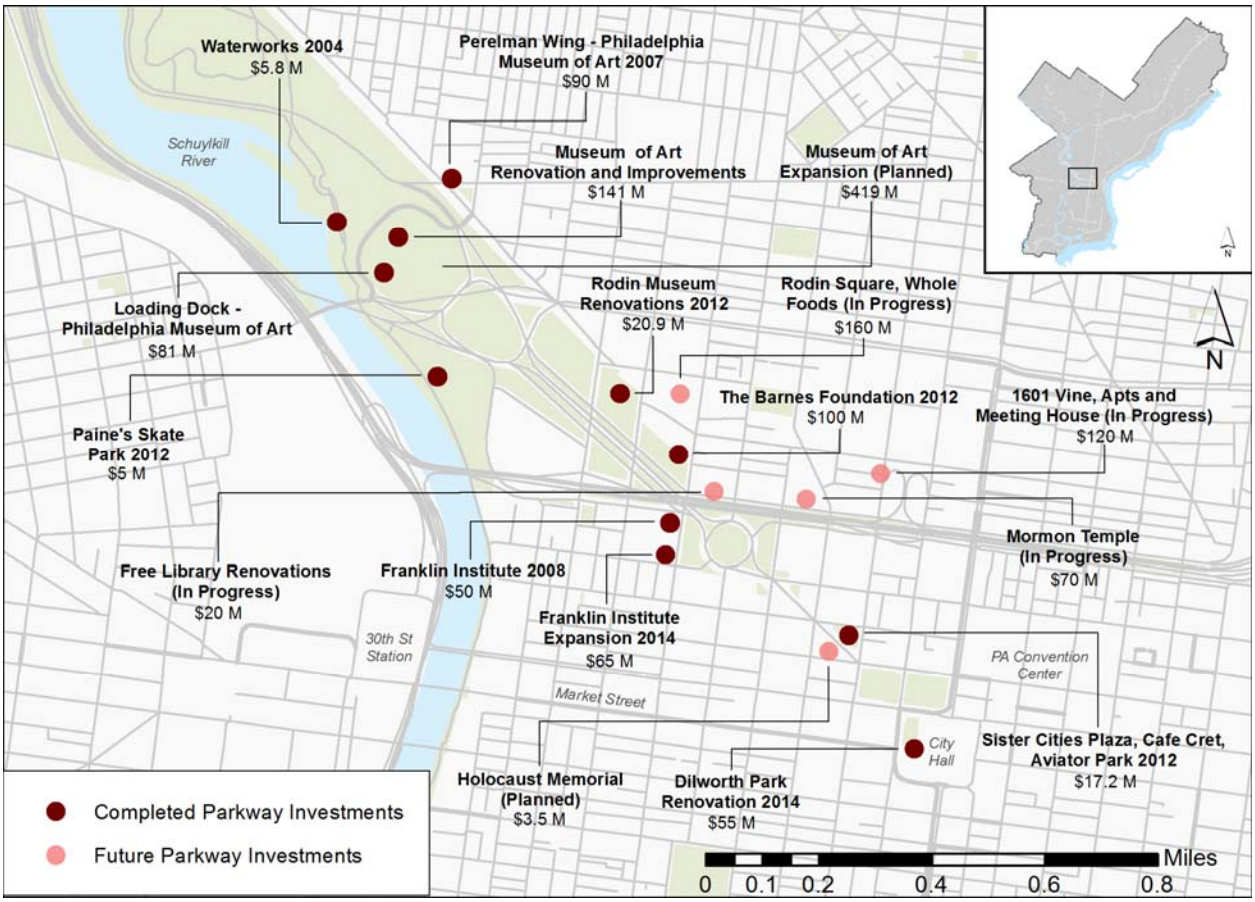
Source: City of Philadelphia Department of Commerce

North Broad Street Investments. The 2011 expansion of the Pennsylvania Convention Center reignited development efforts along this key corridor of North Broad Street. Improvements include Lenfest Plaza, which is adjacent to the Pennsylvania Academy of Fine Arts 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. Adjacent to the Convention Center, a 178-room Aloft Hotel by Starwood is under construction and expected to open in 2017.

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 has been sold and is 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. As discussed on page B-10, Temple University's $1.2 billion capital plans contribute to the revitalization of North Broad Street.

Tying the corridor together is a streetscape enhancement project featuring trees, landscaping and decorative light masts, funded with a mix of federal, state and City funding. Figure 4 shows a map of recent, planned, and proposed projects on the North Broad Street corridor.

Figure 5
Map of Selected Parkway Development Projects
Representing $1.42 Billion in Selected Completed and Future Investments



Source: City of Philadelphia Department of Commerce

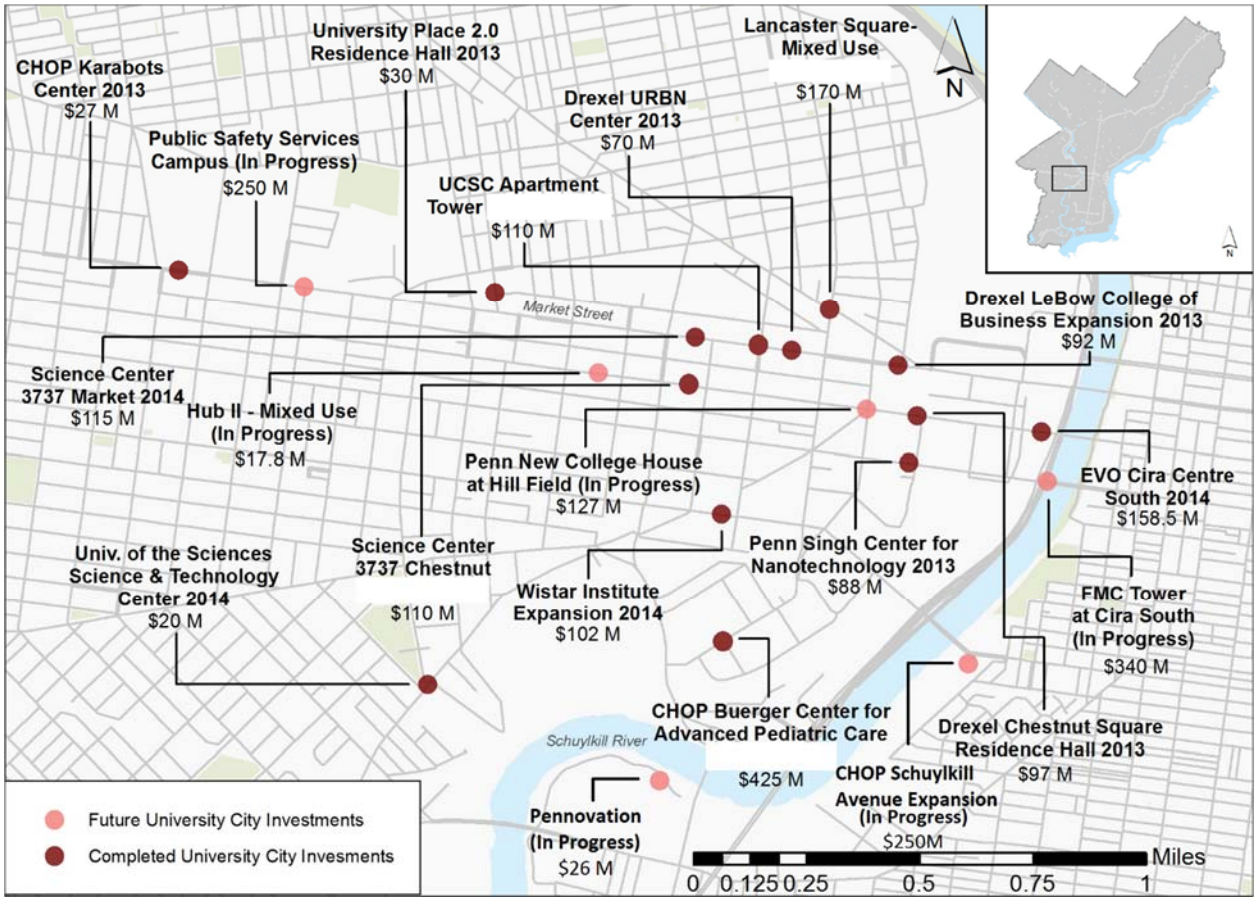
Parkway Investments. Complementing the Avenue of the Arts theater district developments, the Benjamin Franklin Parkway is a signature public investment. Conceived as early as 1871, and opened in 1929, the Benjamin Franklin Parkway was originally designed to ease traffic and beautify the City. It runs 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 Sciences, the Swann Memorial Fountain, Sister Cities Park, Cathedral Basilica of Saints Peter and Paul on Logan Square, and numerous pieces of public art.

Opened in May 2012, The Barnes Foundation is a welcome addition to the City's impressive roster of arts facilities, and has had a significant impact on the City's leisure and hospitality industry. In October 2015, the Barnes welcomed its one millionth visitor since opening on the Parkway. With membership over 85,000, it is ranked among the top institutions of its kind in the country.

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

As detailed in Figure 5, since 2004, the Parkway has undergone additional transformation, improving streetscape and pedestrian access, and adding additional amenities. Improvements include parks, open space and additions to the City's inventory of arts assets.

Figure 6
Map of Selected University City Development Projects
Representing $2.35 Billion in Selected Completed and Future Investments



Source: City of Philadelphia Department of Commerce

University City Investments. In addition to public and private investment occurring in Center City Philadelphia, the University City District on the west side of the Schuylkill River is experiencing a real estate development boom, driven in large part by the neighborhood's university and research institutional anchors. The University of Pennsylvania built the $88 million Singh Center for Nanotechnology in 2013 and is investing $127 million in a new residence hall called New College House at Hill Field. Drexel University invested nearly $300 million into University City in 2013, and is planning for an additional $3.5 billion over 20 years in the development of Schuylkill Yards. The Science Center completed a new 334,000-square-foot building in summer 2014 and is currently investing $115 million in another space. As highlighted in Figure 6, a number of these development projects represent investments exceeding $100 million each.

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 City adopted a Master Plan for the central Delaware River in 2011. The Delaware River Waterfront Corporation (the "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. Successful park projects include Race Street Pier in 2011, Washington Avenue Green in 2014, and Pier 68 in September 2015. All three parks are adaptive reuse projects built on former pier structures. In April 2014, the DRWC published a feasibility study for redevelopment of Penn's Landing, a major public space along the Delaware River waterfront. The Master Plan calls 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 (the "SRDC"), the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, Commonwealth, 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 2015, $60 million was invested by SRDC, the City, and their partners along the tidal Schuylkill 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. The latest Schuylkill Trail extension running from Locust Street to South Street, called the Boardwalk, opened in October 2014 and plans to extend the trail farther south to Christian Street are in final design stages. In October 2015, Philadelphia was awarded $10.265 million in federal TIGER grants, split between three projects across the City. The City will use $3.265 million of the grant to convert an abandoned swing rail bridge over the Schuylkill River near Grays Ferry into a bridge trail.

  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 publicly 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 percent. 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.

- **SugarHouse Casino**. Legislation enacted by the Pennsylvania General Assembly authorized two stand-alone casino 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. 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, completed in 2015, added 500 additional employees to the casino. After a period of significant gains from 2010 through 2012, SugarHouse revenue has leveled off. Until the casino's expansion is operational, current revenue levels are expected to remain relatively unchanged. In fiscal year 2015, the casino's total revenue was $271,201,316, an increase of 0.6 percent from 2013, and it employed 1,204 people in 2015, up from 1,128 in 2013.

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 the city, the Sports Complex Special Services District, created by the City in 2000.

The South Philadelphia Sports Complex houses three professional sports facilities: The Wells Fargo Center opened in 1996 and is home to the Philadelphia Flyers (National Hockey League) and Philadelphia 76ers (National Basketball Association); Lincoln Financial Field opened in 2003 and is home to the Philadelphia Eagles (National Football League); and Citizens Bank Park opened in 2004 and is home to the Philadelphia Phillies (Major League Baseball). The Phillies and the Eagles are contractually obligated to play in Philadelphia until 2033 and 2034, respectively.

Average paid home season attendance for the Eagles in Lincoln Financial Field has exceeded 100 percent of actual seating, since its opening in 2003. In the 2009 through 2012 seasons, the Phillies had a paid home season attendance in excess of 100 percent 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. However, team performance has contributed to a significant decline in overall attendance, dropping the Phillies attendance ranking to 16 out of 30 teams in 2014 and 25 out of 30 in 2015.

In 2012, Xfinity Live! Philadelphia, a 50,000 square foot sports entertainment and dining complex, opened within the sports complex. 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. Cordish is currently in early conceptual planning stages of a phased expansion of the complex that could include retail, hotel and theater space. The entire complex is open year-round and sustains 276 full-time equivalent jobs.

In November 2014, the Pennsylvania Gaming Control Board awarded the City's remaining casino license to Live! Hotel & Casino, a joint venture between Cordish Cos. and Greenwood Gaming and Entertainment Inc. The $425 million, 200,000-square-foot casino will include a 240-room hotel, 2,000 slots and 125 table games. It will also have a spa and conference center built in and around an existing Holiday Inn at the South Philadelphia Sports Complex. The license award has been challenged by several court appeals; in March 2016, the Pennsylvania Supreme Court ruled that the Pennsylvania Gaming Control Board must take a closer look at the company's ownership structure. Cordish was granted zoning approval in December 2015 and plans to complete the project in 2018, pending further approvals.

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. For more information on SEPTA, see "ECONOMIC BASE AND EMPLOYMENT – Southeastern Pennsylvania Transportation Authority (SEPTA)" and APPENDIX A – "EXPENDITURES OF THE CITY – City Payments to SEPTA."

A high-speed train line runs from southern New Jersey to Center City and is operated by the Port Authority Transit Corporation ("PATCO"), a subsidiary of the Delaware River Port Authority. On the average weekday, PATCO brings approximately 15,000 individuals to Philadelphia.

An important addition to the area's transportation system was the opening of the airport high speed line between Center City and PHL in 1985. The line places PHL less than 20 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.

New Jersey Transit operates 19 different bus routes and the Atlantic City Train Line, all of which serve to connect Philadelphia and New Jersey. On the average weekday, the New Jersey Transit bus routes bring approximately 2,000 individuals to Philadelphia and the Atlantic City Line brings approximately 700 individuals to Philadelphia.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to other major cities and markets in the United States. According to Amtrak, Philadelphia's 30th Street Station is the third 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 Interstate 95 ("I-95"); Interstate 676 (the "Vine Street Expressway"), running east-to-west through the Central Business District between Interstate 76 (the "Schuylkill Expressway") and I-95; and Interstate 476 (the "Blue Route") in suburban Delaware and Montgomery Counties, which connects the Pennsylvania Turnpike and I-95 and connects to the Schuylkill Expressway, which runs to Center City Philadelphia. In addition, more than 100 truck lines serve the Philadelphia area.

The City is served within city limits by numerous private buses and shuttles. These buses and shuttles are operated by apartment complexes, universities, and private companies. These buses and shuttles connect Philadelphians to transit hubs, employment, and residences.

Philadelphia launched the Indego bike share program, sponsored by Independence Blue Cross, in April 2015. The system launched with 600 bicycles and 70 stations throughout the City from Temple University in North Philadelphia to Tasker Street in South Philadelphia and from the Delaware River to 44th Street in west Philadelphia. Indego is the first bike share system in the United States to launch with a cash payment option for members. In 2016, the City expanded Indego to 1,000 bicycles and 103 bike share stations.

KEY CITY-RELATED SERVICES AND BUSINESSES

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 Department"). The water and wastewater systems are referred to herein individually as the "Water System" and "Wastewater System," respectively.

The Water System's service area includes the City of Philadelphia and has one wholesale water contract. Based on the 2015 U.S. Census Bureau estimate, the Water System served approximately 1,567,442 individuals.

As of June 30, 2015, the Water System served approximately 480,000 active retail customer accounts using approximately 3,100 miles of mains and approximately 25,000 fire hydrants. The City obtains approximately 56% of its water from the Delaware River and the balance from the Schuylkill River. The City is authorized by the Pennsylvania Department of Environmental Protection (the "PaDEP") to withdraw up to 423 million gallons per days ("MGD") from the Delaware River and up to 258 MGD from the Schuylkill River. The Water Department and PaDEP are in the process of renewing the Water Department's water allocation permits. Once the permits are renewed, the Water Department will begin discussions with the Delaware River Basin Commission to ratify it.

Water treatment is provided by the Samuel S. Baxter Water Treatment Plant on the Delaware River and by the Belmont and Queen Lane Water Treatment Plants on the Schuylkill River. The combined rated treatment capacity of these plants under the Water Department's Partnership for Safe Water procedures is 546 MGD, and their combined maximum treatment capacity is 680 MGD. The storage capacity for treated and untreated water in the combined plant and distribution system totals 1,065.5 million gallons ("MG"). In Fiscal Year 2016, the Water System distributed 81,687 MG of water at an average daily rate of 223.8 MGD. In Fiscal Year 2016, the maximum water production experienced by the Water System in one day was 258.2 MG.

The Wastewater System's service area is the City of Philadelphia and ten wholesale contracts with municipalities in the Philadelphia metropolitan area. Based on the 2015 U.S. Census Bureau estimate, the Wastewater System served approximately 1,567,442 individuals that live in the City or in areas served by such wholesale contracts.

As of June 30, 2016, the Wastewater System served approximately 545,000 accounts, including approximately 50,000 stormwater-only accounts, and ten wholesale contracts with neighboring municipalities and authorities.

The Wastewater System consists of three water pollution control plants ("WPCPs"), 19 pumping stations, approximately 3,700 miles of sewers, and a privately managed centralized biosolids handling facility. It includes 1,850 miles of combined sewers, 760 miles of sanitary sewers, 740 miles of stormwater sewers, 13 miles of force mains (sanitary and storm) and 349 miles of appurtenant piping. The three WPCPs processed a combined average of 379 MGD of wastewater in Fiscal Year 2016, have a 522 MGD combined average daily design capacity and a peak capacity of 1,059 MGD.

Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,300 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, comprises 54 branches and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department (the "Streets Department") and the divisions within it are responsible for the City's large network of streets and roadways. The City's pavement condition is considered to be a "Fair" pavement condition. In order for the City to maintain its pavement in a state of good repair, local streets should be repaved once every 20 years and arterials should be repaved once every 10 years. This requires approximately 131 miles of paving every year. The pavement program has accumulated a backlog of approximately 1,100 miles since 1996. As a result of the new funding under Act 89, the Streets Department has funds to address long standing state of good repair needs without an additional allocation from the General Fund. During Fiscal Years 2014-2017, the Streets Department will invest in critical equipment replacements and begin to implement a strategy to address recurring state of good repair needs. This includes critical equipment replacement, street paving and pothole repair, and replacement of traffic control equipment.

The Streets 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

Mayor Kenney continues the City's commitment to make Philadelphia the greenest and most sustainable city in America. To aid in achieving this goal, the 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 investing in and evaluating additional 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. The City introduced its new bicycle sharing system, Indego, in 2015, as further described in "TRANSPORTATION." Bicycle share programs have been successfully implemented in other cities worldwide.

APPENDIX C

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2015

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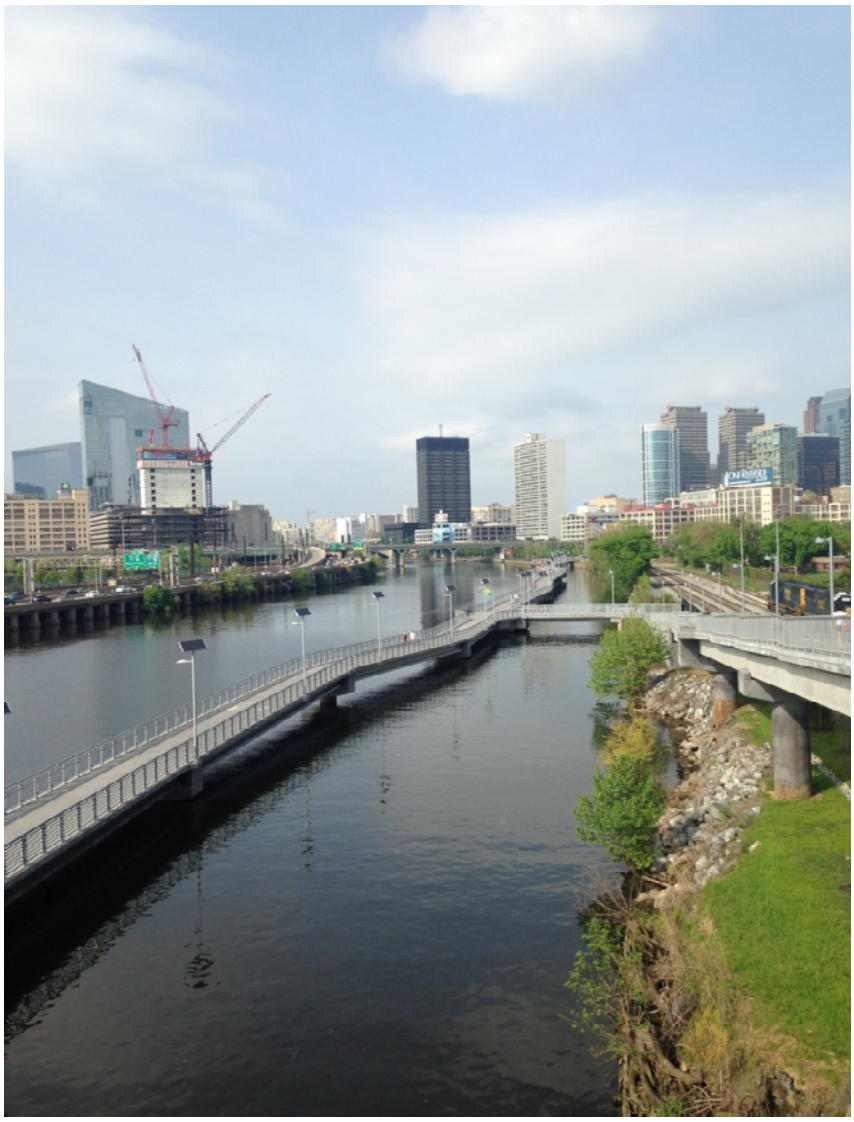
City of Philadelphia

P E N N S Y L V A N I A

Founded 1682



Schuylkill Banks Bikeway

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015

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City of Philadelphia

P E N N S Y L V A N I A

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015

James F. Kenney
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Josefine Arevalo
Accounting Director

Accounting Office

Carl Coin	Meiting Lu	Richard Sensenbrenner
Haroon Bashir	Eugene McCauley	Yashesh Shah
Jamika Baucom	Leon Minka	Girgis Shehata
Nana Boateng	Rowaida Mohamed	Shante Thompson
Randy Boucher	Hemali Patel	Shantae Thorpe
Sharon Donaldson	Shenika Ruff	Shauntise Wise

THE CITY OF PHILADELPHIA·SEAL OF
PHILADELPHIA
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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, 2016

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, 2015, 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's local economy is showing progress on several fronts. 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. The real estate market shows signs of recovery from the recession, with real estate transfer tax revenues returning to pre-recession levels. Other signs of progress include continued population growth, particularly among young adults and millennials, and reductions in the unemployment rate. Personal income and per capita personal income have increased by 16.7% and 14.3%, respectively, since calendar year 2010. Still, significant challenges remain. The City's poverty rate remains the highest of the top 10 largest cities in the U.S., at 26%.

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
		(thousands of USD)	(USD)	
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%
2013	1,553,165	65,473,002	42,155	10.0%
2014	1,560,297	66,495,223	42,617	8.0%

Despite these recent economic improvements, we must budget carefully for the years ahead. Careful financial planning is needed to ensure the City's continued fiscal health and prepare for potential challenges, such as another economic downturn.

One of the most important measures of the City's financial health is its fund balance, especially in the City's General Fund. Having a healthy fund balance gives the City financial flexibility, makes it better able to meet its cash flow needs, mitigate current and future financial risks and ensure predictability of future services.

The budgetary year-end fund balance of the General Fund decreased during fiscal 2015 by $50.6 million; from $202.1 million in fiscal 2014, to $151.5 million in fiscal 2015.

The budgetary year-end fund balance of the General Fund is currently projected to decrease $66.2 million during fiscal 2016, projecting an ending fund balance of $85.3.

As noted in the City's most recent "Five Year Financial and Strategic Plan for Fiscal Years 2016-2020" (Five Year Plan), the primary factor driving the decreases in fund balance was the settlement of various labor agreements. The Five Year Plan projects the fund balance to decrease to a low of $33 million in fiscal 2017; and then steadily increase over the following three years to $155.5 million in fiscal 2020.

Long Term Financial Planning

As discussed above, the local economy shows signs of recovery. While overall tax revenues continue to improve, the City faces uncertainty regarding the pace of economic growth. As a result, the City will continue to monitor its fiscal position and make adjustments as necessary.

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. In fiscal year 2015, employee benefits (14%) and pensions (15%) totaled 29% of total budgeted expenditures and encumbrances of the City's General Fund.

In order to help address the challenges these long term structural costs present, the City achieved health and pension reforms through collective bargaining and interest arbitration in all of its union contracts.

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, 2014. This was the thirty fifth 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

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA
MANETO

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

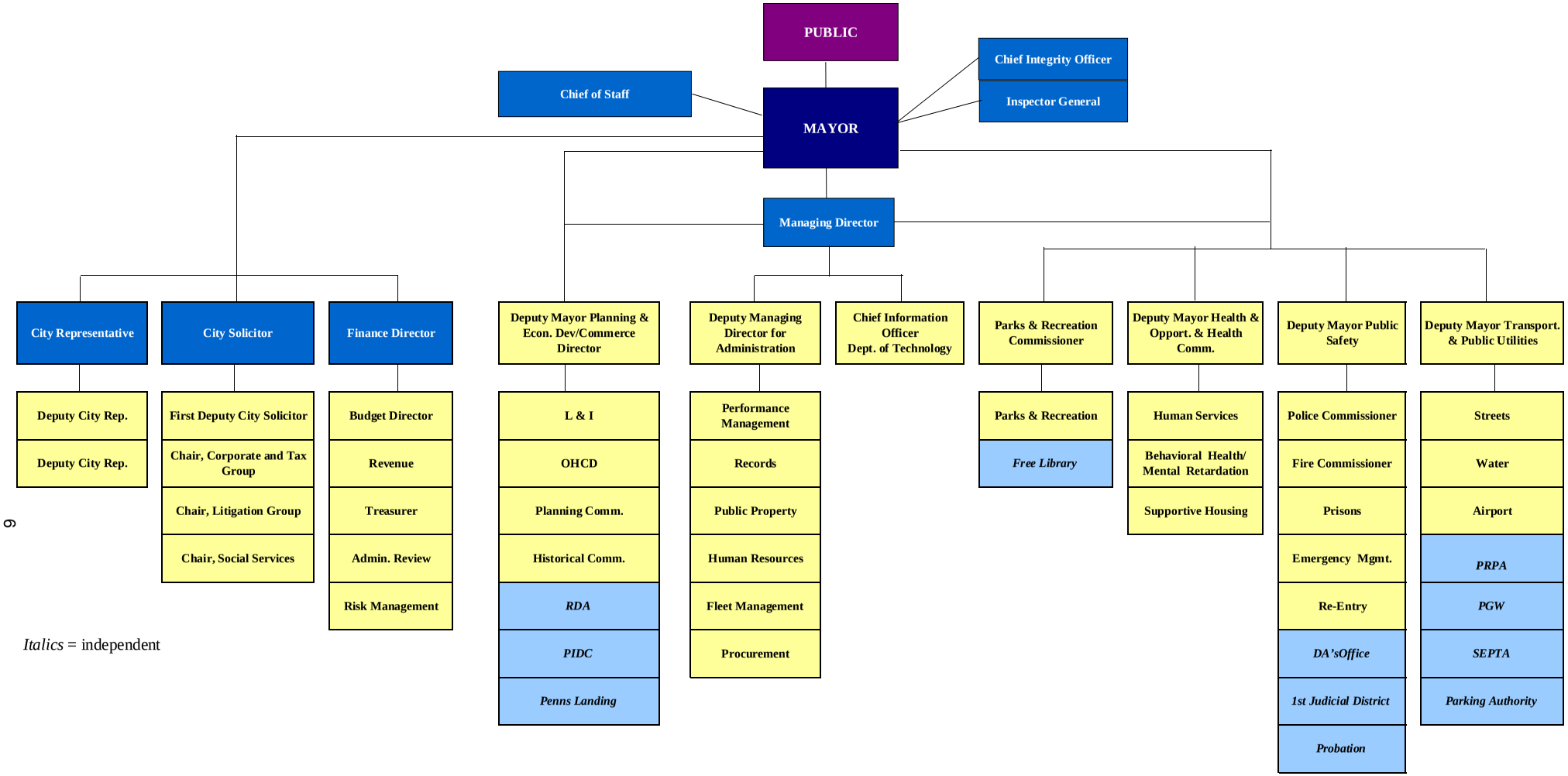
City of Philadelphia

Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



Italics = independent

Elected Officials

Mayor ..... James F. Kenney

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 ..... Cherelle L. Parker
10th District ..... Brian J. O'Neill
At-Large ..... Blondell Reynolds Brown
At-Large ..... Derek S. Green
At-Large ..... William K. Greenlee
At-Large ..... David Oh
At-Large ..... Helen Gym
At-Large ..... Al Taubenberger
At-Large ..... Allan Domb

District Attorney ..... R. Seth Williams

City Controller ..... Alan Butkovitz

City Commissioners
Chairman ..... Anthony Clark
Commissioner ..... Al Schmidt
Commissioner ..... Lisa M. Deeley

Register of Wills ..... Ronald R. Donatucci

Sheriff ..... Jewell Williams

First Judicial District of Pennsylvania
President Judge, Court of Common Pleas ..... Sheila Woods- Skipper
President Judge, Municipal Court ..... Marsha H. Neifield
President Judge, Traffic Court ..... Vacant

Appointed Cabinet Members

Managing Director	Michael DiBerardinis
Finance Director	Rob Dubow
Chief Administrative Officer	Rebecca Rhynhart
City Solicitor	Sozi Tulante
Director of Planning & Development	Anne Fadullon
Commerce Director	Harold Epps
Chief of Staff	Jane Slusser
Deputy Mayor for Intergovernmental Affairs	Deborah Mahler
Deputy Mayor for Labor Relations	Richard Lazer
Deputy Mayor for Policy & Legislation	James Engler
Chief Integrity Officer	Ellen Kaplan
Chief Education Officer	Otis Hackney
Chief Diversity & Inclusion Officer	Nolan Atkinson
Deputy Mayor for Public Engagement	Nina Ahmad
City Representative	Sheila Hess
Inspector General	Amy L. Kurland

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, 2015, 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 of Philadelphia, we did not audit the financial statements of the blended component units and the discretely presented component units listed in Note I.1, as well as the Municipal Pension Fund, the Gas Works Retirement Reserve Fund, and the Parks and Recreation Departmental and Permanent Funds which collectively represent 31%, 30%, and 16% of the total assets, net position/fund balances, 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 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 reports 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, 2015, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes I.14 and IV.1 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which represents a change in accounting principle. As of July 1, 2014, the City's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note III.13.A. 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 26, and the required supplementary information other than management's discussion and analysis as listed in the table of contents 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 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.

Other Supplementary Information

Our audit for the year ended June 30, 2015 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, 2015, 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, 2015, 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 as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2015.

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, 2014 (not presented herein), and have issued our report thereon dated February 23, 2015, 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 2014 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2014 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 2014 financial statements. The 2014 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 2014 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 2014 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, 2014.

Other Information

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.

Gerald V. Micciulla

GERALD V. MICCIULLA, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 24, 2016

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, 2015 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 liabilities and deferred inflows of the City of Philadelphia exceeded its assets and deferred outflows by $4,687.7 million. Its *unrestricted net position* showed a deficit of $8,159.0 million. This deficiency will have to be funded from resources generated in future years.

- The City's total June 30, 2015 year-end net position decreased by $4,616.7 million from the prior year June 30, 2014 net position, primarily related to the implementation of Government Accounting Standards Board Statement No. 68 (GASB No. 68). Similarly, the governmental activities of the city experienced a decrease of $4,298.9 million, while the business type activities had a decrease of $317.9 million.

- It is important to note that the decreases in net position are entirely related to the implementation of a new accounting standard GASB No. 68, as further explained in Footnotes (Exhibit XIII, Section IV, Item 13). As the table below indicates, absent GASB No. 68, both the Governmental Activities and both Business Type Activities (Water/Sewer and Aviation) would have had positive changes in net position.

City of Philadelphia's Change in Net Position - Impact of Prior Period Adjustment due to Change in Accounting Principle (GASB No. 68)

(millions of USD)	Governmental Activities	Business Type Activities				Total City
		Water/Sewer	Aviation	Other	Total	
Net Position - July 1, 2014	(1,964.6)	970.5	895.0	28.1	1,893.6	(71.0)
Prior Period Adjustment - GASB No. 68	(4,391.3)	(362.4)	(167.7)	-	(530.1)	(4,921.4)
Prior Period Adjustment - Other	(29.5)	-	-	-	-	(29.5)
Net Position Adjusted - July 1, 2014	(6,385.4)	608.1	727.3	28.1	1,363.5	(5,021.9)
Change in Net Position	121.9	101.5	77.0	33.8	212.3	334.2
Net Position - June 30, 2015	(6,263.5)	709.6	804.3	61.9	1,575.8	(4,687.7)

GASB No. 68 requires, for the first time, municipalities to disclose the total amount of their net pension liability on the face of the Statement of Net Position. In the past, this figure was only disclosed in the footnotes of the financial statements.

- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of $480.2 million, a decrease of $92.3 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of $220.2 million, an increase of $37.9 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 $81.9 million, of which, $0.0 (zero) was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* decreased by $23.0 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 $151.5 million, as compared to a $202.1 million surplus last year. The decrease of $50.6 million was due to an increase in expenditures that resulted in an operating deficit of $71.7 million offset by some cancelations of prior year obligations.

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 liabilities & deferred inflows exceeded its assets & deferred outflows by $4,687.7 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, $2,128.9 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.

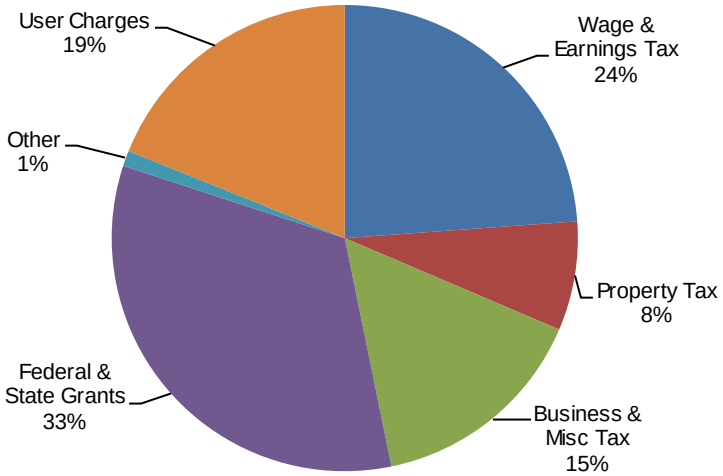
A portion of the city's net position, $1,342.3 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of $8,159.0 million. The governmental activities reported negative *unrestricted net position* of $7,880.6 million. The business type activities reported an unrestricted net position deficit of $278.4 million. Any deficits will have to be funded from future revenues. As noted above, the implementation of GASB No. 68 greatly impacted these year-end unrestricted net positions.

Following is a comparative summary of the city's assets, liabilities and net position:

City of Philadelphia's Net Position
(millions of USD)

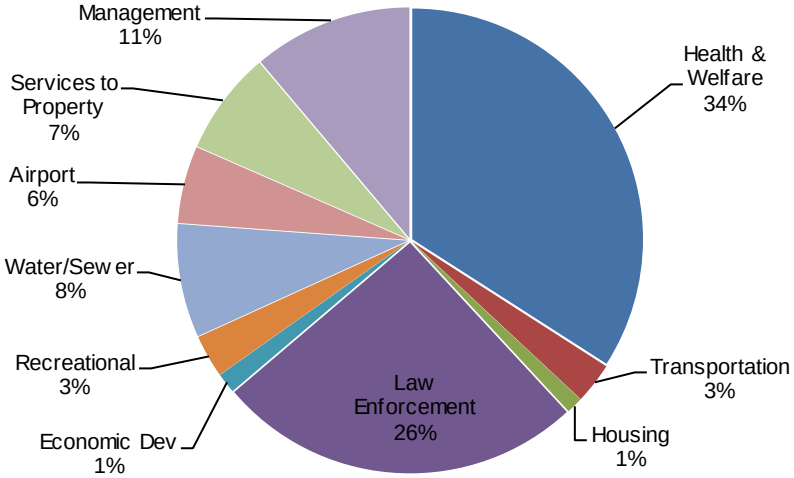
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2015	2014	Change	2015	2014	Change	2015	2014	Change
Current and other assets	2,063.4	2,246.2	-8.14%	1,714.2	1,442.5	18.84%	3,777.6	3,688.7	2.41%
Capital assets	2,314.0	2,242.4	3.19%	4,098.5	3,882.8	5.56%	6,412.5	6,125.2	4.69%
Total assets	**4,377.4**	**4,488.6**	-2.48%	**5,812.7**	**5,325.3**	9.15%	**10,190.1**	**9,813.9**	3.83%
Deferred Outflows	439.4	136.6		118.3	93.3		557.7	229.9	
Long-term liabilities	4,612.9	9,979.9	-53.78%	3,386.3	4,004.3	-15.43%	7,999.2	13,984.2	-42.80%
Other liabilities	6,463.5	(3,390.1)	-290.66%	968.9	(479.3)	-302.15%	7,432.4	(3,869.4)	-292.08%
Total liabilities	**11,076.4**	**6,589.8**	68.08%	**4,355.2**	**3,525.0**	23.55%	**15,431.6**	**10,114.8**	52.56%
Deferred Inflows	3,908.0	-		-	-		3,908	-	
Net Position:									
Net Investment in capital assets	1,040.8	176.8	488.69%	1,088.1	1,007.4	8.01%	$2,128.9	1,184.2	79.78%
Restricted	576.3	630.4	-8.58%	766.0	685.5	11.74%	$1,342.3	1,315.9	2.01%
Unrestricted	(7,880.6)	(2,771.8)	-184.31%	(278.4)	200.7	-238.71%	(8,159.0)	(2,571.1)	-217.33%
Total Net Position	**(6,263.5)**	**(1,964.6)**	-218.82%	**1,575.7**	**1,893.6**	-16.79%	**(4,687.7)**	**(71.0)**	-6502.39%

Changes in net position. The city's total revenues this year, $7,234.4 million, exceeded of total costs of $6,900.3 million by $334.1 million. Approximately 47% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 33%, and the remaining 20% 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 67% are related to the health, welfare and safety of the general public.



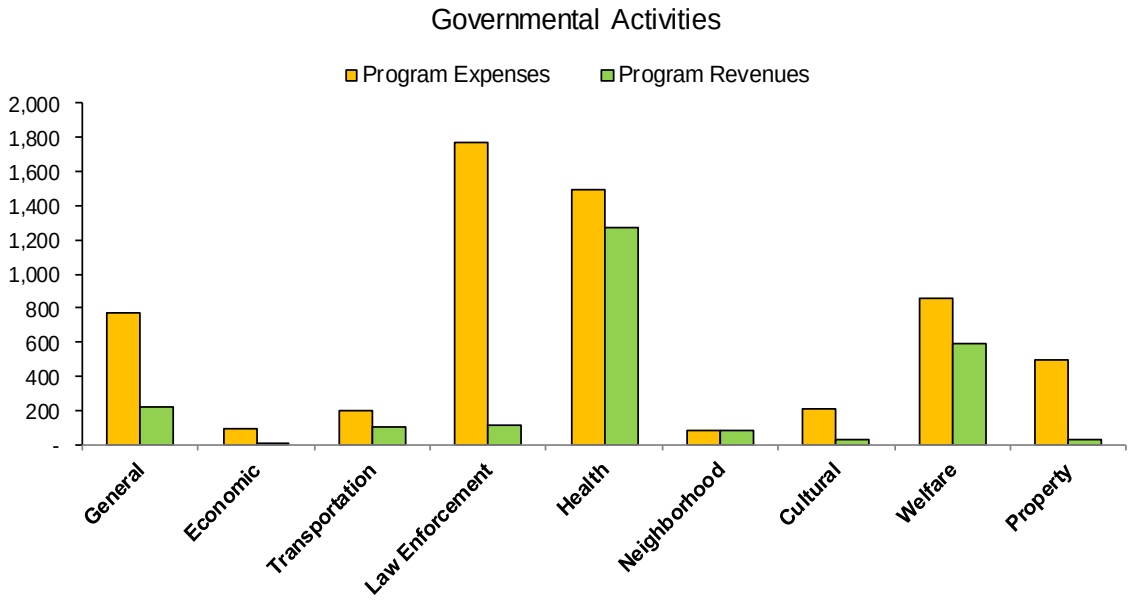
Total revenues increased by $137.7 million, total expenses decreased by $282.6 million over last year. This resulted in the Change in Net Position, before prior period adjustments, being $420.3 million greater than in the previous year. Net positions were increased by $12.2 million from Charges for Services, $43.4 million from Operating Grants and Contributions, $92.5 million from Capital Grants and Contributions, $97.4 million for Wage and Earning Taxes, $21.1 million from Property Taxes, $1.2 million from Unrestricted Interest; and decreased by $85.1 million from Other Taxes, and $45.0 million from Unrestricted Grants and Contributions.

