NEW ISSUE—BOOK-ENTRY ONLY

Rating: Moody's "MIG1"
S&P "SP-1+"
See "RATINGS" herein.

Interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. Under the existing laws of the Commonwealth of Pennsylvania, interest on the 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 Bonds or the interest thereon. For a more complete discussion, see "TAX MATTERS" herein.

PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
(CITY OF PHILADELPHIA, PENNSYLVANIA)

$231,185,000
CITY SERVICE AGREEMENT REVENUE BONDS, SERIES 2012
(FEDERALLY TAXABLE)

Dated: Delivery Date **Due: April 1, as shown on inside front cover**

The Philadelphia Authority for Industrial Development (the "Authority") is issuing its City Service Agreement Revenue Bonds, Series 2012 (Federally Taxable) (the "Bonds") pursuant to (i) the provisions of the Pennsylvania Economic Development Financing Law, Act No. 102 of the General Assembly of the Commonwealth of Pennsylvania approved August 23, 1967 (P.L. 251), as amended, and as it may be amended or supplemented from time to time (the "Act"), (ii) a resolution of the Authority and (iii) a Trust Indenture dated as of October 1, 2012 (the "Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Bonds are issuable only as fully registered bonds without coupons. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository") for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. The principal of and interest on the Bonds are payable by the Trustee to the Securities Depository, which is to remit such principal and interest to its Participants (as defined herein), which are to remit such principal and interest to the Beneficial Owners (as defined herein) of the Bonds, as described herein.

Interest on the Bonds will be payable on each April 1 and October 1, commencing April 1, 2013, until maturity. **The Bonds will not be subject to redemption prior to maturity**. See "DESCRIPTION OF THE BONDS" herein.

The Bonds will be issued and secured under the Indenture and shall be payable from and secured by a security interest in and pledge of the Revenues as defined in the Indenture and as described herein. The Revenues include amounts payable to the Authority pursuant to a Service Agreement dated as of October 1, 2012 (the "Service Agreement") between the Authority and the

CITY OF PHILADELPHIA, PENNSYLVANIA

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

The proceeds of the Bonds will be applied, together with certain other available amounts, to finance (i) the repayment of the portion of the City's minimum municipal funding obligation deferred under 53 P.S. §895.1002 and (ii) the payment of the costs of issuance of the Bonds. See "USE OF PROCEEDS" herein.

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

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

The Bonds are offered for delivery when, as and if issued by the Authority and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approving opinion of Cozen O'Connor and the Law Office of Ann C. Lebowitz, both of Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by Philip M. Brandt, Esq., Authority Counsel, Philadelphia, Pennsylvania, and for the Underwriters by their co-counsel, Ballard Spahr LLP and The Smyler Firm, both of Philadelphia, Pennsylvania. Certain legal matters with respect to the obligations of the City under the Service Agreement will be passed upon by the City Solicitor. It is expected that the Bonds will be available for delivery in New York, New York, through the book-entry procedures of DTC, on or about October 17, 2012.

Goldman, Sachs & Co.

CastleOak Securities, L.P. **Janney Montgomery Scott** **TD Securities (USA) LLC**

Dated: October 10, 2012

PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
(CITY OF PHILADELPHIA, PENNSYLVANIA)

$231,185,000
CITY SERVICE AGREEMENT REVENUE BONDS, SERIES 2012
(FEDERALLY TAXABLE)

Due April 1	Principal Amount	Interest Rate	Price	CUSIP No.*
2013	$107,715,000	0.500%	100.00	71783DAA3
2014	123,470,000	1.200	100.00	71783DAB1

 The CUSIP numbers listed above are being provided solely for the convenience of Holders of the Bonds only at the time of issuance of the Bonds and none of the Authority, the City or the Underwriters makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
2600 Centre Square West
1500 Market Street
Philadelphia, Pennsylvania 19102

AUTHORITY'S COUNSEL

Philip M. Brandt, Esquire
Philadelphia, Pennsylvania

CO-BOND COUNSEL

Cozen O'Connor
Philadelphia, Pennsylvania

The Law Office of Ann C. Lebowitz
Philadelphia, Pennsylvania

TRUSTEE

U.S. Bank National Association
Philadelphia, Pennsylvania

CO-FINANCIAL ADVISORS

Public Financial Management, Inc.
Philadelphia, Pennsylvania

Acacia Financial Group, Inc.
Marlton, New Jersey

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CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR
HONORABLE MICHAEL A. NUTTER

MAYOR'S CHIEF OF STAFF
Everett A. Gillison

MAYOR'S CABINET

Richard Negrin, Esquire	Managing Director
Rob Dubow	Director of Finance
Shelley R. Smith	City Solicitor
Rina Cutler	Deputy Mayor of Transportation and Utilities
Everett A. Gillison	Chief of Staff and Deputy Mayor for Public Safety
Alan Greenberger	Deputy Mayor for Economic Development and Commerce Director
Donald F. Schwarz, M.D.	Deputy Mayor for Health and Opportunity and Health Commissioner
Michael DiBerardinis	Deputy Mayor for Environmental and Community Resources
Suzanne Biemiller	First Deputy Chief of Staff
Adel Ebeid	Chief Innovation Officer
Katherine Gajewski	Director of Sustainability
Terry A. Gillen	Director, Federal Legislative Affairs
Melanie Johnson	City Representative
Amy L. Kurland	Inspector General
Joan L. Markman	Chief Integrity Officer
Lewis Rosman	Director, Legislative and Government Affairs
Lori A. Shorr, Ph.D.	Chief Education Officer
Gary P. Steuer	Chief Cultural Officer
David G. Wilson	First Deputy Managing Director

CITY TREASURER
Nancy E. Winkler

CITY CONTROLLER
Alan L. Butkovitz

This Official Statement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. No dealer, salesperson or any other person has been authorized by the Philadelphia Authority for Industrial Development (the "Authority"), the City of Philadelphia (the "City") or the Underwriters to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds, and, if given or made, such information or representations must not be relied upon.

This Official Statement is not to be construed as a contract or agreement among the City, the Authority, the Underwriters and the purchasers or owners of any offered Bonds. The information and the opinions expressed 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 operation or financial condition of the City or in any of the other matters referred to herein since the date hereof or the date as of which particular information is given, if earlier.

No quotations from or summaries or explanations of provisions of law and documents herein purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, WITHOUT PRIOR NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE FORWARD-LOOKING STATEMENTS, AS SUCH TERM IS DEFINED IN SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. IN THIS RESPECT, SUCH FORWARD-LOOKING STATEMENTS ARE IDENTIFIED BY THE USE OF THE WORDS ESTIMATE, PROJECT, ANTICIPATE, EXPECT, FORECAST, INTEND OR BELIEVE OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. SUCH FORWARD-LOOKING INFORMATION INVOLVES IMPORTANT RISKS AND UNCERTAINTIES THAT COULD RESULT IN THE ACTUAL INFORMATION BEING SIGNIFICANTLY DIFFERENT FROM THAT EXPRESSED IN THIS OFFICIAL STATEMENT. POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE CITY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGES IN THE CITY'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

This Official Statement speaks only as of the date printed on the cover page hereof. This Official Statement will be made available through the Electronic Municipal Market Access System ("EMMA"), which is the sole Nationally Recognized Municipal Securities Information Repository under Securities Exchange Commission Rule 15c2-12.

The Underwriters have provided the following sentence for inclusion in this Official Statement. 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.

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PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
(CITY OF PHILADELPHIA, PENNSYLVANIA)

$231,185,000
CITY SERVICE AGREEMENT REVENUE BONDS, SERIES 2012
(FEDERALLY TAXABLE)

INTRODUCTORY STATEMENT

The purpose of this Official Statement is to provide certain information concerning the issuance by the Philadelphia Authority for Industrial Development (the “Authority”) of $231,185,000 aggregate principal amount of Philadelphia Authority for Industrial Development (City of Philadelphia, Pennsylvania) City Service Agreement Revenue Bonds, Series 2012 (Federally Taxable) (the “Bonds”).

Capitalized terms used in this Official Statement and not otherwise defined herein have the respective meanings set forth in APPENDIX D hereto.

Use of Proceeds

The Authority is issuing the Bonds, at the request of the City of Philadelphia, Pennsylvania (the “City”), the proceeds of which, together with certain other available amounts, will be used to finance (i) the repayment of the portion of the City’s minimum municipal funding obligation deferred under 53 P.S. §895.1002 in the amount of $230,000,000 (the “Deferred Funding Obligation”) and (ii) the payment of the costs of issuance of the Bonds. For a further description of the Deferred Funding Obligation, see “USE OF PROCEEDS” herein.

The Authority

The Authority, a public instrumentality of the Commonwealth of Pennsylvania (the “Commonwealth”) and a body corporate and politic, was created in 1967 pursuant to the Pennsylvania Economic Development Financing Law, Act No. 102 of the General Assembly of the Commonwealth approved August 23, 1967 (P.L. 251), as amended, and as it may be amended or supplemented from time to time (the “Act”). The Authority’s address is 2600 Centre Square West, 1500 Market Street, Philadelphia, Pennsylvania 19102. See “THE AUTHORITY” herein.

Authorization for the Bonds

The Bonds are being issued pursuant to (i) the provisions of the Act, (ii) the resolution of the Authority adopted September 11, 2012 and (iii) a Trust Indenture dated as of October 1, 2012 (the “Indenture”) between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The City Council of the City (“City Council”), by Ordinance (Bill No. 120643) adopted September 27, 2012 (the “Ordinance”), approved by the Mayor of the City (the “Mayor”) on September 29, 2012, authorized, among other things, the execution and delivery of the Service Agreement (as defined herein).

Description of the Bonds

The Bonds will be dated the date of issuance and will bear interest from such date payable on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing April 1, 2013, until maturity. The Bonds will mature in the amounts and on the dates, and bear interest at the rates, set forth on the inside cover page hereof. The Bonds are not subject to redemption prior to maturity.

The Bonds will be issued in fully registered form in denominations of $5,000 and any integral multiple thereof. The Bonds are issuable only as fully registered bonds without coupons. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository") for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. The principal of and interest on the Bonds are payable by the Trustee to the Securities Depository, which is to remit such principal and interest to its Participants (as defined herein), which are to remit such principal and interest to the Beneficial Owners (as defined herein) of the Bonds, as described herein. See "DESCRIPTION OF THE BONDS" herein.

Security for the Bonds

The Bonds are limited obligations of the Authority payable solely from revenues derived by the Authority under a Service Agreement dated as of October 1, 2012 (the "Service Agreement") between the Authority and the City. The Service Agreement was authorized by City Council by the Ordinance. Under the Indenture, the Authority has assigned and granted to the Trustee a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for Reserved Rights), the Revenues and all monies, investments and securities held in the Funds and Accounts established under the Indenture (the "Trust Estate"). The City agrees in the Service Agreement to pay, 30 days before the date such amounts are required to be paid to the Holders of Obligations, to the Trustee, as assignee of the Authority, an amount (the "Service Fee") sufficient to: (i) make the Authority's required payments of principal, premium, if any, and interest then becoming due on Obligations issued under the Indenture, including the Bonds, at maturity or otherwise; and (ii) pay any Credit Facility Payment Obligation becoming due. See "SECURITY FOR THE BONDS" herein. An acceleration of the Authority's payment obligations with respect to the Bonds shall not cause an acceleration of the Service Fee.

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

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

City's Obligation to Appropriate for Service Fee

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

Agreement contains an agreement by the City to make appropriations for the payment of the Service Fee as described above.

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

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

Additional Obligations

Pursuant to, and in accordance with, the Indenture, the Authority may issue Additional Obligations on parity with the Bonds pursuant to a Supplemental Indenture in one or more series, in various principal amounts, which may mature at different times, may bear interest at varying rates and may otherwise vary as provided in such Supplemental Indenture. For a further description of the conditions under which such Additional Obligations may be issued, see APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT."

Information Regarding the City of Philadelphia

Certain financial, socio-economic and related information concerning the City is included as Appendices A and B hereto. The City's Comprehensive Annual Financial Report for Fiscal Year 2011 is contained in Appendix C hereto. Certain information contained herein regarding the City is for periods prior to or subsequent to June 30, 2011. As a result, certain of the information in Appendix C is, at times, at variance with corresponding information concerning the City in Appendix A.

The City's Comprehensive Annual Financial Reports and other information about the City can be found at the City's website, www.phila.gov/investor (the "City Investor Website"). The City's projected cash flow statements for Fiscal Year 2013 are included in the City's *FY 2013 – FY 2017 Five-Year Financial Plan* and can be found at the City Investor Website. The City's Fiscal Year 2013 projected cash flow statements reflect the scheduled repayment of the portion of the Deferred Funding Obligation payable in Fiscal Year 2013; they do not reflect the issuance of the Bonds (or the payment of debt service thereon) or the application of Bond proceeds to the early repayment in whole of the Deferred Funding Obligation, as described in this Official Statement.

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

Miscellaneous

Brief descriptions of the Authority, the Bonds, the Ordinance, the Service Agreement, the Indenture and the Continuing Disclosure Agreement are included in this Official Statement. The summaries of the documents contained herein do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to the entire text of such documents, and the description herein of the Bonds is qualified in its entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights.

Copies of the Indenture and the Service Agreement may be obtained from the Authority and, during the initial offering period, at the principal offices of the Representative of the Underwriters (as defined herein). After initial delivery of the Bonds, such copies may be obtained from the Trustee at its designated corporate trust office.

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

THE AUTHORITY

Organization

The Authority is a public instrumentality of the Commonwealth and a body corporate and politic, created pursuant to the Act for the purpose of acquiring, holding, constructing, improving, maintaining, operating, owning, financing and leasing, either in the capacity of lessor or lessee, industrial, commercial or specialized development projects, all as permitted under the Act. A Certificate of Incorporation was issued to the Authority by the Secretary of the Commonwealth on December 27, 1967. An Amended Certificate of Incorporation, extending the term of existence of the Authority, was issued on September 21, 2011. The Authority's existence will continue for 50 years from September 21, 2011.

Board of Authority

The governing body of the Authority is a board consisting of five members appointed by the Mayor. Members of the Authority's board serve at the pleasure of the Mayor. The following persons are the present members and officers of the Authority:

Name	Position
Thomas A. K. Queenan	Chairman
Leslie Anne Miller, Esquire	Vice Chairman
Evelyn F. Smalls	Treasurer
David L. Hyman, Esquire	Member
Harold B. Yaffe, DDS	Member
Paul J. Deegan*	Secretary
Terry A. DeMusis*	Assistant Secretary

* Non-Member

Financing Program of the Authority

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

The Bonds are payable solely from the funds pledged under the Indenture, and other obligations issued by the Authority are payable solely from funds specifically pledged for the payment of such other obligations. Accordingly, a default on another issue of obligations issued by the Authority would not constitute a default on the Bonds. The Authority has experienced defaults with respect to certain obligations issued by it, by reason of nonpayment of debt service by the party receiving financing through the Authority. The Authority may from time to time enter into further financing transactions with other entities in connection with other projects. Such transactions will provide for the issuance of bonds or notes to be secured by separate sources of revenues or other security.

In addition to its financing activities and as part of its economic development activities for the City, the Authority owns and manages certain industrial and commercial parks in the City. The City transferred to the Authority legal title to certain vacant land available for development in several industrial parks. The Authority also holds title to, and is the developer of, certain other real property in the City, including substantially all of the land and buildings comprising the Philadelphia Naval Business Center, which represents the largest portion of the former Philadelphia Naval Shipyard previously owned and operated by the United States of America.

ALTHOUGH THE AUTHORITY HAS EXECUTED THIS OFFICIAL STATEMENT AND AUTHORIZED ITS DISTRIBUTION, THE AUTHORITY IS NOT RESPONSIBLE FOR AND DOES NOT REPRESENT OR WARRANT IN ANY WAY THE ACCURACY OR COMPLETENESS OF ANY INFORMATION OR ANY STATEMENTS MADE HEREIN, EXCEPT THE INFORMATION AND STATEMENTS SET FORTH UNDER THE HEADINGS “INTRODUCTORY STATEMENT – THE AUTHORITY,” “THE AUTHORITY” AND “LITIGATION” (BUT AS REGARDS TO THE INFORMATION AND STATEMENTS SET FORTH UNDER THE HEADING “LITIGATION,” ONLY WITH RESPECT TO LITIGATION OF, AND AS IT RELATES TO, THE AUTHORITY). ACCORDINGLY, EXCEPT AS AFORESAID, THE AUTHORITY DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURE SET FORTH HEREIN MADE IN CONNECTION WITH THE SALE AND DISTRIBUTION OF THE BONDS OR OTHERWISE.

USE OF PROCEEDS

The proceeds from the sale of the Bonds, together with certain other available amounts, will be used to finance (i) the repayment of the Deferred Funding Obligation and (ii) the payment of the costs of issuance of the Bonds.

Act 44 of 2009 of the Pennsylvania General Assembly (“Act 44”) amends the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) by making available a number of actuarial tools intended to provide short-term fiscal relief to local governments in the Commonwealth operating public pension plans. Under Act 44, specifically 53 P.S. §895.1002, the City may elect to defer its minimum municipal funding obligation, with interest accruing on any deferred amounts outstanding at a rate of 8.25% per annum. The Deferred Funding Obligation is the result of the City’s making such an election. The City is required, pursuant to 53 P.S. §895.1002, to repay a portion of the Deferred Funding Obligation on or before June 30, 2013, and the balance of the Deferred Funding Obligation by June 30, 2014, together with interest accruing at 8.25% to such payment dates.

The City intends to apply the proceeds of the Bonds to the early repayment of the Deferred Funding Obligation on or about their date of issuance in order to achieve interest savings. Interest due on the Deferred Funding Obligation and certain other amounts that the City has agreed to pay in order to compensate the City’s Municipal Pension Fund for the early repayment of the Deferred Funding Obligation will not be financed by the Bonds. The scheduled repayment of the portion of the Deferred Funding Obligation payable in Fiscal Year 2013 and the interest thereon already has been budgeted by the City. The City’s FY 2013- FY 2017 Five-Year Financial Plan includes the scheduled repayment of the portion of the Deferred Funding Obligation payable in Fiscal Year 2014. See "CITY FINANCES AND FINANCIAL PROCEDURES - Five-Year Financial Plans of the City" in APPENDIX A hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The following are the expected sources and uses of funds with respect to the issuance of the Bonds:

Sources of Funds:	
Principal Amount of Bonds	$231,185,000.00
Other Available Amounts	6,043,225.55
Total Sources	$237,228,225.55
Use of Funds:	
Repayment of Deferred Funding Obligation	$230,000,000.00
Payment of Interest on Deferred Funding Obligation and certain other amounts	6,043,225.55
Costs of Issuance*	1,185,000.00
Total Uses	$237,228,225.55

* Includes Underwriters' discount, legal fees, printing, rating agency fees, trustee fees and other expenses of the offering.

DESCRIPTION OF THE BONDS

General

The Bonds are being issued by the Authority under the Act and pursuant to the Indenture and will be dated the date of issuance. The Bonds will bear interest from such date payable on April 1 and October 1 of each year (each, an "Interest Payment Date"), commencing April 1, 2013, until maturity. The Bonds will mature in the amounts and on the dates, and bear interest at the rates, set forth on the inside cover page hereof. The Bonds are not subject to redemption prior to maturity.

The Bonds will be issued in fully registered form in denominations of $5,000 and any integral multiple thereof. As provided in the Indenture, the principal of the Bonds is payable at the designated corporate trust office of the Trustee located in Philadelphia, Pennsylvania. Interest on the Bonds will be paid to the person whose name appears in the Register as the Holder thereof as of the close of business on the applicable Regular or Special Record Date. Payment of the interest on the Bonds will be made by check or draft mailed to such Holder at its address as it appears in the Register, or, upon the written request of any Holder of $1,000,000 or more in aggregate principal amount of Bonds, submitted to the Trustee not later than the Regular or Special Record Date for the first payment to which such election will apply, by wire transfer to an account at a financial institution in the continental United States designated by such Holder. The Regular Record Date is the fifteenth day (whether or not a business day) of the calendar month immediately preceding each Interest Payment Date. If the Authority defaults in the payment of interest due on any Interest Payment Date, defaulted interest will be payable to the person in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such defaulted interest established by notice mailed by the Trustee to the Holders of the Bonds at least 10 days prior to such Special Record Date, but not more than 30 days prior to the date established for the payment of such overdue interest. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Upon original issuance, the Bonds will be registered in the name of and held by Cede & Co., as registered holder and nominee for DTC. DTC will act as a securities depository for the Bonds. Purchases of the Bonds will initially be made in book-entry form. See "DESCRIPTION OF THE BONDS – Book-Entry Only System" herein. As long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., payments of the principal of, and interest on, the Bonds will be paid directly to Cede &Co. by wire transfer by the Trustee on each Interest Payment Date. While the book-entry only system is in effect, transfers and exchanges of the Bonds will be effected through DTC's book-entry system.

In the event that the book-entry system is discontinued, the provisions of this paragraph would apply. Bonds may be transferred or exchanged for an equal total principal amount of Bonds of the same series and maturity and of other authorized denominations upon surrender of such Bonds at the designated office of the Trustee, duly endorsed for transfer or accompanied by an assignment executed by the registered owner or the owner's duly authorized attorney. Registration of transfers and exchanges shall be made without charge to the holders of Bonds, except that the Trustee may require the holder of any Bond requesting registration of transfer or exchange to pay any required tax or governmental charge.

Redemption

The Bonds are not subject to redemption prior to maturity.

Book-Entry Only System

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or in such other name as is requested by an authorized representative of DTC. One fully registered Bond certificate is issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with the Trustee on behalf of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the 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 (the "SEC"). More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 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 interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the 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 Registrar 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 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 Authority or its agent 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the 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 Issuer or Agent, on the payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

In the event of insolvency of DTC, if DTC has insufficient securities in its custody (e.g., due to theft or loss) to satisfy the claims of its Direct Participants with respect to deposited securities and is unable by application of: (i) cash deposits and securities pledged to DTC to protect DTC against losses and liabilities; (ii) the proceeds of insurance maintained by DTC and/or its Direct Participants or Indirect Participants; or (iii) other resources, to obtain securities necessary to eliminate the insufficiency, no assurances can be given that Direct Participants will be able to obtain all of their deposited securities.

THE AUTHORITY, THE CITY, THE TRUSTEE 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 BONDS (A) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE BONDS, OR (C) 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 AUTHORITY, THE CITY, THE TRUSTEE 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 OF, OR INTEREST ON THE 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 OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS OR OWNERS OF THE BONDS; OR (E) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

Discontinuation of Book-Entry Only System

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered to DTC.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

SECURITY FOR THE BONDS

Limited Obligation of the Authority

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY AND EXCLUSIVELY FROM THE REVENUES PLEDGED THEREFOR, INCLUDING CERTAIN PAYMENTS REQUIRED TO BE MADE BY THE CITY UNDER THE SERVICE AGREEMENT AND FROM CERTAIN OTHER FUNDS HELD BY THE TRUSTEE UNDER THE INDENTURE. THE BONDS AND THE INTEREST THEREON SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE CITY, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF AND SHALL NOT CREATE OR CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE CITY, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE CITY, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

Service Agreement

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

Under the Service Agreement, the City agrees to pay to the Authority the Service Fee, in an amount at least sufficient to pay the principal of and interest on the Bonds, any Additional Obligations and any Credit Facility Payment Obligations, 30 days before the date such amounts are required to be paid to the Holders of Obligations.

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

The Service Fee is payable only out of the current revenues of the City. If the current revenues of the City are insufficient to pay the total Service Fee in any Fiscal year as the same becomes due and payable, the City covenants to include amounts not so paid in its operating budget for the ensuing Fiscal Year in order to provide sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of Service Fee due for such ensuing year.

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

Obligations and payment of any other amounts required under the Indenture to be paid have been paid or defeased and all payment obligations of the Authority to the Holders of the Bonds and the Holders of such other Additional Obligations have been met.

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

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

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

Revenue Pledge

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

The Indenture provides that upon a defeasance of all Obligations Outstanding under the Indenture and payment of all other sums due thereunder, and amounts owing with respect to any Credit Facility Payment Obligations have been paid or provided for, the pledge of the Trust Estate and all other rights granted by the Indenture shall be discharged and satisfied. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT" in APPENDIX D hereto.

Ordinance of the City

The Ordinance authorizes, among other things, the execution and delivery of the Service Agreement, the issuance from time to time by the Authority of bonds, notes or other evidences of indebtedness in an aggregate principal amount not to exceed $231,500,000 at any one time outstanding and the obligation of the City to pay in full when due the Service Fee and other amounts payable under the Service Agreement. The City has covenanted in the Ordinance to budget and make appropriations in such as amounts as shall be required in order to make timely all Service Fee payments due and payable and to pay timely all other amounts due and payable under the Service Agreement. The City also has covenanted in the Ordinance to make all Service Fee payments and all other amounts due as provided for under the Service Agreement to the Trustee.

Additional Obligations

The Authority may issue Additional Obligations under the Indenture to refund Outstanding Obligations secured on parity with the Bonds.

TAX MATTERS

Federal Income Tax Treatment

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

State Tax Exemption

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

LITIGATION

The Authority

There is no litigation pending or, to the knowledge of the officers of the Authority, threatened, against the Authority, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Authority with respect to the issuance and sale thereof, or the pledge or application of any money or security provided for the payment of the Bonds or the existence of the Authority, or any of the transactions contemplated by the Bonds, the Indenture or the Service Agreement.

The City

Upon delivery of the 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 the Official Statement, there is no litigation or other legal proceeding pending in any court or, to the best of its knowledge after inquiry, threatened in writing (i) seeking to restrain or enjoin the issuance, delivery or sale of the Bonds or the execution or delivery of the Service Agreement or the exercise of rights and performance of obligations of the City under the Bonds or the Service Agreement, or the Authority's pledge or application of any monies or security provided for the payment of the Bonds, (ii) in which a final unfavorable decision can reasonably be anticipated which would materially and adversely affect the performance by the City of its obligations under the Service Agreement or the Ordinance or the financial condition or operations of the City as a whole, or (iii) in any way contesting the validity or enforceability of the Bonds, the Service Agreement or the Ordinance, or the transactions contemplated thereby.

See "GOVERNMENT AND FINANCIAL INFORMATION – Litigation" in APPENDIX A hereto for a discussion of litigation concerning the City.

UNDERWRITING

The Bonds are being purchased by the Underwriters named on the cover page hereof (the "Underwriters"), for whom Goldman, Sachs & Co. is acting as representative (the "Representative"), subject to certain terms and conditions set forth in a Bond Purchase Agreement between the Authority and the Underwriters, at a purchase price of $230,498,248.11 (representing the aggregate principal amount of the Bonds less an Underwriters' discount of $686,751.89). The Bonds are offered for sale to the public at prices set forth on the inside front cover page of this Official Statement. The Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 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 sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with 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, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

RATINGS

Moody's Investors Service, Inc. has assigned the Bonds a short-term rating of "MIG1" and Standard & Poor's has assigned the Bonds a short-term rating of "SP-1+." Such ratings reflect only the view of each such credit rating agency.

A rating is not a recommendation to buy, sell or hold securities. An explanation of the significance of each of such ratings may only be obtained from the rating agency furnishing the same. There is no assurance that any of such ratings will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely, if in a rating agency's judgment circumstances so warrant. Any downward change in or withdrawal of any such rating may have an adverse effect on the price at which the Bonds may be resold. Neither the Authority nor the Underwriters have assumed any responsibility to advise the Holders of the Bonds of any change in any rating on the Bonds, and none of the Authority, the City and the Underwriters has undertaken any responsibility to maintain any particular rating on the Bonds. The City has agreed in the Continuing Disclosure Agreement to report actual rating changes on the Bonds. See "CONTINUING DISCLOSURE" herein and APPENDIX F hereto.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Cozen O'Connor and the Law Office of Ann C. Lebowitz, both of Philadelphia, Pennsylvania, Co-Bond Counsel. The approving opinion of Co-Bond Counsel will be in substantially the form attached to this Official Statement as APPENDIX E. Certain legal matters concerning the Authority will be passed on for the Authority by Philip M. Brandt, Esq., Authority Counsel, Philadelphia, Pennsylvania, and for the Underwriters, by their co-counsel, Ballard Spahr LLP and The Smyler Firm, both of Philadelphia, Pennsylvania. Certain legal matters with respect to the obligations of the City under the Service Agreement will be passed upon by the City Solicitor.

FINANCIAL ADVISORS

Public Financial Management, Inc., Philadelphia, Pennsylvania, and Acacia Financial Group, Inc., Marlton, New Jersey (collectively, the "Financial Advisors"), have acted as financial advisors to the City and the Authority with respect to the authorization and issuance of the Bonds. The Financial Advisors are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information in this Official Statement.

LIMITATIONS OF RIGHTS AND REMEDIES UNDER FEDERAL BANKRUPTCY CODE

The rights and remedies of Holders of the Bonds may be subject to the provisions of the United States Bankruptcy Code, which permits, under prescribed circumstances, a public agency or instrumentality of a state to file a petition for relief, in the nature of an adjustment in the repayment of debts, in a bankruptcy court of the United States, to other reorganization and insolvency proceedings, and to general principles of equity, whether asserted in a proceeding at law or in equity.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6, approved June 5, 1991 (the "PICA Act"), prohibits the City from filing a petition for relief under Chapter 9 of the United States Bankruptcy Code as long as PICA has outstanding any bonds issued pursuant to the PICA Act. As of the close of business on August 31, 2012, the principal amount of PICA bonds outstanding was $452,935,000. If no such bonds were outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City. If the provisions of the PICA Act relating to the authorization by the Governor for the City to file a petition under Chapter 9 of the United States Bankruptcy Code were invoked, such provisions could limit the enforcement of the rights and remedies of the Holders of the Bonds. See "SUMMARY FINANCIAL INFORMATION — Pennsylvania Intergovernmental Cooperation Authority" and "DEBT OF THE CITY — PICA Bonds" in APPENDIX A hereto.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 of the Securities and Exchange Commission, the City will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C., as dissemination agent, which will constitute a written undertaking for the benefit of the Holders and Beneficial Owners of the Bonds. The proposed form of the Continuing Disclosure Agreement is attached hereto as APPENDIX F. The City has complied with its continuing disclosure undertakings for each of the past five years.

CERTAIN RELATIONSHIPS

Each of Cozen O'Connor and the Law Office of Ann C. Lebowitz, Co-Bond Counsel, and Ballard Spahr LLP and The Smyler Firm, co-counsel to the Underwriters, provides ongoing legal services to the City.

MISCELLANEOUS

This Official Statement is made available only in connection with the sale of the 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 Authority, the City, the Underwriters and the purchasers or owners of any of the 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 opinions or estimates herein will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

The attached Appendices are integral parts of this Official Statement and should be read in their entirety.

The City makes no representations or warranties as to the accuracy or timeliness of any other information available on the City Investor Website or any other website maintained by the City nor any hyperlinks referenced therein.

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

PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT

By: /s/ Thomas A. K. Queenan
Chairman

CITY OF PHILADELPHIA

By: /s/ Rob Dubow
Director of Finance

APPENDIX A

CITY OF PHILADELPHIA
GOVERNMENT AND FINANCIAL INFORMATION

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APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION

THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

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

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

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

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

Elected and Appointed Officials

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

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards ("GAGAS") established by the federal Government Accountability Office (formerly known as the General Accounting Office), and GAAS, Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants. As of September 20, 2012, the Office of the City Controller had 114 employees, including 61 auditors, 21 of whom were certified public accountants.

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

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

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

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

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

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

Michael A. Nutter, Mayor, was sworn in as the City's 98th Mayor on January 7, 2008. He won the Democratic nomination in a five-way primary election. He was reelected and was sworn in for his second term as Mayor on January 2, 2012. Elected to Philadelphia City Council in 1992, the Mayor represented the City's Fourth Council District for nearly fifteen years. During his time in City Council, he engineered groundbreaking ethics reform legislation, led successful efforts to pass a citywide smoking ban, worked to lower taxes for Philadelphians and to reform the City's tax structure, and labored to increase the number of Philadelphia police officers patrolling the streets and to create a Police Advisory Board to provide a forum for discussion between citizens and the Police Department. Mayor Nutter received his B.A. from the Wharton School of Business at the University of Pennsylvania in 1979.

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

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

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

Government Services

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

On February 13, 2012, Mayor Michael Nutter released an analysis prepared by Lazard Freres & Co., LLC ("Lazard"), the City's strategic advisor, recommending that the City "pursue a process to transfer ownership and operation of PGW to a private entity via a strategic sale." The City has engaged a team of legal and financial advisors to assist with such process, including Lazard who was re-engaged to serve as financial advisor for the proposed sale. In its new role, Lazard is currently undertaking further financial review of the proposed transaction, including an analysis of the anticipated loss to the City of the

$18 million annual payment from PGW and the potential increase in annual tax revenues for the City resulting from a sale to a private party. The review is expected to be concluded in December 2012. The City will be proceeding with a process to select a broker so that the City can proceed expeditiously with a sale process including receiving bids should the refined financial analysis suggest a favorable result. A sale would require certain approvals, including those of City Council and also the Pennsylvania Public Utility Commission. No sale can be completed without providing for the defeasance of the City's outstanding Gas Works Revenue Bonds and Notes. The City is under no obligation to sell PGW and the selection of the team of legal and financial advisors, as well as broker selection and any subsequent invitation for bids, will not impose any obligation on the City to sell if the process does not produce the desired results.

Local Government Agencies

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

Mayoral-Appointed or Nominated Agencies

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

PMA. The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include, without limitation, the construction and leasing of municipal solid waste disposal facilities, correctional facilities, and other municipal buildings. The PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

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

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. The PRA is governed by a five-member board appointed by the Mayor and must submit its budgets to the City for review and approval.

Housing Authority. The Philadelphia Housing Authority (the "Housing Authority") is the fourth largest public housing authority in the United States and is responsible for developing and managing low and moderate income rental units and limited amounts of for-sale housing in the City. By Act 130 of 2012 ("Act 130"), signed into law on July 5, 2012 by the Governor, the number of Board members for the Housing Authority was increased, and the method of the Board's appointment was changed. Under Act 130, the Housing Authority is to be governed by a Board of nine members appointed by the Mayor of the City, subject to the approval of City Council. However, if City Council does not act upon the mayoral nominees, the Mayor of the City may appoint five (5) members of the Housing Authority Board without City Council approval. Since March 4, 2011, the Housing Authority has been under the control of the U.S. Department of Housing and Urban Development ("HUD") under the terms of a Co-operative Endeavor Agreement ("CEA"). The CEA provides that the Housing Authority Board shall consist of HUD which shall select an Administrative Receiver to serve as the Executive Director of the Housing Authority. In early June 2012, the Administrative Receiver/Executive Director of the Housing Authority, Michael P. Kelly, resigned and was replaced by Kelvin A. Jeremiah as Interim Administrative Receiver/Interim Executive Director appointed by HUD. Notwithstanding any appointment of any Housing Authority Board under Act 130, the Housing Authority Board shall consist of HUD pursuant to the CEA until the CEA is terminated by agreement of the Mayor of the City and HUD as provided in the CEA.

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

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

Convention Center Authority. The Pennsylvania Convention Center Authority (the "Convention Center Authority") constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993. The Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. An expansion of the Pennsylvania Convention Center was completed in March 2011. This expansion enlarged the Pennsylvania Convention Center to approximately 2,300,000 square feet with the largest contiguous exhibit space in the Northeast, the largest convention center ballroom in the East and the ability to host large tradeshows or two major conventions simultaneously. Of the 15 members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The 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.

The School District. The School District of Philadelphia (the "School District") was established by the Educational Supplement to the City's Home Rule Charter to provide free public education to the City's residents. Under the Home Rule Charter, its board is appointed by the Mayor and must submit a lump sum statement of expenditures to the City annually. Such statement is used by City Council in making its determination to authorize the levy of taxes on behalf of the School District. Certain financial information regarding the School District is included in the City's Comprehensive Annual Financial Report. It has no independent taxing powers and may levy only the taxes authorized on its behalf by the

City and the Commonwealth. Under the Home Rule Charter, the School District is managed by a nine-member Board of Education appointed by the Mayor from a list supplied by an Educational Nominating Panel that is chosen by the Mayor. In some matters, including the incurrence of short-term and long-term debt, the School District is governed primarily by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth and the City has no property interest in or claim on any revenues or property of the School District.

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

Non-Mayoral-Appointed or Nominated Agencies

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

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

DISCUSSION OF FINANCIAL OPERATIONS

Principal Operations

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

Fund Accounting

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

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

The City maintains twenty-three individual governmental funds. The City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2011), presents data separately for the General Fund, Grants Revenue Fund and Health Choices Behavioral Health Fund, which are considered to be major funds. Data for the remaining twenty funds are combined into a single aggregated presentation.

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

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2011), as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

Fiscal Year 2013 Adopted Budget

The City's Fiscal Year 2013 budget was presented to City Council on March 8, 2012, was approved by City Council on June 28, 2012, and signed by the Mayor on June 29, 2012. The process and required timing for the approval of the budget is described under "CITY FINANCES AND FINANCIAL PROCEDURES-Budget Procedures" herein. The budget projected estimated revenues of $3.568 billion, obligations of $3.604 billion, an operating deficit of $17.6 million (net of prior year adjustments) and an ending fund balance of $81.3 million on the legally enacted basis. The Fiscal Year 2013 budget conforms to the Twenty-First Five-Year Plan (hereinafter defined), which was submitted to PICA on July 27, 2012, resubmitted with addendum on August 9, 2012 and approved by PICA on September 5, 2012.

Fiscal Year 2012 Budget

The City's Fiscal Year 2012 budget was presented to City Council on March 3, 2011, was approved by City Council on June 23, 2011, and signed by the Mayor on June 24, 2011. The budget projected estimated revenues of $3.503 billion, obligations of $3.470 billion, an operating surplus of $57.1 million and an ending fund balance of $60.6 million on the legally enacted basis. The Fiscal Year

2012 budget conformed to the Twentieth Five-Year Plan (hereinafter defined) which was submitted to PICA on July 7, 2011, and approved by PICA on July 26, 2011.

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

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

Fiscal Year 2012 Current Estimate

The Mayor's Operating Budget in Brief for Fiscal Year 2013 (the "Adopted Fiscal 2013 Budget") contains the most recently available estimates for Fiscal Year 2012. The Fiscal Year 2012 fund balance estimate has been revised upward by $38.4 million to $98.9 million. The revised estimate projects revenues for Fiscal Year 2012 of $3.546 billion, obligations of $3.470 billion, an operating surplus of $98.8 million (net of prior year adjustments) and an ending fund balance of $98.9 million. Revenue estimates have been revised upward $43.8 million versus the adopted budget. Tax Revenues for Fiscal Year 2012 are projected to be $2.3 million lower than the adopted budget primarily due to reduction in projections for Wage and Earnings Tax – $20.1 million, Sales Tax - $6.3 million, Net Profits Tax - $5.4 million, Real Property Transfer Tax - $2.5 million and Parking Tax - $1.0 million which are being partially offset by higher tax revenues from Real Property Taxes - $11.7 million and the Business Income & Receipts Tax (formerly called the Business Privilege Tax) – $22.1 million. The Twenty-First Five-Year Plan includes an estimate of Real Property Tax STEB (hereinafter defined) appeal losses for Fiscal Year 2012 discussed under the "REVENUE OF THE CITY – Assessment and Collection of Real and Personal Property Taxes." Locally Generated Non-Tax Revenues are revised downward by $8.4 million, largely the result of a lower projection of Emergency Medical Services fees - $9.7 million, Commercial Property Collection fees - $6.3 million, interest earnings - $4.0 million, Sheriff fees - $3.2 million and traffic fines - $2.4 million which are being partially offset by higher revenues from recycling - $3.5 million, fees and permits - $4.3 million, reimbursements - $3.5 million, Clerk of Court fees - $4.8 million and various other sources - $1.0 million. Revenues from Other Governments are projected to be $53.1 million higher than forecasted largely due to additional funds for Pension Aid (Act 205) of $34.9 million, one-time payment of funds owed to the City of $12.5 million, payment of $11.0 million from the Philadelphia Parking Authority, and additional funds from PICA for a settlement with J.P. Morgan of $7.5 million, which are being partially offset by lower than estimated gaming revenues in the amount of $5.5 million and the elimination of a $3.5 million reimbursement for property reassessment. The revised estimate of obligations includes $23.9 million in higher than budgeted obligations primarily due to increased costs for personal services including higher overtime costs for Police, Fire, Prisons and Sheriff and higher vehicle fuel costs which is being offset by lower than anticipated debt service costs and the elimination of the contingency for snow removal costs.

Fiscal Year 2011 Results

The Comprehensive Annual Financial Report for Fiscal Year 2011, released on February 24, 2012, reported that the City had revenues of $3.860 billion, obligations of $3.785 billion and an ending fund balance of a positive $0.1 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis. These figures were unchanged from the City's Annual Financial Report for Fiscal Year 2011, released on October 28, 2011. The City is required by the Home Rule Charter to release its unaudited financial statements within 120 days of the end of the fiscal year; historically, these results have not changed between the release of the unaudited and the audited financials.

The City's Fiscal Year 2011 budget was signed by the Mayor on June 1, 2010. The budget projected estimated revenues of $3.909 billion, obligations of $3.853 billion, an operating surplus of $80.5 million and an ending fund balance of $42.6 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis. The budget included a 9.9% Real Estate Tax increase. The Nineteenth Five-Year Plan (hereinafter defined) was approved by PICA on August 10, 2010.

Overview of City Response to Economic Downturn

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

The City undertook these measures as a result of the impact of the national and global recession. Beginning in August 2008, the City began to experience adverse budgetary performance for Fiscal Year 2009 as a result of the recession. In November 2008, the City projected a $1 billion gap over the five-year period of the Seventeenth Five-Year Plan, and the City took a series of measures to close the projected gap for Fiscal Year 2009 and over the period of the Seventeenth Five-Year Plan. However, the economy deteriorated further and revenues declined at a greater pace than had been projected, leaving the City with a Fiscal Year 2009 operating deficit of $286.8 million resulting in a deficit of $236.8 million after prior year net adjustments of $41.8 million and a cumulative adjusted year-end General Fund balance deficit of $137.2 million. Tax receipts continued to display weakness in Fiscal Year 2010, increasing the projected gap for both Fiscal Year 2010 and the period of the Eighteenth Five-Year Plan. In total during the six-year period of Fiscal Years 2009-2014, the projected shortfall reached $2.4 billion. As a result of a number of steps outlined herein, in Fiscal Year 2010, the City had a cumulative adjusted year-end General Fund balance deficit of $114.0 million. In Fiscal Year 2011, the City had a cumulative adjusted year-end General Fund balance surplus of approximately $92,000, and in Fiscal Year 2012, the City is estimated to have a cumulative adjusted year-end General Fund balance surplus of approximately $98.9 million. See also "CITY FINANCES AND FINANCIAL PROCEDURES -- Budget Stabilization Reserve."

Current City Practices

It is the City's practice to file its Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, in addition to certain other information such as the City's bond ratings and information about upcoming debt issuances with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such report. The CAFR for the City's fiscal year ended June 30, 2011 was deposited with the MSRB on February 24, 2012, through the MSRB's Electronic Municipal Market Access (EMMA) system. The CAFR is prepared by the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units. Upon written request to the Office of the Director of Finance and payment of the costs of duplication and mailing, the City will make available copies of the

CAFR for the Fiscal Year ended June 30, 2011. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, Suite 1300, 1401 John F. Kennedy Boulevard, Philadelphia, Pennsylvania 19102. The CAFR is also available online at the City's Investor Information website: http://www.phila.gov/investor (the "City's Investor Website"), further described below.

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

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

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

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

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

CITY FINANCES AND FINANCIAL PROCEDURES

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

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

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

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

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

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth. These resources are restricted to providing managed behavioral health care to residents of the City.

- The Grants Revenue Fund accounts for the resources received from various federal, state and private grantor agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

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

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

The City reports on the following Fiduciary Funds:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.

- The Philadelphia Gas Works Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its noncontributory pension plan.

The City reports on the following major Proprietary Funds:

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

- The Aviation Fund accounts for the activities of the City's airports.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Water Fund are charges for water and sewer service. The principal operating revenue of the Aviation Fund is charges for the use of the City's airports. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Legal Compliance

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

The operating funds of the City, consisting of the General Fund, nine Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Acute Care Hospital Assessment and Housing Trust Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. Included with the Water Fund is the Water Residual Fund. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: 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 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.

Budget Procedure

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

At least 30 days before the end of each Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. If the Mayor disapproves the bill, he must return it to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives it. If the Mayor does not return the ordinance within the time required, it becomes law without his approval. If City Council passes the bill by a vote of two-thirds of all of its members within seven days after the bill has been returned with the Mayor's disapproval, it becomes law without his approval. The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table 31 for a summary of the City's capital improvement program for the Fiscal Years 2013 through 2018.

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

Budget Stabilization Reserve

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

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

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SUMMARY FINANCIAL INFORMATION

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

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

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Current Estimate[6] 2012	Adopted Budget [4] 2013
Revenues								
Real Property Taxes[1]	395.8	397.5	402.8	400.1	402.2	482.7	498.5	514.9
Wage and Earnings Tax	1,111.2	1,167.4	1,184.8	1,117.0	1,114.2	1,134.3	1,168.4	1,207.8
Net Profits Tax	14.6	15.3	12.5	12.2	14.5	8.8	12.1	12.3
Business Privilege Tax	415.5	436.4	398.8	386.0	364.7	376.9	391.4	394.9
Sales Tax[2]	127.8	132.6	137.3	128.2	207.1	244.6	250.2	259.3
Other Taxes[3]	304.1	286.7	260.3	209.3	213.9	211.8	216.7	225.2
Total Taxes	2,369.0	2,435.9	2,396.5	2,252.8	2,316.6	2,459.1	2,537.1	2,614.4
Locally Generated Non-Tax Revenue	235.9	247.9	265.8	256.3	229.4	280.0	251.5	246.3
Revenue from Other Governments[5]	924.5	1,032.9	1,033.4	993.4	1,076.4	1,066.5	704.9	653.8
Receipts from Other City Funds[5]	24.9	27.4	27.2	135.4	31.9	54.6	53.0	53.2
Total Revenue	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,860.3	3,546.6	3,567.7
Obligations/Appropriations								
Personnel Services	1,250.2	1,327.6	1,390.7	1,406.3	1,358.5	1,360.4	1,343.8	1,341.3
Purchase of Services	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,127.8	757.8	768.6
Materials, Supplies and Equipment	82.1	89.1	92.1	82.7	68.7	78.3	84.3	79.3
Employee Benefits	760.2	890.3	983.0	973.2	831.4	967.0	1,027.9	1,118.3
Indemnities, Contributions and Grants	110.9	119.0	120.9	130.0	128.0	111.1	118.2	137.9
City Debt Service	82.9	89.1	87.2	100.9	105.5	110.4	111.3	127.4
Other	38.6	31.2	32.3	22.7	26.0	0.0	0.0	0.0
Payments to Other City Funds	35.4	38.7	24.8	25.3	24.2	30.3	27.1	31.1
Total Obligations/Appropriations	3,426.0	3,736.6	3,919.8	3,915.3	3,653.7	3,785.3	3,470.4	3,603.9
Operating Surplus (Deficit) for the Year	128.2	7.5	(197.0)	(277.4)	0.6	75.0	76.2	(36.1)
Net Adjustments – Prior Year	30.1	35.9	18.6	20.7	22.6	39.1	22.6	18.5
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	96.2	254.5	297.9	119.5	(137.2)	(114.0)	0.1	98.9
Cumulative Adjusted Year End Fund Balance (Deficit)	254.5	297.9	119.5	(137.2)	(114.0)	0.1	98.9	81.3

(1) Actual 2011 reflects a 9.9% increase. See "Revenues of the City – Assessment and Collection of Real and Personal Property Taxes" herein. The Twenty-First Five-Year Plan includes a Real Estate Tax increase of 3.6% (8.2% on the City portion) in Fiscal Year 2013.

(2) Reflects 1% increase effective October 8, 2009.

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

(4) From the estimates for the Adopted Fiscal 2013 Budget; the estimate for Real Property Tax revenue includes the potential impact, if any, of the ruling by STEB discussed under "REVENUES OF THE CITY - Assessment and Collection of Real and Personal Property Taxes."

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

(6) From the estimates for the Adopted Fiscal 2013 Budget. The reduction in Revenue from Other Governments (State and Federal funding) in Fiscal Year 2012 is largely the result of transferring the majority of the Department of Human Services revenues and obligations to the Grants Revenue Fund.

Source: City of Philadelphia Department of Finance
Figures may not add up due to rounding.

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

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Current Estimate[6] 2012	Adopted Budget [5] 2013
Revenues								
General Fund	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,860.3	3,546.6	3,567.7
Water Fund[1]	490.3	519.7	589.7	543.5	546.7	567.5	623.9	671.9
Aviation Fund[2]	271.5	268.6	287.9	294.1	290.2	304.8	300.0	377.1
Other Operating Funds[3]	41.9	44.9	113.2	49.5	50.1	48.1	52.7	57.6
Total Revenue	4,358.0	4,577.3	4,713.6	4,525.0	4,541.3	4,780.7	4,523.2	4,674.3
Obligations/Appropriations								
Personnel Services	1,412.9	1,498.2	1,568.9	1,579.0	1,523.6	1,525.0	1,510.7	1,529.0
Purchase of Services	1,233.5	1,328.5	1,441.4	1,369.2	1,312.8	1,344.2	1,010.4	1,056.2
Materials, Supplies and Equipment	136.2	145.9	151.1	140.7	128.9	135.2	148.4	155.4
Employee Benefits	845.3	990.1	1,095.8	1,091.4	932.8	1,092.2	1,168.6	1,264.5
Indemnities, Contributions and Taxes	116.5	122.6	127.1	135.9	134.4	118.7	126.6	149.7
Debt Service[4]	337.6	348.8	346.7	384.8	397.8	398.4	410.6	442.0
Other	38.6	31.2	32.3	22.7	24.2	0.0	0.0	0.0
Payments to Other City Funds	119.4	144.9	154.7	88.1	98.5	101.3	105.2	182.8
Total Obligations/ Appropriations	4,240.0	4,610.2	4,917.9	4,811.8	4,553.0	4,715.0	4,480.4	4,779.6
Operating Surplus (Deficit) for the Year	118.0	(32.8)	(204.3)	(286.8)	(11.6)	65.7	42.8	(105.3)
Net Adjustments Prior Year	60.6	69.6	51.0	41.8	58.1	70.5	52.8	48.7
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	132.9	311.5	348.3	195.0	(50.0)	(3.4)	132.7	228.3
Cumulative Adjusted Year End Fund Balance (Deficit)	311.5	348.3	195.0	(50.0)	(3.4)	132.7	228.3	171.7

(1) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of $4,994,000 per year, provided certain further conditions are satisfied. From Fiscal Year 1991 to Fiscal Year 2003, the maximum transfer, per administrative agreement, was $4,138,000. For Fiscal Year 2004, the budgeted transfer was not made. For Fiscal Year 2005, the transferred amount was $4,401,000. For Fiscal Year 2006, 2007 and 2008, the transferred amount was $4,994,000. For Fiscal Year 2009, the transferred amount was $4,185,463. For Fiscal Year 2010, the transferred amount was $2,303,986, for Fiscal Year 2011, the amount transferred was $1,229,851. The current estimate for Fiscal Year 2012 is $500,000 and the transferred amount in the Adopted Budget for Fiscal Year 2013 is $600,000.

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

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

(4) Excludes PICA bonds.

(5) From the estimates for the Adopted Fiscal 2013 Budget; the estimate for Real Property Tax revenue includes the potential impact, if any, of the ruling by STEB discussed under "REVENUES OF THE CITY - Assessment and Collection of Real and Personal Property Taxes."

(6) From the estimates for the Adopted Fiscal 2013 Budget. The reduction in General Fund revenues for Fiscal Year 2012 is largely the result of transferring the majority of the Department of Human Services revenues and obligations to the Grants Revenue Fund.

Figures may not add up due to rounding.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011 (the "Fiscal Year 2011 Comprehensive Annual Financial Report"), which can be found at the City's Investor Website.

The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the Fiscal Year 2011 Comprehensive Annual Financial Report.

Pennsylvania Intergovernmental Cooperation Authority

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

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

Five-Year Plans of the City

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

The Mayor presented the Twenty-First Five-Year Plan (the "Twenty-First Five-Year Plan") to City Council on March 8, 2012, City Council approved the Fiscal Year 2013 Operating Budget on June 28, 2012, and the Mayor signed it on June 29, 2012. The adopted Fiscal Year 2013 Operating Budget conforms to the Twenty-First Five-Year Plan. The Twenty-First Five-Year Plan was approved by PICA on September 5, 2012. The Twenty-First Five-Year Plan includes a Real Estate Tax increase of 3.6% (8.2% on the City portion) in Fiscal Year 2013.

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

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

The City's Eighteenth Five-Year Plan (the "Eighteenth Five-Year Plan"), covering Fiscal Years 2010-2014, included a one percent City Sales Tax increase through Fiscal Year 2014 and a partial deferral of the City's pension payment in Fiscal Year 2010 ($150 million) and Fiscal Year 2011 ($80 million) to be paid back in full by Fiscal Year 2014, as permitted under Act 44 of 2009 of the General Assembly of the Commonwealth ("Act 44"). In addition to the deferrals, the City changed the amortization period from 20 years to 30 years and lowered the interest rate assumption from 8.75% to 8.25%. On October 28, 2010, the City's Board of Pensions and Retirement (the "Board of Pensions") voted to further lower the pension fund's annual earnings assumption from 8.25% to 8.15%. This is reflected in subsequent five-year plans through the Twentieth Five-Year Plan. In February of 2012, the Board of Pensions again voted to lower the Municipal Pension Fund's annual earnings assumption from 8.15% to 8.10%; this is reflected in the Twenty-First Five-Year Plan. At PICA's request, the Eighteenth Five-Year Plan was revised to include at least $25 million in additional savings or recurring revenues in each year of the Eighteenth Five-Year Plan. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009, subject to the enactment of the legislation authorizing the increase in the City's sales tax and change in the City's pension fund payments. The Commonwealth enacted such legislation on September 18, 2009.

Quarterly Reporting to PICA

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

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

Awards

For the thirty-first consecutive year, the Government Finance Officers Association of the United States and Canada ("GFOA") awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting ("GFOA Awards") to the City for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2010. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements. The City has applied for the GFOA Award for its 2011 CAFR.

REVENUES OF THE CITY

General

In 1932, the General Assembly of the Commonwealth adopted an act (commonly referred to as the Sterling Act) under which the City was permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Prior to 1939, the City relied heavily upon the Real Estate Tax as the mainstay of its revenue system. Acting under the Sterling Act and other legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (1) enacting the wage, earnings, and net profits tax in 1939; (2) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (3) requiring under the Home Rule Charter that the water, sewer, and other utility systems be fully self-sustaining; and (4) enacting in 1952 the Mercantile License Tax (a gross receipts tax on business done within the City), which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax (which was renamed the Business Income and Receipts Tax in May 2012).

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 below for revenues by major source for Fiscal Years 2003-2013 and Table 4 below for General Fund tax revenues for Fiscal Years 2007-2013. The following descriptions do not take into account revenues in the Non-Debt Related Funds. The tax rates for Fiscal Years 2002 through 2011 are contained in the Fiscal Year 2011 Comprehensive Annual Financial Report.

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Table 3
Summary of Principal Operating Funds (Debt Related)
Revenues by Major Source
Fiscal Years 2003-2013 (Legal Basis)
(Amounts in Millions of USD)

	General Fund Tax Revenues												
Fiscal Year	Real Property Taxes[1]	Wage Earnings & Net Profits Taxes[1]	Business Privilege Tax[1]	Sales and Use Tax[1]	Other Taxes[2]	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Governments	Revenue from Other City Funds	Total Revenues
2003	361.1	1,025.1	286.1	108.0	156.3	1,936.6	329.6	219.4	327.4	2,813.0	909.7	62.8	3,785.5
2004	377.7	1,062.6	309.2	108.0	202.2	2,059.7	383.1	235.0	207.4	2,885.2	834.2	92.1	3,811.5
2005	392.7	1,087.3	379.5	119.9	250.9	2,230.3	419.7	246.3	200.8	3,097.1	1,082.4	71.6	4,251.1
2006	395.8	1,125.8	415.5	127.8	304.1	2,369.0	460.4	269.4	236.2	3,335.0	953.1	69.9	4,358.0
2007	397.5	1,182.7	436.4	132.6	286.7	2,435.9	486.9	266.0	248.3	3,437.1	1,063.3	77.0	4,577.4
2008	402.8	1,197.3	398.8	137.3	260.3	2,396.5	555.0	275.3	267.5	3,494.3	1,066.2	153.1 [3]	4,713.6
2009	400.1	1,129.2	386.0	128.2	209.3	2,252.8	484.5	291.3	258.3	3,286.9	1,025.4	212.7 [4]	4,525.0
2010	402.2	1,128.7	364.7	207.1[5]	213.9	2,316.6	516.4	290.2	224.5	3,347.7	1,110.7[6]	82.7	4,541.3
2011	482.7[7]	1,143.1	376.9	244.6	211.8	2,459.1	537.5	302.7	280.2	3,579.5	1,100.0	91.1	4,770.7
2012 (Current Estimate)[9]	498.5	1,180.4	391.4	250.2	216.7	2,537.1	563.7	293.5	251.58	3,645.8	741.5	135.8	4.523.2
2013 (Adopted Budget)[8, 10]	514.9	1,220.1	394.9	259.3	225.2	2,614.4	584.4	371.1	246.2	3,816.1	688.3	169.8	4,674.3

(1) See Table 7 in the Fiscal Year 2011 Comprehensive Annual Financial Report for Tax Rates.
(2) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
(3) In Fiscal Year 2008, there was an increase of $73 million in payment from Water Fund to Water Residual Fund.
(4) In Fiscal Year 2009, there was an $86 million payment from the Wage Tax Reduction Fund.
(5) Reflects 1% increase effective October 8, 2009.
(6) In Fiscal Year 2010, the Wage Tax Reduction payment is shown in the Revenue from Other Governments column.
(7) Reflects a Real Estate Tax increase of 9.9%.
(8) From the estimates for the Adopted Fiscal 2013 Budget; the estimate for Real Property Tax revenue includes the potential impact, if any, of the ruling by STEB discussed under "Assessment and Collection of Real and Personal Property Taxes."
(9) From the estimates for the Adopted Fiscal 2013 Budget. The reduction in Revenue from Other Governments in Fiscal Year 2012 is largely the result of the transfer of the majority of the Department of Human Services revenue and obligations to the Grants Revenue Fund.
(10) Reflects a Real Estate Tax increase of 3.6% (8.2% on the City portion).

Figures may not add up due to rounding.

Table 4
General Fund Tax Revenues[1]
Fiscal Years 2007-2013
(Amounts in Millions of USD)

	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Current Estimate[5] 2012	Adopted Budget[6] 2013
Real Property Taxes							
Current	367.2	366.5	365.6	364.3	454.7[4]	463.5	479.9
Prior	30.3	36.3	34.4	37.9	28.0	35.0	35.0
Total	397.5	402.8	400.0	402.2	482.7	498.5	514.9
Wage and Earnings Tax[2]							
Current	1,162.4	1,176.5	1,105.9	1,102.3	1,127.4	1,158.4	1,197.8
Prior	5.1	8.3	11.1	11.9	6.9	10.0	10.0.
Total	1,167.5	1,184.8	1,117.0	1,114.2	1,134.3	1,168.4	1,207.8
Business Taxes							
Business Privilege							
Current & Prior	436.4	398.8	386.0	364.7	376.9	391.4	394.9
Net Profits Tax							
Current	10.9	9.1	9.5	12.1	5.7	9.6	9.8
Prior	4.3	3.4	2.7	2.4	3.1	2.5	2.5
Subtotal Net Profits Tax	15.3	12.5	12.2	14.5	8.8	12.1	12.3
Total Business Taxes	451.6	411.3	398.2	379.2	385.8	403.4	407.2
Other Taxes							
Sales and Use Tax	132.6	137.3	128.3	207.1[3]	244.6	250.2	259.3
Amusement Tax	16.4	18.0	21.4	21.8	20.8	21.6	22.1
Real Property Transfer Tax	217.3	184.0	115.1	119.2	116.6	118.3	124.5
Parking Taxes	50.3	55.5	70.4	70.5	71.6	73.3	75.1
Other Taxes	2.6	2.8	2.4	2.4	2.7	3.4	3.4
Subtotal Other Taxes	419.2	397.6	337.6	421.0	456.3	466.8	484.5
TOTAL TAXES	2,435.9	2,396.5	2,252.8	2,316.6	2,459.1	2,537.1	2,614.4

(1) See Table 7 in the Fiscal Year 2011 Comprehensive Annual Financial Report for Tax Rates.
(2) Beginning in Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.
(3) Effective October 8, 2009, there was a 1% increase to the City Sales tax.
(4) Reflects a Real Estate Tax increase of 9.9%.
(5) From the estimates for the Adopted Fiscal 2013 Budget; the estimate for Real Property Tax revenue includes the potential impact, if any, of the ruling by STEB discussed under "Assessment and Collection of Real and Personal Property Taxes."
(6) From the estimates for the Adopted Fiscal 2013 Budget. Reflects a Real Estate Tax increase of 3.6% (8.2% on the City portion).

Figures may not add up due to rounding.

Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising 47% of all tax revenues) is the Wage, Earnings, and Net Profits (Wage) Tax. The Wage Tax is collected from all employees working within City limits, and all City residents regardless of work location. In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wages, earnings and net profits at the rate of 1.5% on City residents. See "DEBT OF THE CITY-- PICA Bonds" for a description of the pledge of the PICA Tax to secure PICA's bonds. The table below sets forth the resident and non-resident wage and earnings tax rates for Fiscal Years 2003-2013, and the annual wage and earnings tax receipts in Fiscal Years 2003-2011, the current estimate for Fiscal Year 2012 and the Adopted Budget for Fiscal Year 2013.

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

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates[1]	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD)
2003	4.5000	3.9127	1,306.6
2004	4.4625	3.8801	1,347.6
2005	4.4625 (Jul. 1)	3.8801 (Jul. 1)	1,387.5
	4.3310 (Jan. 1)	3.8197 (Jan. 1)	
2006	4.3310 (Jul. 1)	3.8197 (Jul. 1)	1,435.6
	4.3010 (Jan. 1)	3.7716 (Jan. 1)	
2007	4.3010 (Jul. 1)	3.7716 (Jul. 1)	1,510.6
	4.2600 (Jan. 1)	3.7557 (Jan. 1)	
2008	4.2600 (Jul. 1)	3.7557 (Jul. 1)	1,527.5
	4.2190 (Jan. 1)	3.7242 (Jan. 1)	
2009[2]	3.9800 (Jul. 1)	3.5392 (Jul. 1)	1,477.8
	3.9300 (Jan. 1)	3.5000 (Jan. 1)	
2010	3.9296	3.4997	1,472.0
2011	3.9280	3.4985	1,501.8
2012	3.9280	3.4985	1,537.2 Current Estimate[3]
2013	3.9280	3.4985	1,587.9 Adopted Budget[3]

(1) Includes PICA Tax.
(2) There were two rate decreases during Fiscal Year 2009.
(3) From the estimates for the Adopted Fiscal 2013 Budget.

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

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

Business Income and Receipts Tax

In 1984, the Commonwealth of Pennsylvania passed legislation known as The First Class City Business Tax Reform Act of 1984 authorizing the City Council of Philadelphia to impose a business tax measured by Gross Receipts, Net Income or the combination of the two. The same year, the City Council by ordinance repealed the Mercantile License Tax and the General Business Tax and imposed the Business Privilege Tax. As of May 1, 2012 the Business Privilege Tax was renamed the Business Income and Receipts Tax ("BIRT"). Rental activities are usually considered to be business activities. Every estate or trust (whether the fiduciary is an individual or a corporation) must file a BIRT return if the estate or trust is engaged in any business or activity for profit within the City of Philadelphia.

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

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the BIRT with plans of eventually eliminating the gross receipts portion of the tax. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2014. In the Seventeenth Five-Year Plan, the Mayor approved further reductions in the gross receipts portion of the Business Privilege Tax for each of the Fiscal Years 2009-2013. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015. The Nineteenth Five-Year Plan and the Twentieth Five-Year Plan suspended future City rate reductions until Fiscal Year 2014. Through cooperation with City Council, major changes have been made to the BIRT that took effect calendar year 2012 with changes phasing in through calendar year 2016. These change the prior proposed schedule of rate reductions. The City Council has approved certain changes to the BIRT, further described below.

Table 6
Summary of Business Income and Receipts Tax Rates

Tax Year	Business Income and Receipts Tax Rates Business Privilege Tax Rates	Net Income
2003	2.300 mills	6.50%
2004	2.100 mills	6.50%
2005	1.900 mills	6.50%
2006	1.665 mills	6.50%
2007	1.540 mills	6.50%
2008	1.415 mills	6.45%
2009	1.415 mills	6.45%
2010	1.415 mills	6.45%
2011	1.415 mills	6.45%
2012	1.415 mills	6.45%
2013	1.415 mills	6.45%

The Twenty-First Five-Year Plan includes the legislative changes passed by City Council and signed by the Mayor in 2011 which incorporated several changes intended to help businesses grow in Philadelphia. These tax changes intend to help small and medium sized businesses and spur lower costs associated with starting a new business in order to stimulate new business formation and increase employment in Philadelphia. The business privilege license fee for all businesses will be eliminated in Fiscal Year 2014. In addition, business taxes for the first two years of operations for all new businesses that employ at least three employees in their first year and six in their second would be eliminated beginning in Fiscal Year 2013. These legislative changes also provide for across the board exclusions on the gross receipts portion for all businesses scaled in over a three-year period beginning in Fiscal Year 2015 and reductions in the net income portion of the BIRT. When the exclusions are fully phased in, the first $100,000 of receipts will be excluded. Lastly, these legislative changes call for implementation of single sales factor apportionment. This enables businesses to pay BIRT based solely on sales, not on property or payroll. By taxing property and payroll, the BIRT previously had provided disincentives to firms to locate in the city.

Real Property Taxes

A Real Estate Tax on all taxable real property is levied on the assessed value of residential and commercial property located within the City's boundaries as assessed by the Office of Property Assessment ("OPA"). Real estate taxes benefit both the City and the School District with the millage split changing over the years bringing more benefit to the School District. Due to the recent economic crisis, the City portion of the real estate tax was raised in 2011 and in calendar year 2012 the School District portion of the tax was increased. For calendar year 2013 the City portion of the real estate tax is raised to provide additional funding to the School District of Philadelphia by way of an increased contribution. Before this, the last overall increase in the Real Estate Tax rate was in 1990. Real estate taxes are billed annually and due on March 31 of the year of the taxes. The City offers a 1% discount on current real estate taxes paid before March 1. The Department of Revenue also offers two (2) special payment plans covering current year tax for low income households and low income senior citizen households.

The tax rates for tax years 2003-2013 are set forth below:

Table 7
Real Property Tax History and Allocation

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

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

Senate Bill 1303, which has been passed by the Pennsylvania Senate and is currently pending in the Pennsylvania House of Representatives at the request of the City, would permit downward adjustments to School District millage tax rates, solely to offset the higher assessed values anticipated under AVI, and only to the extent the yield from such lower rates is no lower than the highest tax yield in the previous three years. The bill also would preclude the School District from using its independent authority to levy real estate tax, separately granted by the General Assembly of the Commonwealth, but only to the extent the City authorizes School District real estate tax in an amount no lower than total real estate taxes yielded in the year prior to the revision of assessments, adjusted to account for increases in assessed value since the first year of revision. No prediction can be made as to whether Senate Bill 1303, in its present form, or in any amended form, will be enacted into law, or whether any similar bill may be introduced into the General Assembly of the Commonwealth or enacted.

In June 2012, City Council passed and the Mayor signed Bill Number 120175 which is intended to maintain real estate tax revenue at roughly the same level as prior years for Fiscal Years 2013 and 2014. The bill set the 2013 real estate tax rate for the General Fund at $4.462 on each hundred dollars of assessed value of taxable real property using an EPR (as defined below) of 32%. For 2014, the bill provides for the calculation of real estate tax bills using a formula that will result in a "target revenue number" of $560,086,355 for the General Fund. There can be no assurance that City Council will not amend Bill Number 120175. The City currently anticipates that such "target revenue number" will produce sufficient revenue to comply with the Twenty-First Five Year Plan, even after accounting for assessment appeal losses and typical delinquencies.

Assessment and Collection of Real and Personal Property Taxes

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

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

Beginning on October 1, 2010, the new Office of Property Assessment was formally created to conduct the annual assessment of all real estate located within the City. The Office of Property Assessment has begun the work to conduct a complete reassessment of the approximately 577,000 parcels in the City Completion of the reassessment is a major priority for the Mayor's administration and is expected to be finalized in 2012. In the interim, there is a moratorium on all routine property assessments - exceptions to the moratorium include newly constructed properties, improved properties and consolidated or subdivided properties.

According to the existing appeals mechanism, the BRT has the authority to increase or decrease the property valuations contained in the return of the assessors in order that such valuations conform with law. After all changes in property assessments, and after all assessment appeals, assessments are certified and the results provided to the Department of Revenue. Real Estate Taxes, if paid by February 28, are discounted by 1%. If the tax is paid during the month of March, the gross amount of tax is due. If the tax is not paid by the last day of March, tax additions of 1.5% per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. Beginning in January of the succeeding year, the 15% tax additions that accumulated during the last ten months of the preceding years are capitalized and the tax is registered delinquent. Interest is then computed on the new tax base at a rate of 0.5% per month until the real estate tax is fully paid. Commencing in February of the second year, an additional 1% per month penalty is assessed for a maximum of seven months. See the Fiscal Year 2010

Comprehensive Annual Financial Report for assessed and market values of taxable realty in the City and for levies and rates of collections.

Currently, real estate tax bills for Philadelphia's 577,000 properties are calculated as follows: certified fair market value multiplied by established predetermined ratio (EPR) multiplied by tax rate. The applicable EPR is currently 32%. However, for properties that are the subject of tax assessment appeals, the EPR is replaced with the common level ratio (CLR) issued by the State Tax Equalization Board (STEB) if the CLR differs from the EPR by more than 15%. STEB has issued a final 2012 CLR of 25.2%, revised upwards from 18.1% following objections from the City and School District.

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

On September 21, 2012, the City received a demand from an attorney purporting to represent the owners of approximately 1,750 properties in the City, threatening to bring suit unless the City grants a 39.7% savings in the real estate taxes due on those properties for 2013 on the basis of the alleged invalidity of Act 131. The demand identified neither the owners nor their properties, and no complaint has yet been filed.

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Table 8
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2003 through 2012
as of June 30, 2012
(Amounts in Millions of USD)

		Collected within the Year of the Levy			Total Collections to Date	
Calendar Year of Levy[1]	Taxes Levied for the Year	Amount	Percentage of Levy	Collected in Subsequent Years	Amount[2]	Percentage of Levy
2003	359.4	326.8	90.9	27.6	354.4	98.6
2004	372.5	340.9	91.5	26.3	367.2	98.6
2005	373.5	350.3	93.8	22.1	372.4	99.7
2006	385.6	339.6	88.1	23.1	362.7	94.1
2007	391.7	347.5	88.7	23.6	371.1	94.7
2008	390.2	346.4	88.8	24.9	371.3	95.2
2009	396.5	315.4	79.6	41.8	357.2	90.1
2010	405.8	353.7	87.2	32.7	386.4	95.2
2011	509.1	440.9	86.6	29.8	470.7	92.5
2012	508.6	444.5[3]	87.4	N/A	444.5	87.4

[1] Real Estate Tax bills are sent out in November and are payable at 1% discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.
[2] Includes collections through June 30, 2012.
[3] Includes collections through June 30, 2012. It is estimated that approximately 92% of the amount levied for 2012 will be collected within the year of levy.

Table 9
Principal Property Tax Payers
2012 and 2003
(Amounts in Millions of USD)

	2012		2003	
Taxpayer	Assessment*	Percentage of Total Assessments	Assessment*	Percentage of Total Assessments
Franklin Mills Associates**	57.6	0.47	48.4	0.46
Phila Liberty Place E LP	54.4	0.44	64.3	0.62
Nine Penn Center Associates	54.1	0.44	54.1	0.52
HUB Properties Trust	43.8	0.35	52.3	0.50
Brandywine Operating Partners**	40.6	0.33	-	-
PRU 1901 Market LLC**	35.2	0.28	32.9	0.32
Maguire/Thomas	33.9	0.27	32.0	0.31
Commerce Square Partners	33.3	0.27	32.3	0.31
Phila Shipyard Development Corp	30.3	0.24	-	-
Philadelphia Market Street	28.8	0.23	30.4	0.29
Total	412.0	3.33	346.7	3.33
Total Taxable Assessments***	12,368.6		10,426.7	

* 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.
** Assessment is being appealed.
*** Total Taxable Assessment as of September 13, 2012.
Source: City of Philadelphia, Board of Revision of Taxes.

<u>Table 10</u>
Ten Largest Certified Market and Assessment Values of Tax-Abated Properties Certified Values for 2012 (Amounts in Millions of USD)

Location	2012 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Thru Tax Year
1701 John F Kennedy Blvd.	181.5	58.1	2.9	55.2	2017
1001 N Delaware Ave	150.9	48.3	12.8	35.5	2020
2929L Arch St.	117.0	37.4	0.0	37.4	2015
1500 Spring Garden St.	54.8	17.5	2.9	14.6	2020
2201 Park Towne Pl.	48.0	15.4	13.5	1.9	2012
2930L Chestnut St.	40.0	12.8	0	12.8	2022
3401 Chestnut St.	35.3	11.3	0.7	10.6	2017
1327-39 Chestnut St.	35.0	11.2	10.9	0.3	2016
4000 Monument Rd.	31.8	10.2	6.2	4.0	2017
1601 N 15th St.	31.5	10.1	0.2	9.9	2017

Source: City of Philadelphia, Board of Revision of Taxes.

Sales and Use Tax

The City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes effective beginning in Fiscal Year 1992. The Commonwealth authorized the levy of this tax under the PICA Act. Vendors are required to pay this sales tax to the Commonwealth Department of Revenue together with the similar Commonwealth sales and use tax. The State Treasurer deposits the collections of this tax in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The Fiscal Year 2010 budget assumed an increase to 2% from the then-current 1% rate. The General Assembly of the Commonwealth enacted legislation authorizing this increase effective October 8, 2009. The Eighteenth Five-Year Plan, the Nineteenth Five-Year Plan, the Twentieth Five-Year Plan and the Twenty-First Five-Year Plan assume this temporary increase will sunset on June 30, 2014.

The table below sets forth the City Sales Tax collected in Fiscal Years 2003 through 2011, the current estimate for Fiscal Year 2012 and the Adopted Budget for Fiscal Year 2013.

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Table 11
Summary of City Sales Tax Collections
(Amounts in Millions of USD)

Fiscal Year	City Sales Tax Collections
2003	108.0
2004	108.0
2005	119.9
2006	127.8
2007	132.6
2008	137.3
2009	128.0
2010	207.1
2011	244.6
2012 (Current Estimate[1])	250.2
2013 (Adopted Budget[1])	259.3

[1] From the estimates for the Adopted Fiscal Year 2013 Budget.

Other Taxes

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

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 City's Fiscal Year 2013 General Fund Adopted Budget estimates that approximately 18.3% of General Fund revenues will be received from other governmental jurisdictions, including (1) $248.2 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $38.9 million from the Federal government; and (3) $62.9 million from other governments, in which revenues are primarily payments from PGW and parking fines and fees from the Philadelphia Parking Authority. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA-Government Services." In addition, the net collections of the PICA Tax of $301.8 million are included in "Revenue from Other Governments." The decrease in Fiscal Year 2013 General Fund Adopted Budget Revenue from Other Governments of $51.1 million from the Fiscal Year 2012 current estimate is primarily the result of the elimination of several one-time revenues sources including: $34 million of State Pension Aid, $12.5 million from the Parametric Garage for amounts owed to the City, and $11 million in amounts due related to the Love Park Garage which was offset by certain other revenues.

The City's Fiscal Year 2012 General Fund current estimate projects that approximately 19.9% of General Fund revenues will be received from other governmental jurisdictions, including: (1) $239.3 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $90.4 million from the Federal government; and (3) $81.8 million from other governments, in which revenues are primarily payments from PGW and parking fines and fees from the Philadelphia Parking Authority. In addition, the net collections of the PICA Tax of $290.5 million are included in "Revenue from Other Governments." The General Fund decrease in Fiscal Year 2012 Revenue from Other Governments is largely due to the transfer of the majority of the Department of Human Services revenue and obligations to the Grants Revenue Fund.

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

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

Revenues from City-Owned Systems

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

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (a) all Net Reserve Earnings, as defined below, or (b) $4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. Commencing in Fiscal Year 1991, the $4,994,000 amount was reduced to $4,138,000 by administrative agreement that remained in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer was made in each subsequent year through Fiscal Year 2003. For Fiscal Year 2004, the transfer was to have increased to $4,994,000 but no payment was made. For Fiscal Year 2005, the transferred amount was $4,401,000; for each of Fiscal Years 2006 through 2008, the transferred amount was $4,994,000. In Fiscal Years 2009, 2010 and 2011, the transferred amounts were $4,185,463, $2,303,986, and $1,229,851 respectively. In Fiscal Year 2012, the current estimated transfer is $500,000 and the Fiscal Year 2013 Adopted Budget estimate is $600,000.

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. In previous years, PGW has also made an annual payment of $18,000,000 to the City's General Fund. For Fiscal Year 2005, the City agreed to forgo the $18,000,000 payment, and for Fiscal Years 2006, 2007, 2008, 2009 and 2010, the City budgeted the receipt of the $18,000,000 payment and the grant back of such amount to PGW. The City's Nineteenth Five-Year Plan assumed that the $18,000,000 payment would be made in each of Fiscal Years 2011 through 2015 and that the City would grant back such payment to PGW in each such Fiscal Year. See also "EXPENDITURES OF THE CITY - Annual Payments to PGW." The City's Twentieth Five-Year Plan included the PGW annual payment of $18,000,000 to the City's General Fund but discontinued the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2012, 2013, 2014, 2015 and 2016. The City's Twenty-First Five-Year Plan includes the PGW annual payment of

$18,000,000 to the City's General Fund and discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2013, 2014, 2015, 2016 and 2017. The City is considering the sale of PGW to a private entity. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA-Government Services."

Philadelphia Parking Authority Revenues

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

PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the "Lease Agreement"). The Lease Agreement provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The City received transfers of rental payments in Fiscal Years 2006 through 2011 that totaled $30,186,642, $33,184,918, $33,570,037, $31,239,909, $23,732,623 and $28,008,554, respectively. The Fiscal Year 2012 current estimate is $28,500,000 and the Fiscal Year 2013 budgeted amount is $29,000,000.

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

EXPENDITURES OF THE CITY

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

Personal Services (Personnel)

As of June 30, 2012, the City employed 26,372 full-time employees, 21,175 of which had salaries paid from the General Fund. Additional employment is supported by other funds, including the Grants Fund, Water Fund and the Aviation Fund.

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

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

Table 12
Filled, Full Time Positions - All Operating Funds
as of June 30 (Actual)

	2006	2007	2008	2009	2010	2011	2012[1,2]
General Fund							
Police	7,287	7,424	7,367	7,443	7,378	7,219	7.225
Fire	2,270	2,399	2,326	2,252	2,187	2,146	2,072
Courts	1,936	1,928	1,970	1,889	1,756	1,869	1,957
Prisons	2,225	2,176	2,131	2,294	2,254	2,166	2,144
Streets	1,858	1,814	1,839	1,724	1,693	1,689	1,682
Health	662	664	665	662	662	661	669
Human Services	1,703	1,721	1,784	1,743	1,751	1,668	804
All Other	4,878	4,941	5,029	4,905	4,616	4,602	4.622
Total General Fund	22,819	23,067	23,111	22,912	22,297	22,020	21,175
Other Funds	4,616	4,598	4,642	4,570	4,566	4,540	5,197
Total - All Funds	27,435	27,665	27,753	27,482	26,863	26,560	26,372

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

Labor Agreements

Four major bargaining units represent City employees for collective bargaining purposes. District Councils 33 and 47 of the American Federation of State, County and Municipal Employees, AFL-CIO represents approximately 15,000 non-uniformed employees. The bargaining units for uniformed employees are the Fraternal Order of Police, Lodge 5 (the "FOP") and the Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters AFL-CIO ("IAFF Local 22"), which together represent approximately 9,400 employees. The non-uniformed employees bargain under Act 195 of 1972, which allows for the limited right to strike over collective bargaining impasses. The uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses. All contract expiration dates are June 30 unless otherwise noted.

On July 10, 2008, an arbitration panel awarded a one-year contract to the FOP effective July 1, 2008. The award called for a 2% wage increase effective July 1, 2008, a 2% wage increase effective January 1, 2009 and a 1% increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the then current monthly rate of $1,303 per member to $1,165 per member. The contract expired June 30, 2009.

On December 18, 2009, an arbitration panel awarded a five-year contract to the FOP effective July 1, 2009 which calls for no raise the first year, a 3% wage increase and one percent stress differential increase effective July 1, 2010, a 3% wage increase effective July 1, 2011, and reopeners on wages in Fiscal Year 2013 and 2014. The award also includes higher employee co-pays in the police medical plan, reduced City contributions to the union's healthcare fund in Fiscal Year 2010, self-insurance for employee health benefits and a requirement that new employees choose between a 20% increase in pension contributions over the amount current employees pay or entering a hybrid plan that includes a defined benefit portion combined with a voluntary 401(k) type retirement plan for the first time.

On June 21, 2011, an arbitration award was issued for a smaller unit comprised of uniformed employees of the Sheriff's Office and civilian employees of the Register of Wills. The award deferred wages and improvements for the civilian employees pending the outcome of negotiations with District Council 33. Uniformed employees of the Sheriff's Office received wage increases of 2.5% on July 1, 2010, 2.5% on July 1, 2011, and reopeners in Fiscal Year 2013 and 2014. Since these employees were not in the uniformed division of the City's pension plan, the award created a new pension plan for the municipal division of the pension plan which must be approved by City Council in order to be implemented. Employees in the Sheriff's Office have the choice of having a 20% increase in pension contributions over the amount current employees pay or entering a hybrid plan that includes a defined benefit portion combined with a voluntary 401(k) type retirement plan. New employees of the Register of Wills Office are required to enter the hybrid plan.

On October 17, 2008, an arbitration panel awarded a one-year contract to the IAFF Local 22 effective July 1, 2008. The award called for a 2% wage increase effective July 1, 2008, a 2% wage increase effective January 1, 2009, and a 1% increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the then current monthly rate of $1,444 per member to $1,270 per member. The contract expired on June 30, 2009.

On October 15, 2010, an arbitration panel awarded a four year contract to the IAFF Local 22 effective July 1, 2009 which calls for no raise the first year, a 3% wage increase effective July 1, 2010, a 3% wage increase effective July 1, 2011, and a 3% wage increase effective July 1, 2012. The award also includes a change from purchase of health insurance to self-insurance as of January 1, 2011, higher employee co-pays in the Fire medical plan, the union's healthcare fund will be responsible for the first $5 million in self-insurance costs, and a requirement that new employees choose between a 20% increase in pension contributions over the amount current employees pay or entering a hybrid plan that includes a defined benefit portion combined with a voluntary 401(k) type retirement plan for the first time. The City appealed the economic provisions of the award other than the revisions to the pension plan. The award has been vacated, and all provisions with the exception of the new pension plan, and changes in vacation scheduling removed. The award has been returned to the panel to issue a revised award consistent with the requirements of PICA. On July 2, 2012, the arbitration panel issued an award following the remand. This award followed the same pattern as the vacated award on economic terms with the exception of health insurance. Health insurance contributions were adjusted retroactively for the period July 1, 2009 through September 30, 2012. For the period October 1, 2012 through June 30, 2013, the City's monthly contributory requirement to the Fund will be reduced by 3.5%, to 1,619.64 per member per month. This award has been appealed by the City with hearings scheduled in October 2012.

The City reached a one-year agreement with District Council 33 and District Council 47, which was effective July 1, 2008. The agreement called for a lump sum bonus of $1,100 per member. The agreement also called for no increase in the current per member per month health benefit payment. The contract expired June 30, 2009. Negotiations are currently underway with District Councils 33 and 47.

On March 16, 2012, an arbitration panel issued an award covering approximately 2,100 prison guards and related employees of the City, who are part of District Council 33. This award covered the time period from July 1, 2008 through June 30, 2014. The award provided a one-time $1,100 lump sum bonus, equivalent to that received by the larger unit of District Council 33 in 2008, and wage increases of 2.5% effective July 1, 2012 and July 1, 2013. If the City agrees to any wage increases in the District Council 33 negotiations described in the preceding paragraph for years prior to July 1, 2012, the prison guards and related City employees would also receive these increases. Overtime compensation was reformed so that employees who use sick leave and other leave time and then work additional hours in a week will not receive the overtime premium rate for these extra hours of work until they have worked at least 40 hours in a week. Covered employees will now have the choice of having a 20% increase in pension contributions over the amount current employees pay or entering a hybrid plan that includes a defined benefit portion combined with a voluntary 401(k) type retirement plan. New employees are required to enter the hybrid plan. Additionally, current employees will be required to make increased contributions for their pension plans effective July 1, 2013. It is estimated that employees covered under Plan 87 (further described under "Municipal Pension Fund") will see an increase from 30% of normal cost to 50% of normal cost which will increase the employee contribution by 1% of salary. Employees in Plan 67 (further described under "Municipal Pension Fund") will also pay 50% of normal cost, but will no longer receive an offset while contributing toward FICA which will increase the employee contribution by 2% of salary.

On July 11, 2012, an interest arbitration was issued governing economic terms of employment for a bargaining unit comprised of 532 professional employees of the First Judicial District, primarily in the job series of Probation Officer. The award ordered general wage increases of 2.5% on July 1, 2012 and July 1, 2013. Additionally, employees in the classification of Probation Officer 2 received a one-range increase within the First Judicial District pay schedule. New hires are required to enter the City's new municipal pension plan, Plan 10.

The following table presents employee wage increases for the Fiscal Years 2006 through 2013.

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Table 13
Employee Wage Increases
Fiscal Years 2006-2013

Fiscal Year	District Council No. 33	District Council No. 47	Fraternal Order of Police	International Association of Fire Fighters
2006	2.0%	2.0%	3.0%	3.0%
2007	3.0%(1)	3.0%(1)	3.0%	3.0%
2008	4.0%(2)	4.0%(2)	4.0%	4.0%
2009	No increase(3)	No increase(3)	4.0%(4)	4.0%(4)
2010	(5)	(5)	0.0%(6)	0.0%(7)
2011	(5)	(5)	3.0%(6)	3.0%(7)
2012	(5)	(5)	3.0%(6)	3.0%(7)
2013	(5)	(5)	(6)	(7)

(1) Third year of a four year contract: 3% effective July 1, 2006.
(2) Fourth year of a four year contract: 4% effective July 1, 2007.
(3) Cash bonus of $1,100 paid 15 days after ratification.
(4) One year contract: 2% effective July 1, 2008 and 2% effective January 1, 2009.
(5) Contract expired on June 30, 2009, negotiations are currently underway. An increase of 2.5% for 2012 was awarded to certain prison guards and related employees which are part of District Council 33.
(6) Five year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, and re-openers on wages in Fiscal Years 2013 and 2014.
(7) Four year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, 3% effective July 1, 2012. The contract award was appealed by the City.

The Mayor has announced that, effective October 1, 2012, supervisors in District Council 47 Local 2186 (for whom the City may impose terms of employment), and civil service non-represented and exempt employees will receive new compensation and benefits including the following: (1) 2.5% pay increase for most affected employees; (2) restored step and longevity increments which may increase compensation (but no back pay); (3) certain changes restricting overtime including the elimination of double time; and (4) certain changes in health care coverage and an increase in employee contributions for the City's HMO (the City will continue to contribute between 89 percent and 92 percent of the total cost, depending on plan, of affected employees' health care). In addition, the Mayor will request City Council to consider legislation placing new employees in the City's new municipal pension plan, Plan 10, and requiring other employees to contribute approximately 1.5 percent more to pensions. Also, in connection with these changes, subject to the approval of the Civil Service commission, the City will now be able to furlough non-represented employees. These changes will affect approximately 5,500 City employees in the executive branch of City government and in independently elected offices, who have not had a pay increase since 2007.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 2007 through 2013 are shown in the following table.

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Table 14
General Fund Employee Benefit Expenditures
Fiscal Years 2007-2013
(Amounts in Millions of USD)

	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Current Estimate [2] 2012	Adopted Budget [2] 2013
Pension Contribution[1]	436.8	430.8	459.0	346.7	485.2	554.3	629.1
Health/Medical/Dental	331.5	421.0	377.0	349.7	346.3	334.3	347.4
Social Security	64.1	69.7	68.8	65.2	64.6	64.9	64.9
Other	57.9	61.5	68.4	69.5	70.9	74.4	76.9
Total	890.3	983.0	973.2	831.4	967.0	1,029.9	1,118.3

(1) The Pension Contribution amount includes debt service on the Pension Obligation Bonds, Series 1999, which were outstanding in the principal amount of $1,389,345,000 on August 31, 2012. See also "*Pension Obligation Bonds*" under "Municipal Pension Fund (Related to All Funds)" below.
(2) From the estimates for the Adopted Fiscal 2013 Budget.

Municipal Pension Fund (Related to All Funds)

General

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

A. Accrued actuarially determined normal costs; and

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

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

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

The City's funding of employer contributions to the Municipal Pension Fund requires the Mayor's annual budget submission and the appropriation of funds for such purpose by the City Council. See "CITY FINANCES AND FINANCIAL PROCEDURES – Budget Procedure" above. In every year since 1987, the City has appropriated contributions to the Municipal Pension Fund in an amount at least equal to the required minimum municipal obligation ("MMO") specified under state law. However, the City, pursuant to state legislation, deferred a portion of its MMO in the amount of $150 million in Fiscal Year 2010 and $80 million in Fiscal Year 2011 to be paid over the period ending in Fiscal Year 2014. See "*Funded Status of the Municipal Pension Fund*" below. See "*Annual Required Contributions*" below for further information regarding the City's annual contributions to the Municipal Pension Fund. The

City's annual funding of the Municipal Pension Fund at a level at least equal to the applicable MMO makes the City eligible to receive certain annual pension funding from the Commonwealth of Pennsylvania which is deposited to the City's General Fund and transferred to the Municipal Pension Fund. For information regarding the annual amounts of Commonwealth contributions see Table 21 "Annual City Contribution Status for the Municipal Pension Fund" below.

Certain Additional Municipal Pension Fund Information

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

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

A schedule of funding progress as of July 1, 2011, a comparative schedule of operations of the City's Municipal Pension Fund for Fiscal Years 2002 through 2011 and a description of the derivatives and other financial contracts utilized by the Pension Board, among other items, are contained in the CAFR for the City's fiscal year ended June 30, 2011 included as APPENDIX C to this Official Statement.

The City's actuarial report dated March 22, 2012, for the period ending July 1, 2011 (the "2011 Actuarial Report"), which sets forth further information regarding the City's pension obligations, including projections of assets and liabilities in the Municipal Pension Fund and future City contributions, is available on the City's Investor Website. See "DISCUSSION OF FINANCIAL OPERATIONS-Current City Practices." The 2011 Actuarial Report is not incorporated into this Official Statement by reference. The 2011 Actuarial Report was prepared by Cheiron, McLean, Virginia (the "Actuary"). The 2011 Actuarial Report notes that the Actuary has accepted the assumptions and methodologies as adopted by the Pension Board. The City has not prepared the projections or actuarial assessments set forth in the 2011 Actuarial Report but has reviewed the information set forth in the 2011 Actuarial Report and has no reason to believe that any such information as of its relevant date is inaccurate. **Projections and actuarial assessments are "forward looking" statements and based upon assumptions which may not be fully realized in the future and are subject to change including changes based upon the future experience of the City's Municipal Pension Fund and Municipal Pension Plan.**

Employee Participants and Membership in Municipal Pension Plan

Total membership in the City's Municipal Retirement System decreased by 1.7% from July 1, 2010 to July 1, 2011 from 65,447 to 64,349 members, including a decrease of 4.5% in active members from 27,928 to 26,671. Between such dates, annual salaries decreased by 3.5% from approximately $1.42 billion to $1.37 billion; average salary per active member increased by 1.0% from $50,886 to $51,414; annual retirement allowances increased by 1.9% from approximately $615.24 million to $627.12 million and the average retirement allowance increased by 2.7% from $18,148 to $18,641.

Non-uniformed represented employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, non-uniformed employees may receive up to 80% of their average final compensation depending upon their years of credited service. Generally, uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service. City employees participate in arrangements set forth under one of two municipal pensions programs known as Plan 67 or Plan 87 (except as described for certain police employees below), depending, primarily, on such employee's date of hire. The retirement age differs for Plan 67 (age 55) and Plan 87 (age 60) for non-uniformed employees and also for Plan 67 (age 45) and Plan 87 (age 50) for uniformed employees.

Police employees hired on or after January 1, 2010 have the option to participate in a defined benefit plan with a different benefit calculation formula and eligibility and vesting rules and a defined contribution plan with eligibility for City matching contributions, or enter Plan 87 but with an increased employee contribution rate of 6.0% instead of 5.0%. See also "Labor Agreements."

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

Certain membership information relating to the City's municipal retirement system provided by the Pension Board is set forth in Appendix A to the 2011 Actuarial Report and includes as of July 1, 2011, among other information, active and non-active member data by plan, age/service distribution for active participants and average salary for all plans, and age and benefit distributions for non-active member data. See also Appendix D to the 2011 Actuarial Report for a summary of the provisions of Plan 67 and Plan 87 including, among other things, plan provisions regarding: participation, credited service, compensation, employee contributions, service requirements, early retirement, deferred vested retirements, withdrawal benefit, service-connected and ordinary death and disability, survivor benefits, service-connected health care benefit and deferred retirement option plan (DROP).

Investments

The allocation of assets in the Municipal Pension Fund as of July 31, 2012 as well as the target allocation is set forth below:

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Table 15
Asset Allocation as of July 31, 2012

	Domestic Equity	Non-US Equity	Total Fixed Income	Real Estate	Private Equity	Hedge Funds	Real Assets	Cash
Current Allocation	21.0%	18.3%	30.5%	4.4%	13.5%	8.3%	1.7%	2.3%
Target Allocation	20.0%	21.5%	25.5%	5.0%	13.0%	10.0%	5.0%	De minimis*

Source: Current Allocation – JP Morgan
Target Allocation – Recommended by FIS Group with input from Staff; approved by Board of Trustees May 2010.
*Sufficient cash is kept on hand to meet monthly liabilities.

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

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

- The Fund seeks an annual total rate of return of not less than 8.10% over a full market cycle with a standard deviation of not greater than 13.43%. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projections (currently 8.10%) over a market cycle. Accordingly, the Fund's investment program will pursue its aforestated total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund. Any exceptions, an investment made solely for income with no prospect of appreciation or an investment made solely for appreciation prospects with no income contribution, will be made only upon recommendation of the Fund's Investment Committee and approval by a majority of the Pension Board.

The Pension Board is currently reviewing the target allocations for the Municipal Pension Fund investments and expects to consider related consultant recommendations in October 2012.

The following table sets forth for the City's Fiscal Years 2002-2011 the market value of assets internal rate of return and actuarial value of assets internal rate of return experienced by the Municipal Pension Fund, and the assumed rate of return. The 5-year and 10-year arithmetic average returns as of June 30, 2011 were 5.17% and 5.96%, respectively on a market value basis.

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Table 16
Municipal Pension Fund
Annual Rates of Return

Year Ending June 30,	Market Value	Actuarial Value*	Assumed Rate of Return
2002	-5.8%	3.4%	9.00%
2003	1.8	-2.2	9.00
2004	16.6	4.6	9.00
2005	9.9	1.8	9.00
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

Source: 2011 Actuarial Report for Market and Actuarial Value annual rates of return; annual Actuarial Valuation Reports prepared by Mercer for Fiscal Years 2002-2006 and Cheiron for Fiscal Years 2007-2011 for Assumed Rates of Return.

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

The following table sets forth as of the July 1st actuarial valuation date for the years 2002-2011 the actuarial and market value of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

Table 17
Asset Smoothed Value of Assets vs. Market Value of Net Assets
(Amounts in Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets(1)	Market Value of Net Assets(2)	Actuarial Value as a Percentage of Market Value
7/1/2002	$ 4,891.3	$ 3,957.9	123.6%
7/1/2003	4,548.1	3,790.1	120.0
7/1/2004	4,333.1	3,972.4	109.1
7/1/2005	4,159.5	4,100.6	101.4
7/1/2006	4,168.5	4,315.6	96.6
7/1/2007	4,421.7	4,850.9	91.2
7/1/2008	4,623.6	4,383.5	105.5
7/1/2009	4,042.1	3,368.4	120.0
7/1/2010(3)	4,380.9	3,650.7	120.0
7/1/2011(3)	4,719.1	4,259.2	110.8

Source: 2011 Actuarial Report for Actuarial Value of Assets; 2002-2011 Actuarial Reports for Market Value of Net Assets

(1) The Actuarial Value of Assets is calculated through use of an asset smoothing method. See "Funded Status of the Municipal Pension Fund" below regarding changes made to the asset smoothing method in response to the 2008/2009 market decline.
(2) The Market Value of Net Assets excludes the Pension Adjustment Fund which as of July 1, 2011 equaled $986,676.
(3) The July 1, 2010 actuarial and market values of assets include the $150 million deferred contribution from Fiscal Year 2010 and the July 1, 2011 actuarial and market values of assets include the total deferred contribution of $230 million.

The 2011 Actuarial Report notes that regardless of whether the Municipal Pension Fund achieves the assumed long-term rate of return of 8.10%, the funding ratio can be adversely impacted by volatile returns year by year. The 2011 Actuarial Report further notes that this component of funding risks is driven by negative cash flows (where benefit payments and expenses are greater than contributions) and that when a mature fund (such as the Municipal Pension Fund) pays out more than it receives in a year and returns are below the assumed rate of return, the assets that get paid out of the fund are no longer available in the fund during subsequent years of market recovery. The 2011 Actuarial Report includes projections with respect to the Municipal Pension Fund based upon assumed consistent annual returns of 8.10% each year and assumed varying returns that average 8.10%. See also *"Cash Flows of the Municipal Pension Fund"* below.

Cash Flows of the Municipal Pension Fund

The following table sets forth for the City's Fiscal Years 2007-2011, the cash inflows, including employee contributions, City contributions, investment earnings and miscellaneous income, and cash outflows, including benefit payments and administration expenses for the Municipal Pension Fund. Debt service payments on the City's pension obligation funding bonds, issued in Fiscal Year 1999, are made from the City's General Fund and not made from the Municipal Pension Fund.

Table 18
Cash Flow of the Municipal Pension Fund
Fiscal Years 2007-2011
(Amount in Thousands of USD)

	2007	2008	2009	2010	2011
Beginning Net Assets (Market Value)[1]	$4,316,586.2	$ 4,899,355.1	$4,424,075.3	$3,375,767.1	$3,501,602.1
Cash Inflows					
- Member Contributions	49,179.8	51,690.2	54,022.6	51,569.9	52,705.6
- City Contributions[2][3]	432,267.2	426,934.5	455,389.0	312,556.3	470,154.8
- Investment Income[4]	764,914.2	(224,906.4)	(849,377.7)	455,792.6	699,847.9
- Miscellaneous Income[5]	3,041.5	8,468.0	(13,887.5)	(1,367.6)	991.7
Total	$1,249,402.7	$ 262,186.3	$ (353,853.6)	$ 818,551.2	$1,223,700.0
Cash Outflow					
- Benefits and Refunds	(660,103.5)	(729,860.8)	(685,872.9)	(684,642.0)	(687,033.5)
- Administration	(6,530.4)	(7,605.3)	(8,581.8)	(8,074.1)	(8,052.7)
Total	$(666,633.9)	$ (737,466.1)	$ (694,454.7)	$ (692,716.2)	$ (695,086.2)
Ending Net Assets (Market Value)	$4,899,355.1	$ 4,424,075.3	$3,375,767.1	$3,501,602.1	$4,030,215.9

Source: 2007-2011 Actuarial Valuation Reports. Table may not add due to rounding.
(1) Includes the Pension Adjustment Fund which is not available for funding purposes.
(2) City Contributions include pension contributions from the Commonwealth which were in the amounts of $57.7 million, $59.6 million, $59.6 million, $59.2 million, and $61.8 million for the City's 2007-2011 Fiscal Years, respectively.
(3) City contributions are the actual contributions for FY 2010 and FY 2011 which do not include deferred amounts of $150 million and $80 million respectively.
(4) Investment income is shown net of fees and expenses.
(5) Miscellaneous income includes securities lending and other miscellaneous revenues.

Funded Status of the Municipal Pension Fund

Based on the 2011 Actuarial Report, the UAAL was $4.768 billion which equals a funding ratio of approximately 50% and a UAAL as a percentage of covered payroll of approximately 348%, each based on actuarial assets of $4.719 billion. The market value of the net assets in the Municipal Pension Fund was $4.259 billion as of July 1, 2011, and the funding ratio based on such market value was approximately 45%. As of August 31, 2012, the market value of net assets in the Municipal Pension

Fund was $3.89 billion (subject to reporting lag times for certain categories of investment which are included as of March 31, 2012 and July 31, 2012).

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

As part of Act 44, which provided for a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline, the City adopted the fresh start amortization alternative of 30 years (previously 20 years remaining) and lowered the assumed rate of interest for funding valuation purposes from 8.75% to 8.25%. Along with these changes the asset smoothing method was changed from a five year period to a ten year period with the additional requirement that the actuarial asset value is not more than 120% nor less than 80% of the market value of assets. Additionally, the legislation allowed the City to defer a portion of its minimum municipal obligation payment in the amount of $150 million in Fiscal Year 2010 and $80 million in Fiscal Year 2011 to be paid (including interest due annually as accrued on the outstanding deferral) over the period ending in Fiscal Year 2014; $106 million was budgeted to be paid back in Fiscal Year 2013 with the balance of $124 million in Fiscal Year 2014. The City will use the proceeds of the Bonds, together with other available amounts, to repay the Municipal Pension Fund the entire outstanding $230.0 million of the deferred minimum municipal obligation payment and $56.3 million of interest due on such deferred contributions. See "USE OF PROCEEDS" in the front portion of this Official Statement. The change in amortization period and the partial deferral were approved by the Pennsylvania General Assembly as part of Act 44.

On October 28, 2010, the Pension Board voted to further lower the Municipal Pension Fund's annual earnings assumption from 8.25% to 8.15%. In February of 2012, the Board of Pensions voted to lower the Municipal Pension Fund's annual earnings assumption from 8.15% to 8.10%.

The following two tables set forth as of the July 1st actuarial valuation date for the years 2002-2011, the asset value, the actuarial accrued liability, the UAAL, the funded ratio, covered payroll and UAAL as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively.

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Table 19
Schedule of Funding Progress (Actuarial Value)
(Amount in Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets[(1)] (a)	Actuarial Accrued Liability (b)	UAAL (Actuarial Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
7/1/2002	$ 4,891.3	$ 6,727.2	$ 1,835.9	72.7%	$ 1,207.3	152.1%
7/1/2003	4,548.1	7,188.3	2,640.2	63.3	1,269.3	208.0
7/1/2004	4,333.1	7,247.7	2,914.6	59.8	1,266.0	230.2
7/1/2005	4,159.5	7,851.5	3,692.0	53.0	1,270.7	290.5
7/1/2006	4,168.5	8,083.7	3,915.2	51.6	1,319.4	296.7
7/1/2007	4,421.7	8,197.2	3,775.5	53.9	1,351.8	279.3
7/1/2008	4,623.6	8,402.2	3,778.7	55.0	1,456.5	259.4
7/1/2009	4,042.1	8,975.0	4,932.9	45.0	1,463.3	337.1
7/1/2010	4,380.9	9,317.1	4,936.2	47.0	1,421.2	347.3
7/1/2011	4,719.1	9,487.5	4,768.4	49.7	1,371.3	347.7

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

Table 20
Schedule of Funding Progress (Market Value)
(Amount in Millions of USD)

Actuarial Valuation Date	Market Value of Net Assets[(1)] (a)	Actuarial Accrued Liability (b)	UAAL (Market Value) (b-a)	Funded Ratio (Market Value) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (Market Value) [(b-a)/c]
7/1/2002	$3,957.9	$6,727.2	$2,769.4	58.8%	$1,207.3	229.4%
7/1/2003	3,790.1	7,188.3	3,398.2	52.7	1,269.3	267.7
7/1/2004	3,972.4	7,247.7	3,275.3	54.8	1,266.0	258.7
7/1/2005	4,100.6	7,851.5	3,750.9	52.2	1,270.7	295.2
7/1/2006	4,315.6	8,083.7	3,768.1	53.4	1,319.4	285.6
7/1/2007	4,850.9	8,197.2	3,346.3	59.2	1,351.8	247.5
7/1/2008	4,383.5	8,402.2	4,018.7	52.2	1,456.5	275.9
7/1/2009	3,368.4	8,975.0	5,606.6	37.5	1,463.3	383.2
7/1/2010	3,650.7	9,317.0	5,666.3	39.2	1,421.2	398.7
7/1/2011	4,259.2	9,487.5	5,228.3	44.9	1,371.3	381.3

Source: 2002-2011 Actuarial Valuation Reports
(1) The July 1, 2010 Market Value of Net Assets includes the $150 million deferred contribution from Fiscal Year 2010 and the July 1, 2011 Market Value of Net Assets includes the total deferred contribution of $230 million.

The Actuarial Value of Assets and Market Value of Net Assets in the Municipal Pension Fund will not increase due to the City's repayment of the $230 million of deferred contributions.

Annual Required Contributions

The following table sets forth for the City's Fiscal Years 2002-2011, information related to the City's annual pension contributions including, among other information, the MMO, the actuarial annual required contribution (the "ARC") for the Municipal Pension Fund and the percentage of the ARC contributed. The ARC is the annual amount to be funded in accordance with the City's Municipal Pension Fund funding policy (the "Funding Policy"). The City is not required under law or pursuant to contract to contribute to the Municipal Pension Plan in accordance with the Funding Policy. Since 2004, the City has been making contributions to the Municipal Pension Fund based primarily upon the MMO rather than the City's Funding Policy. See "*Comparison of State Law (MMO) and City Funding Policy Funding Methods*" below.

Table 21
Annual City Contribution Status for the Municipal Pension Fund
(Amount in Millions of USD)

Fiscal Year	MMO	ARC	All City Funds Total Actual Contribution[1]	Percentage of ARC Contributed	Commonwealth Contribution	City Interfund Transfers [2]
2002	$135.9	$178.2	$178.2	100.0%	$36.4	$23.2
2003	142.4	195.5	179.7	91.9	40.3	24.1
2004	195.8	253.8	202.8	79.9	42.8	26.0
2005	294.0	358.1	299.2	83.6	49.8	41.5
2006	306.9	395.0	331.7	84.0	57.3	45.5
2007	400.3	527.9	432.2	81.9	57.7	57.0
2008	412.4	536.9	426.9	79.5	59.6	60.0
2009	438.5	539.5	455.3	84.4	59.6	65.4
2010	447.4	581.1	312.5	53.8[3]	59.2	47.4
2011	511.0	715.5	470.1	65.7[3]	61.8	68.3

Source: 2002-2011 Actuarial Valuation Reports and the City.
(1) Includes amounts shown under Commonwealth Contribution and City Interfund Transfers columns.
(2) Represents amounts contributed, or reimbursed, to the City's General Fund for pensions from the City's Water Operating Fund, Aviation Operating Fund and certain other City funds or agencies.
(3) Reflects the actual contributions contributed for FY 2010 and FY 2011 which does not include the deferred contributions authorized pursuant to Act 44. See "Funded Status of the Municipal Pension Fund" above for a discussion of pension contribution deferrals authorized pursuant to Act 44.

For the City's Fiscal Year ended June 30, 2012, the City's all City Funds total contribution to the Municipal Pension Fund was approximately $539,497,000 (unaudited). The City has budgeted $616,900,000 for its all City Funds total contribution to the Municipal Pension Fund for the Fiscal Year ending June 30, 2013. Such contributions for the 2012 and 2013 Fiscal Years are intended to equal the MMO for such years.

The amounts of Commonwealth Contributions and City Interfund transfers for pensions do not affect the MMO.

Comparison of State Law (MMO) and City Funding Policy Funding Methods

Pennsylvania state law (Act 205) and the City's Funding Policy result in different contribution amounts based upon two different sets of rules for determining how the UAAL is funded. The state law method defines the MMO which is the City's minimum required contribution under Pennsylvania state law. A second method operates in accordance with the City's Funding Policy which predates the Act 205 requirements and calls for contributions that are greater than the MMO until the Municipal Pension

Fund's initial July 1, 1985 unfunded actuarial accrued liability is fully funded. Under both funding methods there are two components: the normal cost and the amortized UAAL. The amortization periods related to the UAAL are different under the MMO and the City's Funding Policy. Due to the contribution deferrals in the City's fiscal years ended June 30, 2010 and June 30, 2011 pursuant to Act 44, there is an additional component to the MMO to include interest on deferred contributions and to repay these contributions beginning in the City's fiscal year ending June 30, 2013. The City will repay such deferred contributions and accrued interest thereon with proceeds of the Bonds, together with certain other available amounts. Certain differences between the MMO and the City's Funding Policy are:

- The City's Funding Policy amortizes the initial July 1, 1985 unfunded actuarial accrued liability over 34 years. Act 44 allowed for the amortization of the entire unfunded actuarial accrued liability as of July 1, 2009 to be "fresh started" over a 30-year period for MMO purposes.
- The normal cost portion of the City's Funding Policy payment is based on actual fiscal year payroll, whereas the MMO is based on the prior year's estimated payroll for that year.
- Interest does not accumulate on the MMO, as long as the payment is made by the end of the fiscal year.
- Both the City's Funding Policy and the MMO utilize valuation results developed in the previous year (e.g., the July 1, 2011 valuation report determined contribution amounts for Fiscal Year 2012). However, no interest is added to the MMO for this delay.
- The MMO reflects amortization of prior years' City contributions above past MMOs as actuarial gains.
- Starting with Fiscal Years 2007-2008, the MMO recognized actuarial gains and losses every other year. Beginning with Fiscal Year 2012, gains and losses are recognized annually. The City's Funding Policy recognizes actuarial gains and losses on an annual basis.

Annual Pension Cost and Net Pension Obligation

The following table sets forth for the City's Fiscal Years 2002-2011, the calculation of the annual pension cost and the Net Pension Obligation ("NPO") (or Net Pension Asset) for the Municipal Pension Fund. The NPO is the accumulated value of contribution deficiencies (or excesses) over required contributions between the annual pension cost and the employer's contribution. The annual pension cost is equal to the ARC, one year's interest on the NPO and an adjustment to the ARC to offset, approximately, the amount included in the ARC for amortization of past contribution deficiencies. See also "*Pension Obligation Bonds*" regarding the impact on the NPO (Net Pension Asset) due to the City's financing in Fiscal Year 1999 of a lump-sum contribution to the Municipal Pension Fund.

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Table 22
Calculation of Annual Pension Cost
(Amounts in Thousands of USD)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ARC	$178,239	$195,514	$253,844	$358,141	$394,950	S527,925	$536,874	$539,464	$581,123	$715,544
Interest on NPO	(106,975)	(103,330)	(98,392)	(90,448)	(82,068)	(71,541)	(60,685)	(48,957)	(39,899)	(14,155)
Adjustment to ARC	147,470	142,446	135,638	124,687	113,135	99,953	84,785	68,399	55,744	20,353
Annual Pension Cost	$218,734	$234,630	$291,090	$392,380	$426,017	$556,337	$560,974	$558,906	$596,968	$721,742
Contributions	178,239	179,757	202,827	299,266	331,765	432,267	426,934	455,389	312,556	470,155
Increase in NPO	$40,495	$54,873	$88,263	$93,114	$94,252	$124,069	$134,040	$103,517	$284,412	$251,587
NPO at beginning of the year	(1,188,611)	(1,148,116)	(1,093,243)	(1,004,980)	(911,866)	(817,614)	(693,545)	(559,505)	(455,987)	(171,575)
NPO at end of the year	$(1,148,116)	$(1,093,2432)	$(1,004,980)	$(911,866)	$(817,614)	$(693,545)	$(559,505)	$(455,987)	$(171,575)	$80,012
Interest Rate	9.00%	9.00%	9.00%	9.00%	9.00%	8.75%	8.75%	8.75%	8.75%	8.25%

Source: 2011 Actuarial Report.

Pension Obligation Bonds

In Fiscal Year 1999, PAID issued $1.3 billion in pension funding bonds (the "Pension Obligation Bonds") on behalf of the City. The Pension Obligation Bonds are special, limited obligations of PAID and are secured by payments to be made by the City pursuant to a service agreement. The City's service agreement payments with respect to the Pension Obligation Bonds are made from the City's General Fund. The City's payment obligations with respect to the Pension Obligation Bonds are not included within either the ARC or the MMO. Substantially all the net proceeds of the Pension Obligation Bonds were contributed, with other City funds, to make a contribution in Fiscal Year 1999 to the Municipal Pension Fund in the amount of approximately $1.506 billion. Consequently, this contribution resulted in an increase in the City's net pension asset by approximately $1.249 billion during Fiscal Year 1999. See Table 22 above for information regarding changes in the City's net pension obligations/(net pension assets) for Fiscal Years 2002 through 2011. See Section IV in the 2011 Actuarial Report for Pension Obligation Bond debt service shown allocated among the City's municipal, police and fire divisions. The City's service agreement payments with respect to the Bonds will be made from the City's General Fund and will not be included within either the ARC or the MMO. Debt service on the Bonds is structured to substantially match the timing and amounts of payments the City would have otherwise made of the deferred portions of MMO contributions and accrued interest thereon were it not to finance such payments through the Bonds.

Pension Adjustment Fund

Pursuant to §22-311 of the Philadelphia Code, the Pension Board has established a Pension Adjustment Fund (the "PAF"). In general, the PAF provides for additional benefit distributions to retirees and beneficiaries through the use of excess earnings of the Municipal Pension Fund. Benefit distributions may include a lump-sum bonus payment, monthly pension increases, ad-hoc cost of living adjustments, or other increases determined by the Pension Board. Each fiscal year, the Pension Board shall determine whether there are excess earnings available to be credited to the PAF. Excess earnings that may be transferred to the PAF are limited to 50% of the earnings in excess of a rate equal to the sum of the assumed rate of investment return for the Municipal Pension Fund (currently 8.10%) plus 1.0% and are limited to 2.5%. Currently, 50% of earnings in excess of 9.10% up to 14.10% would be subject to being credited to the PAF. The determination of whether excess earnings exist is based upon an adjusted market value of assets which uses a 5-year smoothing of gains and losses. The market value of assets in the PAF as of July 1, 2011 was $986,676.

Projections of Funded Status

The following table shows the projected future funding status of the Municipal Pension Fund, including the actuarially determined contribution, the actuarial value of assets, the actuarial accrued liability, UAAL and funded ratio. The Actuary notes in the 2011 Actuarial Report certain assumptions upon which the following projections are based. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 8.10% 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 without consideration of the sunset provisions. See "*Actuarial Methods and Assumptions*" below and the 2011 Actuarial Report for a further discussion of the assumptions and methodologies used by the Actuary in preparing the 2011 Actuarial Report and the following projections. **Projections and actuarial assessments are "forward looking" statements and based upon assumptions which may not be fully realized in the future and are subject to change, including changes based upon the future experience of the City's Municipal Pension Fund and Municipal Pension Plan.**

Table 23
Prospective Funded Status of the Municipal Pension Fund[1]
(Amounts in Millions of USD)

Fiscal Year	Actuarially Determined Contribution	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
2012	$ 507.0	$ 4,597.0	$ 9,546.5	$ 4,949.5	48.2%
2013	492.0	4,574.2	9,603.4	5,029.2	47.6
2014	517.1	4,520.7	9,656.5	5,135.8	46.8
2015	533.6	4,570.5	9,773.6	5,203.1	46.8
2016	553.5	4,655.1	9,891.3	5,236.2	47.1
2017	570.7	4,758.5	10,011.6	5,253.1	47.5

Source: The Actuary; Total General Fund Expenditures from the City.
(1) Values for actuarially determined contributions represents the MMO and do not reflect interest or principal amounts related to the deferred contribution of $230 million.