Expense decreased by $282.6 million with decreases of $17.4 million in Transportation, $197.3 million for Judiciary and Law Enforcement, $101.6 million in Conservation of Health, $12.9 million in Improvement of the General Welfare, $37.6 million in Services to Taxpayer Property, $2.2 million in Airport; and increases of $2.3 million in Economic Development, $0.6 million in Housing and Neighborhood Development, $2.2 million in Cultural & Recreational, $67.3 million in General Management, $7.2 million in Interest in Long Term Debt, and $6.8 million in Water and Waste Water.



Governmental Activities

The governmental activities of the City resulted in a $91.6 million increase in net position before prior period adjustments. 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.

The cost of all governmental activities this year was $5,975.8 million; the amount that taxpayers paid for these programs through tax payments was $3,408.6 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,071.3 million while those who benefited from the programs paid $378.4 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 $239.4 million. The difference of $121.9 million is available to fund future commitments.

(millions of USD)	Program Costs		%	Program Revenues		%	Net Cost		%
	2015	2014	Change	2015	2014	Change	2015	2014	Change
General Welfare	855.4	868.3	-1.5%	590.8	561.7	5.2%	264.6	306.6	-13.7%
Judiciary & Law Enforcement	1,775.1	1,972.4	-10.0%	111.3	125.6	-11.4%	1,663.8	1,846.8	-9.9%
Public Health	1,486.9	1,588.4	-6.4%	1,276.0	1,271.3	0.4%	210.9	317.1	-33.5%
General Governmental	771.5	697.0	10.7%	220.2	224.3	-1.8%	551.3	472.7	16.6%
Services to Property	501.9	539.6	-7.0%	31.1	40.6	-23.4%	470.8	499.0	-5.7%
Housing, Economic & Cultural	584.9	597.2	-2.1%	220.3	189.7	16.1%	364.6	407.5	-10.5%
	5,975.7	**6,262.9**	-4.6%	**2,449.7**	**2,413.2**	1.5%	**3,526.0**	**3,849.7**	-8.4%

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:

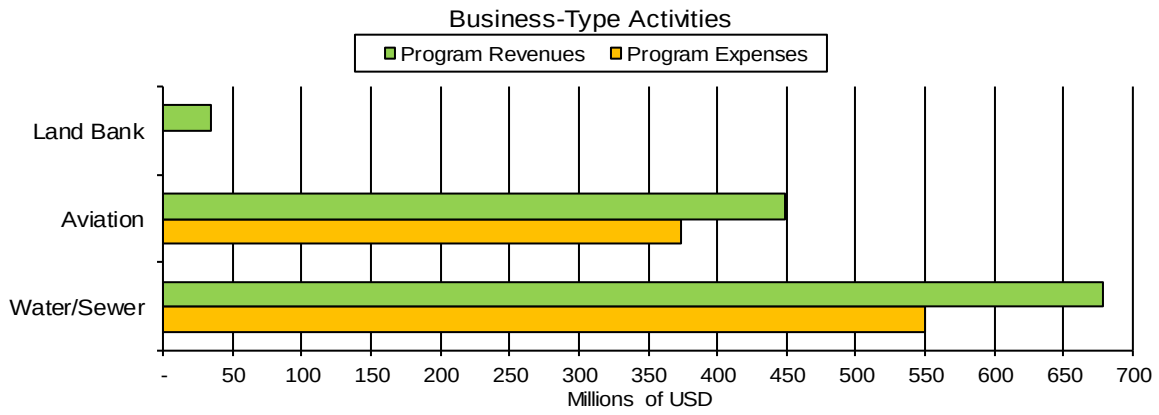
City of Philadelphia-Net Position

(millions of USD)	Governmental Activities		Business-type Activities		Total		%
	2015	2014	2015	2014	2015	2014	Change
Revenues:							
Program revenues:							
Charges for services	378.4	410.7	998.8	954.3	1,377.2	1,365.0	0.9%
Operating grants and contributions	2,011.2	1,967.3	0.9	1.4	2,012.1	1,968.7	2.2%
Capital grants and contributions	60.1	35.3	161.3	93.6	221.4	128.9	71.8%
General revenues:							
Wage and earnings taxes	1,737.2	1,639.8	-	-	1,737.2	1,639.8	5.9%
Property taxes	551.3	530.2	-	-	551.3	530.2	4.0%
Other taxes	1,120.0	1,205.1	-	-	1,120.0	1,205.1	-7.1%
Unrestricted grants and contributions	185.1	229.5	1.9	2.5	187.0	232.0	-19.4%
Unrestricted Interest	24.1	21.7	4.1	5.3	28.2	27.0	4.4%
Total revenues	**6,067.4**	**6,039.6**	**1,167.0**	**1,057.1**	**7,234.4**	**7,096.7**	1.9%
Expenses:							
Economic development	97.4	95.1	-	-	97.4	95.1	2.4%
Transportation	198.6	216.0	-	-	198.6	216.0	-8.1%
Judiciary & law enforcement	1,775.1	1,972.4	-	-	1,775.1	1,972.4	-10.0%
Conservation of health	1,486.9	1,588.5	-	-	1,486.9	1,588.5	-6.4%
Housing & neighborhood development	80.9	80.3	-	-	80.9	80.3	0.7%
Cultural & recreational	208.0	205.8	-	-	208.0	205.8	1.1%
Improvement of the general welfare	855.4	868.3	-	-	855.4	868.3	-1.5%
Services to taxpayer property	502.0	539.6	-	-	502.0	539.6	-7.0%
General management	605.3	538.0	-	-	605.3	538.0	12.5%
Interest on long term debt	166.2	159.0	-	-	166.2	159.0	4.5%
Water & waste water	-	-	550.2	543.4	550.2	543.4	1.3%
Airport	-	-	374.3	376.5	374.3	376.5	-0.6%
Industrial land bank	-	-	-	-	-	-	0.0%
Total expenses	**5,975.8**	**6,263.0**	**924.5**	**919.9**	**6,900.3**	**7,182.9**	-3.9%
Increase (dec.) in net position before transfers & special items	91.6	(223.4)	242.5	137.2	334.1	(86.2)	
Transfers	30.3	28.3	(30.3)	(28.3)	-	-	
Increase (dec) in Net Position	**121.9**	**(195.1)**	**212.2**	**108.9**	**334.1**	**(86.2)**	
Net Position - Beginning	(1,964.6)	(1,769.5)	1,893.6	1,784.7	(71.0)	15.2	-567.1%
Adjustment	(4,420.8)	-	(530.1)	-	(4,950.9)	-	
Net Position - End	**(6,263.5)**	**(1,964.6)**	**1,575.7**	**1,893.6**	**(4,687.8)**	**(71.0)**	6502.6%

Business-type Activities

Business-type activities resulted in a $212.3 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for water/wastewater of $101.5 million, an increase to aviation of $77.0 million, and an increase for industrial & commercial development operations of $33.8 million. Some of the key reasons for these changes are:

- Increased airport rental concession income, Passenger Facility Charges and Capital Contribution, in the Aviation Fund.
- Increased user related charges and decreased debt service interest in the Water Fund.
- Increased capital contribution in the Industrial & Commercial Development Fund.



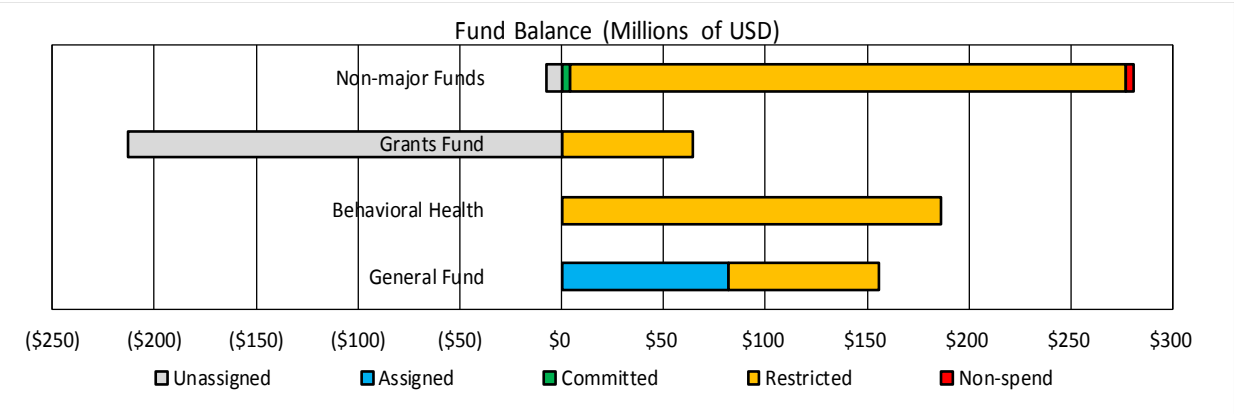
Financial Analysis of the Government's Funds

***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 $480.2 million, a decrease of $92.2 million over last year. Of the total fund balance, $3.5 million represents *non-spendable 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 ($29.6 million); fund economic development programs ($11.9 million); fund the 9-1-1 emergency phone system ($35.2 million); improve streets and highways ($31.9 million); fund housing and neighborhood development ($18.5 million); provide health services ($11.0 million); fund a portion of the city's managed care programs ($199.6 million); preserve parks, libraries and museums ($0.6 million); support programs funded by independent agencies ($28.3 million); fund a portion of the central library renovation project ($2.0 million), fund a portion of new sports stadiums ($11.0 million); pay for a portion of the cultural and commercial corridor project ($10.6 million); pay pension obligation bonds interest ($56.7 million); pay debt service ($81.5 million); support capital projects ($70.2 million) and maintain trusts ($12.3 million). The fund balance is further broken down as to *committed fund balance* for Prisons $3.2 million and Parks and Recreation $0.9 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of $220.2 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 $81.9 million and *unassigned fund balance* of $0.0 (zero) at the end of the fiscal year.



Overall, the total fund balance of the General Fund decreased by $56.2 million during the current fiscal year, compared to a decrease of $72.6 in the prior fiscal year. Some of the key factors contributing to this change are:

Revenues:

- Total current year revenues ($3,390.1 million) deceased slightly between fiscal years, with a $61.1 million (1.8%) decrease from the prior fiscal year ($3,451.2 million).
- This decrease was primarily due a $44.0 million decrease in Revenue from Other Governments.
- Tax Revenue, which comprises the largest component of General Fund revenue, remained relatively flat at $2,777.9 million for the current fiscal year.

Expenditures and Other Financing Sources (Uses):

- The decrease in Total Revenues was offset by an overall reduction of Expenditures and Other Financing Sources (Uses) of $77.5 million.
- This decrease was primarily due to a $61.1 million reduction in Police expenditures.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $199.6 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 $11.0 million.

The Grants Revenue fund has a total fund balance deficit of $148.3 million which is comprised of a positive restricted fund balance of $64.8 million (earmarked for neighborhood revitalization for $29.6 million and emergency telephone system programs for $35.2 million) and a deficit unassigned fund balance of $213.0 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 an increase of $66.9 million during the current fiscal year.

***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 decreased by $212.3 million during the current fiscal year. This decrease is mostly attributable the implementation of GASB No. 68, resulting in a prior period adjustment of $530.1 million. Absent the GASB No. 68 prior period adjustment, the change in net position was $101.5 million for the water/wastewater system, $77.0 million for airport operations, and $33.8 million for industrial & commercial land bank operations.

Given the significant impact of GASB No. 68, the following chart attempts to better illustrate the change in *unrestricted net position*, by differentiating unrestricted new position between (1) operations ("before the prior period adjustment") and (2) the "prior period adjustment".

	Water and Waste Water	Aviation	Land Bank	Total
Net Investment in Capital Assets	$385.7	$702.4	$0.0	$1,088.1
Restricted	$559.8	$206.2	$0.0	$766.0
Unrestricted:				
Before Prior Period Adjustment	$126.5	$63.4	$61.9	$251.8
Prior Period Adjustment	($362.4)	($167.7)	$0.0	($530.1)
Unrestricted	($235.9)	($104.3)	$61.9	($278.3)
Total Net Position - June 30, 2015	$709.6	$804.3	$61.9	$1,575.8
Unrestricted - June 30, 2014	$126.8	$45.7	$28.1	$200.6
Change in Unrestricted Before Prior Period Adj.	($0.3)	$17.7	$33.8	$51.2

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)
2015	151.5	(50.6)
2014	202.1	(54.8)
2013	256.9	110.1
2012	146.8	146.7
2011	0.1	114.1

The general fund's budgetary fund balance surplus of $151.5 million differs from the general fund's fund financial statement unassigned fund balance of $0.0 (zero) by $151.5 million, which represents the following:

1. The unearned portion of the business income & receipts tax of $178.5 million. Business income & receipts tax (BIRT prepays) is received prior to being earned but have no effect on budgeted cash receipts.
2. Since governments cannot report a deficit in unassigned fund balance (GASB No. 54, paragraph 15), the resulting $27.0 million deficit is reclassified to assigned fund balance.

The charts below illustrate:

A. The reconciliation of Total Fund Balance - Budget Basis versus GAAP (Modified Accrual)
B. The components of Fund Balance for GAAP (Modified Accrual) basis
C. The reconciliation of Unassigned Fund Balance – Budget Basis versus GAAP (Modified Accrual)

(millions of USD)

A. Budget to GAAP Basis Reconcilation	**6/30/2015**	**6/30/2014**
Budget Basis Fund Balance	151.5	202.1
1. Less: BIRT six (6) months pre-pays	(178.5)	(179.1)
2. Add: Encumbrances	108.9	103.1
3. Add: Reserves	73.6	85.6
Modified Accrual Basis Fund Balance	155.5	211.7

B. Modified Accrual Basis Fund Balance	**6/30/2015**	**6/30/2014**
Restricted	73.6	85.6
Assigned		
Encumbrances	108.9	103.1
Reclassification of Unassigned	(27.0)	0.0
Assigned	81.9	103.1
Unassigned	0.0	23.0
Modified Accrual Basis Fund Balance	155.5	211.7

C. Budget to GAAP Basis Reconcilation	**6/30/2015**	**6/30/2014**
Budget Basis Fund Balance	151.5	202.1
1. Less: BIRT six (6) months pre-pays	(178.5)	(179.1)
2. Less: Reclass to Assigned Fund Balance	27.0	0.0
Unassigned Fund Balance	0.0	23.0

Differences between the original budget and the final amended budget resulted primarily from decreases in revenue estimates and increases to appropriations. Total appropriations increased by $67.2 million; from an original budget of $4,524.6 million to a final amended budget $of 4,591.8 million. The largest increases were required to support the following activities:

- $40.0 million for Police operations
- $26.7 million for Street maintenance and repair
- $25.7 million for Fire operations

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 $6.4 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 $143.6 million
- Infrastructure improvements for Streets, Highways and Bridges $63.6 million
- Airport terminal and airfield improvements in the amount of $208.9 million.
- City Hall and Municipal Buildings renovations in the amount of $5.6 million.
- Park system, Museum & Recreational Facility improvements $30.66 million
- Police Training Facility improvements $11.2 million
- Computers, Servers, Software and IT Infrastructure in the amount of $16.4 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
	2015	2014	(Dec)	2015	2014	(Dec)	2015	2014	(Dec)
Land	818	800	18	153	153	0	971	953	18
Fine Arts	1	4	(3)	0	0	0	1	4	(3)
Buildings	735	743	(8)	1,399	1,425	(26)	2,134	2,168	(34)
Improvements other than buildings	113	92	21	168	123	45	281	215	66
Machinery & equipment	92	90	2	25	21	4	117	111	6
Infrastructure	444	422	22	1,492	1,391	101	1,936	1,813	123
Construction in progress	36	23	13	856	764	92	892	787	105
Transit	63	68	(5)	0	0	0	63	68	(5)
Intangible Assets	12	0	12	6	6	0	18	6	12
Total	**2,314**	**2,242**	**72**	**4,099**	**3,883**	**216**	**6,413**	**6,125**	**288**

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 $8.0 billion in long term debt outstanding. Of this amount, $5.4 billion represents bonds outstanding (comprised of $2.0 billion of debt backed by the full faith and credit of the city, and $3.4 billion of debt secured solely by specific revenue sources) while $2.6 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)	2015	2014	2015	2014	2015	2014
Bonds Outstanding:						
General obligation bonds	2,027.7	2,155.4	-	-	2,027.7	2,155.4
Revenue bonds	-	-	3,336.1	3,227.0	3,336.1	3,227.0
Total Bonds Outstanding	**2,027.7**	**2,155.4**	**3,336.1**	**3,227.0**	**5,363.8**	**5,382.4**
Other Long Term Obligations:						
Service agreements	2,038.8	2,121.7	-	-	2,038.8	2,121.7
Employee related obligations	459.5	1,115.6	45.2	89.2	504.7	1,204.8
Indemnities	74.0	66.0	4.7	4.7	78.7	70.7
Leases	12.9	16.9	-	-	12.9	16.9
Other	-	-	0.3	0.3	0.3	0.3
Total Other Long Term Obligations	**2,585.2**	**3,320.2**	**50.2**	**94.2**	**2,635.4**	**3,414.4**
Total Long Term Debt Outstanding	**4,612.9**	**5,475.6**	**3,386.3**	**3,321.2**	**7,999.2**	**8,796.8**

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 $130.0 million in Tax and Revenue Anticipation Notes by June 2015 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In July 2014, the Philadelphia Authority for Industrial Development (PAID) issued $56.7 million of Lease Revenue Refunding Bonds Series 2014B. The proceeds were used to refund all of the outstanding Series 2007B-4 Stadium bonds. At the same time, the swaps associated with the 2007B-4 bonds were terminated.

- In October 2014, PAID issued $57.5 of federally taxable City Service Agreement Revenue Bonds Series 2014B. The School District of Philadelphia (SDP) received $30 million of the proceeds and the remaining balance of $27.3 million would be used to refund the outstanding SDP 2014A bonds.

- In April 2015, The Philadelphia Redevelopment Authority (PRA) issued $111.5 million of City Service Revenue Refunding Bonds Series 2015. The proceeds of $128.0 million, which included a $16.5 million premium were used to refund all of the outstanding Series 2005B and 2005C bonds.

- In April 2015, the City issued $417.6 million of Water and Wastewater Revenue Bonds Series 2015 of which $275.8 million would be used to provide funds for Water's capital program and $141.7 million would be used to refund the outstanding Water series 2005A and 2007A bonds.

- 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 2015, PENNVEST reimbursements totaled $0.8 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, 2015 the legal debt limit was $4,288.7 million. There is $1,751 million of outstanding tax supported debt leaving a legal debt margin of $2,537.7 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 2016 fiscal year:

- Philadelphia entered FY16 with a projected fund balance of $139.4 million. For FY 2016 Wage and Earnings Tax revenue was projected to grow 4.1%, Sales Tax revenue was projected to grow by 2.1%, and Real Estate transfer tax was projected to grow by 10%, while the Business Income and Receipts tax was projected to grow by 1.89%.
- The current Five Year Plan (FY 2016 to 2020) includes a continuation of wage tax cuts resumed in FY 2014 after being suspended during the Great Recession.
- The contract for District Council 33, the City's largest union, expires at the end of FY 2016. Local 810 court employees (District Council 47) are up for new contracts in FY 2017 and the International Association of Fire Fighters Local 22 has a wage reopener in FY17.
- To address rising pension costs, the city introduced a new hybrid plan for new hires that contains both defined benefit and defined contribution components. The hybrid plan is mandatory for new hires in two employee groups. Those who opt-out of the hybrid plan and elect to stay in the traditional pension pay an additional contribution above what grandfathered employees contribute. The City has also dedicated a portion of the additional local sales tax revenue to the pension fund. While the fund only received $2.2 million in FY 2015, this amount will grow over time, especially when debt service on a borrowing for the School District of Philadelphia is paid off in FY 2018.
- The country entered its most recent recession in December 2007-2009. 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

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia
Statement of Net Position
June 30, 2015

Exhibit I

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	58,738	30	58,768	316,459
Equity in Pooled Cash and Investments	-	-	-	123,882
Equity in Treasurer's Account	622,838	150,657	773,495	-
Investments	123,594	-	123,594	131,440
Due from Component Units	48,240	-	48,240	-
Due from Primary Government	-	-	-	60,927
Amounts Held by Fiscal Agent	94,198	-	94,198	-
Notes Receivable - Net	-	-	-	24,455
Accounts Receivable - Net	407,040	177,965	585,005	325,396
Interest and Dividends Receivable	3,663	-	3,663	19,479
Due from Other Governments - Net	600,467	3,441	603,908	111,068
Inventories	15,259	71,757	87,016	92,448
Other Assets	88,863	-	88,863	87,897
Restricted Assets:				
Cash and Cash Equivalents	-	1,003,765	1,003,765	252,127
Other Assets	-	306,540	306,540	148,548
Capital Assets:				
Land and Other Non-Depreciated Assets	856,301	1,009,790	1,866,091	278,463
Other Capital Assets (Net of Depreciation)	1,458,202	3,088,762	4,546,964	3,118,905
Total Capital Assets, Net	2,314,503	4,098,552	6,413,055	3,397,368
Total Assets	4,377,403	5,812,707	10,190,110	5,091,494
Deferred Outflows of Resources	439,411	118,262	557,673	456,235
Liabilities				
Notes Payable	88,503	167,600	256,103	30,600
Vouchers Payable	86,858	15,889	102,747	70,377
Accounts Payable	182,373	96,886	279,259	112,179
Salaries and Wages Payable	72,161	7,886	80,047	81,390
Accrued Expenses	45,898	27,355	73,253	265,631
Due to External Parties	699	-	699	-
Due to Primary Government	-	-	-	31,624
Due to Component Units	43,102	3,041	46,143	-
Funds Held in Escrow	12,062	2,380	14,442	13,239
Due to Other Governments	166	-	166	36,908
Unearned Revenue	324,968	10,497	335,465	146,924
Overpayment of Taxes	149,479	-	149,479	13,079
Other Current Liabilities	-	-	-	65,118
Derivative Instrument Liability	65,631	19,514	85,145	9,389
Net OPEB Liability	266,286	-	266,286	76,612
Net Pension Liability	5,125,303	618,975	5,744,278	3,233,737
Non-Current Liabilities:				
Due within one year	310,561	196,939	507,500	345,433
Due in more than one year	4,302,344	3,188,259	7,490,603	4,678,339
Total Liabilities	11,076,394	4,355,221	15,431,615	9,210,579
Deferred Inflows of Resources	3,908	-	3,908	565,611
Net Position				
Net Investment in Capital Assets	1,040,759	1,088,112	2,128,871	94,740
Restricted For:				
Capital Projects	28,729	257,292	286,021	-
Debt Service	80,553	302,276	382,829	232,444
Pension Oblig Bond Refunding Reserve	56,685	-	56,685	-
Behavioral Health	199,587	-	199,587	-
Neighborhood Revitalization	29,573	-	29,573	-
Stadium Financing	4,314	-	4,314	-
Central Library Project	2,028	-	2,028	-
Cultural & Commercial Corridor Project	10,566	-	10,566	-
Grant Programs	96,365	-	96,365	29,198
Rate Stabilization	-	206,447	206,447	-
Libraries & Parks:				
Expendable	2,855	-	2,855	-
Non-Expendable	3,264	-	3,264	-
Educational Programs	-	-	-	11,520
Other	61,818	-	61,818	10,193
Unrestricted(Deficit)	(7,880,584)	(278,379)	(8,158,963)	(4,606,556)
Total Net Position	(6,263,488)	1,575,748	(4,687,740)	(4,228,461)

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, 2015

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	97,426	92	2,690	4,908	(89,736)		(89,736)	
Transportation:								
Streets & Highways	122,406	7,319	42,953	49,019	(23,115)		(23,115)	
Mass Transit	76,195	2,115	157	-	(73,923)		(73,923)	
Judiciary and Law Enforcement:								
Police	1,098,662	5,250	7,732	-	(1,085,680)		(1,085,680)	
Prisons	352,963	373	29	-	(352,561)		(352,561)	
Courts	323,433	51,604	46,284	-	(225,545)		(225,545)	
Conservation of Health:								
Emergency Medical Services	66,375	36,177	9,358	-	(20,840)		(20,840)	
Health Services	1,420,528	14,438	1,215,990	-	(190,100)		(190,100)	
Housing and Neighborhood Development	80,904	20,069	59,584	-	(1,251)		(1,251)	
Cultural and Recreational:								
Recreation	113,078	3,658	12,496	3,525	(93,399)		(93,399)	
Parks	10,590	1,073	-	2,415	(7,102)		(7,102)	
Libraries and Museums	84,343	1,136	7,139	-	(76,068)		(76,068)	
Improvements to General Welfare:								
Social Services	687,770	4,422	533,821	-	(149,527)		(149,527)	
Education	126,020	-	-	-	(126,020)		(126,020)	
Inspections and Demolitions	41,656	52,439	119	-	10,902		10,902	
Service to Property:								
Sanitation	151,091	24,931	1,707	-	(124,453)		(124,453)	
Fire	350,784	2,905	1,507	-	(346,372)		(346,372)	
General Management and Support	605,319	150,202	69,598	254	(385,265)		(385,265)	
Interest on Long Term Debt	166,211	174	-	-	(166,037)		(166,037)	
Total Governmental Activities	5,975,754	378,377	2,011,164	60,121	(3,526,092)		(3,526,092)	
Business Type Activities:								
Water and Sewer	550,217	675,960	907	1,337	-	127,987	127,987	
Aviation	374,307	322,365	-	126,664	-	74,722	74,722	
Industrial and Commercial Development	-	459	-	33,299	-	33,758	33,758	
Total Business Type Activities	924,524	998,784	907	161,300	-	236,467	236,467	
Total Primary Government	6,900,278	1,377,161	2,012,071	221,421	(3,526,092)	236,467	(3,289,625)	
Component Units:								
Gas Operations	681,049	684,754	16,277	-				19,982
Housing	40,429	4,890	32,579	-				(2,960)
Parking	236,070	234,462	-	-				(1,608)
Education	3,078,950	44,676	980,476	82				(2,053,716)
Health	795,152	-	795,152	-				-
Economic Development	176,985	13,177	125,908	38,241				341
Total Component Units	5,008,635	981,959	1,950,392	38,323				(2,037,961)
General Revenues:								
Taxes:								
Property Taxes					551,323	-	551,323	683,471
Wage & Earnings Taxes					1,737,196	-	1,737,196	-
Business Taxes					453,417	-	453,417	-
Other Taxes					666,669	-	666,669	404,895
Grants & Contributions Not Restricted to Specific Programs					185,080	1,885	186,965	1,113,658
Unrestricted Interest & Investment Earnings					24,063	4,097	28,160	16,124
Miscellaneous					-	-	-	2,005
Special Items					-	-	-	833
Transfers					30,258	(30,258)	-	-
Total General Revenues, Special Items and Transfers					3,648,006	(24,276)	3,623,730	2,220,986
Change in Net Position					121,914	212,191	334,105	183,025
Net Position - July 1, 2014					(1,964,638)	1,893,601	(71,037)	(907,857)
Adjustment					(4,420,764)	(530,044)	(4,950,808)	(3,503,629)
Net Position Adjusted - July 1, 2014					(6,385,402)	1,363,557	(5,021,845)	(4,411,486)
Net Position - June 30, 2015					(6,263,488)	1,575,748	(4,687,740)	(4,228,461)

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2015

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	11,585	-	85	47,067	58,737
Equity in Treasurer's Account	368,283	117,646	-	136,909	622,838
Investments	-	-	-	123,594	123,594
Due from Other Funds	60,375	-	-	4	60,379
Due from Component Units	48,240	-	-	-	48,240
Amounts Held by Fiscal Agent	73,594	-	20,604	-	94,198
Taxes Receivable	648,947	-	-	12,359	661,306
Accounts Receivable	377,767	-	3,051	6,906	387,724
Due from Other Governmental Units	41,107	143,255	372,342	73,233	629,937
Allowance for Doubtful Accounts	(668,766)	-	-	(2,694)	(671,460)
Interest and Dividends Receivable	147	170	-	5	322
Other Assets	-	-	-	362	362
Total Assets	961,279	261,071	396,082	397,745	2,016,177
Liabilities					
Vouchers Payable	47,855	264	30,666	8,073	86,858
Accounts Payable	66,325	20,099	64,161	36,520	187,105
Salaries and Wages Payable	66,959	-	4,803	399	72,161
Payroll Taxes Payable	-	-	-	29	29
Due to Other Funds	699	-	52,825	7,554	61,078
Due to Component Units	313	41,121	1,474	194	43,102
Funds Held in Escrow	8,139	-	-	3,923	12,062
Due to Other Governmental Units	166	-	-	-	166
Unearned Revenue	184,069	-	134,436	6,463	324,968
Overpayment of Taxes	149,479	-	-	-	149,479
Total Liabilities	524,004	61,484	288,365	63,155	937,008
Deferred Inflows of Resources	281,780	-	255,981	61,196	598,957
Fund Balances					
Nonspendable	-	-	-	3,464	3,464
Restricted	73,594	199,587	64,730	272,993	610,904
Committed	-	-	-	4,117	4,117
Assigned	81,901	-	-	-	81,901
Unassigned	-	-	(212,994)	(7,180)	(220,174)
Total Fund Balances	155,495	199,587	(148,264)	273,394	480,212
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	961,279	261,071	396,082	397,745	

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	2,314,503
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	598,957
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,612,905)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	373,780
e. Other	(22,538)
f. Net Pension and OPEB Liabilities are not reported in the funds	(5,395,497)
Net Position of Governmental Activities	(6,263,488)

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

Exhibit IV

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,777,889	-	-	619,215	3,397,104
Locally Generated Non-Tax Revenue	294,645	1,321	58,473	22,148	376,587
Revenue from Other Governments	303,061	821,402	1,027,133	128,593	2,280,189
Other Revenues	14,500	-	-	2,424	16,924
Total Revenues	3,390,095	822,723	1,085,606	772,380	6,070,804
Expenditures					
Current Operating:					
Economic Development	26,947	-	3,163	52,338	82,448
Transportation:					
Streets & Highways	62,912	-	5,348	27,961	96,221
Mass Transit	71,592	-	157	-	71,749
Judiciary and Law Enforcement:					
Police	1,095,534	-	9,110	-	1,104,644
Prisons	341,544	-	33	2,310	343,887
Courts	280,633	-	40,845	-	321,478
Conservation of Health:					
Emergency Medical Services	56,702	-	9,353	-	66,055
Health Services	156,243	811,693	307,725	144,156	1,419,817
Housing and Neighborhood Development	2,770	-	26,976	51,132	80,878
Cultural and Recreational:					
Recreation	91,445	-	12,459	-	103,904
Parks	-	-	-	1,804	1,804
Libraries and Museums	72,233	-	6,745	156	79,134
Improvements to General Welfare:					
Social Services	146,197	-	541,649	-	687,846
Education	126,020	-	-	-	126,020
Inspections and Demolitions	41,106	-	414	-	41,520
Service to Property:					
Sanitation	145,197	-	1,747	-	146,944
Fire	344,715	-	1,651	-	346,366
General Management and Support	589,218	-	20,265	52,780	662,263
Capital Outlay	-	-	-	189,661	189,661
Debt Service:					
Principal	208,015	-	-	131,809	339,824
Interest	13,354	-	-	107,299	120,653
Bond Issuance Cost	7,199	-	-	-	7,199
Total Expenditures	3,879,576	811,693	987,640	761,406	6,440,315
Excess (Deficiency) of Revenues Over (Under) Expenditures	(489,481)	11,030	97,966	10,974	(369,511)
Other Financing Sources (Uses)					
Issuance of Debt	30,000	-	-	-	30,000
Issuance of Refunding Debt	195,685	-	-	-	195,685
Bond Issuance Premium	21,330	-	-	-	21,330
Transfers In	370,792	-	30	291,052	661,874
Transfers Out	(184,549)	-	(31,066)	(416,001)	(631,616)
Total Other Financing Sources (Uses)	433,258	-	(31,036)	(124,949)	277,273
Net Change in Fund Balance	(56,223)	11,030	66,930	(113,975)	(92,238)
Fund Balance - July 1, 2014	211,718	188,557	(215,194)	387,369	572,450
Fund Balance - June 30, 2015	155,495	199,587	(148,264)	273,394	480,212

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, 2015

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds.....	(92,238)
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 (170,564) exceeded depreciation (138,371) in the current period.....	32,193
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	17,287
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 (486,692) exceeded proceeds (247,015).....	239,677
d. The increase in the Net Pension Liability 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.....	(28,823)
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.....	(46,182)
Change in Net Position of governmental activities.....	121,914

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, 2015

Exhibit VI

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Total
Assets				
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	80,040	66,077	4,540	150,657
Due from Other Governments	-	1,469	1,972	3,441
Accounts Receivable	158,975	32,513	-	191,488
Allowance for Doubtful Accounts	(12,399)	(1,124)	-	(13,523)
Inventories	13,323	3,037	55,397	71,757
Total Current Assets	239,969	101,972	61,909	403,850
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	668,043	335,722	-	1,003,765
Amounts Held by Fiscal Agent	-	342	-	342
Sinking Funds and Reserves	221,198	50,839	-	272,037
Grants for Capital Purposes	-	22,700	-	22,700
Receivables	934	10,527	-	11,461
Total Restricted Assets	890,175	420,130	-	1,310,305
Capital Assets:				
Land	5,919	147,049	-	152,968
Infrastructure	2,422,387	934,730	-	3,357,117
Construction in Progress	303,005	553,817	-	856,822
Buildings and Equipment	1,667,810	1,945,072	-	3,612,882
Less: Accumulated Depreciation	(2,249,441)	(1,631,796)	-	(3,881,237)
Total Capital Assets, Net	2,149,680	1,948,872	-	4,098,552
Total Non-Current Assets	3,039,855	2,369,002	-	5,408,857
Total Assets	3,279,824	2,470,974	61,909	5,812,707
Deferred Outflows of Resources	83,507	34,755	-	118,262
Liabilities				
Current Liabilities:				
Vouchers Payable	10,798	5,091	-	15,889
Accounts Payable	12,339	11,603	-	23,942
Salaries and Wages Payable	5,582	2,304	-	7,886
Construction Contracts Payable	21,911	51,033	-	72,944
Due to Component Units	3,041	-	-	3,041
Accrued Expenses	23,554	3,801	-	27,355
Funds Held in Escrow	2,380	-	-	2,380
Unearned Revenue	8,905	1,592	-	10,497
Commercial Paper Notes	-	167,600	-	167,600
Bonds Payable-Current	136,724	60,215	-	196,939
Total Current Liabilities	225,234	303,239	-	528,473
Derivative Instrument Liability	3,289	16,225	-	19,514
Net Pension Liability	415,327	203,648	-	618,975
Non-Current Liabilities:				
Bonds Payable	1,974,073	1,165,115	-	3,139,188
Other Non-Current Liabilities	35,829	13,242	-	49,071
Total Non-Current Liabilities	2,009,902	1,178,357	-	3,188,259
Total Liabilities	2,653,752	1,701,469	-	4,355,221
Net Position				
Net Investment in Capital Assets	385,721	702,391	-	1,088,112
Restricted For:				
Capital Projects	132,157	125,135	-	257,292
Debt Service	221,198	81,078	-	302,276
Rate Stabilization	206,447	-	-	206,447
Unrestricted	(235,944)	(104,344)	61,909	(278,379)
Total Net Position	709,579	804,260	61,909	1,575,748

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, 2015

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	667,699	100,620	-	768,319
Rentals and Concessions	-	216,190	-	216,190
Operating Grants	907	-	-	907
Miscellaneous Operating Revenues	8,261	5,555	459	14,275
Total Operating Revenues	676,867	322,365	459	999,691
Operating Expenses:				
Personal Services	121,770	70,425	-	192,195
Purchase of Services	104,444	101,642	-	206,086
Materials and Supplies	37,382	8,670	-	46,052
Employee Benefits	108,914	52,107	-	161,021
Indemnities and Taxes	4,018	1,840	-	5,858
Depreciation	103,763	98,125	-	201,888
Total Operating Expenses	480,291	332,809	-	813,100
Operating Income (Loss)	196,576	(10,444)	459	186,591
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	-	1,885	-	1,885
Passenger and Customer Facility Charges	-	91,114	-	91,114
Interest Income	3,732	363	2	4,097
Debt Service - Interest	(65,933)	(41,429)	-	(107,362)
Other Revenue (Expenses)	(3,993)	(69)	-	(4,062)
Total Non-Operating Revenues (Expenses)	(66,194)	51,864	2	(14,328)
Income (Loss) Before Contributions & Transfers	130,382	41,420	461	172,263
Transfers In/(Out)	(30,258)	-	-	(30,258)
Capital Contributions	1,337	35,550	33,299	70,186
Change in Net Position	101,461	76,970	33,760	212,191
Net Position - July 1, 2014	970,483	894,969	28,149	1,893,601
Adjustment	(362,365)	(167,679)	-	(530,044)
Net Position Adjusted - July 1, 2014	608,118	727,290	28,149	1,363,557
Net Position - June 30, 2015	709,579	804,260	61,909	1,575,748

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, 2015

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	675,466	319,785	-	995,251
Payments to Suppliers	(141,177)	(108,490)	-	(249,667)
Payments to Employees	(222,723)	(118,170)	-	(340,893)
Internal Activity-Payments to Other Funds	-	(5,569)	-	(5,569)
Claims Paid	(4,018)	-	-	(4,018)
Other Receipts (Payments)	-	1,132	459	1,591
Net Cash Provided (Used)	307,548	88,688	459	396,695
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	907	1,645	-	2,552
Operating Subsidies and Transfers from Other Funds	(30,258)	-	-	(30,258)
Net Cash Provided (Used)	(29,351)	1,645	-	(27,706)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	300,758	283,700	-	584,458
Capital Grants & Contributions Received	-	25,060	-	25,060
Acquisition and Construction of Capital Assets	(174,135)	(189,575)	-	(363,710)
Interest Paid on Debt Instruments	(78,951)	(65,850)	-	(144,801)
Principal Paid on Debt Instruments	(121,848)	(218,150)	-	(339,998)
Passenger Facility Charges	-	89,644	-	89,644
Net Cash Provided (Used)	(74,176)	(75,171)	-	(149,347)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	(110)	-	(110)
Interest and Dividends on Investments	2,186	676	2	2,864
Net Cash Provided (Used)	2,186	566	2	2,754
Net Increase (Decrease) in Cash and Cash Equivalents	206,207	15,728	461	222,396
Cash and Cash Equivalents, July 1 (including $470.7 mil for Water & Sewer and $328.1 mil for Aviation reported in restricted accounts)	541,906	386,413	4,079	932,398
Cash and Cash Equivalents, June 30 (including $668.1 mil for Water & Sewer and $336.1 mil for Aviation reported in restricted accounts)	748,113	402,141	4,540	1,154,794
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	196,576	(10,444)	459	186,591
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	103,763	98,125	-	201,888
Bad Debts, Net of Recoveries	-	25	-	25
Changes in Assets and Liabilities:				
Receivables, Net	(1,382)	(913)	-	(2,295)
Unearned Revenue	(19)	(574)	-	(593)
Inventories	100	(84)	-	16
Accounts and Other Payables	3,196	2,553	-	5,749
Accrued Expenses	5,314	-	-	5,314
Net Cash Provided by Operating Activities	307,548	88,688	459	396,695
Schedule of non-cash capital activities:				
Contributions of capital assets	-	-	33,300	33,300

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, 2015

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	-	92,044
Equity in Treasurer's Account	5,179,916	43,337
Investments	-	4,652
Securities Lending Collective Investment Pool	405,679	-
Allowance for Unrealized Loss	-	-
Accounts Receivable	1,694	-
Due from Brokers for Securities Sold	136,213	-
Interest and Dividends Receivable	1,400	-
Due from Other Governmental Units	4,281	-
Due from Other Funds	-	699
Total Assets	5,729,183	140,732
Liabilities		
Vouchers Payable	108	28
Accounts Payable	1,042	-
Salaries and Wages Payable	84	-
Payroll Taxes Payable	-	1,552
Funds Held in Escrow	-	139,152
Due on Return of Securities Loaned	405,964	-
Due to Brokers for Securities Purchased	126,959	-
Accrued Expenses	9,702	-
Other Liabilities	353	-
Total Liabilities	544,212	140,732
Net Position Held in Trust for Pension Benefits	5,184,971	-

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, 2015

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	598,301
Employees' Contributions	59,051
Total Contributions	657,352
Investment Income:	
Interest and Dividends	113,621
Net Decline in Fair Value of Investments	(65,914)
(Less) Investments Expenses	(11,445)
Securities Lending Revenue	2,266
Securities Lending Unrealized Gain	-
(Less) Securities Lending Expenses	(339)
Net Investment Gain	38,189
Miscellaneous Operating Revenues	122
Total Additions	695,663
Deductions	
Personal Services	3,271
Purchase of Services	4,077
Materials and Supplies	69
Employee Benefits	2,992
Pension Benefits	923,304
Refunds of Members' Contributions	5,279
Administrative Expenses Paid	1,480
Other Operating Expenses	70
Total Deductions	940,542
Change in Net Position	(244,879)
Net Position - July 1, 2014	5,429,850
Net Position - June 30, 2015	5,184,971

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2015

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	114,327	65,936	49,564	157	10,515	31,826	8,025	36,109	316,459
Equity in Pooled Cash and Investments		-	-	123,882	-	-	-	-	123,882
Investments	-	-	22,842	68,596	38,737	-	1,265	-	131,440
Due from Primary Government	-	9,477	-	-	-	43,586	-	7,864	60,927
Notes Receivable	-	24,455	-	-	-	-	-	-	24,455
Taxes Receivable	-	-	-	202,953	-	-	-	-	202,953
Accounts Receivable-Net	86,853	1,831	728	21,699	7,431	46	2,157	1,698	122,443
Interest and Dividends Receivable		18,552	202	678	47		-	-	19,479
Due from Other Governments	-	162	-	77,063	2,848	-	-	30,995	111,068
Inventories	50,908	38,936	-	2,604	-	-	-	-	92,448
Other Assets	54,715	4,901	144	6,337	650	1,305	225	19,620	87,897
Restricted Assets:									
Cash and Cash Equivalents	-	10,447	113,253	98,986	-	-	-	29,441	252,127
Other Assets	95,961	38,811	-	13,776	-	-	-	-	148,548
Capital Assets:									
Land and Other Non-Depreciated Assets	69,849		15,255	150,830	30,105	-	1,850	10,574	278,463
Other Capital Assets (Net of Depreciation)	1,162,521	455	156,936	1,578,651	141,188	8,771	8,105	62,278	3,118,905
Total Capital Assets	1,232,370	455	172,191	1,729,481	171,293	8,771	9,955	72,852	3,397,368
Total Assets	1,635,134	213,963	358,924	2,346,212	231,521	85,534	21,627	198,579	5,091,494
Deferred Outflows of Resources	136,547	3,345	4,807	310,992	544	-	-	-	456,235
Liabilities									
Notes Payable	30,000	-	600	-	-	-	-	-	30,600
Vouchers Payable	56,027	-	-	-	14,350	-	-	-	70,377
Accounts Payable		10,396	19,200	64,798	-	3,635	1,785	12,365	112,179
Salaries and Wages Payable	3,342	-	-	68,204	2,675	7,169	-	-	81,390
Accrued Expenses	186,025	11,030	636	-	1,084	66,436	420	-	265,631
Funds Held in Escrow	-	10,666	-	-	561	-	-	2,012	13,239
Due to Other Governments	-	-	13,367	10,890	491	-	-	12,160	36,908
Due to Primary Government	-	1,500	30,124	-	-	-	-	-	31,624
Unearned Revenue	9,032	35,200	-	10,686	3,958		9,338	78,710	146,924
Overpayment of Taxes	-	-	-	13,079	-	-	-	-	13,079
Other Current Liabilities	-	-	-	60,552	-	4,566	-	-	65,118
Derivative Instrument Liability	-	-	-	9,389	-	-	-	-	9,389
Net OPEB Liability	-	1,643	10,916	1,221	58,228	3,728	876		76,612
Net Pension Liability	239,869	13,401	-	2,980,467	-	-			3,233,737
Non-Current Liabilities:				-					
Due within one year	38,215	5,039	12,570	282,311	7,298	-	-	-	345,433
Due in more than one year	919,534	55,404	157,938	3,449,769	66,603	-	2,045	27,046	4,678,339
Total Liabilities	1,482,044	144,279	245,351	6,951,366	155,248	85,534	14,464	132,293	9,210,579
Deferred Inflows of Resources	11,653	478	308	553,075	97	-	-	-	565,611
Net Position									
Net Investment in Capital Assets	274,621	285	72,228	(396,253)	96,979		9,954	36,926	94,740
Restricted For:									
Debt Service	95,962	10,816	2,674	122,992	-	-	-	-	232,444
Educational Programs	-	-	-	6,307	5,213	-	-	-	11,520
Grant Programs	-	-	-	-	-	-	-	29,198	29,198
Other	-	-	-	10,193	-	-	-	-	10,193
Unrestricted	(92,599)	61,450	43,170	(4,590,476)	(25,472)	-	(2,791)	162	(4,606,556)
Total Net Position	277,984	72,551	118,072	(4,847,237)	76,720	-	7,163	66,286	(4,228,461)

*** The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2015. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2014. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2015.**

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, 2015

Exhibit XII

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Position								
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	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	681,049	684,754	16,277	-	19,982								19,982
Housing													
Redevelopment Authority	40,429	4,890	32,579	-		(2,960)							(2,960)
Parking													
Parking Authority	236,070	234,462	-	-			(1,608)						(1,608)
Education													
School District	2,909,100	10,918	912,025	82				(1,986,075)					(1,986,075)
Community College	169,850	33,758	68,451	-					(67,641)				(67,641)
Total	3,078,950	44,676	980,476	82									
Health													
Community Behavioral Health	795,152	-	795,152	-						-			-
Economic Development													
Convention Center Authority	-	-	-	-									-
Delaware River Waterfront Corp.	18,693	10,552	7,231	-							(910)		(910)
Authority for Ind. Development	158,292	2,625	118,677	38,241								1,251	1,251
Total	176,985	13,177	125,908	38,241									
Total Component Units	5,008,635	981,959	1,950,392	38,323									(2,037,961)
General Revenues:													
Property Taxes					-	-	-	683,471	-	-	-	-	683,471
Other Taxes					-	-	-	404,895	-	-	-	-	404,895
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,052,896	60,762	-	-	-	1,113,658
Unrestricted Interest & Investment Earnings					-	(623)	2,361	13,724	635	-	27	-	16,124
Miscellaneous					-	-	-	-	2,064	-	-	(59)	2,005
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	(1,995)	-	-	2,828	833
Total General Revenue ,Special items and Transfers					-	(623)	2,361	2,154,986	61,466		27	2,769	2,220,986
Change in Net Position					19,982	(3,583)	753	168,911	(6,175)	-	(883)	4,020	183,025
Net Position - July 1, 2014					407,935	76,134	117,319	(1,662,452)	82,895		8,046	62,266	(907,857)
Adjustment					(149,933)		-	(3,353,696)	-	-	-	-	(3,503,629)
Net Position Adjusted - July 1, 2014					258,002	76,134	117,319	(5,016,148)	82,895	-	8,046	62,266	(4,411,486)
Net Position - June 30, 2015					277,984	72,551	118,072	(4,847,237)	76,720	-	7,163	66,286	(4,228,461)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2015. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2014. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2015.

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 06/30/2015

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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. 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. CCP's reported amounts include the financial activity of the Community College of Philadelphia Foundation, which is a discretely presented component unit of CCP.

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**.** PRA's reported amounts include the financial activity of the Head House Retail Associates, L.P., which is PRA's discretely presented component unit whose fiscal year ended December 31, 2014.

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 the debt service that PAID issues on the City's behalf.

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 ORGANIZATIONS

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 remains 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 **CCP** 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 December 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 (except for the Aviation Fund which uses $10,000 for personal property and $100,000 for fixed assets). 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 “substantially complete” as their determining basis for transferring construction in process to one or more of the major asset classes), (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 and unemployment benefits to its employees. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, the city-administered health plan, the International Association of Fire Fighters and District Council 47.

9. RECEIVABLES 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".

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2015 and 2014. Credit balance receivables have been included in unearned revenue in the statement of net position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

In fiscal year 2015, the Division of Aviation and the Philadelphia Airport Affairs Committee (PAAC) entered into an agreement that would reduce the fiscal year 2015 base rate to the airlines in exchange for a $10 million contribution from the Airport's Operation and Maintenance (O&M) reserve account that would be replenished by the signatory airlines, through the rates and charges process, over a three-year period from fiscal years 2016 to 2018. The Airport included this $10 million as part of the $32.5 million Accounts Receivable reported for the Aviation Fund in the FY 2015 Statement of Net Position. However, since the agreement states that repayment of the contribution is to take place over the next three years, $6.7 million of the $10 million receivable will not be collected until fiscal years 2017 and 2018.

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 27.54% 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 $1.34 on each $100 assessment; $0.7382 for the SDP and $0.6018 for the City. Delinquent charges are assessed up to 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).

Beginning in fiscal year ended June 30, 2015 the city implemented GASB Statement No. 68, *Accounting and Financial Reporting* for Pensions. Refer to Note I 14 "Recently Issued Accounting Standards" for an overview of the new GASB Statement. This statement requires the reporting of pension transactions that incorporates deferred outflows of resources and deferred inflows of resources related to pensions over a defined, closed period, rather than a choice between an open or closed period.

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. Deferred Inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time. On the **full accrual basis** of accounting, the City has three items that qualify for reporting in all three categories. 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. Deferred pension transactions are recognized as an expense or revenue in a future period. Five component units, including (**SDP**), (**PGW),** (**PPA**), (**PRA**), and (**CCP**), have items that qualify in some of the categories, which is deferred refunding and deferred pension categories. These items have been reported as deferred outflows or deferred inflows on the City's and the component unit's Statement of Net Position.

(Amounts in Thousands of USD)

	Governmental Activities	Business Type Activities	Component Unit
Deferred Outflows of Resources			
Derivative Instrument	67,431	19,514	20,948
Deferred Charge of Refunding	67,602	62,423	173,083
Deferred Pension Expense	304,378	36,325	262,205
Total:	439,411	118,262	456,235

(Amounts in Thousands of USD)

	Governmental Activities	Business Type Activities	Component Unit
Deferred Inflows of Resources			
Derivative Instrument	-	-	-
Deferred Revenue of Refunding	-	-	205
Deferred Pension Revenue	3,908	-	565,406
Total:	3,908	-	565,611

On the **modified accrual statements**, there were no deferred outflows and 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	184,686	-	396
Unavailable Agency Revenue	50,947	-	-
Unavailable Government Revenue	46,147	255,981	60,800
Total:	281,780	255,981	61,196

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 ($5.6 million) and Business Income and Receipts Tax (BIRT) ($178.5 million).

14. NEW ACCOUNTING STANDARDS

In fiscal year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*, an accounting pronouncement that revised existing standards for measuring and reporting pension liabilities for pension plans. One of the objectives of this accounting standard is to require governmental agencies to recognize the difference between its actuarial total pension liability and the pension plan's fiduciary net position as the net pension liability on the statement of net position. In addition to the benefits earned each year, the annual pension expense will also include interest on the total pension liability and the impacts of changes in benefit terms, projected investment earnings and other plan net position changes. The adoption of this accounting standard had a material impact on recorded pension liabilities compared to the application of prior standards. As a result of this change in accounting principle, a net pension liability was established which required the beginning net position as of July 1, 2014 to be adjusted to reflect the change. Refer to Note III. 13 for more detail on the adjustments to beginning net position.

Also effective for fiscal year 2015, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this accounting standard are to be applied on a prospective basis. The City has determined that this standard has no impact on the current year financial statements.

Effective concurrently with GASB Statement No. 68, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*, clarified that, even if it is not practical to determine the amount of all deferred outflows of resources and deferred inflows of resources related to pensions at GASB 68 transition, a government should recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. The City has determined that this standard has no impact on its current year financial statements because the measurement date of the City's beginning net pension liability was June 30, 2014.

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 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 $996.5 million and $996.5 million respectively. All of the collateralized securities were held in the City's name except for $96 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, Philadelphia Gas Works Retirement Reserve (PGW Pension Fund), and the Fairmount Park and Free Library Trust Funds. Those funds have separate investment policies designed to meet the long-term goals of the fund.

As of June 30, 2015 the total investments of the City, as well as both Pension Trust Funds and the Fairmount Park and Free Library Trust Funds, consisted of:

Investments at Fair Value

(amount in thousands of USD)

Classifications	City	City Trust Funds	PGW Pension Fund	Municipal Pension Fund	Grand Total
Certificate of Deposit	$ 5,105	$ -	$ -	$ -	$ 5,105
Short-Term Investment Pools	44,401	-	-	114,004	158,405
Commercial Paper	331,485	-	-	-	331,485
U.S. Government Securities	489,939	302	56,861	233,576	780,678
U.S. Government Agency Securities	451,146	-	-	74,685	525,831
Muncipal Bonds	-	-	6,593	4,851	11,444
Foreign Debt	178	-	4,559	181,704	186,441
Corporate Bonds	149,479	-	43,599	291,651	484,729
Collateralized Debt Obligations	-	-	38,017	15,953	53,970
Other Bonds and Investments	-	3,913	64	24	4,001
Corporate Equities	-	3,425	350,208	2,282,518	2,636,151
Limited Partnerships	-	-	-	551,997	551,997
Hedge Funds	-	-	-	156,198	156,198
Real Estate	-	-	-	286,871	286,871
Private Equity	-	-	-	459,821	459,821
Grand Total	$ 1,471,733	$ 7,640	$ 499,901	$ 4,653,853	$ 6,633,127

The City's investments include all operating, capital, debt service and debt service reserve accounts of the City's General Fund, Water Department and Aviation Division. All City investments must be in compliance with applicable provisions of the City Code and City bond resolutions, as well as the City's Investment Policy. The City's Investment Policy is meant to supplement the applicable provisions of the City Code and City bond resolutions, and is reviewed and adopted by the City's Investment Committee. The City's Investment Committee consists of the Director of Finance, the City Treasurer, a representative from the Water Department, Aviation Division, and the Philadelphia Gas Works.

City Investments - Credit Risk

Credit Risk: The City's policy to limit credit risks by limiting the type of allowable investment, as well as the maximum percent of the portfolio for each type of investment.

The City's investment in US Government securities (33.29%) or US Government Agency obligations (30.7%) are allowable investments up to 100% of the portfolio. The US Government Agency obligations must be rated AAA by Standard & Poor's Corp. (S&P) or Aaa by Moody's Investor Services. All US Government Securities meet the criteria.

The City's investment in Commercial paper (22.5%) is limited to 25% of the portfolio, and must be rated A1 by 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. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (10.2%) are limited to 25% of the portfolio, and had a S&P rating of AAA to AA or Moody's rating of Aa2 or better.

Short Term Investment Pools are rated AAA by S&P and Aaa by Moody's Investor Services. The Short Term Investment Pools' Fair Value is the same as the value of the pool shares. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools).

The City limits its foreign currency risk by investing in certificates of deposit and banker's 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.

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.

City Investments - Interest Rate Risk

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 fixed income investments to maturities of no longer than 2 years, except in Sinking Fund Reserve Portfolios.

(in thousands of USD)

	Less than 1 Year	1-3 years	More than 3 Years
Certificate of Deposit	$ 105	-	-
Commercial Paper	331,485	-	-
U.S. Government Securities	375,635	114,304	-
U.S. Government Agency Securities	171,455	257,776	21,915
Foreign Debt	177	-	-
Corporate Bonds	85,901	63,578	-
Total	964,758	435,658	21,915

Municipal Pension Fund

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund's rated debt investments as of June 30, 2015 were rated by S&P, a nationally recognized statistical rating agency and are presented below using S&P rating scale:

2015 (in thousands)	Total Fair Value	Credit Rating AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	7,586	1,735	439	2,322	1,267	599	-	-	-	-	-	1,224
CMO/REMIC Commercial Mortgage Backed Securities	2,584	-	1,025	33	323	54	127	517	-	-	371	134
	5,782	757	3,137	1,675	213	-	-	-	-	-	-	-
Corporate Bonds	291,059	1,605	3,000	46,840	76,723	48,118	48,908	13,633	33	20	-	52,179
Government Bonds	418,775	14,032	280,712	41,952	42,504	21,741	6,086	1,973	454	-	-	9,321
Mortgage Backed Securities	71,808	-	71,808	-	-	-	-	-	-	-	-	-
Municipal Bonds	4,851	-	2,479	2,317	55	-	-	-	-	-	-	-
Total Credit Risk of Debt Securities	802,445	18,129	362,600	95,139	121,085	70,512	55,121	16,123	487	20	371	62,858

Custodial Credit Risk: In the event of counter-party failure, the Fund may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department, are uninsured and are not registered in the name of the Fund. The Fund requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Fund. Certain investments may be held by the managers in the Fund's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2015, the Fund has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

(thousands of USD)

Municipal Pension Fund - Assets subject to foreign currency risk

Currency	Cash	Fixed	Equities	Derivatives	Total
Euro	1,624	15,445	259,979	222	277,270
Pound Sterling	921	81	165,088	(34)	166,056
Japanese Yen	955	9	119,609	(16)	120,557
Hong Kong Dollar	(76)	33	86,331	(7)	86,281
Swiss Franc	151	-	83,280	-	83,431
South Korean Won	-	8,694	47,553	-	56,247
Australian Dollar	81	14,498	28,796	(6)	43,369
Mexican Peso	-	32,177	10,646	-	42,823
Canadian Dollar	162	28	32,557	(7)	32,740
South African Rand	25	10,068	17,697	(7)	27,783
Brazilian Real	2	7,689	17,447	28	25,166
Swedish Krona	22	-	17,806	260	18,088
Indonesian Rupiah	-	9,154	5,758	(12)	14,900
Malaysian Ringgit	-	6,067	7,370	-	13,437
Danish Krone	50	-	9,972	-	10,022
Polish Zloty	2	4,285	3,650	(6)	7,931
New Zealand Dollar	42	6,544	317	550	7,453
Hungarian Forint	(5)	6,727	508	(15)	7,215
Thai Baht	2	-	6,045	-	6,047
New Turkish Lira	-	1,245	3,433	-	4,678
Singapore Dollar	25	-	4,381	-	4,406
Philippine Peso	-	-	4,091	-	4,091
All Others	2,695	4,023	13,225	(323)	19,620
	6,678	126,767	945,539	627	1,079,611

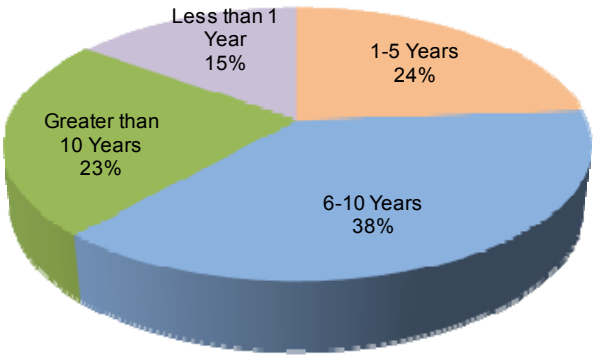
Interest Rate Risk

Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes.

Duration is a measure of the approximate sensitivity of a bond's value to interest rate changes. The higher the duration, the greater the changes in fair value when interest rates change. The Fund measures interest rate risk using option-adjusted duration, which recognizes the fact that yield changes may change the expected cash flows due to embedded options.

This chart details the exposure to interest rate changes based on maturity dates of the fixed income securities:

Municipal Pension Fund Exposure to Credit Risk



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 7.54% of all investments and is primarily invested in equity securities (70.06%). 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:

(in thousands of USD)

	Less than 1 Year	1-3 years	3-5 years	5-10 years	More than 10 Years
Short Term Investment Pools	16,122	-	-	-	-
U.S. Government Securities	6,253	4,240	6,116	29,428	393
U.S. Government Agency Securities	3,601	5,474	753	-	457
MTG Pass Thru	-	-	385	-	-
Municipal Securities	-	464	1,556	3,170	1,401
Collateralized Mortgage Obligations	-	-	-	165	5,837
Asset Backed Securities	3,726	2,767	217	4,862	19,833
Corporate Bonds	1,308	6,188	7,654	21,223	11,794
Total	31,010	19,133	16,681	58,848	39,715

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, 2015 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 $108.5 million. Statement balances were insured or collateralized as follows:

Insured	5,852
Uninsured and uncollateralized	102,623
Total:	108,475

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, 2015, 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)

	Changes in Fair Value		Fair Value at June 30. 2015		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Investment derivatives:					
Basis Caps	Investment Revenue	52	Investment	4,004	289,120

PICA Series of 2003 and 1999 Basis Cap Agreements

PICA entered into two basis cap transactions with JPMorgan Chase Bank, one in June 2003 related to the 2003 swap and one in April 2004 related to the 1999 swaption. For the 2003 basis cap transaction, beginning June 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by 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 amount and term of the agreement equals the notional amount and term of the 2003 interest rate swap noted above.

For the 1999 basis cap transaction, beginning June 15, 2009, the counterparty will pay the Authority a fixed-rate each month of .46% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by one-month LIBOR, less 70%, multiplied by one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the 1999 interest rate swaption noted above. The objective of each basis cap is to generate income. If the ratio of SIFMA/LIBOR rises sharply, the anticipated benefit might not be realized.

Fair value: As of June 30, 2015, the 2003 Basis Cap had a positive fair value of $1,184,027. This means that **PICA** would receive this amount to terminate the 2003 basis cap. As of June 30, 2015, the 1999 Basis Cap had a positive fair value of $2,819,906. 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	$ 15,024	$ 15,024
U.S. Treasury & Agency obligation	20,400	20,397
U.S. Treasury bonds & notes	10,865	10,937
Certificates of Deposit	100	100
	$ 46,389	$ 46,458

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, 2015.

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, 2015 the Authority's investments in U.S. Government Securities were rated AAA. Investments in money market funds and certificates of deposit were not rated. Depository cash accounts consisted of $264,238 on deposit with two local banks. Amounts are insured by the FDIC up to $250,000 per bank. 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, 2015, **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)

	Changes in Fair Value		Fair Value at June 30. 2015		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental activities					
Investment derivatives:					
Basis Swap	Investment Revenue	4,183	Investment	(2,205)	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.

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, 2015, the notional amount on the portion of the swap that was not amended was $193.5 million.

Fair Value: As of June 30, 2015, the swap had a negative fair value of ($2.205 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2015, **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 basis points, 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, 2015 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	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	($2,816,768)	Wells Fargo Bank N.A.	Aa2/AA-/AA-
Series 2003 School Lease Revenue Bonds	350,000,000	350,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	($6,572,459)	JP Morgan Chase Bank N.A.	Aa3/A+/A+
							($9,389,227)		

Basis Risk/Interest rate 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, 2015, the net benefit to the School District has been $13,158,207.

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, 2015, 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) has authorized management of the Fund to participate in securities lending transactions. The 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 cannot be pledged or sold except in the case of a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102% or 105% 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 $.3 million in unrealized loss from securities transactions during the year 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 Central Library Project Financing Lease Revenue Bonds Series 2005, **PAID**'s Cultural and Commercial Corridor Lease Revenue Bonds Series 2006, **PAID** City Service Agreement Refunding Revenue Bonds Series 2012, **PAID'**s Sports Stadium Financing Lease Revenue Bonds, Series A & B of 2007 and Series 2014A.

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
Grants Revenue Fund	52,825	-	-	-	52,825
Non major Special Revenue Funds	7,550	4	-	-	7,554
Total	60,375	4	-	699	61,078

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	PAID	SDP	PGW	Timing Difference	Total
Payables Due From:									
General Fund	-	-	-	-	-	235	78	-	313
Behavioral Health	-	-	41,121	-	-	-	-	-	41,121
Grants Revenue	-	-	-	1,474	-	-	-	-	1,474
Community Development				194		-	-	-	194
Water Fund	-	-	-	2,266	775	-	-	-	3,041
Non-major Funds	-	-	-	-	-	-	-	-	-
PPA	9,149	26,053	-	-	-	-	-	(5,078)	30,124
PAID	38,091	-	-	-	-	-	-	(38,091)	-
PRA	-	-	-	-	-	-	-	1,500	1,500
PGW	-	-	-	-	-	-		-	-
School District of Phila	1,000	-	-	-	-	-	-	(1,000)	-
Timing Difference	-	(26,053)	2,465	5,543	7,089	(235)	(78)	-	(11,269)
Total	48,240	-	43,586	9,477	7,864	-	-	(42,669)	66,498

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	800	18	-	818
Fine Arts	4	-	(3)	1
Construction In Process	23	32	(19)	36
Total capital assets not being depreciated	827	50	(22)	855
Capital assets being depreciated:				
Buildings	2,068	56	(1)	2,123
Other Improvements	327	12	-	339
Equipment	492	40	(38)	494
Infrastructure	1,513	63	-	1,576
Intangibles	-	13	-	13
Transit	292	-	-	292
Total capital assets being depreciated	4,692	184	(39)	4,837
Less accumulated depreciation for:				
Buildings	(1,325)	(65)	2	(1,388)
Other Improvements	(235)	(9)	18	(226)
Equipment	(402)	(24)	24	(402)
Infrastructure	(1,091)	(41)	-	(1,132)
Intangibles	-	(1)	-	(1)
Transit	(224)	(5)	-	(229)
Total accumulated depreciation	(3,277)	(145)	44	(3,378)
Total capital assets being depreciated, net	1,415	39	5	1,459
Governmental activities capital assets, net	2,242	89	(17)	2,314

(Amounts In Millions of USD)

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	153	-	-	153
Construction In Process	763	409	(316)	856
Total capital assets not being depreciated	916	409	(316)	1,009
Capital assets being depreciated:				
Buildings	3,097	69	(16)	3,150
Other Improvements	272	59	-	331
Equipment	125	27	(19)	133
Intangible Assets	13	1	-	14
Infrastructure	3,184	185	(27)	3,342
Total capital assets being depreciated	6,691	341	(62)	6,970
Less accumulated depreciation for:				
Buildings	(1,673)	(93)	15	(1,751)
Other Improvements	(149)	(14)	-	(163)
Equipment	(103)	(6)	1	(108)
Intangible Assets	(7)	(1)		(8)
Infrastructure	(1,793)	(87)	30	(1,850)
Total accumulated depreciation	(3,725)	(201)	46	(3,880)
Total capital assets being depreciated, net	2,966	140	(16)	3,090
Business-type activities capital assets, net	3,882	549	(332)	4,099

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	42
Mass Transit	4
Judiciary and Law Enforcement:	
Police	10
Prisons	6
Courts	1
Conservation of Health:	
Health Services	3
Cultural and Recreational:	
Recreation	11
Parks	11
Libraries and Museums	8
Improvements to General Welfare:	
Social Services	1
Service to Property:	
Fire	6
General Management & Support	39
Total Governmental Activities	145
Business-Type Activities:	
Water and Sewer	104
Aviation	98
Total Business Type Activities	202

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:				
(1) Land	132	-	(2)	130
(2) Construction In Process	6	19	-	25
Art	-	-	(5)	(5)
Total capital assets not being depreciated	138	19	(7)	150
Capital assets being depreciated:				
Buildings	1,783	2	(31)	1,754
Other Improvements	1,243	10	(32)	1,221
Intangible Assets	49	2	-	51
(3) Equipment	246	13	(20)	239
Total capital assets being depreciated	3,321	26	(83)	3,265
Less accumulated depreciation for:				
Buildings	(656)	(31)	22	(665)
Other Improvements	(768)	(54)	27	(794)
Intangible Property	(39)	(2)	-	(41)
(4) Equipment	(185)	(19)	18	(188)
Total accumulated depreciation	(1,648)	(106)	67	(1,688)
Total capital assets being depreciated, net	1,673	(80)	(15)	1,578
Capital assets, net	1,811	(61)	(21)	1,729

(1) The beginning balance of Land was adjusted to reflect a $1.1 million prior period adjustment to properly account for the new West Philadelphia High School.
(2) The beginning balance for WIP was adjusted to reflect an $0.6 million prior period adjustment to remove items not deemed as able to be capitalized
(3) The beginning balance for Equipment was adjusted to reflect a prior period adjustment of ($2,746).
(4) The beginning balance for Personal Property Accumulated Depreciation was adjusted to reflect prior period adjustment of $2,860.

(Amounts In Millions of USD)

Business-type Activities:				
Capital assets not being depreciated:				
Land	40	11	(5)	46
Fine Arts	(9)	-	-	(9)
Construction In Process	67	87	(63)	91
Total capital assets not being depreciated	98	98	(69)	127
Capital assets being depreciated:				
Buildings	687	23	-	710
Other Improvements	25	-	-	25
Equipment	464	31	(2)	493
Infrastructure	1,625	65	(4)	1,686
Total capital assets being depreciated	2,801	119	(6)	2,914
Less accumulated depreciation for:				
Buildings	(300)	(18)	1	(317)
Other Improvements	(38)	(1)	-	(39)
Equipment	(191)	(19)	1	(209)
Infrastructure	(747)	(64)	2	(809)
Total accumulated depreciation	(1,276)	(102)	4	(1,374)
Total capital assets being depreciated, net	1,525	17	(2)	1,540
Capital assets, net	1,623	115	(71)	1,667

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 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. There were $167.6 million notes outstanding at June 30, 2015.

Pursuant to a contract between the City and the United States Department of Housing and Urban Development (HUD), the City borrows funds through the HUD Section 108 loan program for the purpose of establishing loan pools to finance qualifying businesses and specific development projects. These funds are placed in custodial accounts established by the Philadelphia Industrial Development Corporation (PIDC), as designee of the City, and are being administered on behalf of the City by PIDC. While the City is the primary borrower, PIDC, acting as the City's designee, makes the repayments on the City's HUD Section 108 Notes Payable. Loan repayments and investment proceeds from un-loaned funds are used to repay the Notes Payable. If there is a deficiency in these resources, the City authorizes PIDC to use Community Development Block Grant (CDBG) program income funds on hand at PIDC to repay the Notes Payable. From fiscal year 2006 through 2015, $13.3 million of CDBG program income funds had been used to repay the debt. Collateral for repayment of the HUD Section 108 loans includes future CDBG entitlements due to the City from HUD.

Through the end of the fiscal year, HUD had disbursed $262.1 million in loans to PIDC. As of June 30, 2015, there was $88.5 million in outstanding HUD Section 108 Notes Payable. In connection with this Notes Payable, a corresponding receivable due from PIDC has been recorded under Other Assets on the Governmental Activities Statement of Net Position. Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2015 are as follows:

Calendar Year		Amount
2015	$	13,645,000
2016		10,175,000
2017		10,820,000
2018		11,535,000
2019		3,350,000
Thereafter		38,978,000
Total	$	88,503,000

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 was $30.0 million in notes outstanding at year-end (August 31, 2015).

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 1.02% to 4.40%. 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, 2015 was $6,000,000 subject to the following repayment schedule:

Fiscal Year		Amount
2016	$	600,000
2017		5,400,000
2018		-
2019		-
Total	$	6,000,000

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, 2015 the statutory limit for the City is $4.3 billion, the General Obligation Debt net of deductions authorized by law is $1.8 billion, leaving a legal debt borrowing capacity of $2.5 billion. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims, Net Pension Liability 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)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Bonds Payable					
Term Bonds	757.2		(75.5)	681.7	72.3
Refunding Bonds	911.0		(42.7)	868.3	41.2
Serial Bonds	397.8		(15.3)	382.5	15.2
Add: Bond Premium	109.0	21.3	(18.5)	111.8	
Less: Deferred Amounts					
Unamortized Insurance Expenses	(17.7)		2.9	(14.8)	
Unamortized Discount	(1.9)		0.1	(1.8)	
Total Bonds Payable	2,155.4	21.3	(149.0)	2,027.7	128.7
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,121.5	43.0	(101.2)	1,063.3	104.9
Neighborhood Transformation	212.5	111.5	(133.3)	190.7	8.3
One Parkway	39.3		(2.3)	37.0	2.4
Sports Stadium	302.1	56.7	(68.8)	290.0	13.4
Library	7.2		(0.5)	6.7	0.5
Cultural Corridor Bonds	112.0		(4.0)	108.0	4.2
City Service Agreement	299.8			299.8	
PAID School District	27.3	57.5	(41.5)	43.3	14.2
Indemnity Claims	66.0	232.0	(224.0)	74.0	17.4
Worker's Compensation Claims	257.8	47.9	(58.4)	247.3	
Termination Compensation Payable	224.6	9.4	(21.8)	212.2	12.4
Leases	16.9		(4.0)	12.9	4.1
Governmental Activity Long-term Liabilities	4,842.4	579.3	(808.8)	4,612.9	310.5
Other long term liabilities reported on separate line in Exhibit I					
Net Pension Liability	4,793.6	331.7	-	5,125.3	-
OPEB Obligation	228.5	37.8	-	266.3	-
Total	9,864.5	948.8	(808.8)	10,004.5	310.5

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	3.000	%	to	6.500	%	1,379.7	Fiscal	2016	to	2042
PMA	1.250	%	to	6.660	%	236.8	Fiscal	2016	to	2044
PICA	4.000	%	to	5.000	%	315.9	Fiscal	2016	to	2023
						1,932.4				

- In April 2015, the **PRA** issued $111.5 million of City Service Agreement Revenue Refunding Bonds. The proceeds of the sale were used to refund the Series 2005B and 2005C bonds outstanding. The total proceeds were $128.0 million (including a premium of $16.5 million). The interest rates of the Bonds that were refunded ranged from 4.75% to 5.00%. The interest rates of newly issued bonds were 5.0%. The transaction resulted in a total savings to the City of $23.458 million over the next sixteen years. The economic gain on the transaction was $17.8311 million. The Deferred Refunding charge for this transaction was $386 thousand dollars.

- In July 2014, **PAID** issued $56.7 million of Lease Revenue Refunding Bonds. The proceeds of the sale were used to currently refund the Series 2007B-4 bonds outstanding and to terminate the related SWAP agreements. The total proceeds were $61.5 million (including a premium of $4.9 million). The interest rate of the Bond that was refunded was variable and on the SWAP it was fixed. The interest rates of the newly issued Bond ranges from 2.0% to 5.0%. This transaction resulted in a total savings to the City of $1.359 million over the next four years. The economic gain (the difference between the present value of the debt service payments on the old versus the new debt) was $1.326 million. The Deferred Refunding charge for this transaction was $2.474 million.

- In October of 2014, **PAID** issued $57.5 of Lease Revenue Bonds. The proceeds of the sale were used to refund $27.2 million of the 2014A bonds outstanding and provide the School District with $30.0 million of new funding. The interest rate of the Refunded Bonds was variable. The interest rate of the newly issued Bond is 1.78%. The purpose of the transaction was to provide the school district with $30.0 million of additional funding and not to generate any saving on the refunded portion of $27.2. The Deferred Refunding charge for this transaction was $9.2 thousand dollars.

- In February 1999, the City issued Pension Obligation Bonds that included a Series 1999B which were Zero Coupon Bonds which mature in 2026. These Bonds were issued at a deep discount and have remaining Principal due each year until 2026. The change in accreted value in fiscal year 2015 was $43.015 million. This amount does not represent bond proceeds and therefore it was not recorded under Other Financing Sources in Exhibit IV.

The City has General Obligation Bonds authorized and un-issued at year-end of $421.4 *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
2016	59.2	68.4	19.7	11.9	49.9	15.7
2017	62.1	65.4	20.7	11.0	52.1	13.3
2018	65.1	62.1	28.0	9.8	45.4	10.7
2019	68.3	58.8	13.4	8.9	38.8	8.4
2020	70.3	55.3	4.4	8.4	40.5	6.4
2021-2025	351.9	225.8	26.0	38.3	89.2	8.3
2026-2030	360.7	133.1	31.5	30.4	-	-
2031-2035	243.3	51.7	37.1	21.3	-	-
2036-2040	80.0	16.8	41.3	9.5	-	-
2041-2045	18.8	1.2	14.7	1.6	-	-
Totals	1,379.7	738.6	236.8	151.1	315.9	62.8

The debt service through maturity for Lease and Service Agreements is as follows:

(Amounts In Millions of USD)

	Lease & Service Agreements							
Fiscal	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	99.7	35.0	8.3	9.5	2.4	1.7	13.4	11.7
2017	93.4	41.3	7.7	9.1	2.5	1.6	13.7	11.2
2018	87.5	47.2	8.1	8.7	2.6	1.5	14.1	10.7
2019	81.9	52.8	9.8	8.3	2.7	1.4	14.5	10.0
2020	76.7	58.0	10.3	7.8	2.8	1.2	15.3	9.3
2021-2025	152.1	242.0	57.0	31.0	16.4	4.1	87.2	36.4
2026-2030	471.9	98.3	72.5	15.6	7.6	0.6	107.4	16.5
2031-2035	-	-	17.0	0.9	-	-	24.3	0.5
Totals	1,063.2	574.6	190.7	90.9	37.0	12.1	289.9	106.3

Fiscal	Central Library		Cultural Corridors		City Service Ageement		PAID School District	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	0.6	0.3	4.2	5.1	-	11.7	14.2	0.8
2017	0.6	0.3	4.4	4.9	-	11.7	14.4	0.5
2018	0.6	0.2	4.6	4.6	-	11.8	14.7	0.2
2019	0.6	0.2	4.8	4.4	-	11.8	-	-
2020	0.6	0.2	5.1	4.1	-	11.8	-	-
2021-2025	3.7	0.4	29.6	16.5	233.8	45.7	-	-
2026-2030	-	-	37.8	8.4	66.0	2.6	-	-
2031-2035	-	-	17.6	0.8	-	-	-	-
Totals	6.7	1.6	108.1	48.8	299.8	107.1	43.3	1.5

(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
Bonds Payable					
Revenue Bonds	3,107.7	418.3	(340.9)	3,185.1	196.9
Add: Bond Premium	119.3	52.9	(21.2)	151.0	-
Total Bonds Payable	3,227.0	471.2	(362.1)	3,336.1	196.9
Indemnity Claims	4.7	4.5	(4.5)	4.7	-
Worker's Compensation Claims	22.4	9.8	(4.7)	27.5	-
Termination Compensation Payable	17.9	3.1	(3.3)	17.7	-
Arbitrage	0.3	-	-	0.3	-
Business-type Activity Long-term Liabilities	3,272.3	488.6	(374.6)	3,386.3	196.9
Other long term liabilities reported on separate line in Exhibit I					
Net Pension Liability	579.8	39.1	-	618.9	-
Total	3,852.1	527.7	(374.6)	4,005.2	196.9

The Enterprise Funds have no debt that is classified on their respective balance sheets as General Obligation debt payable as of June 30, 2015.

Also, the City has General Obligation Bonds authorized and un-issued at year-end of $303.6 million. This includes $211.6 million for the Enterprise Funds and $92 million for **PGW**.

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	0.060	%	to	5.750 %	1,991.2	Fiscal	2016	to	2046
Aviation Fund	2.000	%	to	5.375 %	1,193.9	Fiscal	2016	to	2040
Total Revenue Debt Payable					3,185.1				

- In April 2015, the City issued $417.6 of Water Revenue Bonds Series 2015A and 2015B. The 2015A Bonds were issued in the amount of $275.8 million to fund capital improvements for the Water Department and make a deposit into the Water Sinking Fund Reserve. The total proceeds of the 2015A Bonds were $308.6 (which includes a premium of $32.8 million). The interest rate for the newly issued Bonds is 5.0%.

  The 2015B Bonds were issued in the amount of $141.7 million to partially refund the Series 2005A and the 2007A Bonds. The total proceeds of the 2015B Bonds were $161.8 (which includes a premium of $20.1 million). The interest rate of the Refunded Bonds was 5.0%. The interest rate for the newly issued Bonds range from 4.0% to 5.0%. This transaction resulted in a total savings to the City will be $27.585 million over the next twenty-one years. The economic gain (the difference between the present value of the debt service payments on the old versus the new debt) was $19.815 million. The Deferred Refunding charge for this transaction was $2.474 million. The Deferred Refunding charge for this transaction was $2.666 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 fi-

nancing from PENNVEST to $214.9 million. During fiscal year 2015, PENNVEST drawdowns totaled $758 thousand, 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 is 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 6/30/2015	Amt Rec'd Yes/No	Purpose
Oct. 2009	2009B	42,886,030	42,339,199	28,790,697	Yes	Water Plant Improvements
Oct. 2009	2009C	57,268,193	56,264,382	41,771,895	Yes	Water Main Replacements
Mar. 2010	2009D	84,759,263	84,404,754	71,703,769	Yes	Sewer Projects
Jul. 2010	2010B	30,000,000	31,376,846	28,500,000	Yes	Green Infrastructure Project
	Totals:	214,913,486	214,385,181	170,766,361		

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
2016	136.7	82.3	60.2	58.6
2017	124.8	81.3	63.5	55.4
2018	131.6	76.5	66.0	52.1
2019	86.8	72.0	60.0	48.7
2020	79.7	68.3	63.1	45.6
2021-2025	360.6	290.8	364.9	179.7
2026-2030	291.4	225.5	265.2	95.9
2031-2035	257.4	160.3	148.3	48.1
2036-2040	234.0	104.5	102.7	14.2
2041-2045	254.0	37.9		
2046-2050	34.2	0.9	-	-
Totals	1,991.2	1,200.3	1,193.9	598.3

(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)
Governmental Funds:	
General Obligation Bonds	142.9
Enterprise Funds:	
Water Fund Revenue Bonds	283.2
	426.1

(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 $130 million in Tax Revenue Anticipation Notes by June 2015 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, 2014	-
Additions	130.0
Deletions	(130.0)
Balance June 30, 2015	-

(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, 2015, 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, 2015, classified by type, and the changes in fair value of such derivatives are as follows:

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2015		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(4,930)	Debt	(21,878)	100,000
	Deferred Outflow	2,267	Debt	(17,555)	87,759
	Deferred Outflow	755	Debt	(5,851)	29,246
	Deferred Outflow	(1,191)	Debt	(16,587)	87,961
	Deferred Outflow	(394)	Debt	(5,560)	29,314
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	2,748	Debt	(16,225)	131,200
	Deferred Outflow	2,422	Debt	(3,289)	51,640
	Deferred Outflow	(545)	Debt	(41,150)	225,520

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2015, along with the credit rating of the associated counterparty.