Actuarial Methods and Assumptions

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

- The Entry Age Normal actuarial funding method is used for active employees whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement;
- The Municipal Pension Fund's UAAL as of July 1, 2009 was "fresh started" to be amortized over 30 years in level dollars;
- All future amortization periods will follow the City's Funding Policy whereby actuarial gains and losses will be amortized over 20 years and assumption changes will be amortized over 15 years;
- The actuarial value of assets is determined using an adjusted market value recognizing investment gains or losses prior to July 1, 2009 over a five-year period, and beginning July 1, 2009, investment gains and losses are recognized over a 10-year period with adjustments so that the actuarial value of assets remains between 80% and 120% of market value (net of the PAF);
- Investment returns are assumed at 8.10% compounded annually, net of expenses;
- Total annual payroll growth is assumed to be 3.5% per year;
- Other than those provided from time to time by the PAF, there are no other post-retirement benefit increases; and
- Annual expected administrative expenses are expected to increase by 3.5% per year.

The Actuary's assumptions and methods are summarized in greater detail within Appendix C of the 2011 Actuarial Report and address, among other things, rates of termination, disability, mortality and retirement and family composition assumptions.

Other Post-Employment Benefits

The City self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. 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 City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts (other than police) and is self-insured for nonunion employees and union police employees.

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

For Fiscal Year 2011, the City's ARC was $101.2 million and it contributed $65.5 million for OPEB expense; its net OPEB obligation for Fiscal Year 2011 was $79.5 million.

Further information on the City's annual OPEB expense and net OPEB obligation for Fiscal Years 2009, 2010 and 2011 and the funded status of the OPEB benefits is contained in the Fiscal Year 2011 Comprehensive Annual Financial Report.

Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 2006 through 2013.

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Table 24
Purchase of Service in the General Fund
Fiscal Years 2006-2013
(Amounts in Millions of USD)

	Actual						Current Estimate [9,10]	Adopted Budget [9]
	2006	2007	2008	2009	2010	2011	2012	2013
Human Services[1]	467.9	495.3	515.3	499.0	465.5	448.2	68.4	69.3
Public Health	61.1	65.5	65.1	67.9	64.7	66.1	65.7	66.1
Public Property[2]	137.9	156.3	139.5	142.6	136.2	138.7	140.6	149.0
Streets[3]	54.8	58.3	58.4	51.0	55.8	51.0	44.8	42.5
Sinking Fund - Lease Debt[4]	77.0	84.3	85.1	86.1	79.9	87.5	89.8	95.0
Legal Services[5]	33.6	35.4	37.3	37.3	35.9	36.6	37.1	37.1
First Judicial District	24.4	24.8	25.6	23.6	23.7	22.9	22.0	13.2
Licenses & Inspections[6]	11.5	11.4	11.9	9.6	8.2	4.1	7.1	7.1
Supportive Housing [7]	28.6	31.3	33.9	32.3	31.7	30.2	30.4	31.6
Prisons	82.8	87.5	93.6	110.7	106.4	106.6	104.0	103.2
All Other[8]	86.4	101.5	123.0	114.1	103.4	131.0	147.9	154.5
Total	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,127.9	757.8	768.6

(1) Includes payments for care of dependent and delinquent children.
(2) Includes payments for SEPTA, space rentals, utilities, and telecommunications. In Fiscal Year 2008, the telecommunications division was transferred to the Managing Director – Office of Innovation and Technology ("OIT"). Services purchased for OIT appear in the table under the category "All Other."
(3) Includes solid waste disposal costs.
(4) Includes, among other things, Justice Center, Neighborhood Transformation Initiative and Stadium lease debt.
(5) Includes payments to the Defender Association to provide legal representation for indigents.
(6) Includes payments for demolition in Fiscal Year 2006 through Fiscal Year 2012.
(7) Includes homeless shelter and boarding home payments.
(8) Includes payment for Convention Center Subsidy and Vehicle leasing.
(9) From the estimates for the Adopted Fiscal 2013 Budget.
(10) The reduction in Human Services purchases in Fiscal Year 2012 is largely the result of the transfer of the majority of the Department of Human Services revenue and obligations to the Grants Revenue Fund.
Figures may not add up due to rounding.

City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of $15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual $20 million beginning in Fiscal Year 2002. In Fiscal Year 2008, the Mayor and City Council agreed to provide an additional $2 million, bringing the total contribution to $37 million. In Fiscal Year 2010, the City made a $38.5 million contribution. In Fiscal Year 2011, the City made a $38.6 million contribution. The current estimate for Fiscal Year 2012 includes an additional contribution of $10 million, bringing the total contribution to $48.9 million. The adopted budget for Fiscal Year 2013 includes a contribution of $48.9 million along with an additional contribution of $20 million (budgeted in City Council) bringing the total expected contribution to $68.9 million.

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

PGW Annual Payments

In order to assist PGW, (i) the City agreed to forgo the $18 million annual payment in Fiscal Year 2004, (ii) for Fiscal Years 2005, 2006, 2007, 2008, 2009 and 2010 the City made a grant to PGW equal to the annual payment received from PGW in such fiscal years. In Fiscal Year 2011, PGW remitted to the City the required annual payment of $18,000,000. The City's Twentieth Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund but discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2012, 2013, 2014, 2015 and 2016. The City's Twenty-First Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund and discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2013, 2014, 2015, 2016 and 2017. The City is considering the sale of PGW to a private entity. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA-Government Services."

City Payments to SEPTA

The City made operating subsidy payments to SEPTA in Fiscal Years 2008, 2009, 2010 and 2011 of $61.3 million, $62.9 million, $64.2, and $65.9 million, respectively. The current estimate for Fiscal Year 2012 of operating subsidy payments to SEPTA is $66.4 million. The adopted budget for fiscal Year 2013 projects operating subsidy payments to SEPTA of $66.4 million. The Twenty-First Five-Year Plan provides that the City's contribution to SEPTA will increase to $71.4 million by Fiscal Year 2017.

City Payments to Convention Center Authority

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

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

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

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

The City issued $285 million of Tax and Revenue Anticipation Notes in July 2010. These notes were repaid on June 30, 2011. The City issued Tax and Revenue Anticipation Notes in the amount of $173 million in December 2011 which were repaid in June 2012.

Consolidated Cash

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

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

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

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes.

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

Investment Practices

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

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

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

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

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

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

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

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

DEBT OF THE CITY

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

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

As of September 1, 2012, the Constitutional debt limitation for tax-supported general obligation debt was approximately $1,622,314,000. This amount is based upon a formula of 13.5% of the assessed value of taxable real estate within the City on a 10 year rolling average. The total amount of authorized debt applicable to the debt limit was $1,494,233,000, including $570,599,000 of authorized but unissued debt, leaving a legal debt margin of $128,081,000. The calculation of the legal debt margin is as follows:

Table 25
General Obligation Bonded Debt
September 1, 2012
(Amounts in Thousands)

Authorized, issued and outstanding	$1,284,505
Authorized and unissued	570,599
Total	1,855,104
Less: Self-supporting debt	(353,936)
Less: Serial bonds maturing within a year	(6,935)
Total amount of authorized debt applicable to debt limit	1,494,233
Legal debt limit	1,622,314
Legal debt margin	$ 128,081

The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1972. Currently, the City issues revenue bonds to support the Division of Aviation, the Water Department and PGW. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short-Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each note issue was repaid when due prior to the end of the fiscal year of issuance. The City issued $173 million of Tax and Revenue Anticipation Notes on December 7, 2011. The Notes matured and were paid on June 29, 2012.

Long-Term Debt

The table below presents a synopsis of the bonded debt of the City and its component units as of the date indicated. In addition, for tables setting forth a ten-year historical summary of tax-supported debt of the City and School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2011, see the Fiscal Year 2011 Comprehensive Annual Financial Report.

Of the total balance of City tax-supported general obligation bonds issued and outstanding on June 30, 2012, approximately 19% is scheduled to mature within five fiscal years and approximately 41% is scheduled to mature within ten fiscal years.

Table 26
Bonded Debt -- City of Philadelphia and Component Units
as of August 31, 2012
(Amounts in Thousands)

(Unaudited)

Tax-supported bonds		
General Fund		$1,284,505
PA Intergovernmental Cooperation Authority		452,935
Subtotal: Tax-supported bonds		1,737,440
Other Long-Term Debt-Related Obligations		
Philadelphia Municipal Authority		
Municipal Services Building	$ 19,746	
Criminal Justice Center	121,120	
Juvenile Justice Center	96,945	
Energy Conservation	12,605	250,416
Philadelphia Authority for Industrial Development		
Pension Bonds	1,389,345	
Stadiums	325,560	
Library	8,180	
Cultural and Commercial Corridor	119,425	
One Parkway	43,470	1,885,980
Parking Authority		14,820
Redevelopment Authority		227,595
Subtotal		4,116,252
Revenue bonds		
Water Fund		1,862,075
Aviation Fund		1,366,920
Gas Works		1,093,440
Subtotal: Revenue bonds		4,322,435
Grand total		$ 8,438,687

Source: Office of Director of Finance

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Table 27
City of Philadelphia
Annual Debt Service on City-Related Long-Term Debt
As of June 30, 2012
(Amounts in Millions of USD)

	Tax Supported Bonds[1]			Other Long-Term Obligations[2]			Total		
Fiscal Year	Principal	Interest[3]	Total	Principal	Interest[3]	Total	Principal	Interest	Total
2013	48.54	68.17	116.71	82.48	138.35	220.83	131.01	206.52	337.53
2014	50.74	66.10	116.84	82.96	139.86	222.82	133.69	205.96	339.65
2015	52.47	63.40	115.87	84.17	143.51	227.68	136.64	206.91	343.55
2016	52.01	60.80	112.81	84.04	139.89	223.93	136.05	200.70	336.75
2017	54.57	58.15	112.71	84.19	139.56	223.74	138.75	197.70	336.45
2018	57.21	55.29	112.50	89.61	138.77	228.38	146.82	194.06	340.88
2019	60.12	52.28	112.39	74.59	138.02	212.60	134.70	190.29	325.00
2020	61.73	49.19	110.92	64.09	137.79	201.88	125.81	186.98	312.80
2021	54.36	46.32	100.68	64.21	137.70	201.91	118.56	184.03	302.59
2022	56.77	43.56	100.33	64.49	137.47	201.95	121.26	181.03	302.28
2023	60.70	40.52	101.22	64.93	137.05	201.98	125.63	177.57	303.20
2024	63.80	37.24	101.04	65.53	136.49	202.02	129.33	173.73	303.06
2025	67.00	33.79	100.79	66.46	135.60	202.06	133.46	169.39	302.85
2026	62.93	30.38	93.31	79.82	121.44	201.26	142.75	151.83	294.58
2027	66.02	27.00	93.02	160.04	43.88	203.92	226.06	70.88	295.95
2028	69.82	23.61	93.42	165.25	34.60	199.85	235.07	58.21	293.27
2029	42.84	20.90	63.74	277.50	17.61	295.11	320.34	38.51	358.85
2030	58.20	18.39	76.58	53.73	7.81	61.53	111.92	26.20	138.12
2031	61.32	15.37	76.68	56.27	5.32	61.58	117.58	20.69	138.27
2032	64.58	12.18	76.76	13.63	3.21	16.84	78.21	15.39	93.60
2033	28.16	9.70	37.86	4.90	2.71	7.61	33.06	12.42	45.47
2034	14.70	8.38	23.07	5.22	2.39	7.61	19.91	10.77	30.68
2035	15.71	7.36	23.07	5.56	2.06	7.61	21.27	9.42	30.68
2036	16.80	6.28	23.07	5.92	1.69	7.61	22.71	7.97	30.68
2037	17.96	5.12	23.07	6.30	1.31	7.61	24.26	6.43	30.68
2038	19.22	3.85	23.07	6.71	0.90	7.61	25.93	4.75	30.68
2039	20.59	2.48	23.07	7.15	0.46	7.61	27.74	2.95	30.68
2040	8.52	1.50	10.02	0.00	0.00	0.00	8.52	1.50	10.02
2041	9.10	0.93	10.02	0.00	0.00	0.00	9.10	0.93	10.02
2042	9.71	0.32	10.02	0.00	0.00	0.00	9.71	0.32	10.02
TOTAL	1,326.11	868.56	2,194.67	1,819.70	2,045.47	3,865.17	3,145.80	2,914.03	6,059.84

[1] Includes General Obligation bonds.
[2] Includes PAID, PMA, Parking Authority, and Redevelopment Authority bonds.
[3] Assumes interest rate to be fixed swap rate on hedged variable rate bonds.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations, as shown on Table 26. The City budgets all other long-term debt-related obligations as a single budget item with the exception of the Parking Authority which has a budget of $1,334,700 for Fiscal Year 2013.

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia ("CCP"). Under the Community College Act, each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment). The total payment to CCP in Fiscal Year 2008 was $24,467,924. The amount paid in Fiscal Year 2009 and Fiscal Year 2010 was $26,467,924 each year. The amount paid in Fiscal Year 2011 and Fiscal Year 2012 was $25,409,207. The budgeted amount for Fiscal Year 2013 is $25,409,207. This amount represents the portion of operating costs (less student tuition and the Commonwealth payment) and up to half of the annual capital expenses for the year.

PICA Bonds

PICA has previously issued 11 series of bonds. Under the PICA Act, PICA no longer has the authority to issue bonds for new money purposes, but may refund bonds previously issued by it. Two series of bonds remain outstanding: (i) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 issued in the original aggregate principal amount of $354,925,000, having a final stated maturity date of June 15, 2023 and (ii) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 in the original principal amount of $206,960,000, having a final stated maturity date of June 15, 2022. As of the close of business on August 31, 2012, the principal amount of PICA bonds outstanding was $452,935,000.

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

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

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

The PICA Act requires that proceeds of the PICA Tax in excess of amounts required for (i) debt service, (ii) replenishment of any debt service reserve fund for bonds issued by PICA, and (iii) certain PICA operating expenses, be deposited in a trust fund established pursuant to the PICA Act exclusively for the benefit of 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, but are subject to withholding if PICA certifies the City's non-compliance with the then-current five-year plan.

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

The total amount of PICA Tax remitted to PICA by the State Treasurer (which is net of the costs of the State Treasurer in collecting the PICA Tax) for each of the Fiscal Years 2003 through 2011 and the current estimates for Fiscal Year 2012 and Fiscal Year 2013 are set forth below.

Table 28
Summary of PICA Tax Remitted to PICA by the State Treasurer and Net Taxes Remitted to the City
(Amounts in Millions of USD)

Year	PICA Tax	PICA Annual Debt Service and Investment Expenses	Net taxes remitted to the City[1]
2003	281.5	79.2	202.3
2004	285.0	78.9	206.1
2005	300.2	85.9	214.3
2006	309.9	87.1	222.8
2007	327.9	86.0	241.9
2008	341.8	86.4	255.4
2009	348.5	86.4	262.1
2010	343.3	68.9	274.4
2011	358.7	64.9	293.8
2012 (Current Estimate)[2]	356.7	66.2	290.5
2013 (Adopted Budget)[2]	367.8	66.0	301.8

(1) Does not include additional one-time grants to the City from PICA reserves in certain years.
(2) From the estimates for the Adopted Fiscal 2013 Budget.

OTHER FINANCING RELATED MATTERS

Swap Information

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

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<u>Table 29</u>
Summary of Swap Information
for General Fund Supported Bonds
as of August 31, 2012

<u>City Entity</u>	<u>City GO</u>	City Lease - <u>PAID</u>	City Lease - <u>PAID</u>	City Lease - <u>PAID</u>
Related Bond Series	2009B[(1)]	2001 (Stadium)	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	$313,505,000	$298,485,000	$217,275,000	$72,400,000
Current Notional Amount	$100,000,000	$193,520,000	$217,275,000	$72,400,000
Termination Date	8/1/2031	10/1/2030	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap[(2)]	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20%, plus fixed annuity	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	SIFMA	3.9713%	3.9713%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value[(3)]	($27,709,512)	($3,858,316)	($56,834,978)	($18,938,932)

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(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 receives 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 was restructured as a constant maturity swap (the rate received by PAID on that portion was converted from a percentage of 1-month LIBOR to a percentage of the 5-year LIBOR swap rate from October 1, 2006 to October 1, 2020). The constant maturity swap was terminated in December 2009. The City received a termination payment of $3,049,000.

(3) Fair values are as of August 31, 2012, and are shown from the City's perspective and include accrued interest.

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

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, Water and the Airport, see the Fiscal Year 2011 Comprehensive Annual Financial Report. In addition, PICA has entered into swaps which are detailed in the Fiscal Year 2011 Comprehensive Annual Financial Report.

Letter of Credit and Liquidity Agreements

The City has entered into various letter of credit and standby agreements related to its General Fund supported bonds:

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Table 30
Summary of Letter of Credit and Standby Agreements for General Fund Supported Bonds as of August 31, 2012

Variable Rate Bond Series	Amount Outstanding	Provider	Expiration Date
General Obligation Bonds, Series 2009B	$ 100,000,000	RBC	08/04/2014
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-1	117,275,000	JP Morgan	05/24/2014
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2	72,400,000	TD Bank	05/29/2015
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-3	44,605,000	PNC Bank	05/23/2014

Recent and Upcoming Financings

In the first quarter of 2013, the City together with Philadelphia Water Department, expects to issue Water and Wastewater Revenue Bonds, Series 2013 in the amount of approximately $200 million.

In October 2012, the City, through Philadelphia Authority for Industrial Development, expects to issue City Service Agreement Revenue Bonds, Series 2012 (Federally Taxable), as described in this Official Statement.

In October 2012, the City together with Philadelphia Water Department, expects to issue Water and Wastewater Refunding Revenue Bonds, Series 2012 in the amount of approximately $80 million.

Prior to the end of 2012, the City together with Philadelphia International Airport expects to issue Aviation Revenue Commercial Paper Notes, consisting of tax exempt (non-AMT), Tax-Exempt (AMT), and Federally Taxable notes, in an amount not to exceed $350,000,000.

In December 2012, the City expects to issue tax and revenue anticipation notes in the amount of approximately $175 million.

From time to time, the City considers additional new money and/or refunding financings as market opportunities arise. The following is a list of financings that the City has entered into since the close of Fiscal Year 2011:

In May 2012, the City, through the Philadelphia Redevelopment Authority, issued its Revenue Refunding Bonds, Series 2012 (City of Philadelphia Neighborhood Transformation Initiative) in the amount of approximately $91 million.

In May 2012, the City issued its $21,295,000 General Obligation Refunding Bonds, Series 2012A to refund certain outstanding general obligation bonds of the City.

In May 2012, the City, through the Philadelphia Municipal Authority, issued its City Agreement Revenue Bonds (Government Building Energy Conservation Project), Series 2012, in the amount of approximately $12 million.

In December 2011, the City, together with Philadelphia International Airport, remarketed the City's Airport Revenue Bonds, Series 2005C in the amount of $162.6 million and issued $233.83 million of AMT revenue refunding bonds.

In December 2011, the City issued tax and revenue anticipation notes in the amount of $173 million.

In November 2011, the City, together with the Water Department, issued $135 million of Water and Wastewater Revenue Bonds, Series 2011A and $49.8 million of Water and Wastewater Revenue Refunding Bonds, Series 2011B.

In September 2011, the City along with PGW, remarketed the Eighth Series B-E bonds in the amount of approximately $225.5 million and issued approximately $88.8 million of Twentieth (1975 Ordinance) and Tenth (1998 Ordinance) Series Refunding Bonds.

In September 2011, the City along with the Water Department, remarketed the Water and Wastewater Revenue Bonds, Variable Rate Series 1997B Bonds in the amount of approximately $70 million.

In August 2011, the City remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B in the amount of $100 million.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2013-2018 contemplates a total budget of $9,999,174,000, of which $2,400,752,000 is to be provided from Federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2013-2018 on June 28, 2012.

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Table 31
Fiscal Years 2013-2018
Capital Program
(Amounts in Thousands of USD)

City Funds – Tax Supported	2013	2014	2015	2016	2017	2018	2013-2018
Carried-forward Loans	274,505	0	0	0	0	0	274,505
Operating Revenue	40,697	4,929	4,429	3,929	1,229	1,229	56,442
New Loans	118,911	90,310	89,789	95,543	95,246	94,786	584,585
Pre-financed Loans	0	0	0	0	0	0	0
PICA Pre-financed Loans	7,297	0	0	0	0	0	7,297
Tax-supported Subtotal	441,410	95,239	94,218	99,472	96,475	96,015	922,829
City Funds – Self-Sustaining							
Carried-forward Loans	1,695,122	0	0	0	0	0	1,695,122
Operating	173,157	18,844	19,221	19,606	19,998	20,398	271,224
New Loans	475,227	595,498	673,645	918,708	1,043,559	984,610	4,691,247
Self-Sustaining Subtotal	2,343,506	614,342	692,866	938,314	1,063,557	1,005,008	6,657,593
Revolving Funds	18,000	0	0	0	0	0	18,000
Other Than City Funds							
Carried-Forward Other Government	29,971	0	0	0	0	0	29,971
Other Governments Off Budget	4807	366	643	1,189	2,041	2,482	11,528
Other Goverments/Agencies	7570	0	0	0	0	0	7,570
Carried-Forward State	89,355	0	0	0	0	0	89,355
State Off Budget	48,314	38,512	80,874	136,389	228,802	277,437	810,328
State	26,065	4,855	5,920	3,900	5,200	4,150	50,090
Carried-Forward Private	89,399	0	0	0	0	0	89,399
Private	63,935	45,520	37,020	30,020	25,020	20,020	221,535
Carried-Forward Federal	412,748	0	0	0	0	0	412,748
Federal Off Budget	45,671	42,681	71,748	60,063	38,184	8,444	266,791
Federal	99,491	67,436	66,280	76,880	51,900	49,450	411,437
Other Than City Funds Subtotal	917,326	199,370	262,485	308,441	351,147	361,983	2,400,752
TOTAL	$3,720,242	$908,951	$1,049,569	$1,346,227	$1,511,179	$1,463,006	$9,999,174

LITIGATION

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

The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act," (the "Tort Claims Act") establishes a $500,000 aggregate limitation on damages for injury to a person or property arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been repeatedly upheld by the Pennsylvania Supreme Court. In February 1987, an appeal of a decision upholding such constitutionality to the United States Supreme Court was dismissed for want of jurisdiction. However, under Pennsylvania Rule of Civil Procedure 238, delay damages in State Court cases are not subject to the $500,000 limitation. Moreover, the limit on damages is inapplicable to any suit against the City which does not arise under state tort law such as claims made against the City under Federal civil rights laws.

The aggregate loss resulting from general and special litigation claims was $24.1 million for Fiscal Year 2003, $24.5 million for Fiscal Year 2004, $27.5 million for Fiscal Year 2005, $23.0 million for Fiscal Year 2006, $26.6 million for Fiscal Year 2007, $29.8 million for Fiscal Year 2008, $34.5 million for Fiscal Year 2009, $32.7 million for Fiscal Year 2010, $33.7 million for Fiscal Year 2011, and $32.6 million for Fiscal Year 2012. Estimates of settlements and judgments from the General Fund are $32.46 million for each of the Fiscal Years 2013 through 2017, respectively (based on the Twenty-First Five-Year Plan). In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses. For Fiscal Year 2012, payments for claims arising from labor settlements in the General Fund were $1.3 million and were paid from the Indemnities account. For Fiscal Year 2011, payments for claims arising from labor settlements in the General Fund were $807,629 of which $741,022 was paid from the Indemnities account, and $66,607 from the operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged $32.7 million per year over the five years from Fiscal Year 2008 through Fiscal Year 2012.

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

Various claims in addition to the lawsuits described in the preceding paragraph have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 2010 which resulted from these claims and lawsuits was $4.9 million, and $5.4 million in Fiscal Year 2011. The aggregate loss for Fiscal Year 2012 was $3.0 million. The Water Fund's budget for Fiscal Year 2013 contains an appropriation for Water Department claims in the amount of $6.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is for only $4.4 million in Fiscal Year 2013. The Water Fund is the first source of payment for any of the claims against the Water Department.

In addition, various claims have been asserted against the Division of Aviation and in some cases lawsuits have been instituted. Many of these Division of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Division of Aviation. The aggregate loss for Fiscal Year 2010 which resulted from these claims and lawsuits was $881,600 and $1.7 million for Fiscal Year 2011. The aggregate loss for Fiscal Year 2012 was $1.3 million. The Indemnities budget for Aviation Fund claims for Fiscal Year 2013 contains an appropriation in the amount of $2.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is only $1.3 million in Fiscal Year 2013. The Division of Aviation is the first source of payment for any of the claims against the Division of Aviation.

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APPENDIX B

CITY SOCIOECONOMIC INFORMATION

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APPENDIX B

CITY SOCIOECONOMIC INFORMATION

INTRODUCTION

The City of Philadelphia (the "City" or "Philadelphia") is the fifth-largest city in the nation, with the third largest residential downtown, and is at the center of the United States' sixth largest metropolitan statistical area. The Philadelphia MSA (further described below) includes the fourth largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries. The City has the second largest concentration of students on the East Coast in a metropolitan statistical area with 101 degree granting institutions of higher education and a total enrollment of 300,000 students of whom 156,740 live within the geographic boundaries of the City. Some of the City's top priorities include attracting and retaining knowledgeable workers, increasing educational attainment among Philadelphians, attracting development, and promoting Philadelphia as a desirable location for business.

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

Since 2008, substantial private and public investment aggregating over $12.7 billion (based on building permit information) has led to a revitalization of the City. Philadelphia continues to capitalize on its assets to realize its economic priorities. The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. The City is a major business and personal services center with strengths in professional services like insurance, law, finance, healthcare and higher education, and leisure and hospitality. Philadelphia's cost of living is relatively moderate compared to other major metropolitan areas. In addition, the City, as one of the country's education centers, offers the business community a large and diverse labor pool.

Geography

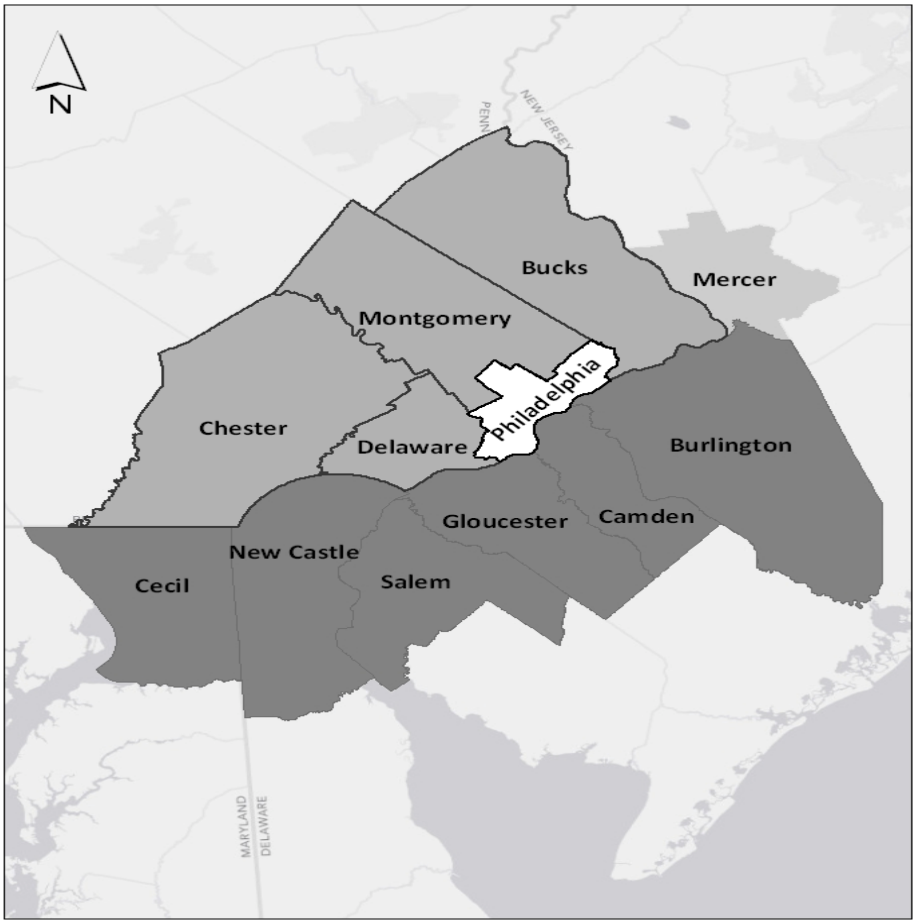
The City includes within its boundaries an area of approximately 134 square miles along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth") and is located at the confluence of the Delaware and Schuylkill Rivers. The City, highlighted in white in Figure 1, lies at the geographical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

Philadelphia Metropolitan Statistical Area (MSA), highlighted in light and dark grey, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of approximately 5,118 square miles with approximately 5,965,343 residents.[1]

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

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

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



Strategic Location

The City is within a day's drive of 50% of the nation's population and accessible to regional and international markets, due to the transportation infrastructure centered in the City, including the Philadelphia International Airport ("PHL" or the "Airport"), AMTRAK's Northeast Corridor service, major interstate highway access, regional SEPTA service and the Port of Philadelphia.

Notable Districts

Several key areas within the City have been instrumental in the economic development of Philadelphia over the past two decades and the population stability from the 2000 to the 2010 U.S. Census.

Center City - An area that has seen a resurgence over the last two decades, Center City is Philadelphia's central business and office region within the City. 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. It is estimated that approximately 295,000 riders take public transportation into Center City daily. 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 young 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.

University City – Located west of Center City, University City is a hub for the health care, life sciences, and higher education sectors. 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 (BRAC), the 1,000-acre Philadelphia Navy Yard represents a successful transition of a former naval property with a 125-year history as an active military base to a growing hub for business. Largely through the work of the Philadelphia Industrial Development Corporation, 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.

City Identified Peer Group

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

POPULATION AND DEMOGRAPHICS

Philadelphia is the nation's fifth largest city, with 1.536 million residents, based on 2011 U.S. Census estimates. While modest, Philadelphia's population gain from 2000 to 2010 was its first in 60 years. This continued in 2011 with the City adding 10,465 residents, as estimated by the U.S. Census Bureau.

The greatest share of Philadelphia's population is composed of residents between the ages of 18 and 34. Of comparison cities, Philadelphia trails only three cities, Boston, Washington, DC and Milwaukee, in its share of residents in that age group. The City's many universities and diverse employment bases are likely draws for residents in the 18 to 34 age group. In addition, as noted in Pew Charitable Trusts Philadelphia Research Initiative report, "A City Transformed: the Racial and Ethnic Changes in Philadelphia Over the Last 20 Years", the City's immigrant population grew significantly, with the City's Asian population increasing 126.6% and the Hispanic or Latino population growing by 110.3%.

Table 1
Population
City, MSA, Pennsylvania & Nation

	1990	2000	2010	% Change 1990-2000	% Change 2000-2010
Philadelphia	**1,585,577**	**1,517,550**	**1,526,006**	**-4.3%**	**0.6%**
Philadelphia-Camden-Wilmington MSA	5,437,468	5,687,147	5,965,343	4.6%	9.7%
Pennsylvania	11,881,643	12,281,054	12,702,379	3.4%	3.4%
United States	248,709,873	281,421,906	308,745,538	13.2%	9.7%

Source: U.S. Census Bureau, Census 2010, Census 2000, Census 1990.

Philadelphia exceeds most cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Four of the top five cities that have the largest share of students in higher education are located in the Northeast region. However, because of the population differences of these cities, Philadelphia has 47,905 more students in higher education than top ranked Boston. Philadelphia has the fifth highest share of its residents in higher education of the selected cities shown in Table 2 below and the fourth largest university student population.

Table 2
2010 Total Number of Students, and as a Percent of Total Population of Selected Cities, Ranked by Percent of Total Population enrolled in Higher Education

City	Total Number of Students Enrolled in School (all years)	Total Number of Students Enrolled in Higher Education	Percent of All Students Enrolled in Higher Education	Percent of Total Population enrolled in Higher Education
Boston, MA	196,802	111,921	56.87%	18.01%
Washington, DC	158,455	76,003	47.97%	12.57%
San Diego, CA	389,810	162,066	41.58%	12.35%
Milwaukee, WI	188,043	63,672	33.86%	10.69%
Philadelphia, PA	**431,360**	**156,740**	**36.34%**	**10.26%**
Baltimore, MD	163,071	59,152	36.27%	9.53%
Los Angeles, CA	1,048,029	333,611	31.83%	8.79%
Chicago, IL	723,940	227,881	31.48%	8.44%
Memphis, TN	178,140	53,921	30.27%	8.32%
San Antonio, TX	392,897	107,745	27.42%	8.07%
Detroit, MI	205,059	53,373	26.03%	7.50%
Cleveland, OH	105,921	29,269	27.63%	7.39%
Houston, TX	560,316	150,723	26.90%	7.15%
Phoenix, AZ	402,214	94,134	23.40%	6.49%
United States	**82,724,222**	**23,451,209**	**28.35%**	**7.60%**

Source: 2010 U.S. Census

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. This economic development infrastructure strives to make Philadelphia a place of choice by increasing jobs and population in our City.

Economic Development Infrastructure

The Deputy Mayor for Economic Development and Commerce Director manages a portfolio of City and quasi-public agencies who work together to advance economic development strategies within the City. These agencies serve a variety of functions, including economic development, land use and planning, housing development and historical preservation and regulatory oversight. Furthermore, the City provides additional programs to businesses and individuals as incentive to relocate and/or develop within the City. These programs include tax incentives such as access to designated Keystone Opportunity Zones and real estate tax abatements. 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 the Parkway District, the Avenue of the Arts District and the Navy Yard.

Economic Development

The Philadelphia Department of Commerce drives and implements policies to help both small businesses and major corporations in Philadelphia thrive. The Department coordinates activities along neighborhood commercial corridors, with small businesses and entrepreneurs, major real estate development projects, large-scale business attraction and retention efforts, as well as efforts to increase minority-owned business contracting opportunities. At the direction of the Department of Commerce, the Philadelphia Industrial Development Corporation (PIDC) plans and implements real estate and financing transactions that attract investment, jobs and tax ratables to the City.

Land Use and Planning

The Philadelphia City Planning Commission is responsible for the City's land use and strategic planning policies. The Commission maintains the City's comprehensive plan and monitors land use by applying the zoning code to proposed development. After four years of work, a revised zoning code was adopted by City Council in December 2011 and went into effect August, 2012. The new, streamlined code is designed to increase efficiency in the development process by expanding what is allowable by right; thus, limiting the number of variance requests. When variances are needed, the Zoning Board of Adjustment is the appointed arbiter of those land use requests.

Housing Development

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

Historical Preservation and Regulatory Oversight

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

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

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

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

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

The City also utilizes several place-based economic development strategies to spur development in Philadelphia. These strategies include: (i) a 10-year real estate tax abatement on all construction, as well as on improvements to existing properties; (ii) Commonwealth-designated Keystone Opportunity Zones (KOZ) in which eligible businesses may be exempt from all state and local business taxes until a specified date; (iii) tax increment financing; and (iv) commercial corridor revitalization through support of Business Development Districts (BIDs) and reimbursement for certain storefront improvements.

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

Key Development Achievements

Philadelphia is experiencing a revival of construction, with over 30 major projects under construction concurrently, representing over $2.6 billion in investment. Twenty-six of those projects received no public subsidies. Higher education and health care institutions are currently the most active with building projects, while eight apartment complexes and condos are also under construction. Table 3 reflects notable real estate developments currently planned or under construction that are not reflected in other tables herein.

Table 3
Select Development Investments Under Construction

Select Investments	***Estimated Cost (Millions)***
2021 Chestnut Street Residential	40.0
2040 Market Residential	75.0
2116 Chestnut	100.0
2400 South Residential	Unavailable
31st & Girard - Bottom Dollar	9.0
Bakers Center (and Shop Rite)	53.0
Building 489 Medical Office	7.0
Children's Hospital of Philadelphia Ambulatory Care Facility	500.0
Children's Hospital of Philadelphia Karabots Primary Care Center	24.0
Convention Center Parking Facility	27.0
Drexel University Business School	92.0
Drexel University Dormitory	97.0
Glaxo Smith Kline	81.0
Goldtex Residential	38.0
Iroko	15.0
New Family Court	200.0
Robert Morris Building, The Arch, Residential	17.0
Spectrum Community Health Center	16.0
The Granery Residential	90.0
UPenn Hill House	100.0
UPenn Nanotechnology building	88.0
UPenn Perelman Center Expansion	100.0
Wistar Institute	102.0
William's Way Senior Housing (Planned)	19.0
1605 Sansom Residential (Planned)	35.0
Piers 34/35 Residential (Planned)	Unavailable
Marina View Tower Residential (Planned)	52.0
Select Investment Total	***$1,977.0***

Source: City of Philadelphia Department of Commerce

Table 4 below presents the 4-year trend of total value of building permits issued with a "Passed" final inspection by the City.

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

Calendar Year	**Commercial**	**Institutional**	**Miscellaneous Site Work**	**Residential**	**Total**
2008	$ 1,621,168,416	$ 98,719,913	$ 2,126,715	$ 563,140,276	$ 2,285,155,320
2009	1,395,253,093	703,575,931	2,790,315	943,939,675	3,045,559,014
2010	2,270,044,948	761,256,771	211,140	756,116,210	3,787,629,069
2011	2,109,766,594	430,459,314	1,285,450	767,219,433	3,308,730,791
TOTAL	$ 7,396,233,051	$ 1,994,011,929	$ 6,413,620	$3,030,415,594	$12,427,074,194

Source: City of Philadelphia Department of Licenses & Inspections

Convention, Hospitality and Tourism

With Philadelphia's historic assets, the City has natural appeal as a tourist destination. 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.

The Convention Center has booked 225 meetings and conventions for 2012, with over 565,000 total hotel room nights, and an estimated economic impact of more than $813 million. In 2011, over 2.77 million room nights were sold within the City, which is the most in Philadelphia's history.

The Pennsylvania Convention Center expects an average annual growth of 5% in hotel rooms booked each year from 2012 to 2018. Currently the Convention Center is on track to book 860,000 hotel room nights in 2018, and has conferences committed through 2026.

The number of hotel rooms available in the City in 1993 was 5,613, with annual demand of 1,331,684 hotel rooms, representing 65% occupancy. The City's current hotel room inventory is 10,586 rooms, with an average occupancy from January through July 2012 of 74.7 percent . The City, working with leaders in the hotel industry, seeks to build an additional 1,000 hotel rooms as an anchor to the Pennsylvania Convention Center. Table 5 lists notable hotel developments since 2008, representing $391 million dollars in investment.

Table 5
Notable Hotel Developments since 2008, in Millions

Four Points by Sheraton	$14 (Estimate)
Le Meridien	61 (Estimate)
Kimpton Hotel Palomar	94
Homewood Suites University City	43
Marriott Courtyard, Navy Yard	31
Hotel Monaco by Kimpton (Fall 2012)	88
Hilton Home2 Suites (Summer 2013)	60
Total	***$391 million***

Source: City of Philadelphia Commerce Department and PIDC

Despite a drop during the national recession beginning in 2008, 2011 employment in the leisure and hospitality sector exceeded pre-recession levels, employing 60,684 people in the City.

In 2010, the City formed the Mayor's Hospitality Advisory Board, a collaborative effort between public, private, and nonprofit entities working to grow the hospitality sector in Philadelphia. The board proactively addresses issues such as customer experience and quality of life, hotel development, and marketing, including international marketing. Beyond working to increase convention business, the City and its regional partners work to increase leisure travelers as well. According to a 2011 report by the Greater Philadelphia Tourism and Marketing Corporation, since 1997, leisure hotel stays have tripled in Center City, Philadelphia, from 254,000 to 796,000 in 2011. This can be attributed to a number of factors, notably, an increased supply of hotel rooms and marketing of the region. The City, through the Greater Philadelphia Tourism and Marketing Corporation, supports domestic marketing efforts.

The City supports international marketing efforts through the Philadelphia Convention and Visitors Bureau (PCVB). The U.S. Office of Travel and Tourism Industries reported that international visitors to Philadelphia in 2011 numbered 613,000. While the PCVB continues to work to attract international visitors from Western Europe, 2012 priorities include increasing the share of visitors from growth markets like China, India, and Brazil.

Table 6
Greater Philadelphia† Visitation Growth, 1997-2011
(in millions)

	1997	*2011*	*Net Change*	*Percent Growth*
Total Visitation	**26.7**	**37.9**	**11.2**	**41.9%**
Day	18.0	23.1	5.1	28.3%
Overnight	8.7	14.8	6.1	70.1%
Leisure	22.8	33.4	10.6	47%
Business	3.9	4.5	0. 6	15%

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

A significant driver of visitation to Philadelphia is the City's robust arts and culture sector. The Center City District reports that one-in-three tourists who come to Center City Philadelphia cite museums and cultural events as the primary reason for their visit. In 2011, Travel + Leisure magazine ranked Philadelphia as the number one city for arts and culture in the United States. According to the Cultural Vitality Index, developed by the City's Office of Arts, Culture and the Creative Economy with assistance from the Western States Art Federation, when comparing Philadelphia to national benchmarks, the City's creative economy was 54% stronger than the nation as a whole in 2010.

Organizations like the Philadelphia Museum of Art, the Kimmel Center, the Philadelphia Live Arts and Philly Fringe Festival, and the more than 400 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors, as well as contribute to the estimated $580 million in revenue that the Philadelphia MSA's cultural organizations generated in 2010. Part of the wider economic impact generated by this revenue is demonstrated in the over 48,900 creative jobs that the sector supports within Philadelphia.

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Table 7
2011 Attendance Levels Philadelphia Visitor Center & Select Attractions

Visitor Center/Attraction	***Attendance***
Reading Terminal Market	6,350,706
Independence Visitor Center	2,338,400
Liberty Bell Center	2,045,680
Philadelphia Zoo	1,178,285
Franklin Institute	845,272
National Constitution Center	817,227
Independence Hall	689,723
Philadelphia Museum of Art	635,035
Please Touch Museum	574,692
Eastern State Penitentiary	264,671
University of Pennsylvania Museum of Archaeology and Anthropology	211,713
Academy of Natural Sciences	165,158

Source: Philadelphia Area Hospitality Snapshot, PKF Consulting; Greater Philadelphia Tourism Marketing Corporation, 2011.

Historic District Investments

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 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. Table 8 lists several key attractions that have been added since 2001, complementing existing historic assets. Coupled with proposed public and private developments, this district is expected to remain competitive in the national and international tourism markets for years to come.

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Table 8
Select Historic District Investments since 2001

Select Completed Investments	***Estimated Cost (Millions)***
Independence Visitors Center	$38.0
Independence National Historic Park Landscaping	18.0
National Constitution Center	185.0
Liberty Bell Center	13.0
Presidents House	8.2
Historic Philadelphia Franklin Square	10.0
Independence Park Institute	2.0
National Museum of Jewish American History	150.0
Select Completed Investment Total	***$424.2***
Select Future Investments	
Franklin Court Museum (In Design)	$21.0
Lights of Liberty (Underway)	10.0
Penn Medicine at Washington Square (Underway)	75.0
Hotel Monaco by Kimpton (Fall 2012)	88.0
National Center For the American Revolution (Planned)	100.0
Independence Hall Tower Investments	4.8
Select Future Investment Total	***$298.8***
Total	***$723.0***

Source: City of Philadelphia Department of Commerce and PIDC

Avenue of the Arts and North Broad Street Investment

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

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Table 9
Avenue of the Arts Development Projects

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

Source: City of Philadelphia Department of Commerce and PIDC

The 2011 expansion of the Pennsylvania Convention Center reignited development efforts along the key corridor of North Broad Street. Recently opened Lenfest Plaza, adjacent to the Pennsylvania Academy of Fine Arts (PAFA), and across the street from the Convention Center's new front door, is home to Paint Torch, a sculpture by world-renowned American artist Claes Oldenburg. Further north at Broad and Wood Streets, the Pennsylvania Ballet is poised to build their new $17.5 million headquarters, which will house rehearsal spaces and corporate offices when it opens in 2013.

At Spring Garden Street, the former State office building and the building previously home to the Inquirer and Daily News have been sold and are slated for housing and commercial development. At 600 N. Broad Street just north of Spring Garden, a former auto dealership and an adjacent former dress factory have been redeveloped to include 101 new residential lofts, new restaurants and a catering facility. The redevelopment of this block was initiated at 640 N. Broad with the conversion of an empty building into a mixed use development with 250 fully-leased apartments.

Temple University is undergoing a transformation to accommodate a student population that wants to live near campus. Temple is planning $1.2 billion of investment over the next decade to further develop their North Broad Street frontage. Planned upgrades include a new student recreation facility, new academic buildings such as a new library and a science research lab, and a new high rise residence hall featuring additional classroom space and a dining hall.

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

Table 10
North Broad Street Development Projects

Development Project	***Estimated Cost (Millions)***
Pennsylvania Academy of the Fine Arts Hamilton Bldg 2005	$21.0
School District Administration Building Renovation 2005	92.0
640 N. Broad Apts/Retail 2006	50.0
Convention Center Expansion 2011	786.0
PAFA Lenfest Plaza 2011	3.5
600 N. Broad Apts/Retail 2011	43.0
Avenue of the Arts N. Streetscape Improvements 2012	13.6
Ave Arts N. Beech (1600 N. Broad)	20.0
Progress Plaza/Fresh Grocer	14.0
1220 N. Broad Apt. Building Renovations (Pinzuk)	2.3
Beech Int'l House	22.0
Community Legal Services N. HQ (Underway)	8.0
Uptown Theatre (Underway)	2.0
PA Ballet (Underway)	17.0
Paseo Verde Residential (Underway)	48.0
Temple University Dormitory (Underway)	148.0
State Building Development (Proposed)	71.0
Inquirer Building Development (Proposed)	100.0
Blue Horizon Development (Proposed)	14.0
Divine Lorraine (Proposed)	42.0
Total	***$1,517.4***

Source: City of Philadelphia Department of Commerce and PIDC

Parkway Investments

Conceived as early as 1871, and opening in 1929, the Benjamin Franklin Parkway runs from the area of City Hall to the Philadelphia Museum of Art and is at the heart of the City's museum district. A signature public investment, the Parkway was originally designed to ease traffic and beautify the City. 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 Academy of Natural History, the Swann Memorial Fountain, Cathedral Basilica of Saints Peter and Paul on Logan Square and numerous pieces of public art.

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

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Table 11
Select Parkway Investments Since 2004

Select Investments	***Estimated Cost (Millions)***
Art Museum Renovations and Improvements	$141.0
Sister Cities Plaza, Café Cret, Aviator Park & Other Improvements	17.2
Perelman Wing – Philadelphia Museum of Art	90.0
Franklin Institute	50.0
Waterworks	5.8
Rodin Museum Renovations	20.9
Barnes Foundation	100.0
Select Completed Investment Total	***$424.9***
Philadelphia Museum of Art Loading Dock (Underway)	$57.7
Mormon Temple (Underway)	70.0
Free Library Renovations (Underway)	20.0
Paines Skate Park (Underway)	5.0
Dilworth Plaza Renovation (Underway)	55.0
Franklin Institute (Planned)	65.0
Philadelphia Museum of Art Expansion (Planned)	500.0
Holocaust Memorial (Planned)	3.5
Select Future Investment Total	***$776.2***
Total	***$1,201.1***

Source: City of Philadelphia Department of Commerce and PIDC

Opened in May 2012, the Barnes Foundation's new facility on the Benjamin Franklin Parkway is expected to have a significant impact on the City's leisure and hospitality industry. Within the first three months of opening, the Barnes has nearly 25,000 members, ranking it among the top institutions of its kind in the country, and more than 120,000 people have visited the new facility, surpassing a full year of operation in its previous location in Merion, Pennsylvania. Of overnight visitors, Arts and culture visitors represent 17%, or about 1.36 million, visitors to Philadelphia annually. According to a 2011 report from the Greater Philadelphia Tourism Marketing Corporation, arts and culture visitors spend 54% more than the average visitor, stay longer, and are more likely to stay in a hotel.

South Philadelphia Sports Complex

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

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

Since 2009, the Phillies have had a paid home season attendance in excess of 100% of actual seating at Citizen's Bank Park. In 2010, the Phillies had the second highest attendance of any team in Major League Baseball, and in 2011 the Phillies registered the highest home attendance of any team in Major League Baseball. Paid home season attendance for the Eagles in Lincoln Financial Field has exceeded 100% of actual seating, since its opening in 2003.

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

Gaming

SugarHouse Casino opened on the Delaware River waterfront in 2010 with an array of slot machines, table games and dining options. In 2011 the Casino's total revenue was $245,180,125, and it employed 1,098 people. Average monthly revenue per slot machine is commensurate with competing casinos at $8,983, and SugarHouse's average monthly revenue per table game is nearly double that of its top competitors in Pennsylvania and Atlantic City, NJ, at $133,207.

The Commonwealth of Pennsylvania is currently accepting applications to award a second casino license in Philadelphia County. An announcement of the winning proposal is expected in fall 2013.

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 a catalyst for environmental remediation of former industrial property within the City.

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

Schuylkill River Development Corporation. The tidal Schuylkill River has more than 16 miles of riverfront through 27 neighborhoods, and includes four national historic landmarks. Redevelopment along the river is managed by a partnership between the Schuylkill River Development Corporation (SRDC), the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, state, City and private agencies to coordinate, plan and implement economic, recreational, environmental and cultural improvements and tourism initiatives on the Schuylkill River. From 1992 to 2012, SRDC worked with the City to create 1.8 miles of riverfront trails within 17 acres of premiere park space in the heart of the City, and added amenities to the Schuylkill River Park such as floating docks, fishing piers, and composting toilets. 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.

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

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

Strategic Business Improvement Districts (BID)

Since 1990, in partnerships with business owners, residents, and non-profit organizations, the City has successfully created key business improvement districts within the City to revitalize neighborhood commercial areas. BIDs provide an agreed-upon set of business services and improvements to businesses within an established boundary in exchange for a mandatory annual assessment from those businesses. BIDs are authorized by City Council. Currently, Philadelphia has twelve (12) BIDs/Special Services Districts and two (2) voluntary services districts. Since their inception, these districts have seen population growth, increased property values, lowered vacancy rates, and are some of the most desirable places to live and work in Philadelphia. The Center City District and the University City District are the largest business improvement districts in the City.

The Center City District was founded in 1990 as a private-sector business improvement district. The district encompasses 120 blocks and more than 4,500 individual properties in an area that extends beyond the central business district, roughly from Vine Street to Spruce Street and 30th Street to 4th Street. Center City District provides security, cleaning and promotional services that supplement, but do not replace, basic services provided by the City and the fundamental responsibilities of property owners. Center City District also makes physical improvements to the downtown, installing and maintaining lighting, signs, banners, trees and landscape elements. The type of improvements managed by the Center City District are often credited with the area's increased desirability as a place to live and work, attracting a population with higher educational attainment and higher household income than national averages. At 28 percent of the population, greater Center City has more than twice the national average of residents ages 25-34, and 66 percent of Center City residents 25 and older had a Bachelor of Arts degree or higher, compared to the national average of 28 percent. From 2000 to 2010, household income in Center City increased 49 percent to $59,345 from $39,715.

The University City District, founded in 1997, is Philadelphia's second largest business improvement district by area, population, and employment. The 2.2 square mile area holds 60,000 jobs, with an economy centered on its universities and hospitals. Like the Center City District, the University City District provides security, cleaning and promotional services. The District serves as an economic development entity through assisting both start-up and established businesses with regulatory compliance and in applying for grants, coordinating technical resources with neighborhood commercial corridors, and providing career networking opportunities for its residents. University City District works with City agencies in planning and implementing improvements for public spaces and transportation infrastructure.

Office Market and New Development

Philadelphia currently has approximately 43.7 million square feet of office space in the Central Business District (CBD), and the market continues to show positive signs in 2012. The overall vacancy rate dropped to its lowest overall vacancy in the CBD since the first quarter of 2009. Total net absorption during the second quarter of 2012 was positive, with the Market West and University City submarkets driving the positive change. Several companies signed leases in the second quarter of 2012. Notable companies included: Morgan Stanley Smith Barney, TranSystems Corporation, OSIsoft, LLC and Alteva, LLC. Ballard Spahr LLP's second quarter lease renewal was one of the largest of the quarter at 202,000 SF.

In the second quarter of 2012, Cushman & Wakefield ranked Philadelphia's downtown office market as having the seventh best vacancy rate among the twenty largest downtown office markets in the United States, with a vacancy rate of 14.9%.

Table 12
Comparative Office Vacancy Rates, 20 Largest Office Markets
Second Quarter 2012

Market	*Overall Vacancy Rate*
Manhattan (Midtown South)	6.1%
Manhattan (Midtown)	9.8%
San Francisco	11.0%
Cleveland	12.2%
Washinton DC	12.5%
Houston	13.9%
Philadelphia	**14.9%**
Denver	15.0%
Portland	15.1%
All Markets	**16.30%**
Pittsburgh	16.5%
Boston	17.3%
Orange County	17.3%
Seattle	17.5%
Chicago	17.8%
Los Angeles	18.6%
Minneapolis	20.0%
Atlanta	21.4%
Dallas	22.0%
Detroit	24.8%
Phoenix	25.7%

Source: Cushman Wakefield US Market Beat, Second Quarter 2012

Retail Market

Preliminary reports from the U.S. Bureau of Labor Statistics show that 46,801 people were employed in retail trades and 42,360 in food service and drinking places in 2011. The number of private retail establishments and private food services and drinking places has recovered to pre-recession levels, increasing by 222 and 2,863 establishments respectively from 2007 to 2011. Expected fall 2012 retail openings along the City's prime retail row, Walnut Street, include Anne Klein, Intermix, and the newly-renovated Brooks Brothers. Notably, West Coast retailer Bettie Page Clothing opened its first, and only, East Coast location on Walnut Street in September 2012. Along Chestnut Street, retailers were joined by boutiques Kembrel and Blink.

Philadelphia has experienced a revival in restaurant establishments especially in the Center City District, indicating an improved quality of life and vibrancy of that area. From 1992 to 2010, the number of fine dining establishments within the Center City District increased 322%. Notable additions to restaurants outside of Center City include celebrity chef, Marc Vetri's Alla Spina and Philadelphia restaurateur Steven Starr's Route 6. Both restaurants are located along North Broad St. and take advantage of growing investment in that area.

Table 13 reflects taxable retail sales for the City from Fiscal Years 2007 to 2010.

Table 13
Taxable Retail Sales 2007-2010
(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

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.

Navy Yard

Acquired in 2000 by the Philadelphia Industrial Development Corporation through the Base Realignment and Closure process of the federal government, the Philadelphia Navy Yard represents the successful transition of a former naval property with a 125-year history as an active military base to a growing industrial asset. The Navy Yard is a 1,200 acre mixed-use office, research and industrial park, serving more than 120 companies. Currently 8,500 people work on site, supporting diverse tenants such as: the Aker Philadelphia Shipyard, one of the world's most advanced commercial shipbuilding facilities, the corporate headquarters for retailer Urban Outfitters, a new 205,000 square foot, LEED certified office building for pharmaceutical company GlaxoSmithKline, and a LEED-Silver certified baking facility for the Tasty Baking Company. In excess of 6.0 million square feet of space is currently occupied with significant additional capacity available for office, industrial, retail and residential development.

Recent real estate developments include: new facilities for GlaxoSmithKline and Iroko Pharmaceuticals, both opening fall 2012; currently under construction is the expansion of Urban Outfitters headquarters, adding over 1,000 jobs to the Navy Yard; and expansion of the Navy Yard Commerce Center, adding 100,000 square feet in two buildings. Once the GlaxoSmithKline and Iroko Pharmaceuticals facilities are operational, it is expected that total Navy Yard employment will return to 10,000, an employment level not seen since the 1990s before the U.S. Navy ended its operations.

The Navy Yard is also home to the Energy Efficient Buildings Hub (EEB Hub), a consortium of universities, businesses, and economic development groups, working to develop energy efficient building technologies. The EEP Hub is the recipient of $160 million in State and Federal funding and part of a U.S. Department of Energy program to create national Energy Innovation Hubs.

The Navy Yard plans to release an updated master plan in fall of 2012, detailing a new, comprehensive vision for the Navy Yard. In the plan are specific recommendations for adding over 12 million square feet of new construction and historic renovation supporting office, R&D, industrial and residential development, complemented with commercial retail amenities, open spaces and expanded mass transit. At full build, The Navy Yard will support more than 20,000 employees and over $2 billion in private investment.

Airport

The Airport System consists of Philadelphia International Airport (the "Airport" or "PHL") and the Northeast Philadelphia Airport ("PNE") and is owned by the City and operated by the Division of Aviation.

Since 2000, $1.5 billion has been invested in capital improvements at PHL. The Airport recently completed a 10-year planning and environmental review process in January 2011 as the Federal Aviation Administration (the "FAA") issued a Record of Decision approving the Airport's Capacity Enhancement Program (the "CEP") and in September 2011 awarded a $466.5 million letter of intent to provide funding for certain elements of the CEP. The CEP provides for a new runway, which will allow independent simultaneous aircraft operations in poor weather conditions, to significantly reduce delays; two runway extensions; enlarging and reconfiguring the existing terminal complex; relocating several off-airport facilities; developing a centralized ground transportation center; developing additional parking facilities; and constructing an automated people mover for the transport of passengers between terminals that will interface with the existing SEPTA rail line. In 2010, the cost of the CEP was estimated to be $6.4 billion and the total period for the phased construction is anticipated to be approximately 13 calendar years, lasting from 2013 through 2025. A portion of the funding for this longer-term capital program will require the issuance of additional airport revenue bonds.