(amounts in thousands)

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	87,759	10/25/2007	10/1/2030	City Pays 3.9713%;receives SIFMA Municipal Swap Index	Aa3/A+
City Lease PAID (e)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	87,961	5/14/2014	10/1/2030	City Pays 3.6200%;receives 70% 1 month LIBOR	Aa3/A+
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	29,246	10/25/2007	10/1/2030	City Pays 3.9713%;receives SIFMA Municipal Swap Index	Baa1/A-
City Lease PAID (e)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	29,314	5/14/2014	10/1/2030	City Pays 3.6320%;receives 70% 1 month LIBOR	Baa1/A-
Airport (c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	131,200	6/15/2005	6/15/2025	City Pays multiple fixed rate 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	51,640	5/4/2005	8/1/2018	City Pays 4.53%;receives 68.5% 1 month LIBOR	Baa1/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, 2014, 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, 2015, the swap had a negative fair value of ($20.29 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2015, 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, 2015 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	(0.07600)	%
Net interest rate swap payments		3.75300	%
Variable Rate bond coupon payments	Weekly reset	0.05000	%
Synthetic interest rate on bonds		3.80300	%

Swap payments and associated debt: As of June 30, 2015, 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:

	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2016	$	$ 70,000	$ 3,759,000	$ 3,829,000
2017		70,000	3,759,000	3,829,000
2018		70,000	3,759,000	3,829,000
2019		70,000	3,759,000	3,829,000
2020		70,000	3,759,000	3,829,000
2021-2025		350,000	18,795,000	19,145,000
2026-2030	63,885,000	273,454	14,684,440	14,957,894
2031-2032	53,125,000	25,531	1,371,001	1,396,532
Total:	$ 117,010,000	$ 998,985	$ 53,645,441	$ 54,644,426

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.

In May 2014, PAID fully refunded the 2007B-1 bonds with the 2014A bonds, a directly purchased note. The 2014As pay interest on a LIBOR-linked index. Concurrently, the two swaps were amended such that the floating rate index on the portions allocable to the 2007B-1 bonds was converted from SIFMA to the same LIBOR-based index as the 2014A bonds. One of the LIBOR-based swaps, with a notional amount of $87.96 million, was documented under a separate trade confirmation with JP Morgan Chase Bank. The other LIBOR-based swap, with a notional amount of $29.31 million, was documented under a separate trade confirmation with Merrill Lynch Capital Services, Inc. Under the LIBOR-based swaps, PAID pays a fixed rate of 3.62% and 3.632% (to JPMorgan and Merrill Lynch, respectively), and receives 70% of 1-month LIBOR. The payments are based on an amortizing notional schedule.

In July 2014, **PAID** refunded the 2007B-4 bonds, and terminated the allocable portions of the SIFMA-based swaps. **PAID** terminated $41.56 million of notional of the JP Morgan SIFMA-based swap and $13.84 million of notional of the Merrill Lynch SIFMA-based swap, representing the 2015-2018 maturities of each, and paid a total termination payment of $5.56 million. Costs to finance this termination payment were more than offset by refunding savings generated on the bonds, so the City will receive positive cash flow savings from the transaction in every fiscal year that the bonds are outstanding.

As of June 30, 2015, the swaps together had a notional amount of $289.7 million which matched the principal amount of the associated variable rate bond deals. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2015, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of ($16.69 million), the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of ($5.56 million), the LIBOR-based swap with JP Morgan Chase Bank had a negative fair value of ($15.81 million) and the LIBOR-based swap with Merrill Lynch Capital Services had a negative fair value of ($5.35 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2015, **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, 2015, the rates for the JP Morgan SIFMA-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JP Morgan under Swap	Fixed	3.97130 %
Variable rate payment from JP Morgan under Swap	SIFMA	(0.07600) %
Net interest rate swap payments		3.89530 %
Variable Rate bond coupon payments	Weighted Average weekly resets	0.06380 %
Synthetic interest rate on bonds		3.95910 %

As of June 30, 2015, the rates for the Merrill Lynch SIFMA-based swap 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	(0.07600) %
Net interest rate swap payments		3.89530 %
Variable Rate bond coupon payments	Weighted Average weekly resets	0.55110 %
Synthetic interest rate on bonds		4.44640 %

As of June 30, 2015, the rates for the JP Morgan Libor-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JP Morgan under Swap	Fixed	3.62000 %
Variable rate payment from JP Morgan under swap	70% of 1-month Libor	(0.13055) %
Net interest rate swap payments		3.48945 %
Variable Rate bond coupon payments	70% of 1-month Libor + fixed spread	0.13055 %*
Synthetic interest rate on bonds		3.62000 %

As of June 30, 2015, the rates for the Merrill Lynch Libor-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Merrill Lynch under Swap	Fixed	3.63200 %
Variable rate payment from Merrill Lynch under Swap	70% of 1-month Libor	(0.13055) %
Net interest rate swap payments		3.50145 %
Variable Rate bond coupon payments	70% of 1-month Libor + fixed spread	0.13055 %*
Synthetic interest rate on bonds		3.63200 %

** Excludes fixed spread, which is similar to the City's expected Letter of Credit costs on a comparable variable rate bond*

Swap payments and associated debt: As of June 30, 2015, 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	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2016	$ -	$ 225,699	$ 8,660,545	$ 8,886,244
2017	-	225,699	8,660,545	8,886,244
2018	-	225,699	8,660,545	8,886,244
2019	-	225,699	8,660,545	8,886,244
2020	15,355,000	218,302	8,376,741	8,595,043
2021-2025	87,190,000	851,513	32,675,968	33,527,481
2026-2030	107,425,000	384,417	14,752,832	15,137,249
2031-2032	24,310,000	11,710	449,341	461,051
Total:	$ 234,280,000	$ 2,368,738	$ 90,897,062	$ 93,265,800

Subsequent Events: In July 2015, **PAID** refunded the 2007B-4 bonds, and terminated the allocable portions the the SIFMA-based swaps. **PAID** terminated $41.56 million of notional of the JP Morgan SIFMA-based swap and $13.84 million of notional of the Merrill Lynch SIFMA-based swap, representing the 2015-2018 maturities of each, and paid a total termination payment of $5.56 million. Cost to finance this termination payment were more than offset by refunding savings generated on the bonds, so the City will receive positive cashflow savings from the transaction in every fiscal year that the bonds are outstanding.

c. Philadelphia Airport Swap

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Division (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, 2015, the swap had a notional amount of $131.2 million and the associated variable-rate bonds had a $140.1 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, 2015, the swap had a negative fair value of ($15.98 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, 2015, 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.

As of June 30, 2015, the rates were:

	Terms	Rates	
Interest Rate Swap			
Fixed payment to JP Morgan under swap	Fixed-declining	4.72645	%
Variable rate payment from JP Morgan under swap	SIFMA	(0.07600)	%
Net interest rate swap payments		4.65045	%
Variable Rate bond coupon payments	Weekly resets	0.08500	%
Synthetic interest rate on bonds		4.73545	%

Swap payments and associated debt: As of June 30, 2015, 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
2016	$ 9,800,000	$ 111,520	$ 5,766,502	$ 5,878,022
2017	10,700,000	103,190	5,335,773	5,438,963
2018	11,400,000	94,095	4,865,486	4,959,581
2019	12,200,000	84,405	4,364,433	4,448,838
2020	13,000,000	74,035	3,828,219	3,902,254
2021-2025	74,100,000	193,460	10,003,475	10,196,935
Total:	$ 131,200,000	$ 660,705	$ 34,163,888	$ 34,824,593

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 and Water Department 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, 2015, the swap had a notional amount of $51.640 million and the associated variable-rate bond had an $51.640 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, 2015, the swap had a negative fair value of ($2.35 million). This means that the Water Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2015 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, 2015, 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	(0.12604) %
Net interest rate swap payments		4.40396 %
Variable Rate bond coupon payments	68.5% of 1-month LIBOR + fixed spread	0.12604 % *
Synthetic interest rate on bonds		4.53000 %

**Excludes fixed spread, which is similar to the City's expected Letter of Credit costs on a comparable variable rate bond*

Swap payments and associated debt: As of June 30, 2015, 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 June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2016	$ 16,315,000	$ 54,805	$ 1,914,208	$ 1,969,013
2017	17,145,000	33,719	1,177,712	1,211,431
2018	18,015,000	11,561	403,796	415,357
2019	165,000	104	3,632	3,736
Total:	$ 51,640,000	$ 100,189	$ 3,499,348	$ 3,599,537

(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 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 2015 Pension Funding Bonds liability of $1,063.25 million is reflected in the City's financial statements as Other Long Term Liabilities.

(8) Neighborhood Transformation Initiative Service Agreement

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 2015 NTI Service Agreement liability of $190.7 million is reflected in the City's financial statements as Other Long Term Liabilities.

(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 May 2014, **PAID** issued Lease Revenue Refunding Bonds, 2014 Series A in the amount of $117.3 million. The proceeds from the bonds were used to refund the Series 2007 Series B-1 Stadium Bonds. The bonds have an interest rate of 3.62% and mature in 2030. **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 year 2015, the Sports Stadium Financing Agreement liability of $289.9 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 year 2015, the liability of $108.1 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) City Service Agreement

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. In fiscal year 2015, the liability of $299.8 million is reflected in the City's financial statements as Other Long Term Liabilities.

(12) School District

In June 2014, **PAID** issued City Service Agreement Revenue Bonds, **Series 2014A** in the amount of $27.2 million. The bonds shall bear interest at the LIBOR Interest Rate. The Calculation Agent will determine the LIBOR interest rate on each computation date and will become effective on the Libor index reset date next succeeding the computation date and will accrue each date during the rate period. The LIBOR interest rate will be rounded if necessary to the nearest one hundred-thousandth of a percentage point. The bonds were issued to provide additional operating funds for the School District of Philadelphia and pay the costs of issuance. The bonds have a maturity date of August 15, 2018. In fiscal year 2015, **PAID** School District liability of $43.3 million is reflected in the City's financial statements as Other Long Term Liabilities. In October of 2014, **PAID** issued $57.5 million of Lease Revenue Bonds. The proceeds of the sale were used to refund $27.2 million of the **Series 2014A** bonds outstanding and provide the School District with $30.0 million of new funding. The interest rate of the refunded bonds was variable. The interest rate of the newly issued bonds is 1.78%. The purpose of the transaction was to provide the school district with $30.0 million of additional funding and not to generate any savings of the refunded portion of $27.2. The newly issued bond have a maturity date of June 30, 2018.

(13) Net Pension Liability

Net Pension Liabilities at June 30, 2014 was $404.7 million and $49.7 million for the Governmental and Business Type Activities, respectively. As a result of a change in accounting principle (implementation of GASB 68) the beginning Net Position was adjusted by $4.7 billion and $579.7 million for Governmental and Business Type Activities respectively. The increase in the Governmental Activities' Net Pension Liabilities (NPL) during fiscal year 2015 of $323.9 million resulted in Net Pension Liability of $5.1 Billion. During FY 2015, the Business Type Activities' NPL increased by $39.1 million resulting in a Net Pension Liability of $618.9 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year-end total $3,100 million in principal, with interest rates from 1.25% to 6.765% and have due dates from 2015 to 2040. The following schedule reflects the changes in long-term liabilities for the **SDP**:

(Amounts in Millions of USD)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	3,177.6	331.3	(409.3)	3,099.6	116.7
Add: Bond Premium	119.2	34.5	(20.7)	133.0	12.3
Less: Bond Discounts	(9.3)	-	0.5	(8.8)	(0.5)
Total Bonds Payable	3,287.5	365.8	(429.5)	3,223.8	128.5
Termination Compensation Payable	202.5	9.0	(19.4)	192.1	34.5
Severance Payable	125.4	10.0	(9.0)	126.4	16.9
Other Liabilities	125.9	30.1	(32.3)	123.7	36.3
Incurred But Not Reported (IBNR) Payable	9.4	6.4	-	15.8	15.8
Deferred Reimbursement	45.3	-	-	45.3	45.3
DHS Liability	2.5	-	(1.5)	1.0	1.0
OPEB Liability	0.8	0.4	-	1.2	-
Arbitrage Liability	0.3	3.1	-	3.4	3.4
NFS Federal Liability	1.6	-	(0.8)	0.8	0.8
PSERS Pension Liability	3,500.1	-	(519.7)	2,980.4	
Total	7,301.3	424.8	(1,012.2)	6,713.9	282.5

Debt service to maturity on the **SDP**'s general obligation bonds and lease rental debt at year end is summarized as follows:

(Amounts In Millions of USD)

Fiscal Year	Principal	Interest
2016	116.7	139.2
2017	120.1	135.2
2018	116.8	129.6
2019	140.4	124.0
2020	125.3	118.0
2021-2025	727.0	497.5
2026-2030	781.1	344.4
2031-2035	817.2	136.6
2036-2040	154.9	22.8
Totals	3,099.5	1,647.3

(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	%	915.2	Fiscal	2016	to	2040
PPA	3.00	%	to	5.25	%	159.5	Fiscal	2016	to	2031
PRA	4.55	%	to	4.75	%	8.9	Fiscal	2017	to	2028
CCP	1.98	%	to	6.25	%	71.2	Fiscal	2016	to	2028
Total Revenue Debt Payable						1,154.8				

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		Community College of Philadelphia	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	38.2	31.5	12.6	7.4	0.1	0.4	6.2	3.8
2017	49.1	30.4	13.2	6.8	0.4	0.4	6.1	3.6
2018	48.3	28.3	13.8	6.1	0.8	0.4	5.9	3.3
2019	48.9	26.7	14.1	5.5	-	0.4	5.3	2.9
2020	49.6	25.0	14.6	4.8	-	-	5.6	2.6
2021-2025	256.9	101.3	66.3	13.5	2.7	2.1	26.7	8.9
2026-2030	205.8	65.9	21.5	3.0	4.9	0.7	15.4	1.9
2031-2035	139.9	33.7	3.4	0.1	-	-	-	-
2036-2040	78.5	9.7	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Totals	915.2	352.5	159.5	47.2	8.9	4.4	71.2	27.0

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2015

(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 †	76.4
School District of Philadelphia	277.7
Total	354.1

† - Gas Works amounts are presented as of August 31, 2015

The assets pledged, primarily noncallable U.S. Government securities, had a market value of $82.4 million at August 31, 2015, bearing interest on face value from 5.84% to 5.89%.

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.

As of June 30, 2015, $277.7 million of bonds outstanding for the **SDP** are considered to be partially defeased and the liability has been removed from long-term liabilities. This includes:

- As of June 30, 2015, $271.5 million of bonds outstanding are considered to be defeased and the liability has been removed from long-term liabilities.
- In addition, as of June 30, 2015, the Defeasance Accounts from the sale of SDP property had $6.2 million of bonds outstanding considered to be defeased and the liability was removed from long-term liabilities.

(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, 2015, the arbitrage rebate calculation indicates a liability totaling $693,425. Of this amount $265,947 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority while the remaining $427,477 related to GOB Series 2010E, 2010F and 2010G.The school district's current liability representing 90 percent of the $427,477 minimum payment required for GOB Series 2010E, 2010F and 2010G debts is $384,729 payable on August 31, 2015. The School District will continue to perform an annual audit rebate calculation until all funds have been expended. The actual amount payable for SPSBA debt may be less than the amount recorded as a liability as of June 30, 2015.

The **SDP** has reserved $693,425 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, 2028 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 Bonds through the Eighth Series E Bonds.

In September 2011, the underlying variable rate bonds were remarketed with new letters of credit. During the remarketing, PGW partially redeemed portions of the three longest maturities of the bonds, and reallocated 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 August 2013, two subseries of the underlying variable rate bonds (8th Series C and 8th Series D) were remarketed with new letters of credit. The letters of credit for the remaining two subseries (8th Series B and 8th Series E) were extended with the existing providers.

As of August 31, 2015, 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, 2015, the swaps had a combined negative fair value of approximately $39.4 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, 2015, 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 **PGW**'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, 2015 and 2014 is as follows (thousands of U.S. dollars):

		Interest rate swap liability	Deferred outflow of resources
Balance, August 31, 2014	$	38,762	18,879
Change in fair value through August 31, 2015		648	648
Amortization of teminated hedge		0	1,421
Balance, August 31, 2015	$	39,410	20,948
Balance, August 31, 2013	$	33,363	12,059
Change in fair value through August 31, 2014		5,399	5,399
Amortization of teminated hedge		0	1,421
Balance, August 31, 2014	$	38,762	18,879

Because the original hedging relationship was terminated when the Sixth Series Bonds were refunded by the Eighth Series Bonds in 2009, there is a difference between the interest rate swap liability and the related deferred outflows of resources. The difference is being amortized on a straight-line basis into expense over the life of the hedge.

The interest rate swap liability is included in other non-current liabilities 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, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2015 financial statements are as follows (amounts in thousands; debit (credit)):

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30. 2015		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Investment derivatives:					
Pays-variable					
Interest Rate Swaps	Investment Revenue	13,724	Investment	(9,389)	500,000

As of June 30, 2015, 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:

	Primary Government		Component Unit
(Amounts In Thousands of USD)	Governmental Funds	Proprietary Funds	
Minimum Rentals	7,631	34,529	4,278
Additional Rentals	-	168,278	195
Sublease	9,670	-	2,502
Total Rental Income	17,301	202,807	6,975

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
2016	3,589	7,454	5,557
2017	3,594	6,707	4,952
2018	3,718	6,667	4,335
2019	3,860	6,675	6,432
2020	4,007	6,279	3,354
2021-2025	22,454	20,327	5,180
2026-2030	27,012	14,740	2,094
2031-2035	32,392	7,591	732
2036-2040	39,218	5,841	732
2041-2045	-	-	732
2046-2050	-	-	732
2051-2055	-	-	732
2056-2060	-	-	732
2061-2065	-	-	732
2066-2070	-	-	732
2071-2075	-	-	732
2076-2080	-	-	732
	-	-	-
	-	-	-
Total	139,844	82,281	39,224

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 Unit
Minimum Rentals	189,044	45,332	12,482
Additional	-	-	71
Sublease	-	-	2,502
Total Rental Expense	189,044	45,332	15,055

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)

Fiscal Year Ending June 30	Primary Government: Governmental Funds	Primary Government: Proprietary Funds	Component Units
2016	34,978	625	12,516
2017	27,304	632	11,932
2018	24,883	152	11,509
2019	17,624	-	51,389
2020	16,833	-	8,705
2021-2025	45,974	-	32,675
2026-2030	12,356	-	9,557
2031-2035	-	-	10,476
2036-2040	-	-	11,359
Total	179,952	1,409	160,118

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
2016	1,128
2017	863
2018	552
2019	161
2020	5
Future Minimum Rental Payments	2,709
Interest Portion of Payments	(84)
Obligation Under Capital Leases	2,625

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, 2014, 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

PGW offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Service Code Section 457. The Plan, available to all **PGW** employees with at least 30 days of service, permits them to defer a portion of their salary until future years. **PGW** provides an annual 10.0% matching contribution of applicable wages that immediately vest to the employee. **PGW** contributed $0.3 million in FY2015.

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 ($3.3 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 $71.0 million at June 30, 2015. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health ($186.5 million); Grants Revenue ($64.7 million); County Liquid Fuels ($2.3 million); Special Gasoline Tax ($29.6 million); Hotel Room Rental Tax ($11.8 million); Car Rental Tax ($6.7 million); Housing Trust ($18.5 million); Acute Care Hospital Assessment ($11.0 million); Departmental ($9.7 million); Municipal Authority Administrative ($.2 million); PICA Administrative ($28.3 million). The entire fund balances of the Debt Service ($81.2 million) and Capital Improvement ($70.2 million) funds were restricted. The Permanent Fund had a restricted fund balance of $3.3 million at June 30, 2015.

- 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 ($3.5 million) and Departmental ($.7 million). The Permanent Fund had a committed fund balance of $.1 million at June 30, 2015.

- 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 $81.9 million at June 30, 2015 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 $0.0 million unassigned fund balance at June 30, 2015. Within the Special Revenue Funds, the Grants Revenue fund had a negative fund balance of $212.9 million and the Community Development fund had a negative fund balance of $7.1 million at June 30, 2015.

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, 2015:

(Amounts In Thousands of USD)	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund (Principal)	-	-	-	3,464	3,464
Subtotal Nonspendable:	-	-	-	3,464	3,464
Restricted for:					
Neighborhood Revitalization	-	-	29,572	-	29,572
Economic Development	-	-	-	11,841	11,841
Public Safety Emergency Phone System	-	-	35,158	-	35,158
Streets & Highways	-	-	-	31,878	31,878
Housing & Neighborhood Dev	-	-	-	18,540	18,540
Health Services	-	-	-	11,033	11,033
Behavioral Health	-	199,587	-	-	199,587
Parks & Recreation	-	-	-	631	631
Libraries & Museums	-	-	-	46	46
Intergovernmental Financing (PICA)	-	-	-	28,341	28,341
Intergovernmentally Financed Programs	-	-	-	-	-
Central Library Project	2,028	-	-	-	2,028
Stadium Financing	4,314	-	-	6,669	10,983
Cultural & Commercial Corridor Project	10,566	-	-	-	10,566
Capitalized Interest	56,686	-	-	-	56,686
Debt Service Reserve	-	-	-	81,465	81,465
Capital Projects	-	-	-	70,207	70,207
Trust Purposes	-	-	-	12,342	12,342
Subtotal Restricted	73,594	199,587	64,730	272,993	610,904
Committed, reported in:					
Social Services	-	-	-	30	30
Prisons	-	-	-	3,229	3,229
Parks & Recreation	-	-	-	858	858
Subtotal Committed	-	-	-	4,117	4,117
Assigned, reported in:					
General Fund	81,901	-	-	-	81,901
Subtotal Assigned:	81,901	-	-	-	81,901
Unassigned Fund Balance:	-	-	(212,994)	(7,180)	(220,174)
Total Fund Balances	155,495	199,587	(148,264)	273,394	480,212

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:

	Transfers To:					
(Amounts in Thousands of USD)	Governmental	Non major Governmental				
Transfers From:	General	Grants	Special Revenue	Debt Service	Capital Improvement	Total
General	-	30	10,757	167,098	6,664	184,549
Grants	23,786	-	1,078	6,142	60	31,066
Non major Special Revenue Funds	346,260	-	196	62,502	7,043	416,001
Water Fund	746	-	29,512	-	-	30,258
Total	370,792	30	41,543	235,742	13,767	661,874

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	2,027.7
Service Agreements	2,038.8
Employee Related Obligations	459.5
Indemnities	74.0
Leases	12.9
Total Adjustment	4,612.9

13. PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

A. PRIMARY GOVERNMENT

Beginning with fiscal year ended June 30, 2015, the **City** and its two blended component units (PICA and PMA) implemented GASB No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27.* Refer to Note I.14. "New Accounting Standards" for an overview of the new GASB Statement No. 68. As a result of this accounting change, a net pension liability was established which required the beginning net position at July 1, 2014 to be adjusted to reflect this change. The net position has been decreased by $4,391.3 million in Government Activities (see table below for breakdown between City, PICA, and PMA) and $530.0 million in Business Type Activities ($362 million for Water Fund and $168 million for Aviation Fund).

Also, the City's beginning net position balance for Governmental Activities was decreased by $29.47 million as a result of prior year Department of Human Services (DHS) grants receivable being deemed uncollectible.

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 July 1, 2014	(1,964,638)	1,893,601
Cumulative effect for a change in accounting principles:		
GASB 68 adjustment to beginning net position CITY	(4,388,941)	(530,044)
GASB 68 adjustment to beginning net position PICA	(962)	-
GASB 68 adjustment to beginning net position PMA	(1,391)	-
Adjustment for Uncollectible DHS Receivables	(29,470)	-
Total Adjustments	(4,420,764)	(530,044)
Net Position as restated July 1, 2014	(6,385,402)	1,363,557

B. COMPONENT UNIT

SDP's net position decreased by $3,353.7 million for adjustments that involved: (1) a net increase to Capital Assets of $519.2 thousand for Land, Work in Progress and Personal Property and (2) to establish a net pension liability of $3,354.2 million as of July 1, 2014 in accordance with the requirements of GASB No. 68.

PGW's net position decreased by $149.9 million for an adjustment to establish a net pension liability of $149.9 million as of August 1, 2014 in accordance with the requirements of GASB No. 68.

The implementation of GASB 68 and Capital adjustments impacted **SDP** and **PGW** as follows:

(Amounts in Thousands of USD)

	Component Unit
SDP:	
Net Position as previously reported July 1, 2014	(1,662,452)
GASB 68 adjustment to beginning net position	(3,354,215)
Captial Asset Adjustments	519
Total Adjustments SDP	(3,353,696)
Net Position as restated July 1, 2014	(5,016,148)
PGW	
Net Position as previously reported July 1, 2014	407,935
GASB 68 adjustment to beginning net position	(149,933)
Total Adjustments PGW	(149,933)
Net Position as restated July 1, 2014	258,002

14. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports $1,329.1 million of restricted net position, of which $79.9 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	286,021	-
Debt Service	382,829	-
Pension Oblig Bond Refunding Reserve	56,585	-
Behavioral Health	186,481	-
Intergovernmental Finance	-	-
Neighborhood Revitalization	29,573	-
Stadium Financing	4,314	-
Central Library Project	2,028	-
CCC Project	10,566	-
Grant Programs	96,365	18,540
Rate Stabilization	206,447	-
Libraries & Parks:		
Expendable	2,855	-
Non-Expendable	3,264	-
Other	61,818	61,420
Total	1,329,146	79,960

15. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of $148.3 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 $7.1 million.

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 two plans maintained by the City are the City Plan and the Philadelphia Gas Works (PGW) Plan. In addition to the City, the three other quasi-governmental agencies that participate in the City Plan are the Philadelphia Parking Authority (PPA), the Philadelphia Municipal Authority (PMA), and the Philadelphia Housing Development Corporation (PHDC).

Effective with Fiscal Year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement revises existing standards for measuring and reporting pension liabilities for pension plans. GASB Statement No. 68 defines a single employer as the primary government and its component units. All three quasi-governmental agencies that participate in the City Plan were determined to be component units of the City. Therefore, the City Plan meets the definition of a single employer plan.

The note disclosures and Required Supplementary Information required by GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB No. 25*, are presented in the separately issued audited financial statements of the City Plan and PGW Plan. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

A. PRIMARY GOVERNMENT

(1) City Plan

a. Plan administration

The Philadelphia Board of Pensions and Retirement administers the City of Philadelphia Public Employees Retirement System-a single employer defined benefit pension plan with a small but increasing defined contribution component, which provides pensions for all officers and employees of the City, as well as those of three quasi-governmental agencies (per applicable enabling legislation and contractual agreements). The Board was established by section 2-308 of the 1952 Philadelphia Home Rule Charter. Its actions in administering the Retirement System are governed by Title 22 of the Philadelphia Code.

b. Benefits

The Public Employees Retirement System provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and minimum retirement ages that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

Non-uniform employees may retire at either age 55 with up to 80% of average final compensation (AFC) or age 60 with up to either 100% or 25% of AFC, depending on entry date into the System. Uniform employees may retire at either age 45 with up to 100% of AFC or age 50 with up to either 100% or 35% of AFC, depending on entry date into the System. Survivorship selections may result in an actuarial reduction to the calculated benefit.

Members may qualify for service-connected disability benefits regardless of length of service. Service-connected disability benefits are equal to 70% of a member's final rate of pay, and are payable immediately without an actuarial reduction. These applications require approval by the Board.

Eligibility to apply for non-service-connected disability benefits varies by bargaining unit and uniform/non-uniform status. Non-service-connected disability benefits are determined in the same manner as retirement benefits, and are payable immediately.

Service-connected death benefits are payable to:

1) surviving spouse/life partner at 60% of final rate of pay plus up to 2 children under age 18 at 10% each of final rate of pay (maximum payout: 80%);

2) if no surviving spouse/life partner, up to 3 children under age 18 at 25% each of final rate of pay (maximum payout 75%); or

3) if no surviving spouse/life partner or children under age 18, up to 2 surviving parents at 15% each of final rate of pay (maximum payout 30%).

Non-service-connected deaths are payable as a lump sum payment, unless the deceased was either vested or had reached minimum retirement age for their plan, in which case the beneficiary(s) may instead select a lifetime monthly benefit, payable immediately with an actuarial reduction.

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year within sixty days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost-of-living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. As of July 1, 2014, the date of the most recent actuarial valuation, there was $62,439,228 in the PAF and the Board voted to make distributions of $32,174,056 during the fiscal year ended June 30, 2015.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2015 is $155.5 million.

c. Plan Membership

At July 1, 2014, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives	27,065
Terminated Vested	1,224
Disabled	3,954
Retirees	21,768
Beneficiaries	8,547
DROP	2,264
Total City Members	64,822
Annual Salaries	$1,495,421,387
Average Salary Per Active Member	$55,253
Annual Retirement Allowances	$686,601,608
Average Retirement Allowance	$20,036

d. Contributions

Per Title 22 of the Philadelphia Code, members contribute to the System at various rates based on bargaining unit, uniform/non-uniform status, and entry date into the System. As of July 1, 2014 uniform employees contribute either 5.00%, 5.50%, or 6.00% of pensionable earnings; non-uniform employees contribute either 1.95%, 2.71%, 2.95%, 3.23%, 3.38%, 3.75% or 6.00% of pensionable earnings; and elected employees contribute either 8.33% or 9.94% of pensionable earnings.

Employer contributions are made by the City throughout each fiscal year (which ends June 30) and by three (3) quasi-governmental agencies on a quarterly basis. These contributions, determined by an annual actuarial valuation report (AVR), when combined with plan member contributions, are expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Within the AVR, two contribution amounts are determined based upon two different sets of rules for determining the way the unfunded actuarial liability is funded.

The first method is defined in accordance with Pennsylvania Act 205 and defines the Minimum Municipal Obligation (MMO), which is the City's minimum required contribution under Pennsylvania state law.

The second method is in accordance with the City's Funding Policy which predates the Act 205 rules and calls for contributions that are greater than the MMO until the initial unfunded liability determined in 1984 is fully funded.

Under both funding methods there are two components: the normal cost and the amortized unfunded actuarial liability. The actuarial unfunded liability is the amount of the unfunded actuarial liability that is paid each year based upon the given or defined amortization periods. The amortization periods are different under the MMO and City's Funding Policy.

City's Funding Policy

The initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019 with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability are amortized in level-dollar payments as follows:

*Actuarial gains and losses – 20 years beginning July 1, 2009. Prior gains and losses were amortized over 15 years.

*Assumptions changes – 15 years beginning July 1, 2010. Prior to July 1, 2010, assumption changes were amortized over 20 years.

*Plan changes for active members – 10 years.

*Plan changes for inactive members – 1 year.

*Plan changes mandated by the State – 20 years.

In fiscal year 2015, the City and other employers' contributions of $577.2 million was less than the actuarially determined employer contribution (ADEC) of $798.0 million. In the event that the City contributes less than the funding policy, an experience loss will be created that will be amortized in accordance with funding policy over 20 years.

The Schedule of Employer Contributions (based on the City's Funding Policy) is included as Required Supplementary Information and provides a 10-year presentation of employer contributions.

MMO

For the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL. All future amortization periods will follow the City's Funding Policies as outlined above. In fiscal year 2015, the City and other employers' contributions of $577.2 million exceeded the **MMO** of $556.0 million.

The Schedule of Employer Contributions (based on MMO Funding Policy) is included as Required Supplementary Information and provides a 10-year presentation of employer contributions.

e. Investments

The Pension Board's Investment Policy Statement 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 7.80% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.80%) over a market cycle. The investment return assumption was reduced by the Board from 7.85% to 7.80%. The Fund's investment program will pursue its afore-stated 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.

In order to document and communicate the objectives, restrictions, and guidelines for the Fund's investment staff and investments, a continuously updated Investment Policy Statement will be maintained. The Investment Policy Statement will be updated (and re-affirmed) each year at the January Board meeting.

The following was the Board's approved asset allocation policy as of June 30, 2015:

Asset Class	Target Allocation
US Equity	19.0%
Non-US Equity – Developed	15.0%
Non-US Equity – Emerging	6.0%
Fixed Income – Investment Grade	6.5%
Fixed Income – Non-Invest. Grade	15.0%
Fixed Income – BDCs	2.0%
Real Assets – Private Real Estate	2.0%
Real Assets – MLP's	5.0%
Real Assets – Private Energy	2.0%
Private Equity	12.0%
Private Debt	7.5%
Hedge Funds	6.0%
Cash & Other	2.0%
Total	100.0%

Money Weighted Rate of Return: For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.934%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

f. Net Pension Liability

The components of the net pension liability as of June 30, 2015 were as follows:

Total Pension Liability	$10,578,457,204
Plan Fiduciary Net Position	4,674,252,000
Net Pension Liability	$ 5,904,205,204

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 44.2%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.80% compounded annually, net of expenses
Salary Increases:	Age based table

* The investment return assumption was changed from 7.85% from the prior year valuation to 7.80% for the current year valuation.

* To recognize the expense of the benefits payable under the Pension Adjustment Fund, the actuarial liabilities have been increased 0.54%. This estimate is based on the statistical average expected value of benefits.

* The mortality rates were based on the RP 2000 Healthy Annuitant Mortality Table for males and females with adjustments for mortality improvements using Scale AA with a five year set-back for Municipal males and females and a 2 year set-back for Police and Fire males and females.

The measurement date for the net pension liability is June 30, 2015. Measurements are based on the fair value of assets as of June 30, 2015 and the Total Pension Liability as of the valuation date, July 1, 2014 updated to June 30, 2015. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. There were no changes in benefits between the valuation date and the measurement date. There was an assumption change resulting from the Board's decision to reduce the discount rate from 7.85% to 7.80%.

Demographic assumptions were updated to reflect the most recent experience study (Experience Study Results and Recommendations Report, April 2014).

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see discussion of pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
US Equity	6.95%
Non-US Equity - Developed	6.95%
Non-US Equity - Emerging	7.95%
Fixed Income – Investment Grade	2.05%
Fixed Income – Non-Investment Grade	5.20%
Real Assets - REITS	5.70%
Real Assets – Private Real Estate	8.90%
Real Assets – MLP's	7.20%
Real Assets – Private Energy	9.95%
Private Equity	9.95%
Private Debt	7.65%
Hedge Funds	6.85%
Cash & Other	1.35%

The above table reflects the expected (7-10 year) real rate of return for each major asset class. The expected inflation rate is projected at 1.8% for the same time period.

Discount Rate. The discount rate used to measure the total pension liability was 7.80 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability. The following presents the net pension liability of the System, calculated using the discount rate of 7.80%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Sensitivity of Collective Net Pension Liablility to changes in Discount Rate

	1% Decrease 6.80%	Discount Rate 7.80%	1% Increase 8.80%
Total Pension Liability	$11,627,766,325	$10,578,457,204	$9,683,791,234
Plan Fiduciary Net Position	4,674,252,000	4,674,252,000	4,674,252,000
Collective Net Pension Liability	$6,953,514,325	$5,904,205,204	$5,009,539,234
Plan Fiduciary Net Position as a percentage of the total pension liability	40.2%	44.2%	48.3%

Changes in Collective Net Pension Liability. The following table shows the changes in total pension liability (TPL), the plan fiduciary net position (i.e., fair value of the System assets) (FNP), and the net pension liability (NPL) during the measurement period ending on June 30, 2015.

Change in Collective Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2014	$ 10,442,220,266	$ 4,916,705,397	$ 5,525,514,869
Changes for the year:			
Service Cost	143,556,348		143,556,348
Interest	791,290,760		791,290,760
Changes in benefits	0		0
Differences between expected and actual experience	34,909,464		34,909,464
Changes of assumptions	48,146,400		48,146,400
Contributions - employer		577,195,412	(577,195,412)
Contributions - member		58,657,817	(58,657,817)
Net investment income		13,837,949	(13,837,949)
Benefit payments	(881,666,034)	(881,666,034)	0
Administrative expense		(10,478,541)	10,478,541
Net Changes	136,236,938	(242,453,397)	378,690,335
Balances at 6/30/2015	$ 10,578,457,204	$ 4,674,252,000	$ 5,904,205,204

Employer's Proportionate Shares. GASB 68 requires that the proportionate share for each employer be determined based upon the "employer's projected long-term contribution effort to the pension … as compared to the total long-term contribution effort to all employers". In addition to the City, three governmental agencies currently participate in the system, PHDC, PPA, and PMA. The method of allocation is based on the ratio of quasi-agency contributions in proportion to total contributions by plan.

Pension amounts by employer. The following schedule presents the pension amounts for each participating employer: Philadelphia Parking Authority (PPA), Philadelphia Municipal Authority (PMA), Philadelphia Housing Development Corporation (PHDC), and the City of Philadelphia (City).

Schedule of Pension Amounts by Employer

	For the year ended	PPA	PMA	PHDC	City	Total
Collective Pension Expense		$ 14,945,666	$ 152,470	$ 1,571,219	$ 589,038,598	$ 605,707,953
Contribution Difference		1,212,131	6,127	84,425	(1,302,683)	0
Employer Pension Expense		16,157,797	158,597	1,655,644	587,735,915	605,707,953
Net Pension Liability	6/30/14	136,340,458	1,390,895	14,333,302	5,373,450,214	5,525,514,869
Net Pension Liability	6/30/15	145,684,531	1,486,220	15,315,633	5,741,718,820	5,904,205,204
Change in Net Pension Liability		9,344,073	95,325	982,331	368,268,606	378,690,335
Deferred Outflows	6/30/14	-	-	-	-	-
Deferred Outflows	6/30/15	12,276,927	106,529	1,161,645	340,540,743	354,085,844
Change in Deferred Outflows		12,276,927	106,529	1,161,645	340,540,743	354,085,844
Deferred Inflows	6/30/14	-	-	-	-	-
Deferred Inflows	6/30/15	-	-	-	(3,908,051)	(3,908,051)
Change in Deferred Intflows		-	-	-	(3,908,051)	(3,908,051)
Employer Contributions		19,090,652	169,802	1,834,959	556,100,000	577,195,413
Employer Pension Expense		16,157,797	158,597	1,655,644	587,735,914	605,707,952

Reconciliation of Net Pension Liability. The following table reconciles the Collective Net Pension Liability to the amount reported in the Primary Government Net Pension Liability in Exhibit I.

Reconciliation of Collective Net Pension Liability to the Primary Government Net Pension Liability
(Amounts in thousands of USD)

Municipal Pension Fund	Proportionate Share of NPL	Discretely Presented Component Units	City and Blended Component Units
City	$ 5,741,719	$ -	$ 5,741,719
PPA (1)	145,685	145,685	
PMA	1,485		1,485
PHDC (2)	15,316	15,316	
Collective Net Pension Liability	5,904,205	161,001	5,743,204
State Pension Fund			
PICA			1,074
City's Primary Government Net Pension Liability (Exhibit I)			$ 5,744,278

(1) PPA is not required to required to adopt the provisions of GASB No. 68 until its March 2016 financial statements.
(2) PHDC does not appear in the Component Unit Financial Statements (Exhibit XI Statement of Net Position and Exhibit XII Statement of Activities) due to immaterially.

Deferred Outflows by Employer. The following table summarizes the deferred outflows allocated to each employer for experience, assumptions changes, investment returns and contribution differences.

Schedule of Employers' Deferred Outflows

	PPA	PMA	PHDC	City	Total
Proportionate Shares	2.47%	0.03%	0.26%	97.25%	100%
Experience	$ 646,036	$ 6,591	$ 67,917	$ 25,461,555	$ 26,182,099
Assumption Changes	890,999	9,090	93,670	35,116,042	36,109,801
Investment Return	7,103,500	72,467	746,782	279,963,145	287,885,894
Contribution Difference	3,636,393	18,382	253,276	-	3,908,051

Deferred Inflows by Employer. The following table summarizes the deferred inflows allocated to each employer for experience, assumptions changes, investment returns and contribution differences.