Port of Philadelphia

The Port of Philadelphia is located on the Delaware River within the City limits. Port facilities are serviced by three Class I railroads (CP Rail, CSX and Norfolk Southern) and provide service to major eastern Canadian points as well as Midwestern, southern and southeastern U.S. destinations. Terminal facilities, encompassing 4 million square feet of warehousing, are located in close proximity to I-95 and I-76. Over 300 local trucking companies operate in the MSA, with a combined total of over 15,000 trucks.

The Port of Philadelphia moved 3,993,616 metric tons of cargo in 2011, and is in the midst of an expansion project which will ultimately increase cargo capacity in the MSA. The Port of Philadelphia is the #1 meat port in the United States, and is among the nation's leaders for fruit, cocoa, forest products and steel.

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 business and personal services center with strengths in insurance, law, finance, health, education, and utilities. Given the geographic proximity of the City to the other four counties (Bucks, Chester, Delaware and Montgomery) that, together with the City, comprise the Philadelphia PMSA, the Philadelphia economy can be viewed to include portions of these counties. As of 2009, there were approximately 170,000 residents of the four suburban counties working within the City. An additional 117,000 commuters came to Philadelphia from counties outside the PMSA. The City also provides a destination for entertainment, arts, dining and sports for residents of the suburban counties, as well as for those residents of the counties comprising the extended Philadelphia MSA. (See Philadelphia Metropolitan Statistical Area (MSA) herein for further information.)

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

Key Industries

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

In 2011 these sectors collectively represented 60% of total employment in the City, and 63 percent of total wages. Philadelphia has recovered over 15,000 jobs since the peak of the recession in 2010 and the City's job levels are consistent with average levels dating from 2005. As reflected in Table 14, employment has generally trended upwards in education and health services and leisure and hospitality over the period shown. These sectors provide stability to the City's overall economy.

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

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

The City's economy also enjoys a large market share of for-profit creative industry companies which are entrepreneurial and technology-driven, known as businesses representing the "creative economy". The sector includes architecture, communications, design and merchandising, digital media, engineering, fashion design, graphic arts, information technology, interior and industrial design, marketing, music, film and video production, multimedia design, photography, planning product design and software development. Entrepreneurs can access a burgeoning network of incubator, multi-tenant, and co-working spaces across the City. More than 44 organizations, such as BreadBoard, Independents Hall, the Philadelphia Fashion Incubator, and Globe Dye Works, house a diverse range of startups from fashion and video gaming, to bio-tech and clean energy. Other incubators and advocates like Ben Franklin Technology Partners, DreamIt Ventures, Philly Startup Leaders, University City Science Center, and Technically Philly provide networking opportunities and access to venture capital.

In September of 2012, the third largest national venture capital firm by volume, First Round Capital, moved its headquarters from West Conshohocken, Pennsylvania, to a 10,000 square foot facility in Philadelphia that will include incubator and co-working space. The move follows other large suburban firms, Bentley Systems and Fiberlink that have opened "satellite" offices in close proximity to Philadelphia universities.

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

Industry	Pennsylvania	Philadelphia County
Educational Services	1.62	4.74
Health Care and Social Assistance	1.23	1.74
Management of Companies and Enterprises	1.44	1.37
Finance and Insurance	1.02	1.20
Professional and Technical Services	0.90	1.13
Arts, Entertainment, and Recreation	1.07	1.11
Transportation and Warehousing	1.13	1.09

Source BLS: 2011 Location Quotient, Quarterly Census of Employment and Wages Data. Ratio of analysis-industry employment in the analysis area to base-industry employment in the analysis area divided by the ratio of analysis-industry employment in the base area to base-industry employment in the base area.

Educational Institutions

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

Hospitals and Medical Centers

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

Major research facilities are also located in the City, including those located at its universities, medical schools, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children's Hospital of Philadelphia has recently completed the construction of a new $400 million biomedical research facility located within the Philadelphia Center for Health Care Sciences in West Philadelphia. A Comprehensive Cancer Center is also located at the University of Pennsylvania.

Table 15 lists the number of beds in each of the major hospitals and medical centers in the City, as of June 2011, and does not reflect any mergers, consolidations or closures that have occurred since that date.

Table 15
Hospitals and Medical Centers as of June 2011

Institution Name	Total Beds
Aria Health System[1]	485
Belmont Center for Comprehensive Treatment	147
Chestnut Hill Hospital	119
Department of Veterans Affairs Medical Center-Philadelphia	142
Einstein Medical Center - Philadelphia	711
Fairmount Behavioral Health System	185
Fox Chase Cancer Center	100
Friends Hospital	192
Girard Medical Center/Continuing Care Hospital of Philadelphia	51
Good Shepherd Penn Partners	38
Hahnemann University Hospital	510
Hospital of the University of Pennsylvania	776
Jeanes Hospital	176
Kensington Hospital	35
Magee Rehabilitation Hospital	96
Mercy Hospital of Philadelphia	180
Methodist Hospital Division - TJUH	165
Nazareth Hospital	195
Penn Presbyterian Medical Center	245
Pennsylvania Hospital	435
Roxborough Memorial Hospital	141
Shriners Hospitals for Children - Philadelphia	39
St. Christopher's Hospital for Children	175
St. Joseph's Hospital	146
Temple University Hospital[2]	740
The Children's Hospital of Philadelphia	461
Thomas Jefferson University Hospital	701
Triumph Hospital Philadelphia	58

Source: Delaware Valley Healthcare Council of HAP, Monthly Utilization Report, June 2011.
[1]Aria Health System includes data for all three divisions - Frankford, Torresdale and Bucks County.
[2]Temple includes data for Episcopal Hospital.

Children's Hospital Expansion. Top ranked Children's Hospital of Philadelphia (CHOP) is one of the largest and oldest children's hospitals in the world. Since 2002, CHOP has invested over $2.6 billion in its expansion in Philadelphia, which is one of the largest hospital expansions in the U.S. The $500 million Ruth and Tristram Colket, Jr. Translational Research Building opened in 2010. The Trustees of CHOP recently approved an additional investment of $2.7 billion in CHOP's expansion in Philadelphia through 2017. A $500 million, 700,000 square foot Ambulatory Care Facility, is currently under construction, and will open in late 2013. Future proposals include a nine-acre, 1.5 million square foot medical research campus along on the east banks of the Schuylkill River.

University of Pennsylvania. The University of Pennsylvania, a private Ivy League institution, sits on a 300 acre campus in West Philadelphia across the river from downtown Philadelphia. Its more than 20,000 undergraduate, graduate and professional full time students attend more than 12 graduate and professional schools on its single campus within the City. The University and its health system is the largest private sector employer in Philadelphia employing over 30,000 staff with an annual budget of $6 billion. The University recently completed a $370 million medical research building, the Translational Research Center, which opened in May 2011. Penn will continue more than $61 million in fit out to three floors in the facility through the winter of 2012-13. In 2011, Penn broke ground on its Krishna P. Singh Center for Nanotechnology, an $88 million nanotechnology research facility combining expertise from both Penn's School of Arts and Sciences and its School of Engineering and Applied Science (SEAS). This newest research facility will open in spring 2013.

The Wistar Institute. The Wistar Institute was founded in 1892 and was the nation's first independent biomedical research facility. The Institute has started construction on a $100 million expansion and renovation project that will significantly increase its ability to carry out its mission.

Drexel University. Founded in 1891 as the Drexel Institute of Science, Art and Industry, the University occupies a 74-acre University City Main Campus. Drexel's student body has grown considerably in the past two decades, from 4,500 in 1996 to over 10,000 students today, resulting in expansion of both curriculum and campus. Drexel's 2007 Master Plan not only lays the foundation for the expansion of its institutional facilities and student housing, but calls for considerable investment in green space, streetscape improvements, and mixed-use development that includes retail.

To date, $232 million is allocated for construction already in progress, and an estimated $300 million will be allocated for projected construction projects through 2016. In September, 2011 Drexel University opened the doors to its new $69-million science building, the Constantine N. Papadakis Integrated Sciences Building. The University has begun construction of a $92 million, 12-story facility for its LeBow School of Business, scheduled to open in 2014, and a new mixed use residential and retail project on Chestnut Street. Design is also complete for a $44 million renovation of a 161,000 square foot building housing the College of Media Arts and Design.

Principal Employers in the City

Table 16 lists Philadelphia's 15 largest employers, by wage tax revenue. Five are hospitals and providers of other medical services, three are renowned universities, and four are in the finance and insurance industry. Other sectors represented include manufacturing, information, and leisure and hospitality: GlaxoSmithKline LLC, an international researcher and manufacturer of pharmaceuticals, the headquarters for Comcast Corporation, one of the country's largest IT and communications providers, and Aramark Corporation, an employer of food service workers. This list highlights Philadelphia's strength in its centers of medicine and higher learning.

Two of the City's largest employers, Aramark Corporation and Comcast Corporation are also Fortune 500 companies. Although not among the largest employers, other Fortune 500 companies found in Philadelphia are Crown Holdings Inc., Cigna Corporation, and Sunoco Inc. A number of Fortune 1000 companies are also within the City: FMC Corporation, Urban Outfitters Inc., and Radian Group Inc.

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Table 16
Principal Employers by Wage Tax Revenue, January 2012

Employer	***Sector***	***Employees within Philadelphia***
University of Pennsylvania	Education	16,539
University of Pennsylvania Health System	Health	15,827
Drexel University	Education	9,356
Children's Hospital of Philadelphia	Health	9,355
Thomas Jefferson University Hospitals	Health	8,147
Temple University	Education	7,673
Albert Einstein Medical	Health	5,907
Independence Blue Cross	Insurance	3,894*
PNC Bank NA	Finance	3,847
Temple University Health System	Health	3,385
Comcast Corporation	Communications	3,250
Wells Fargo Bank	Finance	2,291
Aramark Corporation	Food Service	1,805
Ace Insurance Company	Insurance	1,388
GlaxoSmithKline LLC	Bio-tech	1,300*
	Total	93,964

Source: City of Philadelphia Department of Revenue
* Estimate

The Labor Force

The City demonstrates strength in education and health services relative to its surrounding Pennsylvania suburbs. Just under a third of Philadelphia's employment is in education and health services. While considerable in suburban counties, this sector represents under one-fifth of their combined economy.

Both Philadelphia and its suburbs experienced employment losses during the recent recession and the subprime mortgage crisis, and employment gains throughout the housing bubble years from 2004 through 2008. However, employment gains and losses in the past decade have been much more pronounced in the suburbs, where construction of single-family housing developments far exceeded housing construction in the City.

Table 17 shows non-farm payroll employment in the City over the last decade by industry sectors.

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Table 17
Philadelphia
Non-Farm Payroll Employment[1]
(Amounts in Thousands)

Sector	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011[2]	Change from 2002	Average Annual % Change	Share of Total Employment
Construction & Mining	12.1	11.8	10.9	11.7	12.1	11.6	11.7	9.7	9.5	9.5	-21.74%	-2.42%	1.50%
Manufacturing	38.0	33.9	32.1	31.2	30.1	28.3	27.2	26.0	24.7	23.7	-37.78%	-4.63%	3.76%
Trade, Transportation, & Utilities	92.8	93.1	87.2	87.6	85.6	84.5	84.5	82.5	83.0	83.8	-9.74%	-1.02%	13.31%
Information	16.5	16.8	13.3	13.1	12.6	12.6	12.1	12.2	12.0	11.4	-30.56%	-3.58%	1.81%
Financial Activities	50.6	50.2	47.7	47.5	46.9	46.0	45.2	43.9	41.4	40.4	-20.10%	-2.22%	6.42%
Professional & Business Services	82.8	82.1	80.7	79.3	80.9	82.0	81.8	75.3	77.7	79.0	-4.65%	-0.48%	12.54%
Education & Health Services	166.2	170.4	170.3	173.3	178.8	183.4	188.6	191.3	193.5	197.9	19.04%	1.76%	31.43%
Leisure & Hospitality	53.7	51.8	52.9	56.1	57.3	58.0	57.6	56.6	58.0	60.2	12.25%	1.16%	9.56%
Other Services	23.1	23.7	22.7	22.8	21.8	21.8	21.8	20.7	20.7	20.9	-9.81%	-1.03%	3.31%
Government	116.8	113.8	111.6	109.6	106.8	104.0	103.1	104.1	105.9	103.0	-11.82%	-1.25%	16.35%
Total	652.6	647.5	629.3	632.0	632.7	632.2	633.6	622.4	626.4	629.7	-3.51%	-0.36%	100%

Source: Bureau of Labor Statistics (BLS) 2011 **.**
[1] Includes persons employed within the City, without regard to residency.
[2] Preliminary average employment estimates through December.

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Unemployment

Philadelphia's unemployment rate increased by 2.7% the year following the major economic downturn in 2008-2009, which increase is 0.2% lower than the total increase for the country. Philadelphia's overall increase in unemployment during the recessionary period between 2008 and 2010 was 3.8%, which is 0.2% lower than the average increase for the country during that period. Philadelphia's unemployment rate decreased by 0.4% between the years 2010 and 2011.

Table 18 below shows five years of unemployment information for Philadelphia, the MSA, the Commonwealth and the United States.

Table 18
Unemployment
Five-Year Unemployment in Selected Geographical Areas, 2007-2011

Geographical Area	2007	2008	2009	2010	2011	*Change 2007-2011*
United States	4.6%	5.8%	9.3%	9.6%	8.9%	4.3%
Pennsylvania	4.4	5.4	8.0	8.5	7.9	3.5
Philadelphia-Camden-Wilimington MSA	4.3	5.3	8.3	9.0	8.6	4.3
Philadelphia	**6.0**	**7.1**	**9.6**	**10.8**	**10.8**	**4.8**

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

Throughout the 1990s and as late as 2009, Philadelphia narrowed the gap between its unemployment levels and national levels. The effects of the recession are reflected in 2010 and 2011.

Median and Average Household Income

Table 19 and 20 show median family income and median household (including unrelated individuals living together) income for Philadelphia, the MSA, the Commonwealth and the United States. Table 20 shows the average household income for the same areas. Over the period 2005-2009, median household income for Philadelphia increased by 12.1 percent, while average household income increased by 17.6 percent as a result of an influx of higher income households.

Table 19
Median Family Income for Selected Geographical Areas, 2005-2010

Geographical Area	2005	2006	2007	2008	2009	2010	*Change 2005-2010*
United States	$55,832	$58,526	$60,374	$63,211	$62,367	$62,112	$6,280
Pennsylvania	55,904	58,148	60,243	63,071	62,772	63,040	7,136
Philadelphia-Camden-Wilmington MSA	67,830	70,781	73,536	76,978	76,812	76,710	8,880
Philadelphia	**40,534**	**43,049**	**44,134**	**46,365**	**45,826**	**45,148**	**4,614**

Source: American Community Survey, Annual and 3-Year Estimates

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Table 20
Median Household Income for Selected Geographical Areas, 2005-2010

Geographical Area	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	***Change 2005-2010***
United States	$46,242	$48,451	$50,007	$52,175	$51,369	$51,222	**$4,980**
Pennsylvania	44,537	46,259	47,913	50,272	50,028	50,289	5,752
Philadelphia-Camden-Wilmington MSA	53,555	55,593	57,831	60,331	60,232	60,037	6,482
Philadelphia	**32,753**	**33,229**	**34,767**	**36,222**	**36,725**	**35,952**	**3,199**

Source: American Community Survey, Annual and 3-Year Estimates

Table 21
Average Household Income for Selected Geographical Areas
2000-2009

Year	**City of Philadelphia**	**Philadelphia-Camden-Wilmington MSA**	**Pennsylvania**	**United States**	**Philadelphia as % of US**
2000	$ 63,975	$ 91,695	$ 77,278	$ 79,967	80.00%
2001	65,744	93,854	78,414	81,785	80.39
2002	69,410	96,609	80,121	82,335	84.30
2003	72,077	99,382	82,135	84,038	85.77
2004	74,191	103,811	85,426	88,346	83.98
2005	76,764	107,515	88,016	92,206	83.25
2006	81,298	115,503	94,112	97,992	82.96
2007	85,593	119,560	98,745	102,370	83.61
2008	89,505	124,088	102,781	106,537	84.01
2009	90,260	120,454	99,618	101,721	88.73

Source: IHS Global Insight

Effective Buying Income (EBI)

Philadelphia benefits from having a relatively low cost-of-living. While median household incomes in Philadelphia are lower than the average for selected cities, Philadelphia's buying income is only $104 less than the average of these cities plus New York. Table 22 below shows Philadelphia's effective buying income in comparison to certain cities including select comparison cities.

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Table 22
2009 Effective Buying Income, Selected Cities, Ranked by Principal City, Ranked by Media Market*

City	*Media Market*	*Principal City*
Washington	$59,696	$40,072
Boston	51,735	41,678
Baltimore	50,675	31,590
San Diego	50,383	49,085
New York (Manhattan)	49,008	38,873
Los Angeles	47,986	38,783
Chicago	46,886	36,729
Philadelphia	**46,649**	**31,110**
Houston	44,880	37,098
Phoenix	44,575	41,174
Detroit	43,944	27,676
Milwaukee	$41,385	30,593
Cleveland	$39,674	26,105
San Antonio	$39,107	36,831
Memphis	$36,468	30,672

Source: Sales & Marketing Management, 2009 Median Effective Household Buying Income for Media Markets and Cities
* Media Market is defined as the Nielsen designated market area.

HOUSING

The 2010 U.S. Census reported 670,171 housing units in Philadelphia, with 599,736 occupied and 70,435 vacant, representing a vacancy rate of 10.5%. Of occupied housing units, 54.1% were owner-occupied and 45.9% were renter-occupied. The homeowner vacancy rate was just 2.1% while rental vacancy rate was 8.9%.

Although spring home sales volume was at its lowest since 1995, 3,079 homes changed owners, and the second quarter of 2012 showed a strong rebound of Philadelphia's housing market after several years of recession-induced price declines. The typical Philadelphia home increased in value by 7.6 percent on a quality, and seasonally, adjusted basis, according to the latest data from the City's Recorder of Deeds. With this latest gain homeowners have recovered nearly a third of their home's lost value since house prices began dropping five years ago. Currently, house prices are now back at levels not seen since mid-2005.

Philadelphia's housing market continues to outperform most US cities. With the recent positive prices, Philadelphia moved up in the rankings of U.S. cities for the least house price declines since the peak, according to Econsult Corporation and house price data tracked by S&P/Case-Shiller. Six months ago, Philadelphia was ranked fifth out of twenty-one U.S. cities with the least house price declines. Currently, Philadelphia is third, behind only Dallas and Denver, as having the least house price declines among large U.S. cities. Philadelphia's house prices are now down only 15 percent from their peak.

KEY CITY-RELATED SERVICES AND BUSINESSES

Transportation

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to PHL and to the surrounding counties. A high speed train line runs from southern New Jersey to Center City and is operated by the Delaware River Port Authority. An important addition to the area's transportation system was the opening of the airport high speed line between Center City and the Airport in 1985. The line places PHL less than 25 minutes from the Center City business district and connects directly with the commuter rail network and the 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.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to the other major cities and markets in the United States. According to a February 2010 Amtrak report, Philadelphia's 30th Street Amtrak Station is the 3rd busiest station in the United States. More than 100 truck lines serve the Philadelphia area.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of I-95; the Vine Street Expressway (I-676), running east-to-west through the Central Business District between I-76 and I-95; and the "Blue Route" (I-476) in suburban Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I-95 and thereby feeds into the Schuylkill Expressway (I-76) and thus into Center City Philadelphia.

The Airport was opened in 1940, is owned by the City and operated by the Division of Aviation, and serves residents of and visitors to a broad geographic area that includes portions of four states: Pennsylvania, New Jersey, Delaware and Maryland. The primary service region of the Airport consists of the Philadelphia and Wilmington Metropolitan Statistical Areas. The Airport is located partly in the southwestern section of the City and partly in the northeastern section of Delaware County 7.2 miles from Center City Philadelphia. PHL is situated over 2,300 acres of land. It is adjacent to I-95 and is served by a SEPTA commuter rail line with direct service to Center City Philadelphia. Philadelphia Northeast Airport (PNE), located on the northeast part of the City, provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service.

PHL is classified as a large air traffic hub by the Federal Aviation Administration (the "FAA"). According to the Airport Council International, in calendar year 2010, the Airport was ranked 18th in passenger traffic among U.S. airports and served a total of approximately 30.8 million passengers. According to Airport Council International Traffic Movements 2010, with 460,779 aircraft movements in 2010, PHL ranked the 12th busiest airport in the world in terms of aircraft movements. Origin-destination traffic for Fiscal Year 2011 accounted for approximately 56% of annual passengers, with the remaining 44% being passengers who connected between flights. As of July 2011, the airlines serving the Airport provided a total of 590 average daily departures to 118 cities, including 86 domestic and 32 international destinations.

Water and Wastewater

The water and wastewater systems of the City are owned by the City and operated by the City's Water Department. The water system provides water to the City (130 square mile service area), to Aqua Pennsylvania, Inc., formerly Philadelphia Suburban Water Company, and to the Bucks County Water and Sewer Authority. The City obtains approximately 57% of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 476,100 retail customers through 3,159 miles of mains, 3 water treatment plants, 15 pumping stations and provides fire protection through more than 25,200 fire hydrants. The water treatment plants continue to meet and /or exceed their Safe Drinking Water Act as well as partnership for Safe Water standards.

The wastewater system services a total of 360 square miles of which 130 square miles are within the City and 230 square miles are in suburban areas. The total number of retail customer accounts is approximately 478,900, excluding approximately 35,150 stormwater only accounts. The wastewater and stormwater systems contain three water pollution control plants, a biosolids processing facility, 21 pumping stations, and approximately 3,657 miles of sewers. The wastewater treatment plants continue to meet and/or exceed their National Pollutant Discharge Elimination System permit limits.

Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,400 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. The contract is currently in its last year, and the City is soliciting bids for a new contract, which will be awarded during the course of this fiscal year.

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, which at 9,200 acres is the world's largest landscaped urban park, and includes Pennypack Park and the Philadelphia Zoo, the country's first zoo. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell.

Libraries

The Free Library of Philadelphia, the City's public library system, is one of the pre-eminent libraries in the world, comprised of 54 branches and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department and the divisions within it are responsible for the City's large network of streets and roadways. The Department is also responsible for the ongoing collection and disposal of residential trash and recyclables, as well as the construction, cleanliness and maintenance of the street system. The streets system in Philadelphia totals 2,575 miles - 2,180 miles of city streets, 35 miles of Fairmount Park roads and 360 miles of state highways. The Highway Unit and Sanitation Division annually collects and disposes of approximately 700,000 tons of rubbish and 100,000 tons of recycling, completes over 42,000 miles of mechanical street cleaning, clears 1,500 major illegal dump sites, and removes over 150,000 abandoned tires.

APPENDIX C

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2011

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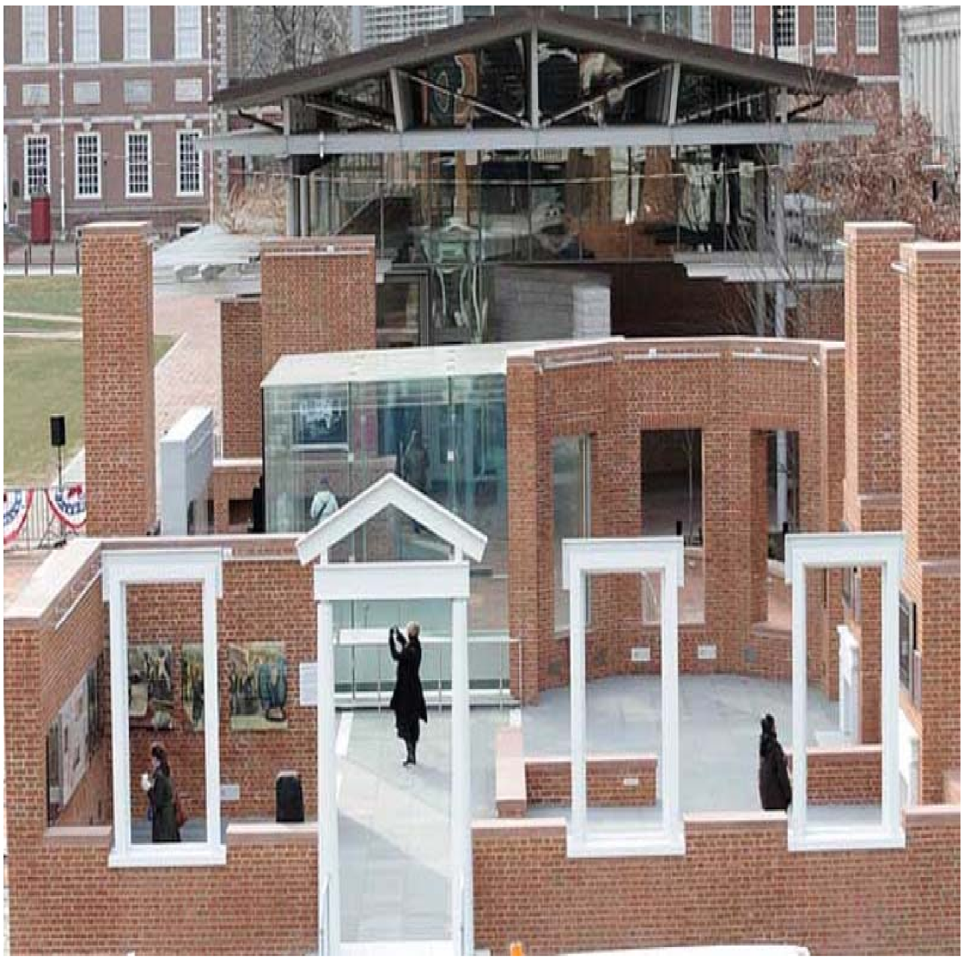
City of Philadelphia

PENNSYLVANIA

Founded 1682



President's House

Comprehensive Annual Report
Fiscal Year Ended June 30, 2011

City of Philadelphia

PENNSYLVANIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Michael J. Kauffman
Accounting Director

Office of the Director of Finance • 1330 MSB • Philadelphia, PA 19102

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Cover photo courtesy of Mitchell Leff & Kait Privitera for Mayor's Photography Internship Program

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 21, 2012

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, 2011, is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). 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, 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 the City is financially accountable for the entity or that the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services, as well as the activities of the previously mentioned public agencies and authorities. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport which handles in excess of 30 million passengers annually as well as cargo and Northeast Philadelphia Airport which handles private aircraft and some cargo.

City government is responsible for establishing and maintaining internal controls designed to protect the assets of the City from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. This internal control is subject to periodic evaluation by management and the City Controller's Office in order to determine its adequacy. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget proposed by the Mayor and approved by City Council for the fiscal year beginning July 1st. Activities of the General Fund, City Related Special Revenue Funds and the City Capital Improvement Funds are budgeted annually. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major class within an individual department and fund for the operating funds and by project within department and fund for the Capital Improvement Funds. The City also maintains an encumbrance accounting system for control purposes. Encumbered amounts that have not been expended at year-end are carried forward into the succeeding year but appropriations that have not been expended or encumbered at year-end are lapsed.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in this report is best understood in the context of the environment in which the City of Philadelphia operates. A more comprehensive analysis of these factors is available in the City's Five-Year Financial Plan which is presented by the Mayor each year pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act and can be obtained online at *www.phila.gov/finance/.*

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. After 50 years of losing residents to the suburbs, 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. Still, significant challenges remain. While fewer people live and work here than in previous decades, social needs continue to grow just as the cost of providing services are rising considerably.

The City's tax base is under pressure as personal income levels remain relatively low in comparison to the region and poverty in the region has become increasingly concentrated in the City. These factors create an ongoing challenge to fund those public services required by a growing segment of our population with a revenue base that is unduly burdensome on the City and regional economy.

These challenges are only heightened in the current environment of a severe economic recession, which officially began in December 2007, and from which the nation and City are only beginning to emerge. The recession – the longest recession in the post WWII period – has been characterized by high unemployment, tight credit, decreased consumer spending and significant job loss. The erosion of the financial markets has in turn generated significant fiscal strain across the economy.

State and local governments have and continue to face large budget shortfalls primarily as a result of depressed tax collections and pension fund market losses. However, the City of Philadelphia had, at the close of fiscal year 2011, a positive fund balance of $0.1 million.

In response to projected deficits, the City implemented significant expenditure reductions and efficiency savings, improved delinquent tax collections, and temporarily suspended scheduled wage and business tax rate reductions. In addition, the City implemented workforce reductions through layoffs and by leaving positions vacant. The City also implemented temporary sales and property tax increases.

As a result of these efforts, by the end of the current fiscal year 2012, the city is projecting a surplus of $59.7 million.

While the recession officially ended in June 2009, unemployment remains high and many economists anticipate a slow and long recovery. This is particularly relevant to state and local governments, whose tax revenues generally lag economic conditions.

The table below shows how Philadelphia's local economy has trended in the past five years, characterized by population fluctuations, increases in total compensation and rising unemployment rates due to the impact of the recession in the last three years.

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
		(thousands of USD)	(USD)	
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	53,689,351	34,855	7.1%
2009	1,547,297	54,125,507	34,981	9.8%
2010	1,528,306	54,565,206	35,703	10.9%

Long Term Financial Planning

Long term financial planning for the City and for businesses and governments around the world has been made much more challenging with the sudden and dramatic rate of deterioration in the economy in the past three and a half years. As discussed above, the City has made significant changes to its budget and five-year plan to compensate for projected deficits and will continue to make those adjustments as necessary.

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. In fiscal 2011, employee benefits (12%) and pensions (13%) combined, will comprise 25% of the proposed budget expenditures.

In order to address the challenges these long term structural costs present, the City is seeking changes to its health and pension benefits by reducing the cost to the City, implementing efficiency savings and seeking increased employee contributions and risk sharing. Some of these changes are already being made to the City-administered programs and those related to the Fraternal Order of Police (FOP) as a result of the December 18, 2009 Act 111 arbitration award. Additionally, the City was awarded similar pension changes in the October 12, 2010 Act 111 arbitration award with the International Association of Fire Fighters (IAFF). While the economic provisions of the award are being appealed by the City, the award's pension provisions are not under appeal by the City or the IAFF. The City is seeking similar changes with the remaining bargaining units whose contracts expired in July of 2009. Also, during fiscal year 2011 the City introduced a new hybrid pension plan with defined benefit and defined contribution components.

Despite the immediate economic challenges facing the City, some planned initiatives must take place if the City is to be positioned for economic recovery in the long run. Some of those initiatives include:

- **Greenworks Philadelphia.** The City is committed to becoming the greenest city in the U.S. by 2015. In order to achieve that goal the City has created a detailed work plan and begun implementation of Greenworks Philadelphia, which outlines those goals and initiatives the City will engage in to limit its environmental footprint and capitalize on its competitive advantages in the emerging green economy.

- **Healthy Philadelphia Initiative.** The City's Department of Public Health in conjunction with other City agencies, non profit organizations and academic institutions will have implemented a multi-year plan for combating obesity by making healthy foods available to Philadelphians, decreasing the availability and consumption of non healthy foods and promoting physical activity in daily life.

- **PhillyGoes2College.** Improving educational outcomes is necessary in order to improve the overall well being of Philadelphia residents. As a way of increasing access to higher education the City has opened a new PhillyGoes2College office to assist residents to and through college as well as help them find scholarships to finance their education.

- **Investments in Technology.** Despite the significant budget cuts departments have endured over the course of the past two and a half years, the City is devoting resources to long-needed technology investments across government. These investments will help streamline operations and reduce costs in the long-term.

- **Jobs and Workforce Development.** Through Way to Work Philadelphia, the City and its partners leveraged federal stimulus dollars to provide wage subsidies for 14,000 part- and full-time jobs in Philadelphia - jobs for people who may otherwise have been unemployed. In addition, the City continues to work in partnership with economic development stakeholders to build work-readiness skills to youth ages 14-21, through paid summer job placements.

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, 2010. This was the thirty first 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.

Respectfully submitted,

ROB DUBOW
Director of Finance

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

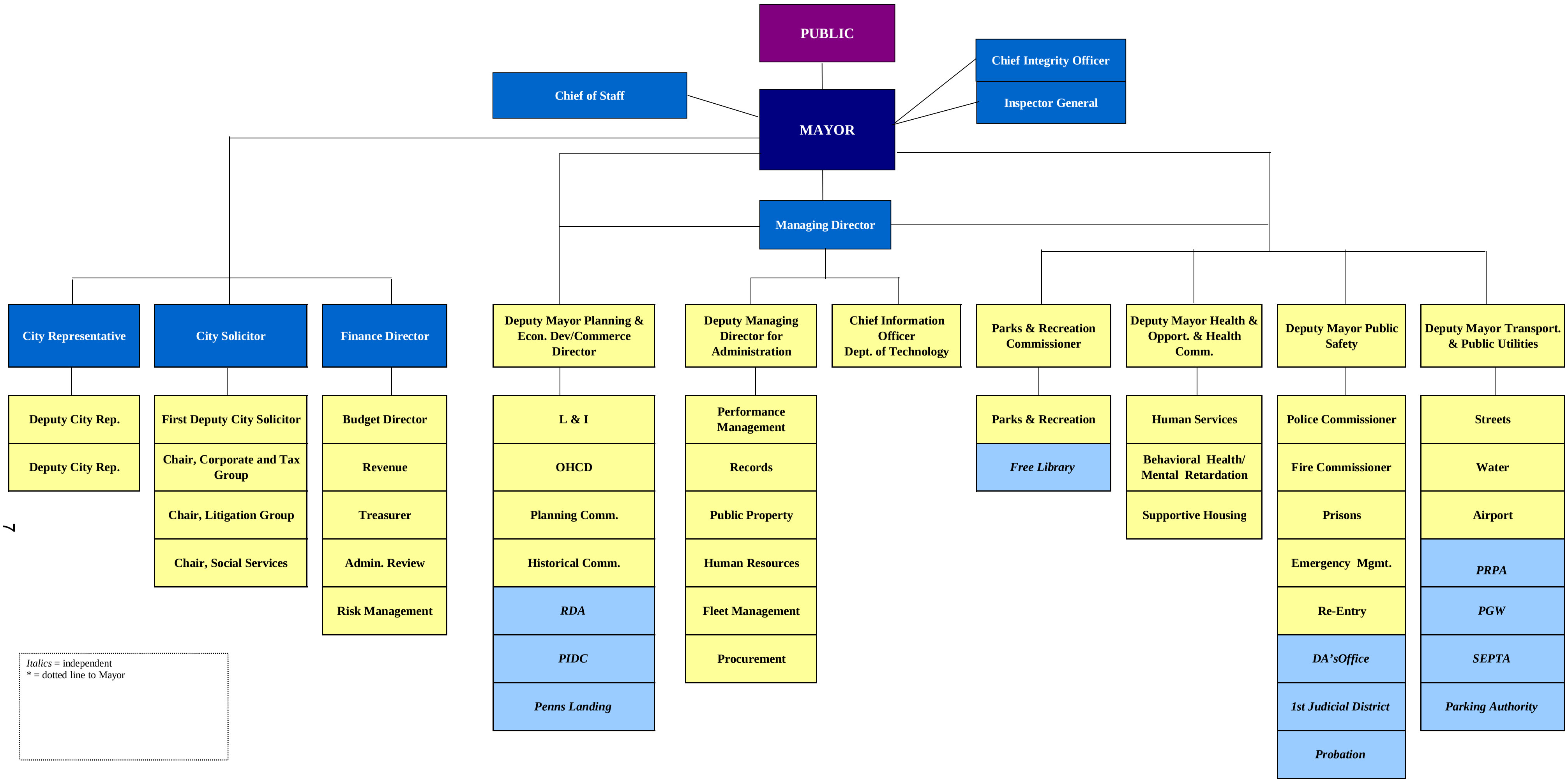
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Linda C. Davidson

President

Jeffrey R. Esser

Executive Director


PUBLIC
MAYOR
Chief of Staff
Chief Integrity Officer
Inspector General
Managing Director
City Representative
Deputy City Rep.
Deputy City Rep.
City Solicitor
First Deputy City Solicitor
Chair, Corporate and Tax Group
Chair, Litigation Group
Chair, Social Services
Finance Director
Budget Director
Revenue
Treasurer
Admin. Review
Risk Management
Deputy Mayor Planning & Econ. Dev/Commerce Director
L & I
OHCD
Planning Comm.
Historical Comm.
RDA
PIDC
Penns Landing
Deputy Managing Director for Administration
Performance Management
Records
Public Property
Human Resources
Fleet Management
Procurement
Chief Information Officer Dept. of Technology
Parks & Recreation Commissioner
Parks & Recreation
Free Library
Deputy Mayor Health & Opport. & Health Comm.
Human Services
Behavioral Health/ Mental Retardation
Supportive Housing
Deputy Mayor Public Safety
Police Commissioner
Fire Commissioner
Prisons
Emergency Mgmt.
Re-Entry
DA'sOffice
1st Judicial District
Probation
Deputy Mayor Transport. & Public Utilities
Streets
Water
Airport
PRPA
PGW
SEPTA
Parking Authority
Italics = independent
* = dotted line to Mayor

Elected Officials

Mayor .... Michael A. Nutter

City Council

President, 2nd District .... Anna Cibotti Verna

1st District .... Frank DiCicco
3rd District .... Jannie L. Blackwell
4th District .... Curtis Jones, Jr.
5th District .... Darrell L. Clarke
6th District .... Joan L. Krajewski
7th District .... Maria D. Quinones-Sanchez
8th District .... Donna Reed Miller
9th District .... Marian B. Tasco
10th District .... Brian J. O'Neill
At-Large .... Blondell Reynolds Brown
At-Large .... W. Wilson Goode, Jr.
At-Large .... William K. Greenlee
At-Large .... Jack Kelly
At-Large .... James F. Kenney
At-Large .... Bill Green
At-Large .... Frank Rizzo

District Attorney .... Seth Williams

City Controller .... Alan Butkovitz

City Commissioners

Chairwoman .... Margaret M. Tartaglione
Commissioner .... Anthony Clark
Commissioner .... Joseph Duda

Register of Wills .... Ronald R. Donatucci

Sheriff .... Barbara Deeley

First Judicial District of Pennsylvania

President Judge, Court of Common Pleas .... Pamela P. Dembe
President Judge, Municipal Court .... Marsha H. Neifield
President Judge, Traffic Court .... Thomasine Tynes

Appointed Officials

Managing Director	Richard Negrin
Director of Finance	Rob Dubow
City Solicitor	Shelley R. Smith
City Representative	Melanie Johnson
Chief of Staff	Suzanne Biemiller
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	Donald R. Schwarz, MD
Deputy Mayor for Planning & Economic Development/Commerce Director	Alan Greenberger
Chief Integrity Officer	Joan L. Markman
Inspector General	Amy L. Kurland
Chief Education Advisor to the Mayor	Lori A. Shorr, Ph.D.
Chief Information Officer	Tommy Jones
Deputy Mayor for Economic Development	Alan Greenberger
City Treasurer	Nancy Winkler
Revenue Commissioner	Keith Richardson
Procurement Commissioner	Hugh Ortman
Police Commissioner	Charles Ramsey
Prisons Commissioner	Louis Giorla
Streets Commissioner	Clarena Tolson
Fire Commissioner	Lloyd Ayers
Commissioner of Parks and Recreation	Michael DiBerardinis
Public Property Commissioner	Joan Schlotterbeck
Director of the Office of Behavioral Health	Arthur C. Evans, MD
Department of Human Services Commissioner	Anne Marie Ambrose
Licenses and Inspections Commissioner	Fran Burns
Water Commissioner	Howard Neukrug
Records Commissioner	Joan T. Decker
Human Resources Director	Albert L. D’Attilio
Executive Director of the Board of Pensions & Retirement	Francis X. Bielli
Executive Director of the Sinking Fund Commission	Charles Jones
Director of Aviation	Mark Gale
Director of the Office of Labor Relations	Joseph Tolan

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

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, 2011, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia, Pennsylvania's management. 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 Departmental and Permanent Funds. Those financial statements representing 33% and 18% of the total assets and revenues, respectively, 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 on the reports of the other auditors. As discussed in Note IV.9 to the financial statements, the School District of Philadelphia, a component unit of the City of Philadelphia, Pennsylvania, disclosed concern about its ability to continue as a going concern. The independent auditor's report for the School District of Philadelphia included an explanatory paragraph expressing substantial doubt about the ability of the School District of Philadelphia to continue as a going concern.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note III.10 to the financial statements, in 2011 the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Also, as discussed in Note III.13.B to the financial statements, in 2011 the City of Philadelphia reevaluated its relationship with the Pennsylvania Convention Center Authority (PCCA), which had been reported as a discretely presented component unit in 2010, and determined that PCCA no longer meets the criteria for inclusion as a component unit. Accordingly, net assets at July 1, 2010 have been adjusted to exclude PCCA.

The management's discussion and analysis on pages 13 through 26, and the major funds budgetary comparison schedules, the pension plans and other post employment benefits-schedule of funding progress, and the related notes to required supplementary information, on pages 120 through 124, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit 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 Introductory Section, Other Supplementary Information, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2011 financial information listed as Other Supplementary Information in the table of contents, has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2011 taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Philadelphia, Pennsylvania's basic financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated February 22, 2011, we expressed unqualified opinions on the respective 2010 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. In our opinion, the 2010 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations, on pages 149 through 153, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010, taken as a whole. The Introductory Section and Statistical Section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Gerald V. Micciulla

February 21, 2012

GERALD V. MICCIULLA, CPA
Deputy City Controller

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, 2011 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 City of Philadelphia's *net liabilities* were $123.4 million resulting from an excess of its liabilities over its assets. Its *unrestricted net assets* showed a deficit of $2,261.2 million. This deficiency will have to be funded from resources generated in future years.

- During the current fiscal year the city's total net assets increased by $74.2 million. The governmental activities of the city experienced an increase of $22.6 million, while the business type activities had an increase of $51.6 million.

- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of $747.8 million, an increase of $205.9 million from last year. Primarily, this was due to a $106.4 million increase in the General Fund and a $36.6 increase in the Health Choices Behavioral Health fund. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of $84.0 million, a decrease of $39.3 million from last year.

- The overall unassigned fund balance of the city's General fund ended the fiscal year with a deficit of $45.7 million, an increase from last year of $206.2 million. This is due to an increase in revenue of $179.1 million, a 5.3% increase over the previous year.

- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a surplus fund balance of $0.1 million, as compared to a deficit of $114.0 million last year. This increase of $114.1 million was due to an increase in revenues that resulted in an operating surplus of $75.0 million and the cancellations of prior year obligations further increased the fund balance.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction and overview of the City of Philadelphia's basic financial statements. The city's basic financial statements are comprised of:

- <u>Government-wide financial statements</u> which provide both long-term and short-term information about the city's overall financial condition.
- <u>Fund financial statements</u> which provide a more detailed look at major individual portions, or funds, of the city.
- <u>Notes to the financial statements</u> which explain some of the information contained in the financial statements and provide more detailed data.
- <u>Other supplementary information</u> 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 assets* which includes all of the city's assets and liabilities, with the difference between the two reported as net assets. 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 assets during the current fiscal year. These changes in net assets 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 Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
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 and liability information	All assets and liabilities, financial and capital, short and long term	Only assets expected to be used up and liabilities that come due during the current year or soon thereafter; no capital assets are included	All assets and liabilities, 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 assets. As noted earlier, net assets are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities exceeded its assets by $123.4 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 assets, $797.6 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.

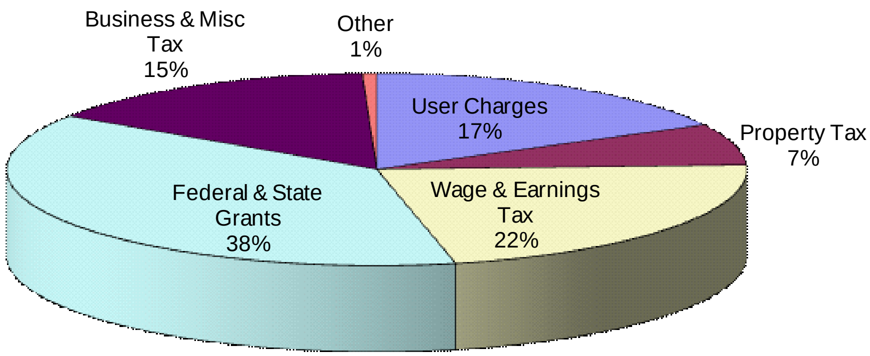
A portion of the city's net assets, $1,340.2 million, are subject to external restrictions as to how they may be used. The remaining component of net assets is unrestricted. Unrestricted net assets ended the fiscal year with a deficit of $2,261.2 million. The governmental activities reported negative *unrestricted net assets* of $2,495.5 million. Any deficits will have to be funded from future revenues. The business type activities reported an unrestricted net assets surplus of $234.3 million.

Following is a comparative summary of the city's assets, liabilities and net assets:

City of Philadelphia's Net Assets
(millions of USD)

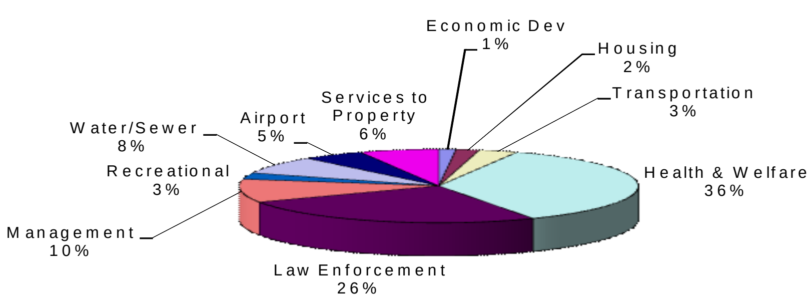
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2011	2010	Change	2011	2010	Change	2011	2010	Change
Current and other assets	2,022.7	1,914.9	5.63%	1,475.8	1,181.4	24.92%	3,498.5	3,096.3	12.99%
Capital assets	2,147.2	2,151.3	-0.19%	3,612.6	3,493.5	3.41%	5,759.8	5,644.8	2.04%
Total assets	**4,169.9**	**4,066.2**	2.55%	**5,088.4**	**4,674.9**	8.85%	**9,258.3**	**8,741.1**	5.92%
Long-term liabilities	5,007.4	4,891.1	2.38%	3,246.8	2,832.6	14.62%	8,254.2	7,723.7	6.87%
Other liabilities	915.9	951.2	-3.71%	211.6	263.9	-19.82%	1,127.5	1,215.1	-7.21%
Total liabilities	**5,923.3**	**5,842.3**	1.39%	**3,458.4**	**3,096.5**	11.69%	**9,381.7**	**8,938.8**	4.95%
Net assets:									
Invested in capital assets, net of related debt	(47.5)	(59.3)	19.90%	845.1	831.8	1.60%	797.6	772.5	3.25%
Restricted	789.6	705.1	11.98%	550.6	489.3	12.53%	1,340.2	1,194.4	12.21%
Unrestricted	(2,495.5)	(2,421.9)	-3.04%	234.3	257.3	-8.94%	(2,261.2)	(2,164.6)	-4.46%
Total net assets	**(1,753.4)**	**(1,776.1)**	1.28%	**1,630.0**	**1,578.4**	3.27%	**(123.4)**	**(197.7)**	37.58%

Changes in net assets. The city's total revenues this year, $6,770.7 million, exceeded total costs of $6,696.5 million by $74.2 million. Approximately 29% of all revenue came from property and wage and earnings taxes. State, Federal and local grants account for another 38%, with the remainder 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 68% are related to the health, welfare and safety of the general public.



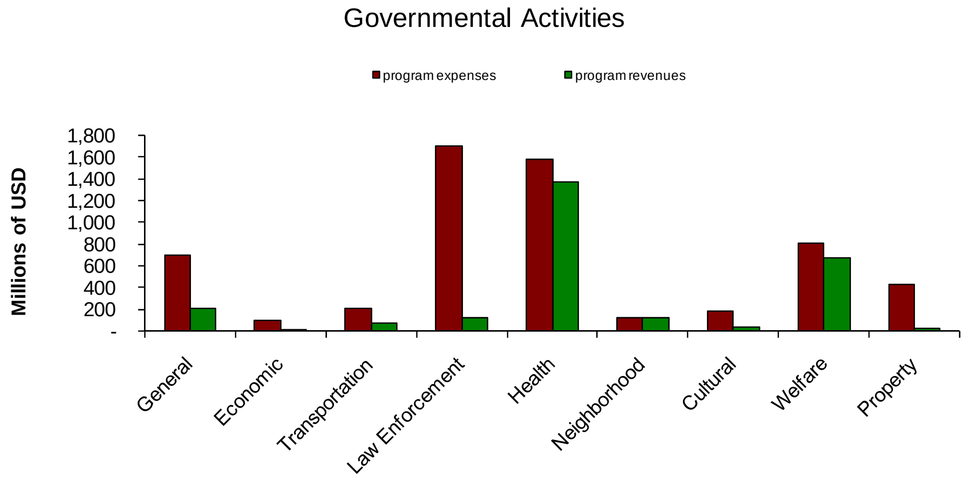
Overall, net assets for the city increased by $74.2 million. Total revenues increased by $440.8 million, total expenses decreased by $33.8 million over last year. This resulted in the Change in Net Assets being $474.6 million higher than in the previous year. Net assets were increased by $173.9 million from Operating grants and contributions, $56.1 million from Wage and Earning taxes, $105.8 million due to an increase in the Real Estate Tax Assessment Rate, and $46.6 million from Other taxes.

Expense decreases included $52.7 million for Economic Development, $122.4 million for General Management and Support, and $38.7 for Interest on Long Term Debt.



Governmental Activities

The governmental activities of the City resulted in a $22.6 million increase in net assets. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



The following table summarizes the city's most significant governmental programs. Costs, program revenues and net cost are shown in the table. The net cost shows the financial burden that was placed on the city's taxpayers by each of these functions.

(millions of USD)	Program Costs 2011	Program Costs 2010	% Change	Program Revenues 2011	Program Revenues 2010	% Change	Net Cost 2011	Net Cost 2010	% Change
General Welfare	812.5	807.6	0.6%	668.4	572.8	16.7%	144.1	234.8	-38.6%
Judiciary & Law Enforcement	1,703.5	1,646.3	3.5%	122.6	139.6	-12.2%	1,580.9	1,506.7	4.9%
Public Health	1,577.9	1,494.5	5.6%	1,371.6	1,314.1	4.4%	206.3	180.4	14.4%
General Governmental	697.4	858.2	-18.7%	198.9	166.1	19.7%	498.5	692.1	-28.0%
Services to Property	429.0	408.7	5.0%	15.5	6.5	138.5%	413.5	402.2	2.8%
Housing, Economic & Cultural	618.1	682.3	-9.4%	228.2	224.3	1.7%	389.9	458.0	-14.9%
	5,838.4	**5,897.6**	-1.0%	**2,605.2**	**2,423.4**	7.5%	**3,233.2**	**3,474.2**	-6.9%

The cost of all governmental activities this year was $5,838.4 million; the amount that taxpayers paid for these programs through tax payments was $3,021.2 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,255.5 million while those who benefited from the programs paid $349.7 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 $234.6 million. The difference of $22.6 million is available to fund future commitments.

The following table shows a more detailed breakdown of program costs and related revenues for both the governmental and business-type activities of the city:

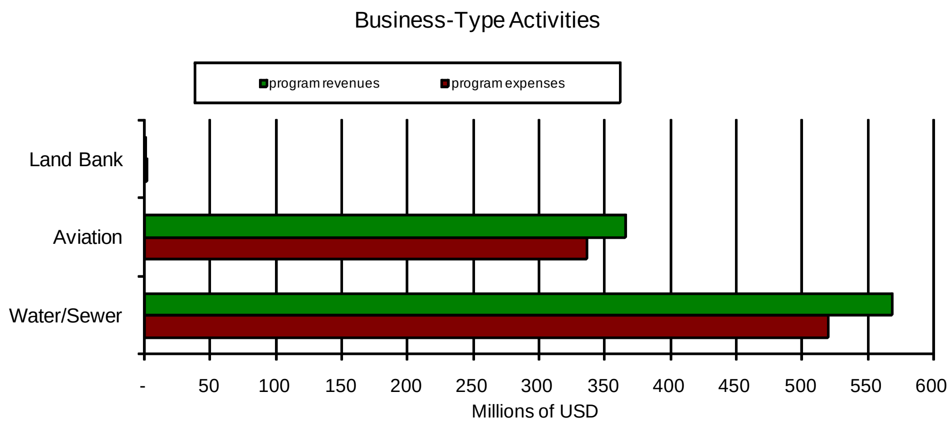
City of Philadelphia-Net Assets

(millions of USD)	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Total 2011	Total 2010	% Change
Revenues:							
Program revenues:							
Charges for services	349.7	326.1	817.1	792.6	1,166.8	1,118.7	4.3%
Operating grants and contributions	2,223.5	2,050.4	6.9	6.1	2,230.4	2,056.5	8.5%
Capital grants and contributions	32.0	46.9	103.7	90.5	135.7	137.4	-1.2%
General revenues:							
Wage and earnings taxes	1,504.6	1,448.5	-	-	1,504.6	1,448.5	3.9%
Property taxes	506.6	400.8	-	-	506.6	400.8	26.4%
Other taxes	1,010.0	963.4	-	-	1,010.0	963.4	4.8%
Unrestricted grants and contributions	173.8	171.4	-	-	173.8	171.4	1.4%
Unrestricted Interest	35.9	25.5	6.9	7.7	42.8	33.2	28.9%
Total revenues	**5,836.1**	**5,433.0**	**934.6**	**896.9**	**6,770.7**	**6,329.9**	7.0%
Expenses:							
Economic development	92.3	145.0	-	-	92.3	145.0	-36.3%
Transportation	211.5	212.1	-	-	211.5	212.1	-0.3%
Judiciary & law enforcement	1,703.5	1,646.3	-	-	1,703.5	1,646.3	3.5%
Conservation of health	1,577.9	1,494.5	-	-	1,577.9	1,494.5	5.6%
Housing & neighborhood development	126.1	131.3	-	-	126.1	131.3	-4.0%
Cultural & recreational	188.3	193.9	-	-	188.3	193.9	-2.9%
Improvement of the general welfare	812.5	807.6	-	-	812.5	807.6	0.6%
Services to taxpayer property	429.0	408.7	-	-	429.0	408.7	5.0%
General management	561.0	683.4	-	-	561.0	683.4	-17.9%
Interest on long term debt	136.3	174.9	-	-	136.3	174.9	-22.1%
Water & waste water	-	-	520.2	502.4	520.2	502.4	3.5%
Airport	-	-	336.0	330.1	336.0	330.1	1.8%
Industrial land bank	-	-	1.9	0.1	1.9	0.1	1800.0%
Total expenses	**5,838.4**	**5,897.7**	**858.1**	**832.6**	**6,696.5**	**6,730.3**	-0.5%
Increase (decrease) in net assets before transfers & special items	(2.3)	(464.7)	76.5	64.3	74.2	(400.4)	
Transfers	24.9	28.3	(24.9)	(28.3)	-	-	
Increase (decrease) in Net Assets	**22.6**	**(436.3)**	**51.6**	**36.0**	**74.2**	**(400.4)**	
Net Assets - Beginning	(1,776.0)	(1,292.6)	1,578.4	1,531.5	(197.6)	238.9	-182.7%
Adjustment	-	(47.2)	-	10.8	-	(36.4)	
Net Assets - End	**(1,753.4)**	**(1,776.1)**	**1,630.0**	**1,578.3**	**(123.4)**	**(197.9)**	-37.6%

Business-type Activities

Business-type activities caused the city's net assets to increase by $51.6 million. This increase was comprised of an increase in net assets for water/wastewater of $22.8 million, an increase to aviation of $30.2 million and a decrease for industrial & commercial development operations of $1.3 million. Some of the key reasons for these changes are:

- Increased airport rental concession income and an increase in passenger facility charges resulting from an increase in airline passenger traffic.
- Increased employee benefits costs in the Water Fund.

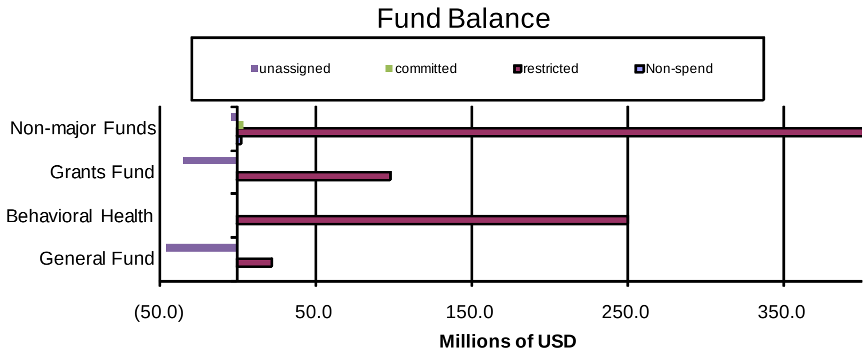


Financial Analysis of the Government's Funds

***Governmental funds*.** The purpose of the city's governmental funds is to provide financial information on the *short term inflow, outflow and balance* of resources. This information is useful in assessing the city's ability to meet its near-term financing requirements. *Unreserved 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 $747.8 million an increase of $205.9 million over last year. Of the total fund balance, $2.6 million represents *nonspendable fund balance* for amounts that cannot be spent. In addition, $825.1 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, to: revitalize neighborhoods ($61.3 million); pay debt service ($82.8 million); support programs funded by independent agencies ($45.6 million); fund a portion of the city's managed care programs ($250.1 million); fund a portion of new sports stadiums ($6.5 million); fund the 9-1-1 emergency phone system ($36.9 million); fund a portion of the central library renovation project ($2.3million), cultural and commercial corridor project ($19.2million); and trusts ($8.0 million); fund economic development programs ($6.6 million); improve streets and highways ($18.3 million); fund housing and neighborhood development ($10.5 million); provide health services ($8.8 million); preserve parks, libraries and museums ($.5 million); and support capital projects ($267.7 million). The fund balance is further broken down as to committed fund balance for Prisons ($3.6 million) and Parks and Recreation ($.5 million). The difference between the non-spendable, restricted, committed and combined fund balance is a deficit of $84.0 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 an *unassigned fund balance deficit* of $45.7 million at the end of the fiscal year. Ratios of the general fund's unreserved fund balance and total fund balance to its total expenditures can be useful indicators of the general fund's liquidity. These ratios for the year just ended were -1.3% and -0.7%, respectively.