Schedule of Employers' Deferred Inflows

	PPA	PMA	PHDC	City	Total
Proportionate Shares	2.47%	0.03%	0.26%	97.25%	100%
Experience	$ -	$ -	$ -	$ -	$ -
Assumption Changes	-	-	-	-	0
Investment Return	-	-	-	-	0
Contribution Difference	-	-	-	(3,908,051)	(3,908,051)

Recognition of Deferred Outflows and Inflows by Employer. The following table shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

Schedule of Employers' Recognition of Deferred Outflows and Inflows

For Year Ending	PPA	PMA	PHDC	City	Total
2016	$ 3,500,351	$ 29,471	$ 324,983	$ 88,880,635	$ 92,735,440
2017	3,500,351	29,471	324,983	88,880,635	$ 92,735,440
2018	3,500,351	29,471	324,983	88,880,635	$ 92,735,440
2019	1,775,875	18,117	186,696	69,990,785	$ 71,971,473
2020	-	-	-	-	$ -
Thereafter	-	-	-	-	$ -
Total	$ 12,276,928	$ 106,530	$ 1,161,645	$ 336,632,690	$ 350,177,793

g. 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, 2015:

List of Derivatives Aggregated by Investment Type

	Changes in Fair Value		Fair Value at June 30, 2015		
	Classification	Amount	Classification	Amount	Notional
Investment Derivatives:					
Forwards Currency Contracts:	Net appreciation/(depreciation) in investments	$ 930,382	Accrued Interest and other receivables	$ 691,804	$ 119,120,785
Futures:	Net appreciation/(depreciation) in investments	(44,815)	Accrued Interest and other liabilities	(48,339)	99
Grand Totals		$ 885,567		$ 643,465	$ 119,120,884

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the City of Philadelphia Municipal 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 Fund involves are described below:

***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 a 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.

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, 2012 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 was 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. The realized gain from Future contracts was $594,286.

Forwards contracts The Fund is exposed to basis risk on its forwards contracts 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. The realized gain from Forward contracts was $4,783,826.

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.

h. 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 I.4.

(2) Philadelphia Gas Works (PGW) Plan

a. Plan Description

The Pension Plan provides pension benefits for all eligible employees of PGW and other eligible class employees of Philadelphia Facilities Management Corporation (PFMC) and Philadelphia Gas Commission (PGC).

The Pension Plan provides for retirement payments for vested employees at age 65 or earlier under various options, which includes a disability pension provision, a preretirement spouse or domestic partner's death benefit, a reduced pension for early retirement, various reduced pension payments for the election of a survivor option, and a provision for retirement after 30 years of service without penalty for reduced age. In accordance with Resolutions of the PGC, Ordinances of City Council, and as prescribed by the City's Director of Finance, the Pension Plan is being funded with contributions by PGW to the Sinking Fund Commission of the City, which serves as the Trustee. Management believes that the Pension Plan is in compliance with all applicable laws.

b. Benefits Provided

Normal Retirement Benefits: The Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after five 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 60.0% of the highest annual earnings during the last 10 years of credited service or

- 2.0% of total earnings received during the period of credited service plus 22.5% of the first $1,200 annual amount, applicable only to participants who were employees on or prior to March 24, 1967.

Death Benefits: Before retirement, spouses of deceased active participates or of former participants are entitled to vested benefits provided such participants died after having attained age 45 and completed at least 15 years of Credited Service and whose age plus years of credited service equals at least 65 years of whom have completed at least 15 years of Credited Service regardless of age. The benefit payable is an amount for the spouse's remaining lifetime equal to the amount the beneficiary of the participant would have received had the participant retired due to a disability on the day preceding his/her death and elected the 100% contingent annuitant option.

Disability Benefits: Disability benefits are the same as the Normal Retirement Benefits and are based on Final Average Compensation and Credited Service as of the date of disability

Final Average Earnings are the employee's average pay, over the highest five 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.

Except as noted in the following paragraph, covered employees are not required to contribute to the Pension Plan.

In December 2011, the 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. The defined-contribution 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. Employees Covered by Benefit Terms

At June 30, 2015, the date of the most recent actuarial valuation, the Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them	2,526
Participants:	
Vested	1,012
Nonvested	262
Total participants	1,274
Total membership	3,800

During the period September 1, 2014 through June 30, 2015, PGW experienced significant changes in its workforce. During this time, there were over 180 active Pension Plan participants who moved into retirement. This activity is more than double the number of retirements experienced by PGW in a normal year.

d. Contributions

The 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 considering employee contributions required for new hires after December 2011 who elect to participate in the Pension Plan. Level percentages of payroll employer contribution rates are determined using the Projected Unit Credit actuarial funding method. For the Pension Plan years ending June 30, 2015 and 2014, PGW's average contribution rate was 22.6% and 23.6% of annual payroll, respectively. Employee contributions were approximately $0.4 million in each year. The actuarially determined contributions determined for FY 2015 and FY 2014 were $21.5 million and $24.4 million, respectively. PGW contributed $21.5 million and $24.4 million in FY 2015 and FY 2014, respectively.

e. Net Pension Liability

The Company's net pension liability as of August 31, 2015 and 2014 were measured as of June 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and September 1, 2013, respectively. The September 1, 2013 actuarial valuation was rolled forward to the June 30, 2014 measurement date.

The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

	2015	2014
Inflation	2.00%	2.00%
Salary increases	4.50	4.50
Investment rate of return	7.65	7.95

Mortality rates. Mortality rates for FY 2014 were based on the RP-2000 mortality tables for males and females projected to FY 2014. Mortality rates for FY 2015 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2014.

Long-term rate of return. The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for FY 2015 are summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Equity:				
Large-cap equity	36.9%	45.1%	41.0%	9.3%
Small cap equity	7.2	10.8	9.0	10.8
International equity	12.0	18.0	15.0	4.3
Fixed income:				
Core fixed income	13.2	19.8	16.5	6.4
Intermediate fixed income	14.8	22.2	18.5	6.4
Cash and cash equivalents	—	10.0	—	—
			100.0%	

Discount rate. The discount rate used to measure the total pension liability at June 30, 2015 and 2014 was 7.65% and 7.95%, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Company contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee contributions. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

(Thousands of U.S. dollars)

		Increase (decrease)		
		Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (a)-(b)**
Balances at September 1, 2013	$	604,966	456,314	148,652
Changes for the year:				
Service cost		8,924	—	8,924
Interest		47,098	—	47,098
Differences between expected and actual experience		59,326	—	59,326
Contributions-employer		—	24,934	(24,934)
Contributions-employee		—	239	(239)
Net investment income		—	75,303	(75,303)
Benefit payments, including refunds of employee contributions		(42,913)	(42,913)	—
Administrative expenses		—	(732)	732
Net changes		72,435	56,831	15,604
Balances at August 31, 2014	$	677,401	513,145	164,256
Balances at September 1, 2014	$	677,401	513,145	164,256
Changes for the year:				
Service cost		4,890	—	4,890
Interest		52,377	—	52,377
Differences between expected and actual experience		17,961	—	17,961
Contributions-employer		—	21,106	(21,106)
Contributions-employee		—	393	(393)
Net investment income		—	24,472	(24,472)
Benefit payments, including refunds of employee contributions		(46,917)	(46,917)	—
Administrative expenses		—	(1,480)	1,480
Change in assumptions		44,876	—	44,876
Net changes		73,187	(2,426)	75,613
Balances at August 31, 2015	$	750,588	510,719	239,869

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Company at June 30, 2015, calculated using the discount rate of 7.65%, as well as what the Company's net pension liability as of August 31, 2015 would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

		1% Decrease 6.65%	**Current discount rate 7.65%**	**1% Increase 8.65%**
Net pension liability (thousands of U.S. dollars)	$	326,719	239,869	167,415

The following presents the net pension liability of the Company at June 30, 2014, calculated using the discount rate of 7.95%, as well what the Company's net pension liability as of August 31, 2014 would have been if it were calculated using a discount rate that is 1-percentage-point lower (6.95%) or 1-percentage point higher (8.95%) than the current rate:

	1% Decrease 6.95%	Current discount rate 7.95%	1% Increase 8.95%
Net pension liability (thousands of U.S. dollars)	$ 238,494	164,256	101,532

Pension Plan fiduciary net position. Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report.

f. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended August 31, 2015 and 2014, the Company recognized pension expense of $43.7 million and $27.2 million, respectively. At August 31, 2015 and 2014, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (thousands of U.S. dollars):

	August 31, 2015		August 31, 2014	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 44,377	—	45,133	—
Changes of assumptions	33,572	—	—	—
Net difference between projected and actual earnings on pension plan investments	—	(11,653)	—	(31,808)
Contributions made after measurement date	179	—	998	—
Total	$ 78,128	(11,653)	46,131	(31,808)

The $179,000 reported as deferred outflows of resources related to employer contributions made after the measurement date as of August 31, 2015 will be recognized as a reduction of the net pension liability in FY 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (thousands of U.S. dollars):

	Deferred outflows of resources	Deferred inflows of resources
Fiscal year:		
2016	$ 30,200	(4,901)
2017	30,021	(4,901)
2018	17,907	(4,901)
2019	—	3,050
Total	$ 78,128	(11,653)

g. 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. GASB 68 was effective for PGW's Fiscal Year beginning September 1, 2014. Under GASB 68, the balance sheet now includes Net Pension Asset or Liability related to its Pension Plan which is measured as the actuarially determined total pension liability, less the amount of the Pension Plan's Fiduciary Net Position.

B. DISCRETELY PRESENTED COMPONENT UNITS

(2) School District of Philadelphia

a. Plan Description

Public School Employees' Retirement System (the System) is a governmental cost-sharing multiple-employer defined benefit plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSRS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

b. Benefits provided:

The System provides retirement and disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes - (1) Membership Class T-E (Class T-E) and (2) Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Code (Code) of multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and T-F members) or who has at least five years of credited services (ten years for Class T-E and T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

c. Contributions

Members Contributions:

Active members who joined prior to July 22, 1983, contribute at 5.25 % (Membership Class T-C) or at 6.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25 % (Membership Class T-C) or 7.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50 % (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS pension plan from the School Districts were $180,187,615 for the year ended June 30, 2015

Commonwealth Contributions:

The Commonwealth reimburses the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year 2015 was 73.73 percent.

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

(a) At June 30, 2015, the District reported a liability of $2,980,467,547 for its proportionate share of the net pension liability of which $2,937,341,151 was recognized under the Government-wide Statements including Internal Service (Print Shop) Fund while the remaining amount was included in the Proprietary Fund- Enterprise (Food). The net pension liability was measure as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 7.5301 percent, which was a decrease of 1.0203 percent from its proportion measured as of June 30, 2013.

(b) For the year ended June 30, 2015, the District recognized pension expense of $180,187,615 of which $177,580,359 was recognized under the Governmental Activity section of the Government-wide Statements while the remaining amount of $2,607,256 was under the Business-type Activity section of the Government-wide Statements.

(c) At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars Amounts in Thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 213,070
Change in proportions	-	336,571
Difference between employer Contributions and proportionate share of total contributions	-	3,229
Contributions subsequent to the Measurement date	180,188	-
	$ 180,188	$ 552,870

Deferred outflows of resources for contributions made subsequent to the measurement date was $180,187,615, and will be recognized as a reduction of net pension liability in the *actuarially* year ended June 30, 2015.

The $552,870,304 reported as deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	$135,147,091
2017	135,147,091
2018	135,147,091
2019	135,147,091
2020	12,281,940
Total	$552,870,304

Of the $552,870,304 reported as deferred inflows, $544,628,814 was reported under the Government-wide statements while the remaining amount was reported under the Enterprise (Food) Service and Internal (Print Shop) at $7,999,854 and $241,636 respectively.

Actuarial assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Public School Employees' Retirement System (PSERs) Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

e. *Sensitivity of the* District's *proportionate share of the net pension to changes in the discount rate*:

The following presents the net liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percenage point higher (8.50%) than the current rate:

(Dollars in Thousands)

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	3,717,720	2,980,468	2,351,056

f. *Pension* plan *fiduciary net position:*

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

g. **Summary of *Significant* Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value.

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 2015, the City paid $95.3 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	132,092
Interest on net OPEB obligation	9,713
Adjustment to ARC	(8,752)
Annual OPEB cost	133,053
Payments made	(95,300)
Increase/(Decrease) in net OPEB Obligation	37,753
Net OPEB obligation - beginning of year	228,533
Net OPEB obligation - end of year	266,286

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, 2015 was as follows:

(Amounts in thousands USD)

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2015	$	133,053	72%	$	266,286
6/30/2014	$	129,318	52%	$	228,533
6/30/2013	$	114,392	50%	$	166,314

Funded Status and Funding Progress: As of July 1, 2014, 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 $1.73 billion. The covered annual payroll was $1.50 billion and the ratio of the UAAL to the covered payroll was 115.8%.

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 7.80% 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 7.80% 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, 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. 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. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. 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, 2014, 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	12,213	46.0
Non-represented	787	48.5
Retirees	10,357	76.8
Disabled	91	59.4
Total	23,448	59.4

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, 2014. There was a change in actuarial assumptions since the last biennial actuarial valuation. The payroll growth assumptions were eliminated as the **SDP** is now using level dollar amortization of the unfunded liability.

The following table shows the elements of **SDP's** annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in **SDP's** net OPEB obligation to the plan:

Normal Cost	$	82,021
Amortization of Unfunded Liability		
Accrued Liability (UAAL)		916,182
Annual Required Contribution (ARC)		998,203
Interest on Net OPEB Obligation		26,354
Adjustment to the ARC		(42,720)
Increase/(Decrease) in net OPEB Obligation	$	981,837
Net OPEB Obligation as of June 30, 2014	$	810,906
Annual OPEB Cost		981,837
Employer Contributions		(570,813)
Increase/(Decrease) in net OPEB Obligation	$	411,024
Net OPEB Obligation as of June 30, 2015	$	1,221,930

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, 2015 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2012	$810,749	83.9%	$130,344
2013	810,749	68.2%	388,430
2014	990,364	57.3%	810,906
2015	981,837	58.2%	1,221,930

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, 2014, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of $18.0 million and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $18.0 million.

Active	$3,280,989
Inactive	$14,675,072
Total	$17,956,061

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2014 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.

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, 2013 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, 2013 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, 2014 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: None

Philadelphia Gas Works (PGW) OPEB

Plan Description: PGW sponsors a single employer defined benefit healthcare plan and provided postemployment healthcare and life insurance benefits to approximately 2,201 participating retirees and their beneficiaries and dependents in FY 2015, in accordance with their retiree medical program. The annual covered payroll (which was substantially equal to total payroll) was $114.1 million at August 31, 2015.

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 $30.3 million in FY 2015. In addition, **PGW** expensed $0.3 million of funding for the OPEB Trust. Retirees contributed $18.5 million towards their healthcare in FY 2015. 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 $2.4 million in FY 2015 which included $1.9 million for retirees. Retirees contributed $0.2 million towards their life insurance in FY 2015.

Annual Postemployment Benefit Cost, Contributions Required, and Contributions Made*:* The amount paid by **PGW** for retiree benefits in FY 2015 was $48.8 million, consisting of $28.6 million of healthcare expenses, $1.7 million of life insurance expenses, and $18.5 million contributed to the OPEB trust. The difference between the AOC and **PGW's** contributions resulted in a decrease in the OPEB obligation of $11.8 million in FY 2015, which was recorded to other non-current liabilities and expensed. The actuarial accrued liability for benefits at August 31, 2015 was $505.4 million. The ratio of the unfunded actuarial accrued liability to the covered payroll was 351.6%

as of August 31, 2015.

The assumptions used to determine the AOC for the current year and the funded status of the plan include:

Actuarial cost method	Projected unit credit
Method(s) used to determine the actuarial value of assets	Fair value of plan assets held in the OPEB trust
Investment return assumption (discount rate)	7.95%, which represents the long-term expected investment return on OPEB trust assets
Mortality	RP-2014 Mortality Tables with projection scale MP 2015
Amortization method	Level dollar amount
Amortization period	Open period of 30 years

Healthcare cost trend rates are as follows:

	Healthcare costs trend rates			
Year	Medical (pre-65)	Medical (post-65)	Prescription	Dental
2015	8.0%	6.0%	10.5%	4.5%
2016	7.0%	5.0%	9.5%	4.5%
2017	6.5%	4.5%	8.5%	4.5%
2018	6.0%	4.5%	7.5%	4.5%
2019	5.5%	4.5%	6.5%	4.5%
2020	5.0%	4.5%	5.5%	4.5%
2021+	4.5%	4.5%	4.5%	4.5%

The following table shows the calculation of **PGW's** OPEB liability for FY 2015. The difference between annual OPEB cost (AOC) and contributions made results as an increase or decrease to the net OPEB obligation which is recorded in other non-current liabilities and expensed.

	(Amounts in Thousands)
Annual required contribution	37,980
Interest on net OPEB obligation	8,092
Adj to annual required contribution	(8,999)
Annual OPEB cost	37,073
Payments made	(48,847)
Increase/(Decrease) in net OPEB obligation	(11,774)
Net OPEB obligation - beginning of year	101,788
Net OPEB obligation - end of year	90,014

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2015 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
8/31/2015	$ 37,073	131.80%	$ 90,014
8/31/2014	$ 37,090	119.60%	$ 101,788
8/31/2013	$ 40,235	105.00%	$ 109,060

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 2015 this transfer amounted to $346 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 $70.4 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled $108.9 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 is self-insured for medical benefits provided to employees in the Fraternal Order of Police, its city-administered health plan, the International Association of Fire Fighters and District Council 47.

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 $353.6 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, 2013 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2013	355.8	101.6	(101.3)	356.1
Fiscal 2014	356.1	244.0	(250.8)	349.3
Fiscal 2015	349.3	296.0	(291.7)	353.6

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 $3.1 million for Unemployment Compensation claims and $63.1 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $274.9 million discounted at 3.5%. On an undiscounted basis, these liabilities total $356.1 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 $247.0 million (discounted) and $321.3 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, 2015 the combined amount of these liabilities totaled $154.6 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability during the past two years are as follows:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2014	195.9	210.9	(231.6)	175.2
Fiscal 2015	175.2	209.1	(229.7)	154.6

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 $1.0 million 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 $56.8 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 $336.2 million. Of this amount, $32.2 million is charged to current operations of the Enterprise Funds. The remaining $304.0 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 $72.9 million to the General Fund and $9.6 million to the Enterprise Funds.

Significant cases included in the current litigation against the City are as follows:

- **Victory Recycling, Inc. v. City et al., CCP Phila. Co., No. 1308-03547**

Victory Recycling, L.P. (“VRLP”), a Pennsylvania Limited Partnership, through its general partner, Victory Recycling, Inc. (“VRI”) commenced an action in August 2013, seeking declaratory relief against Defendants City of Philadelphia (“City”), City of Philadelphia Department of Public Property, and Philadelphia Authority for Industrial Development (“PAID”). VRLP is a former tenant pursuant to a 2008 Sublease Agreement with PAID and a 2008 Master Lease Agreement between PAID and the City; VRLP subleased property near the Airport for a 10-Year term with permission to operate on the property a waste transfer and processing facility for dredge spoils and construction and demolition waste. The Sublease gave to VRLP an option to buy the land under certain conditions if exercised/perfected in the manner specified. The City terminated the Master Lease and Sublease by notice under a right of termination clause in the Sublease: “Landlord shall have the right to terminate this Lease if the City determines the Premises are needed for purposes related to the airport expansion.

In its suit, VRLP alleged that the termination provision was inconsistent and irreconcilable with its purchase option; that the City’s determination of need for airport expansion purposes was pre-textual or arbitrary; the City must sell the land to Victory pursuant to the purchase option; and that termination of the lease was improper without cause. The City Defendants filed an Answer, with affirmative defenses and counterclaims.

VRLP also petitioned for special and preliminary injunctions to enjoin termination of the Sublease Agreement and to reinstate the obligations between PAID and VRLP, pending disposition of the Complaint, as if the City had not issued the termination notice. After the city responded and a hearing in October 2013, the Court denied VRLP’s requested injunctive relief.

VRLP then filed an Amended Complaint, adding a count for compensatory and consequential damages for breach of contract, including lost profits and claims for specific performance of the purchase option and to reinstate permission/consent previously granted but later revoked by the City for VRLP to engage in additional activities on the land.

The City answered the Amended Complaint. The parties completed non-expert discovery and exchanged expert reports. VLRP’s economic expert opined in its report that VLRP suffered damages in excess of $24 million, in contrast to the Amended Complaint’s claim for losses of approximately $5 million and provisions in the contract which appear to limit VLRP’s damages even more. The City now has filed a Motion for Summary Judgment as to all claims, which remains pending.

The City has mounted vigorous defenses to defeat the claims. At this stage, the City's lawyers reasonably believe that VLRP will not likely succeed on its claims or for the amount of damages sought, particularly as to the new amount asserted, and that the City's defenses and/or counterclaims have merit. Out of precaution, however, the City's lawyers have disclosed this case under the disclosed criteria.

- **Augustin v. City of Philadelphia, et al, No. 14-4238 (E.D. Pa)**

  Plaintiffs, purporting to represent a class of non-owner occupied residential and commercial property owners, seek to enjoin the City (which for this purpose includes the Philadelphia Gas Works ("PGW")) from imposing or enforcing gas liens on their properties for unpaid charges incurred by their tenants or others living in or utilizing the properties. Plaintiffs allege that the City imposes such liens on the class' properties without meaningful and timely notice to them or opportunity to be heard beforehand, in alleged violation of their federal due process rights. In a putative class action filed in the United States District Court for the Eastern District of Pennsylvania, plaintiffs seek declaratory and injunctive relief, an order requiring the City to release all such existing liens, and "such other relief deemed by the Court to be necessary or appropriate." The parties have conducted extensive discovery in this matter, and thereafter filed cross motions for summary judgment on the merits issues. These motions remain pending before the Honorable J. Curtis Joyner. To date no class has been certified.

  The City believes that it has strong and credible defenses to this suit and intends to defend the suit vigorously, but 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. The total amount of liens at issue could exceed $8,000,000.

- **Narcotics Field Unit – District Attorney's Letter Re: Not Prosecuting Cases**

A letter from the District Attorney's Office calls into question approximately 350 arrests by a group of five narcotics officers. So far, approximately 175 cases have been filed in Federal Court in the Eastern District of Pennsylvania. The complaints allege that narcotics officers(s) falsified information obtained through confidential informants and planted evidence. Six narcotics officers have been arrested and are facing federal charges in relation to these complaints. If the allegations are substantiated, CRU anticipates between 100 and 150 lawsuits to be filed. The number of lawsuits could easily surpass the number of cases brought as a result of the 39th District litigation, which cost the City approximately $5 million. The Judge has decided to proceed with discovery in 6 cases to use as "bellwether" cases, while the remaining cases will stay in suspense. If liability is found against the City, the exposure could surpass $8 million.

- **Harold Wilson v. City of Philadelphia**

  Harold Wilson was convicted of murdering three people with a hatchet in 1988. He was granted a new trial after the release of a videotape that called into question the constitutionality of the District Attorney's jury selection process. He was acquitted in 2005 after spending 17 years in jail. Plaintiff has raised several issues regarding the original investigation of this matter. Specifically, he alleges that the defendant detectives coerced statements from witnesses and failed to share exculpatory information with defense attorneys and district attorneys. We have very strong liability defenses but the damages are extremely high.

- **Bock v. City**

  The three matters listed under Bock v. City (Ernest Bock & Sons, Inc. v. City, CCP Phila. No. 1105-02633 (I B); Ernest Bock & Sons v. City of Philadelphia, CCP Phila., No. 1402-000694 and G&T Conveyor Co., Inc. v. Ernest Bock & Sons, Inc. et al. v. City et al., CCP Phila. No. 09119-3117) were previously disclosed because the potential liability to the City with respect to the three cases, all of which involved work performed on the Terminal D&E expansion project, was, in the aggregate, greater than $8,000,000. Two of the matters, G&T Conveyor Co. and Bock v. City (CCP Phila No. 1402-000694) have now been settled. Since the potential liability which could result from the remaining Bock case, Bock v. City (IB), is less than $8,000,000, the Bock matters have been removed.

- **City v. Keystone**

  In this case pending before the Pennsylvania Supreme Court, a Commonwealth Court panel affirmed in an unpublished opinion the trial court's grant of a $6.5 million BPT credit to taxpayer Keystone Health Plan, despite the fact that Keystone made its request beyond the three-year refund statute of limitations. The Commonwealth Court panel had recognized that Keystone failed to meet the statutory deadline for refunds, but oddly granted Keystone credits because the statute of limitations technically only mentions the word "refund" but not the word "credit." On appeal, the Supreme Court will decide both our contention that it makes no

sense to award credits, as well as Keystone's cross-appeal that it should have been awarded refunds because, even though the refund petition was filed after three years, such a belated petition was nonetheless allegedly timely because the IRS did not audit and amend Keystone's income figures until after three years since Keystone's initial PBT payment. Briefing and argument before the Supreme Court have been completed and we are awaiting the decision. If the Court awards refunds, Keystone will likely also receive interest, meaning a total recovery of over $8 million. The Pennsylvania Supreme Court affirmed the lower courts' decisions. The City filed a motion for Reconsideration, which is still pending.

- **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 in September 2013, and the final plan and Record of Decision (ROD) were issued September 30, 2014. EPA has chosen its preferred option of a capping remedy that is estimated to cost approximately $24 million, and has preliminarily identified approximately $11 million dollars in past costs. On January 16, 2015, EPA sent a letter to the City and 22 other PRPs indicating EPA will not use its Special Notice authority to force the PRPs to begin a cleanup. Instead, EPA has decided that EPA will implement the cleanup/remedial action plan. EPA is also beginning a groundwater study that is likely to result in a recommendation for additional cleanup related to groundwater. In November 2015 EPA released 30% Design Report for Clearview. A 60% Design Report is expected in fall 2016, and a final Design Report in March 2017. At that point, EPA most likely will decide whether it will proceed to implement the Remedial Action itself or force the PRPs to take on the task. 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 $40 million to $60 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 ($8 million - $12 million).

- **Reach Communications Specialists, Inc. (Reach) v. Jewell Williams, Sheriff et al.**

E.D. Pa., No. 13-2388

Reach for itself and t/a RCS Searchers, Inc. ("Reach/RCS") 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. Reach pleaded federal law and state law claims for damages against City Defendants.

In the Complaint, Reach made these material allegations against City Defendants. Acting Sheriff Deeley, in January 2011, immediately after her appointment as Acting Sheriff and following the retirement of former Sheriff Green effective end of December 2010, "unlawfully" terminated certain alleged contracts ("Alleged Contracts") made between former Sheriff Green and Reach/RCS. The Alleged Contracts concerned advertising and printing services, settlement services, title insurance distribution policies, 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 stave off foreclosure sales; and 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 former Sheriff Deeley (and her daughter Lisa Deeley) and Controller Butkovitz or by and between then-Chief Deputy Sheriff Vignola and Lexington officials, in connection with: the Controller's audit of Sheriff Office operations (and Auditor's Report critical of Sheriff's Office); the engagement of Lexington Technology Auditing, Inc. ("Lexington") to assist in that audit and the information Lexington purportedly obtained about Reach; and then-President Judge Dembe's involvement in the termination of Reach and FJD'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, attorney's 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 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 compensatory damages, prejudgment interest and costs 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. ("Lexing ton"), removed the action to federal court, specifically the Eastern District of Pennsylvania. The case was assigned to Federal Judge.

Lexington and City Defendants filed motions to dismiss the Complaint and Reach responded. The Court denied those motions by Order of August 12, 2013. Essentially, the Court concluded only that, giving the benefit of doubt in favor of Reach as it must under the federal standard of review of Rule 12(b)(6) motions, and at this very early (pre-discovery) stage, Reach had pleaded enough facts sufficient to set forth claims that survive the motions to dismiss.

During the Rule 16 conference on the case, 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). The case remains in deferred status.

If and when the Court removes the case from suspense status and the litigation resumes, the City (and City Defendants in their official capacities) intend vigorously to pursue defenses and potentially counterclaims to defeat/minimize 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.*

Based on the allegations of the Complaint, the demands for and specification of any monetary damages sought, the prejudgment interest claims, the number of counts that do not claim any specific sum but demand more than $50,000, and the federal counts under civil rights laws that seek to recover unliquidated attorney's fees, costs, punitive damages and interest, out of precaution, City attorneys have disclosed this case under the disclosure criteria.

- **Grubel , et al. v. City of Philadelphia**

This case 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 "covered employees" of the City for purposes of the Ordinance. Employers who violate the Ordinance are liable for back pay plus attorneys' fees and costs.

The City Commissioners Office, which runs elections, does not consider these election workers to be employees of the City and has always paid them, in compliance with the State Election Code, on a per diem rather than an hourly basis. Judges of Election (one at each polling place) were paid $100 per day; the remaining election workers received $95 per day. If the plaintiffs are covered employees and entitled 150% of the federal

minimum wage, they should have been paid at least $152.25 per day (or $137.55 per day for the earlier elections, based on the prior minimum wage). Thus, they are seeking the difference between what they were paid on a per diem basis and what they would have received if paid hourly at the Philadelphia minimum wage level.

Because there are two elections each year, and approximately 8,000 election workers who serve in each election, paying the minimum wage would increase the City's cost for payment of the election workers by approximately $492,418 per election. There have been 17 elections since the minimum wage ordinance became effective, so the total potential exposure is in excess of $8 million, plus attorneys' fees. The City Commissioners requested and received a waiver of the minimum wage requirements as of May 21, 2013. Such a waiver is specifically permitted under the Ordinance and should foreclose any claims for prospective relief. The Philadelphia Court of Common Pleas granted summary judgment to the City on July 24, 2014. Plaintiffs appealed to Commonwealth Court which heard argument in May, 2015.

(2) Guaranteed Debt

During Fiscal Year 2014, the City implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 had no significant effect on the City's financial statements. The City has guaranteed certain debt payments of one component unit (PPA). Under a contract with PPA authorized by City Council Ordinance, the City agreed to annually pay such amounts as necessary to restore any deficiency in the debt service reserve fund for PPA's Parking System Revenue Bonds Series 1999A. Through fiscal year 2014, the City has provided approximately $11.7 million in its role as guarantor of these bonds. The 1999A Indenture provides for the PPA to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the related parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The 199A bonds, which mature in fiscal year 2029, had an outstanding principal balance of $13.02 million at June 30.

(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 year ended June 30, 2015, which accounted for $811.6 million for all open programs as of December 14, 2015. Of this amount, $807.0 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2015 and prior. For Fiscal Years ending June 30, 2014 and prior, $4.6 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

(3) HUD Section 108 Loans

As detailed in Note III. 6., collateral for repayment of the City's HUD Section 108 loans includes future Community Development Block Grant entitlements due to the City from HUD.

(4) 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, 2014 the Grants Revenue Fund had a $201.2 million receivable for the Children and Youth program. In FY 2015 the Grants Revenue Fund had expenditures totaling $490.4 million and revenue totaling $465.1 million. At June 30, 2015 the Grants Revenue Fund had a $226.5 million receivable for the Children and Youth Program. Due to the nature of the program's billing polices, 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 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 four hundred forty-five (445) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $4.0 million.

Of those, four hundred twenty-seven (427) 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, two hundred and fourteen (214) unfavorable outcomes are deemed probable and one hundred and eighty (180) are considered reasonably possible, in the aggregate of $1.9 million and $1.1 million respectively.

There are six (6) 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 are deemed probable for two lawsuits in the aggregate amounts of approximately $0.4 million.

There are twelve (12) 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 in the aggregate amounts of approximately $0.4 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 $18.9 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 $4.9 million and $3.1 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 $3.3 million and $4.0 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 enrollment 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 enrollment figures, an audit of reported enrollment 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 enrollment 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. Discussions with Commonwealth representatives regarding relief from this potential liability are ongoing. Because no final determination of forgiveness has been made, however, there remains a possible loss in this category in 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, 2015 and continuing until January 31, 2016, 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 two additional PDLs on the remaining findings that required corrective actions, but did not result in monetary exposure. All of the corrective actions have already been implemented as part of the corrective action plan agreed upon with the PDE and DOE.

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. PDE raised two primary arguments against the recovery of the remaining liability: (1) the statute of limitations bars an additional $5.3 million in costs; and (2) equitable offset extinguishes the remaining liability. The administrative law judge (ALJ) issued a decision on February 28, 2014 rejecting these arguments and sustaining the full amount of disputed liabilities. On March 31, 2014, PDE and the School District appealed the initial decision to the Secretary. On December 29, 2014, the Secretary affirmed the liability although he did not adopt the standard used by the ALJ. The Secretary's final decision may be appealed to the U.S. Court of Appeals for the Third Circuit by February 27, 2015. Briefing is complete and the case is calendared for December 12, 2015. The parties have been notified the Court will not hear oral argument.

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.

Because of the long appeal process, no assurance can be given by outside counsel at this time 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 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 the liability included on the PDLs will be reduced 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 DOE in the amount of $9.7 million is remote.

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 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 in more than 200 subsidy withholding requests were submitted to PDE seeking subsidy from many school districts in Pennsylvania.

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 had assigned a Hearing Officer to hear these administrative appeals and to make a recommendation to the Secretary of Education. However, prior to the hearing, the dispute between Pittsburgh School District and the charter schools was settled.

It is expected that PDE will select a different representative case to decide the legal question involved. However, no hearing is currently scheduled. The School District of Philadelphia intends to file a Petition to intervene in the chosen example case, so that the School District's interests can be adequately presented. It is

not yet known when the Petition will be filed or if the School District will be permitted to intervene. The direct cases against the School District are 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, in the opinion of the School District's outside counsel, the likelihood of an unfavorable outcome is reasonably possible in the amount of approximately $5.7 million for the pending withholding requests of which we are aware, assuming the charter schools successfully argue that they are entitled to a portion of the School District's federal funding. The exposure 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.

Appeals Related to the State Tax Equalization Board Assessment of Real Estate

In July 2011, the State Equalization Board (**STEB**) published a Common Level Ratio (**CLR**) of 18.1% for Philadelphia for the tax year 2012-significantly lower than the City's Established Predetermined Ration (**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**. In April 2012, in response to informal objections filed by the City and The School District of Philadelphia (School District), **STEB** raised the **CLR** to 25.2%- a percentage that is not enough to avoid the use of **CLR** in calculating assessed value for real estate 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, therefore the 25.2% 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. This matter has now been resolved at a total cost to the School District of $7.8 million.

9 SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2015 through and including February 24, 2016. The following events are described below:

A. PRIMARY GOVERNMENT

1) In July 2015, the City issued $175 million of Tax and Revenue Anticipation Notes (TRAN), Series A of 2015-2016 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, 2016.

2) Through December 2015, drawdowns totaling $895.4 thousand represent new loans from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for water treatment and sewer piping replacement.

3) In November, 2015 the Internal Revenue Service (IRS) issued the results of their Employment Tax Examination for calendar years 2013 and 2014. As a result of this examination, the City paid $2.3 million to the IRS for under-withheld federal taxes. The IRS notified the City that any Sick Leave time converted to extend retiree health care coverage is a non-cash taxable benefit, and the City should have imputed this benefit as a non-cash taxable earning on the employee's terminal leave check and withheld taxes accordingly.

4) In July 2015 the City issued $138.7 million of General Obligation refunding bonds series 2015A. The proceeds of the sale were used to partially refund the series 2006, 2008B, and 2011 bonds. Total proceeds received from the sale were $156.9 million which included an $18.2 million premium. The interest rates of the 2015A Refunding Bonds range from 4% to 5%. The interest on the bonds being refunded range from 4.75% to 5%. The total savings of the sale were $15.6 million. The final maturity date of the 2015A Bonds is August 1, 2031.

5) In September 2015 the City issued $191.6 of General Obligation bonds series 2015B. The total proceeds received from the sale were $211.3 million which included a $19.7 million premium. The proceeds of the sale will be used to fund Capital Projects. The interest rates range from 2% to 5% and have a final maturity on August 1, 2035.

6) In September 2015 the Airport issued $97.8 million of Revenue Refunding bonds series 2015A. The total proceeds from the sale $108.2 million which included a $10.4 million premium. The proceeds of the sale will be

used to currently refund all of the Airport's Revenue Bonds 2005A. The interest rates of the 2015A bonds ranges from 4% to 5%. The interest rates on the 2005A bonds being refunded range from 4.2% to 5%. The total savings of the sale were $12.8 million. The final maturity date of the 2015A bonds is June 15, 2035.

B. **COMPONENT UNITS**

1) PGW Subsequent Events

A. In August of 2015 PGW issued $261.8 million of Revenue Refunding bonds Thirteenth Series. The total proceeds of the sale were $293.2 which included $32.5 million premium. The proceeds were used to partially refund the seventeenth, eighteenth, nineteenth, fourth, and fifth series A1. The interest rates on the thirteenth series ranged from 3% to 5%. The interest rates on the refunded bonds ranged from 5.0% to 5.375%. The total savings of the sale $74.1 million. The final maturity date of the Thirteenth Series is August 1, 2034.

2) PAID Subsequent Events

A. In February 2016 PAID issued $95.4 million of Revenue Refunding Bond series 2016A series 2016B. The total proceeds of the sale will be used to partially refund the 2006A PAID cultural and commercial corridor bonds and fully refund all of the outstanding series 2005 PAID library bonds. The total proceeds of the sale were $111.3 million which included a premium of $15.9 million. The interest rate of the 2016A and 2016B range from 3.0% to 5.0%.

3) SDP Subsequent Events

A. Commonwealth of Pennsylvania State Operating Budget Impasse. The District receives approximately 49% of its governmental and proprietary funds revenues from state and federal sources which are subject to annual appropriation by the Pennsylvania Legislature. Prior to December 24, 2015 an operating budget (known as the General Appropriations Act) for the Commonwealth's 2016 fiscal year was not in effect and as a result, those governmental and proprietary funds were not appropriated or paid to school districts, including the District. In late December, 2015, the Pennsylvania Legislature enacted and sent to the Governor, a general appropriations act for fiscal year 2016. On December 29, 2015, the Governor signed the act but also exercised his line item veto power to veto in whole or in part certain appropriations made in that act. Among those line item vetoes was a veto of approximately 55% of the basic education subsidy paid to school districts. In his veto message, the Governor requested that the Pennsylvania Legislature take further action to adopt an operating budget for the full 2016 fiscal year, which included full year appropriations of the basic education subsidy and additional appropriations for public education. As a result of the Governor's action, the District has or will receive approximately 45% of the basic education subsidy which it received in the District's 2015 fiscal year and has or will receive various other amounts equal to the sums it received in fiscal year 2015. Amounts of basic education subsidy, in excess of the 45% will not be paid to the District unless and until further action is taken by the Pennsylvania Legislature on appropriations legislations which are approved by the Governor and funding is released to school districts. Under the current appropriations act for Fiscal Year 2016, the District estimates that it has or will receive $825.2 operating fund appropriations and $104.7 million in state grant appropriations (including $62.1 million for the Ready to Learn grant and $5.8 million for ACCESS reimbursements).

As a result of the budget impasse, the School District of Philadelphia took the following actions:

- To ensure consistency and comparability in financial reporting, receivables from the Commonwealth which would normally have been received within 60 days of fiscal year end, but have not yet been received due to the budget impasse, are considered available under the modified accrual basis of accounting as permitted by GASB. Revenues of approximately $3.1 million and $22.6 million, representing delayed State reimbursements for nursing, medical and dental costs and PSERS retirement costs respectively, have been accrued using this criterion.

- In July 2015 as part of the annual process to obtain short term financing (in anticipation of the receipt of taxes and revenues) through the issuance of tax and revenue anticipation notes (TRANS), the District borrowed up to $575,000,000, consisting of $275,000,000 at a fixed rate of interest (Series A Notes) and $300,000,000 at a variable rate of interest (Series B notes). The Series A Notes and the Series B Notes mature on June 30, 2016, but the Series B Notes may be prepaid by the School District at par at its option prior to maturity. The Series B Notes were structured as a draw down facility, to be advanced, as needed, if funding from the Commonwealth was not forthcoming. Interest on the Series A Notes was fixed at .77%. Interest on the Series B Notes is a variable rate calculated at 70% of 1 month LIBOR plus a spread of 33 basis points. Interest on the Series A Notes to maturity on June 30, 2016 will be $2.11 million. The Series B Notes were drawn in three (3) installments. The initial interest rate on the first $25 million of the Series B Notes, drawn was .46%, on the second draw of $150,000 was .47%, and the third draw of $125,000 was .47%. The School District has estimated that the interest cost of the Series B Notes, if outstanding to maturity, will be $1.41 million. All of the Series A and B Notes were issued privately to one bank.

- In November 2015 the District issued additional TRANS of $250,000,000 (Series C Notes) privately to two (2) banks. The Series C Notes mature on June 30, 2016, but may be prepaid by the School District at par at its option prior to maturity. The Series C Notes were structured as a draw down facility, to be advanced, as needed, if funding from the Commonwealth was not forthcoming. Interest on the Series C Notes is a variable rate calculated at 67% of 1-month LIBOR + 76 basis points. The Series C Notes were drawn in two (2) installments. The initial interest rate on the first $125,000,000 of Series C Notes drawn was .894%. The initial interest rate on the second $125,000,000 of Series C Notes drawn was .894%. The School District prepaid the Series C Notes, in full, on February 1, 2016. The interest cost of the Series C Notes was $483,000.