Overall, the total fund balance of the general fund increased by $106.4 million during the current fiscal year. This Increase was due to an excess of expenditures over revenues and other financing uses for the fiscal year. Some of the key factors contributing to this change are:

Revenue:
- An increase in Tax Revenue of $130.8 million
- An increase in Locally Generated Non Tax Revenue of $51.1 million

Expenditures:
- An increase in expenditures for Police of $75.3 million.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $250.1 million of which $203.9 million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by $36.6 million.

The Grants Revenue fund has a total fund balance in the amount of $63.9 million which is comprised of a positive restricted fund balance of $98.2 million (earmarked for neighborhood revitalization and emergency telephone system programs) and a deficit unreserved fund balance of $34.3 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 unreserved fund balance. The overall fund balance of the grants revenue fund experienced a decrease of $18.5 million during the current fiscal year due primarily to increased transfers out of $15.1 million for the 911 Emergency Phone System.

***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 assets* of the proprietary funds increased by $51.6 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had an increase of $22.8 million, airport operations which experienced an increase of $30.1 million, while industrial & commercial development operations experienced a decrease of $1.3 million.

The proprietary funds reported an *unrestricted nets assets* surplus of $234.3 million, comprised of $147.8 million for the water and waste water operations, $69.8 million for the airport and $16.7 million for the industrial & commercial development activities. These unrestricted net assets represent an overall decrease of $22.9 million over the previous year, comprised of a decrease of $20.7 million for the water and waste water operations, a decrease of $0.9 million for the airport and a decrease of $1.3 million for the Land Bank. The change in the water fund unrestricted is the result of an increase in Employee Benefits of $19.4 million.

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)
2011	0.1	114.1
2010	(114.0)	23.2
2009	(137.2)	(256.7)
2008	119.5	(178.4)
2007	297.9	43.4

Differences between the original budget and the final amended budget resulted primarily from decreases in revenue estimates and increases to appropriations. These increases were required to support the following activities:

- $5.7 million for First Judicial District contracted services
- $1.8 million for Public Property for Water and Aviation interfund charges
- $1.4 million for Fire Department contracted services

The general fund's budgetary fund balance surplus of $0.1 million differs from the general fund's fund financial statement deficit of $45.7 million by $45.8 million, which represents the difference between the business privilege tax receipts of $149.6 million and the reserve for encumbrances of $103.8 million. Business privilege tax receipts are received prior to being earned but have no effect on budgeted cash receipts. The positive committed fund balance for encumbrances was offset against the negative unassigned fund balance, in accordance with GASB Statement No. 54.

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 $5.8 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:

- Infrastructure improvements: $22.1 million for streets, highways and bridges; and $138.2 million for the water and waste water systems, and $3.0 million for the Market Frankford Elevated.
- Airport terminal and airfield improvements in the amount of $119.8 million.
- City Hall exterior renovations in the amount of $12.0 million.
- Surveillance camera video system $8.8 million.

- President's House Commemoration $3.6 million.
- Robin Hood Dell East improvements totaling $3.0 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
	2011	2010	(Dec)	2011	2010	(Dec)	2011	2010	(Dec)
Land	762.0	757.0	5.0	105.0	107.0	(2.0)	867.0	864.0	3.0
Fine Arts	1.0	0.0	1.0	0.0	0.0	-	1.0	0.0	1.0
Buildings	704.0	725.0	(21.0)	1,673.0	1,672.0	1.0	2,377.0	2,397.0	(20.0)
Improvements other than buildings	96.0	97.3	(1.3)	125.0	124.0	1.0	221.0	221.3	(0.3)
Machinery & equipment	92.0	97.0	(5.0)	24.0	25.0	(1.0)	116.0	122.0	(6.0)
Infrastructure	364.0	450.0	(86.0)	1,270.5	1,242.5	28.0	1,634.5	1,692.5	(58.0)
Construction in progress	47.0	25.0	22.0	406.0	323.0	83.0	453.0	348.0	105.0
Transit	81.2	0.0	81.2	0.0	0.0	-	81.2	0.0	81.2
Intangible Assets	0.0	0.0	-	9.1	0.0	9.1	9.1	0.0	9.1
Total	**2,147.2**	**2,151.3**	**(4.1)**	**3,612.6**	**3,493.5**	**119.1**	**5,759.8**	**5,644.8**	**115.0**

The city's governmental activities experienced an overall decrease in capital assets of $4.1 million (net of accumulated depreciation) during the current fiscal year. The decreases are a result of normal depreciation costs for the fiscal year.

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 $8.3 billion in long term debt outstanding. Of this amount, $5.3 billion represents bonds outstanding (comprised of $2.1 billion of debt backed by the full faith and credit of the city, and $3.2 billion of debt secured solely by specific revenue sources) while $2.9 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)	2011	2010	2011	2010	2011	2010
Bonds Outstanding:						
General obligation bonds	2,121.7	2,071.0	1.0	2.2	2,122.7	2,073.2
Revenue bonds	-	-	3,189.0	2,788.8	3,189.0	2,788.8
Total Bonds Outstanding	**2,121.7**	**2,071.0**	**3,190.0**	**2,791.0**	**5,311.7**	**4,862.0**
Other Long Term Obligations:						
Service agreements	2,161.3	2,200.1	-	-	2,161.3	2,200.1
Employee related obligations	625.4	540.0	46.3	34.2	671.7	574.2
Indemnities	47.3	47.7	10.2	4.7	57.5	52.4
Leases	51.7	31.1	-	-	51.7	31.1
Other	-	1.2	0.3	2.7	0.3	3.9
Total Other Long Term Obligations	**2,885.7**	**2,820.1**	**56.8**	**41.6**	**2,942.5**	**2,861.7**
Total Long Term Debt Outstanding	**5,007.4**	**4,891.1**	**3,246.8**	**2,832.6**	**8,254.2**	**7,723.7**

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 $285.0 million in Tax and Revenue Anticipation Notes by June 2011 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In April 2011, the City issued $253.7 million of general obligation bonds series 2011. There were serial bonds issued in the amount of $156.4 million with interest rates ranging from 2.0% to 5.375% maturing in 2026. Term bonds were issued in amounts of: $23.2 million at 5.875% interest due on August 31, 2031; $31.3 million at 6.0% interest due on August 1, 2036; and $42.8 million at 6.5% interest due on August 1, 2041. The bonds were issued for the purpose of refunding the 1998 Refunded Bonds ($85.9 million), the 2001 Refunded Bonds ($31.6 million) and financing capital projects ($139.1 million)

- As of June 30, 2011, **PMA**'s Statement of Net Assets disclosed $19.9 million of accretion to its bond principal payments for fiscal years 2012 through 2015. Capitalized interest relates entirely to MSB 1990 Series Capital Appreciation Bonds. Accretion value represents the cumulative compounded interest due and payable at bond maturity.

- In August 2010, the City issued Water & Wastewater Revenue Bonds Series 2010 C in the amount of $185.0 million. Serial bonds were issued in the amount of $116.6 million with interest rates ranging from 3.0% to 5.0%, and have a maturity date of 2030. Term bonds were issued in the following amounts (1) $5.2 million with an interest rate of 4.750% and mature in 2035; (2) $24.8 million with an interest rate of 5.0% and mature in 2035; (3) $38.4 million with an interest rate of 5.0% and mature in 2040. The proceeds of the bonds together with other available funds of the water department will be used to fund capital improvements to the City's water & wastewater system, fund payments to terminate a portion of the 2007 swap agreement ($15.0 million), fund the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.

- In July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2011, PENNVEST's drawdowns totaled $73.8 million, which represents an increase in bond issuances. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years.

- In November 2010, the City issued Airport Revenue Bond Series 2010 in the amount of $624.7 million. The Series 2010 A bonds (Non-AMT) were issued as serial and term bonds. Insured serial bonds were issued in the amount of $16.5 million with interest rates ranging from 3% to 4.5% and mature in 2035 and uninsured serial bonds were issued in the amount of $113.0 million, with interest rates ranging from 2% to 5.250% and mature in 2030. Insured term bonds were issued in the amounts of $25 million, and $48 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Uninsured term bonds were issued in amounts of $37.8 million and 32.8 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Series 2010B (Non-AMT) for $24.4 million and 2010C (AMT) for $54.7 million were uninsured and issued as serial bonds and will mature in 2015 and 2018 respectively. The series 2010B and 2010C bonds have interest rates ranging from 2% to 5%. The insured 2010D (AMT) serial bonds were issued in the amount of $1.9 million with interest rates ranging from 4% to 4.5% and mature in 2024. The uninsured 2010D serial bonds were issued in the amount of $270.7 million with interest rates ranging from 2% to 5.25% and mature in 2028. The proceeds from the bonds together with other available funds will be used to (1) pay or reimburse for the costs of the 2010 Project, (2) provide for capitalized interest on the 2010A bonds during construction of the 2010 Project, (3) currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; (4) currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; (5) currently refund a portion of the City's outstanding Airport Revenue Bonds Series 1998B; (6) fund a deposit to the Parity Sinking Fund Reserve Account; and (7) pay the costs of issuance of the 2010 bonds. Any prepayment of the 1998B bond shall be in an amount that is sufficient and used to pay a like amount of the Philadelphia Authority for Industrial Development (PAID) Airport Revenue Bonds, Series 1998A and together with the 1998B bond sometimes hereinafter referred to, collectively as the International Terminal Bonds.

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 IBCA**
General Obligation Bonds	A1	BBB	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 *July 1, 2011* the legal debt limit was $1,571.9 million. There is $1,474.6 million of outstanding tax supported debt leaving a legal debt margin of $97.3 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 2012 fiscal year:

- Philadelphia entered FY12 with a fund balance of $0.1 million. For FY 2012 Wage and Earnings Tax revenue are projected to grow 2.4%, Sale Tax revenue are projected to grow by 1.6% and Real Estate transfer tax is projected to grow by 3.6%, while the Business privilege tax is projected to decline by 2%.

- The current five year plan (FY 2012 to 2016) includes a resumption of the wage and business tax cuts in FY 2014, previously suspended in the FY 2010 plan.

- Workforce reductions were implemented throughout FY10 through the use of layoffs and by not replacing vacant positions. Spending on supplies and equipment was curtailed in FY 10.

- Union contracts for three of the City's four major bargaining units are still outstanding, despite having expired in July 2009. Any awarded or negotiated wage or benefit increases will increase costs for the City.

- To control rising pension plan costs the city introduced a new hybrid pension plan that contains both a defined benefit and a voluntary defined contribution component. Uniformed employees not electing to participate in the hybrid plan must increase their pension contribution percentage.

- The country entered its most recent recession in December 2007. It is the longest recession in the post-WWII period.

- Economists expect a slow and long recovery from the current recession. 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
P E N N S Y L V A N I A

Basic Financial Statements

City of Philadelphia **Exhibit I**
Statement of Net Assets
June 30, 2011

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	88,334	30	88,364	288,399
Equity in Pooled Cash and Investments	-	-	-	51,675
Equity in Treasurer's Account	917,858	184,304	1,102,162	-
Investments	151,229	-	151,229	122,594
Due from Component Units	15,257	-	15,257	-
Due from Primary Government	-	-	-	64,723
Amounts Held by Fiscal Agent	70,479	-	70,479	94,812
Notes Receivable - Net	-	-	-	39,151
Accounts Receivable - Net	286,166	149,021	435,187	320,539
Interest and Dividends Receivable	1,795	-	1,795	19,159
Due from Other Governments - Net	427,940	3,893	431,833	192,237
Inventories	17,064	27,655	44,719	128,171
Other Assets	3,163	-	3,163	391,538
Deferred Outflow - Derivative Instruments	43,387	38,576	81,963	33
Restricted Assets:				
Cash and Cash Equivalents	-	247,484	247,484	126,161
Other Assets	-	824,828	824,828	375,607
Capital Assets:				
Land and Other Non-Depreciated Assets	810,714	513,826	1,324,540	447,777
Other Capital Assets (Net of Depreciation)	1,336,504	3,098,817	4,435,321	3,126,334
Total Capital Assets, Net	2,147,218	3,612,643	5,759,861	3,574,111
Total Assets	4,169,890	5,088,434	9,258,324	5,788,910
Liabilities				
Notes Payable	-	-	-	135,851
Vouchers Payable	106,421	10,739	117,160	71,105
Accounts Payable	179,963	74,550	254,513	130,077
Salaries and Wages Payable	92,863	7,298	100,161	71,382
Accrued Expenses	43,251	31,863	75,114	281,920
Due to Agency Funds	866	-	866	-
Due to Primary Government	-	-	-	51,726
Due to Component Units	65,476	-	65,476	-
Funds Held in Escrow	12,726	1,906	14,632	12,716
Due to Other Governments	-	-	-	41,374
Deferred Revenue	256,555	46,641	303,196	246,769
Overpayment of Taxes	108,325	-	108,325	9,987
Other Current Liabilities	-	-	-	72,554
Derivative Instrument Liability	49,466	38,576	88,042	26,290
Net Pension Liability	69,366	10,645	80,011	-
Non-Current Liabilities:				
Due within one year	241,792	170,752	412,544	342,635
Due in more than one year	4,696,260	3,065,475	7,761,735	5,041,627
Total Liabilities	5,923,330	3,458,445	9,381,775	6,536,013
Net Assets				
Invested in Capital Assets, Net of Related Debt	(47,508)	845,062	797,554	47,402
Restricted For:				
Capital Projects	267,720	133,023	400,743	6,959
Debt Service	82,205	260,506	342,711	217,563
Behavioral Health	250,117	-	250,117	18,375
Neighborhood Revitalization	61,296	-	61,296	-
Stadium Financing	284	-	284	-
Central Library Project	2,330	-	2,330	-
Cultural & Commercial Corridor Project	19,171	-	19,171	-
Grant Programs	60,254	-	60,254	30,389
Rate Stabilization	-	157,050	157,050	-
Libraries & Parks:				
Expendable	3,090	-	3,090	-
Non-Expendable	2,404	-	2,404	-
Educational Programs	-	-	-	11,898
Other	40,660	-	40,660	3,646
Unrestricted(Deficit)	(2,495,463)	234,348	(2,261,115)	(1,083,335)
Total Net Assets	(1,753,440)	1,629,989	(123,451)	(747,103)

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					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	92,256	38	5,385	2,088	(84,745)		(84,745)	
Transportation:								
Streets & Highways	136,302	5,055	36,763	25,925	(68,559)		(68,559)	
Mass Transit	75,170	623	396	-	(74,151)		(74,151)	
Judiciary and Law Enforcement:								
Police	1,048,131	3,507	11,653	-	(1,032,971)		(1,032,971)	
Prisons	340,373	513	1,633	274	(337,953)		(337,953)	
Courts	315,004	45,569	59,472	-	(209,963)		(209,963)	
Conservation of Health:								
Emergency Medical Services	53,282	34,729	973	-	(17,580)		(17,580)	
Health Services	1,524,629	16,660	1,319,228	-	(188,741)		(188,741)	
Housing and Neighborhood Development	126,075	23,061	94,033	-	(8,981)		(8,981)	
Cultural and Recreational:								
Recreation	98,670	2,822	8,682	1,949	(85,217)		(85,217)	
Parks	14,008	4,997	1,041	1,669	(6,301)		(6,301)	
Libraries and Museums	75,650	1,844	11,870	-	(61,936)		(61,936)	
Improvements to General Welfare:								
Social Services	718,366	6,808	615,850	-	(95,708)		(95,708)	
Education	64,009	-	-	-	(64,009)		(64,009)	
Inspections and Demolitions	30,095	45,526	255	-	15,686		15,686	
Service to Property:								
Sanitation	143,055	11,639	2,761	-	(128,655)		(128,655)	
Fire	285,907	468	654	-	(284,785)		(284,785)	
General Management and Support	561,037	136,602	52,888	139	(371,408)		(371,408)	
Interest on Long Term Debt	136,332	9,233	-	-	(127,099)		(127,099)	
Total Governmental Activities	5,838,351	349,694	2,223,537	32,044	(3,233,076)		(3,233,076)	
Business Type Activities:								
Water and Sewer	520,186	558,483	2,726	2,038	-	43,061	43,061	
Aviation	336,019	258,055	4,215	101,681	-	27,932	27,932	
Industrial and Commercial Development	1,875	531	-	-	-	(1,344)	(1,344)	
Total Business Type Activities	858,080	817,069	6,941	103,719	-	69,649	69,649	
Total Primary Government	6,696,431	1,166,763	2,230,478	135,763	(3,233,076)	69,649	(3,163,427)	
Component Units:								
Gas Operations	733,717	751,301	13,232	-				30,816
Housing	64,831	1,209	57,000	-				(6,622)
Parking	220,515	222,665	-	-				2,150
Education	3,359,820	38,379	1,192,696	1,200				(2,127,545)
Health	774,336	-	774,336	-				-
Economic Development	158,254	35,818	115,294	-				(7,142)
Total Component Units	5,311,473	1,049,372	2,152,558	1,200				(2,108,343)
General Revenues:								
Taxes:								
Property Taxes					506,569	-	506,569	605,249
Wage & Earnings Taxes					1,504,598	-	1,504,598	-
Business Taxes					364,184	-	364,184	-
Other Taxes					645,811	-	645,811	185,284
Grants & Contributions Not Restricted to Specific Programs					173,814	-	173,814	1,220,575
Unrestricted Interest & Investment Earnings					35,793	6,904	42,697	19,247
Miscellaneous					-	-	-	1,339
Special Items					-	-	-	108
Transfers					24,930	(24,930)	-	-
Total General Revenues, Special Items and Transfers					3,255,699	(18,026)	3,237,673	2,031,802
Change in Net Assets					22,623	51,623	74,246	(76,541)
Net Assets - July 1, 2010					(1,776,063)	1,578,366	(197,697)	16,814
Adjustment					-	-	-	(687,376)
Net Assets Adjusted - July 1, 2010					(1,776,063)	1,578,366	(197,697)	(670,562)
Net Assets - June 30, 2011					(1,753,440)	1,629,989	(123,451)	(747,103)

The notes to the financial statements are an integral part of this statement.

Balance Sheet
Governmental Funds
June 30, 2011

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	10,066	-	98	78,170	88,334
Equity in Treasurer's Account	148,682	333,786	142,285	293,105	917,858
Investments	-	-	-	151,228	151,228
Due from Other Funds	11,866	-	-	478	12,344
Due from Component Units	15,257	-	-	-	15,257
Amounts Held by Fiscal Agent	21,784	-	47,984	711	70,479
Taxes Receivable	579,471	-	-	8,080	587,551
Accounts Receivable	387,122	-	978	5,825	393,925
Due from Other Governmental Units	317,942	-	80,809	29,189	427,940
Allowance for Doubtful Accounts	(697,016)	-	-	(735)	(697,751)
Interest and Dividends Receivable	406	1,270	-	120	1,796
Other Assets	-	-	-	562	562
Total Assets	795,580	335,056	272,154	566,733	1,969,523
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	51,771	15,330	12,981	26,339	106,421
Accounts Payable	68,417	9,449	58,683	43,294	179,843
Salaries and Wages Payable	89,452	-	2,963	569	92,984
Due to Other Funds	846	-	-	12,364	13,210
Due to Component Units	-	60,160	2,575	2,741	65,476
Funds Held in Escrow	11,574	-	-	1,152	12,726
Deferred Revenue	489,095	-	131,042	22,585	642,722
Overpayment of Taxes	108,325	-	-	-	108,325
Total Liabilities	819,480	84,939	208,244	109,044	1,221,707
Fund Balances:					
Nonspendable	-	-	-	2,604	2,604
Restricted	21,785	250,117	98,180	455,026	825,108
Committed	-	-	-	4,104	4,104
Unassigned	(45,685)	-	(34,270)	(4,045)	(84,000)
Total Fund Balances	(23,900)	250,117	63,910	457,689	747,816
Total Liabilities and Fund Balances	795,580	335,056	272,154	566,733	

Amounts reported for governmental activities in the statement of net assets are different because:

a. Capital Assets used in governmental activities are not reported in the funds	2,147,218
b. Unearned Receivables are deferred in the funds	386,167
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,938,052)
d. Net Pension Liability is not reported in the funds	(69,366)
e. Derivatives are not reported in the funds	(6,079)
f. Other	(21,144)
Net Assets of Governmental Activities	(1,753,440)

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit IV**
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,447,035	-	-	547,943	2,994,978
Locally Generated Non-Tax Revenue	280,694	1,237	56,057	32,653	370,641
Revenue from Other Governments	784,332	880,413	583,554	118,124	2,366,423
Other Revenues	15,243	-	-	10,593	25,836
Total Revenues	3,527,304	881,650	639,611	709,313	5,757,878
Expenditures					
Current Operating:					
Economic Development	35,295	-	5,474	41,859	82,628
Transportation:					
Streets & Highways	56,511	-	3,161	27,721	87,393
Mass Transit	66,709	-	397	-	67,106
Judiciary and Law Enforcement:			-		
Police	944,824	-	11,028	-	955,852
Prisons	313,270	-	1,402	1,207	315,879
Courts	242,344	-	52,511	-	294,855
Conservation of Health:					
Emergency Medical Services	49,676	-	974	-	50,650
Health Services	144,248	845,002	388,332	137,251	1,514,833
Housing and Neighborhood			-		
Development	1,790	-	43,178	81,098	126,066
Cultural and Recreational:					
Recreation	74,210	-	8,690	-	82,900
Parks	860	-	1,041	3,990	5,891
Libraries and Museums	58,650	-	9,964	124	68,738
Improvements to General Welfare:					
Social Services	641,631	-	60,189	-	701,820
Education	64,009	-	-	-	64,009
Inspections and Demolitions	24,286	-	10,516	-	34,802
Service to Property:					
Sanitation	131,089	-	2,761	-	133,850
Fire	257,549	-	517	-	258,066
General Management and Support	504,652	-	19,058	44,810	568,520
Capital Outlay	-	-	-	134,933	134,933
Debt Service:					
Principal	-	-	-	91,377	91,377
Interest	-	-	-	105,732	105,732
Bond Issuance Cost	-	-	-	2,167	2,167
Total Expenditures	3,611,603	845,002	619,193	672,269	5,748,067
Excess (Deficiency) of Revenues Over (Under) Expenditures	(84,299)	36,648	20,418	37,044	9,811
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	139,150	139,150
Issuance of Refunding Bonds	-	-	-	114,570	114,570
Bond Issuance Premium	-	-	-	5,046	5,046
Proceeds from Lease & Service Agreements	-	-	-	28,070	28,070
Bond Defeasance	-	-	-	(117,605)	(117,605)
Transfers In	335,084	-	471	247,501	583,056
Transfers Out	(144,435)	-	(39,392)	(374,299)	(558,126)
Total Other Financing Sources (Uses)	190,649	-	(38,921)	42,433	194,161
Net Change in Fund Balance	106,350	36,648	(18,503)	79,477	203,972
Fund Balance - July 1, 2010	(130,250)	213,469	82,413	376,242	541,874
Adjustment	-	-	-	1,970	1,970
Fund Balance Adjusted - July 1, 2010	(130,250)	213,469	82,413	378,212	543,844
Fund Balance - June 30, 2011	(23,900)	250,117	63,910	457,689	747,816

The notes to the financial statements are an integral part of this statement.

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds	203,972
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 depreciation (135,195) exceeded capital outlay (131,988) in the current period	(3,207)
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	46,513
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (196,844) exceeded proceeds (123,813)	73,031
d. The increase in the Net Pension Obligation reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds	(225,170)
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	(72,516)
Change in Net Assets of governmental activities	22,623

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit VI**

Statement of Fund Net Assets

Proprietary Funds

June 30, 2011

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
Assets	Water and Sewer	Aviation	Industrial & Commercial Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	60,964	119,979	3,361	184,304
Due from Other Governments	230	3,663	-	3,893
Accounts Receivable	236,642	16,565	1,972	255,179
Allowance for Doubtful Accounts	(105,138)	(1,020)	-	(106,158)
Inventories	13,192	3,065	11,398	27,655
Total Current Assets	205,920	142,252	16,731	364,903
Deferred Outflow - Derivative Instruments	12,519	26,057	-	38,576
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	406,402	418,426	-	824,828
Amounts Held by Fiscal Agent	-	23,885	-	23,885
Sinking Funds and Reserves	130,299	73,917	-	204,216
Grants for Capital Purposes	-	11,596	-	11,596
Receivables	952	6,835	-	7,787
Total Restricted Assets	537,653	534,659	-	1,072,312
Capital Assets:				
Land	5,919	101,571	-	107,490
Infrastructure	2,055,254	625,432	-	2,680,686
Construction in Progress	270,769	135,567	-	406,336
Buildings and Equipment	1,514,322	2,100,557	-	3,614,879
Less: Accumulated Depreciation	(1,959,538)	(1,237,210)	-	(3,196,748)
Total Capital Assets, Net	1,886,726	1,725,917	-	3,612,643
Total Non-Current Assets	2,424,379	2,260,576	-	4,684,955
Total Assets	2,642,818	2,428,885	16,731	5,088,434
Liabilities				
Current Liabilities:				
Vouchers Payable	7,529	3,210	-	10,739
Accounts Payable	8,080	10,957	-	19,037
Salaries and Wages Payable	4,044	3,254	-	7,298
Construction Contracts Payable	23,096	32,417	-	55,513
Accrued Expenses	22,465	9,398	-	31,863
Funds Held in Escrow	1,906	-	-	1,906
Deferred Revenue	9,764	36,877	-	46,641
Bonds Payable-Current	109,942	60,810	-	170,752
Total Current Liabilities	186,826	156,923	-	343,749
Derivative Instrument Liability	12,519	26,057	-	38,576
Net Pension Liability	542	10,103	-	10,645
Non-Current Liabilities:				
Bonds Payable	1,704,443	1,380,120	-	3,084,563
Unamortized Premium/(Discount and Loss)	(75,206)	9,906	-	(65,300)
Other Non-Current Liabilities	35,710	10,502	-	46,212
Total Non-Current Liabilities	1,664,947	1,400,528	-	3,065,475
Total Liabilities	1,864,834	1,593,611	-	3,458,445
Net Assets				
Invested in Capital Assets, Net of Related Debt	254,798	590,264	-	845,062
Restricted For:				
Capital Projects	88,011	45,012	-	133,023
Debt Service	130,298	130,208	-	260,506
Rate Stabilization	157,050	-	-	157,050
Unrestricted	147,827	69,790	16,731	234,348
Total Net Assets	777,984	835,274	16,731	1,629,989

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 Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

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	553,169	81,161	-	634,330
Rentals and Concessions	-	170,667	-	170,667
Miscellaneous Operating Revenues	5,314	6,227	531	12,072
Total Operating Revenues	558,483	258,055	531	817,069
Operating Expenses:				
Personal Services	104,323	59,258	-	163,581
Purchase of Services	70,964	78,491	1,875	151,330
Materials and Supplies	35,147	4,459	-	39,606
Employee Benefits	91,046	36,342	-	127,388
Indemnities and Taxes	10,831	2,219	-	13,050
Depreciation	86,924	100,894	-	187,818
Total Operating Expenses	399,235	281,663	1,875	682,773
Operating Income (Loss)	159,248	(23,608)	(1,344)	134,296
Non-Operating Revenues (Expenses):				
Operating Grants	2,726	4,215	-	6,941
Passenger Facility Charges	-	62,042	-	62,042
Interest Income	4,659	2,235	10	6,904
Net Pension Obligation	(17,913)	(8,503)	-	(26,416)
Debt Service - Interest	(95,728)	(45,848)	-	(141,576)
Other Revenue (Expenses)	(7,310)	(5)	-	(7,315)
Total Non-Operating Revenues (Expenses)	(113,566)	14,136	10	(99,420)
Income (Loss) Before Contributions & Transfers	45,682	(9,472)	(1,334)	34,876
Transfers In/(Out)	(24,930)	-	-	(24,930)
Capital Contributions	2,038	39,639	-	41,677
Change in Net Assets	22,790	30,167	(1,334)	51,623
Net Assets - July 1, 2010	755,194	805,107	18,065	1,578,366
Net Assets - June 30, 2011	777,984	835,274	16,731	1,629,989

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit VIII**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

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	564,965	263,477	-	828,442
Payments to Suppliers	(125,583)	(84,633)	(1,875)	(212,091)
Payments to Employees	(190,006)	(96,297)	-	(286,303)
Internal Activity-Payments to Other Funds	-	(4,849)	-	(4,849)
Claims Paid	(5,384)	-	-	(5,384)
Other Receipts (Payments)	-	862	531	1,393
Net Cash Provided (Used)	243,992	78,560	(1,344)	321,208
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	2,726	4,215	-	6,941
Operating Subsidies and Transfers from Other Funds	(24,930)	-	-	(24,930)
Net Cash Provided (Used)	(22,204)	4,215	-	(17,989)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	268,329	654,320	-	922,649
Contributions Received	2,038	39,334	-	41,372
Acquisition and Construction of Capital Assets	(174,208)	(131,140)	-	(305,348)
Interest Paid on Debt Instruments	(82,753)	(76,804)	-	(159,557)
Principal Paid on Debt Instruments	(102,790)	(416,435)	-	(519,225)
Swap Termination Payments	(15,015)	-	-	(15,015)
Passenger Facility Charges	-	62,337	-	62,337
Other Receipts (Payments)	(9,022)	-	-	(9,022)
Net Cash Provided (Used)	(113,421)	131,612	-	18,191
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	(38,879)	-	(38,879)
Interest and Dividends on Investments	(1,078)	1,796	13	731
Net Cash Provided (Used)	(1,078)	(37,083)	13	(38,148)
Net Increase (Decrease) in Cash and Cash Equivalents	107,289	177,304	(1,331)	283,262
Cash and Cash Equivalents, July 1 (including $290.3 mil for Water & Sewer and $266.6 mil for Aviation reported in restricted accounts)	360,107	384,986	4,692	749,785
Cash and Cash Equivalents, June 30 (including $406.4 mil for Water & Sewer and $442.3 mil for Aviation reported in restricted accounts)	467,396	562,290	3,361	1,033,047
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	159,248	(23,608)	(1,344)	134,296
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	86,924	100,894	-	187,818
Changes in Assets and Liabilities:				
Receivables, Net	4,734	(1,547)	-	3,187
Deferred Revenue	1,748	8,111	-	9,859
Inventories	(279)	20	-	(259)
Accounts and Other Payables	(18,836)	(5,310)	-	(24,146)
Accrued Expenses	10,453	-	-	10,453
Net Cash Provided by Operating Activities	243,992	78,560	(1,344)	321,208

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Exhibit IX

Statement of Net Assets
Fiduciary Funds
June 30, 2011

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	-	136,099
Equity in Treasurer's Account	4,502,745	45,665
Investments	-	11,910
Securities Lending Collective Investment Pool	509,520	-
Allowance for Unrealized Loss	(1,895)	-
Accounts Receivable	4,430	-
Due from Brokers for Securities Sold	621,301	-
Interest and Dividends Receivable	15,985	-
Due from Other Governmental Units	3,613	-
Due from Other Funds	-	866
Total Assets	5,655,699	194,540
Liabilities		
Vouchers Payable	107	606
Accounts Payable	4,167	246
Salaries and Wages Payable	189	-
Payroll Taxes Payable	-	3,234
Funds Held in Escrow	11	190,454
Due on Return of Securities Loaned	509,520	-
Due to Brokers for Securities Purchased	661,846	-
Accrued Expenses	9,772	-
Deferred Revenue	2,048	-
Other Liabilities	381	-
Total Liabilities	1,188,041	194,540
Net Assets Held in Trust for Pension Benefits	4,467,658	-

The notes to the financial statements are an integral part of this statement.

 Exhibit X

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	493,091
Employees' Contributions	52,706
Total Contributions	545,797
Investment Income:	
Interest and Dividends	90,217
Net Gain in Fair Value of Investments	711,117
(Less) Investments Expenses	(17,095)
Securities Lending Revenue	2,294
Securities Lending Unrealized Loss	(1,895)
(Less) Securities Lending Expenses	(740)
Net Investment Gain	783,898
Miscellaneous Operating Revenues	1,377
Total Additions	1,331,072
Deductions	
Personal Services	3,675
Purchase of Services	1,793
Materials and Supplies	81
Employee Benefits	40,283
Pension Benefits	681,909
Refunds of Members' Contributions	5,125
Administrative Expenses Paid	355
Other Operating Expenses	119
Total Deductions	733,340
Change in Net Assets	597,732
Net Assets - July 1, 2010	3,869,926
Net Assets - June 30, 2011	4,467,658

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit XI**
Statement of Net Assets
Component Units
June 30, 2011

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	79,052	74,818	76,917	578	13,860	29,451	5,497	8,226	288,399
Equity in Pooled Cash and Investments	-	-	-	51,675	-	-	-	-	51,675
Investments	-	-	90,457		32,137	-	-	-	122,594
Due from Primary Government	-	9,261	-	-	-	55,462	-	-	64,723
Amounts Held by Fiscal Agent	-	-	-	94,812	-	-	-	-	94,812
Notes Receivable	-	39,143	-	-	8	-	-	-	39,151
Taxes Receivable	-	-	-	163,941	-	-	-	-	163,941
Accounts Receivable-Net	92,173	686	974	5,231	5,571	128	6,759	45,076	156,598
Interest and Dividends Receivable	-	18,518	274	316	51	-	-	-	19,159
Due from Other Governments	-	164	3,306	143,595	2,031	-	-	43,141	192,237
Inventories	103,133	22,298	-	2,740	-	-	-	-	128,171
Other Assets	177,307	410	-	212,146	1,077	332	266	-	391,538
Deferred Outflow - Derivative Instruments	-	-	-	33	-	-	-	-	33
Restricted Assets:									
Cash and Cash Equivalents	-	10,568	-	97,742	-	-	-	17,851	126,161
Other Assets	284,813	26,038	-	18,375	18,320	-	-	28,061	375,607
Capital Assets:									
Land and Other Non-Depreciated Assets	51,934	-	16,569	289,446	62,240	-	4,907	22,681	447,777
Other Capital Assets (Net of Depreciation)	1,042,075	894	190,849	1,709,946	104,748	690	5,223	71,909	3,126,334
Total Capital Assets	1,094,009	894	207,418	1,999,392	166,988	690	10,130	94,590	3,574,111
Total Assets	1,830,487	202,798	379,346	2,790,576	240,043	86,063	22,652	236,945	5,788,910
Liabilities									
Notes Payable	-	21,894	16,884	-	97,073	-	-	-	135,851
Vouchers Payable	59,303	-	-	-	11,802	-	-	-	71,105
Accounts Payable	-	8,018	15,375	96,631		635	4,201	5,217	130,077
Salaries and Wages Payable	4,411	-	-	58,716	3,045	5,210	-	-	71,382
Accrued Expenses	208,851	4,458	807	-	1,420	65,808	576	-	281,920
Funds Held in Escrow	-	11,859	-	-	114	-	-	743	12,716
Due to Other Governments	-	-	9,912	4,154	1,112	-	-	26,196	41,374
Due to Primary Government	-	1,500	42,367	-		-	-	7,859	51,726
Deferred Revenue	12,639	46,475	2,643	100,479	2,553	7,900	6,315	67,765	246,769
Overpayment of Taxes	-	-	-	9,987	-	-	-	-	9,987
Other Current Liabilities	-	-	-	66,009		6,510	35	-	72,554
Derivative Instrument Liability	-	-	-	26,290	-	-	-		26,290
Non-Current Liabilities:								-	
Due within one year	40,459	3,934	7,985	288,461	1,796	-	-	-	342,635
Due in more than one year	1,230,389	34,306	185,673	3,493,733	26,447	-	2,423	68,656	5,041,627
Total Liabilities	1,556,052	132,444	281,646	4,144,460	145,362	86,063	13,550	176,436	6,536,013
Net Assets									
Invested in Capital Assets,									
Net of Related Debt	(2,706)	26	58,144	(123,072)	80,137	-	-	34,873	47,402
Restricted For:									
Capital Projects	-	-	4,326	-	2,633		-	-	6,959
Debt Service	114,004	8,658	-	94,901		-	-	-	217,563
Behavioral Health	-	-	-	18,375	-		-	-	18,375
Educational Programs	-	-	-	6,386	5,512	-	-	-	11,898
Grant Programs	-	-	-	-	-	-	-	30,389	30,389
Other	-	-	-	3,646	-	-	-	-	3,646
Unrestricted	163,137	61,670	35,230	(1,354,120)	6,399	-	9,102	(4,753)	(1,083,335)
Total Net Assets	274,435	70,354	97,700	(1,353,884)	94,681	-	9,102	60,509	(747,103)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2010. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2010. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2011.

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit XII**
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Convention Center Authority	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations														
Gas Works	733,717	751,301	13,232	-	30,816									30,816
Housing														
Redevelopment Authority	64,831	1,209	57,000	-		(6,622)								(6,622)
Parking														
Parking Authority	220,515	222,665	-	-			2,150							2,150
Education														
School District	3,202,330	8,513	1,126,420	1,200				(2,066,197)						(2,066,197)
Community College	157,490	29,866	66,276	-					(61,348)					(61,348)
Total	3,359,820	38,379	1,192,696	1,200										
Health														
Community Behavioral Health	774,336	-	774,336							-				-
Economic Development														
Delaware River Waterfront Corp.	19,332	7,299	11,700	-								(333)		(333)
Authority for Ind. Development	138,922	28,519	103,594	-									(6,809)	(6,809)
Total	158,254	35,818	115,294	-										
Total Component Units	5,311,473	1,049,372	2,152,558	1,200										(2,108,343)
General Revenues:														
Property Taxes					-	-	-	605,249	-	-	-	-	-	605,249
Other Taxes					-	-	-	185,284	-	-	-	-	-	185,284
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,159,870	61,015	-	-	-	(310)	1,220,575
Unrestricted Interest & Investment Earnings					-	2,098	1,986	13,348	1,757	-	-	58	-	19,247
Miscellaneous					-	-	-	-	1,339		-	-	-	1,339
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	-	-	-	-	108	108
Total General Revenue and Special items					-	2,098	1,986	1,963,751	64,111	-	-	58	(202)	2,031,802
Change in Net Assets					30,816	(4,524)	4,136	(102,446)	2,763	-	-	(275)	(7,011)	(76,541)
Net Assets - July 1, 2010					243,619	74,878	93,564	(1,250,925)	91,918	-	686,863	9,377	67,520	16,814
Adjustment					-	-	-	(513)	-		(686,863)	-	-	(687,376)
Net Assets Adjusted - July 1, 2010					243,619	74,878	93,564	(1,251,438)	91,918	-	-	9,377	67,520	(670,562)
Net Assets - June 30, 2011					274,435	70,354	97,700	(1,353,884)	94,681	-	-	9,102	60,509	(747,103)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2010. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2010. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2011.

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements
FYE 06/30/2011

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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. Based on the criteria established by Governmental Accounting Standards Board Statement (GASBS) #14 as amended by GASBS #39, 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. 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.

Effective April 20, 2010 the Lease and Service Agreement between the City and the Pennsylvania Convention Center Authority (PCCA) was terminated and the Commonwealth, City and PCCA entered into a new Operating Agreement. Under the new agreement, beginning with fiscal year 2011, the PCCA is now a component unit of the Commonwealth for reporting purposes.

Community College of Philadelphia (CCP) – 1700 Spring Garden St., Philadelphia, PA 19130
CCP was established by the City to provide two year post-secondary education programs for its residents. It is governed by a Board appointed by the City, receives substantial subsidies from the City, and its budgets must be submitted to the City for review and approval.

Delaware River Waterfront Corp. (DRWC) – 121 N. Columbus Blvd., Philadelphia, PA 19106
The 16 member board, is headed by the Mayors' Deputy Director for Economic Development and Planning, and is comprised of appointed City officials and private sector experts in design, finance, and real estate development. The group will focus on the development of the seven-mile stretch of water front property between Allegheny and Oregon Avenues.

Philadelphia Parking Authority (PPA) – 3101 Market St., Philadelphia, PA 19104
PPA was established by the City to coordinate a system of parking facilities and on-street parking on behalf of the City. Its fiscal year ends on March 31. The City has guaranteed debt payments for PPA. A voting majority of PPA's governing board is not appointed by the City however, the significance of the City's relationship with PPA is such that exclusion from the City's financial report would be misleading.

Redevelopment Authority of the City of Philadelphia (RDA) – 1234 Market St., Philadelphia, PA 19107
RDA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval**.**

School District of Philadelphia (SDP) – 440 N. Broad St., Philadelphia, PA 19130
SDP was established by the Educational Supplement to the Philadelphia Home Rule Charter to provide free public education for the City's residents. A voting majority of the SDP governing board is not appointed by the City, however, the significance of the City's relationship with SDP is such that exclusion from the City's financial report would be misleading.

Community Behavioral Health (CBH) – 801 Market St., Philadelphia, PA 19107
CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any change in funding would present a financial burden to the City.

Philadelphia Authority for Industrial Development (PAID) – 2600 Centre Sq. West, Philadelphia, PA 19102
PAID was formed under the Industrial Development Authority Law to issue debt to finance eligible industrial and commercial development projects. PAID is the delegate agency responsible for administration of certain state grants and acts in the City's behalf on major development projects in the City. The City appoints a voting majority of PAID's board and is responsible for funding PAID's debt service.

Philadelphia Gas Works (PGW) – 800 W. Montgomery Ave., Philadelphia, PA 19122
PGW was established by the City to provide gas service to residential and commercial customers within the City of Philadelphia. The City appoints a voting majority of PGW's board and has the ability to modify or approve their budget.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's *government wide* financial statements (i.e. the Statement of Net Assets 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 privilege, 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 privilege, net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule, the effect of interfund activity has been eliminated from the *government wide* financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other programs of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various programs concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenue* include: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues. Accordingly general revenues include all taxes.

The City reports the following major governmental funds:

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

Additionally, the City reports on Permanent funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of the funds that hold that the principal remain intact and only the earnings are allowed to be used for the program.

The City reports *on the following fiduciary funds:*

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.
- The Philadelphia Gas Works Retirement Reserve Fund accumulates resources to provide pension benefit payments to qualified employees of the Philadelphia Gas Works.
- The Escrow Fund accounts for funds held in escrow for various purposes.
- The Employees Health & Welfare Fund accounts for funds deducted from employees' salaries for payment to various organizations.
- The Departmental Custodial Accounts account for funds held in custody by various City Departments.

The City reports the following major proprietary funds:

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and the proprietary fund financial statements to the extent that they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The City has elected not to follow subsequent private sector guidelines.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Water Fund are charges for water and sewer service. The principal operating revenue of the Aviation fund is charges for the use of the airport. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

B. COMPONENT UNITS

The **SDP** prepares their financial statements in a manner similar to the City and utilizes the full range of governmental and proprietary fund types.

The financial statements of the Community College of Philadelphia have been prepared in accordance with GASBS #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 year end. This was due to cyclical tax collections (billings for taxes are mailed in January and payable in March).

5. INVENTORIES

A. PRIMARY GOVERNMENT

Supplies of governmental funds are recorded as expenditures when purchased rather than capitalized as inventory. Accordingly, inventories for governmental funds are shown on the Statement of Net Assets 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.
- **RDA** inventory represents real estate held for resale and is recorded based on the estimated appraisal of values and cost basis of land inventories acquired.

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. bridges, curbs and gutters, streets and sidewalks and lighting systems), are reported in the applicable governmental or business-type activities columns in the *government wide* financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years. Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their fair market value at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

The City transfers Construction In Process to one or more of the major asset classes: (1) when project expenditures are equal to or have exceeded 90% of the estimated cost on new facilities (except for the Aviation Fund which uses 80% as the determining percentage), (2) when the expenditures are for existing facilities or (3) when they relate to specific identifiable items completed during the year which were part of a larger project.

Cost of construction for proprietary fund capital assets includes all direct contract costs plus overhead costs. Overhead costs include direct and indirect engineering costs and interest incurred during the construction period for projects financed with bond proceeds. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest on invested proceeds over the same period.

Depreciation on the capital assets for all City funds is provided on the straight-line method over their estimated useful lives: buildings - 20 to 50 years; equipment and storage facilities - 3 to 25 years; and transmission and distribution lines - 50 years.

Collections of art and historical treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement for capitalization is waived for collections that meet certain criteria. The City has collections of art, historical treasures and statuary that are not capitalized as they meet all of the waiver requirements which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved and cared for and (3) should any items be sold, the proceeds are used only to acquire other items for the collections. Among the City's collections are historical artifacts at the Ryers Museum & Library, Loudoun Mansion, Fort Mifflin, Atwater Kent Museum and the Betsy Ross House. The city also has sculptures, paintings, murals and other works of art on display on public property and buildings throughout the City.

B. COMPONENT UNITS

Depreciation on the capital assets for component units is provided on the straight-line method over their estimated useful lives: buildings - 15 to 50 years; equipment and storage facilities - 3 to 25 years; and transmission and distribution lines - 50 years.

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

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 worker's compensation, unemployment benefits, and health and welfare to its employees through a self-insured plan.

9. RECEIVABLE AND PAYABLES

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the *governmental-wide* financial statements as "internal balances".

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 29.72% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes, levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. Current real estate rates are $9.082 on each $100 assessment; $4.959 for the SDP and $4.123 for the City. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED REVENUES

A. PRIMARY GOVERNMENT

Deferred revenues as reported in the *fund* financial statements represent receivables which will be collected and included in revenues of future fiscal years or funds received in advance of being earned. In the General Fund, deferred revenues relate to property tax levies and self-assessed taxes receivable which are not available to pay liabilities of the current period and grants receivable for which the eligibility criteria has been met, but the resources are not available. Also included are business-privilege taxes which were received in advance of being earned. The deferred revenue in the Special Revenue and Capital Improvement Funds is primarily related to grants receivable and funds received in advance of being earned. In the Water and Aviation Funds, deferred revenues relate to overpayments from water/sewer customers and airlines, respectively.

B. COMPONENT UNITS

Deferred revenue of the **RDA** generally represents cash received in advance from various sources to fund appropriate program expenditures. These advances are subject to various terms, including the obligation to return any unexpended funds upon completion or termination of the related project. Recognition of grants as revenues is deferred until funds have been expended or awarded as grants or loans.

Community College of Philadelphia student tuition and fees received prior to June 30 which are applicable to the Summer II and Fall terms have been deferred and will be included in revenue in the subsequent year.

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.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

The City Capital Improvement Fund budget is adopted annually by the City Council. The Capital Improvement budget is appropriated by project for each department. All transfers between projects exceeding twenty percent of each project's original appropriation must be approved by City Council. Any funds that are not committed or expended at year end are lapsed. Comparisons of departmental project actual activity to budget are located in the City's *Supplemental Report of Revenues and Obligations*.

The budgetary comparison schedules presented differ from the modified accrual basis of accounting. These schedules differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures.

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts presented are as originally passed and as amended by the City Council. As part of the amendment process, budget estimates of City related revenues are adjusted and submitted to City Council for review. Changes in revenue estimates do not need City Council approval, but are submitted in support of testimony with regard to the appropriation adjustments. Revenue estimates are presented as originally passed and as amended.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the carrying amount (book balance) of deposits for the City and the bank balances were $415.6 million and $415.6 million respectively. All of the collateralized securities were held in the City's name except for $93.6 million which was collateralized but held in the pledging institutions name.

Investments

The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund and the Philadelphia Gas Works Retirement Reserve. Both of those funds have separate investment policies designed to meet the long-term goals of the fund. To minimize custodial credit risk, the city's policy is to select custodian banks that are members of the Federal Reserve System to hold its investments. Delivery of the applicable investment documents to the City's custodian is required for all investments.

As of June 30, 2011 the City's Investments consisted of:

(amount in thousands of USD)

Classifications	Fair Value	% of Total
Corporate Equity	2,856,309	39.52%
U.S. Government Securities	1,158,198	16.03%
Corporate Bonds	1,149,705	15.91%
U.S. Government Agency Securities	758,116	10.49%
Other Bonds and Investments	539,493	7.47%
Commerical Papers	295,450	4.09%
Short Term Investment Pool	236,451	3.27%
Financial Agreements	145,221	2.01%
Collateral Mortgage Obligations	61,661	0.85%
Real Estate	14,567	0.20%
Certificate of Deposit	11,703	0.16%
Total	7,226,874	

City excluding Pension Trust Funds

Interest Rate Risk: The City's investment portfolio is managed to accomplish preservation of principal, maintenance of liquidity and maximize the return on the investments. To limit its exposure to fair value losses from rising interest rates, the city's investment policy limits investments to maturities of no longer than 2 years, except in Sinking Fund Reserve Portfolios.

(amount in thousands of USD)

Classifications	Less than 1 Year	1 - 3 Years	More than 3 Years
U.S. Government Securities	2,759	782,260	6
Corporate Bonds	827	683,951	0
U.S. Government Agency Securities	502	669,887	0
Commerical Papers	0	295,450	0
Short Term Investment Pool	148,602	0	0
Certificate of Deposit	0	11,703	0
Corporate Equity	0	328	0
Total	152,690	2,443,579	6

Credit Risk: The City's policy to limit credit risks is to invest in US Government securities (16.03%) or US Government Agency obligations (10.49%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (4.09%) must be rated A1 by Standard & Poor's Corp. (S&P) and/or M1G1 by Moody's Investor's Services, Inc (Moody's) and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial Paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 33% had a Standard & Poor's rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). Short Term Investment Pools are rated AAA by Standard & Poor's Corp and Aaa by Moody's Investor Services. The Short Term Investment Pools' Fair Value is the same as the value of the pool shares. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has assets of not less than $100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the City did not have any investments of that nature.

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 54.8% of all investments and is invested primarily in equity securities (33.6%). The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Municipal Pension Fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 34% had Standard & Poor ratings of AAA to A; 61% had ratings of BBB+ to B; and, 5% had ratings of CCC+ to C. Moody's ratings for the same issues were: 47% had ratings of Aaa to A1; 46% had ratings of Baa3 to B1; and, 7% had ratings of CAA3 to CA.

The investments are held by the managers in the Pension Fund's name. The investments are diversified with only the investment in the Lehman Aggregated Pooled Index Fund exceeding 5% of the total investment (6.1%). The fair value of the investment in the Lehman Aggregated Pooled Index Fund was $246.6 million at fiscal year end. The fund's exposure to foreign currency risk derives from its position in foreign currency-denominated equity securities and fixed income investments. The foreign currency investment in equity securities is 51.5% of the total investment in equities.

Municipal Pension Fund

Equity Securities subject to Foreign Currency Risk

Currency	Fair Value (thousands of USD)	
Euro Currency	146,046	20.81%
Pound Sterling	97,619	13.91%
Japanese Yen	89,450	12.74%
Australian Dollar	28,956	4.13%
All others	339,782	48.41%
	701,854	

Fixed Income Securities and Other Investments subject to Foreign Currency Risk

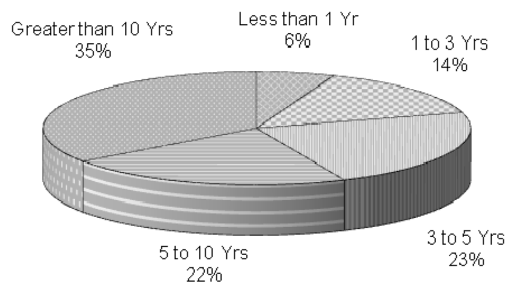
	Currency	Fair Value (thousands of USD)	Maturities
Currency	Euro	26,940	
Currency	Japanese Yen	877	
Government Issues	All others	42,017	
Government Issues	Euro	43,584	
Gevernment Issues	Pound Sterling	34,116	11/22/2055
Government Issues	Mexican Pesso	19,313	
Limitied Partnership Units	All others	141,102	
Real Estate Investment Trusts	Euro	34,304	
Real Estate Trusts	Euro	1,500	
Real Estate Investment Trusts	Pound Sterling	2,535	
Real Estate Investment Trusts	All others	1,182	
		347,471	

Statutes permit the Municipal Pension Fund to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Pension Fund has contracted with a third-party securities lending agent to lend the Pension fund's securities portfolio. The agent lends securities of the type on loan at June 30 for collateral in the form of cash or other securities at 102% of the leaned securities market value plus accrued interest. The collateral for the loans is maintained at greater than 100**%**. Securities on loan as of June 30 are unclassified with regards to custodial credit risk.

At June 30, the Pension Fund has no credit risk exposure to borrowers because the amounts the Pension Fund owes the borrowers exceed the amounts the borrowers owe to the Pension Fund. The agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent), or fail to pay income distributions on them. All open securities loans can be terminated on demand by either the Pension Fund or the borrower. All term securities loans can be terminated with five days notice by either the Pension Fund or the borrower. Cash collateral is invested in accordance with the investment guidelines of the Pension Fund. The Pension Fund cannot pledge or sell collateral securities received unless the borrower defaults.

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 6.5% of all investments and is primarily invested in equity securities (57.19%). The long-term goals of the fund are to manage the assets to produce investment results which meet the Fund's actuarially assumed rate of return and protect the assets from any erosion of inflation adjusted value. The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the **PGWRR** is charged with reviewing the portfolios for compliance with those objectives and guidelines. To protect against credit risk, the fund requires that all domestic bonds must be rated investment grade by at least two ratings agencies (Standard & Poor's, Moody's or Fitch). The portfolio managers' Average Credit Quality ranges from AAA to AA.

The **PGWRR's** fixed income investments are as follows:

(thousands of USD)	Maturity Length				
Investment Type	Less than 1 yr.	1-3 yrs	3-5 yrs	5-10 yrs	More than 10 yrs
Short-Term Investment Pools	14,156	-	-	-	-
U.S. Government Agency Securities	-	1,812	1,945	953	412
U.S. Government Securities	5,761	7,012	6,006	8,467	2,816
MTG Pass Thrus	-	185	-	328	3,555
Municipal Securities	-	-	-	-	558
Asset Backed Securities	-	-	-	3,035	34,185
Corporate bonds	1,288	9,696	9,079	36,498	8,075
	21,205	18,705	17,030	49,281	49,601

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, 2011 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 $100.3 million. Statement balances were insured or collateralized as follows:

	(thousands of USD)
Insured	750
Uninsured and uncollateralized	99,558
Total:	100,308

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, 2011, 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, 2011		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Caps	Investment Revenue	3,364	Investment	(394)	490,050

a. PICA Series of 2003 and 1999 Basis Cap Agreements

In June 2003 and 2004, the Authority entered into basis cap transactions with the counterparty as follows:

2003 Basis Cap

Beginning July 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of BMA 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.

1999 Basis Cap

Beginning July 15, 2009, the counterparty pays the Authority a fixed-rate each month of .46% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of BMA 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.

Fair value: As of June 30, 2011, the 2003 Basis Cap had a negative fair value of ($486,167). This means that **PICA** would have to pay this amount to terminate the 2003 basis cap. As of June 30, 2011, the 1999 Basis Cap had a positive fair value of $91,989. This means that **PICA** would receive this amount if the 1999 basis cap were terminated.

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	67,367	67,363
U.S. Government Securities	14,104	14,085
Certificates of Deposit	100	100
Corporate Debt	4,639	4,627
Foreign Debt	519	517
	86,730	86,693

All investments were uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the Authority's name at June 30, 2011.

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, 2011 the Authority's investments in U.S. Government Securities were rated AAA, and investments in corporate and foreign debt were rated AA+ or AAA, by Standard & Poor's. Investments in money market funds and certificates of deposit were not rated. Depository cash accounts consisted of $360,516 on deposit with two local banks. Amounts are insured by the FDIC up to $250,000. Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Discretely Presented Component Units

a. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2011, **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, 2011		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Revenue	3,415	Investment	(5,685)	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 provides for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio.

Terms: The original swap was executed with Merrill Lynch Capital Service Inc. ("MLCS") with payments based on an amortization schedule and an initial notional amount of $298.5 million. The swap commenced on July 1, 2004 and matures on October 1, 2030. Under the swap, **PAID** pays a variable rate equal to the SIFMA Municipal Swap Index and receives a variable rate computed as 67% of one-month LIBOR + 20 basis points. **PAID,** also receives ten equal payments of $1.2 million from MLCS starting on July 1, 2004. Payments under this swap are a lease rental obligation of the City.

The transaction was amended to $105.0 million of the original notional amount with payments based on an amortization schedule. Under the amended portion of the swap, the variable payments received by **PAID** are computed as 62.89% of five year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amended effective date was October 1, 2006, with variable payments 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, 2011, the notional amount on the portion of the swap that was not amended was $193.5 million.

Fair Value: As of June 30, 2011, the swap had a negative fair value of ($5.7 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2011, **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 swap exposes **PAID** to the risk that the relationship between one month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one month LIBOR plus 20 bps, the anticipated savings of the swap will be reduced and may not materialize. This risk would be magnified in a flat or inverted yield curve environment.

b. School District of Philadelphia Basis Swaps

The School District on November 21, 2006 entered into two qualified interest rate management agreement basis swaps initially related to its 2003 Bonds and subsequently its General Obligation Refunding Bonds, Series B of 2004 and Series C of 2004 for the purpose of managing interest costs. The School District refunded the Series B and C of 2004 Bonds through the issuance of General Obligation Refunding Bonds, Series A, B, C and D of 2008 (the "Series 2008 Bonds"). Simultaneously with the issuance of the Series 2008 Bonds, the School District related the existing qualified interest rate management agreements to the Series 2008 Bonds. This did not have an impact or cause a change of any kind to the existing swap documents, other than as described above, and only adjusted the related subseries.

In connection with the basis swap agreements, the School District received an upfront cash payment of $10 million.