B. Rating Agency Actions Due to Budget Impasse. On December 11, 2015, Standard & Poor's Ratings Services ("S&P") withdrew its ratings on Pennsylvania school districts and community colleges that are based on Pennsylvania's State Aid Intercept Program and on December 22, 2015, Moody's Investors Service ("Moody's") downgraded the ratings on Pennsylvania School District Enhancement Programs to the underlying rating of the school district plus one notch, with a floor of B1 and a ceiling of Baa1. As a result, the School District's bonds (including bonds issued by the State Public School Building Authority for the benefit of the School District) have (i) no rating from S&P (the School District's bonds do not have an unenhanced underlying rating from S&P), and (ii) an enhanced rating from Moody's of Ba2 and a Moody's underlying rating of Ba3.

The School District has approximately $350,000,000 of bonds outstanding in four series which bear interest at variable rates. Each series of bonds is supported by a direct pay Letter of Credit issued by a bank in the stated amount equal to the principal of the bonds plus interest for a specified number of days, and each Letter of Credit provides for the direct draw thereon for payment of principal and interest on the bonds and for the purchase price of any bonds which are tendered by the holders thereof for purchase. The obligations of the School District to each of the letter of credit banks are set forth in separate Letter of Credit Reimbursement Agreements between the School District and each bank. In addition, the School District pays quarterly fees to each of the letter of credit banks in connection with the respective bank's Letter of Credit, and the amount of those fees is subject to adjustment when ratings are reduced or withdrawn, as is the case with the actions that were taken by S&P and Moody's.

The actions taken by S&P and Moody's constitute an event of default under each of the Letter of Credit Reimbursement Agreements. Upon the occurrence of an event of default, the respective bank is entitled to exercise certain remedies, which include directing the Fiscal Agent for the related bonds to call the bonds for mandatory tender and make drawings on the Letters of Credit, with the School District having an obligation to immediately reimburse the bank for the full amounts of those draws for principal and interest on the bonds. No bank has exercised any remedies which it has under its Letter of Credit Reimbursement Agreement.

The School District requested that each of the banks waive the event of default occasioned by the actions of S&P and Moody's and the School District has entered into a waiver agreement with each bank with respect to its Letter of Credit Reimbursement Agreement, which waives the event of default which occurred as a result of the actions taken by S&P and Moody's through June 1, 2016. Each of the waivers requires the School District to pay fees for the Letters of Credit which are significantly higher than the fees which were being paid by the School District prior to the occurrence of the actions of S&P and Moody's which gave rise to the event of default. The School District estimates that the annual increase in fees, based upon the waiver agreements with the banks, will result in an estimated additional $5,091,430 in Fiscal Year 2016. All payments on the related bonds have been timely made in full by the School District and no event of default has occurred with respect to the bonds.

C. Petition of West Philadelphia Achievement Charter Elementary School. On February 16, 2016, a majority of the Supreme Court of Pennsylvania (4-2) held that Section 696(i)(3) of the Public School Code, which authorized the School Reform Commission to suspend the requirements of the Public School Code ". . . is unconstitutional as it violates the non-delegation rule of Article II, Section 1 of the Pennsylvania Constitution. The Court held that the SRC's actions taken pursuant to that provision, including its suspension in Resolution SRC-20 of February 16, 2011 of the "corrective action" requirement in Section 1729-A(a.1) of the Public School Code as it applies to West Philadelphia, and its suspension in Resolution SRC-1 of August 15, 2013 of: (a) provisions in Section 1729-A regarding charter revocations (including provisions relating to appeals to the Charter Appeals Board and relating to continuation of a charter while an appeal is ongoing), (b) the "corrective action" requirement of Section 1729-A(a.1), and (c) the charter cap provision in Section 1723-A(d), are null and void. The School District and the SRC are permanently enjoined from taking further action under the authority it confers. Two Justices dissented from the Decision, stating that Section 696(i)(3) "does not delegate legislative power, but rather delegates the authority to suspend legislation that affects the economic stability of a school district in financial distress, which is constitutionally permissible under Article I, Section 12," and that the statute contained adequate standards and safeguards to be constitutional. The financial impact of this Decision cannot be estimated at this time.

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, 2015

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	2,748,205	2,781,895	2,777,020	(4,875)
Locally Generated Non-Tax Revenue	970,712	301,302	294,395	(6,907)
Revenue from Other Governments	638,912	639,291	649,321	10,030
Revenue from Other Funds	67,903	64,249	39,031	(25,218)
Total Revenues	4,425,732	3,786,737	3,759,767	(26,970)
Expenditures and Encumbrances				
Personal Services	1,433,919	1,525,442	1,508,678	16,764
Pension Contributions	1,278,375	1,261,264	558,269	702,995
Other Employee Benefits	538,940	556,341	541,273	15,068
Sub-Total Employee Compensation	3,251,234	3,343,047	2,608,220	734,827
Purchase of Services	814,897	828,421	810,574	17,847
Materials and Supplies	68,213	69,772	67,951	1,821
Equipment	24,399	24,560	22,607	1,953
Contributions, Indemnities and Taxes	145,192	151,160	150,747	413
Debt Service	136,578	131,968	131,968	-
Payments to Other Funds	31,215	39,448	39,448	-
Advances, Subsidies, Miscellaneous	52,837	3,411	-	3,411
Total Expenditures and Encumbrances	4,524,565	4,591,787	3,831,515	760,272
Operating Surplus (Deficit) for the Year	(98,833)	(805,050)	(71,748)	733,302
Fund Balance Available for Appropriation, July 1, 2014	146,813	202,135	202,135	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,500	24,500	21,144	(3,356)
Other Adjustments	(4,112)	(8,415)	-	8,415
Adjusted Fund Balance, July 1, 2014	167,201	218,220	223,279	5,059
Fund Balance Available for Appropriation, June 30, 2015	68,368	(586,830)	151,531	738,361

* 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, 2015

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	1,500	250	1,321	1,071
Revenue from Other Governments	885,052	885,052	821,402	(63,650)
Total Revenues	886,552	885,302	822,723	(62,579)
Other Sources				
Increase in Unreimbursed Committments	-	-	58,640	58,640
Increase in Financed Reserves	-	-	(28,281)	(28,281)
Total Revenues and Other Sources	886,552	885,302	853,082	(32,220)
Expenditures and Encumbrances				
Purchase of Services	930,952	930,952	930,060	892
Equipment	100	100	-	100
Payments to Other Funds	1,500	1,500	1,459	41
Total Expenditures and Encumbrances	932,552	932,552	931,519	1,033
Operating Surplus (Deficit) for the Year	(46,000)	(47,250)	(78,437)	(31,187)
Fund Balance Available for Appropriation, July 1, 2014	-	27,004	27,004	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	48,079	48,079
Other Adjustments	46,000	(51,752)	-	51,752
Adjusted Fund Balance, July 1, 2014	46,000	(24,748)	75,083	99,831
Fund Balance Available for Appropriation, June 30, 2015	-	(71,998)	(3,354)	68,644

* Refer to the notes to required supplementary information.

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2015

Exhibit XVI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	91,984	88,785	58,474	(30,311)
Revenue from Other Governments	1,410,498	1,184,660	957,600	(227,060)
Total Revenues	1,502,482	1,273,445	1,016,074	(257,371)
Other Sources				
Increase in Unreimbursed Committments	-	-	27,511	27,511
Increase in Financed Reserves	-	-	(6,655)	(6,655)
Total Revenues and Other Sources	1,502,482	1,273,445	1,036,930	(236,515)
Expenditures and Encumbrances				
Personal Services	170,891	182,728	147,197	35,531
Pension Contributions	11,476	34,932	33,355	1,577
Other Employee Benefits	54,924	35,067	32,097	2,970
Sub-Total Employee Compensation	237,291	252,727	212,649	40,078
Purchase of Services	984,654	968,938	759,207	209,731
Materials and Supplies	35,238	21,989	13,420	8,569
Equipment	-	14,409	3,112	11,297
Contributions, Indemnities and Taxes	-	-	1	(1)
Payments to Other Funds	45,299	45,621	24,699	20,922
Advances, Subsidies, Miscellaneous	200,000	112,862	-	112,862
Total Expenditures and Encumbrances	1,502,482	1,416,546	1,013,088	403,458
Operating Surplus (Deficit) for the Year	-	(143,101)	23,842	166,943
Fund Balance Available for Appropriation, July 1, 2014	-	(273,269)	(273,269)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	32,743	32,743
Revenue Adjustments - Net	-	-	3,690	3,690
Prior Period Adjustments	-	273,269	-	(273,269)
Adjusted Fund Balance, July 1, 2014	-	-	(236,836)	(236,836)
Fund Balance Available for Appropriation, June 30, 2015	-	(143,101)	(212,994)	(69,893)

* Refer to the notes to required supplementary information.

City of Philadelphia - OPEB - 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
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%
07/01/2013	-	1,703.6	1,703.6	0.00%	1,416.9	120.23%
07/01/2014	-	1,732.1	1,732.1	0.00%	1,495.1	115.85%

City of Philadelphia - Municipal Pension Plan - Schedule of Changes in Net Pension Liability *(Amounts of USD)*

	FYE 2015	FYE 2014
Total Pension Liability		
Service Cost (MOY)	143,556,347	136,986,515
Interest (includes interest on service cost)	791,290,760	774,518,750
Changes of benefit terms	-	-
Differences between expected and actual experience	34,909,464	-
Changes of assumptions	48,146,400	213,156,725
Benefit payments, including refunds of member contributions	(881,666,033)	(808,597,357)
Net change in total pension liability	**136,236,938**	**316,064,633**
Total Pension liability - beginning	**10,442,220,266**	**10,126,155,633**
Total Pension liability - ending	**10,578,457,204**	**10,442,220,266**
Plan fiduciary net position		
Contributions - employer	577,195,412	553,178,927
Contributions - member	58,657,817	53,722,275
Net investment income	13,837,949	681,469,584
Benefit payments, including refunds of member contributions	(881,666,034)	(808,597,357)
Administrative expense	(10,478,541)	(8,291,820)
Net change in plan fiduciary net position	**(242,453,397)**	**471,481,609**
Plan fiduciary net position - beginning	**4,916,705,397**	**4,445,223,788**
Plan fiduciary net position - ending	**4,674,252,000**	**4,916,705,397**
Net pension liability - ending	**5,904,205,204**	**5,525,514,869**
Plan fiduciary net position as a percentage of the total pension liability	44.19%	47.08%
Covered employee payroll	1,545,499,872	1,556,660,223
Net pension liability as a percentage of covered employee payroll	382.03%	354.96%

City of Philadelphia Schedule of Collective Contributions (Based on Minimum Municipal Obligations)
Last 10 Fiscal Years
Amounts in Thousands

	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009	FYE 2008	FYE 2007	FYE 2006
Actuarially determined Contribution	556,030	523,368	491,990	507,021	511,000	447,446	438,522	412,449	400,256	306,873
Contributions in Relation to the Actuarially Determined Contribution	577,195	553,179	781,823	555,690	470,155	312,556	455,389	426,934	432,267	331,765
Contribution Deficiency/(Excess)	(21,165)	(29,811)	(289,833)	(48,669)	40,845	134,890	(16,867)	(14,485)	(32,011)	(24,892)
Covered-Employee Payroll	1,545,500	1,556,660	1,423,417	1,387,086	1,410,207	1,422,987	1,462,451	1,461,640	1,351,826	1,319,400
Contributions as a Percentage of Covered-Employee Payroll	37.35%	35.54%	54.93%	40.06%	33.34%	21.96%	31.14%	29.21%	31.98%	25.15%

Covered-employee payroll is the total payroll reported by the city for the applicable year except for 2006, where it is the payroll used in the actuarial valuation for that year.

City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)
Last 10 Fiscal Years
Amounts in Thousands

	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009	FYE 2008	FYE 2007	FYE 2006
Actuarially determined Contribution	798,043	823,885	738,010	722,491	715,544	581,123	539,464	536,874	527,925	394,950
Contributions in Relation to the Actuarially Determined Contribution	577,195	553,179	781,823	555,690	470,155	312,556	455,389	426,934	432,267	331,765
Contribution Deficiency/(Excess)	220,848	270,706	(43,813)	166,801	245,389	268,567	84,075	109,940	95,658	63,185
Covered-Employee Payroll	1,545,500	1,556,660	1,423,417	1,387,086	1,410,207	1,422,987	1,462,451	1,461,640	1,351,826	1,319,400
Contributions as a Percentage of Covered-Employee Payroll	37.35%	35.54%	54.93%	40.06%	33.34%	21.96%	31.14%	29.21%	31.98%	25.15%

Covered-employee payroll is the total payroll reported by the city for the applicable year except for 2006, where it is the payroll used in the actuarial valuation for that year.

Notes to Schedule

Valuation Date	June 30, 2013
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	Ten-year smoothed market
Amortization method	Gain/Losses are amortized over closed 20-year periods, assumption changes over 15years, benefit changes for actives over 10 years and benefit changes for inactive members over 1 year, plan changes mandated by state over 20 years. Under the City's Funding policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019, with payments increasing 3.3% per year, the assumed growth. Under the MMO Funding Policy, the July 1, 2009 unfunded actuarail liability (UAL) was "fresh started", to be amortized over 30 years, ending June 30, 2039. This is level dollar amortization of the UAL.
Discount rate	7.85%
Amortization growth rate	3.30%
Salary increases	Age based salary scale
Mortality	Sex distinct RP-2000 Combined Mortality with adjustments and improvements using Scale AA

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015 can be found in the July 1, 2013 actuarial valuation report.

Philadelphia Gas Works - Schedule of Changes in Net Pension Liability *(Amounts of USD)*

	FYE 2015	FYE 2014
Total Pension Liability		
Service Cost	4,890,358	8,924,073
Interest Cost	52,377,230	47,098,448
Changes in Benefit Terms	-	-
Differences between expected and actual experience	17,960,374	59,325,855
Changes in assumptions	44,875,785	-
Benefit Payments	(46,916,787)	(42,913,000)
Net Change in Total Pension Liability	**73,186,960**	**72,435,376**
Total Pension Liability (Beginning)	**677,401,117**	**604,965,741**
Total Pension Liability (Ending)	**750,588,077**	**677,401,117**
Plan Fiduciary Net Position		
Contributions-Employer	21,106,136	24,934,000
Contributions-Employee	392,884	239,000
Net Investment Income	24,472,345	75,303,000
Benefit Payments	(46,916,787)	(42,913,000)
Administrative Expense	(1,480,245)	(732,000)
Other	-	(613)
Net Change in Fiduciary Net Position	**(2,425,667)**	**56,830,387**
Plan Fiduciary Net Position (Beginning)	**513,144,714**	**456,314,327**
Plan Fiduciary Net Position (Ending)	**510,719,047**	**513,144,714**
Net Pension Liability (Ending)	**239,869,030**	**164,256,403**
Total Pension Liability	750,588,077	677,401,117
Plan Fiduciary Net Position	510,719,047	513,144,714
Net Pension Liability (Ending)	**239,869,030**	**164,256,403**
Net Position as a percentage of Pension Liability	68.04%	75.75%
Covered Employee Payroll	95,186,942	103,529,519
Net Pension Liability as a percentage of Payroll	252.00%	158.66%

Valuation Date: actuarial liabilities and assets are calculated as of the Fiscal Year end date.

Philadelphia Gas Works - Schedule of Actuarially Determined Contribution *(Amounts of USD)*

	FYE 2015	FYE 2014
Actuarially Determined Contribution	21,525,928	24,385,017
Contributions Made	21,106,136	24,385,017
Contribution Deficiency/(Excess)	419,792	-
Covered Emplyee Payroll	95,186,942	103,529,519
Contributions as a percent of covered employee payroll	22.61%	23.55%

Notes to schedule:

Methods and Assumptions used to determine contribution rates:

Measurement Date	July 1
Actuarial Cost Method	Projected Unit Credit
Asset Valuation Method	Market Value
Amortization Method	Twenty year level dollar open amortization method
Salary Increases	4.50%
General Inflation	2.00%
Investment Rate of Return	7.65%
Cost of Living	N/A
Mortality rates	RP-2014 static mortality generationally projected with Scale MP-2014

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	3,759,767	822,723	1,016,074
Transfers	(370,791)	-	-
Program Income	-	-	65,872
Adjustments applicable to Prior Years Activity	-	-	-
Change in Amount Held by Fiscal Agent	511	-	-
Change in BPT Adjustment	608	-	-
Return of Loan	-	-	-
Other	-	-	3,660
Statement of Revenues, Expenditures & Changes in Fund Balance	3,390,095	822,723	1,085,606
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,831,515	931,518	1,013,088
Transfers	(184,549)	-	(31,066)
Bond Issuance Costs	7,199	-	-
Expenditures applicable to Prior Years Budgets	51,943	3,814	22,108
Program Income	-	-	65,872
Payments for Current Bond Refundings	209,816	-	-
Payment to School Board from Bond Proceeds	30,000	-	-
Change in Amount Held by Fiscal Agent	12,555	-	-
Current Year Encumbrances	(78,903)	(123,639)	(82,362)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,879,576	811,693	987,640

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, 2015

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	-	-	-	-	-	-	-	-	-	-	7,325	264	18,050	25,639
Equity in Treasurer's Account	2,267	32,831	7,731	-	6,121	18,982	11,273	30	3,933	-	2,613	-	-	85,781
Investments	-	-	-	-	-	-	-	-	-	-	1,490	100	10,403	11,993
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	4	-	-	4
Taxes Receivable	-	-	7,917	-	579	-	1,719	-	-	-	-	-	2,144	12,359
Accounts Receivable	-	-	-	2,398	-	-	-	-	-	-	-	4,506	2	6,906
Due from Other Governmental Units	-	-	-	7,403	-	-	-	-	-	-	-	-	-	7,403
Allowance for Doubtful Accounts	-	-	(1,119)	-	(28)	-	(1,547)	-	-	-	-	-	-	(2,694)
Interest and Dividends Receivable	-	-	-	-	2	-	-	-	-	-	-	-	1	3
Other Assets	-	-	-	-	-	-	-	-	-	-	340	-	20	360
Total Assets	2,267	32,831	14,529	9,801	6,674	18,982	11,445	30	3,933	-	11,772	4,870	30,620	147,754
Liabilities														
Vouchers Payable	-	933	-	520	-	84	37	-	257	-	192	-	-	2,023
Accounts Payable	-	2,287	2,468	3,876	-	358	91	-	-	-	252	4,559	106	13,997
Salaries and Wages Payable	-	-	-	125	-	-	112	-	-	-	-	-	-	237
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	-	29	29
Due to Other Funds	-	-	-	5,406	-	-	-	-	-	-	4	-	2,144	7,554
Due to Component Units	-	-	-	194	-	-	-	-	-	-	-	-	-	194
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	-	765	-	-	1,212
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	3,220	2,468	10,121	-	442	240	-	704	-	1,213	4,559	2,279	25,246
Deferred Inflows of Resources	-	-	220	6,787	5	-	172	-	-	-	-	-	-	7,184
Fund Balances														
Nonspendable	-	-	-	-	-	-	-	-	-	-	200	-	-	200
Restricted	2,267	29,611	11,841	-	6,669	18,540	11,033	-	-	-	9,689	311	28,341	118,302
Committed	-	-	-	-	-	-	-	30	3,229	-	743	-	-	4,002
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(7,107)	-	-	-	-	-	-	(73)	-	-	(7,180)
Total Fund Balances	2,267	29,611	11,841	(7,107)	6,669	18,540	11,033	30	3,229	-	10,559	311	28,341	115,324
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	2,267	32,831	14,529	9,801	6,674	18,982	11,445	30	3,933	-	11,772	4,870	30,620	147,754

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2015

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	-	-	21,102	21,102	-	-	-	326	47,067
Equity in Treasurer's Account	1,080	-	-	1,080	50,048	-	50,048	-	136,909
Investments	-	51	58,919	58,970	-	46,238	46,238	6,393	123,594
Due from Other Funds	-	-	-	-	-	-	-	-	4
Taxes Receivable	-	-	-	-	-	-	-	-	12,359
Accounts Receivable	-	-	-	-	-	-	-	-	6,906
Due from Other Governmental Units	-	-	-	-	65,830	-	65,830	-	73,233
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(2,694)
Interest and Dividends Receivable	-	-	2	2	-	-	-	-	5
Other Assets	-	-	-	-	-	-	-	2	362
Total Assets	1,080	51	80,023	81,154	115,878	46,238	162,116	6,721	397,745
Liabilities									
Vouchers Payable	-	-	-	-	6,050	-	6,050	-	8,073
Accounts Payable	-	-	-	-	17,751	4,760	22,511	12	36,520
Salaries and Wages Payable	-	-	-	-	162	-	162	-	399
Payroll Taxes Payable	-	-	-	-	-	-	-	-	29
Due to Other Funds	-	-	-	-	-	-	-	-	7,554
Due to Component Units	-	-	-	-	-	-	-	-	194
Funds Held in Escrow	-	-	-	-	2,711	-	2,711	-	3,923
Unearned Revenue	-	-	-	-	6,463	-	6,463	-	6,463
Total Liabilities	-	-	-	-	33,137	4,760	37,897	12	63,155
Deferred Inflows of Resources	-	-	-	-	54,012	-	54,012	-	61,196
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	3,264	3,464
Restricted	1,080	51	80,023	81,154	28,729	41,478	70,207	3,330	272,993
Committed	-	-	-	-	-	-	-	115	4,117
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(7,180)
Total Fund Balances	1,080	51	80,023	81,154	28,729	41,478	70,207	6,709	273,394
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,080	51	80,023	81,154	115,878	46,238	162,116	6,721	397,745

City of Philadelphia **Schedule II**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2015

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	-	-	57,414	-	5,411	-	147,122	-	-	-	-	-	409,268	619,215
Locally Generated Non-Tax Revenue	-	2	-	1,395	3	11,733	-	-	3,121	324	3,544	45	22	20,189
Revenue from Other Governments	4,596	28,724	-	40,766	-	-	-	-	-	-	-	-	-	74,086
Other Revenues	-	339	-	-	-	-	-	-	-	-	764	-	1,274	2,377
Total Revenues	4,596	29,065	57,414	42,161	5,414	11,733	147,122	-	3,121	324	4,308	45	410,564	715,867
Expenditures														
Current Operating:														
Economic Development	-	-	52,338	-	-	-	-	-	-	-	-	-	-	52,338
Transportation:														
Streets & Highways	4,846	23,115	-	-	-	-	-	-	-	-	-	-	-	27,961
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	2,310	-	-	-	-	2,310
Conservation of Health:														
Health Services	-	-	-	-	-	-	144,156	-	-	-	-	-	-	144,156
Housing and Neighborhood Development	-	-	-	41,383	-	9,749	-	-	-	-	-	-	-	51,132
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	1,695	-	-	1,695
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	156	-	-	156
General Management and Support	-	-	-	-	6,000	-	-	-	1,093	324	2,705	40,217	2,418	52,757
Capital Outlay	-	-	-	-	-	-	-	-	-		-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,846	23,115	52,338	41,383	6,000	9,749	144,156	-	3,403	324	4,556	40,217	2,418	332,505
Excess (Deficiency) of Revenues Over (Under) Expenditures	(250)	5,950	5,076	778	(586)	1,984	2,966	-	(282)	-	(248)	(40,172)	408,146	383,362
Other Financing Sources (Uses)														
Transfers In	-	-	-	-	-	-	-	-	-	-	1,150	40,197	-	41,347
Transfers Out	-	-	-	-	-	-	(2,000)	-	-	-	(196)	-	(413,765)	(415,961)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(2,000)	-	-	-	954	40,197	(413,765)	(374,614)
Net Change in Fund Balances	(250)	5,950	5,076	778	(586)	1,984	966	-	(282)	-	706	25	(5,619)	8,748
Fund Balance - July 1, 2014	2,517	23,661	6,765	(7,885)	7,255	16,556	10,067	30	3,511	-	9,853	286	33,960	106,576
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2014	2,517	23,661	6,765	(7,885)	7,255	16,556	10,067	30	3,511	-	9,853	286	33,960	106,576
Fund Balance - June 30, 2015	2,267	29,611	11,841	(7,107)	6,669	18,540	11,033	30	3,229	-	10,559	311	28,341	115,324

City of Philadelphia

Schedule II

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds(Continued)

For the Fiscal Year Ended June 30, 2015

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	-	-	-	-	-	-	-	-	619,215
Locally Generated Non-Tax Revenue	-	-	1,699	1,699	-	51	51	209	22,148
Revenue from Other Governments	-	-	-	-	54,507	-	54,507	-	128,593
Other Revenues	-	-	-	-	47	-	47	-	2,424
Total Revenues	-	-	1,699	1,699	54,554	51	54,605	209	772,380
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	52,338
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	27,961
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	2,310
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	144,156
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	51,132
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	109	1,804
Libraries and Museums	-	-	-	-	-	-	-	-	156
General Management and Support	-	-	-	-	-	23	23	-	52,780
Capital Outlay	-	-	-	-	163,146	26,515	189,661	-	189,661
Debt Service:									
Principal	59,850	24,273	47,686	131,809	-	-	-	-	131,809
Interest	70,691	18,472	18,136	107,299	-	-	-	-	107,299
Total Expenditures	130,541	42,745	65,822	239,108	163,146	26,538	189,684	109	761,406
Excess (Deficiency) of Revenues Over (Under) Expenditures	(130,541)	(42,745)	(64,123)	(237,409)	(108,592)	(26,487)	(135,079)	100	10,974
Other Financing Sources (Uses)									
Transfers In	130,496	42,785	62,461	235,742	13,767	-	13,767	196	291,052
Transfers Out	-	-	-	-	-	(40)	(40)	-	(416,001)
Total Other Financing Sources (Uses)	130,496	42,785	62,461	235,742	13,767	(40)	13,727	196	(124,949)
Net Change in Fund Balances	(45)	40	(1,662)	(1,667)	(94,825)	(26,527)	(121,352)	296	(113,975)
Fund Balance - July 1, 2014	1,125	11	81,685	82,821	123,554	68,005	191,559	6,413	387,369
Adjustment	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2014	1,125	11	81,685	82,821	123,554	68,005	191,559	6,413	387,369
Fund Balance - June 30, 2015	1,080	51	80,023	81,154	28,729	41,478	70,207	6,709	273,394

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Position

Pension Trust Funds

June 30, 2015

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	516,033	4,663,883	5,179,916
Securities Lending Collective Investment Pool	-	405,679	405,679
Accounts Receivable	-	1,694	1,694
Due from Brokers for Securities Sold	5,710	130,503	136,213
Interest and Dividends Receivable	1,400	-	1,400
Due from Other Governmental Units	-	4,281	4,281
Total Assets	523,143	5,206,040	5,729,183
Liabilities			
Vouchers Payable	-	108	108
Accounts Payable	406	636	1,042
Salaries and Wages Payable	-	84	84
Due on Return of Securities Loaned	-	405,964	405,964
Due to Brokers for Securities Purchased	6,457	120,502	126,959
Accrued Expenses	5,561	4,141	9,702
Other Liabilities	-	353	353
Total Liabilities	12,424	531,788	544,212
Net Position Held in Trust for Pension Benefits	510,719	4,674,252	5,184,971

City of Philadelphia **Schedule IV**

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2015

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	21,106	577,195	598,301
Employees' Contributions	393	58,658	59,051
Total Contributions	21,499	635,853	657,352
Investment Income:			
Interest and Dividends	15,223	98,398	113,621
Net Gain (Decline) in Fair Value of Investments	10,892	(76,806)	(65,914)
(Less) Investments Expenses	(1,643)	(9,802)	(11,445)
Securities Lending Revenue	-	2,266	2,266
(Less) Securities Lending Expenses	-	(339)	(339)
Net Investment Gain	24,472	13,717	38,189
Miscellaneous Operating Revenues	-	122	122
Total Additions	45,971	649,692	695,663
Deductions			
Personal Services	-	3,271	3,271
Purchase of Services	-	4,077	4,077
Materials and Supplies	-	69	69
Employee Benefits	-	2,992	2,992
Pension Benefits	46,917	876,387	923,304
Refunds of Members' Contributions	-	5,279	5,279
Administrative Expenses Paid	1,480	-	1,480
Other Operating Expenses	-	70	70
Total Deductions	48,397	892,145	940,542
Change in Net Position	(2,426)	(242,453)	(244,879)
Net Position - July 1, 2014	513,145	4,916,705	5,429,850
Net Position - June 30, 2015	510,719	4,674,252	5,184,971

City of Philadelphia **Schedule V**

Combining Statement of Fiduciary Net Position

Agency Funds

June 30, 2015

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	92,044	92,044
Equity in Treasurer's Account	28,228	15,109	-	43,337
Investments	-	-	4,652	4,652
Due from Other Funds	-	-	699	699
Total Assets	28,228	15,109	97,395	140,732
Liabilities				
Vouchers Payable	6	22	-	28
Payroll Taxes Payable	-	1,552	-	1,552
Funds Held in Escrow	28,222	13,535	97,395	139,152
Total Liabilities	28,228	15,109	97,395	140,732
Net Position	-	-	-	-

City of Philadelphia **Schedule VI**
Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2015

Amounts in thousands of USD

	Balance 7-1-2014	Additions	Deductions	Balance 6-30-2015
Escrow Fund				
Assets				
Equity in Treasurer's Account	29,018	412,701	413,491	28,228
Liabilities				
Funds Held in Escrow	29,010	420,739	421,527	28,222
Vouchers Payable	8	12,264	12,266	6
Total Liabilities	29,018	433,003	433,793	28,228
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	15,296	972,337	972,524	15,109
Liabilities				
Vouchers Payable	396	8,404	8,778	22
Payroll Taxes Payable	3,889	874,359	876,696	1,552
Funds Held in Escrow	11,011	97,895	95,371	13,535
Total Liabilities	15,296	980,658	980,845	15,109
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	120,223	117,522	145,701	92,044
Investments	5,713	-	1,061	4,652
Due from Other Funds	699	-	-	699
Total Assets	126,635	117,522	146,762	97,395
Liabilities				
Funds Held in Escrow	126,635	117,522	146,762	97,395
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	120,223	117,522	145,701	92,044
Equity in Treasurer's Account	44,314	1,385,038	1,386,015	43,337
Investments	5,713	-	1,061	4,652
Due from Other Funds	699	-	-	699
Total Assets	170,949	1,502,560	1,532,777	140,732
Liabilities				
Vouchers Payable	404	20,668	21,044	28
Payroll Taxes Payable	3,889	874,359	876,696	1,552
Funds Held in Escrow	166,656	636,156	663,660	139,152
Total Liabilities	170,949	1,531,183	1,561,400	140,732

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2015

Schedule VII

Amounts in USD

	Date of Issuance		Issued	Fiscal 2015 Outstanding	Maturities	Interest Rates	FY 2016 Debt Service Requirements Interest	Principal
Governmental Activities								
General Obligation Bonds:								
Series 2006	7/27/2006		217,590,000	174,480,000	8/2015 to 8/2031	4.75 to 5.00	8,497,287	6,690,000
Series 2007A (Refunding)	12/20/2007		188,910,000	114,310,000	8/2015 to 8/2019	5.00 to 5.25	5,244,462	23,805,000
Series 2008A (Refunding)	5/1/2008		195,170,000	186,895,000	12/2015 to 12/2032	5.00 to 5.25	9,521,362	8,175,000
Series 2008B	1/6/2009		165,000,000	8,575,000	7/2015 to 7/2017	5.25 to 5.75	401,406	2,705,000
Series 2009A (Refunding)	8/13/2009		237,025,000	237,025,000	8/2019 to 8/2031	4.25 to 5.45	12,030,260	-
Series 2009B (Refunding)	8/13/2009	1	100,000,000	100,000,000	8/2027 to 8/2031	variable	3,829,191	-
Series 2011	4/19/2011		139,150,000	133,080,000	8/2015 to 8/2041	5.00 to 6.50	7,800,425	2,220,000
Series 2011 (Refunding)	4/19/2011		114,570,000	57,160,000	8/2015 to 8/2020	2.00 to 5.25	2,536,097	8,415,000
Series 2012A (Refunding)	5/8/2012		21,295,000	19,925,000	9/2015 to 9/2021	5.00	996,250	-
Series 2013A	7/30/2013		201,360,000	195,260,000	7/2015 to 7/2033	5.00 to 5.25	9,815,900	6,295,000
Series 2014A (Refunding)	2/6/2014		154,275,000	152,990,000	7/2015 to 7/2038	3.00 to 5.25	7,697,387	870,000
Total New Money Bonds			723,100,000	511,395,000			26,515,018	17,910,000
Total Refunding Bonds			1,011,245,000	868,305,000			41,855,009	41,265,000
Total General Obligation Bonds			1,734,345,000	1,379,700,000			68,370,027	59,175,000
Business Type Activities								
Revenue Bonds								
Water and Sewer Revenue Bonds:								
Series 1997B	11/25/1997	2	100,000,000	60,400,000	8/2015 to 8/2027	variable	34,347	3,500,000
Series 1999	4/22/1999		6,700,000	329,633	7/2015 to 4/2019	2.729	7,966	82,698
Series 2005A	5/4/2005		250,000,000	5,810,000	7/2015 to 7/2035	5.00	145,250	5,810,000
Series 2005B (Refunding)	5/4/2005	1	86,105,000	51,640,000	8/2015 to 8/2018	variable	2,216,160	16,315,000
Series 2007A (Refunding)	5/9/2007		191,440,000	89,655,000	8/2017 to 8/2027	4.50 to 5.00	4,183,450	-
Series 2007B (Refunding)	5/9/2007		153,595,000	151,975,000	11/2015 to 11/2031	4.00 to 5.00	6,913,075	255,000
Series 2009A	5/21/2009		140,000,000	140,000,000	1/2017 to 1/2036	5.00 to 5.25	7,294,038	-
Series 2009B	10/14/2009		28,790,697	22,966,665	7/2015 to 6/2033	1.193	262,267	2,149,074
Series 2009C	10/14/2009		41,771,895	33,427,837	7/2015 to 6/2033	1.193	383,317	2,836,686
Series 2009D	3/31/2010		71,703,769	60,356,734	7/2015 to 6/2033	1.193	697,062	4,214,214
Series 2010B	6/17/2010		27,741,841	26,502,897	7/2015 to 6/2033	1.193	308,534	1,401,334
Series 2010A (Refunding)	4/15/2010		396,460,000	202,555,000	6/2016 to 6/2019	2.00 to 5.00	9,572,235	100,160,000
Series 2010C	8/5/2010		185,000,000	185,000,000	8/2016 to 8/2040	4.00 to 5.00	9,022,250	-
Series 2011A	11/16/2011		135,000,000	135,000,000	1/2033 to 1/2041	5.00	6,737,000	-
Series 2011B (Refunding)	11/16/2011		49,855,000	49,855,000	11/2016 to 11/2026	5.00	2,460,500	-
Series 2012 (Refunding)	11/1/2012		70,370,000	65,005,000	11/2015 to 11/2028	5.00	3,250,250	-
Series 2013A	8/22/2013		170,000,000	170,000,000	1/2017 to 1/2043	4.00 to 5.125	8,471,700	-
Series 2014 (Refunding)	1/23/2014		93,170,000	93,170,000	7/2016 to 7/2027	5.00	4,493,750	-
Series 2014	1/23/2014		30,000,000	30,000,000	7/2041 to 7/2043	5.00	1,500,000	-
Series 2015A	4/16/2015		275,820,000	275,820,000	7/2040 to 7/2045	5.00	9,768,625	-

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2015

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2015 Outstanding	Maturities	Interest Rates	FY 2016 Debt Service Requirements Interest	FY 2016 Debt Service Requirements Principal
Series 2015B (Refunding)	4/16/2015	141,740,000	141,740,000	7/2019 to 7/2033	4.00 to 5.00	4,823,820	-
Total New Money Bonds		1,462,528,202	1,145,613,767			44,632,356	19,994,006
Total Refunding Bonds		1,182,735,000	845,595,000			37,913,240	116,730,000
Total Water Revenue Bonds		2,645,263,202	1,991,208,767			82,545,596	136,724,006
Aviation Revenue Bonds:							
Series 1998B	7/15/1998	443,700,000	5,000	7/1/2028	5.125	256	-
Series 2005C (Refunding)	6/2/2005 [1]	189,500,000	131,200,000	6/2016 to 6/2025	variable	5,867,934	9,800,000
Series 2005A	8/4/2005	124,985,000	105,945,000	6/2016 to 6/2035	4.20 to 5.00	5,027,705	3,290,000
Series 2007A	8/16/2007	172,470,000	155,035,000	6/2016 to 6/2037	5.00	7,751,750	4,025,000
Series 2007B (Refunding)	8/16/2007	82,915,000	55,325,000	6/2016 to 6/2027	5.00	2,766,250	4,165,000
Series 2009A (Refunding)	4/14/2009	45,715,000	36,925,000	6/2016 to 6/2029	4.00 to 5.375	1,789,104	1,960,000
Series 2010A	11/15/2010	273,065,000	262,665,000	6/2016 to 6/2040	4.00 to 5.25	13,101,563	5,565,000
Series 2010C (Refunding)	11/15/2010	54,730,000	25,720,000	6/2016 to 6/2018	5.00	1,286,000	8,155,000
Series 2010D (Refunding)	11/15/2010	272,475,000	217,055,000	6/2016 to 6/2028	5.00 to 5.25	11,127,200	15,260,000
Series 2011A (Refunding)	12/14/2011	199,040,000	174,870,000	6/2016 to 6/30/2028	4.625 to 5.00	8,687,906	6,645,000
Series 2011B (Refunding)	12/14/2011	34,790,000	29,170,000	6/2016 to 6/2031	2.00 to 5.00	1,241,019	1,350,000
Total New Money Bonds		1,014,220,000	523,650,000			25,881,274	12,880,000
Total Refunding Bonds		879,165,000	670,265,000			32,765,413	47,335,000
Total Aviation Revenue Bonds		1,893,385,000	1,193,915,000			58,646,687	60,215,000
Total Revenue Bonds		4,538,648,202	3,185,123,767			141,192,283	196,939,006
Total All Bonds		6,272,993,202	4,564,823,767			209,562,310	256,114,006

NOTES:

[1] Assumes interest rate to be fixed swap rate on hedged variable rate bonds

[2] Based on latest available estimated rates at June 30, 2015

City of Philadelphia
Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2015

Schedule VIII

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	631,671	636,122	640,222	4,100
Revenue from Other Governments	850	1,275	1,083	(192)
Revenue from Other Funds	81,693	59,683	35,541	(24,142)
Total Revenues	714,214	697,080	676,846	(20,234)
Expenditures and Encumbrances				
Personal Services	116,685	122,065	118,718	3,347
Pension Contributions	53,700	53,700	52,277	1,423
Other Employee Benefits	45,990	53,120	48,293	4,827
Sub-Total Employee Compensation	216,375	228,885	219,288	9,597
Purchase of Services	168,030	166,030	149,986	16,044
Materials and Supplies	50,072	49,752	43,967	5,785
Equipment	4,468	4,787	3,440	1,347
Contributions, Indemnities and Taxes	6,605	6,605	3,842	2,763
Debt Service	213,190	213,190	200,799	12,391
Payments to Other Funds	66,965	66,965	74,913	(7,948)
Advances, Subsidies, Miscellaneous	10,509	-	-	-
Total Expenditures and Encumbrances	736,214	736,214	696,235	39,979
Operating Surplus (Deficit) for the Year	(22,000)	(39,134)	(19,389)	19,745
Fund Balance Available for Appropriation, July 1, 2014	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	22,000	22,000	19,389	(2,611)
Adjusted Fund Balance, July 1, 2014	22,000	22,000	19,389	(2,611)
Fund Balance Available for Appropriation, June 30, 2015	-	(17,134)	-	17,134

City of Philadelphia
Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2015

Schedule IX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	1,194	1,184	28	(1,156)
Revenue from Other Funds	28,363	26,855	27,253	398
Total Revenues	29,557	28,039	27,281	(758)
Expenditures and Encumbrances				
Payments to Other Funds	29,194	47,784	37,557	10,227
Total Expenditures and Encumbrances	29,194	47,784	37,557	10,227
Operating Surplus (Deficit) for the Year	363	(19,745)	(10,276)	9,469
Fund Balance Available for Appropriation, July 1, 2014	14,775	25,212	25,212	-
Fund Balance Available for Appropriation, June 30, 2015	15,138	5,467	14,936	9,469

City of Philadelphia
Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2015

Schedule X

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	4,596	(354)
Total Revenues	4,950	4,950	4,596	(354)
Expenditures and Encumbrances				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	861	856	5
Materials and Supplies	336	336	215	121
Equipment	-	-	106	(106)
Payments to Other Funds	19	19	-	19
Total Expenditures and Encumbrances	4,950	4,950	4,911	39
Operating Surplus (Deficit) for the Year	-	-	(315)	(315)
Fund Balance Available for Appropriation, July 1, 2014	2,413	2,411	2,411	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	25	25	5	(20)
Adjusted Fund Balance, July 1, 2014	2,438	2,436	2,416	(20)
Fund Balance Available for Appropriation, June 30, 2015	2,438	2,436	2,101	(335)

City of Philadelphia
Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2015

Schedule XI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	1	1	2	1
Revenue from Other Governments	30,000	28,400	28,724	324
Revenue from Other Funds	-	-	339	339
Total Revenues	30,001	28,401	29,065	664
Expenditures and Encumbrances				
Personal Services	3,000	3,340	3,000	340
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	4,000	4,340	4,000	340
Purchase of Services	15,459	15,459	14,448	1,011
Materials and Supplies	7,926	7,926	7,916	10
Payments to Other Funds	15	15	-	15
Total Expenditures and Encumbrances	27,400	27,740	26,364	1,376
Operating Surplus (Deficit) for the Year	2,601	661	2,701	2,040
Fund Balance Available for Appropriation, July 1, 2014	19,839	22,186	22,186	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	500	500	768	268
Adjusted Fund Balance, July 1, 2014	20,339	22,686	22,954	268
Fund Balance Available for Appropriation, June 30, 2015	22,940	23,347	25,655	2,308

City of Philadelphia
Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2015

Schedule XII

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	59,136	59,136	57,414	(1,722)
Total Revenues	59,136	59,136	57,414	(1,722)
Expenditures and Encumbrances				
Contributions, Indemnities and Taxes	59,137	59,137	59,137	-
Total Expenditures and Encumbrances	59,137	59,137	59,137	-
Operating Surplus (Deficit) for the Year	(1)	(1)	(1,723)	(1,722)
Fund Balance Available for Appropriation, July 1, 2014	6,850	3,585	3,585	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	3,175	3,175
Adjusted Fund Balance, July 1, 2014	6,850	3,585	6,760	3,175
Fund Balance Available for Appropriation, June 30, 2015	6,849	3,584	5,037	1,453

City of Philadelphia **Schedule XIII**

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2015

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	415,912	414,412	360,907	(53,505)
Revenue from Other Governments	4,750	4,750	1,645	(3,105)
Revenue from Other Funds	2,500	2,500	6,199	3,699
Total Revenues	423,162	421,662	368,751	(52,911)
Expenditures and Encumbrances				
Personal Services	67,188	69,513	68,099	1,414
Pension Contributions	28,500	29,900	29,813	87
Other Employee Benefits	23,949	24,980	21,738	3,242
Sub-Total Employee Compensation	119,637	124,393	119,650	4,743
Purchase of Services	126,342	126,342	104,077	22,265
Materials and Supplies	9,679	9,934	7,366	2,568
Equipment	8,290	8,050	2,550	5,500
Contributions, Indemnities and Taxes	6,717	6,717	1,840	4,877
Debt Service	149,463	149,463	128,228	21,235
Payments to Other Funds	24,623	24,623	7,232	17,391
Advances, Subsidies, Miscellaneous	5,102	455	-	455
Total Expenditures and Encumbrances	449,853	449,977	370,943	79,034
Operating Surplus (Deficit) for the Year	(26,691)	(28,315)	(2,192)	26,123
Fund Balance Available for Appropriation, July 1, 2014	38,190	16,335	16,335	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	17,000	17,000	14,205	(2,795)
Adjusted Fund Balance, July 1, 2014	55,190	33,335	30,540	(2,795)
Fund Balance Available for Appropriation, June 30, 2015	28,499	5,020	28,348	23,328

City of Philadelphia
Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2015

Schedule XIV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	250	250	1,395	1,145
Revenue from Other Governments	84,197	64,197	33,844	(30,353)
Total Revenues	84,447	64,447	35,239	(29,208)
Other Sources				
Increase in Financed Reserves	-	-	(3,181)	(3,181)
Total Revenues and Other Sources	84,447	64,447	32,058	(32,389)
Expenditures and Encumbrances				
Personal Services	6,319	6,319	4,008	2,311
Pension Contributions	2,530	2,433	1,582	851
Other Employee Benefits	1,578	1,674	1,414	260
Sub-Total Employee Compensation	10,427	10,426	7,004	3,422
Purchase of Services	53,654	53,628	36,871	16,757
Materials and Supplies	251	260	112	148
Equipment	85	103	12	91
Payments to Other Funds	20,000	20,000	-	20,000
Advances, Subsidies, Miscellaneous	30	30	-	30
Total Expenditures and Encumbrances	84,447	84,447	43,999	40,448
Operating Surplus (Deficit) for the Year	-	(20,000)	(11,941)	8,059
Fund Balance Available for Appropriation, July 1, 2014	-	(7,885)	(7,885)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	12,719	12,719
Prior Period Adjustments	-	7,885	-	(7,885)
Adjusted Fund Balance, July 1, 2014	-	-	4,834	4,834
Fund Balance Available for Appropriation, June 30, 2015	-	(20,000)	(7,107)	12,893

City of Philadelphia
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2015

Schedule XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	5,614	5,614	5,411	(203)
Locally Generated Non-Tax Revenue	1	1	3	2
Total Revenues	5,615	5,615	5,414	(201)
Expenditures and Encumbrances				
Purchase of Services	6,000	6,000	6,000	-
Total Expenditures and Encumbrances	6,000	6,000	6,000	-
Operating Surplus (Deficit) for the Year	(385)	(385)	(586)	(201)
Fund Balance Available for Appropriation, July 1, 2014	7,273	7,255	7,255	-
Fund Balance Available for Appropriation, June 30, 2015	6,888	6,870	6,669	(201)

City of Philadelphia
Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2015

Schedule XVI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	12,310	12,510	11,733	(777)
Revenue from Other Funds	-	-	-	-
Total Revenues	12,310	12,510	11,733	(777)
Expenditures and Encumbrances				
Personal Services	1,250	1,250	950	300
Purchase of Services	19,250	19,250	8,424	10,826
Total Expenditures and Encumbrances	20,500	20,500	9,374	11,126
Operating Surplus (Deficit) for the Year	(8,190)	(7,990)	2,359	10,349
Fund Balance Available for Appropriation, July 1, 2014	2,603	619	619	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	6,500	8,000	3,382	(4,618)
Adjusted Fund Balance, July 1, 2014	9,103	8,619	4,001	(4,618)
Fund Balance Available for Appropriation, June 30, 2015	913	629	6,360	5,731

City of Philadelphia
Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2015

Schedule XVII

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	508,570	512,584	47	(512,537)
Revenue from Other Governments	342,025	342,025	59,550	(282,475)
Revenue from Other Funds	44,450	50,350	8,724	(41,626)
Total Revenues	895,045	904,959	68,321	(836,638)
Other Sources (Uses)				
Increase in Unreimbursed Committments	-	-	1,997	1,997
Total Revenues and Other Sources	895,045	904,959	70,318	(834,641)
Expenditures and Encumbrances				
Capital Outlay	895,045	904,959	216,242	688,717
Operating Surplus (Deficit) for the Year	-	-	(145,924)	(145,924)
Fund Balance Available for Appropriation, July 1, 2014	-	-	25,717	25,717
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	1,770	1,770
Adjusted Fund Balance, July 1, 2014	-	-	27,487	27,487
Fund Balance Available for Appropriation, June 30, 2015	-	-	(118,437)	(118,437)

City of Philadelphia
Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2015

Schedule XVIII

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Tax Revenue	157,000	157,000	147,122	(9,878)
Total Revenues	157,000	157,000	147,122	(9,878)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(4,812)	(4,812)
Total Revenues and Other Sources	157,000	157,000	142,310	(14,690)
Expenditures and Encumbrances				
Personal Services	4,934	4,934	3,025	1,909
Pension Contributions	42	1	1	-
Other Employee Benefits	219	260	260	-
Sub-Total Employee Compensation	5,195	5,195	3,286	1,909
Purchase of Services	155,352	155,352	144,470	10,882
Materials and Supplies	26	26	8	18
Equipment	-	-	14	(14)
Payments to Other Funds	2,000	2,000	2,000	-
Total Expenditures and Encumbrances	162,573	162,573	149,778	12,795
Operating Surplus (Deficit) for the Year	(5,573)	(5,573)	(7,468)	(1,895)
Fund Balance Available for Appropriation, July 1, 2014	13,762	10,067	10,067	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	8,434	8,434
Adjusted Fund Balance, July 1, 2014	13,762	10,067	18,501	8,434
Fund Balance Available for Appropriation, June 30, 2015	8,189	4,494	11,033	6,539

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, 2015 (with comparative actual amounts for the Fiscal Year Ended June 30, 2014)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2015 Actual	Positive (Negative)	FY 2014 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	503,170	483,715	493,099	9,384	483,955	9,144
Prior Years	44,234	44,234	43,350	(884)	42,469	881
Total Real Property Tax	547,404	527,949	536,449	8,500	526,424	10,025
Wage and Earnings Taxes:						
Current	1,290,414	1,314,584	1,318,753	4,169	1,255,871	62,882
Prior Years	4,250	8,500	7,094	(1,406)	5,717	1,377
Total Wage and Earnings Taxes	1,294,664	1,323,084	1,325,847	2,763	1,261,588	64,259
Business Taxes:						
Business Income & Receipts Taxes:						
Current	410,693	423,832	402,121	(21,711)	421,066	(18,945)
Prior Years	42,500	42,500	36,114	(6,386)	40,589	(4,475)
Total Business Income & Receipts Taxes	453,193	466,332	438,235	(28,097)	461,655	(23,420)
Net Profits Tax:						
Current	17,991	14,807	14,692	(115)	13,179	1,513
Prior Years	2,500	5,000	6,464	1,464	3,083	3,381
Total Net Profits Tax	20,491	19,807	21,156	1,349	16,262	4,894
Total Business Taxes	473,684	486,139	459,391	(26,748)	477,917	(18,526)
Other Taxes:						
Sales Tax	154,643	143,831	149,458	5,627	263,050	(113,592)
Amusement Tax	20,874	18,874	19,005	131	19,974	(969)
Real Property Transfer Tax	176,600	201,682	203,370	1,688	168,068	35,302
Parking Lot Tax	76,866	76,866	79,706	2,840	75,152	4,554
Smokeless Tobacco	637	637	749	112	698	51
Miscellaneous Taxes	2,833	2,833	3,045	212	3,013	32
Total Other Taxes	432,453	444,723	455,333	10,610	529,955	(74,622)
Total Taxes	2,748,205	2,781,895	2,777,020	(4,875)	2,795,884	(18,864)
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	5,890	6,171	5,894	(277)	5,590	304
Licenses and Permits	50,690	53,640	55,356	1,716	52,996	2,360
Fines, Forfeits, Penalties, Confiscated Money and Property	18,038	20,036	19,532	(504)	17,943	1,589
Interest Income	1,869	1,869	1,751	(118)	1,697	54
Service Charges and Fees	142,668	134,618	129,566	(5,052)	136,819	(7,253)
Other	751,557	84,968	82,296	(2,672)	86,710	(4,414)
Total Locally Generated Non-Tax Revenue	970,712	301,302	294,395	(6,907)	301,755	(7,360)
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	32,238	29,467	30,109	642	31,001	(892)
Commonwealth of Pennsylvania:						
Grants and Other Payments	211,642	215,611	212,727	(2,884)	255,326	(42,599)
Other Governmental Units	395,032	394,213	406,485	12,272	379,682	26,803
Total Revenue from Other Governments	638,912	639,291	649,321	10,030	666,009	(16,688)
Revenue from Other Funds	67,903	64,249	39,031	(25,218)	42,001	(2,970)
Total Revenues	4,425,732	3,786,737	3,759,767	(26,970)	3,805,649	(45,882)

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, 2015 (with comparative actual amounts for the Fiscal Year Ended June 30, 2014)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2015 Actual	Positive (Negative)	FY 2014 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	16,315	16,657	14,635	(2,022)	14,474	161
Mayor's Office:						
Mayor's Office	5,242	5,363	5,001	(362)	5,057	(56)
Scholarships	200	200	200	-	200	-
Mural Arts Program	1,451	1,464	1,458	(6)	1,586	(128)
Labor Relations	627	667	667	-	479	188
MDO Office of Technology	82,193	82,637	63,874	(18,763)	64,078	(204)
Office of Property Assessment	14,286	14,433	12,569	(1,864)	10,875	1,694
Mayor's Office of Community Services	-	605	500	(105)	-	500
Transportation	789	821	799	(22)	709	90
Law	13,423	16,467	15,743	(724)	13,950	1,793
Board of Ethics	1,005	1,029	898	(131)	768	130
Youth Commission	140	142	72	(70)	83	(11)
Inspector General	1,525	1,561	1,487	(74)	1,401	86
City Planning Commission	2,373	2,380	2,278	(102)	2,302	(24)
Commission on Human Relations	2,100	2,117	1,823	(294)	1,784	39
Zoning Code Commisssion	-	-	-	-	-	-
Arts & Culture	3,971	3,973	3,969	(4)	2,562	1,407
Board of Revision of Taxes	833	1,036	1,036	-	1,053	(17)
Total General Government	146,473	151,552	127,009	(24,543)	121,361	5,648
Operation of Service Departments						
Housing	3,020	2,600	2,600	-	4,060	(1,460)
Managing Director	76,560	78,260	78,029	(231)	74,990	3,039
Police	592,510	632,540	632,695	155	607,074	25,621
Streets	117,613	144,309	144,592	283	137,957	6,635
Fire	206,760	232,527	232,528	1	247,993	(15,465)
Public Health	115,447	117,364	113,480	(3,884)	109,947	3,533
Office-Behavioral Health/Mental Retardation	13,945	13,967	13,967	-	13,668	299
Parks and Recreation	52,592	56,533	56,719	186	54,367	2,352
Fairmount Park Commission	-	-	-	-	-	-
Atwater Kent Museum	285	292	231	(61)	277	(46)
Camp William Penn	-	-	-	-	-	-
Public Property	179,629	188,608	189,235	627	190,956	(1,721)
Department of Human Services	99,480	103,764	96,545	(7,219)	100,242	(3,697)
Philadelphia Prisons	240,802	246,159	246,158	(1)	245,814	344
Office of Supportive Housing	43,974	45,236	45,178	(58)	45,156	22
Office of Fleet Management	59,773	60,873	60,665	(208)	62,611	(1,946)
Licenses and Inspections	27,903	30,267	29,812	(455)	25,698	4,114
Board of L & I Review	164	168	138	(30)	134	4
Board of Building Standards	73	73	63	(10)	62	1
Zoning Board of Adjustment	357	378	374	(4)	357	17
Records	4,682	4,868	4,496	(372)	4,340	156
Philadelphia Historical Commission	412	420	384	(36)	350	34
Art Museum	2,550	2,585	2,585	-	2,550	35
Philadelphia Free Library	38,674	40,581	40,669	88	35,736	4,933
Total Operations of Service Departments	1,877,205	2,002,372	1,991,143	(11,229)	1,964,339	26,804
Financial Management						
Office of Director of Finance	11,454	15,813	15,748	(65)	16,077	(329)
Department of Revenue	22,437	23,596	23,023	(573)	20,211	2,812
Sinking Fund Commission	247,796	238,471	238,388	(83)	215,932	22,456
Procurement	4,695	4,822	4,859	37	4,809	50
City Treasurer	921	943	925	(18)	894	31
Audit of City Operations	8,072	8,345	8,272	(73)	7,461	811
Total Financial Management	295,375	291,990	291,215	(775)	265,384	25,831

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, 2015 (with comparative actual amounts for the Fiscal Year Ended June 30, 2014)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2015 Actual	Positive (Negative)	FY 2014 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,817,315	1,817,607	1,100,141	(717,466)	1,194,091	(93,950)
PGW Rental Reimbursement	-	-	-	-	-	-
Community College of Philadelphia	26,909	26,909	26,909	-	26,409	500
Legal Services	-	-	-	-	-	-
Hero Award	25	25	18	(7)	18	-
Refunds	250	250	-	(250)	100	(100)
Indemnities	33,660	-	-	-	118	(118)
Office of Risk Management	7,398	7,733	5,970	(1,763)	3,131	2,839
Witness Fees	172	172	121	(51)	101	20
Contribution to School District	69,110	69,110	69,110	-	114,050	(44,940)
Total City-Wide Under Director of Finance	1,954,839	1,921,806	1,202,269	(719,537)	1,338,018	(135,749)
Promotion and Public Relations						
City Representative	1,019	1,029	1,024	(5)	970	54
Commerce	19,045	24,181	24,180	(1)	18,992	5,188
Total Promotion and Public Relations	20,064	25,210	25,204	(6)	19,962	5,242
Personnel						
Civic Service Commission	53,011	3,595	184	(3,411)	176	8
Personnel Director	6,017	6,169	5,938	(231)	5,496	442
Total Personnel	59,028	9,764	6,122	(3,642)	5,672	450
Administration of Justice						
Clerk of Quarter Sessions	-	-	-	-	-	-
Register of Wills	3,333	3,608	3,608	-	3,290	318
District Attorney	34,082	35,584	35,561	(23)	32,808	2,753
Sheriff	18,495	22,188	22,188	-	18,323	3,865
First Judicial District	104,709	116,667	116,667	-	107,195	9,472
Total Administration of Justice	160,619	178,047	178,024	(23)	161,616	16,408
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,542	1,310	1,310	-	1,521	(211)
Conduct of Elections						
City Commissioners	9,420	9,736	9,219	(517)	8,691	528
Total Obligations	4,524,565	4,591,787	3,831,515	(760,272)	3,886,564	(55,049)
Operating Surplus (Deficit) for the Year	(98,833)	(805,050)	(71,748)	(733,302)	(80,915)	9,167

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, 2015 (with comparative actual amounts for the Fiscal Year Ended June 30, 2014)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2015 Actual	Positive (Negative)	FY 2014 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	528,595	533,395	546,084	12,689	523,674	22,410
Sales and Charges - Prior Years	47,324	47,324	39,827	(7,497)	34,756	5,071
Fire Service Connections	2,284	2,364	2,374	10	2,236	138
Surcharges	6,020	3,924	3,407	(517)	4,252	(845)
Fines and Penalties	1,186	1,186	999	(187)	873	126
Miscellaneous Charges	2,464	1,464	1,536	72	1,609	(73)
Charges to Other Municipalities	34,200	34,000	33,221	(779)	31,642	1,579
Licenses and Permits	2,890	2,890	3,842	952	3,347	495
Interest Income	1,000	450	270	(180)	422	(152)
Fleet Management - Sale of Vehicles & Equipment	175	150	83	(67)	109	(26)
Contributions from Sinking Fund Reserve	-	-	424	424	-	424
Reimbursement of Expenditures	331	331	217	(114)	458	(241)
Repair Loan Program	4,352	3,832	3,218	(614)	2,807	411
Other	850	4,812	4,720	(92)	922	3,798
Total Locally Generated Non-Tax Revenue	631,671	636,122	640,222	4,100	607,107	33,115
Revenue from Other Governments						
State	350	975	839	(136)	1,310	(471)
Federal	500	300	244	(56)	636	(392)
Total Revenue from Other Governments	850	1,275	1,083	(192)	1,946	(863)
Revenue from Other Funds	81,693	59,683	35,541	(24,142)	33,966	1,575
Total Revenues	714,214	697,080	676,846	(20,234)	643,019	33,827
Obligations						
Mayor's Office of Information Services	19,111	19,186	17,069	2,117	15,133	1,936
Public Property	3,960	3,960	3,960	-	3,786	174
Office of Fleet Management	8,514	8,733	8,323	410	8,186	137
Water Department	355,800	357,981	347,882	10,099	329,230	18,652
Office of the Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	53,700	53,700	52,277	1,423	60,755	(8,478)
Other Employee Benefits	45,990	53,120	48,293	4,827	41,044	7,249
Contributions, Indemnities and Taxes	6,500	6,500	-	6,500	-	-
Advances, Subsidies, Miscellaneous	10,509	-	-	-	-	-
Department of Revenue	15,473	16,295	14,888	1,407	14,524	364
Sinking Fund Commission	213,190	213,190	200,799	12,391	204,646	(3,847)
Procurement Department	69	77	61	16	63	(2)
Law	3,167	3,241	2,455	786	2,880	(425)
Mayor's Office of Transportation	231	231	228	3	208	20
Total Obligations	736,214	736,214	696,235	39,979	680,455	15,780
Operating Surplus (Deficit) for the Year	(22,000)	(39,134)	(19,389)	19,745	(37,436)	18,047

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, 2015 (with comparative actual amounts for the Fiscal Year Ended June 30, 2014)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2015 Actual	Positive (Negative)	FY 2014 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	38,000	38,000	38,806	806	36,487	2,319
Space Rentals	155,867	155,867	118,268	(37,599)	112,452	5,816
Landing Fees	75,000	75,000	79,577	4,577	64,956	14,621
Parking	27,000	27,000	29,098	2,098	24,999	4,099
Car Rentals	24,000	24,000	18,036	(5,964)	19,256	(1,220)
Payment in Aid - Terminal Building	-	-	-	-	-	-
Interest Earnings	2,000	500	256	(244)	383	(127)
Sale of Utilities	4,000	4,000	3,849	(151)	4,954	(1,105)
Passenger Facility Charge	35,000	35,000	31,169	(3,831)	31,168	1
Overseas Terminal Facility Charges	-	-	5	5	4	1
International Terminal Charge	33,000	33,000	28,762	(4,238)	23,009	5,753
Other	22,045	22,045	13,081	(8,964)	2,955	10,126
Total Locally Generated Non-Tax Revenue	415,912	414,412	360,907	(53,505)	320,623	40,284
Revenue from Other Governments						
State	500	500	74	(426)	-	74
Federal	4,250	4,250	1,571	(2,679)	2,120	(549)
Total Revenue from Other Governments	4,750	4,750	1,645	(3,105)	2,120	(475)
Revenue from Other Funds	2,500	2,500	6,199	3,699	1,098	5,101
Total Revenue	423,162	421,662	368,751	(52,911)	323,841	44,910
Obligations						
Mayor's Office of Information Services	8,664	8,664	7,121	1,543	5,987	1,134
Managing Director	-	-	-	-	-	-
Police	14,834	15,314	15,208	106	14,723	485
Fire	6,726	6,850	6,808	42	6,863	(55)
Public Property	26,900	26,900	23,801	3,099	23,075	726
Office of Fleet Management	8,164	8,245	4,412	3,833	3,442	970
Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	28,500	29,900	29,813	87	33,703	(3,890)
Other Employee Benefits	23,949	24,980	21,738	3,242	21,104	634
Purchase of Services	4,146	4,146	2,511	1,635	2,674	(163)
Contributions, Indemnities and Taxes	2,512	1,761	-	1,761	-	-
Advances, Subsidies, Miscellaneous	5,102	455	-	455	-	-
Sinking Fund Commission	149,463	149,463	128,048	21,415	125,407	2,641
Procurement	-	-	-	-	-	-
Commerce	168,723	171,082	129,529	41,553	130,832	(1,303)
Law	1,974	2,021	1,758	263	1,825	(67)
Mayor's Office of Transportation	196	196	196	-	171	25
Total Obligations	449,853	449,977	370,943	79,034	369,806	1,137
Operating Surplus (Deficit) for the Year	(26,691)	(28,315)	(2,192)	26,123	(45,965)	43,773

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 2006 Through 2015

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net Investment in Capital Assets	248.6	161.4	206.4	(5.8)	(59.3)	(47.5)	83.9	232.5	176.8	1,040.80
Restricted	471.5	689.7	641.0	833.8	705.1	789.5	621.8	586.8	630.3	576.5
Unrestricted	(1,010.9)	(1,220.5)	(1,567.1)	(2,120.6)	(2,421.9)	(2,495.5)	(2,478.2)	(2,588.9)	(2,771.8)	(7,880.6)
Total Governmental Activities Net Position	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,776.1)	(1,753.5)	(1,772.5)	(1,769.6)	(1,964.7)	(6,263.3)
Business-Type Activities										
Net Investment in Capital Assets	537.4	544.0	591.8	750.6	831.8	845.1	887.8	982.5	1,007.4	1,088.1
Restricted	551.9	635.1	644.1	511.2	489.3	550.6	591.8	628.9	685.5	766.0
Unrestricted	273.9	257.3	266.2	269.8	257.3	234.3	257.9	173.4	200.7	(278.50)
Total Business-Type Activities Net Position	1,363.2	1,436.4	1,502.1	1,531.6	1,578.4	1,630.0	1,737.5	1,784.8	1,893.6	1,575.6
Primary Government										
Net Investment in Capital Assets	786.0	705.4	798.2	744.8	772.5	797.6	971.7	1,215.0	1,184.2	2,128.9
Restricted	1,023.4	1,324.8	1,285.1	1,345.0	1,194.4	1,340.1	1,213.6	1,215.7	1,315.8	1,342.5
Unrestricted	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(2,164.6)	(2,261.2)	(2,220.3)	(2,415.5)	(2,571.1)	(8,159.1)
Total Primary Government Net Position	1,072.4	1,067.0	782.4	239.0	(197.7)	(123.5)	(35.0)	15.2	(71.1)	(4,687.7)

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2006 Through 2015

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
Economic Development	89.8	92.6	116.4	116.0	145.0	92.2	96.5	94.2	95.1	97.4
Transportation:										
Streets & Highways	116.0	116.6	117.7	119.1	129.4	136.3	115.6	112.9	143.9	122.4
Mass Transit	84.5	85.1	88.3	90.5	82.7	75.2	74.0	71.0	72.1	76.2
Judiciary and Law Enforcement:										
Police	836.0	921.4	1,002.9	985.6	990.5	1,048.1	1,094.2	1,087.9	1,262.7	1,098.7
Prisons	268.7	293.2	311.4	339.1	343.8	340.4	336.7	342.2	371.2	353.0
Courts	287.1	304.1	321.6	318.7	312.0	315.0	326.2	318.1	338.5	323.4
Conservation of Health:										
Emergency Medical Services	35.6	36.0	37.2	36.9	47.8	53.3	48.4	49.7	69.3	66.4
Health Services	1,411.9	1,442.6	1,572.6	1,701.5	1,446.7	1,524.6	1,500.1	1,464.9	1,519.1	1,420.5
Housing and Neighborhood Development	149.5	111.2	142.1	149.1	131.3	126.1	137.7	102.9	80.3	80.9
Cultural and Recreational										
Recreation	73.3	73.4	86.2	77.3	77.0	98.7	97.3	102.3	113.1	113.1
Parks	28.9	32.6	36.6	37.7	37.9	14.0	9.0	8.6	8.2	10.6
Libraries and Museums	68.6	90.3	87.0	92.8	79.0	75.7	80.8	76.1	84.5	84.3
Improvements to General Welfare:										
Social Services	702.0	765.5	794.1	756.3	718.8	718.4	675.5	625.3	657.5	687.8
Education	59.9	64.0	65.5	67.2	65.4	64.0	74.3	94.4	167.5	126.0
Inspections and Demolitions	55.3	64.3	47.3	27.8	23.4	30.1	26.5	38.0	43.3	41.7
Service to Property:										
Sanitation	128.8	134.4	138.0	137.8	142.7	143.0	153.2	136.7	153.1	151.1
Fire	236.1	285.3	284.8	278.6	266.0	285.9	292.2	296.8	386.6	350.8
General Management and Support	574.8	568.7	636.9	684.1	683.3	561.0	678.4	743.4	538.0	605.3
Interest on Long Term Debt	136.9	149.5	95.1	214.6	174.9	136.3	112.1	161.8	159.0	166.2
Total Governmental Activities Expenses	5,343.7	5,630.8	5,981.7	6,230.7	5,897.6	5,838.3	5,928.7	5,927.2	6,263.0	5,975.8
Business-Type Activities:										
Water and Sewer	455.4	476.2	504.3	530.8	502.5	520.2	490.8	513.4	543.5	550.2
Aviation	303.1	314.3	323.1	326.2	330.1	336.0	343.1	358.9	376.5	374.3
Industrial and Commercial Development	2.1	3.7	2.1	3.0	0.1	1.9	-	0.6	-	-
Total Business-Type Activities Expenses	760.6	794.2	829.5	860.0	832.7	858.1	833.9	872.9	920.0	924.5
Total Primary Government Expenses	6,104.3	6,425.0	6,811.2	7,090.7	6,730.3	6,696.4	6,762.6	6,800.1	7,183.0	6,900.3
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	-	-	-	0.3	0.1	-	1.1	2.6	0.1	0.1
Transportation:										
Streets & Highways	2.2	3.5	3.9	2.8	4.4	5.1	5.2	5.3	5.2	7.3
Mass Transit	0.6	0.6	0.5	0.4	0.5	0.6	1.3	1.9	1.9	2.1
Judiciary and Law Enforcement:										
Police	7.2	1.7	4.3	5.0	3.3	3.5	5.5	6.3	4.5	5.2
Prisons	0.4	0.3	0.3	0.4	0.5	0.5	0.9	0.7	0.4	0.4
Courts	51.5	51.5	52.7	51.8	53.4	45.6	60.6	59.9	50.3	51.6
Conservation of Health:										
Emergency Medical Services	25.0	27.7	27.6	37.5	36.8	34.7	27.5	33.3	36.3	36.2
Health Services	14.0	12.6	15.3	14.4	16.2	16.7	14.8	16.7	18.9	14.4
Housing and Neighborhood Development	22.3	45.2	25.2	31.3	20.8	23.1	28.6	23.5	16.7	20.1
Cultural and Recreational:										
Recreation	0.4	0.2	0.3	3.2	(0.1)	2.8	2.2	3.8	2.8	3.7
Parks	0.4	0.5	1.5	0.6	0.9	5.0	4.8	3.3	2.2	1.1
Libraries and Museums	0.9	0.9	0.8	1.3	0.9	1.8	1.2	1.0	2.0	1.1

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2006 Through 2015

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Improvements to General Welfare:										
Social Services	7.4	7.3	6.4	7.6	14.4	6.8	5.2	8.3	5.6	4.4
Education	-	-	-	1.1	-	-	-	0.1	-	-
Inspections and Demolitions	0.7	44.4	44.9	40.3	43.9	45.5	50.0	53.9	50.1	52.4
Service to Property:										
Sanitation	1.8	-	3.1	2.9	2.0	11.6	15.9	16.2	35.5	24.9
Fire	0.4	0.7	0.2	0.7	0.3	0.5	0.3	0.9	0.3	2.9
General Management and Support	179.1	107.5	110.6	131.9	127.9	136.6	139.7	134.2	177.7	150.2
Interest on Long Term Debt	-	-	-	-	-	9.2	0.3	-	0.2	0.2
Operating Grants and Contributions	2,142.1	2,204.9	2,339.9	2,438.1	2,050.4	2,223.5	2,102.1	1,986.4	1,967.3	2,011.2
Capital Grants and Contributions	21.4	15.8	10.0	35.0	46.9	32.1	43.2	48.9	35.3	60.1
Total Governmental Activities Program Revenues	2,477.8	2,525.3	2,647.5	2,806.6	2,423.5	2,605.2	2,510.4	2,407.2	2,413.3	2,449.6
Business-Type Activities:										
Charges for Services:										
Water and Sewer	470.8	493.6	503.3	499.7	552.4	558.5	598.3	608.7	638.6	675.9
Aviation	295.0	309.2	303.2	251.7	240.0	258.1	263.2	291.4	315.4	322.4
Industrial and Commercial Development	1.2	1.5	1.5	0.5	0.3	0.5	0.4	0.4	0.4	0.5
Operating Grants and Contributions	2.5	2.8	5.4	2.6	6.1	4.8	3.5	2.3	1.4	0.9
Capital Grants and Contributions	25.3	22.4	36.6	109.4	90.5	105.9	91.6	58.2	93.6	161.3
Total Business-Type Activities Program Revenues	794.8	829.5	850.0	863.9	889.3	927.8	957.0	961.0	1,049.4	1,161.0
Total Primary Government Revenues	3,272.6	3,354.8	3,497.5	3,670.5	3,312.8	3,533.0	3,467.4	3,368.2	3,462.7	3,610.6
Net (Expense)/Revenue										
Governmental Activities	(2,865.9)	(3,105.5)	(3,334.2)	(3,424.1)	(3,474.1)	(3,233.1)	(3,418.3)	(3,520.0)	(3,849.7)	(3,526)
Business-Type Activities	34.2	35.3	20.5	3.9	56.6	69.7	123.1	88.1	129.4	236.5
Total Primary Government Net Expense	(2,831.7)	(3,070.2)	(3,313.7)	(3,420.2)	(3,417.5)	(3,163.4)	(3,295.2)	(3,431.9)	(3,720.3)	(3,290)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	386.3	399.2	401.3	409.2	400.8	506.6	500.8	553.8	530.2	551.3
Wage & Earnings Taxes	1,424.9	1,498.5	1,524.5	1,465.5	1,448.5	1,504.6	1,551.7	1,598.7	1,639.8	1,737.2
Business Taxes	430.2	453.7	414.5	407.6	385.2	364.2	399.2	452.4	469.2	453.4
Other Taxes	457.7	460.3	457.0	435.0	578.3	645.8	663.6	706.0	735.8	666.7
Unrestricted Grants & Contributions	81.7	104.1	104.7	107.8	171.4	173.8	223.2	187.4	229.5	185.1
Interest & Investment Earnings	60.2	81.8	65.3	46.1	25.5	35.8	33.3	17.9	21.7	24.1
Special Items	-	-	-	-	-	-	-	-	-	-
Transfers	5.0	4.9	4.9	4.2	28.3	24.9	27.5	21.4	28.3	30.20
Total Governmental Activities	2,846.0	3,002.5	2,972.2	2,875.4	3,038.0	3,255.7	3,399.3	3,537.6	3,654.5	3,648.0
Business-Type Activities:										
Interest & Investment Earnings	43.8	45.7	48.7	22.9	7.7	6.9	9.0	12.7	5.3	4.1
Unrestricted Grants & Contributions	-	-	-	-	-	-	2.9	42.2	2.5	1.9
Transfers	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)	(24.9)	(27.5)	(21.4)	(28.3)	(30.3)
Total Business-Type Activities	38.9	40.8	43.8	18.7	(20.6)	(18.0)	(15.6)	33.5	(20.5)	(24.3)
Total Primary Government	2,884.9	3,043.3	3,016.0	2,894.1	3,017.4	3,237.7	3,383.7	3,571.1	3,634.0	3,623.7
Change in Net Position										
Governmental Activities	(19.9)	(103.0)	(362.0)	(548.7)	(436.1)	22.6	(19.0)	17.6	(195.2)	121.8
Business-Type Activities	73.1	76.1	64.3	22.6	36.0	51.7	107.5	121.6	108.9	212.2
Total Primary Government	53.2	(26.9)	(297.7)	(526.1)	(400.1)	74.3	88.5	139.2	(86.3)	334.0

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2006 Through 2015

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	2.0	2.0
Stadium Financing	6.0	6.4	0.1	1.7	0.6	0.3	0.5	2.1	3.8	4.3
Cultural & Commercial Corridor Project	-	143.3	122.5	89.8	30.8	19.2	15.3	12.2	11.6	10.6
Long Term Loan	45.0	45.0	22.5	-	-	-	-	79.7	68.2	56.7
Committed to:										
Encumbrances	132.4	135.6	108.8	102.8	-	-	-	-	-	-
General Fund	-	-	-	-	87.9	-	-	-	-	-
Assigned to:	-	-	-	-	-	-	70.5	98.0	103.1	81.9
Unassigned:	111.2	152.7	(24.3)	(274.6)	(251.8)	(45.7)	-	90.0	23.0	-
Total General Fund:	304.5	487.8	234.4	(75.6)	(130.2)	(23.9)	88.6	284.4	211.7	155.5
All Other Governmental Funds										
Non-spendable:										
Permanent Fund (Principal)	-	-	-	-	-	2.6	2.6	2.8	3.2	3.5
Restricted for:										
Behavioral Health	196.0	192.9	177.8	188.7	171.0	250.1	230.7	233.7	188.6	199.6
Neighborhood Revitalization	130.1	99.9	77.8	74.6	73.1	61.3	51.6	34.2	30.6	29.6
Public Safety Emergency Phone System	16.7	21.7	28.7	38.8	40.4	36.9	29.6	24.5	27.5	35.2
Economic Development	-	-	-	-	-	6.6	10.3	7.2	6.8	11.8
Intergovernmental Financing	26.8	24.5	18.6	12.1	7.9	21.1	21.7	33.9	34.0	28.3
Intergovernmentally Financed Pgms						24.5	18.9	-	-	-
Streets & Highways	4.0	7.5	12.8	16.8	16.8	18.3	23.2	23.9	26.2	31.9
Housing & Neighborhood Development	-	-	-	-	-	10.5	10.5	15.0	16.6	18.5
Health Services	-	-	-	4.0	10.8	8.8	9.5	15.2	10.1	11.0
Debt Service	84.3	92.3	80.9	79.1	76.6	82.8	82.4	81.5	83.1	81.5
Capital Improvements	-	103.0	21.0	196.1	152.2	267.7	128.5	29.2	191.6	70.2
Trust Purposes	7.8	8.9	8.3	6.4	4.7	8.1	8.3	8.9	11.8	12.3
Parks & Recreation	-	-	-	-	-	0.3	0.4	0.4	0.4	0.6
Libraries & Museums	-	-	-	-	-	0.1	0.1	0.1	0.1	0.0
Stadium Financing	-	-	-	-	-	6.3	6.4	6.8	7.3	6.7
Committed to:										
Capital Improvements	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	4.9	5.2	5.7	5.6	7.9	-	-	-	-	-
Trust Purposes	6.9	9.2	9.1	8.0	7.7	-	-	-	-	-
Intergovernmental Financing	50.1	53.3	52.2	62.6	36.2	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-
Prisons	-	-	-	-	-	3.6	4.2	4.4	3.5	3.2
Parks & Recreation	-	-	-	-	-	0.5	0.9	0.7	0.8	0.9
Assigned to:										
Behavioral Health	-	28.4	40.5	-	42.5	-	-	-	-	-
PICA Rebate Fund	6.5	7.0	7.4	8.0	7.5	-	-	-	-	-
PMA	0.2	0.2	0.2	0.2	0.2	-	-	-	-	-
Unassigned:										
Community Behavioral Health	(24.8)	-	-	(5.4)	-	-	-	-	-	-
Housing & Neighborhood Dev	(5.5)	(3.9)	(3.2)	(5.0)	(4.0)	(4.0)	(6.5)	(7.2)	(7.9)	(7.1)
Parks & Recreation	-	-	-	-	-	-	-	-	-	(0.1)
Grants Revenue Fund	(51.2)	(26.2)	(23.0)	(36.7)	(39.0)	(34.3)	(175.1)	(217.1)	(273.3)	(213.0)
Capital Improvement	(67.1)	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	471.3	696.3	594.2	734.9	672.1	771.7	458.1	298.1	360.7	324.7