As of June 30, 2011, the School District's basis swaps are considered to be investment derivative instruments with the following maturities (amounts in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Investment Derivative Instruments	$ (26,257)				$ (26,257)

Interest rate risk - The School District's two pay variable interest rate basis swaps have a total notional amount of $500,000,000. The School District makes payments to the counterparty based on the SIFMA swap index and receives 67% of LIBOR plus .2788%. The basis swaps were executed November 30, 2006 and mature May 15, 2033. At June 30, 2011, the fair value of the swaps is $(26,256,997). The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Credit risk - As of June 30, 2011, the School District was not exposed to credit risk on any of its outstanding basis swaps because the swaps had negative fair values of $26,256,997. The fair values take 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 notional amounts and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2011 are as follows (amounts in thousands):

		Credit Rating		
Initial Notional	Bank Counterparty	Moody's	S&P	Fitch
$150,000	Wachovia Bank	Aa2	AA	AA-
$350,000	JP Morgan Chase Bank	Aa1	AA-	AA-

Basis risk - The basis risk on the basis swaps is the risk that benchmark tax-exempt interest rates paid by the School District on each basis swap differ from the variable swap rate received from the applicable counterparty on the related swap. The School District bears basis risk on each of its basis swaps since the School District receives a percentage of LIBOR and pays the tax-exempt benchmark SIFMA. The School District is exposed to basis risk should the floating rate that it receives on a swap plus the spread is less than SIFMA the School District pays on the swaps. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the basis swap may not be realized.

Termination risk - The School District can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a basis swap is terminated, the associated expected savings on the fixed-rate bonds would no longer be recognized. If at the time of termination, the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value.

2. SECURITIES LENDING

The Board of Directors of the Municipal Pension Fund (Pension Fund) and the Sinking Fund Commission (on behalf of the Philadelphia Gas Works Retirement Reserve Fund (PGWRR)) have each authorized management of the respective funds to participate in securities lending transactions. Each fund has entered into a Securities Lending Agreement with its custodian bank to lend its securities to broker-dealers**.**

- **The Pension Fund** lends US Government and US Government Agency securities, domestic and international equity securities and international fixed income securities and receives cash and securities issued or guaranteed by the federal government as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be at least 102% (in some cases 105%) of the underlying value of 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 $1.9 million in unrealized losses from securities transactions during the year and had no credit risk exposure at June 30.

- The **PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral is generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

3. AMOUNTS HELD BY FISCAL AGENT

Two of the City's component units (**PAID** and **RDA**) have issued debt that, in accordance with GASB Interpretation #2, is considered conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds is shown on their respective financial statements. However, since the City, through various agreements is responsible for the debt, the proceeds of the issuance are shown as assets of the City.

A. GOVERNMENTAL FUNDS

General Fund - Consists of cash and investment balances related to the net proceeds of **PAID'**s Sports Stadium Financing Lease Revenue Bonds Series A & B of 2007, **PAID**'s Central Library Project Financing Lease Revenue Bonds Series 2005 and **PAID**'s Cultural and Commercial Corridor Lease Revenue Bonds Series 2006.

Grants Revenue Fund - Consists of cash and investment balances related to the net proceeds of the **RDA'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	-	-	-	846	846
Non major Special Revenue Funds	11,866	-	-	498	12,364
Non major Debt Service Funds	-	-	-	-	-
Total	11,866	-	-	1,344	13,210

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	RDA	Timing Difference	Total
Payables Due From:						
Behavioral Health	-	-	60,160	-	-	60,160
Grants Revenue	-	-	-	2,575	-	2,575
Non-major Funds	-	-	-	2,741	-	2,741
PPA	15,257	24,598	-	-	2,512	42,367
PAID	7,859	-	-	-	-	7,859
RDA	-	-	-	-	1,500	1,500
Timing Difference	(7,859)	(24,598)	(4,698)	3,945	-	(33,210)
Total	15,257	-	55,462	9,261	4,012	83,992

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	756	6	-	762
Fine Arts	1	-	-	1
Construction In Process	25	27	(5)	47
Total capital assets not being depreciated	782	33	(5)	810
Capital assets being depreciated:				
Buildings	1,811	37	-	1,848
Other Improvements	296	8	-	304
Equipment	464	20	(22)	462
Infrastructure	1,303	39	-	1,342
Transit	292	-	-	292
Total capital assets being depreciated	4,166	104	(22)	4,248
Less accumulated depreciation for:				
Buildings	(1,086)	(58)	-	(1,144)
Other Improvements	(199)	(9)	-	(208)
Equipment	(367)	(25)	22	(370)
Infrastructure	(942)	(36)	-	(978)
Transit	(203)	(8)	-	(211)
Total accumulated depreciation	(2,797)	(136)	22	(2,911)
Total capital assets being depreciated, net	1,369	(32)	-	1,337
Governmental activities capital assets, net	2,151	1	(5)	2,147

(Amounts In Millions of USD)

Business-type activities:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated:				
Land	105			105
Intangible Assets	2			2
Construction In Process	322	283	(199)	406
Total capital assets not being depreciated	429	283	(199)	513
Capital assets being depreciated:				
Buildings	3,135	109	(18)	3,226
Other Improvements	261	11	-	272
Equipment	115	21	(19)	117
Intangible Assets	10	1	-	11
Infrastructure	2,561	121	(12)	2,670
Total capital assets being depreciated	6,082	263	(49)	6,296
Less accumulated depreciation for:				
Buildings	(1,463)	(101)	11	(1,553)
Other Improvements	(137)	(10)	-	(147)
Equipment	(90)	(6)	3	(93)
Intangible Assets	(3)	(1)	-	(4)
Infrastructure	(1,324)	(69)	(6)	(1,399)
Total accumulated depreciation	(3,017)	(187)	8	(3,196)
Total capital assets being depreciated, net	3,065	76	(41)	3,100
Business-type activities capital assets, net	3,494	359	(240)	3,613

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	36
Mass Transit	8
Judiciary and Law Enforcement:	
Police	9
Prisons	6
Conservation of Health:	
Health Services	3
Cultural and Recreational:	
Recreation	11
Parks	10
Libraries and Museums	10
Improvements to General Welfare:	
Social Services	2
Service to Property:	
Fire	6
General Management & Support	32
Total Governmental Activities	136
Business Type Activities:	
Water and Sewer	86
Aviation	101
Total Business Type Activities	187

B. DISCRETELY PRESENTED COMPONENT UNITS

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the year ended June 30.

(Amounts In Millions of USD)

Governmental Activities:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated:				
Land	119	14	(1)	132
Art	8	-		8
Construction In Process	326	(176)		150
Total capital assets not being depreciated	453	(162)	(1)	290
Capital assets being depreciated:				
Buildings	1,509	173	(9)	1,673
Other Improvements	1,045	130	(16)	1,159
Equipment	283	25	(15)	293
Infrastructure	1	-	-	1
Total capital assets being depreciated	2,838	328	(40)	3,126
Less accumulated depreciation for:				
Buildings	(557)	(29)	9	(577)
Other Improvements	(600)	(53)	12	(641)
Equipment	(184)	(28)	14	(198)
Infrastructure	(1)	-		(1)
Total accumulated depreciation	(1,342)	(110)	35	(1,417)
Total capital assets being depreciated, net	1,496	218	(5)	1,709
Capital assets, net	1,949	56	(6)	1,999
Business-type Activities:				
Capital assets not being depreciated:				
Land	34	3	(1)	36
Fine Arts	5	-	(2)	3
Construction In Process	532	98	(532)	98
Total capital assets not being depreciated	571	102	(535)	137
Capital assets being depreciated:				
Buildings	905	39	(334)	610
Other Improvements	39	1	(2)	38
Equipment	399	17	(13)	403
Infrastructure	1,408	38	(3)	1,443
Total capital assets being depreciated	2,751	94	(353)	2,493
Less accumulated depreciation for:				
Buildings	(372)	(16)	136	(252)
Other Improvements	(35)	(2)	2	(34)
Equipment	(119)	(20)	14	(124)
Infrastructure	(614)	(34)	2	(645)
Total accumulated depreciation	(1,140)	(70)	155	(1,056)
Total capital assets being depreciated, net	1,611	24	(198)	1,437
Capital assets, net	2,182	125	(733)	1,574

6. NOTES PAYABLE

PGW, pursuant to the provisions of certain ordinances and resolutions, may sell short-term notes in a principal amount which, together with the interest thereon, will not exceed $150 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the **PGW**'s revenues. There were no notes outstanding at year-end (August 31, 2010).

In prior years, **CCP** has entered into various loan agreements with the State Public School Building Authority and the Hospitals & Higher Education Facilities Authority for loans totaling approximately $97.1 million. The loans have interest rates ranging from 2.50% to 6.25%, mature through 2028 and will be used for various capital projects, the upgrading of network infrastructures and various deferred maintenance cost.

The combined principal balance outstanding at year-end is as follows:

Period		Amount
2012	$	7,718,734
2013		8,066,215
2014		7,633,038
2015		5,355,033
2016		5,310,000
2017-2021		26,685,000
2022-2026		25,700,000
2027-2028		10,605,000
Total	$	97,073,020

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, 2011 the statutory limit for the City is $1.6 billion, the General Obligation Debt net of deductions authorized by law is $1.5 billion, leaving a legal debt borrowing capacity of $97.3 million. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims 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	786.1	97.3	(39.2)	844.2	41.8
Refunding Bonds	819.3	114.6	(102.3)	831.6	20.4
Serial Bonds	453.1	61.7	(67.3)	447.5	37.4
Add: Bond Premium	104.6	5.0	(8.8)	100.8	-
Less: Deferred Amounts					
Unamortized Issuance Expenses	(41.2)	(17.5)	3.5	(55.2)	-
Unamortized Discount and Loss	(50.9)	(0.1)	3.8	(47.2)	-
Total Bonds Payable	2,071.0	261.0	(210.3)	2,121.7	99.6
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,428.3	59.2	(80.2)	1,407.3	39.4
Neighborhood Transformation	252.8	-	(6.8)	246.0	7.2
One Parkway	46.7	-	(1.6)	45.1	1.6
Sports Stadia	337.1	-	(5.6)	331.5	5.9
Library	9.1	-	(0.5)	8.6	0.5
Cultural Corridor Bonds	126.1	-	(3.3)	122.8	3.4
Arbitrage	1.2	-	(1.2)	-	-
Indemnity Claims	47.7	34.1	(34.5)	47.3	15.8
Worker's Compensation Claims	299.8	28.7	(53.2)	275.3	34.5
Termination Compensation Payable	196.9	22.7	(18.4)	201.2	22.7
Net Pension Obligation	-	69.4	-	69.4	-
OPEB Obligation	43.3	36.2	-	79.5	-
Leases	31.1	28.0	(7.4)	51.7	11.1
Governmental Activity Long-term Liabilities	4,891.1	539.3	(423.0)	5,007.4	241.7

In addition, both blended component units have debt that is classified on their respective balance sheets as General Obligation debt payable. The following schedule summarizes the General Obligation Bonds outstanding for the City, the **PMA** and **PICA**:

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Governmental Funds:			
City	2.00 % to 7.125 %	1,369.8	Fiscal 2012 to 2042
PMA	2.00 % to 7.50 %	258.8	Fiscal 2012 to 2039
PICA	3.00 % to 5.00 %	494.7	Fiscal 2012 to 2023
		2,123.3	

- In April 2011, the City issued $253.7 million of general obligation bonds series 2011. There were serial bonds issued in the amount of $156.4 million with interest rates ranging from 2.0% to 5.375% maturing in 2026. Term bonds were issued in amounts of: $23.2 million at 5.875% interest due on August 31, 2031; $31.3 million at 6.0% interest due on August 1, 2036; and $42.8 million at 6.5% interest due on August 1, 2041. The bonds were issued for the purpose of refunding the 1998 Refunded Bonds ($85.9 million), the 2001 Refunded Bonds ($31.6 million) and financing capital projects ($139.1 million).

- As of June 30, 2011, **PMA**'s Statement of Net Assets disclosed $19.9 million of accretion to its bond principal payments for fiscal years 2012 through 2015. Capitalized interest relates entirely to MSB 1990 Series Capital Appreciation Bonds. Accretion value represents the cumulative compounded interest due and payable at bond maturity.

- In May 2011 **PAID** remarketed the Multi-Modal Lease Revenue Refunding Bonds 2007, Series B ($234.3 million), and entered into irrevocable, direct-pay letters of credit (LOC) with three separate banks. Each LOC will be issued and secured pursuant to a Reimbursement Agreement dated May 1, 2011 between **PAID** and the issuing bank. The Trustee will be entitled to draw up to an amount equal to the principal of and 57 days' accrued interest to be used to pay the principal or redemption price of and interest on the 2007B Bonds. J.P. Morgan Securities LLC's LOC, in the amount of $117.3 million, funds the 2007 Series B-1 bonds and will expire on May 24, 2013. Merril, Lynch, Pierce, Fenner & Smith Incorporated's LOC, in the amount of$72.4 million, funds the 2007 Series B-2 bonds and will expire on May 24, 2013. PNC Bank, National Association's LOC, in the amount of $44.6 million, funds the 2007 Series B-3 bonds and will expire on May 23, 2014.

The City has General Obligation Bonds authorized and un-issued at year-end of $155.7 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

	City Fund		Blended Component Units			
Fiscal	General Fund		PMA		PICA	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2012	40.8	67.4	21.2	14.6	41.8	24.6
2013	48.5	68.4	22.7	13.7	43.6	22.5
2014	50.7	66.2	24.4	11.9	45.6	20.4
2015	53.5	63.5	25.9	10.5	47.7	18.1
2016	52.0	60.9	20.0	9.1	49.9	15.8
2017-2021	288.8	261.8	65.0	31.3	209.7	43.2
2022-2026	312.3	185.5	14.1	24.0	56.4	3.9
2027-2031	298.2	105.3	19.1	18.9	-	-
2032-2036	139.9	43.9	26.2	11.9	-	-
2037-2041	75.4	13.9	20.2	2.7	-	-
2042-2046	9.7	0.3	-	-	-	-
Totals	1,369.8	937.1	258.8	148.6	494.7	148.5

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		Central Library		Cultural Corridors	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	85.6	34.1	7.2	12.7	1.6	2.1	5.9	13.4	0.5	0.4	3.4	5.8
2013	84.8	40.0	7.6	12.3	2.1	2.0	11.5	13.0	0.5	0.3	3.6	5.6
2014	80.5	45.5	8.0	11.9	2.1	2.0	12.0	12.4	0.5	0.3	3.8	5.4
2015	79.3	51.7	8.4	11.5	2.3	1.8	12.4	11.8	0.5	0.3	3.9	5.3
2016	76.9	57.8	8.9	11.0	2.4	1.7	13.0	11.2	0.6	0.3	4.2	5.1
2017-2021	316.9	356.7	52.0	47.7	13.6	6.9	73.8	47.9	3.1	1.0	24.2	21.9
2022-2026	237.3	436.3	67.4	32.4	17.1	3.4	90.9	31.5	3.0	0.3	31.1	15.1
2027-2031	446.0	58.1	86.4	13.4	3.9	0.2	112.0	11.5	-	-	39.6	6.6
2032-2036	-	-	-	-	-	-	-	-	-	-	9.0	0.2
Totals	1,407.3	1,080.2	245.9	152.9	45.1	20.1	331.5	152.7	8.7	2.9	122.8	71.0

(2) Business Type Debt Payable

The following schedule reflects changes in long-term liabilities for Business-Type Activities for the fiscal year:

(Amounts In Millions of USD)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activity					
Bonds Payable					
General Obligation Bonds	2.2	-	(1.2)	1.0	1.0
Revenue Bonds	2,888.9	883.5	(518.1)	3,254.3	169.7
Add: Bond Premium	-	9.9	-	9.9	-
Less: Deferred Amounts					
Unamortized Discounts and Loss	(100.1)	-	24.9	(75.2)	-
Total Bonds Payable	2,791.0	893.4	(494.4)	3,190.0	170.7
Indemnity Claims	4.7	12.5	(7.0)	10.2	-
Worker's Compensation Claims	19.1	8.6	(7.0)	20.7	-
Termination Compensation Payable	15.1	-	(0.1)	15.0	-
Net Pension Obligation	1.6	9.0	-	10.6	-
Arbitrage	1.1	-	(0.8)	0.3	-
Business-type Activity Long-term Liabilities	2,832.6	923.5	(509.3)	3,246.8	170.7

In addition, the Enterprise Funds have debt that is classified on their respective balance sheets as General Obligation debt payable which is summarized in the following schedule:

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Enterprise Funds			
Water Fund	1.00 %	1.0	Fiscal 2012
		1.0	

Also, the City has General Obligation Bonds authorized and un-issued at year end of $303.6 million for the Enterprise Funds.

The debt service through maturity for Business-type General Obligation Debt is as follows:

(Amounts In Millions of USD)

Fiscal Year	Water Fund Principal	Water Fund Interest
2012	1.0	-
Totals	1.0	-

Several of 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	0.11 %	to	6.25 %	1,813.4	Fiscal	2012	to	2041
Aviation Fund	2.00 %	to	5.50 %	1,440.9	Fiscal	2012	to	2040
Total Revenue Debt Payable				3,254.3				

- In August 2010, the City issued Water & Wastewater Revenue Bonds Series 2010 C in the amount of $185.0 million. Serial bonds were issued in the amount of $116.6 million with interest rates ranging from 3.0% to 5.0%, and have a maturity date of 2030. Term bonds were issued in the following amounts (1) $5.2 million with an interest rate of 4.750% and mature in 2035; (2) $24.8 million with an interest rate of 5.0% and mature in 2035; (3) $38.4 million with an interest rate of 5.0% and mature in 2040. The proceeds of the bonds together with other available funds of the water department will be used to fund capital improvements to the City's water & wastewater system, fund payments to terminate a portion of the 2007 swap agreement ($15.0 million), fund the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.

- In July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2011, PENNVEST's drawdowns totaled $73.8 million, which represents an increase in bond issuances. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

Date	Series	Maximun Loan Amount	Estimated Project Costs	Amt Requested thru 6/30/2011	Amt Rec'd Yes/No	Purpose
Oct. 2009	2009B	42,886,030	42,339,199	16,530,733	No	Water Plant Improvements
Oct. 2009	2009C	57,268,193	56,264,382	35,666,542	No	Water Main Replacements
Mar. 2010	2009D	84,759,263	84,404,754	48,583,956	Yes	Sewer Projects
Jul. 2010	2010B	30,000,000	31,376,846	0	No	Green Infrastructure Project
	Totals:	214,913,486	214,385,181	100,781,231		

- In November 2010, the City issued Airport Revenue Bond Series 2010 in the amount of $624.7 million. The Series 2010 A bonds (Non-AMT) were issued as serial and term bonds. Insured serial bonds were issued in the amount of $16.5 million with interest rates ranging from 3% to 4.5% and mature in 2035 and uninsured serial bonds were issued in the amount of $113.0 million, with interest rates ranging from 2% to 5.250% and mature in 2030. Insured term bonds were issued in the amounts of $25 million, and $48 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Uninsured term bonds were issued in amounts of $37.8 million and 32.8 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Series 2010B (Non-AMT) for $24.4 million and 2010C (AMT) for $54.7 million were uninsured and issued as serial bonds and will mature in 2015 and 2018 respectively. The series 2010B and 2010C bonds have interest rates ranging from 2% to 5%. The insured 2010D (AMT) serial bonds were issued in the amount of $1.9 million with interest rates ranging from 4% to 4.5% and mature in 2024. The uninsured 2010D serial bonds were issued in the amount of $270.7 million with interest rates ranging from 2% to 5.25% and mature in 2028. The proceeds from the bonds together with other available funds will be used to (1) pay or reimburse for the costs of the 2010 Project, (2) provide for capitalized interest on the 2010A bonds during construction of the 2010 Project, (3) currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; (4) currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; (5) currently refund a portion of the City's outstanding Airport Revenue Bonds Series 1998B; (6) fund a deposit to the Parity Sinking Fund Reserve Account; and (7) pay the costs of issuance of the 2010 bonds. Any prepayment of the 1998B bond shall be in an amount that is sufficient and used to pay a like amount of the Philadelphia Authority for Industrial Development (PAID) Airport Revenue Bonds, Series 1998A and together with the 1998B bond sometimes hereinafter referred to, collectively as the International Terminal Bonds.

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
2012	108.9	80.4	60.8	72.3
2013	117.3	75.2	51.0	69.3
2014	127.1	69.3	58.9	66.6
2015	133.5	63.2	62.0	63.5
2016	139.1	58.0	59.9	60.0
2017-2021	397.1	212.1	318.1	250.3
2022-2026	250.7	151.6	341.3	167.4
2027-2031	301.1	94.7	266.8	85.7
2032-2036	200.2	31.8	144.7	40.8
2037-2041	38.4	5.0	77.4	9.0
Totals	1,813.4	841.3	1,440.9	884.9

(3) Defeased Debt

As of the current fiscal year-end, the City had defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At year end, bonds outstanding pertaining to the following funds are considered defeased.

(Amounts In Millions of USD)

Enterprise Funds:	
Water Fund Revenue Bonds	171.0
	171.0

(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 $285.0 million in Tax Revenue Anticipation Notes by June 2011 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, 2010	-
Additions	285.0
Deletions	(285.0)
Balance June 30, 2011	-

(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, 2011, the Aviation Fund and the Water Fund had recorded liabilities of $0.2 million and $0.1 million, respectively.

(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, 2011, 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, 2011		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	1,136	Debt	(9,464)	100,000
	Deferred Outflow	1,656	Debt	(25,444)	217,275
	Deferred Outflow	522	Debt	(8,478)	72,400
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	5,538	Debt	(26,056)	162,600
	Deferred Outflow	1,614	Debt	(12,519)	82,870

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2011, 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	Aa1/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	217,275	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Aa1/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	72,400	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	A2/A
Airport (c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	162,600	6/15/2005	6/15/2025	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index	Aa1/AA-
Water (d)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series bonds	82,870	5/4/2005	8/1/2018	City pays 4.53%; receives bond rate/68.5% 1 Month LIBOR	A3/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 23, 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 as of August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2011, 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, 2011, the swap had a negative fair value of ($9.46 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2011, 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, 2011, 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	(0.09000)	%
Net interest rate swap payments		3.73900	%
Variable rate bond coupon payments	Weekly reset	0.06000	%
Synthetic interest rate on bonds		3.79900	

Swap payments and associated debt: As of June 30, 2011, 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
2012	$	-	60,000	3,739,000	3,799,000
2013		-	60,000	3,739,000	3,799,000
2014		-	60,000	3,739,000	3,799,000
2015		-	60,000	3,739,000	3,799,000
2016		-	60,000	3,739,000	3,799,000
2017-2021		-	300,000	18,695,000	18,995,000
2022-2026		-	300,000	18,695,000	18,995,000
2027-2031		81,585,000	215,223	13,411,980	13,627,203
2032		18,415,000	11,049	688,537	699,586
Total:		100,000,000	1,126,272	70,185,517	71,311,789

b. Philadelphia Authority for Industrial Development (PAID) 2007B Swaps

Objective: In December, 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 ($289.7 million). One swap, with a notional amount of $217.3 million, was executed with JP Morgan Chase Bank. The other swap, with a notional amount of $72.4 million was executed with Merrill Lynch Capital Services, Inc. Both swaps commenced on October 25, 2007 and will terminate on October 1, 2030. Under the swaps, **PAID** pays a fixed rate of 3.9713% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule. As of June 30, 2011, the swaps together had a notional amount of $289.7 million which matched the principal amount of the associated variable rate bond deal. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2011, the swap with JP Morgan Chase Bank had a negative fair value of ($25.4 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of ($8.5 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2011, **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, 2011, the rates for the $217.3 million notional swap with JP Morgan Chase Bank 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	(0.09000)	%
Net interest rate swap payments		3.88130	%
Variable rate bond coupon payments	Weighted Average Weekly resets	0.46693	%
Synthetic interest rate on bonds		4.34823	%

As of June 30, 2011, the rates for the $72.4 million notional swap with Merrill Lynch Capital Services, Inc. were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to Merrill Lynch under swap	Fixed	3.97130	%
Variable rate payment from Merrill Lynch under swap	SIFMA	(0.09000)	%
Net interest rate swap payments		3.88130	%
Variable rate bond coupon payments	Weekly resets	0.08000	%
Synthetic interest rate on bonds		3.96130	%

Swap payments and associated debt: As of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30		Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2012	$	-	1,014,689	8,443,574	9,458,263
2013		-	1,014,689	8,443,574	9,458,263
2014		-	1,014,689	8,443,574	9,458,263
2015		-	1,014,689	8,443,574	9,458,263
2016		12,990,000	1,014,689	8,443,574	9,458,263
2017-2021		64,355,000	1,934,179	34,382,884	36,317,063
2022-2026		62,825,000	380,347	22,534,052	22,914,399
2027-2031		77,375,000	156,304	9,260,200	9,416,504
Total:		217,545,000	7,544,275	108,395,006	115,939,281

Swap payments and associated debt: As of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30		Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2012	$	-	57,704	2,799,582	2,857,286
2013		-	57,704	2,799,582	2,857,286
2014		-	57,704	2,799,582	2,857,286
2015		-	57,704	2,799,582	2,857,286
2016		-	57,704	2,799,582	2,857,286
2017-2021		9,420,000	284,940	13,824,220	14,109,160
2022-2026		28,080,000	207,800	10,081,677	10,289,477
2027-2031		34,630,000	85,424	4,144,452	4,229,876
Total:		72,130,000	866,684	42,048,258	42,914,942

c. Philadelphia Airport Swap

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Department (the Philadelphia Airport) with an up-front payment of $6.5 million. As a synthetic refunding of its 1995 Bonds, this payment approximated the present-value savings as of April, 2002, of refunding on June 15, 2005, based upon interest rates in effect at the time. The swaption gave JP Morgan Chase Bank the option to enter into an interest rate swap with the Airport whereby JP Morgan would receive fixed amounts and pay variable amounts.

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005, and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The payments are based on an amortizing notional schedule (with an initial notional amount of $189.5 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into. The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2011, the swap had a notional amount of $162.6 million and the associated variable-rate bonds had a $162.6 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, 2011, the swap had a negative fair value of ($26.1 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, 2011, 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, 2011, the rates were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to JP Morgan under swap	Fixed	5.44088	%
Variable rate payment from JP Morgan under swap	SIFMA	(0.09000)	%
Net interest rate swap payments		5.35088	%
Variable rate bond coupon payments	Weekly resets	0.08000	%
Synthetic interest rate on bonds		5.43088	%

Swap payments and associated debt: As of June 30, 2011, 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
2012	$	6,700,000	130,080	8,700,531	8,830,611
2013		7,500,000	124,720	8,342,022	8,466,742
2014		8,200,000	118,720	7,940,706	8,059,426
2015		9,000,000	112,160	7,501,934	7,614,094
2016		9,800,000	104,960	7,020,355	7,125,315
2017-2021		61,000,000	394,080	26,358,435	26,752,515
2022-2025		60,400,000	122,800	8,213,601	8,336,401
Total:		162,600,000	1,107,520	74,077,583	75,185,103

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 exercised its option during this fiscal year to pay 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.

As of June 30, 2011, the swap had a notional amount of $82.9 million and the associated variable-rate bond had an $82.9 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 30, 2011, the swap had a negative fair value of ($12.5 million). This means that the Water Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2011 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, the City is exposed to (i) basis risk, as reflected by the relationship between the variable-rate bond coupon payments and 68.5% 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 68.5% of LIBOR received on the swap. 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, 2011, 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	(0.12710)	%
Net interest rate swap payments		4.40290	%
Variable rate bond coupon payments	Weekly resets	0.06000	%
Synthetic interest rate on bonds		4.46290	%

Swap payments and associated debt: As of June 30, 2011, 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	Interest	Interest Rate Swaps Net	Total Interest
2012	$	425,000	49,722	3,648,682	3,698,404
2013		450,000	49,467	3,629,969	3,679,436
2014		14,820,000	49,197	3,610,156	3,659,353
2015		15,535,000	40,305	2,957,647	2,997,952
2016		16,315,000	30,984	2,273,657	2,304,641
2017-2019		35,325,000	32,202	2,363,035	2,395,237
Total:		82,870,000	251,877	18,483,147	18,735,024

e. City of Philadelphia 2007 Water & Wastewater Swap

In February, 2007, the City entered into two forward starting fixed payer swaps to take advantage of the current low interest rate environment in advance of the issuance of water and wastewater revenue bonds expected to be issued by the City in 2008. The $180 million notional amount was split evenly between two counterparties, Merrill Lynch Capital Services, Inc and Wachovia Bank, NA. The Merrill Lynch Capital Services swap had an initial notional value of $90 million, with a fixed rate of $4.52275% and a floating rate equal to the SIFMA Index. On

June 30, 2010 the swap between the City and Merrill Lynch Capital Services was terminated. The City paid a swap termination payment of $15.2 million to Merrill Lynch Capital Services, Inc. In addition, $15.0 million of the proceeds from the Water and Wastewater Revenue Bonds Series 2010C were used to terminate the swap with Wachovia Bank on July 27, 2010.

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued $1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of $1.4 billion is reflected in the City's financial statements in Other Long Term Obligations. The net proceeds of the bond sale of $1.3 billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments.

(8) Neighborhood Transformation Initiative Service Agreement

In Fiscal 2002, **RDA** issued $142.6 million in City of Philadelphia Neighborhood Transformation Initiative (NTI) Bonds. These bonds were issued to finance a portion of the initiative undertaken by the Authority and the City to revitalize, renew and redevelop blighted areas of the City. The bonds are obligations of **RDA**. The City entered into a service agreement with **RDA**, agreeing to make yearly payments equal to the debt service on the bonds. **RDA** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2; **RDA** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In Fiscal 2004, **RDA** issued a $30.0 million City of Philadelphia NTI Taxable Revenue Bond. The **RDA** and the City plan to borrow a taxable bank line of credit (the 2003 Bond) to fund certain costs of the NTI related to the acquisition of property. The line of credit is being issued in anticipation of future long term financing. This will allow the City and **RDA** to better manage the carrying costs of unspent loan proceeds and to possibly issue a portion of the take out financing as tax exempt bonds after obtaining certain state approvals.

In March, 2005, **RDA** 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. The fiscal year 2011 NTI Service Agreement liability of $246.0 million is reflected in the City's financial statements as another Long Term Obligation.

(9) Sports Stadium Financing Agreement

In FY 2002, **PAID** issued $346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of **PAID**. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In October, 2007 **PAID** issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2011, the Sports Stadium Financing Agreement liability of $331.5 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 2011 the liability of $122.8 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) Forward Purchase Agreements

On June 6, 2000, **PICA** entered into two debt service reserve forward delivery agreements, one of which began on August 1, 2003 and expired on June 15, 2010 whereby **PICA** received a premium of $4,450,000 on December 1, 2002 and one of which began on June 15, 2010 and expires on June 15, 2023, whereby **PICA** received a premium of $1,970,000 on June 6, 2000 for the debt service reserve fund in exchange for the future earnings from the debt service reserve fund investments. The premium amounts were deferred and are being recognized ratably as revenue over the term of the respective agreements.

(12) Net Pension Liability

Historically, the GASB 27 Disclosures have reported Net Pension Assets at year end. The Net Pension Asset at June 30, 2010 was $155.8 million and $15.8 million for the Governmental and Business Type Activities, respectively. However, the increase in the Governmental Activities' Net Pension Obligations (NPO) during fiscal year 2011 of $225.2 million resulted in Net Pension Liabilities of $69.4 million. Likewise, during FY 2011, the Business Type Activities' NPO increased by $26.4 million resulting in a Net Pension Liability of $10.6 million.

(13) Other Long Term Debt

On December 16, 2010 the Council of the City of Philadelphia enacted an ordinance authorizing the acquisition and financing of certain equipment through the **PMA**. On March 24, 2011 **PMA** entered into a Lease Purchase Agreement with PNC Equipment Finance, LLC. whereby $28.1 million would be deposited into an Equipment Acquisition Fund to pay the costs of issuance and to purchase certain equipment. Any obligations of **PMA** under this agreement are payable solely from payments received from the City under a sub-lease agreement.

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 $2,866.3 million in principal, with interest rates from 2.0% to 6.765% and have due dates from 2012 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	2,994.4	425.9	(439.4)	2,980.9	91.1
Add: Bond Premium	109.1	7.7	(8.8)	108.0	8.3
Less: Bond Refunding Losses	-	(220.1)	37.8	(182.3)	(13.9)
Less: Bond Issue Expenses	-	(32.9)	3.2	(29.7)	(1.9)
Less: Bond Discounts	(11.0)	-	0.4	(10.6)	(0.5)
Total Bonds Payable	3,092.5	180.6	(406.8)	2,866.3	83.1
Termination Compensation Payable	291.5	31.5	(16.0)	307.0	62.5
Severance Payable	184.7	20.5	(16.7)	188.5	11.2
Interfund Loan	-	10.6	(1.5)	9.1	-
Other Liabilities	137.4	20.8	(40.9)	117.3	36.3
Incurred But Not Reported (IBNR) Payable	-	13.5	-	13.5	13.5
Deferred Reimbursement	50.7	-	(5.4)	45.3	45.3
Arbitrage Liability	4.1	-	(0.4)	3.7	3.6
Early Retirement Incentive	0.2	28.6	(0.2)	28.6	17.2
Total	3,761.1	306.1	(487.9)	3,579.3	272.7

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
2012	89.0	146.3
2013	98.6	141.0
2014	99.7	136.8
2015	88.8	133.2
2016	95.0	128.7
2017-2021	543.7	569.1
2022-2026	637.6	428.0
2027-2031	693.0	263.0
2032-2036	524.5	97.7
2037-2041	108.8	14.4
Totals	2,978.8	2,058.1

Refunding Bonds:

The School District of Philadelphia (**SDP**) successfully implemented a restructuring plan to achieve debt service savings for fiscal year 2011. The transaction included terminating almost $363 million of swaps and obtaining new three-year lines of credits for $300 million, converting $56.7 million of its variable rate debt to fixed rate debt and refunding $13.3 million of debt.

On January 3, 2011, the SDP issued Series E of 2010 fixed rate general obligation bonds (GOB) in the aggregate principal amount of $125.9 million to advance refund Series D of 2005 and Series A of 2010 and to current refund Series A of 2002, Series B of 2005 and the remaining maturities of the outstanding sub-Series A1 of 2008 in order to terminate the related Swap Agreements, and pay the associated $63.0 million swap termination payments. Bond proceeds of $0.9 million were utilized for underwriting fees and other issuance costs.

The net proceeds were used by the escrow agent to purchase State Local Government Securities (SLGS) of $13.6 million which were used to retire the Series A of 2002, Series B of 2005, D of 2005, and A of 2010 during FY2011.

- On January 3, 2011, the SDP issued the Series F and G of 2010 general obligation bonds (GOB) in the variable rate mode in the aggregate principal amount of $300 million (150.0 million, for each series), to refund the remaining maturities of the outstanding Series A and B of 2008. Bond proceeds of $1.3 million were utilized for underwriting fees and other issuance costs.

- Securities for the issue were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded bonds.
- The cash flow required to service the refunding debt is $60.4 million less than the cash flow required to service the refunded debt. In addition, there was an economic gain (difference between the present value of the debt service payments on the refunded and refunding debt) of $52.7 million to the SDP.
- For accounting purposes, the current refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $27.8 million. This difference and the swap termination payment of $63.0 million are being amortized through the operations in the District-wide statements through September of 2030.

(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	6.80	%	1,243.7	Fiscal	2012	to	2040
PPA	3.00	%	to	5.25	%	185.6	Fiscal	2012	to	2029
RDA	4.55	%	to	4.75	%	17.2	Fiscal	2012	to	2028
Total Revenue Debt Payable						1,446.5				

- On August 26, 2010 **PGW** issued Gas Works Revenue Bonds, Ninth Series, in the amount of $150.0 million for the purpose of financing capital projects, and paying the costs of issuing the bonds and any required deposits to the Sinking Fund Reserve established under the 1998 General Ordinance. The Ninth Series Bonds consist of $53.0 million of serial bonds with interest rates that range from 2.0% to 5.0% and have maturity dates through 2025. The bonds also included $97.0 million of term bonds with interest rates of 5.0% and 5.25% and have maturities through 2040.

The debt service through maturity for the Revenue Debt Payable of Component Units is as follows:

(Amounts in Millions of USD)

Fiscal Year	Philadelphia Gas Works † Principal	Philadelphia Gas Works † Interest	Philadelphia Parking Authority Principal	Philadelphia Parking Authority Interest	Philadelphia Redevelopment Authority Principal	Philadelphia Redevelopment Authority Interest
2011	49.2	56.2	-	-	-	-
2012	47.3	55.0	8.0	9.1	-	0.8
2013	48.0	53.3	10.5	8.6	-	0.8
2014	50.0	50.9	11.0	8.1	-	0.8
2015-2016	51.3	48.3	23.4	14.5	0.2	1.6
2017-2021	250.7	203.4	67.9	25.3	1.8	4.0
2022-2026	268.4	142.8	53.5	9.0	4.0	3.7
2027-2031	240.0	83.7	11.3	1.3	11.2	1.8
2032-2036	160.2	37.2	-	-	-	-
2037-2041	78.6	9.7	-	-	-	-
Totals	1,243.7	740.5	185.6	75.9	17.2	13.5

(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 †	172.5
School District of Philadelphia	1,011.0
Total	1,183.5

† - Gas Works amounts are presented as of August 31, 2010

The investments held by the trustee and the defeased bonds are not recognized on **PGW**'s balance sheets in accordance with the terms of the Indentures of Defeasance. The investments pledged for the redemption of the defeased debt have maturities and interest payments scheduled to coincide with the trustee cash requirements for debt service.

The assets pledged, primarily noncallable U.S. Government securities, had a market value of $182,284,000 at August 31, 2010, bearing interest on face value from 0.0% to 7.7%.

As in prior years, the **SDP** defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As such, the trust account assets and liability for the defeased bonds are not included in the **SDP**'s financial statements. As of June 30, 2011, $1.0 billion of bonds outstanding are considered to be defeased and the liability has been removed from long-term liabilities.

In addition, the QZAB Bond Series 2004E of $19.3 million, issued September 2004, and due September 1, 2018 is considered partially defeased in substance for accounting and financial reporting purposes. The **SDP** irrevocably places $1.4 million in trust with its fiscal agent each September 1st. These amounts are invested in a forward purchase agreement to be used solely for satisfying a scheduled payment of the defeased debt in 2018. As of June 30, 2011, $8.3 million is considered partially defeased in substance for accounting and financial reporting purposes.

The QZABs Bond Series 2007C and 2007D of $13.5 million and $28.2 million, respectively, were issued December 28, 2007, and are due December 28, 2022 and are considered partially defeased in substance for accounting and financial reporting purposes. The **SDP** irrevocably places $0.9 million in trust with its fiscal agent each December 15th. These amounts are invested in a forward purchase agreement to be used solely for satisfying a scheduled payment of the defeased debt in 2022. As of June 30, 2011, $2.7 million is considered partially defeased in substance for accounting and financial reporting purposes.

(4) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2011, the arbitrage rebate calculation indicates a liability totaling $3,6 million related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. The **SDP** has restricted this amount under the fund balance of the Capital Projects Fund. In addition, a contingent liability has been accounted for in the governmental activities column of the government-wide statement of net assets. This amount is required to be paid 60 days after December 28, 2011 which is the fifth anniversary of issuance. The actual amount payable may be less than the amount recorded as a liability as of June 30, 2011.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

Objective – In January 2006, the City entered into a fixed rate payer, floating rate receiver swap to create a synthetic fixed rate for the Sixth Series Bonds. The variable rate/swap structure was used as a means to increase the City's savings, when compared with fixed-rate refunding bonds at the time of issuance. The swaps are hedging interest rate risk.

Terms – The swap was originally executed with the counterparty on January 26, 2006 and will mature on August 1, 2031. Under the swap, the City pays a fixed rate of 3.6745% and receives a variable rate computed as the lesser of (i) the actual bond rate and (ii) the SIFMA Municipal Swap Index until September 1, 2011 on which date the variable interest rate received will switch to 70.0% of one month LIBOR until maturity.

In August 2009, the City terminated approximately $54,800,000 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 $3,791,000 to the counterparty to partially terminate the swap.

The original swap confirmation was amended and restated on August 12, 2009 to reflect the principal amount of the Eighth Series B Bonds, with all other terms remaining the same. The remainder of the notional amount was divided among separate trade confirmations with the same terms as the original swap that was executed with the counterparty for the Eighth Series C through E.

As of August 31, 2010, the swaps had a notional amount of $255,000,000 and the associated variable rate debt had a $255,000,000 principal amount, broken down by series as follows:

- The Series B swap had a notional amount of $105,000,000 and the associated variable rate bonds had a $105,000,000 principal amount.
- The Series C swap had a notional amount of $50,000,000 and the associated variable rate bonds had a $50,000,000 principal amount.
- The Series D swap had a notional amount of $50,000,000 and the associated variable rate bonds had a $50,000,000 principal amount.
- The Series E swap had a notional amount of $50,000,000 and the associated variable rate bonds had a $50,000,000 principal amount.

The final maturity date for all swaps is on August 1, 2031.

Fair value – As of August 31, 2010, the swaps had a combined negative fair value for all series of $52,217,000. 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.

Risks – As of August 31, 2010, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard ISDA master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A- (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the Company's bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at Aa3/AA+ (Moody's/S&P).

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. In addition, after September 1, 2011, the City will be 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, 2010 and 2009 is as follows (thousands of dollars):

		Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2009	$	27,555	1,244
Change in fair value through August 31, 2010		24,662	24,662
Balance August 31, 2010	$	52,217	25,906

		Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2008	$	13,790	13,790
Change in fair value through August 20, 2009 (refunding of Sixth Series Bonds)		16,771	16,771
Termination of a portion of swap		(4,250)	(4,250)
Termination of hedge upon refunding Sixth Series Bonds		—	(26,311)
Change in fair value from initiation of hedge related To Eighth Series Bonds to year end		1,244	1,244
Balance August 31, 2009	$	27,555	1,244

The interest rate swap liability is included in other liabilities and deferred credits, and the deferred outflow of resources is included in other assets, deferred debits, and deferred outflows of resources on the balance sheet. There are no collateral posting requirements associated with the swap agreements.

b. School District of Philadelphia Swap Agreements

The **SDP** 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, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows (amounts in thousands; debit (credit)):

	Change in Fair Value		Fair Value at June 30, 2011		
Classification	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Cash flow hedges:					
Pay-fixed interest rate Swaps	Deferred outflow	$ 175	Debt	$ (33)	$ 2,150
				$ (33)	

Hedging Derivatives

Objectives and Terms

The following table displays the objective and terms of the **SDP**'s hedging derivative instruments outstanding at June 30, 2011, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Credit Rating Moody's/S&P/Fitch
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series D-2 Bonds	$ 2,150	6/29/2004	9/1/2011	Pay 3.24%, receive 58.5% of LIBOR + .27%	A2/A/A+

Discussion of Risks:

Credit Risk - In compliance with the applicable requirements of the Local Government Unit Debt Act (53 Pa. Cons. Stat. §8281) (the "Debt Act"), amended in September of 2003, the **SDP** adopted a written interest rate management plan pursuant to a resolution of the School Reform Commission, authorized on February 2, 2004, to monitor the credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments. The **SDP** entered into the fixed-to-floating swaps with counterparties having at least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's at the time of execution.

As of June 30, 2011, the **SDP** was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values of $0.03 million. The fair values take 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 swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Interest rate risk - The **SDP** is exposed to interest rate risk on its interest rate swaps. Should the LIBOR interest rates fall, the **SDP**'s net payment increases. As the fair values of the swaps become positive, the **SDP** would be exposed to interest rate risk in the amount of the derivatives' fair value.

Basis risk - The basis risk on the fixed-to-floating swaps is the risk that the interest rate paid by the **SDP** on a series of related variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty on the related swap. The **SDP** bears basis risk on each of its fixed-to-floating swaps since the SDP receives a percentage of LIBOR to offset the actual variable bond rate the **SDP** pays on its bonds. The **SDP** is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the **SDP** pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination risk - The **SDP** can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a fixed-to-floating swap is terminated, the related variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination, the swap has a negative fair value, the **SDP** would be liable to the counterparty for a payment equal to the swap's fair value.

Other Risks - The **SDP** is not exposed to any rollover risk, market-access risk, or foreign currency risk.

Terminated Hedges

In addition to the interest rate swaps listed above, the **SDP** had also previously entered into similar agreements related to its Series A-1, A-2, B-1, B-2, and B-3 2008 Bonds. On December 8, 2010, the **SDP** executed five confirmations, each effective on January 3, 2011, providing for the termination of the Tax-Exempt Advance Refunding Agreements with (1) Morgan Stanley Capital Services Inc. ("Morgan Stanley") relating to the 2008 Bonds Sub-series A-1 in the current notional amount of $95,000,000 and (2) Goldman Sachs Bank USA ("Goldman") relating to the 2008 Bonds Sub-series A-2 in the current notional amount of $78,475,000, and (3) Wachovia Bank ("Wachovia") relating to the 2008 Bonds Sub-series B-1 in the current notional amount of $60,000,000, the 2008 Bonds Sub-series B-2 in the current notional amount of $54,200,000 and the 2008 Bonds Sub-series B-3 in the current notional amount of $64,900,000 (collectively, the "Terminated 2008 Swap Agreements"). On January 3, 2011, the **SDP** made termination payments to the counterparties of the Terminated 2008 Swap Agreements in the aggregate amount of $63,022,000. Such termination payments were funded with a portion of the proceeds of the **SDP**'s General Obligation Refunding Bonds, Series E of 2010, which were issued to refund the 2008 Bonds related to the Terminated 2008 Swap Agreements.

Swap payments and associated debt

Using rates as of June 30, 2011, debt service requirements on the **SDP**'s swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

	Variable Rate Bonds		Interest Rate	
Year Ending June 30	Principle	Interest(1)	Swap, Net(2)	Total
2012	2,150	24	33	2,207

(1) Based on assumed interest rate of 4.5% at year end June 30th.
(2) Variable rate receipts based on LIBOR rate plus basis point at year end June 30th.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

The City's operating leases consist of leases of airport facilities, recreation facilities, certain transit facilities and various other real estate and building sites. Rental income for all operating leases for the year was:

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	6,005	26,416	4,038
Additional Rentals	-	155,082	175
Sublease	12,328	-	822
Total Rental Income	18,333	181,498	5,035

Future minimum rentals receivable under non-cancelable operating leases are as follows:

(Amounts In Thousands of USD)

	Primary Government		Component Units
Fiscal Year Ending June 30	Governmental Funds	Proprietary Funds	
2012	4,145	14,269	4,599
2013	4,200	14,071	3,310
2014	4,253	7,237	2,514
2015	4,319	7,154	2,371
2016	4,386	6,431	2,525
2017-2021	22,800	27,032	3,642
2022-2026	24,854	15,124	2,154
2027-2031	26,925	11,664	1,451
2032-2036	29,210	6,015	874
2037-2041	-	-	808
2042-2046	-	-	808
2047-2051	-	-	808
2052-2056	-	-	808
2057-2061	-	-	808
2062-2066	-	-	808
2067-2071	-	-	808
2072-2076	-	-	808
2077-2081	-	-	808
2082-2086	-	-	743
2087-2091	-	-	446
Total	125,092	108,997	31,901

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		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	163,392	37,733	15,027
Additional	-	-	52
Sublease	476	-	-
Total Rental Expense	163,868	37,733	15,079

At year end, the future minimum rental commitments for operating leases having an initial or remaining non-cancelable lease term in excess of one year are as follows:

(Amounts In Thousands of USD)

	Primary Government		Component Units
Fiscal Year Ending June 30	**Governmental Funds**	**Proprietary Funds**	
2012	32,548	800	12,988
2013	29,984	506	8,533
2014	26,192	95	8,486
2015	25,091	47	4,365
2016	24,663	-	4,407
2017-2021	93,633	-	3,981
2022-2026	65,916	-	-
2027-2031	18,508	-	-
2032-2036	18,275	-	-
Total	334,810	1,448	42,760

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**
2012	1,756
2013	1,437
2014	1,281
2015	972
2016	642
2017 -2021	2,689
2022 -2026	748
Future Minimum Rental Payments	9,524
Interest Portion of Payments	(1,358)
Obligation Under Capital Leases	8,167

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, 2011, 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 in accordance with Internal Revenue Code section 457. As of the Gas Works' fiscal year ended August 31, 1999 the Plan was amended to comply with subsection (g) of the code through the creation of a trust in which all assets and income of the Plan are to be held for the exclusive benefit of participants and their beneficiaries. As a result, the company no longer owns the assets of the Plan nor has a contractual liability to Plan participants.

10. FUND BALANCE PRESENTATION

The City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*, which became effective during the fiscal year. 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:

1. 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 ($.2M) and Permanent Funds ($2.4M) were non-spendable.

2. 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 $21.8M at June 30, 2011. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health ($250.1M); Grants Revenue ($98.2M); County Liquid Fuels ($2.1M); Special Gasoline Tax ($16.1M); Hotel Room Rental Tax ($6.6M); Car Rental Tax ($6.3M); Housing Trust ($10.5M); Acute Care Hospital Assessment ($8.8M); Departmental ($5.5M); Municipal Authority Administrative ($.2M); PICA Administrative ($45.4M). The entire fund balances of the Debt Service ($82.8M) and Capital Improvement ($267.7M) funds were restricted. The Permanent Fund had a restricted fund balance of $3.1M at June 30, 2011.

3. Committed Fund Balance – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same course of action that was employed when the funds were initially committed. The fund balances in the following Special Revenue Funds were committed: Philadelphia Prisons ($3.6M) and Departmental ($.5M).

4. Assigned Fund Balance ─ Includes amounts that are constrained by management's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Director of Finance, or other authorized department heads. There were no assigned fund balances at June 30, 2011, however, the General Fund did have total encumbrances of $103.8 million.

5. 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 negative unassigned fund balance of $45.7 at June 30, 2011. Within the Special Revenue Funds the Grants Revenue fund had a negative fund balance of $34.3M and the Community Development fund had a negative fund balance of $4.0M at June 30, 2011.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the nonspendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding nonspendable. To the extent that funds are available for expenditure in these other categories, except for the nonspendable 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, 2011:

(Amounts In Thousands of USD)	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund (Principal)	0	0	0	2,604	2,604
Subtotal Nonspendable:	0	0	0	2,604	2,604
Restricted for:					
Neighborhood Revitalization	0	0	61,296	0	61,296
Economic Development	0	0	0	6,562	6,562
Public Safety Emergency Phone System	0	0	36,884	0	36,884
Streets & Highways	0	0	0	18,276	18,276
Housing & Neighborhood Dev	0	0	0	10,457	10,457
Health Services	0	0	0	8,770	8,770
Behavioral Health	0	250,117	0	0	250,117
Parks & Recreation	0	0	0	341	341
Libraries & Museums	0	0	0	131	131
Intergovernmental Financing (PICA)	0	0	0	21,147	21,147
Intergovernmentally Financed Programs	0	0	0	24,474	24,474
Central Library Project	2,330	0	0	0	2,330
Stadium Financing	284	0	0	6,263	6,547
Cultural & Commercial Corridor Project	19,171	0	0	0	19,171
Debt Service Reserve	0	0	0	82,804	82,804
Capital Projects	0	0	0	267,719	267,719
Trust Purposes	0	0	0	8,082	8,082
Subtotal Restricted	21,785	250,117	98,180	455,026	825,108
Committed, reported in:					
Social Services	0	0	0	38	38
Prisons	0	0	0	3,574	3,574
Parks & Recreation	0	0	0	492	492
Subtotal Committed	0	0	0	4,104	4,104
Unassigned Fund Balance:	(45,685)	0	(34,270)	(4,045)	(84,000)
Total Fund Balances	(23,900)	250,117	63,910	457,689	747,816

11. INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds. These transactions are recorded as operating transfers and are reported as other financial sources (uses) in the Governmental Funds and as transfers in the Proprietary Funds. Some of the more significant transfers are: the PICA administrative fund collects a portion of the wage tax paid by City residents and transfers funds that are not needed for debt service and administrative costs to the general fund. Also, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

(Amounts in Thousands of USD)	**Transfers To:**				
	Governmental	**Non major Governmental**			
Transfers From:	**General**	**Special Revenue**	**Debt Service**	**Capital Improvement**	**Total**
General	-	41,170	101,556	3,029	145,755
Grants	38,147	1,077	-	168	39,392
Non major Special Revenue Funds	295,707	64,273	-	13,000	372,980
Water Fund	1,230	23,699	-	-	24,929
Total	335,084	130,219	101,556	16,197	583,056

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet (Exhibit III) includes a reconciliation to the Net Assets 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	2,121.7
Service Agreements	2,161.3
Employee Related Obligations	556.0
Indemnities	47.3
Arbitrage	-
Leases	51.7
Net Pension Obligation	69.4
Total Adjustment	5,007.4

13. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNMENT

- **PICA** received a premium of $1.97 million on June 6, 2000, in exchange for the future earnings from the debt service reserve fund investments. The agreement expires on June 15, 2023 and $1.8 million is deferred at June 30, 2011. Under the modified accrual basis of accounting used in the governmental fund financial statements, the premiums are recognized when received. The fund balance of the Debt Service Reserve Fund at July 1, 2010 in the governmental fund financial statements has been increased by $1.97 million to eliminate a prior-year deferral of the aforementioned premium.

B. COMPONENT UNITS

- Upon re-evaluation of the City's relationship with the Pennsylvania Convention Center Authority (**PCCA**), which had been reported as a discretely presented component unit of the City, it was determined that PCCA no longer meets the criteria for inclusion as a component unit. Therefore, Net Assets –July 1, 2010 were restated to exclude PCCA's $686.9 million share of Net Assets.

- The **SDP's** district-wide net assets beginning balances were decreased by $0.5 million. This adjustment involved a correction to an understatement to Land in the amount of $0.2 million, as well as a correction to reduce Work-in-Progress in the amount of $0.7 million.

14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports $1,340.1 million of restricted net assets, of which $50.3 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Assets	Restricted by Enabling Legislation
Capital Projects	400,743	-
Debt Service	342,711	-
Behavioral Health	250,117	-
Neighborhood Revitalization	61,296	-
Stadium Financing	284	-
Central Library Project	2,330	-
CCC Project	19,171	-
Grant Programs	60,254	10,457
Rate Stabilization	157,050	-
Libraries & Parks:		
Expendable	3,090	-
Non-Expendable	2,404	-
Other	40,660	39,871
Total	1,340,110	50,328

15. FUND DEFICITS

- The General Fund has a Fund Balance Deficit at year end of $23.9 million
- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year end of $4.0 million.

16. ADVANCE SERVICE CHARGE

The City's Water Fund Regulations provide for the assessment of an "Advance Service Charge" (ASC) at the time a property is initially connected to the system. The initial charge is calculated to be the equivalent of three (3) monthly service charges. This long-standing practice of assessing an initial charge equivalent to the average of three monthly service charges has been consistent whether the billing period was semi-annually (through 1979), quarterly (1979-1994) or monthly (1994-current). The Fund includes these charges in current revenues at the time they are received. Fund regulations also provide for a refund of any advance service charges upon payment of a $100 fee and permanent disconnection from the system.

During the current fiscal year 262 disconnection permits were issued resulting in a refund or final credit of approximately $331,640 and 1,034 new connection permits were issued resulting in additional advance service charges of approximately $380,680.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. The City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system (PERS). The fund covers all officers and employees of the city and the officers and employees of certain other governmental and quasi-governmental organizations.

A. SINGLE EMPLOYER PLANS

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements.

Required Supplementary Information calculated in accordance with GASB Statement No. 25 is presented in audited financial statements of the respective pension plans. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

(1) City Plan

a. Plan Description

The Philadelphia Home Rule Charter (the Charter) mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains the single-employer Municipal Pension Plan (the Plan). The plan covers all officers and employees of the City and officers and employees of five other governmental and quasi-governmental organizations. By authority of two Ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Each of these two plans has multiple divisions. In addition to the two major classes of members, a third class of members was enacted in fiscal year 2011 that features a defined benefit and a defined contribution component.

Retirement Benefits

An employee who meets the age and service requirements of the particular division in which he participates is entitled to an annual benefit, payable monthly for life, equal to the employee's average final compensation multiplied by a percentage that is determined by the employee's years of credited service. The formula for determining the percentage is different for each division. If fund earnings exceed the actuarial assumed rate by a sufficient amount, an enhanced benefit distribution to retirees, their beneficiaries, and their survivors shall be considered. A deferred vested benefit is available to an employee who has 10 years of credited service, has not withdrawn contributions to the system and has attained the appropriate service retirement age. Members of both plans may opt for early retirement with a reduced benefit. The **Deferred Retirement Option Plan** (DROP) was initiated on October 1, 1999. Under this plan employees that reach retirement age may accumulate their monthly service retirement benefit in an interest bearing account at the Board of Pensions for up to four (4) years and continue to be employed by the City of Philadelphia.

Death Benefits

If an employee dies from the performance of duties, his/her spouse, children or dependent parents may be eligible for an annual benefit ranging from 15% to 80% of the employee's final average compensation. Depending on age and years of service, the beneficiary of an employee who dies other than from the performance of duties will be eligible for either a lump sum benefit only or a choice between a lump sum or an annual pension.

Disability Benefits

Employees disabled during the performance of duties are eligible for an immediate benefit equal to contributions plus a yearly benefit. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned. Certain employees who are disabled other than during the performance of duties are eligible for an ordinary disability payment if they apply for the benefit within one year of termination. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned.

Membership

Membership in the plan as of July 1, 2010 was as follows:

Retirees and beneficiaries currently receiving benefits	35,110
Terminated members entitled to benefits but not yet receiving them	2,018
Active members	27,928
Total Members	65,056

The Municipal Pension Fund issues a separate annual financial report. To obtain a copy, contact the Director of Finance of the City of Philadelphia.

b. Funding Policy

Employee contributions are required by City Ordinance. For Plan 67 members, employees contribute 3¾% of their total compensation that is subject to FICA and 6% of compensation not subject to FICA. Plan 87 contribution rates are defined for the membership as a whole by Council ordinance. Rates for individuals are then determined annually by the actuary so that total individual contributions satisfy the overall rate set by Council.