[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 2006 Through 2015

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Tax Revenue	2,535.2	2,805.1	2,781.8	2,705.2	2,812.3	2,995.0	3,112.5	3,304.4	3,370.8	3,397.1
Locally Generated Non-Tax Revenue	265.2	381.7	349.7	349.3	302.7	370.6	336.5	348.6	387.1	376.6
Revenue from Other Governments	2,242.0	2,376.6	2,468.4	2,564.9	2,323.4	2,366.4	2,226.1	2,212.0	2,169.0	2,280.2
Other Revenues	16.7	17.1	17.9	49.6	33.1	25.8	27.5	27.9	20.2	16.9
Total Revenues	5,059.1	5,580.5	5,617.8	5,669.0	5,471.5	5,757.8	5,702.6	5,892.9	5,947.1	6,070.8
Expenditures										
Current Operating:										
Economic Development	92.7	85.5	112.3	107.0	135.1	82.6	88.9	85.9	83.7	82.5
Transportation:										
Streets & Highways	77.7	89.2	89.7	89.9	91.1	87.4	75.6	81.6	98.1	96.2
Mass Transit	56.6	58.1	61.7	63.7	65.2	67.1	67.7	66.5	67.5	71.7
Judiciary and Law Enforcement										
Police	770.9	860.2	951.9	933.9	882.7	955.9	1,020.0	1,089.4	1,164.9	1,104.6
Prisons	241.3	278.1	298.2	326.9	315.2	315.9	318.2	338.7	346.3	343.9
Courts	276.9	292.3	311.1	310.5	288.1	294.9	312.3	309.2	317.9	321.5
Conservation of Health:										
Emergency Medical Services	33.3	34.9	36.0	36.2	45.0	50.7	46.7	50.0	65.8	66.1
Health Services	1,271.1	1,436.8	1,567.6	1,695.0	1,436.5	1,514.8	1,492.7	1,464.6	1,510.3	1,432.9
Housing and Neighborhood										
Development	122.9	109.2	141.9	148.4	131.2	126.1	133.8	102.8	80.3	80.9
Cultural and Recreational										
Recreation	58.3	62.2	74.3	65.1	58.4	82.9	85.9	90.3	98.6	103.9
Parks	23.7	26.3	28.9	31.8	26.9	5.8	6.1	3.9	1.2	1.8
Libraries and Museums	68.2	83.2	84.2	81.0	68.8	68.7	71.9	72.0	74.9	79.1
Improvements to General Welfare:										
Social Services	689.1	756.7	778.2	743.1	699.7	701.8	674.3	624.3	655.3	687.8
Education	61.5	64.0	65.5	67.2	65.4	64.0	74.3	94.4	167.5	126.0
Inspections and Demolitions	81.2	63.0	46.3	33.1	27.3	34.8	32.2	45.8	40.8	41.5
Service to Property:										
Sanitation	122.0	129.5	132.9	134.6	130.6	133.9	146.2	137.2	144.8	146.9
Fire	217.8	267.6	276.4	266.9	237.6	258.1	267.8	295.9	344.2	346.4
General Management and Suppor	477.1	563.7	618.4	693.8	615.0	568.5	619.1	622.8	646.7	663.2
Capital Outlay	103.1	92.3	105.8	126.9	148.9	134.9	202.0	161.1	140.1	189.7
Debt Service:										
Principal	95.8	91.5	94.1	87.6	89.7	91.4	103.2	114.1	120.3	339.8
Interest	101.0	103.4	100.0	105.7	96.7	105.6	105.2	112.2	118.0	121.4
Bond Issuance Cost	3.9	5.0	24.2	8.5	23.5	2.2	1.6	4.4	5.0	7.2
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	5,046.1	5,552.7	5,999.6	6,156.8	5,678.6	5,748.0	5,945.7	5,967.1	6,292.2	6,455.0
Excess of Revenues Over (Under) Expenditures	13.0	27.8	(381.8)	(487.8)	(207.1)	9.8	(243.1)	(74.2)	(345.1)	(384.2)
Other Financing Sources (Uses)										
Issuance of Debt	157.3	353.1	1,303.8	262.9	207.0	139.1	12.6	299.8	293.8	30.0
Issuance of Refunding Debt	-	-	-	354.9	337.0	114.6	112.6	231.2	363.6	195.7
Bond Issuance Premium	-	13.8	31.1	26.7	24.3	5.0	16.6	0.8	31.4	21.3
Proceeds from Lease & Service Agreements	-	-	-	(3.1)	(1.0)	28.1	-	(252.7)	-	-
Payment to Refunded Bonds Escrow Agen	-	-	(1,313.7)	(326.9)	(504.0)	(117.6)	(127.3)	(190.5)	(382.2)	-
Transfers In	581.4	460.1	465.2	574.5	558.1	583.1	600.8	613.1	616.3	663.5
Transfers Out	(577.0)	(455.1)	(460.2)	(570.3)	(529.7)	(558.1)	(573.3)	(591.7)	(587.9)	(631.6)
Total Other Financing Sources (Uses)	161.7	371.9	26.2	318.7	91.7	194.2	42.0	110.0	335.0	278.9
Net Change in Fund Balances	174.7	399.7	(355.6)	(169.1)	(115.4)	204.0	(201.1)	35.8	(10.1)	(105.3)
Debt Service as a Percentage of Non-capital Expenditures	4.0%	3.6%	3.3%	3.2%	3.4%	3.5%	3.6%	3.9%	3.9%	7.4%

[1,0] Effective April 15, 2003, the City implemented a change to the basis on which the Business Income and Receipts 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 2006 through 2015

Table 5

Amounts in millions of USD

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Additions:										
Contributions:										
Employee Contributions	48.9	49.2	51.7	54.0	51.6	52.7	50.0	49.6	53.7	58.7
Employer's:										
City of Philadelphia	321.3	419.2	412.4	440.0	297.4	455.8	539.8	763.7	533.4	556.1
Quasi-Governmental Agencies	10.4	13.1	14.5	15.4	15.1	14.2	16.2	18.1	19.8	21.1
Total Employer's Contributions	331.7	432.3	426.9	455.4	312.5	470.1	556.0	781.8	553.2	577.2
Total Contributions	380.6	481.5	478.6	509.4	364.1	522.8	606.0	831.4	606.9	635.9
Interest & Dividends	65.1	80.3	97.1	75.6	70.5	79.5	86.2	122.9	102.2	98.4
Net Gain (Decline) in Fair Value of Investments	386.4	684.7	(322.0)	(945.6)	381.2	618.5	(57.7)	213.9	585.4	(76.8)
(Less) Investment Expenses	0.0	0.0	0.0	0.0	0.0	0.0	(13.3)	(12.2)	(10.2)	(9.8)
Net Securities Lending Revenue	0.7	1.1	7.4	5.7	1.9	1.5	2.1	3.0	4.2	2.2
Securities Lending Unrealized Loss	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	118.0	0.0	0.0
(Less) Securities Lending Expenses	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)	(0.3)	(0.6)	(0.3)
Net Investment Income (Loss)	452.2	766.1	(217.5)	(864.3)	453.6	699.5	14.5	445.3	681.0	13.7
Miscellaneous Operating Revenue	2.1	2.1	1.1	1.0	0.7	1.4	0.0	0.5	0.5	0.1
Total Additions	834.9	1,249.7	262.2	(353.9)	818.4	1,223.7	620.5	1,277.2	1,288.4	649.7
Deductions:										
Pension Benefits	608.6	655.8	725.7	681.1	680.1	681.9	706.2	740.7	802.6	876.4
Refunds to Members	4.8	4.5	4.2	4.8	4.5	5.1	6.5	5.7	6.0	5.3
Administrative Costs	6.7	6.7	7.6	8.4	8.1	8.0	0.0	8.2	8.3	10.4
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0	0.0	15.2	0.2	0.0	0.1
Total Deductions	620.1	667.0	737.5	694.3	692.7	695.0	727.9	754.8	816.9	892.1
Net Increase (Decrease)	214.8	582.7	(475.3)	(1,048.2)	125.7	528.7	(107.4)	522.4	471.5	(242.4)
Net Assets: Adjusted Opening	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	4,916.7
Closing	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2	3,922.8	4,445.2	4,916.7	4,674.3
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%	1432.56%	1623.45%	1687.24%	1682.60%	1640.28%
Closing Net Assets	14.10%	13.39%	16.40%	20.18%	19.42%	16.92%	18.00%	16.66%	16.32%	18.75%
Coverage of Additions over Deductions	134.64%	187.36%	35.55%	-50.97%	118.15%	176.07%	85.25%	169.21%	157.72%	72.83%
Investment Earnings as % of Pension Benefits	74.30%	116.82%	-29.97%	-126.90%	66.70%	102.58%	2.05%	60.12%	84.85%	1.56%

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 2005 Through 2014

Table 6

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1]	Taxable Income	% of Total	Direct Rate [1]	Total Taxable Income	Total Direct Rate
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	23,461.6	57.26%	3.92800%	17,513.6	42.74%	3.49850%	40,975.2	3.74442%
2013	24,346.9	57.57%	3.92600%	17,944.9	42.43%	3.49675%	42,291.8	3.74386%
2014	25,599.6	57.70%	3.92200%	18,770.1	42.30%	3.49325%	44,369.7	3.74062%

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] 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 2006 through 2015

Tax Classification	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Wage and Earnings Tax:										
[a] City Residents	4.3010%	4.2600% [b]	4.2190% [b]	3.9300% [b]	3.9296% [b]	3.9280% [b]	3.9280% [b]	3.9280% [b]	3.9240%	3.9200%
Non-City Residents	3.7716%	3.7557% [b]	3.7242% [b]	3.5000% [b]	3.4997% [b]	3.4985% [b]	3.4985% [b]	3.4985% [b]	3.4950%	3.4915%

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%	3.305%	3.305%	3.305%	4.123%	4.123%	4.462%	0.602%	0.602%
School District of Philadelphia	4.790%	4.790%	4.959%	4.959%	4.959%	4.959%	5.309%	5.309%	0.738%	0.738%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	9.082%	9.432%	9.771%	1.340%	1.340%
[e] Assessment Ratio	29.24%	29.22%	28.86%	28.46%	26.73%	28.05%	28.87%	28.68%	224.40%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.416%	2.415%	2.385%	2.352%	2.209%	2.548%	2.723%	2.802%	3.007%	NA

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.

[c] **Business Income and Receipts Taxes**										
(% on Gross Receipts)	0.1900%	0.1665%	0.1540%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%
[f] (% on Net Income)	6.5000%	6.5000%	6.5000%	6.4500%	6.4500%	6.4500%	6.4500%	6.4500%	6.4300%	6.4100%

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	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%	3.9280%	3.9280%	3.9280%	3.9240%	3.9102%
Non-City Residents	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%	3.4985%	3.4985%	3.4985%	3.4950%	3.4828%

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 2006 through 2015

Tax Classification	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	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%	8.0%	8.0%	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%	20.0%	20.0%	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%	7.2%	8.2%	8.2%	8.2%	8.5%	8.5%
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%	8.2%	9.2%	9.2%	9.2%	9.5%	9.5%
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 buildin 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
Principal Wage and Earnings Tax Remitters [1]
Current Calendar Year and Nine Years Ago

Table 8

Amounts in millions of USD

	2014			2005		
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	17	$436.5	26.30%	13	$310.1	22.83%
Between $1 million & $10 million	170	412.6	24.86%	141	345.5	25.43%
Between $100,000 & $1 million	1,723	443.5	26.72%	1,440	365.8	26.93%
Between $10,000 & $100,000	9,287	274.4	16.53%	8,458	252.5	18.59%
Less then $10,000	40,904	92.7	5.59%	36,746	84.5	6.22%
Total	52,101	$1,659.7	100.00%	46,798	$1,358.4	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia
Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2006 through 2015

Table 9

Amounts in millions of USD

Calendar Year of Levy [1]	Assessed Value on Certification Date [3]	Less: Tax-Exempt Property [2, 3]	Less: Homestead Exemption [7]	Total Taxable Assessed Value [2, 3]	Less: Adjustments between Certification Date and Billing Date [3]	Total Taxable Assessed Value on Billing Date	Total Direct Tax Rate [4]	STEB Ratio [5]	Estimated Actual Taxable Value (STEB)	Sales Ratio [6]	Estimated Actual Taxable Value (Sales)
2006	15,803	4,372		11,431		11,431	3.474%	29.24%	39,094	23.73%	48,171
2007	16,243	4,628		11,615		11,615	3.474%	29.22%	39,750	17.42%	66,676
2008	16,974	4,799		12,175		12,175	3.305%	28.86%	42,186	17.94%	67,865
2009	17,352	5,146		12,206		12,206	3.305%	28.46%	42,888	16.44%	74,246
2010	17,615	5,339		12,276		12,276	3.305%	26.73%	45,926	24.64%	49,821
2011	17,940	5,593		12,347		12,347	4.123%	28.05%	44,018	13.35%	92,487
2012	18,022	5,685		12,337		12,337	4.123%	28.87%	42,733	13.13%	93,960
2013	18,181	5,765		12,416		12,416	4.462%	28.68%	43,291	11.88%	104,512
2014	137,404	37,462	5,429	94,513	2,590	91,923	0.602%	224.40%	42,118	NA	NA
2015	136,341	37,223	6,411	92,707	1,777	90,930	0.602%	NA	NA	NA	NA

[1] Real property tax bills are normally sent out in December 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: Office of Property Assessment. Beginning in 2014:

a) the Assessed Value Certification Date was moved up to 3/31/2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in November)

b) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

[4] Total Direct Tax Rate is City portion only and excludes the School District portion (see statistical table #7 for breakdown).

[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 Office of Property Assessment based on sales of property during the year.

[7] Starting in 2014, the City provided for a $30,000 Homestead Exemption (amount subject to change) to all homeowners.

City of Philadelphia
Principal Property Tax Payers
Current Year and Nine Years Ago

Table 10

Amounts in millions of USD

	2015			2006		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
HUB Properties Trust	265.7	1	0.29	49.6	4	0.43
Nine Penn Center Associates	232.6	2	0.25	54.1	2	0.47
Phila Liberty Pla E Lp	207.7	3	0.22	57.6	1	0.50
Philadelphia Market Street	203.7	4	0.22	-	-	-
Tenet Healthsystem Hahnem	192.1	5	0.21	-	-	-
Commerce Square Partners	178.2	6	0.19	30.5	9	0.27
Maguire/Thomas	170.1	7	0.18	32.0	8	0.29
NNN 1818 Market St. 37	170.0	8	0.18	-	-	-
Franklin Mills Associates	163.2	9	0.18	48.4	5	0.42
Brandywine Operating	159.4	10	0.17	-	-	-
Two Liberty Place	-	-	-	52.3	3	0.46
Bell Atlantic Properties	-	-	-	43.3	6	0.38
PRU 1901 Market LLC	-	-	-	32.9	7	0.29
Phila Shipyard Development Corp				30.3	10	0.27
	1,942.7		2.10	431.0		3.77
Taxable Assessments (before Homestead) [2]	99,118.0		100.00	11,430.6		100.00
Less Homestead Exemption [2]	6,411.0			0.0		
Total Taxable Assessments	92,707.0			11,430.6		

[1] Source: Office of Property Assessment.
a) 2015 Assessment as of March 2014.
b) 2006 Assessment as of November 2005.

[2] In calendar year 2014,
a) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).
b) the City initiated a new $30,000 Homestead Exemption to all homeowners.

City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2006 through 2015
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 **5	Collected in Subsequent Years **4	Total Collected to Date: All Years	Percentage Collected to Date: All Years **5
2006	385.6	NA	339.6	88.1%	41.1	380.7	98.7%
2007	391.7	NA	347.5	88.7%	39.9	387.4	98.9%
2008	390.2	NA	346.4	88.8%	38.4	384.8	98.6%
2009	396.5	NA	315.4	79.5%	71.7	387.1	97.6%
2010	405.8	NA	353.7	87.2%	35.1	388.8	95.8%
2011	509.1	NA	440.9	86.6%	42.7	483.6	95.0%
2012	508.6	491.2	459.2	93.5%	19.6	478.8	97.5%
2013	554.0	537.9	505.6	94.0%	16.8	522.4	97.1%
2014	553.2	523.1	482.1	92.2%	9.9	492.0	94.1%
2015	547.4	532.0	470.3	88.4%	N/A	470.3	88.4%

**1 Taxes are levied on a calendar year basis, this column represents the initial bill. 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.
For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.

**3 For 2015, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections thru the end of June 2015.

**4 Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount 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.

**5 For calendar years 2006 to 2011, "percentage collected in the calendar year of levy" and "percentage collected to date: all years" are based on "taxes levied for the year", since "taxes levied based on adjusted assessment" data is unavailable for these years.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2006 through 2015

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	PAID School District	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
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	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
2014	2,139.7	1,121.4	299.8	225.5	39.6	300.6	7.2	116.0	27.3	4,277.1	-	1,935.3	1,291.7	3,227.0	7,504.1	0.1	4,832.0
2015	1,996.0	1,063.2	299.8	216.4	37.3	291.9	6.7	111.8	43.3	4,066.4	-	2,110.8	1,225.3	3,336.1	7,402.5	0.1	4,745.2

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
Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2006 through 2015

Table 13

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]
2006	1,863.8	11,430.6	29.24%	39,092.3	4.77%	1,225.98
2007	1,993.7	11,615.0	29.22%	39,750.2	5.02%	1,303.05
2008	1,899.1	12,175.2	28.86%	42,187.1	4.50%	1,232.90
2009	2,093.8	12,205.6	28.46%	42,886.9	4.88%	1,353.20
2010	2,085.1	12,276.3	26.73%	45,927.0	4.54%	1,366.38
2011	2,135.0	12,347.1	28.05%	44,018.2	4.85%	1,387.65
2012	2,041.1	12,337.0	28.87%	42,732.9	4.78%	1,318.87
2013	1,968.7	12,416.0	28.68%	43,291.5	4.55%	1,267.54
2014	2,139.7	94,513.0	224.40%	42,118.1	5.08%	1,371.34
2015	1,996.0	92,707.0	NA	NA	NA	NA

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Office of Property Assessment

[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, 2015

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	3,125.2	100.00%	3,125.2
[1] **City Direct Debt**			4,066.4
Total Direct and Overlapping Debt			7,191.6

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 2006 through 2015

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2015

Assessed Value	31,768.1
Debt Limit	4,288.7
[1] Debt Applicable to Limit:	
Tax Supported General Obligation Debt:	
Issued & Outstanding	1,378.7
Authorized but Unissued	372.3
Total	1,751.0
Less: Amount set aside for repayment of general obligation debt	-
Total Net Debt Applicable to Limit	1,751.0
Legal Debt Margin	2,537.7

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit (notes 2, 3, 4, and 5)	1,335.6	1,374.7	1,418.0	1,469.4	1,523.4	1,571.9	1,622.3	1,670.0	3,011.1	4,288.7
Total Net Debt Applicable to Limit	1,185.8	1,293.4	1,329.3	1,352.3	1,407.0	1,474.6	1,542.5	1,617.9	1,673.4	1,751.0
Legal Debt Margin	149.8	81.3	88.7	117.1	116.4	97.3	79.8	52.1	1,337.7	2,537.7
Total Net Debt Applicable to the Limit as a Percent of Total Debt	88.78%	94.09%	93.74%	92.03%	92.36%	93.81%	95.08%	96.88%	55.57%	40.83%

[1] Refer to Purdon's Statutes 53 P.S. Section 15721

[2] The legal limit is based on the Pennsylvania Constittution article IX Section 12.

[3] Tax Years 2006-2013 assessed values were provided by OPA via The Department of Revenue..

[4] Calendar Year 2013/Tax Year 2014 assessed values were provided by OPA. The higher amount was due to the implementation of the AVI (Actual Value Initiative) in 2013.

[5] Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the proceeding 10 year average; prior to this change, the Tax Year assessed values was used.

Calendar Year of assessment	Tax Year of assessment	R.E. Assessments
2005	2006	11,949,243,041
2006	2007	12,268,019,348
2007	2008	12,901,810,390
2008	2009	13,307,070,680
2009	2010	13,102,186,291
2010	2011	13,522,847,116
2011	2012	13,602,484,741
2012	2013	13,755,670,566
2013	2014	107,209,023,547
2014	2015	106,062,882,977
	Ten Year average	31,768,123,869.7
	Limit per art. 9	13.50%
	Legal Debt Limit	4,288,696,722

City of Philadelphia
Pledged Revenue Coverage
For the Fiscal Years 2006 through 2015

Table 16

Amounts in millions of USD

No.		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	504.0	536.2	597.8	527.5	566.7	589.7	613.3	638.4	680.4	696.2
2	Net Operating Expenses	284.2	303.2	334.7	342.6	334.0	357.7	375.1	399.3	410.8	422.3
3	Transfer To (From) Rate Stabilization Fund	21.6	26.0	(9.8)	(34.7)	(2.7)	10.9	8.5	(4.7)	22.9	21.4
4	Net Revenues	198.2	207.0	272.9	219.6	235.4	221.1	229.7	243.8	246.7	252.5
	Debt Service:										
5	Revenue Bonds Outstanding	165.2	172.7	173.8	183.0	195.7	184.3	191.4	201.0	201.7	205.3
6	General Obligation Bonds Outstanding	-	-	-	-						
7	Pennvest Loan	1.2	1.2	1.2	1.2	1.2	1.2	1.0	-	-	-
8	Total Debt Service	166.4	173.9	175.0	184.2	196.9	185.5	192.4	201.0	201.7	205.3
9	Net Revenue after Debt Service	31.8	33.1	97.9	35.4	38.5	35.6	37.3	42.8	45.0	47.2
10	Transfer to General Fund	5.0	5.0	5.0	4.2	2.3	-	1.1	0.6	-	-
11	Transfer to Capital Fund	16.9	16.9	16.9	17.1	17.3	18.1	18.9	19.4	20.2	20.7
12	Transfer to Residual Fund	9.9	11.2	76.0	14.1	18.9	17.5	17.3	22.8	24.8	26.5
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.57	1.20	1.20	1.20	1.20	1.21	1.22	1.23
	Coverage B (Line 4/(Line 8 + Line 11))	1.08	1.08	1.42	1.09	1.10	1.09	1.09	1.11	1.11	1.12
	Airport Revenue Bonds										
1	Fund Balance	-	10.2	42.6	61.4	55.1	77.6	65.9	69.3	66.5	66.3
2	Project Revenues	200.8	211.3	250.5	255.3	246.9	260.8	269.6	291.8	316.9	322.8
3	Passenger Facility Charges	32.6	32.9	32.9	32.9	33.1	32.4	31.6	31.2	31.2	31.2
4	Total Fund Balance and Revenue	233.4	254.4	326.0	349.6	335.1	370.8	367.1	392.3	414.6	420.3
5	Net Operating Expenses	77.2	87.1	99.8	99.5	102.9	98.1	99.0	110.7	117.3	126.0
6	Interdepartmental Charges	57.9	70.6	89.1	89.0	80.7	88.6	92.7	101.9	103.9	108.7
7	Total Expenses	135.1	157.7	188.9	188.5	183.6	186.7	191.7	212.6	221.2	234.7
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	156.2	167.3	226.2	250.1	232.2	272.7	268.1	281.6	297.3	294.3
9	All Bonds (Line 4-Line 7)	98.3	96.7	137.1	161.1	151.5	184.1	175.4	179.7	193.4	185.6
	Debt Service:										
10	Revenue Bonds	88.1	85.5	84.4	95.6	94.3	102.4	103.0	109.8	125.4	125.2
11	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
12	Total Debt Service	88.1	85.5	84.4	95.6	94.3	102.4	103.0	109.8	125.4	125.2
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.77	1.96	2.68	2.62	2.46	2.66	2.60	2.56	2.37	2.35
	Total Debt Service - Test "B" (Line 9/Line 12)	1.12	1.13	1.62	1.69	1.61	1.80	1.70	1.64	1.54	1.48

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
Demographic and Economic Statistics
For the Calendar Years 2005 through 2014

Table 17

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [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%
2013	1,553,165	65,473,002	42,155	10.0%
2014	1,560,297	66,495,223	42,617	8.0%

[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
Principal Employers
Current Calendar Year and Nine Years Ago

Table 18

Listed Alphabetically

2014	2005
Albert Einstein Medical	Albert Einstein Medical
Children's Hospital of Philadelphia	Children's Hospital of Philadelphia
City of Philadelphia	City of Philadelphia
Comcast Cablevision of Willow Grove Inc	School District of Philadelphia
School District of Philadelphia	SEPTA
SEPTA	Temple University
Temple University	Tenet Healthsystem Philadelphia Inc
Thomas Jefferson University Hospitals	Thomas Jefferson University Hospitals
University Of Pennsylvania (College)	University Of Pennsylvania (College)
University Of Pennsylvania (Hospital)	University Of Pennsylvania (Hospital)

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2006 through 2015

Table 19

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities:										
Economic Development	6	9	6	23	25	27	28	31	29	33
Transportation:										
Streets & Highways	579	667	584	568	515	499	524	517	525	506
Mass Transit	1	1	1	8	7	9	13	15	15	12
Judiciary and Law Enforcement:										
Police	7,522	8,036	7,754	7,685	7,503	7,439	7,292	7,270	7,177	7,267
Prisons	2,228	1,991	2,153	2,309	2,268	2,173	2,150	2,245	2,257	2,286
Courts	3,403	3,500	3,386	3,310	3,215	3,225	3,249	3,260	3,234	3,255
Conservation of Health:										
Emergency Medical Services	255	311	237	256	329	341	338	375	494	576
Health Services	1,133	1,236	1,140	1,163	1,135	1,139	1,143	1,117	1,097	1,084
Housing and Neighborhood Development	97	120	108	99	96	94	83	75	72	74
Cultural and Recreational:										
Recreation	495	589	483	462	453	601	605	596	587	628
Parks	158	217	156	152	158	1	-	-		
Libraries and Museums	812	829	808	723	687	682	658	651	637	674
Improvements to General Welfare:										
Social Services	2,140	2,218	2,232	2,107	2,079	1,989	1,924	1,832	1,809	1,801
Inspections and Demolitions	248	450	246	221	223	214	230	286	288	319
Service to Property:										
Sanitation	1,272	1,338	1,239	1,169	1,157	1,185	1,154	1,152	1,158	1,155
Fire	1,974	2,121	2,052	2,019	1,820	1,838	1,700	1,705	1,643	1,719
General Management and Support	2,347	2,494	2,414	2,393	2,276	2,225	2,454	2,384	2,456	2,497
Total Governmental Activities	24,670	26,127	24,999	24,667	23,946	23,681	23,545	23,511	23,478	23,886
Business Type Activities:										
Water and Sewer	2,239	2,415	2,291	2,256	2,196	2,116	2,228	2,218	2,302	2,347
Aviation	1,004	915	1,057	1,033	1,001	1,010	1,021	1,057	1,040	1,021
Total Business-Type Activities	3,243	3,330	3,348	3,289	3,197	3,126	3,249	3,275	3,342	3,368
Fiduciary Activities:										
Pension Trust	65	62	59	69	66	65	61	53	50	55
Total Primary Government	27,978	29,519	28,406	28,025	27,209	26,872	26,855	26,839	26,870	27,309

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2006 through 2015

Table 20

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	102	107	74	119	69	36	37	51	34	40
Potholes Repaired	18,203	12,721	12,326	11,976	23,049	24,406	14,451	12,093	45,077	48,274
Judiciary and Law Enforcement:										
Police										
Arrests	69,166	73,606	75,805	68,922	64,465	73,310	70,971	71,109	71,650	71,661
Calls to 911	3,321,896	3,398,985	3,164,454	3,084,261	3,064,973	2,949,231	3,118,648	2,979,990	2,879,620	2,978,527
Prisons										
Average Inmate Population	8,613	8,796	9,133	9,554	8,806	7,935	8,240	8,987	8,759	8,254
Inmate Beds (city owned)	8,605	8,443	9,005	9,137	9,137	8,200	8,417	8,417	8,417	8,417
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	209,654	216,606	215,305	217,505	222,882	227,147	273,557	280,877	239,403	243,127
First Responder Runs	69,740	68,203	60,756	53,610	54,960	66,763	60,972	57,047	60,296	49,529
Health										
Patient Visits	324,014	323,121	334,139	349,078	350,695	339,032	348,472	341,305	309,911	290,000
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	2,878	2,227	1,389	1,420	1,388	2,714	1,978	2,442	873	1,634
Libraries										
Items borrowed	6,188,637	6,328,706	7,037,694	7,419,466	6,530,662	7,210,217	7,503,031	6,579,054	6,502,087	6,511,582
Visitors to all libraries	6,103,354	6,422,857	6,648,998	6,396,633	5,615,201	6,103,528	6,020,321	6,116,762	5,563,015	5,891,382
Visitors to library website	2,594,527	3,285,380	4,912,405	4,613,496	5,256,928	6,131,726	6,886,339	7,301,311	8,194,626	9,907,573
Improvements to General Welfare:										
Social Services										
Children Receiving Services	28,086	28,898	25,893	35,685	31,416	28,572	28,939	27,391	17,761	18,982
Children in Placement	7,999	8,070	7,739	7,993	8,792	7,122	7,839	8,509	8,548	7,809
Emergency Shelter Beds (average)	2,781	2,677	2,747	2,689	2,617	2,520	2,987	2,116	2,544	2,708
Transitional Housing Units (new placements)	448	543	435	476	487	510	558	539	509	509
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	3,006	2,922	2,798	2,532	2,412	2,254	2,299	2,179	2,132	2,139
Recyclables Collected (tons per day)	155	179	197	288	381	441	461	470	490	442
Fire										
Fires Handled	9,523	8,080	7,444	6,850	4,927	7,945	7,319	6,365	6,120	6,364
Fire Marshall Investigations	2,734	3,153	3,097	3,031	2,726	2,711	2,387	2,135	1,943	2,183
Business Type Activities:										
Water and Sewer										
New Connections	207	125	295	281	704	121	125	1,542 [2]	1,628	2,080
Water Main Breaks	660	825	687	802	646	954	557	755	919	911
Avg. Daily Treated Water Delivered (x 1000 gallons)	175,800	169,400	167,000	163,660	242,900	250,000	239,200	245,500	239,500	229,800
Peak Daily Treated Water Delivered (x 1000 gallons)	207,400	179,100	170,500	167,090	272,200	282,000	254,500	270,200	265,300	249,400
Avg. Daily Water Sewage Treatment (x 1000 gallons)	430,170	463,080	411,830	417,330	468,200	410,000	443,500	388,400	432,800	405,000
[1] **Aviation**										
Passengers Handled (PIA)	31,341,459	31,885,333	32,287,035	30,819,348	30,469,899	31,225,470	30,612,150	30,358,905	30,539,430	30,601,985
Air Cargo Tons (PIA)	591,815	571,452	575,640	475,365	440,495	449,683	416,731	388,383	395,661	402,194
Aircraft Movements (PIA and NPA)	625,692	614,720	593,757	551,191	543,462	458,832	517,842	506,261	493,272	487,096

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

[2] Starting in 2013, Philadelphia Water Department (PWD) reports all new connections for both domestic and fire service for all meter sizes

City of Philadelphia
Capital Assets Statistics by Function
For the Fiscal Years 2006 through 2015

Table 21

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities:										
Transportation:										
Streets & Highways										
[1] Total Miles of Streets	2,400	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575
Streetlights	102,219	102,840	102,949	103,982	104,219	104,219	104,600	105,151	105,151	105,151
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	33	34	36	35	35	31	32	37	39	40
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	165	171	171	171	171	153	184	185	184	155
[2] Athletic Venues	1,117	1,117	919	915	914	1,148	1,102	1,101	1,107	1,108
[4] Neighborhood Parks and Squares	232	232	79	79	79	-	-	-	-	-
Parks										
Parks	62	63	63	63	63	150	177	177	177	209
Baseball/Softball Fields	106	109	77	79	79	407	404	404	403	403
Libraries										
Branch & Regional Libraries	54	54	54	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	64	64	64	63	63	63	68	68	68	69
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,169	3,133	3,137	3,145	3,236	3,164	3,172	3,174	3,176	3,176
Fire Hydrants	26,080	25,195	25,181	25,208	25,234	25,353	25,321	25,355	25,364	25,364
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	1,065,500	1,065,500	1,065,500	1,065,400	1,065,400	1,065,400	1,065,400	1,065,400	1,065,000
Sanitary Sewers (miles)	596	768	750	749	751	758	759	762	762	762
Stormwater Conduits (miles)	623	784	713	720	721	731	734	738	737	737
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	1,065,400	1,044,000	1,044,000
[3] **Aviation**										
Passenger Gates (PIA)	120	120	120	120	120	126	126	126	126	126
Terminal Buildings (square footage) (PIA)	2,415,000	2,415,000	2,415,000	2,415,000	3,144,000	3,144,000	3,144,000	3,144,000	3,254,354	3,254,354
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	43,500	43,500	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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APPENDIX D

PROPOSED FORM OF APPROVING OPINION OF CO-BOND COUNSEL

November __, 2016

RE: The City of Philadelphia, Pennsylvania
$_____ General Obligation Refunding Bonds, Series 2016

TO THE PURCHASERS OF THE 2016 BONDS:

We have served as Co-Bond Counsel to The City of Philadelphia, Pennsylvania (the "City") in connection with the issuance of its $_____ General Obligation Refunding Bonds, Series 2016 (the "2016 Bonds"). The 2016 Bonds are issued under and pursuant to: (i) the Constitution of the Commonwealth of Pennsylvania (the "Commonwealth"); (ii) the Act of the General Assembly of the Commonwealth, approved June 25, 1919, P.L. 581, as amended, and the Act of the General Assembly of the Commonwealth of June 11, 1941, P.L. 113, as amended by the Act of the General Assembly of the Commonwealth of December 8, 1985, P.L. 324 (together, the "Act"); (iii) the Ordinance (Bill No. 141027) of the Council of the City, approved by the Mayor on March 4, 2015 (the "Ordinance"); and (iv) a Resolution of the Bond Committee established by the Ordinance adopted November __, 2016, with respect to the 2016 Bonds (the "Bond Committee Resolution"). Capitalized terms used herein but not defined shall have the meanings set forth in the Bond Committee Resolution.

The 2016 Bonds will bear interest at the fixed rates and be subject to redemption as shown in the official statement prepared for the 2016 Bonds. The 2016 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 2016 Bonds are being issued by the City to provide funds to pay the costs of refunding certain outstanding general obligation bonds of the City and to pay the costs associated with the issuance of the 2016 Bonds.

We have examined the proceedings relating to the authorization and issuance of the 2016 Bonds, including, among other things: (a) the Constitution of the Commonwealth and the Act; (b) certified copies of the Ordinance and the Bond Committee Resolution; (c) the opinion of Sozi Pedro Tulante, Esq., City Solicitor, on which we have relied; (d) certificates executed by the City and its Fiscal Agent for the 2016 Bonds as to the execution and authentication of the 2016 Bonds; (e) various other certificates executed by the City, including a certificate with regard to compliance with the Internal Revenue Code of 1986, as amended (the "Code"); (f) the Form 8038-G of the City with respect to the 2016 Bonds; and (g) the Escrow Agreement and the verification report attached thereto. We have also examined a fully executed and authenticated 2016 Bond and we assume all other 2016 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 certificates and other proceedings by independent investigation and have relied on the covenants, warranties and representations made in such certificates and in the 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.

Based upon and subject to the foregoing and the additional assumptions, qualifications and limitations set forth below, we are of the opinion that:

1. The City is authorized under the provisions of the Constitution and laws of the Commonwealth to issue the 2016 Bonds for the purposes set forth in the Bond Committee Resolution.

2. The 2016 Bonds have been duly authorized, executed and delivered by the City and constitute valid and binding general obligations of the City, enforceable against the City in accordance with the terms thereof, except as enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, arrangement, moratorium, and other laws affecting creditors' rights, by equitable principles, whether considered at law or in equity, and by the exercise of judicial discretion in appropriate cases.

3. The full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest due on the 2016 Bonds, and the City has effectively covenanted in the Ordinance that it will make payments from the City's sinking fund established for the 2016 Bonds or any of the City's general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of all principal of and interest on the 2016 Bonds when due.

4. Under existing laws of the Commonwealth, the interest on the 2016 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 2016 Bonds or the interest thereon.

5. Interest on the 2016 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 City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2016 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with all of such requirements could cause the interest on the 2016 Bonds to be includable in gross income retroactive to the date of issuance of the 2016 Bonds. The City has covenanted to comply with all such requirements. Interest on the 2016 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 2016 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 other federal tax consequences relating to the 2016 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 2016 Bonds. We express no opinion as to the availability of specific performance or other equitable relief.

This opinion is limited to federal law and the laws of the Commonwealth as in effect on the date hereof, and we express no opinion with respect to the laws of any other state or jurisdiction.

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, and we express no opinion as to any matter not set forth in the numbered paragraphs herein. We do not assume any obligation to update or supplement this opinion to reflect, or to 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 solely for your benefit and may be relied upon by you solely in connection with the transaction contemplated hereby and may not be relied upon by you for any other purpose, or by any other person for any purpose, in each case without our written consent.

Very truly yours,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of November __, 2016, by and between The City of Philadelphia, Pennsylvania ("City") and Digital Assurance Certification, L.L.C., as dissemination agent ("Dissemination Agent") in connection with the issuance and sale by the City of $283,085,000* aggregate principal amount of its General Obligation Refunding Bonds, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to the Act, the Refunding Ordinance, and the Bond Committee Resolution (collectively, the "Authorizing Acts"). Capitalized terms used in this Agreement which are not otherwise defined herein shall have the meanings given to such terms in the Official Statement (as defined in Article IV below).

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement is being executed and delivered by the City solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) Commencing with the Fiscal Year ending June 30, 2016, the Disclosure Representative shall deliver to the Dissemination Agent no later than February 28, 2017, and no later than each succeeding February 28 thereafter, Annual Financial Information with respect to each Fiscal Year of the City. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with EMMA (as defined herein).

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) hereof.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Disclosure Representative shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file such Audited Financial Statements with EMMA.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Disclosure Representative shall provide through the Dissemination Agent, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to EMMA.

(b) Any notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the City including the Bonds, such Notice Event notice need only include the CUSIP number of the City.

(d) The Dissemination Agent shall promptly advise the City whenever, in the course of performing its duties as Dissemination Agent under this Agreement, the Dissemination Agent has actual

* Preliminary, subject to change.

notice of an occurrence which, if material, would require the City to provide notice of a Notice Event hereunder; provided, however, that the failure of the Dissemination Agent so to advise the City shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities under this Agreement.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the City chooses to do so, the City shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the City under such laws.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agent. The City has designated the Dissemination Agent as its agent to act on its behalf in providing or filing notices, documents and information as required of the City under this Agreement. The City may revoke or modify such designation. Upon any revocation of such designation, the City shall comply with its obligation to provide or file notices, documents and information as required under this Agreement or may designate another agent to act on its behalf.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access ("EMMA") system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided on EMMA shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The City's current Fiscal Year begins July 1 and ends June 30, and the City shall promptly file a notification on EMMA, through the Dissemination Agent, of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The City's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the same effect as set forth in clause (2) above, (4) the City shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the City (such as bond counsel or the Dissemination Agent), addressed to the City and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the Bonds, and (5) the Disclosure Representative shall have delivered copies of such opinion(s) and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that performance by the City and the Dissemination Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the City in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the City to comply with the provisions of this Agreement shall be enforceable by any holder of outstanding Bonds. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the City or the Dissemination Agent to perform in accordance with this Agreement shall not constitute a default under the Authorizing Acts, and the rights and remedies provided by the Authorizing Acts upon the occurrence of a default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the City's Comprehensive Annual Financial Report ("CAFR"), which contains the Audited Financial Statements, (ii) to the extent such information is not contained in the CAFR, the financial information or operating data with respect to the City, substantially similar to the type set forth in Tables 1-52 in APPENDIX A attached to the Official Statement (with the exception of Table 19 and Table 48), and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. As set forth in clause (i) above, Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

Annual Financial Information shall be delivered at least annually pursuant to Section 1.2(a) hereof. In connection with Section 4.1(1), it is the City's intention to satisfy all or a portion of the obligations set forth therein by submitting to EMMA (A) its CAFR and (B) to the extent not otherwise updated in the CAFR, (1) an APPENDIX A that includes annual updates to the Tables specified in clause (ii) above, or (2) if the City does not have such an APPENDIX A prepared, annual updates to the Tables specified in clause (ii) above. If at any time the City deletes, for purposes of a then-current APPENDIX A, certain financial information or operating data from APPENDIX A as attached to the Official Statement that is included in one of the Tables specified above, such deleted information will be submitted separately from the updated APPENDIX A.

The descriptions contained in Section 4.1(1)(ii) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by Commonwealth law or the City Charter. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the City may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or Commonwealth law or regulation describing such accounting principles, or other description thereof.

(3) "City Charter" means the Home Rule Charter authorized by the General Assembly in the First Class City Home Rule Act (Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City, as amended and supplemented.

(4) "Commonwealth" means the Commonwealth of Pennsylvania.

(5) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(6) "Disclosure Representative" means 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.

(7) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(8) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(9) "Notice Event" means any of the following events with respect to the Bonds, whether relating to the City or otherwise:

(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 of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, 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) the 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.

(10) "Official Statement" means the Official Statement dated November __, 2016 of the City relating to the Bonds.

(11) "Registered Owner" or "Registered Owners" means, for so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, and includes, for the purposes of this 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 Agreement.

(12) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(13) "SEC" means the United States Securities and Exchange Commission.

(14) "Securities Depository" shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto.

(15) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(16) "Underwriters" means the financial institutions named on the cover of the Official Statement.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct in the performance of its duties hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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, L.L.C., as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its authorized officers, all as of the day and year first above written.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

By:_____
Name: Rob Dubow
Title: Director of Finance

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By:_____
Name:
Title:

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

General

The information set forth herein concerning The Depository Trust Company, New York, New York ("DTC") and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the City, the Fiscal Agent, or the Underwriters. The websites referenced below are included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

DTC will act as securities depository for the 2016 Bonds under a book-entry system with no physical distribution of the 2016 Bonds made to the public. The 2016 Bonds will initially 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 bond certificate will be issued for each maturity of the 2016 Bonds, each in the principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 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 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Bond ("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 Owner entered into the transaction. Transfers of ownership interests in the 2016 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 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 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 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 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 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. Beneficial Owners of 2016 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Fiscal Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 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 of the 2016 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2016 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and redemption price of, and interest on, the 2016 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 the Fiscal Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participants and not of DTC (or its nominee), the City or the Fiscal Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption price of, and interest on, the 2016 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 the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

THE CITY, THE FISCAL AGENT AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2016 BONDS (A) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2016 BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2016 BONDS, OR (C) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER

DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE CITY, THE FISCAL AGENT OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2016 BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED TO BE GIVEN TO HOLDERS OR OWNERS OF THE 2016 BONDS; (E) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF 2016 BONDS; OR (F) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2016 BONDS.

Discontinuation of Book-Entry Only System

DTC may discontinue providing its services as depository with respect to the 2016 Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, 2016 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2016 Bond certificates will be printed and delivered.

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