The City is required to contribute the remaining amounts necessary to fund the Plan, using an acceptable actuarial basis as specified by the Home Rule Charter, City Ordinance and State Statute. Court decisions require that the City's annual employer contributions are sufficient to fund:

- The accrued actuarially determined normal costs
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:
    - non active member's benefit modifications (10 years)
    - experience gains and losses (15 years)
    - changes in actuarial assumptions (20 years)
    - active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to $701.3 million or 50.0% of the covered payroll of $1,410.2 million. The City's actual contribution was $455.9 million. The City's contribution did not meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189.

In Fiscal Year 2010 the City made several changes to the pension plan based on Act 44, which provided a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline. The City adopted fresh start amortization, alternating to 30 years and lowered the assumed rate of interest from 8.25% to 8.15% assuming a partial deferral of the pension payments in fiscal years 2010 and 2011 of $150 million and $80 million respectively, which must be repaid by fiscal year 2014. The change in amortization period and the partial deferral were approved by the Commonwealth of Pennsylvania General Assembly's Act 44. Act 44 also allowed the City to temporarily impose an additional local sales tax of 1.0% to fund future MMO Payments.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years are as follows:

(Millions of USD)

Fiscal Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2009	559.0	81.47%	(456.0)
2010	597.0	52.36%	(171.6)
2011	721.7	65.14%	80.0

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2010. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a ten-year smoothed market value method for valuing investments
- a level percentage closed method for amortizing the unfunded liability
- an annual investment rate of return of 8.15%
- projected annual salary increases based on new age based scale
- payroll growth rate is 3.5%
- no post-retirement benefit increases

Administrative costs of the Plan are paid out of the Plan's assets.

c. Funding Status

The following schedule shows the funding status based on the latest actuary report. The schedule of funding progress, which presents multiyear trend information about whether the actuarial value of plan assets is decreasing over time relative to the actuarial accrued liability for benefits, can be found in the Required Supplementary Information section immediately following the Notes to the Financial Statements.

(Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
	(a)	(b)	(b - a)	(a / b)	(c)	(b - a) / c
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
07/01/2010	4,380.9	9,317.0	4,936.1	47.02%	1,421.2	347.32%

d. Net Pension Obligation

The City and other employers' annual pension cost and net pension obligation (NPO) for the Municipal Pension Plan for the current year were as follows:

		(Thousands of USD)
Annual Required Contribution (ARC)		715,544
Interest on Net Pension Obligation (NPO)		(14,155)
Adjustment to ARC		20,353
	Annual Pension Cost	721,742
Contributions Made		(470,155)
	Increase in NPO	251,587
NPO at beginning of year		(171,576)
NPO at end of year		80,011
Interest Rate		8.25%
15 Year amortization Factor (EOY)		8.43%

e. Derivative Instruments

In 2010 the City of Philadelphia adopted GASB Statement No. 53 which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments such as swaps, options, futures and forwards are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities.

The City of Philadelphia Municipal Pension Fund (Pension Fund) enters into a variety of financial contracts which include options, futures, forwards and swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMO's); other forward contracts, and U.S. Treasury strips. The contracts are used primarily to enhance performance and reduce volatility of the portfolio. The Pension Fund is exposed to credit risk in the event of non performance by counterparties to financial instruments. The Pension Fund generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The Pension Fund is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by Board approved guidelines, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Pension Fund's involvement in the various types and used 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, 2011:

Derivative Instruments

List of Derivatives Aggregated by Investment Type

	Changes in Fair Value		Fair Value at June 30, 2011		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Credit Default Swaps Bought	Investment Revenue	$ (15,142)	Swaps	$ 19,447	$ 288,000
Credit Default Swaps Written	Investment Revenue	62,463	Swaps	39,095	1,141,666
Fixed Income Futures Long	Investment Revenue	(20,758)	Futures	0	4,494,532
Fixed Income Futures Short	Investment Revenue	(486,166)	Futures	0	(10,989,811)
Foreign Currency Options Bought	Investment Revenue	(141,316)	Options	0	0
Futures Options Bought	Investment Revenue	(168,376)	Options	0	0
Future Options Written	Investment Revenue	87,306	Options	0	0
FX Forwards	Investment Revenue	(4,813,171)	Long Term Instruments	155,264	578,835,757
Index Futures Long	Investment Revenue	20,118,776	Futures	0	113,645
Pay Fixed Interest Rate Swaps	Investment Revenue	71,238	Swaps	(200,696)	2,707,000
Rights	Investment Revenue	256,276	Common Stock	9,625	78,247
Total Return Swaps Bond	Investment Revenue	13,702	Swaps	(1,431)	410,000
Warrants	Investment Revenue	291,943	Common Stock	22,124,111	13,645,243
Grand Totals		$ 15,256,775		$ 22,145,415	

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the Pension Fund. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings available from nationally recognized rating institutions such as Moody, Fitch and S&P. The following tables show the details of counter parties and their rating information as follows:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Citibank N.A.	40%	A+	A+	A1
UBS AG	22%	A+	A+	Aa3
Royal Bank of Scotland PLC	12%	A+	AA-	Aa3
Deutsche Bank AG London	5%	A+	AA-	Aa3
Barclays Bank PLC Wholesale	4%	AA-	AA-	Aa3
JPMorgan Chase Bank N.A.	4%	AA-	AA-	Aa1
HSBC Bank USA	3%	AA	AA	Aa3
Credit Suisse London Branch (GFX)	3%	A+	AA-	Aa1
UBS Securities LLC	2%	A+	A+	Aa3
UBS AG London	1%	A+	A+	Aa3
Bank of America Securities LLC	1%	A	A+	A2
Morgan Stanley & Co. International PLC	1%	A	A	A2
Goldman Sachs + Co.	0%	A	A+	A1
Royal Bank of Canada (UK)	0%	AA-	AA	Aa1
HSBC Bank PLC	0%	AA	AA	Aa3
Westpac Banking Corporation	0%	AA	AA	Aa2
JPMorgan Securities Inc.	0%	A+	AA-	Aa3
BNP Paribas SA	0%	AA	AA-	Aa2

The details of other risks and financial instruments in which the municipal pension fund of Philadelphia is involved 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 counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

The aggregate fair value of hedging derivative instruments in the asset position at June 30, 2011 was $22,145,415. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is reduced by $16,803,823 of collateral or liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of $5,342,592.

Interest Rate Swap agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. During the year ended June 30, 2011 the Pension Fund entered into interest rate swaps. Under the receive fixed interest rate type swap agreements, the Pension Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were no fixed interest rate Swaps received as of June 30, 2011. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Pension 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 Pension Fund's net payment on the swap increases. The pay fixed interest rate Swaps were ($200,696).

The following table show the interest rate swaps including reference rates and interest rate risk disclosure for June 30, 2011.

Asset ID	Asset Description		Fair Value		Notional
Pay Fixed Interest Rate Swaps					
99S05ILT2/99S05ILU9	OWP158397 IRS USD R V 03MLIBOR/ OWP158397 IRS USD P F .00000	$	(33,256)	$	460,000
99S05IP27/99S05IP35	OWP158470 IRS USD R V 03MLIBOR/ OWP158470 IRS USD P F .00000		(45,677)		590,000
99S05IXN2/99S05IXO0	OWP158611 IRS USD R V 03MLIBOR/ OWP158611 IRS USD P F .00000		(86,357)		1,197,000
99S05J1K1/99S05J1L9	OWP159155 IRS USD R V 03MLIBOR/ OWP159155 IRS USD P F .00000		(35,406)		460,000
Total Pay Fixed Interest Rate Swaps:		$	(200,696)		2,707,000

Future Contracts are types of contracts in which the buyer agrees to purchase and the seller agrees to make a delivery of a specific financial instrument at a predetermined date and price. Gains and losses on future 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 Pension 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 Pension Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The value of securities pledged and the amount of cash held at June 30, 2011 of ($6,495,280) represent a restriction on the amount of assets available as of year-end for other purposes.

Forward contracts: The Pension Fund is exposed to basis risk on its forward contract because the expected funds purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle. At June 30, 2011, the FX Forwards had a fair value of $155,264.

Termination risk: The Pension 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 Pension Fund is exposed to termination risk on its receive-fixed interest rate swap. The Pension 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. The total credit default swaps bought at fair market value were $288,000 and the total credit default swaps written were $1,141,666.

Rollover Risk: The Pension 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, it the counterparty exercises its option, the Pension Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

In addition, the Pension Fund also was involved in other financial instruments such as rights that were worth $9,625 and warrants that were $22,124,111.

f. Summary of Significant Accounting Policies

Financial statements of the Plan are prepared using the accrual basis of accounting. Contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds paid are recognized when due and payable in accordance with the terms of the plan. Investments are valued as described in Footnote I.4.

(2) Gas Works Plan

a. Plan Description

PGW sponsors a public employee retirement system (PERS), a single-employer defined benefit plan to provide benefits for all its employees. The **PGW** Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25% of the first $6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over $6,600, times years of credited service, with a maximum of 60% of the highest annual earnings during the last 10 years of credited service, applicable to all participants, or

- 2% of total earnings received during the period of credited service plus 22.5% of the first $1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final-average earnings is the employees' average pay, over the highest 5 years of the last 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Employees with 30 years of service may retire without penalty for reduced age.

At September 1, 2009 the beginning of the Plan Year of the last actuarial valuation, the Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,232
Current Employees	1,653
Total Members	3,885

b. Funding Policy

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Covered employees are not required to contribute to the PGW Pension Plan. The Gas Works is required by statute to contribute the amounts necessary to finance the Plan.

The funding policy of the **PGW** Plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of employer contribution rates are based on the actuarial accrued liability as determined by using the Projected Unit Credit actuarial funding method. The actuarial asset value is equal to the value of fund assets. The unfunded actuarial accrued liability is being amortized using the open method. Contributions of $24.6 million (approximately 2.0% of covered payroll) were made to the PGW Plan during the year.

Beneficiary payments in FY 2010 were made from operating funds. Instead, the Company set up a receivable to draw the FY 2010 funds of $11.1 million in FY 2011, which is recorded in other current assets and deferred debits on the balance sheet. The withdrawals from the pension assets in FY 2009 of $18.5 million were utilized to meet beneficiary payment obligations.

c. Funding Status

The funded status of the **PGW** plan as of September 1, 2010 the most recent actuarial valuation is as follows (amounts in thousands):

(Amounts In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded/ (Over Funded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
09/01/2009	$355,499	$519,773	$164,274	68.4%	$106,003	155.0%
09/01/2008	$430,390	$495,155	$64,765	86.9%	$107,918	60.0%
09/01/2007	$416,183	$482,380	$66,197	86.3%	$105,596	62.7%

The analysis of pension funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Amortization Method	Level percent open
Remaining Amortization Period	20 years

d. Annual Pension Cost

PGW's annual pension cost for the current year of $24.6 million is equal to its required contribution. The annual required contribution for the current year was determined based on an actuarial study or updates thereto, using the projected unit credit method. Significant actuarial assumptions used include an annual rate of return on investments of 8.25%, compounded annually, projected salary increases of 3.00% of the salary at the beginning of the next three years, then 4.25% of the salary at the beginning of the fourth and subsequent year, and retirements that are assumed to occur prior to age 62, at a rate of 10% at 55 to 61 and 100% at age 62. The assumptions did not include post retirement benefit increases.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years is as follows:

(Amounts in Millions of USD)

Fiscal Year Ended August 31	Annual Required Contribution	Percentage Contributed
2010	24.6	100%
2009	15.4	100%
2008	14.3	100%

e. Summary of Significant Accounting Policies

The financial statements of the Plan are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Plan investments are reported at fair value based on quoted market price for those similar investments.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. **SDP** employees have an unlimited maximum accumulation, and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

***Plan description*:** The City of Philadelphia self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. Certain union represented employees may defer their coverage until a later date but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to $7,500 coverage and all other employees receive $6,000 in coverage. The plan does not issue stand alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

Funding Policy: The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self insured for non-union employees. For fiscal year 2011, the City paid $65.5 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 (dollar amount in thousands)

City of Philadelphia OPEB

	(Amounts in Thousands)
Annual required contribution	101,216
Interest on net OPEB obligation	2,165
Adjustment to ARC	(1,668)
Annual OPEB cost	101,713
Payments made	(65,533)
Increase/(Decrease) in net OPEB Obligation	36,180
Net OPEB obligation - beginning of year	43,301
Net OPEB obligation - end of year	79,481

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, 2011 was as follows:

amounts in thousands USD

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2011	$	101,713	64%	$	79,481
6/30/2010	$	93,844	76%	$	43,301
6/30/2009	$	98,733	82%	$	21,150

Funded Status and Funding Progress: As of July 1, 2010, 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 $1.2 billion. The covered annual payroll was $ 1.419 billion and the ratio of the UAAL to the covered payroll was 82.4 percent.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projections of future benefit payments for an ongoing plan obligation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the obligation and the contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of costs for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point.

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. The city uses a level percent open approach as its method of amortization. Unfunded liabilities are funded over a 30 year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4% per year. The actuarial assumption included a 5.0% 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 5% Investment Rate of Return, a 4% Rate of Salary increases; and, a 5% Ultimate Rate of Medical Inflation.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occur, rather than in the future when they will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the **SDP** recognizes the costs of postemployment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the **SDP**'s future cash flows. Recognition of the liability accumulated from prior years is amortized over no more than 30 years.

Plan Description:

The **SDP** provides up to $2,000 of life insurance coverage for retired and disabled employees in a single-employer plan. A retired employee is eligible for this benefit if covered for ten years as an active employee and retired at age 60 with 30 years of service or age 62 with ten years of service or 35 years of service regardless of age. A disabled employee's eligibility is determined by the insurance company providing the coverage. An unaudited copy of the life insurance benefit plan can be obtained by writing to The **SDP** of Philadelphia, 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, 2010, 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	16,308	45.5
Non-represented	1,223	48.6
Retirees	8,918	76.2
Disabled	135	58.2
Total	26,584	56.0

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), and 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 District has elected to amortize the OPEB obligation as an open amortization period, which is recalculated at each bi-annual actuarial valuation date, up to 30 years, using the level percentage of payroll method. The following table shows the elements of the **SDP**'s annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in the **SDP**'s net OPEB obligation to the plan:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2009	$640,650	100%	$0
2010	659,317	100%	0
2011	673,167	100%	0

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, 2010, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of $14.5 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $14.5 million.

Active	$3,411,000
Inactive	11,122,000
Total	$14,533,000

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2010 OPEB actuarial valuations are those specific to the OPEB valuations.

- Investment return (discount rate) not fully funded: 4.00%
- Mortality for healthy and disabled participants: The Uninsured Pensioner 1994 Mortality Table (UP94) projected for ten years, with an age set back one year for males and females.
- Payroll increases: Payroll is assumed to increase at an average rate of 4.00% per year. Because the life insurance amounts are $1,000 or $2,000 except for disabilities, inflation has very little impact on the benefits. There is a Consumer Price Index assumption of 3%, but that rate is not applied to future life insurance amounts. The 4% payroll increase assumption is a combination of 3% inflation and 1% productivity. It is meant to be a very long term assumption.
- No actuarial liability is included for non-vested participants who terminated prior to the valuation date.
- Withdrawal: During the first five years of service, withdrawal rates were assumed as follows:

Service	Rate
Less than one year	24.49%
1 – 2 years	25.23%
2 – 3 years	16.54%
3 – 4 years	14.07%
4 – 5 years	10.88%
After five years, see table of sample rates	

- Disability incidence: See table of sample rates.
- Retirement age: The following retirement rates are used:

Age	Rate of Retirement	Age	Rate of Retirement
55	11.31%	63	20.56%
56	13.41%	64	18.43%
57	17.98%	65	33.22%
58	19.52%	66	19.27%
59	20.73%	67	19.55%
60	29.37%	68	18.91%
61	32.59%	69	17.03%
62	30.28%	70+	100.00%

- Accelerated death benefit: This benefit was assumed to have an immaterial value.
- Table of Sample Rates:

Attained Age	Withdrawal	Percentage Disability Incidence	
		Male	Female
25	24.75%	0.016%	0.027%
30	18.01%	0.016%	0.027%
35	10.98%	0.067%	0.053%
40	7.91%	0.120%	0.087%
45	6.71%	0.120%	0.120%
50	4.03%	0.187%	0.167%
55	3.81%	0.287%	0.320%
60	6.40%	0.387%	0.320%
65	13.63%	0.067%	0.107%

Philadelphia Gas Works (PGW) OPEB

Plan description: **PGW** provides certain health care and life insurance benefits for approximately 1,963 retired employees and their dependents. **PGW** recognizes the cost of providing these benefits by charging the annual insurance premiums to expense.

Funding Policy: **PGW** pays 100% of premiums for basic medical, hospitalization, and prescription drugs incurred by retirees and their dependents. The company also pays a portion of the premium for life insurance for each eligible retiree. **PGW** currently provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go basis. Total expenses incurred for health care amounted to $42.1 million, of which approximately 48.9% relates to retirees and their dependents. Total premiums for group life insurance amounted to $1.9 million of which approximately 76.5% relates to retirees.

Actuarial Valuation and Assumptions: **PGW** engaged an actuarial consulting firm to provide an actuarial valuation of its OPEB obligations as of August 31, 2010. The actuarial valuations involve estimates of the value reported amounts and the assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations, and new estimates are made about the future. The calculations were based on the types of benefits provided under the terms of the substantive plan at the time of the valuation.

PGW's annual other post employment benefit (OPEB) expense is calculated based on the projected unit cost method. Under this method of calculation the present value of benefits is allocated uniformly over the employee's expected working lifetime. The actuarial accrued liability is that portion of the present value of projected benefits, which has been accrued during the employees' working lifetime from hire to valuation date. The normal cost represents the amount charged for services earned during the current reporting period. The normal cost is calculated by dividing the present value of projected benefits for an employee by the total service.

The valuation was prepared utilizing certain assumptions, including the following:

- Economic Assumptions – the discount rate and healthcare cost trends rates

The report utilized a 5.0% discount rate for purposes of developing the liabilities and ARC on the basis that the Plan would not be funded. This rate is based on the investment return expected on the Company's general investments. Because the Company has not funded the Plan for FY 2010.

Healthcare costs trend rates

Year	Medical	Prescription	Dental
1	9.0%	9.0%	4.5%
2	8.0%	8.0%	4.5%
3	7.0%	7.0%	4.5%
4	6.0%	6.0%	4.5%
5	5.0%	5.0%	4.5%
6	4.5%	4.5%	4.5%
7	4.5%	4.5%	4.5%
8	4.5%	4.5%	4.5%
9	4.5%	4.5%	4.5%
10 & beyond	4.5%	4.5%	4.5%

- Benefit Assumption – the initial per capita rates for medical coverage, and the face amount of PGW paid life insurance.

- Demographic Assumptions – including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates), and coverage levels.

Annual OPEB Cost and Net OPEB Obligation: In FY2010 **PGW** paid retiree benefits in the amount of $21.7 million, which consisted of $20.6 million in healthcare expenses and $1.1 million in life insurance expenses. The difference between the ARC and the expenses paid resulted in an increase in the OPEB liability of $27.3 million. As of August 2010, the actuarial accrued liability for benefits was $654.1 million, all of which was unfunded and the ratio of the unfunded actuarial accrued liability to the covered payroll was 617.1%

The following table shows the calculation of **PGW's** OPEB liability for FY2010. The difference between the annual OPEB cost and contributions made is recorded as other postemployment benefits expense on the statement of revenues and expenses. Contributions made are allocated to operating expense line items along with salaries and other employee benefit costs.

	(Amounts in Thousands)
Annual required contribution	50,152
Interest on net OPEB obligation	3,910
Adj to annual required contribution	(5,087)
Annual OPEB cost	48,975
Payments made	(21,706)
Increase/(Decrease) in net OPEB obligation	27,269
Net OPEB obligation - beginning of year	78,207
Net OPEB obligation - end of year	105,476

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2010 and the preceding years is as follows:

(Amounts in Thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2010	48,975	44.32%	105,476
6/30/2009	$ 46,009	43.59%	$ 78,207
6/30/2008	44,114	41.44%	52,255

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 2011 this transfer amounted to $297.0 million.

5. RELATED PARTY TRANSACTIONS

The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of $65.9 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled $144.1 million during the year) to the following organizations:

- Philadelphia Commercial Development Corporation
- 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, Worker's Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was $353.5 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, 2009 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2009	261.1	144.4	(96.2)	309.3
Fiscal 2010	309.3	156.5	(94.5)	371.3
Fiscal 2011	371.3	82.0	(99.8)	353.5

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 $5.4 million for Unemployment Compensation claims and $58.3 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $296.0 million discounted at 3.5%. On an undiscounted basis, these liabilities total $401.5 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 $270.0 million (discounted) and $365.9 million (undiscounted).

During the last three (3) 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** is self-insured for most of its risks including casualty losses, public liability, unemployment and weekly indemnity. Workers' Compensation is covered by excess insurance over a $5.0 million self-insured retention. **SDP** does purchase certain other insurance. Most Component Units are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the combined amount of these liabilities was $184.8 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability since June 30, 2010 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2010	165.6	34.1	(42.7)	157.0
Fiscal 2011	157.0	253.6	(225.8)	184.8

The **SDP** is exposed to various risks related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. As previously noted, the SDP is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness) and employee medical benefits.

The **SDP** maintains additional property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses between $5.0 million and $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 $45.5 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. **SDP** owes the Commonwealth $56.0 million. Of that amount, the Commonwealth has agreed to continue to defer amounts due from prior years totaling $45.3 million for reimbursement of advanced funds provided for special education transportation costs.

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 $351.0 million. Of this amount, $30.9 million is charged to current operations of the Enterprise Funds. The remaining $320.1 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 $56.2 million to the General Fund and $4.1 million to the Enterprise Funds.

Significant cases included in the current litigation against the City are as follows:

- **Mandel v. Philadelphia, CCP Phila. No. 1101-03848**

  A total of 18 taxpayers have brought suit against the City in the Court of Common Pleas for the First Judicial District, challenging the City's system for the assessment of real estate taxes for itself and the **SDP** under the Uniformity Clause of the Pennsylvania Constitution, the First Class County Assessment Law, 72 P.S. §§ 5341.1-5341.21, and the Equal Protection Clause of the United States Constitution. In addition to injunctive relief, Plaintiffs also request refunds, and their claims could cost the City well over $100 million dollars if successful, but we have strong defenses to these assertions. Plaintiffs case was dismissed and the time to appeal has run out.

- **Waterfront Renaissance Associates (WRA) v. City, et. al., E. D. Pa. No. 07 cv 1045**

  WRA, proposed developer of a "World Trade Center" project at 400-456 Christopher Columbus Boulevard, sued the City, City Council, City Planning Commission, Brian Abernathy (then legislative aide to Councilman DiCicco), and certain civic associations and their officers. In short, WRA alleged that the zoning overlay amendment to the Old City Residential Area Special District Controls, through a 65 foot maximum height restriction, effectively prevented or rendered impossible completion of its project.

  WRA further alleged a nearly 20 year history of support, encouragement, assistance, and other favorable representations for the project by the City, its officials and representatives, and others. WRA complained that it had spent nearly $20 million in reliance upon City's "supportive" actions for site-acquisitions and pre-development, promotional, and other soft and hard costs.

  WRA sought declaratory and injunctive relief and damages in excess of $20 million. WRA claimed that the Ordinance facially violated its constitutional rights to procedural and substantive due process and equal protection of laws by depriving it of property through wholly arbitrary action and/or without reasonable notice and that the Court should enjoin and declare the Ordinance as unenforceable based on state law claims of promissory estoppel, detrimental reliance, or unjust enrichment.

  City Defendants filed motions to dismiss. The Court dismissed all City defendants except the City. The Court also dismissed the procedural due process and as-applied substantive due process claims. The following claims against City survived: promissory estoppel, detrimental reliance; unjust enrichment; facial violation of equal protection; and facial violation of substantive due process.

  In addition, Plaintiffs were granted leave (despite the City's opposition) to amend the Complaint. WRA added a count for violation of substantive due process seeking injunctive relief. WRA alleged that the Ordinance delegated land use and planning powers to neighborhood associations allowing for *ad hoc* changes and concessions regarding high-rise development through a compulsory variance process, contrary to the master planning concept of Pennsylvania zoning law and the Philadelphia zoning code. The Court denied the City's Motion to Dismiss Count XV of the Second Amended Complaint.

  The City moved to dismiss WRA's constitutional claims on mootness grounds on the basis that adoption of an amendment to the City's zoning laws removed the challenged height restriction from WRA's property. WRA also moved to supplement its Complaint to add new claims concerning the Central Delaware Riverfront Ordinance. WRA requested another six months of fact discovery followed by new dates for completion of expert discovery, filing of dispositive motions, and ultimately scheduling of trial if necessary.

  The Court granted the motion to dismiss and dismissed WRA's constitutional claims relating to the height restriction. As part of its ruling, the Court allowed WRA to file an amended claim to add a facial claim against the Central Delaware Riverfront Ordinance, and to supplement its existing state law claims to include allegations pertaining to the CDRO. WRA filed its Third Amended Complaint. The City filed a motion for summary judgment seeking dismissal of WRA's remaining claims, and WRA filed motion for summary judgment on its supplemental claim against CDRO.

  The Court granted the City's motion and entered summary judgment for City on Plaintiff's remaining claims and Plaintiffs have appealed. Briefing is just commencing.-

- **In re: Condemnation of Tract of Land k/a Parcel C (within Eastwick Urban Renewal Area): CCP Phila. Co., Consolidated Case No. 091104734**

In November 2003, the City filed a declaration of taking condemning certain property known as Parcel C within the Eastwick Urban Renewal Area Plan of 1958 for the benefit of Philadelphia International Airport. The Redevelopment Authority of the City of Philadelphia ("RDA") was the record title holder of the property. The City deposited in Court in April 2006 estimated just compensation in the amount of $7,714,000. November Term, 2003, No. 2285 (C.C.P. Phila.).

In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation ("Eastwick Development") petitioned the Court for appointment of a Board of Viewers and the Court appointed a Board of View to ascertain and award just compensation. Eastwick Development alleged they owned or held equitable interests in and certain development rights to the condemned property and had not received just compensation.

After a view of the premises and a hearing in July 2009, the Board of View filed a report with the Court in October 2009. BV #3421. The Board made an award of just compensation for the property of $13,500,500 (including attorney fee), subject to credit for the $7,714,000 million already paid and distributed. In addition, the Board awarded delay damages from the date of taking (11/18/03) until July 31, 2009 in the amount of $3,298,200, and accruing thereafter until payment. BV #3421.

The City filed its appeal to the Court of Common Pleas in November 2009, requesting a jury trial de novo. CCP Phila. Co., #0911-02397. The City objected, among other things, to the award of any compensation amount beyond that amount already paid into court, to evidentiary, procedural and substantive errors in the Board of View proceeding and award, and to the delay damage computation and award. Eastwick Development filed a separate appeal from the Board of View Report to the Court of Common Pleas in November 2009. CCP Phila. Co., #0911-04734. Eastwick Development sought a jury trial de novo and objected to the sufficiency of the amount of compensation awarded.

The parties completed discovery. At a final pretrial conference, the Court issued an order consolidating the two separate appeals from the Board of View report and scheduled the case for trial. Subsequently, at the request of the parties, the Court adjourned the start of trial until 2012 on the basis of a settlement in principle. The parties signed as of December 13, 2011 a binding settlement term sheet providing for, among other things, discontinuance of the lawsuit, payment by City in the total sum of $9.6 million, an amended redevelopment agreement, and release or transfer of property interests to City, all upon certain terms and conditions, and to take effect or occur on or before an Effective Date. If the Effective Date does not occur on or before June 30, 2012, the settlement will expire and the parties will be restored to their previous litigation positions (with some modification to any accrual of delay damages). The Court, at a recent status conference, ordered the case to remain in deferred status through July 2012 to allow for implementation of the settlement.

The City intends to mount vigorous defenses to defeat the compensation claim if the settlement agreement expires or if the preconditions to its effectiveness do not occur. The City's lawyers reasonably believe that the Plaintiffs will not likely succeed on their claims or for the amount of just compensation (damages) sought and that the City's defenses have merit.

- **G&T Conveyor Co., Inc. v. Ernest Bock & Sons, Inc et al v. City et al.,CCP Phila. No. 091103117**

G&T has commenced and pursued a civil action for declaratory and monetary relief against Bock, and Liberty Mutual Insurance Company ("Liberty") and Fidelity and Deposit Company of Maryland ("Fidelity"), issuers of a payment bond on behalf of Bock. G&T sued Bock for, among other things, about $1.3 million in damages for work performed but unpaid by Bock; and for nearly $7 million in additional costs incurred as a result of construction delays G&T attributed to Bock.

Bock had successfully bid to perform general contractor work on the Airport's Terminal D&E expansion and modernization project for baggage system (Bid #6851; Contract #084002). G&T subcontracted with Bock to supply all necessary labor, supervision, material and equipment to furnish the baggage handling equipment. Bock's Purchase Order (subcontract) with G&T required that G&T perform and complete work in strict accordance with the Plans and Specifications, and eleven addenda and other terms and conditions prepared by DDI, and in compliance with certain milestones and deadlines. G&T alleged that, by early 2010, the project was over 660 days behind schedule and its attempts to address and resolve delay and other problems with Bock had failed.

Bock answered the Complaint, denying responsibility, asserting affirmative defenses and counterclaiming against G&T for damages caused by G&T's alleged breach of its contract obligations. Bock also filed a "third party" complaint against City and others, particularly Chisom Electrical (reportedly a defunct entity).

Bock contended City was solely liable or liable with Bock to G&T on the "delay damages" claims made by G&T, pursuant to common law theories of indemnification and contribution. Bock also claimed City was liable to Bock for damages caused by City's material breaches of its contract with Bock.

City filed preliminary objections to the Third Party Complaint, challenging its propriety and sufficiency but the Court overruled the objections and ordered the filing of an Answer. The City filed an Answer to Bock's third party complaint, asserting its defenses, counterclaims against Bock for indemnity and breach of contract and the bonding companies for indemnity, and added a fourth party claim against the designer of the project, DDI. The City made a tolling agreement with DDI. The Court recently dismissed Daroff from the case pursuant to a voluntary discontinuance of claims against Daroff.

The parties have completed discovery and submitted expert reports. The Court denied City's petition to dismiss the claims against it for lack of subject matter jurisdiction (City claimed in essence the absence of a justifiable controversy due to the incomplete status of the project and the absence of required inspection, testing and approval of the system). City filed a motion to amend its Answer to add a more specific defense of release, that the Court granted. G&T filed a motion for partial summary judgment, that Bock and City opposed. After oral argument, the Court granted the motion solely as to legal interpretation of particular contract terms, and denied the balance.

City and Bock filed motions for summary judgment that were opposed by G&T and are pending decision. The attorneys anticipate the Court will schedule the final pretrial conference in the next month or so.

The City intends to mount vigorous defenses to defeat the claims. The City's lawyers reasonably believe that the third party plaintiffs will not likely succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

- **Pingitore v. John Green et al, CCP Phila. Co., No. 1103-01141**
  Virelli v. City et al., CCP Phila. Co., No. 1105-00387

  Two plaintiffs, Michelle Pingitore and Marie Virelli, filed separate putative class actions on behalf of apparently similar or overlapping classes of former property owners whose property was subject to a sheriff's sale. They claim for themselves and their respective classes an entitlement to excess funds from Sheriff's sales of their properties.

  In the Pingitore action, Plaintiff alleges she is owed $4,670.65 in excess proceeds from the sheriff's sale of the property that were not paid to her. She asserts claims in restitution and unjust enrichment and seeks an award of damages to her and the class of the excess proceeds due them, interest, attorneys fees and costs and all such other relief that the Court deems proper.

  In the Virelli action, the named plaintiff alleges she is a debtor on a judgment in the amount of $11,838.22, a sheriff's sale of her property occurred in February 2006 for the sum of $13,000, the Sheriff failed to inform her of excess sale proceeds and the Sheriff failed to distribute the proceeds to her. She claims that these failures violate her (and class members') rights to due process under Pa. Constitution, Art. I Sec. 1, violate a mandatory duty to prepare a distribution of proceeds and to distribute in accordance with the schedule under Pa. R.C.P. 3136, amount to "equitable conversion" of the proceeds and result in unjust enrichment. On each count, she seeks for relief: judgment in the amount of excess proceeds that should have been remitted to Plaintiff and to each class member upon a sheriff's sale of the real property in Philadelphia County for the time period of Jan. 5, 1988 through and including the present, together with interest, costs, attorney's fees, and such other relief as permitted by law and deemed appropriate by the Court.

  The Court effectively consolidated the two cases by setting one scheduling order governing case management procedures in both. The Court granted the Treasurer's request to intervene in the consolidated lawsuit. The Court allowed for six months to complete class discovery in anticipation of a class certification hearing scheduled for July 2, 2012. The Court also denied preliminary objections filed by Treasurer and directed Defendants to file answers to the class action complaints. Defendants have filed answers and are conducting class discovery.

  At this stage, it is unclear whether either of the classes will be certified, the number of class members entitled to relief, whether if certified the plaintiffs will succeed on the merits and the City will be found liable and finally whether plaintiffs will recover from City monetary damages in excess of $8,000,000. The City intends to contest class certification, liability and damages vigorously. The City's lawyers reasonably believe that the plaintiffs are not likely to succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

- **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 include 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 the 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 anticipates completing the Feasibility study in 2012. After completing the Feasibility Study, EPA will issue a Record of Decision.

  EPA is currently conducting a Time Critical Removal Action in the southern portion of the Clearview Landfill site to address soils and wastes contaminated with high levels of several contaminants. EPA is excavating the contaminated soils and will remove them from the site or place them under a temporary cap until the final remedy for the landfill is complete. A portion of the area is located within the City of Philadelphia and includes property owned by the City. EPA estimates that the Time Critical Removal Action will cost over $2.3 million.

  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. Insufficient information is available to the City at this time to assess whether the potential loss or exposure to the City in the event of an unfavorable outcome would exceed the reporting threshold.

- **Appeals related to the State Tax Equalization Board assessment of real estate**

  In July 2011, the State Tax Equalization Board (STEB) published a Common Level Ratio (CLR) of 18.1% for Philadelphia, significantly lower than the City's Established Predetermined Ratio (EPR) of 32% used to calculate assessed values for real estate tax purposes. If the CLR varies from the EPR by more than 15% (i.e., if it is not between 27.2% and 36.8%), then in any assessment appeals, the Office of Property Assessments (OPA) is directed by statute to calculate the assessed value using the CLR rather than the EPR as a percentage of the property's market value. The City and the **SDP** filed an informal joint appeal/objections with the STEB on October 3, 2011, and the City has been submitting additional data and arguments, under which STEB should determine that the CLR was actually between 27.2% and 36.8%.

  Also, for tax year 2012, about 2,000 taxpayers with property collectively valued at about $2 billion filed assessment appeals with the OPA. Application of the 18.1% CLR to those properties, if their appeals were all granted and the certified market values stayed the same, would cost the City about $36 million and the **SDP** about an additional $46 million. The **SDP** has cross-appealed, seeking higher market values in many of these cases. If sustained, the **SDP**'s cross-appeals would have the effect of offsetting a substantial portion of the City's revenue loss.

  In January 2012, an attorney purporting to represent owners of 173 of the 2,000 properties on appeal before the OPA filed a petition to intervene in the STEB proceedings, seeking to persuade STEB to maintain the CLR at 18.1%. The City and **SDP** have filed a brief opposing the intervention on procedural grounds and because of the intervention's potential to cause significant delay in STEB's decision, which in turn could reduce the amounts paid to the City and **SDP** in February and March 2012 up to the amounts set forth in the preceding paragraph. The City does not know how quickly STEB is likely to rule, but expects that it will be this month and that, on the merits, the City's arguments are strong.

  Any party may appeal an adverse ruling on the CLR to Commonwealth Court, and the City expects to pursue or defend any appeal vigorously.

- **Building Conditions (FOP, Lodge No. 5 v. City of Philadelphia), AAA No. 14 390 1441 11**

The Law Department is representing the City of Philadelphia in an arbitration brought by the Fraternal Order of Police (FOP), the union representing City of Philadelphia police officers, contending that the City has violated the collective bargaining agreement by requiring police officers to work in "deplorable conditions" because of the conditions of the police station facilities.

The union claims that the City violated the collective bargaining agreement because the conditions of police facilities are "deplorable." The arbitration will take several days and the first three days have been scheduled for February 21, 22, and 29. The FOP has the burden of proof and will present its case on the first two days. The third day will consist of site visits for the arbitrator. After that, the City will present its case. The City will contest this claim vigorously, and does not anticipate settlement.

It is difficult to assess the City's potential liability because the FOP is not asking for monetary damages but, rather, that (1) inspections be conducted to identify health and safety risks, (2) repairs to redress those risks be made, and (3) the City commit to a long-term plan to fix/build facilities. If the FOP is successful, which the City believes is unlikely, the costs to Public Property (facilities and capital projects) would likely be well over $100 million, although probably spread out over a number of years.

- **McKenna et al v. City of Philadelphia**

Plaintiffs, three former police officers alleged retaliation in violation of Title VII of the Civil Rights Act of 1964. They secured a jury verdict in May, 2008 in the aggregate amount of $10 million, which was reduced to $1.5 million by the district court, based primarily on a statutory damages cap. Plaintiffs also seek substantial attorneys' fees, as the prevailing parties. On August 18, 2011, the Third Circuit affirmed the reduction. The time for appealing to the U.S. Supreme Court has not yet run and Plaintiffs have indicated that they are considering an appeal.

2) Guaranteed Debt

The City has guaranteed certain debt payments of two of its component units. As such, the City's General Fund has a potential financial obligation toward the extinguishment of this debt, either by replacing the various reserve funds, if used, or the actual payment of principal or interest. At June 30, principal balances outstanding were as follows:

(Amounts In Thousands of USD)

Philadelphia Authority for Industrial Development	2,310
Philadelphia Parking Authority	15,365
Total:	17,675

3) Single Audit

The City receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements, and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2011, which amounted to $610.0 million for all open program years as of December 12, 2011. Of this amount, $512.7 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2011 due to timing differences in audit requirements, $85.2 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2010 and prior and $12.1 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed $212.1 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from un-loaned funds are used to repay HUD. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City from HUD. The total remaining principal to be repaid to HUD for all loans at the end of the year was $117.6 million.

B. COMPONENT UNITS

1) Claims and Litigation

Special Education and Civil Rights Claims – There are two hundred ninety-five (295) various claims against the SDP, by or on behalf of students, which aggregate to a total potential liability of $2.3 million.

Of those, two hundred eighty-seven (287) are administrative due process hearings and appeals to the state appeals panel pending against the SDP. These appeals are based on alleged violations by the SDP 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 SDP, two hundred twelve (212) unfavorable outcomes are deemed probable and thirty-nine (39) are considered reasonably possible, in the aggregate of $1.1 million and $0.3 million respectively.

There are four (4) lawsuits pending against the SDP asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the SDP, unfavorable outcomes of three (3) are deemed reasonably possible in the aggregate amounts of approximately $0.4 million.

There are four (4) 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 SDP, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately $0.14 million and $0.04 million respectively.

Other Matters - The SDP 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 $19.7 million. In the opinion of the General Counsel of the SDP, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the SDP annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of $2.2 million and $6.6 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 $2.0 million and $2.6 million, respectively, arising from personal injury and property damage claims and lawsuits.

Education Audits - In the early 1990s, the SDP received basic education subsidies from the Commonwealth of Pennsylvania based primarily on student enrollment. In July of 1995, the Department of Education notified the SDP 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 SDP documentation. In May 1999, the SDP 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 SDP has denied this additional claim and has produced supporting documentation to the Secretary of Education. As part of an agreement with the SDP, 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.

The Commonwealth of Pennsylvania's Bureau of Audits conducted a performance audit of the SDP's pupil membership and attendance reporting procedures for the 2009-2010 school year and issued a draft report on October 26, 2011. The SDP's response to the draft report was filed on December 16, 2011 and as of January 31, 2012 the Final Audit Report has not been published. Therefore, no assurances can be given as to the final outcome of the audit. 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 SDP is the subject of an audit by the National Science Foundation ("NSF") Office of Inspector General ("OIG") of two grant awards from the NSF covering the period from July 1, 1999 through August 31, 2005. The NSF OIG auditors issued a final audit report in May 2008 questioning $3,346,652 in costs incurred under the two awards. The NSF Cost Analysis and Audit Resolution branch requested additional information and documentation from the SDP to aid in its determination of whether to seek repayment of any funds from the SDP based upon the auditor's final conclusions. On April 14, 2009, NSF issued its decision eliminating $834,406 from the recommended disallowance, leaving $2,512,246 that NSF would seek to recover. The SDP intends to pursue litigation against NSF challenging at least $1,754,950 of the disallowance. In our opinion, the likelihood of an adverse finding in the amount of $757,296 is reasonably possible, and the remaining liability is remote. NSF has not initiated any proceedings to recover funds from the SDP.

The U.S. Department of Education Office of the Inspector General (OIG) conducted an audit of the SDP's controls over Federal expenditures for the period 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 SDP responded to the draft audit findings in August, 2009, supporting the vast majority of the expenditures questioned. A final report was issued by the OIG on January 15, 2010. The final report questioned $138.8 million of costs with $121.1 million considered inadequately supported with documentation and $17.7 million considered unallowable costs. On March 30, 2011, the Pennsylvania Department of Education (PDE) received a program determination letter (March PDL) from the U.S. Department of Education (USDE) seeking a recovery of approximately $9.9 million based on finding 2 and portions of findings 4 and 5 of the OIG final audit report on the SDP. PDE filed an application for review of the PDL on May 20, 2011. The Office of Administrative Law Judges accepted jurisdiction of the case on August 10, 2011. On September 7, 2011 PDE and the Department filed a joint motion to stay the proceedings to pursue settlement negotiations. On September 29, 2011, USDE issued a second PDL (September PDL) seeking a recovery of approximately $2.5 million based on finding 1.

With regard to the March PDL, on October 12, 2011, PDE and USDE met to review documentation related to the application of the statute of limitations to the March PDL. USDE is currently reviewing this information and was to inform PDE of the costs USDE agrees are barred by the statute of limitations in January 2012. To date, the SDP has not received the amount from USDE. Then, the parties will meet to discuss equitable offset to reduce, if not eliminate, any remaining liability. If the parties are unable to resolve the findings in the PDL through settlement, the unresolved issues will go to a hearing before the administrative law judge. PDE may appeal a decision by the administrative law judge to the Secretary of Education for final agency decision. The final agency decision can then be appealed to federal court.

With regard to the September PDL, PDE is working with the SDP to put together documentation demonstrating the application of the statute of limitations. PDE and the SDP expect to have the documentation ready for USDE by the end of February 2012. USDE will then review the documentation and indicate what costs USDE agrees are barred by the statute of limitations.

Therefore, no assurance can be given as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the SDP or whether such repayments could have a material adverse effect on the financial condition of the SDP. In our opinion, with regard to the March PDL and the September PDL, the likelihood of a recovery by the U.S. Government in the amount of $12.4 million is remote.

Litigation by Outside Counsel – There is one suit against the SDP that is being handled by outside legal representation. This matter includes:

Sodexo Operations LLC v. SDP & Team Clean, Inc., U.S. District Court for the Eastern District of Pa., Civil Action No. 10-3149, is a suit in federal court by a former contractor which provided custodial services in 22 comprehensive high schools. The SDP withheld payment to Sodexo for the last two months' invoices in May and June 2010, totaling $2,100,001, for the reason that Sodexo did not meet its minority participation commitment in the contract of 83.6%. On June 29, 2010, Sodexo filed suit against the SDP, the School Reform Commission and Team Clean, Inc., seeking, among other relief, money damages for the payments which were withheld plus interest. The SDP filed a compulsory counterclaim for liquidated damages against

Sodexo for its breach of the Anti-Discrimination Policy and minority participation requirement in the amount of $1,266,021, which is 1% of the contract amount for each 1% of Sodexo's shortfall in minority participation. After offsetting this amount for liquidated damages from the payments due for May and June 2010, the remaining balance due from the SDP to Sodexo would be reduced to $843,980.

The SDP paid the amount of $843,980 to Sodexo on Nov. 30, 2011 and agreed to go to voluntary mediation regarding the remaining disputed balance claimed by Sodexo. Sodexo and the SDP after mediation agreed to settle the remaining balance for $983,000, which was paid on Dec. 21, 2011. The overall settlement resulted in a saving to the SDP of $460,524.85. There is no possibility of further liability. The suit will be dismissed with prejudice.

The School District of Philadelphia 403(b) Plan and 457(b) Deferred Compensation Plan
Pursuant to resolutions of the School Reform Commission, the SDP implemented a new 403(b) Plan and a 457(b) Deferred Compensation Plan (collectively, the "Plans") in fiscal years 2005 and 2006. The SDP obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the SDP would pay termination pay owed to a resigning or retiring employee in cash or, at the direction of the employee, would deposit such termination pay into the retiring or resigning employee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees retiring after June 1, 2005, the SDP eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans for employees who retire during or after the calendar year in which they attain age 55. Based on the advice of legal counsel, the SDP has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the SDP has withheld those taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the SDP has not withheld those taxes from its termination pay contributions to the 457(b) Plan. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. In June 2008, the SDP submitted an initial request for a Private Letter Ruling ("PLR") from the Internal Revenue Service ("IRS") to further confirm the SDP's determination. The SDP sought this PLR without prejudice to the SDP's position that no such ruling is necessary under these circumstances. By letter dated October 31, 2011, the IRS informed the SDP that it could not rule on the PLR request because the request requires an initial determination that the SDP's form of 403(b) plan satisfies Section 403(b) of the IRS Code, and beginning in 2009 and continuing to date, the IRS has stated that it will not issue a letter ruling with respect to whether the form of plan satisfies the requirements of Section 403(b) of the IRS Code. The SDP management believes that if it were finally determined that any liability for state or Federal taxes (including interest and penalties) relating to these plans existed at June 30, 2011, such liability would not be material to the SDP's financial position or results of operations for the fiscal year ended June 30, 2011. In addition, the IRS informed the SDP that, since the District's requested rulings are under examination by the IRS and answers to the requested rulings are pertinent to the examination, the IRS anticipates that the rulings will be answered through the examination process.

9. MATTERS RELATED TO GOING CONCERN – SCHOOL DISTRICT OF PHILADELPHIA (SDP)

The **SDP**'s financial statements have been presented on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the Fiscal Years ended June 30, 2010 and 2011, the **SDP**'s combined operating funds (General Fund, Intermediate Unit Fund, and Debt Service Fund) experienced operating losses of $3.7 million and $25.7 million, respectively (without regard to opening balances in these funds in each fiscal year). While the combined operating funds' available fund balance at June 30, 2011 was $30.8 million ($18.4 million of which has been set aside to pay Fiscal Year 2012 healthcare self-insurance claims), the **SDP** is facing significant budget shortfall for Fiscal Years 2012 and 2013 because of drastic reductions to federal and state revenues, mandatory cost increases, and non-recurring savings and expenditure deferrals expected to be used to close the Fiscal Year 2012 budget gap. The continued losses and significant projected budget shortfalls for fiscal years 2012 and 2013, combined with the uncertainty over the **SDP**'s ability to achieve cost savings and obtain additional funding to overcome these budget shortfalls, raises concern about the ability of the **SDP** to continue as a going concern.

In the Spring of 2011, the **SDP** announced that absent corrective action, it was facing a projected $629.0 million budget gap in Fiscal Year 2012 in both its Operating Budget and Categorical Budget due to the following factors: (1) the anticipated elimination of: (a) $122.0 million of Federal State Fiscal Stabilization Funds provided to the

SDP through the State; (b) $71.0 million of Federal Education Jobs Funds provided to the **SDP** through the State; and (c) $116.0 million in directly-received Federal Stimulus funds; (2) a net reduction of $100.0 million in State appropriations based on the Governor's proposed Fiscal Year 2012 Commonwealth budget, and (3) the need to replace one-time funds received in Fiscal Year 2011 through a $19.4 million restructuring which lowered Fiscal Year 2011 debt service expenses and the release of a reserve of $66.0 million. In addition, the **SDP** anticipated mandated expenditure increases in Fiscal Year 2012 due to: (1) projected mandated charter school increases of $39.0 million based on per pupil cost increases and anticipated enrollment increases; (2) a net increase in expenses for "turnaround school" initiatives of $13.6 million; (3) higher pension payments of $17.0 million due to a forthcoming contribution rate increase from 5.64% to 8.65%; and (4) other mandated increases of $86.0 million due to a variety of factors, including increases by mandated collective bargaining agreements for medical and prescription drug benefits, utilities, and debt service; offset by (5) an increase in the Commonwealth's pension reimbursement and all other revenues to the **SDP** of $21.0 million. To address the $629.0 million budget gap, the **SDP** identified various categories of expenditures to be considered for reduction ("Gap Closing Plan").

On May 31, 2011, the School Reform Commission adopted its Fiscal Year 2012 Operating Budget. In light of the initial projected budgetary shortfall for Fiscal Year 2012, the adopted budget included $412 million in management initiated reductions to base expenditures and $53 million in additional local revenues. The adopted budget also assumed $209.2 million of further reductions to implement the Gap Closing Plan.

Events, including the adoption of a budget by the Commonwealth of Pennsylvania, the provision of additional moneys and additional taxing authority by the City of Philadelphia to the **SDP**, and the restoration of certain services by the **SDP** occurred subsequent to the adoption of the Fiscal Year 2012 Operating Budget. Such events affected the amount required to fully implement the Gap Closing Plan and the timing of planned reductions to expenditures. Certain portions of the Gap Closing Plan which have been implemented, in the amount of $169 million, represent non-recurring savings and expenditure deferrals. The implementation and refinement of the Gap Closing Plan is ongoing.

As of February 3, 2012, the **SDP**'s estimated budget gap for fiscal year 2012 was $70.8 million. The **SDP** has identified and publicly announced areas where $32.0 million of savings are in the process of being implemented. The remaining $38.8 million budget gap needs to be addressed.

During the course of each fiscal year, the **SDP** monitors its cash flow on a monthly basis and compares it to the cash flow assumptions in the adopted operating budget. In light of the Gap Closing Plan and its implementation, the **SDP** has amended its cash flow projections to reflect the amounts of the Gap Closing Plan which have been implemented or will be implemented for the remainder of Fiscal Year 2012. Such cash flow projections estimate that sufficient cash will be available for the **SDP** to continue operations and meet its expenses in a timely manner through the remainder of Fiscal Year 2012; in particular, to pay salaries and debt service when due.

The effect of the events which have occurred in Fiscal Year 2012 will also significantly impact the **SDP**'s adopted budget for Fiscal Year 2013. As of January 19, 2012, the **SDP** estimated its projected fiscal year 2013 starting operating funds budget gap to be $269 million caused by (1) the loss of $169 million of one-time, non-recurring savings and expenditure deferrals which were part of the fiscal year 2012 Gap Closing Plan and (2) anticipated increases (currently projected to be approximately $100 million) in core expenditure areas such as wages, benefits, pensions, and debt service. The Fiscal Year 2013 starting budget gap could grow even significantly more if the Fiscal Year 2012 projected gap is not closed and there are additional unanticipated costs and/or lost revenues.

To address the challenges for Fiscal Year 2013, once the revenues available to the **SDP** are ascertained, the School Reform Commission is prepared to take actions, to balance the Fiscal Year 2013 budget, including:

(1) Reducing facilities costs through implementation of the District's Facilities Master Plan;
(2) Reducing administrative costs through reorganization of central office functions; while maintaining essential service levels for schools; and
(3) Altering, amending or canceling contracts and other operational conditions to align costs to available revenues.

Inasmuch as revenues for Fiscal Year 2013 are not presently ascertainable, the **SDP** has prepared a baseline cash flow for the first quarter of Fiscal Year 2013, using updated Fiscal Year 2012 amounts, taking into account the implementation of the Gap Closing Plan discussed herein, utilizing revenue assumptions based upon publicly issued documents, using expenditure estimates based upon known or expected increases and the lack of the non-recurring items which existed in Fiscal Year 2012 and assuming the issuance, as has been the **SDP**'s practice in 23 of the last 26 years, of tax and revenue anticipation notes (estimated at $450 million) to provide cash flow to fund the timing differences between expenditures necessary to be paid and the receipt of revenues later in the fiscal year. The **SDP** believes that even without action by the School Reform Commission as described herein, sufficient cash will be available for the **SDP** to continue operations.

As referred to elsewhere in the Notes to the Financial Statements, the **SDP** is a political subdivision of the Commonwealth carrying out a constitutionally mandated function for which the Commonwealth must provide funding. In addition to annually recurring state funding, the **SDP** levies taxes pursuant to City Council authorization and direct authorization of the General Assembly. In addition, Section 696 of the Pennsylvania Public School Code of 1949, as amended, (the "School Code"), requires the City to provide all tax payments to the **SDP** in each fiscal year at least equal to the highest amount in the three preceding fiscal years and all non-tax payments made during the prior year. Accordingly, the **SDP** has assurance of annual recurring revenue.

The School Reform Commission is prepared to exercise its statutory powers to maximize the revenues available to the **SDP**.

The School Reform Commission is legally authorized to take the steps enumerated above and any other steps required to continue the operation of the **SDP**, as the School Code grants to the School Reform Commission, among others, the following powers in addition to the powers and duties vested in the Board of Education to:

(1) Suspend the requirements of the School Code and the regulations of the State Board of Education (except the **SDP** shall remain subject to the provisions of the School Code pertaining to charter schools);
(2) Employ professional and senior management employees who do not hold state certification, if the School Reform Commission has approved the qualifications of the individual and at a salary established by it;
(3) Enter into agreements with persons and for-profit or nonprofit organizations providing educational or other services to or for the **SDP**;
(4) Notwithstanding any other provisions of the School Code, to close or reconstitute a school, including the reassignment, suspension or dismissal of professional employees;
(5) Suspend professional employees without regard for specific provisions of the School Code relating, among other things, to seniority;
(6) Appoint managers, administrators and for-profit or non-profit organizations to oversee the operations of a school or group of schools;
(7) Reallocate resources, amend school procedures, develop achievement plans and implement testing or other evaluation procedures for educational purposes;
(8) Supervise and direct principals, teachers and administrators;
(9) Negotiate any memoranda of understanding under a collective bargaining agreement in existence on April 27, 1998;
(10) Negotiate new collective bargaining agreements;
(11) Delegate to a person, including an employee of the **SDP**, or a for-profit or non-profit organization, powers it deems necessary to carry out the purposes of Article VI (School Finances) of the School Code, subject to the supervision and direction of the School Reform Commission; and
(12) Employ, contract with or assign persons and for-profit or non-profit organizations to review the financial and educational programs of school buildings and make recommendations to the School Reform Commission regarding improvements to the financial or educational programs of public schools.

Section 696 of the School Code also vests the School Reform Commission with the powers of a special board of control granted under Section 693 of the School Code. A special board of control has, among others, the power to cancel or to renegotiate any contract other than teacher contracts to which the board or the **SDP** is a party, if such cancellation or renegotiation of contracts will effect needed economies in the operation of public schools.

The ability of the **SDP** to continue as a going concern is dependent upon the success of implementing these cost saving measures or additional revenues. If the **SDP** is unable to adequately reduce spending and/or obtain additional funding, it may be unable to pay certain obligations, other than payroll and debt service, timely. There can be no assurance that the **SDP** will be successful in accomplishing its cost saving plans or in obtaining additional revenues. The financial statements do not include any adjustments that might be necessary should the **SDP** be unable to continue as a going concern.

10. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

1) In December 2011, the City issued $173.0 million of Tax and Revenue Anticipation Notes (TRAN) to supplement the receipts of the General Fund of the City for the purpose of paying general expenses of

the City prior to the receipt of taxes and other revenues to be received in the current fiscal year. The proceeds will be invested until needed and repaid by June 30, 2012.

2) In November 2011, the City issued Water and Wastewater Revenue Bonds Series 2011A in the amount of $135.0 million, and Water and Wastewater Revenue Refunding Bonds in the amount of $49.9 million. Serial bonds were issued in the amount of $49.9 million with interest rates ranging from 4.0% to 5.0%, and have a maturity date of 2026. Term bonds were issued in the following amounts (1) $2.6 million with an interest rate of 4.5% and mature in 2036; (2) $50.2 million with an interest rate of 5.0% and mature in 2036; (3) $82.2 million with an interest rate of 5.0% and mature in 2041. The proceeds of the bonds together with other available funds of the water department will be used to fund capital improvements to the City's water and wastewater system, advance refunding of a portion of the 2001A and 2007A bonds, fund capitalized interest, the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.

3) In December 2011, the City issued Airport Revenue Bond Series 2011 in the amount of $233.8 million. The Series 2011A bonds (AMT) were issued as serial bonds in the amount of $199.0 million with interest rates ranging from 2% to 5% and mature in 2028. The Series 2011B bonds were issued as serial bonds in the amount of $34.8 million, with interest rates ranging from 2% to 5% and mature in 2031. The plan is to: (i) refund a portion of the International Terminal Bonds; (ii) refund all of the City's outstanding Airport Revenue Bonds, Series 2001B; and (iii) pay the issuance costs of the bonds. The proceeds from the 2011A bonds will be used to refund to refund the entire principal amount of $149.3 million for the Airport Revenue Bond, Series 2001A. In addition, the 2011B bonds will be used to refund a portion of the Airport Revenue Bond Series 1998B (currently outstanding aggregate principal amount of $57.1 million).

4) Effective August 4, 2011 the city remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B ($100.0 million), and entered into a letter of credit substitution with the Royal Bank of Canada (RBC). The 2009B Bonds are also payable from the proceeds of funds drawn by the U.S. Bank National Association, as fiscal agent, under an irrevocable, direct-pay letter of credit, issued by RBC. The Letter of Credit (LOC) will permit the fiscal agent to draw up to $101.8 million for principal and unpaid interest on the 2009B bonds and will expire on August 4, 2014, unless earlier cancelled, terminated or renewed. The LOC will constitute both a Credit Facility and Credit Provider and RBC a Liquidity Facility and Liquidity Provider for the 2009B bonds.

5) Effective September 1, 2011 the city remarketed the Water and Wastewater Revenue Bonds, Variable Rate Series 1997B ($70.1 million), and entered into an irrevocable, direct-pay letter of credit (LOC) with TD Bank, N.A. The U.S. Bank National Association, as fiscal agent, will be entitled to draw up to an amount equal to the principal of and 48 day's accrued interest to pay the principal or redemption price of and interest on the 1997B bonds when due. The LOC will expire on September 1, 2015 unless earlier terminated or extended. Unless the LOC is extended or replaced, the 1997B bonds will be subject to mandatory tender for purchase prior to the termination of the LOC. The LOC will constitute both a Credit Facility and Liquidity Facility, and TD Bank a Credit Provider and Liquidity Provider for the 1997B bonds.

6) Effective December 23, 2011 the city delivered Letters of Credit (LOC) from TD Bank and the Royal Bank of Canada (RBC) to the U.S. Bank National Association (fiscal agent) to provide credit enhancement and liquidity support for the Airport Revenue Refunding Bonds, Series 2005C bonds. With the delivery of each LOC, the 2005C bonds will become subject to mandatory tender for purchase. Each LOC constitutes both a Credit Facility and Liquidity Facility and the banks will be both Credit Provider's and Liquidity Provider's under the agreement. TD Bank issued a LOC effective December 23 2011 with a stated expiration date of December 23, 2016 unless extended or terminated, to pay the principal of, interest on and purchase price of the 2005 C-1 bonds (currently outstanding principal of $81.3 million) from the proceeds of an irrevocable direct pay letter of credit. In addition, the RBC issued a LOC effective December 23, 2011 with a stated expiration date of December 23, 2014 unless extended or terminated, to pay the principal of, interest on and purchase price of the 2005 C-2 bonds (currently outstanding principal of $81.3 million) from the proceeds of an irrevocable direct pay letter of credit.

7) Subsequent to June 30, 2011, **PICA** received settlement payments aggregating $7,481,000 in connection with a Complaint for Violations of the Federal Securities Laws filed by the Securities and Exchange Commission against J.P. Morgan Securities LLC in connection with certain of PICA's 1993 and 1996 bond issuances, and with a Consent Order for a Civil Money Penalty issued by the U.S. Comptroller of the Currency against JPMorgan Chase Bank, N.A. for violation of law and/or unsafe banking practices related to the sale of certain derivative financial products prior to 2006. The Board of Directors subsequently voted to transfer all proceeds to the City.

8) In September 2011, to reduce costs associated with the Deferred Option Retirement Plan (DROP), City Council amended the options for retirement benefits. Options include, but are not limited to: changing eligibility requirements and the interest credited to DROP accounts; adding a new option for retirees to take a lump sum benefit at retirement, in exchange for an actuarial reduction of their regular monthly pension; and making conforming amendments to other provisions; under certain terms and conditions.

B. COMPONENT UNITS

1) **OPEB Trust Fund** - On July 29, 2010, the PUC approved a settlement with **PGW**, which provided for the establishment of an irrevocable trust for the deposit of funds derived through a Rider from all customer classes to fund OPEBs. The funding contained in the Rider is $16,000,000 annually. **PGW** is required under the settlement to fund annually $15,000,000 of the UAAL in each of the fiscal years 2011 through 2015. Additionally, **PGW** must fund $3,503,000 a year representing a 30 year amortization of the Net OPEB obligation of $105,500,000 at August 31, 2010. **PGW** established the Trust in July 2010 and began funding the Trust in accordance with the settlement agreement in September 2010.

2) **Commercial Paper Program** - Effective October 29, 2010, **PGW** requested that each of the three banks reduce the stated amounts of their respective letters of credit for the commercial paper Series F-1, F-2, and F-3 from $40,000,000 to $30,000,000. As a result of the reduction of each of the letters of credit, **PGW's** commercial paper program was reduced from $120,000,000 to $90,000,000.

3) In September 2011, the underlying variable rate bonds were remarketed with new letters of credit. During the remarketing, **PGW** partially redeemed portions of the bonds, and re-allocated remaining principal amongst the bond subseries. At the same time, City terminated an aggregate notional amount of $29,480,000 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 swap counterparty providing the lowest cost of termination/assignment. **PGW** paid a swap termination payment of $6,790,000 to partially terminate the swaps. The remaining notional amounts of each of the swaps were slightly reamortized to match the reamortizations of the underlying bonds.

4) On September 14, 2011 the City issued Gas Works Revenue Bonds, Twentieth Series (1975 General Ordinance) in the amount of $16.2 million for the purpose of refunding the entire Sixteenth Series Bonds (1975 General Ordinance), and paying the costs of issuing the bonds. The Twentieth Series Bonds, with fixed interest rates that range from 2.0% to 5.0%, have maturity dates through 2015. The costs of issuance related to this transaction was approximately $0.2 million.

   Also, on September 14, 2011, the City issued Gas Works Revenue Bonds, Tenth Series (1998 General Ordinance) in the amount of $72.6 million for the purpose of refunding the entire First Series A, First Series C, Seconds Series, and Third Series Bonds (1998 General Ordinance), and paying the costs of issuing the bonds. The Tenth Series Bonds, with fixed interest rates that range from 3.0% to 5.0%, have maturity dates through 2026. The cost of issuance related to this transaction was approximately $1.3 million.

5) In September 2011 **PGW** secured four separate letters of credit (LOC) relating to its Gas Works Revenue Refunding Bonds, Eighth Series (1998 General Ordinance) in the amount of $225.5 million. Each LOC will be issued and secured pursuant to the Amendment to Reimbursement Agreement dated as of September 1, 2011, between **PGW** and the issuing bank.

   <u>Eighth Series B Bonds ($50,260,000)</u>

   While the Eight Series B Bonds are in the Weekly Mode, the principal of and up to fifty-two (52) days' interest on the Eighth Series B Bonds, and the Purchase Price of the Eight Series B Bonds that are tendered for payment and not remarketed, will be paid by the Fiscal Agent using funds drawn under an irrevocable, direct pay letter of credit issued by Wells Fargo Bank, National Association pursuant to the Reimbursement, Credit and Security Agreement dated as of August 20, 2009, as previously amended as amended by a Second Amendment to Reimbursement Agreement dated as of September 1, 2011 between the City and the Eight Series B Credit Provider. The Eighth Series B Credit Facility is also serving as the Liquidity Facility for the Eighth Series B Bonds and the Eighth Series B Credit Provider is also the Liquidity Provider for the Eighth Series B Bonds. The Eighth Series B Credit Facility will expire on August 30, 2013 unless extended at the option of the Eighth Series B Credit Provider. Under certain circumstances, the Eighth Series B Credit Facility may be terminated or replaced by an Alternate Credit Facility and/or Alternate Liquidity Facility. The Eighth Series B Credit Facility secures only the Eighth Series B Bonds while in the Weekly Mode.

Eighth Series C Bonds ($50,000,000)

While the Eight Series C Bonds are in the Weekly Mode, the principal of and up to fifty-two (52) days' interest on the Eighth Series C Bonds, and the Purchase Price of the Eight Series C Bonds that are tendered for payment and not remarketed, will be paid by the Fiscal Agent using funds drawn under an irrevocable, direct pay letter of credit issued by the Bank of Nova Scotia, acting through its New York Agency pursuant to the Reimbursement, Credit and Security Agreement dated as of August 20, 2009, as previously amended as amended by a First Amendment to Reimbursement Agreement dated as of September 1, 2011 between the City and the Eight Series C Credit Provider. The Eighth Series C Credit Facility is also serving as the Liquidity Facility for the Eighth Series C Bonds and the Eighth Series C Credit Provider is also the Liquidity Provider for the Eighth Series C Bonds. The Eighth Series C Credit Facility will expire on August 30, 2013 unless extended at the option of the Eighth Series C Credit Provider. Under certain circumstances, the Eighth Series C Credit Facility may be terminated or replaced by an Alternate Credit Facility and/or Alternate Liquidity Facility. The Eighth Series C Credit Facility secures only the Eighth Series C Bonds while in the Weekly Mode.

Eighth Series D Bonds ($75,000,000)

While the Eight Series D Bonds are in the Weekly Mode, the principal of and up to fifty-two (52) days' interest on the Eighth Series D Bonds, and the Purchase Price of the Eight Series D Bonds that are tendered for payment and not remarketed, will be paid by the Fiscal Agent using funds drawn under an irrevocable, direct pay letter of credit issued by the Bank of America, N.A. pursuant to the Reimbursement, Credit and Security Agreement dated as of August 20, 2009, as previously amended as amended by a Second Amendment to Reimbursement Agreement dated as of September 1, 2011 between the City and the Eight Series D Credit Provider. The Eighth Series D Credit Facility is also serving as the Liquidity Facility for the Eighth Series D Bonds and the Eighth Series D Credit Provider is also the Liquidity Provider for the Eighth Series D Bonds. The Eighth Series D Credit Facility will expire on August 30, 2013 unless extended at the option of the Eighth Series D Credit Provider. Under certain circumstances, the Eighth Series D Credit Facility may be terminated or replaced by an Alternate Credit Facility and/or Alternate Liquidity Facility. The Eighth Series D Credit Facility secures only the Eighth Series D Bonds while in the Weekly Mode.

Eighth Series E Bonds ($50,260,000)

On and after September 1, 2011, the principal of and up to fifty-two (52) days' interest on the Eighth Series E Bonds, and the Purchase Price of the Eight Series E Bonds that are tendered for payment and not remarketed, will be paid by the Fiscal Agent using funds drawn under an irrevocable, direct pay letter of credit issued by PNC Bank, National Association pursuant to the Reimbursement Agreement dated as of September 1, 2011 between the City and the Eight Series E Credit Provider. The Eighth Series E Credit Facility is also serving as the Liquidity Facility for the Eighth Series E Bonds and the Eighth Series E Credit Provider is also the Liquidity Provider for the Eighth Series E Bonds. The Eighth Series E Credit Facility will expire on August 30, 2013 unless extended at the option of the Eighth Series E Credit Provider. Under certain circumstances, the Eighth Series E Credit Facility may be terminated or replaced by an Alternate Credit Facility and/or Alternate Liquidity Facility. The Eighth Series E Credit Facility secures only the Eighth Series E Bonds while in the Weekly Mode.

6) Tax and Revenue Anticipation Notes

On July 6, 2011 the **SDP** issued its annual tax and revenue anticipation notes for cyclical cash flow purposes in the aggregate principal amount of $450.0 million (the "FY2012 Notes"). The notes will be paid off by June 29, 2012.

7) General Obligation Refunding Notes

On August 30, 2011 the **SDP** issued General Obligation Refunding Notes, Series A and B of 2011 in the principal amount of $61.3 million. These notes refunded certain principal and interest payments due during Fiscal Year 2012 under GOB Series 1999B, 2002B, 2005D, 2006A, 2008E, 2010A, and 2010C in the amount of $61.1 million. On December 20, 2011 the **SDP** repaid the General Obligation Refunding Notes, Series A and B of 2011 and issued General Obligation Refunding Bonds Series C of 2011 and D of 2011 in the aggregate principal amount of $57.5 million.

8) General Obligation Bonds, Series of 2011

On December 20, 2011 the **SDP** issued General Obligation Bonds (GOB), Series A of 2011 and GOB Series B in the aggregate principal amount of $161.6 million. Series A of 2011 was issued as Federally Taxable Qualified School Construction Bonds in the aggregate amount of $144.6 million. The **SDP** will receive a federal interest subsidy for the Series A Bonds of 2011. The Series B Bonds of 2011 were issued as Tax-Exempt bonds in the aggregate principal amount of $17.0 million. Both series of bonds will fund the Capital Improvement Program.

9) Loan agreement with Southeastern Pennsylvania Transportation Authority (SEPTA) To Provide Student Transpasses for school year 2011-12

On October 26, 2011, the SRC authorized (A-15) the First Amendment agreement with SEPTA to provide student transpasses to the **SDP** as an interest bearing loan up to the sum of $36.5 million. Upon approval by the Philadelphia Common Pleas Court, the **SDP** intends to issue a General Obligation Note in the amount of $36.5 million to fund this loan constituting an unfunded debt.

10) Reduction In Force

In the Spring of 2011, the **SDP** identified a projected budget gap for the Fiscal Year 2012 reporting period of over $629 million. One of the actions taken to address this gap and balance the budget was a Reduction In Force (RIF) which was effective starting in July 1, 2011 and implemented in stages throughout the remaining months of Fiscal Year 2012. On December 31, 2011, the number of employees on current laid-off status with effective dates July 1, 2011 through December 31, 2011 was 998. This is point in time and will change as additional lay-offs occur and as employees who were laid-off are brought back to fill approved positions. In addition, some of the Reduction In Force was accomplished through the elimination of vacant positions, which is not reflected in the 998. The **SDP** continues to take strides to bridge the budget shortfall with a variety of strategies, trimming both non-personnel and personnel expenses.

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, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Tax Revenue	2,471,918	2,489,042	2,459,146	(29,896)
Locally Generated Non-Tax Revenue	268,276	266,086	280,027	13,941
Revenue from Other Governments	1,115,628	1,076,562	1,066,501	(10,061)
Revenue from Other Funds	53,321	64,224	54,620	(9,604)
Total Revenues	3,909,143	3,895,914	3,860,294	(35,620)
Expenditures and Encumbrances				
Personal Services	1,369,164	1,382,663	1,360,362	22,301
Pension Contributions	479,978	492,657	485,208	7,449
Other Employee Benefits	484,909	485,531	481,850	3,681
Sub-Total Employee Compensation	2,334,051	2,360,851	2,327,420	33,431
Purchase of Services	1,153,831	1,176,378	1,127,817	48,561
Materials and Supplies	66,375	69,077	65,910	3,167
Equipment	13,723	15,876	12,371	3,505
Contributions, Indemnities and Taxes	135,765	131,988	111,070	20,918
Debt Service	121,395	114,000	110,414	3,586
Payments to Other Funds	27,956	30,291	30,292	(1)
Total Expenditures and Encumbrances	3,853,096	3,898,461	3,785,294	113,167
Operating Surplus (Deficit) for the Year	56,047	(2,547)	75,000	77,547
Fund Balance Available for Appropriation, July 1, 2010	(37,894)	(114,028)	(114,028)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,500	24,500	39,119	14,619
Prior Period Adjustments	-	-	1	1
Adjusted Fund Balance, July 1, 2010	(13,394)	(89,528)	(74,908)	14,620
Fund Balance Available for Appropriation, June 30, 2011	42,653	(92,075)	92	92,167

* 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, 2011

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual*	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	7,500	3,500	1,237	(2,263)
Revenue from Other Governments	828,503	823,932	880,413	56,481
Total Revenues	836,003	827,432	881,650	54,218
Other Sources				
Increase in Unreimbursed Committments	-	-	14,003	14,003
Increase in Financed Reserves	-	-	(32,870)	(32,870)
Total Revenues and Other Sources	836,003	827,432	862,783	35,351
Expenditures and Encumbrances				
Purchase of Services	883,323	883,323	864,554	18,769
Equipment	100	100	-	100
Payments to Other Funds	1,580	1,580	809	771
Total Expenditures and Encumbrances	885,003	885,003	865,363	19,640
Operating Surplus (Deficit) for the Year	(49,000)	(57,571)	(2,580)	54,991
Fund Balance Available for Appropriation, July 1, 2010	-	42,474	42,474	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	6,358	6,358
Prior Period Adjustments	-	(42,474)	-	42,474
Other Adjustments	49,000	25,000	-	(25,000)
Adjusted Fund Balance, July 1, 2010	49,000	25,000	48,832	23,832
Fund Balance Available for Appropriation, June 30, 2011	-	(32,571)	46,252	78,823

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XVI**

Required Supplementary Information

Budgetary Comparison Schedule

Grants Revenue Fund

For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	81,939	66,951	56,020	(10,931)
Revenue from Other Governments	1,109,678	766,751	522,141	(244,610)
Revenue from Other Funds	-	-	471	471
Total Revenues	1,191,617	833,702	578,632	(255,070)
Other Sources				
Increase in Unreimbursed Committments	-	-	8,636	8,636
Decrease in Financed Reserves	-	-	23,243	23,243
Total Revenues and Other Sources	1,191,617	833,702	610,511	(223,191)
Expenditures and Encumbrances				
Personal Services	118,366	126,680	87,176	39,504
Pension Contributions	12,502	15,113	11,540	3,573
Other Employee Benefits	20,771	21,196	14,356	6,840
Sub-Total Employee Compensation	151,639	162,989	113,072	49,917
Purchase of Services	666,025	697,593	469,725	227,868
Materials and Supplies	20,201	21,581	13,437	8,144
Equipment	14,100	15,706	5,375	10,331
Payments to Other Funds	39,652	49,702	46,719	2,983
Advances, Subsidies, Miscellaneous	300,000	196,181	-	196,181
Total Expenditures and Encumbrances	1,191,617	1,143,752	648,328	495,424
Operating Surplus (Deficit) for the Year	-	(310,050)	(37,817)	272,233
Fund Balance Available for Appropriation, July 1, 2010	-	(39,010)	(39,010)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	45,974	45,974
Revenue Adjustments - Net	-	-	(3,417)	(3,417)
Prior Period Adjustments	-	39,010	-	(39,010)
Adjusted Fund Balance, July 1, 2010	-	-	3,547	3,547
Fund Balance Available for Appropriation, June 30, 2011	-	(310,050)	(34,270)	275,780

* Refer to the notes to required supplementary information.

Pension Plans and Other Post Employment Benefits - Schedule of Funding Progress Amounts in millions of USD

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
City of Philadelphia Municipal Pension Plan						
07/01/2005	4,159.5	7,851.5	3,692.0	52.98%	1,270.7	290.55%
07/01/2006	4,168.5	8,083.7	3,915.2	51.57%	1,319.4	296.74%
07/01/2007	4,421.7	8,197.2	3,775.5	53.94%	1,351.8	279.29%
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
07/01/2010	4,380.9	9,317.0	4,936.1	47.02%	1,421.2	347.32%
City of Philadelphia Other Post Employment Benefits						
07/01/2007	-	1,136.7	1,136.7	0.00%	1,351.8	84.09%
07/01/2008	-	1,156.0	1,156.0	0.00%	1,456.5	79.37%
07/01/2009	-	1,119.6	1,119.6	0.00%	1,461.7	76.60%
07/01/2010	-	1,169.5	1,169.5	0.00%	1,419.5	82.39%
Philadelphia Gas Works Pension Plan						
09/01/2004	366.8	436.3	69.5	84.07%	102.5	67.80%
09/01/2005	383.5	450.8	67.3	85.07%	102.5	65.66%
09/01/2006	411.9	474.3	62.4	86.84%	106.0	58.87%
09/01/2007	416.2	482.4	66.2	86.28%	105.6	62.69%
09/01/2008	430.4	495.2	64.8	86.92%	107.9	60.01%
09/01/2009	355.5	519.8	164.3	68.39%	106.0	155.00%

Amounts in thousands of USD

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	3,860,294	881,650	578,632
Transfers	(335,085)	-	471
Program Income	-	-	64,866
Adjustments applicable to Prior Years Activity	-	-	(892)
Change in Amount Held by Fiscal Agent	330	-	-
Change in BPT Adjustment	(11,773)	-	-
Return of Loan	-	-	-
Other	13,538	-	(3,466)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,527,304	881,650	639,611
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,785,293	865,363	648,328
Transfers	(144,435)	-	(39,392)
Bond Issuance Costs	-	-	-
Expenditures applicable to Prior Years Budgets	23,965	(2,888)	39,046
Program Income	-	-	64,866
Other	13,537	-	-
Change in Amount Held by Fiscal Agent	12,250	-	-
Current Year Encumbrances	(79,007)	(17,473)	(93,655)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,611,603	845,002	619,193

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 **Schedule I**
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

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	-	-	-	-	-	-	-	-	-	-	4,869	361	41,041	46,271
Equity in Treasurer's Account	2,577	22,464	6,685	-	5,779	11,296	27,737	38	4,140	-	1,136	-	-	81,852
Investments	-	-	-	-	-	-	-	-	-	-	1,053	100	9,453	10,606
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	478	-	-	478
Amounts Held by Fiscal Agent	-	-	-	-	-	-	711	-	-	-	-	-	-	711
Taxes Receivable	-	-	5,079	-	494	-	-	-	-	-	-	-	2,507	8,080
Accounts Receivable	-	-	-	3,176	-	-	-	-	-	-	-	2,648	-	5,824
Due from Other Governmental Units	-	-	-	8,827	-	-	-	-	-	-	-	-	-	8,827
Allowance for Doubtful Accounts	-	-	(721)	-	(14)	-	-	-	-	-	-	-	-	(735)
Interest and Dividends Receivable	-	-	-	-	5	-	-	-	-	-	-	1	16	22
Other Assets	-	-	-	-	-	-	-	-	-	-	525	-	37	562
Total Assets	2,577	22,464	11,043	12,003	6,264	11,296	28,448	38	4,140	-	8,061	3,110	53,054	162,498
Liabilities and Fund Balances														
Liabilities:														
Vouchers Payable	21	194	-	1,429	-	443	18,744	-	98	-	248	-	-	21,177
Accounts Payable	408	6,142	4,405	3,219	-	396	87	-	-	-	644	2,862	71	18,234
Salaries and Wages Payable	-	-	-	238	-	-	136	-	-	-	-	-	121	495
Due to Other Funds	-	-	-	4,377	-	-	-	-	20	-	324	-	7,489	12,210
Due to Component Units	-	-	-	2,741	-	-	-	-	-	-	-	-	-	2,741
Funds Held in Escrow	-	-	-	-	-	-	-	-	448	-	689	-	-	1,137
Deferred Revenue	-	-	76	4,044	1	-	711	-	-	-	-	-	-	4,832
Total Liabilities	429	6,336	4,481	16,048	1	839	19,678	-	566	-	1,905	2,862	7,681	60,826
Fund Balances:														
Nonspendable	-	-	-	-	-	-	-	-	-	-	200	-	-	200
Restricted	2,148	16,128	6,562	-	6,263	10,457	8,770	-	-	-	5,464	248	45,373	101,413
Committed	-	-	-	-	-	-	-	38	3,574	-	492	-	-	4,104
Unassigned	-	-	-	(4,045)	-	-	-	-	-	-	-	-	-	(4,045)
Total Fund Balances	2,148	16,128	6,562	(4,045)	6,263	10,457	8,770	38	3,574	-	6,156	248	45,373	101,672
Total Liabilities and Fund Balances	2,577	22,464	11,043	12,003	6,264	11,296	28,448	38	4,140	-	8,061	3,110	53,054	162,498

City of Philadelphia **Schedule I**
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2011

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
Assets									
Cash on Deposit and on Hand	-	-	31,804	31,804	-	-	-	95	78,170
Equity in Treasurer's Account	2,521	-	-	2,521	208,732	-	208,732	-	293,105
Investments	-	11	48,464	48,475	-	86,582	86,582	5,565	151,228
Due from Other Funds	-	-	-	-	-	-	-	-	478
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	711
Taxes Receivable	-	-	-	-	-	-	-	-	8,080
Accounts Receivable	-	-	-	-	-	-	-	1	5,825
Due from Other Governmental Units	-	-	-	-	20,362	-	20,362	-	29,189
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(735)
Interest and Dividends Receivable	-	-	4	4	20	74	94	-	120
Other Assets	-	-	-	-	-	-	-	-	562
Total Assets	2,521	11	80,272	82,804	229,114	86,656	315,770	5,661	566,733
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	5,162	-	5,162	-	26,339
Accounts Payable	-	-	-	-	20,662	4,385	25,047	13	43,294
Salaries and Wages Payable	-	-	-	-	74	-	74	-	569
Due to Other Funds	-	-		-	-	-	-	154	12,364
Due to Component Units	-	-	-	-	-	-	-	-	2,741
Funds Held in Escrow	-	-	-	-	15	-	15	-	1,152
Deferred Revenue	-	-	-	-	17,753	-	17,753	-	22,585
Total Liabilities	-	-	-	-	43,666	4,385	48,051	167	109,044
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	2,404	2,604
Restricted	2,521	11	80,272	82,804	185,448	82,271	267,719	3,090	455,026
Committed	-	-	-	-	-	-	-	-	4,104
Unassigned	-	-	-	-	-	-	-	-	(4,045)
Total Fund Balances	2,521	11	80,272	82,804	185,448	82,271	267,719	5,494	457,689
Total Liabilities and Fund Balances	2,521	11	80,272	82,804	229,114	86,656	315,770	5,661	566,733

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2011

Schedule II

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues														
Tax Revenue	-	-	41,884	-	4,935	-	142,127	-	-	-	-	-	358,997	547,943
Locally Generated Non-Tax Revenue	-	25	3	10,436	8	7,259	-	-	2,347	355	6,230	1,790	279	28,732
Revenue from Other Governments	4,845	24,343	-	58,593	-	-	-	-	-	-	-	-	-	87,781
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-	10,589	10,589
Total Revenues	4,845	24,368	41,887	69,029	4,943	7,259	142,127	-	2,347	355	6,230	1,790	369,865	675,045
Expenditures														
Current Operating:														
Economic Development	-	-	41,859	-	-	-	-	-	-	-	-	-	-	41,859
Transportation:														
Streets & Highways	4,861	22,860	-	-	-	-	-	-	-	-	-	-	-	27,721
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	1,207	-	-	-	-	1,207
Conservation of Health:														
Health Services	-	-	-	-	-	-	137,251	-	-	-	-	-	-	137,251
Housing and Neighborhood Development	-	-	-	69,054	-	12,044	-	-	-	-	-	-	-	81,098
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	3,888	-	-	3,888
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	124	-	-	124
Improvements to General Welfare:														
Service to Property:														
General Management and Support	-	-	-	-	3,986	-	-	-	697	355	1,734	37,168	766	44,706
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,861	22,860	41,859	69,054	3,986	12,044	137,251	-	1,904	355	5,746	37,168	766	337,854
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16)	1,508	28	(25)	957	(4,785)	4,876	-	443	-	484	(35,378)	369,099	337,191
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Defeasance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	1,150	35,396		36,546
Transfers Out	-	-	-	-	-	-	(6,900)	-	-	-	-	-	(367,399)	(374,299)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(6,900)	-	-	-	1,150	35,396	(367,399)	(337,753)
Net Change in Fund Balances	(16)	1,508	28	(25)	957	(4,785)	(2,024)	-	443	-	1,634	18	1,700	(562)
Fund Balance - July 1, 2010	2,164	14,620	6,534	(4,020)	5,306	15,242	10,794	38	3,131	-	4,522	230	43,673	102,234
Adjustment	-	-	-	-	-	-	-	-	-	-	-			-
Fund Balance Adjusted - July 1, 2010	2,164	14,620	6,534	(4,020)	5,306	15,242	10,794	38	3,131	-	4,522	230	43,673	102,234
Fund Balance - June 30, 2011	2,148	16,128	6,562	(4,045)	6,263	10,457	8,770	38	3,574	-	6,156	248	45,373	101,672

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, 2011

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	-	-	-	-	-	-	-	-	547,943
Locally Generated Non-Tax Revenue	-		3,024	3,024	-	-	-	897	32,653
Revenue from Other Governments	-	-	-	-	30,301	42	30,343	-	118,124
Other Revenues	-	-	-	-	4	-	4	-	10,593
Total Revenues	-	-	3,024	3,024	30,305	42	30,347	897	709,313
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	41,859
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	27,721
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	1,207
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	137,251
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	81,098
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	102	3,990
Libraries and Museums	-	-	-	-	-	-	-	-	124
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-		101	101	-	3	3	-	44,810
Capital Outlay	-	-	-	-	112,088	22,845	134,933	-	134,933
Debt Service:									
Principal	36,500	15,642	39,235	91,377	-	-	-	-	91,377
Interest	65,156	13,289	27,287	105,732	-	-	-	-	105,732
Bond Issuance Cost	892	65	-	957	1,210	-	1,210	-	2,167
Total Expenditures	102,548	28,996	66,623	198,167	113,298	22,848	136,146	102	672,269
Excess (Deficiency) of Revenues Over (Under) Expenditures	(102,548)	(28,996)	(63,599)	(195,143)	(82,993)	(22,806)	(105,799)	795	37,044
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	139,150	-	139,150	-	139,150
Issuance of Refunding Bonds	114,570	-	-	114,570	-	-	-	-	114,570
Bond Issuance Premium	5,046	-	-	5,046	-	-	-	-	5,046
Proceeds from Lease & Service Agreements	-	65	-	65	-	28,005	28,005	-	28,070
Bond Defeasance	(117,605)	-	-	(117,605)	-	-	-	-	(117,605)
Transfers In	101,556	28,931	64,272	194,759	16,196	-	16,196	-	247,501
Transfers Out	-	-	-	-	-	-	-	-	(374,299)
Total Other Financing Sources (Uses)	103,567	28,996	64,272	196,835	155,346	28,005	183,351	-	42,433
Net Change in Fund Balances	1,019	-	673	1,692	72,353	5,199	77,552	795	79,477
Fund Balance - July 1, 2010	1,502	11	77,629	79,142	113,095	77,072	190,167	4,699	376,242
Adjustment	-	-	1,970	1,970	-	-	-	-	1,970
Fund Balance Adjusted - July 1, 2010	1,502	11	79,599	81,112	113,095	77,072	190,167	4,699	378,212
Fund Balance - June 30, 2011	2,521	11	80,272	82,804	185,448	82,271	267,719	5,494	457,689

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Assets

Pension Trust Funds

June 30, 2011

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	445,698	4,057,047	4,502,745
Securities Lending Collective Investment Pool	24,172	485,348	509,520
Allowance for Unrealized Loss	-	(1,895)	(1,895)
Accounts Receivable	-	4,430	4,430
Due from Brokers for Securities Sold	956	620,345	621,301
Interest and Dividends Receivable	1,551	14,434	15,985
Due from Other Governmental Units	-	3,613	3,613
Total Assets	472,377	5,183,322	5,655,699
Liabilities			
Vouchers Payable	-	107	107
Accounts Payable	541	3,626	4,167
Salaries and Wages Payable	-	189	189
Funds Held in Escrow	-	11	11
Due on Return of Securities Loaned	24,172	485,348	509,520
Due to Brokers for Securities Purchased	1,608	660,238	661,846
Accrued Expenses	8,614	1,158	9,772
Deferred Revenue	-	2,048	2,048
Other Liabilities	-	381	381
Total Liabilities	34,935	1,153,106	1,188,041
Net Assets Held in Trust for Pension Benefits	437,442	4,030,216	4,467,658

City of Philadelphia

Schedule IV

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	22,936	470,155	493,091
Employees' Contributions	-	52,706	52,706
Total Contributions	22,936	522,861	545,797
Investment Income:			
Interest and Dividends	10,673	79,544	90,217
Net Gain in Fair Value of Investments	75,547	635,570	711,117
(Less) Investments Expenses	(1,829)	(15,266)	(17,095)
Securities Lending Revenue	74	2,220	2,294
Securities Lending Unrealized Loss	-	(1,895)	(1,895)
(Less) Securities Lending Expenses	(30)	(710)	(740)
Net Investment Gain	84,435	699,463	783,898
Miscellaneous Operating Revenues	-	1,377	1,377
Total Additions	107,371	1,223,701	1,331,072
Deductions			
Personal Services	-	3,675	3,675
Purchase of Services	-	1,793	1,793
Materials and Supplies	-	81	81
Employee Benefits	37,898	2,385	40,283
Pension Benefits	-	681,909	681,909
Refunds of Members' Contributions	-	5,125	5,125
Administrative Expenses Paid	355		355
Other Operating Expenses	-	119	119
Total Deductions	38,253	695,087	733,340
Change in Net Assets	69,118	528,614	597,732
Net Assets - July 1, 2010	368,324	3,501,602	3,869,926
Net Assets - June 30, 2011	437,442	4,030,216	4,467,658

City of Philadelphia **Schedule V**

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2011

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	136,099	136,099
Equity in Treasurer's Account	30,744	14,921	-	45,665
Investments	-	-	11,910	11,910
Due from Other Funds	-	-	866	866
Total Assets	30,744	14,921	148,875	194,540
Liabilities				
Vouchers Payable	2	604	-	606
Accounts Payable	-	246	-	246
Payroll Taxes Payable	-	3,234	-	3,234
Funds Held in Escrow	30,742	10,837	148,875	190,454
Total Liabilities	30,744	14,921	148,875	194,540
Net Assets	-	-	-	-

City of Philadelphia
Schedule VI

Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Balance 7-1-2010	Additions	Deductions	Balance 6-30-2011
Escrow Fund				
Assets				
Equity in Treasurer's Account	34,032	376,291	379,579	30,744
Liabilities				
Funds Held in Escrow	33,995	376,291	379,544	30,742
Vouchers Payable	37	5,055	5,090	2
Total Liabilities	34,032	381,346	384,634	30,744
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	14,270	853,771	853,120	14,921
Liabilities				
Vouchers Payable	1,190	8,518	9,104	604
Accounts Payable	-	246	-	246
Payroll Taxes Payable	3,147	751,778	751,691	3,234
Funds Held in Escrow	9,933	90,114	89,210	10,837
Total Liabilities	14,270	850,656	850,005	14,921
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	136,315	153,155	153,371	136,099
Investments	8,780	3,130	-	11,910
Due from Other Funds	767	99	-	866
Total Assets	145,862	156,384	153,371	148,875
Liabilities				
Funds Held in Escrow	145,862	156,384	153,371	148,875
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	136,315	153,155	153,371	136,099
Equity in Treasurer's Account	48,302	1,230,062	1,232,699	45,665
Investments	8,780	3,130	-	11,910
Due from Other Funds	767	99	-	866
Total Assets	194,164	1,386,446	1,386,070	194,540
Liabilities				
Vouchers Payable	1,227	13,573	14,194	606
Accounts Payable	-	246	-	246
Payroll Taxes Payable	3,147	751,778	751,691	3,234
Funds Held in Escrow	189,790	622,789	622,125	190,454
Total Liabilities	194,164	1,388,386	1,388,010	194,540

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2011

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2011 Outstanding	Maturities	Interest Rates	FY 2012 Debt Service Requirements: Interest	FY 2012 Debt Service Requirements: Principal
General Obligation Bonds:								
Term Bonds	97,493,541	07/27/2006	531,988	531,988	8/2030 to 8/2031	5	26,599	-
	7,222,518	07/27/2006	7,222,518	7,222,518	8/2030 to 8/2031	5	361,126	-
	11,024,437	07/27/2006	11,024,437	11,024,437	8/2030 to 8/2031	5	551,222	-
	10,131,057	07/27/2006	10,131,057	10,131,057	8/2030 to 8/2031	5	506,553	-
	113,608,890	01/06/2009	113,608,890	113,608,890	7/2013 to 7/2038	5.25 to 7.125	7,865,987	-
	30,926,110	01/06/2009	30,926,110	30,926,110	7/2013 to 7/2038	5.25 to 7.125	2,141,244	-
	13,834,573	04/19/2011	13,834,573	13,834,573	8/2027 to 8/2041	5.875 to 6.50	670,817	-
	37,647,372	04/19/2011	37,647,372	37,647,372	8/2027 to 8/2041	5.875 to 6.50	1,825,462	-
	45,818,055	04/19/2011	45,818,055	45,818,055	8/2027 to 8/2041	5.875 to 6.50	2,221,645	-
Total Term Bonds	367,706,553		270,745,000	270,745,000			16,170,655	-
Refunding Issues	178,240,000	12/01/1998	178,240,000	10,715,000	05/2012 to 05/2020	4.75	508,963	-
	188,910,000	12/20/2007	188,910,000	175,285,000	08/2011 to 08/2019	5.00 to 5.25	8,763,462	4,995,000
	195,170,000	5/01/2008	195,170,000	194,020,000	12/2011 to 12/2032	4.00 to 5.25	10,045,238	1,035,000
	237,025,000	8/13/2009	237,025,000	237,025,000	08/2019 to 08/2031	4.25 to 5.50	12,030,260	-
	100,000,000	8/13/2009	100,000,000	100,000,000	08/2027 to 08/2031	variable	3,829,000	-
	114,570,000	4/19/2011	114,570,000	114,570,000	08/2011 to 08/2020	2.00 to 5.25	3,542,617	14,365,000
Total Refunding Bonds	1,013,915,000		1,013,915,000	831,615,000			38,719,540	20,395,000
Serial Bonds	20,000,000	NA	20,000,000	1,017,815	07/2011 to 04/2012	1	4,671	1,017,815
	50,781,553	01/01/2001	50,781,553	6,214,865	09/2011 to 09/2021	4.3 to 5.25	246,361	2,353,722
	99,400,449	01/01/2001	95,928,447	11,740,135	09/2011 to 09/2021	4.3 to 5.25	465,386	4,446,278
	[1]	07/27/2006	3,472,002	3,114,367	8/2011 to 8/2029	4.50 to 5.125	151,705	101,116
	12,165,000	12/02/2003	12,165,000	5,313,671	02/2012 to 02/2015	5 to 5.25	275,428	1,416,006
	84,972,482	12/02/2003	37,835,000	16,526,329	02/2012 to 02/2015	5 to 5.25	856,622	4,403,994
	[1]	07/27/2006	47,137,482	42,282,081	8/2011 to 8/2029	4.50 to 5.125	2,059,617	1,372,803
	71,950,563 [1]	07/27/2006	71,950,563	64,539,290	8/2011 to 8/2029	4.50 to 5.125	3,143,795	2,095,444
	66,119,953 [1]	07/27/2006	66,119,953	59,309,262	8/2011 to 8/2029	4.50 to 5.125	2,889,033	1,925,637
	16,086,110 [1]	01/06/2009	16,086,110	12,993,081	7/2011 to 7/2018	4.00 to 6.00	637,756	1,756,775
	4,378,890 [1]	01/06/2009	4,378,890	3,536,919	7/2011 to 7/2018	4.00 to 6.00	173,607	478,222
	5,950,427 [1]	04/19/2011	5,950,427	5,950,427	8/2012 to 8/2026	4.00 to 5.375	233,553	-
	16,192,628 [1]	04/19/2011	16,192,628	16,192,628	8/2012 to 8/2026	4.00 to 5.375	635,558	-
	19,706,945 [1]	04/19/2011	19,706,945	19,706,945	8/2012 to 8/2026	4.00 to 5.375	773,495	-
Total Serial Bonds	467,705,000		467,705,000	268,437,815			12,546,587	21,367,812
Total General Obligation Bonds	1,849,326,553		1,752,365,000	1,370,797,815			67,436,782	41,762,812

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2011 Outstanding	Maturities	Interest Rates	FY 2012 Debt Service Requirements Interest	FY 2012 Debt Service Requirements Principal
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
Series 1995	221,630,000	04/15/1995	221,630,000	26,280,000	08/2011 to 08/2018	6.25	1,244,688	12,730,000
Series 1997 B	100,000,000 [2]	11/25/1997	100,000,000	73,000,000	08/2011 to 08/2027	Variable rates	78,838	2,900,000
Series 1998	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	6,392,400	26,850,000
Series 1999 A	6,700,000	N.A.	6,700,000	638,779	07/2011 to 04/2019	2.73	16,509	74,156
Series 2001 A and B	285,920,000	11/15/2001	285,920,000	137,875,000	11/2011 to 11/2028	3.8 to 5.50	6,732,933	12,980,000
Series 2005 A	250,000,000	05/04/2005	250,000,000	230,390,000	07/2011 to 07/2035	3.30 to 5.25	11,480,300	4,795,000
Series 2005 B	86,105,000 [2]	05/04/2005	86,105,000	82,870,000	08/2011 to 08/2018	Variable rates	3,744,385	425,000
Series 2007 A	191,440,000	05/09/2007	191,440,000	175,180,000	8/2011 to 8/2027	4.00 to 5.00	8,339,825	4,795,000
Series 2007 B	153,595,000	05/09/2007	153,595,000	152,900,000	11/2010 to 11/2031	4.00 to 5.00	6,950,775	220,000
Series 2009 A	325,000,000	05/21/2009	140,000,000	140,000,000	01/2017 to 01/2033	4.00 to 5.75	7,294,037	-
		08/05/2010	185,000,000	185,000,000	8/2016 to 8/2040	3.00 to 5.00	9,022,250	-
Series 2010A	396,460,000	4/15/2010	396,460,000	386,800,000	06/2011 to 6/2019	2.50 to 5.00	18,094,485	43,155,000
Pennvest Series 2009C	57,268,193	06/16/2010	23,068,887	23,068,888	07/2013 to 07/2033	1.193	275,212	-
Pennvest Series 2009D	84,759,263	07/22/2010	48,583,956	48,583,956	07/2013 to 07/2033	1.193	579,606	-
Pennvest Series 2009B	42,886,030	08/02/2010	15,595,211	15,595,211	07/2013 to 07/2033	1.193	186,051	-
Total Water Revenue Bonds	2,336,948,486		2,239,283,054	1,813,366,834			80,432,294	108,924,156
Aviation Revenue Bonds:								
Series 1998 B	443,700,000	07/01/1998	443,700,000	69,530,000	07/2011 to 07/2028	5.00 to 5.375	3,252,913	12,420,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	154,555,000	07/2011 to 07/2028	5.125 to 5.50	8,105,208	5,210,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	33,625,000	06/2012 to 06/2031	5.00 to 5.50	1,776,994	980,000
Series 2005 C	189,500,000 [2]	06/02/2005	189,500,000	162,600,000	06/2012 to 06/2025	Variable rates	8,846,876	6,700,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	117,605,000	06/2012 to 06/2035	4.20 to 5.50	5,610,705	2,705,000
Series 2007 A	172,470,000	08/16/2008	172,470,000	169,315,000	06/2012 to 06/2037	5	8,465,750	3,315,000
Series 2007 B	82,915,000	08/16/2008	82,915,000	70,085,000	06/2012 to 06/2027	5	3,504,250	3,425,000
Series 2009 A	45,715,000	04/14/2009	45,715,000	44,050,000	06/2012 to 06/2029	3.00 to 5.375	2,044,666	1,700,000
Series 2010A	273,065,000	11/15/2010	273,065,000	273,060,000	06/2012 to 06/2040	2.00 to 5.25	13,599,612	5,000
Series 2010B	24,395,000	11/15/2010	24,395,000	19,810,000	06/2012 to 06/2015	2.00 to 5.00	944,150	4,635,000
Series 2010C	54,730,000	11/15/2010	54,730,000	54,725,000	06/2012 to 06/2018	2.00 to 5.00	2,668,450	6,780,000
Series 2010D	272,475,000	11/15/2010	272,475,000	271,970,000	06/2012 to 06/2028	2.00 to 5.25	13,459,250	12,935,000
Total Aviation Revenue Bonds	1,911,750,000		1,911,750,000	1,440,930,000			72,278,824	60,810,000
Total Revenue Bonds	4,248,698,486		4,151,033,054	3,254,296,834			152,711,118	169,734,156
Total All Bonds	6,098,025,039		5,903,398,054	4,625,094,649 [4]			220,147,900	211,496,968

NOTES:

[1] These General Obligation Authorizations were issued as both Term and Serial Bonds.

[2] Based on latest available estimated rates.

[3] A summary of all Bonds Outstanding is as follows:

	General Obligation Bonds	Revenue Bonds	Total
General Fund Types:			
General Fund	1,369,780,000	-	1,369,780,000
Proprietary Fund Types:			
Water Fund	1,017,815	1,813,366,834	1,814,384,649
Aviation Fund	-	1,440,930,000	1,440,930,000
Total Proprietary Funds	1,017,815	3,254,296,834	3,255,314,649
Total All Funds	1,370,797,815	3,254,296,834	4,625,094,649

City of Philadelphia
Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2011

Schedule VIII

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	542,885	540,127	537,463	(2,664)
Revenue from Other Governments	3,300	3,300	2,869	(431)
Revenue from Other Funds	64,726	49,044	27,138	(21,906)
Total Revenues	610,911	592,471	567,470	(25,001)
Expenditures and Encumbrances				
Personal Services	112,175	111,725	100,839	10,886
Pension Contributions	40,300	38,487	42,169	(3,682)
Other Employee Benefits	40,480	42,293	42,279	14
Sub-Total Employee Compensation	192,955	192,505	185,287	7,218
Purchase of Services	128,864	128,864	116,625	12,239
Materials and Supplies	47,415	47,898	39,731	8,167
Equipment	5,693	5,660	2,862	2,798
Contributions, Indemnities and Taxes	6,603	6,603	5,384	1,219
Debt Service	195,044	195,044	185,543	9,501
Payments to Other Funds	51,337	51,337	54,263	(2,926)
Total Expenditures and Encumbrances	627,911	627,911	589,695	38,216
Operating Surplus (Deficit) for the Year	(17,000)	(35,440)	(22,225)	13,215
Fund Balance Available for Appropriation, July 1, 2010	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	17,000	17,000	22,225	5,225
Adjusted Fund Balance, July 1, 2010	17,000	17,000	22,225	5,225
Fund Balance Available for Appropriation, June 30, 2011	-	(18,440)	-	18,440

City of Philadelphia

Schedule IX

Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	500	-	178	178
Revenue from Other Funds	22,927	21,234	18,752	(2,482)
Total Revenues	23,427	21,234	18,930	(2,304)
Expenditures and Encumbrances				
Payments to Other Funds	22,927	22,927	4,906	18,021
Total Expenditures and Encumbrances	22,927	22,927	4,906	18,021
Operating Surplus (Deficit) for the Year	500	(1,693)	14,024	15,717
Fund Balance Available for Appropriation, July 1, 2010	20,084	20,889	20,889	-
Fund Balance Available for Appropriation, June 30, 2011	20,584	19,196	34,913	15,717

City of Philadelphia

Schedule X

Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	3	-	-	-
Revenue from Other Governments	4,715	4,950	4,845	(105)
Total Revenues	4,718	4,950	4,845	(105)
Expenditures and Encumbrances				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	856	856	-
Materials and Supplies	260	345	344	1
Equipment	80	-	-	-
Payments to Other Funds	15	15	15	-
Total Expenditures and Encumbrances	4,950	4,950	4,949	1
Operating Surplus (Deficit) for the Year	(232)	-	(104)	(104)
Fund Balance Available for Appropriation, July 1, 2010	1,234	1,988	1,988	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	50	25	151	126
Adjusted Fund Balance, July 1, 2010	1,284	2,013	2,139	126
Fund Balance Available for Appropriation, June 30, 2011	1,052	2,013	2,035	22

City of Philadelphia
Schedule XI

Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	15	32	25	(7)
Revenue from Other Governments	23,701	23,673	24,343	670
Total Revenues	23,716	23,705	24,368	663
Expenditures and Encumbrances				
Personal Services	3,000	3,000	3,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	4,000	4,000	4,000	-
Purchase of Services	15,659	15,447	15,046	401
Materials and Supplies	3,601	4,301	3,942	359
Equipment	589	101	86	15
Payments to Other Funds	15	15	15	-
Total Expenditures and Encumbrances	23,864	23,864	23,089	775
Operating Surplus (Deficit) for the Year	(148)	(159)	1,279	1,438
Fund Balance Available for Appropriation, July 1, 2010	12,479	14,083	14,083	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	120	150	213	63
Adjusted Fund Balance, July 1, 2010	12,599	14,233	14,296	63
Fund Balance Available for Appropriation, June 30, 2011	12,451	14,074	15,575	1,501

City of Philadelphia **Schedule XII**

Budgetary Comparison Schedule

Hotel Room Rental Tax Fund

For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	41,718	41,718	41,884	166
Locally Generated Non-Tax Revenue	2	2	3	1
Total Revenues	41,720	41,720	41,887	167
Expenditures and Encumbrances				
Contributions, Indemnities and Taxes	41,720	41,720	41,859	(139)
Total Expenditures and Encumbrances	41,720	41,720	41,859	(139)
Operating Surplus (Deficit) for the Year	-	-	28	28
Fund Balance Available for Appropriation, July 1, 2010	-	5,218	5,218	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	1,316	1,316
Adjusted Fund Balance, July 1, 2010	-	5,218	6,534	1,316
Fund Balance Available for Appropriation, June 30, 2011	-	5,218	6,562	1,344

City of Philadelphia
Schedule XIII

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	363,170	292,570	302,719	10,149
Revenue from Other Governments	5,000	2,602	1,435	(1,167)
Revenue from Other Funds	2,000	1,000	653	(347)
Total Revenues	370,170	296,172	304,807	8,635
Expenditures and Encumbrances				
Personal Services	64,366	64,366	57,035	7,331
Pension Contributions	20,900	21,684	21,683	1
Other Employee Benefits	19,264	18,480	17,979	501
Sub-Total Employee Compensation	104,530	104,530	96,697	7,833
Purchase of Services	109,863	109,863	83,883	25,980
Materials and Supplies	8,550	8,820	8,357	463
Equipment	12,585	12,315	1,599	10,716
Contributions, Indemnities and Taxes	6,062	6,062	2,219	3,843
Debt Service	121,218	121,218	102,448	18,770
Payments to Other Funds	22,673	22,673	11,849	10,824
Total Expenditures and Encumbrances	385,481	385,481	307,052	78,429
Operating Surplus (Deficit) for the Year	(15,311)	(89,309)	(2,245)	87,064
Fund Balance Available for Appropriation, July 1, 2010	29,879	73,622	73,622	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	12,000	8,763	(3,237)
Adjusted Fund Balance, July 1, 2010	41,879	85,622	82,385	(3,237)
Fund Balance Available for Appropriation, June 30, 2011	26,568	(3,687)	80,140	83,827

City of Philadelphia
Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2011

Schedule XIV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	150	150	10,436	10,286
Revenue from Other Governments	117,006	97,006	53,530	(43,476)
Total Revenues	117,156	97,156	63,966	(33,190)
Other Sources				
Decrease in Financed Reserves	-	-	4,336	4,336
Total Revenues and Other Sources	117,156	97,156	68,302	(28,854)
Expenditures and Encumbrances				
Personal Services	7,767	7,767	5,237	2,530
Pension Contributions	2,729	2,819	1,793	1,026
Other Employee Benefits	2,392	2,302	838	1,464
Sub-Total Employee Compensation	12,888	12,888	7,868	5,020
Purchase of Services	83,427	83,393	69,251	14,142
Materials and Supplies	319	339	173	166
Equipment	492	506	84	422
Payments to Other Funds	30	30	-	30
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	117,156	117,156	77,376	39,780
Operating Surplus (Deficit) for the Year	-	(20,000)	(9,074)	10,926
Fund Balance Available for Appropriation, July 1, 2010	-	(4,020)	(4,020)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	9,049	9,049
Prior Period Adjustments	-	4,020	-	(4,020)
Adjusted Fund Balance, July 1, 2010	-	-	5,029	5,029
Fund Balance Available for Appropriation, June 30, 2011	-	(20,000)	(4,045)	15,955

City of Philadelphia

Schedule XV

Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	5,000	4,900	4,935	35
Locally Generated Non-Tax Revenue	25	5	8	3
Total Revenues	5,025	4,905	4,943	38
Expenditures and Encumbrances				
Purchase of Services	5,000	5,000	3,986	1,014
Total Expenditures and Encumbrances	5,000	5,000	3,986	1,014
Operating Surplus (Deficit) for the Year	25	(95)	957	1,052
Fund Balance Available for Appropriation, July 1, 2010	5,352	5,306	5,306	-
Fund Balance Available for Appropriation, June 30, 2011	5,377	5,211	6,263	1,052

City of Philadelphia

Schedule XVI

Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	9,300	7,530	7,259	(271)
Total Revenues	9,300	7,530	7,259	(271)
Expenditures and Encumbrances				
Personal Services	600	600	413	187
Purchase of Services	11,400	11,400	6,713	4,687
Total Expenditures and Encumbrances	12,000	12,000	7,126	4,874
Operating Surplus (Deficit) for the Year	(2,700)	(4,470)	133	4,603
Fund Balance Available for Appropriation, July 1, 2010	2,844	2,719	2,719	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	3,500	6,000	4,247	(1,753)
Adjusted Fund Balance, July 1, 2010	6,344	8,719	6,966	(1,753)
Fund Balance Available for Appropriation, June 30, 2011	3,644	4,249	7,099	2,850

City of Philadelphia

Schedule XVII

Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	396,348	396,348	5	(396,343)
Revenue from Other Governments	227,500	227,500	36,400	(191,100)
Revenue from Other Funds	-	-	10,097	10,097
Total Revenues	623,848	623,848	46,502	(577,346)
Other Sources (Uses)				
Increase in Unreimbursed Committments	-	-	28,168	28,168
Proceeds from Bond Sales	-	-	139,150	139,150
Total Revenues and Other Sources	623,848	623,848	213,820	(410,028)
Expenditures and Encumbrances				
Capital Outlay	623,848	623,848	166,178	457,670
Operating Surplus (Deficit) for the Year	-	-	47,642	47,642
Fund Balance Available for Appropriation, July 1, 2010	-	-	75,164	75,164
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	5,174	5,174
Revenue Adjustments - Net	-	-	646	646
Adjusted Fund Balance, July 1, 2010	-	-	80,984	80,984
Fund Balance Available for Appropriation, June 30, 2011	-	-	128,626	128,626

City of Philadelphia
Schedule XVIII

Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Tax Revenue	142,000	143,000	142,127	(873)
Total Revenues	142,000	143,000	142,127	(873)
Other Sources				
Increase in Unreimbursed Committments	-	-	173	173
Total Revenues and Other Sources	142,000	143,000	142,300	(700)
Expenditures and Encumbrances				
Personal Services	4,796	4,796	2,894	1,902
Pension Contributions	100	145	145	-
Other Employee Benefits	134	89	89	-
Sub-Total Employee Compensation	5,030	5,030	3,128	1,902
Purchase of Services	134,634	137,134	134,469	2,665
Materials and Supplies	10	10	-	10
Equipment	5	5	-	5
Payments to Other Funds	6,900	6,900	6,900	-
Total Expenditures and Encumbrances	146,579	149,079	144,497	4,582
Operating Surplus (Deficit) for the Year	(4,579)	(6,079)	(2,197)	3,882
Fund Balance Available for Appropriation, July 1, 2010	10,764	10,794	10,794	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	173	173
Adjusted Fund Balance, July 1, 2010	10,764	10,794	10,967	173
Fund Balance Available for Appropriation, June 30, 2011	6,185	4,715	8,770	4,055

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, 2011 (with comparative actual amounts for the Fiscal Year Ended June 30, 2010)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2011 Actual	Positive (Negative)	FY 2010 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	457,534	451,238	454,747	3,509	364,313	90,434
Prior Years	40,000	37,500	27,978	(9,522)	37,874	(9,896)
Total Real Property Tax	497,534	488,738	482,725	(6,013)	402,187	80,538
Wage and Earnings Taxes:						
Current	1,112,772	1,137,888	1,127,455	(10,433)	1,102,285	25,170
Prior Years	12,000	12,000	6,862	(5,138)	11,918	(5,056)
Total Wage and Earnings Taxes	1,124,772	1,149,888	1,134,317	(15,571)	1,114,203	20,114
Business Taxes:						
Business Privilege Taxes:						
Current	350,162	350,800	334,996	(15,804)	329,275	5,721
Prior Years	19,000	20,000	41,950	21,950	35,428	6,522
Total Business Privilege Tax	369,162	370,800	376,946	6,146	364,703	12,243
Net Profits Tax:						
Current	8,667	14,603	5,740	(8,863)	12,058	(6,318)
Prior Years	4,000	2,500	3,086	586	2,448	638
Total Net Profits Tax	12,667	17,103	8,826	(8,277)	14,506	(5,680)
Total Business Taxes	381,829	387,903	385,772	(2,131)	379,209	6,563
Other Taxes:						
Sales Tax	241,892	247,510	244,585	(2,925)	207,113	37,472
Amusement Tax	21,103	21,103	20,767	(336)	21,850	(1,083)
Real Property Transfer Tax	125,220	117,332	116,644	(688)	119,236	(2,592)
Parking Lot Tax	72,493	72,493	71,596	(897)	70,453	1,143
Smokeless Tobacco	4,000	1,000	286	(714)	-	286
Miscellaneous Taxes	3,075	3,075	2,454	(621)	2,390	64
Total Other Taxes	467,783	462,513	456,332	(6,181)	421,042	35,290
Total Taxes	2,471,918	2,489,042	2,459,146	(29,896)	2,316,641	142,505
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	4,885	4,060	4,357	297	4,696	(339)
Licenses and Permits	42,487	45,727	46,295	568	43,346	2,949
Fines, Forfeits, Penalties, Confiscated Money and Property	20,997	29,872	25,790	(4,082)	17,727	8,063
Interest Income	15,776	7,376	5,300	(2,076)	8,264	(2,964)
Service Charges and Fees	136,242	121,684	124,553	2,869	113,972	10,581
Other	47,889	57,367	73,732	16,365	41,354	32,378
Total Locally Generated Non-Tax Revenue	268,276	266,086	280,027	13,941	229,359	50,668
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	166,501	165,149	170,094	4,945	140,347	29,747
Commonwealth of Pennsylvania:						
Grants and Other Payments	894,906	857,192	833,676	(23,516)	605,896	227,780
Other Governmental Units	54,221	54,221	62,731	8,510	330,138	(267,407)
Total Revenue from Other Governments	1,115,628	1,076,562	1,066,501	(10,061)	1,076,381	(9,880)
Revenue from Other Funds	53,321	64,224	54,620	(9,604)	31,945	22,675
Total Revenues	3,909,143	3,895,914	3,860,294	(35,620)	3,654,326	205,968

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2011 (with comparative actual amounts for the Fiscal Year Ended June 30, 2010)

Amounts in thousands of USD

	Budgeted Amounts Original	Budgeted Amounts Final	FY 2011 Actual	Final Budget to Actual Positive (Negative)	FY 2010 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	15,049	15,049	13,772	1,277	13,464	308
Mayor's Office:						
Mayor's Office	3,839	3,943	3,598	345	4,263	(665)
Scholarships	200	200	200	-	193	7
Mural Arts Program	1,000	1,000	961	39	973	(12)
Labor Relations	523	517	457	60	523	(66)
MDO Office of Technology	67,432	67,432	61,348	6,084	38,521	22,827
Office of Property Assessment	-	6,109	5,730	379	-	5,730
Mayor's Office of Community Services	-	-	-	-	30	(30)
Transportation	500	500	419	81	482	(63)
Law	18,665	18,817	17,114	1,703	17,965	(851)
Board of Ethics	810	810	681	129	706	(25)
Youth Commission	100	100	78	22	85	(7)
Inspector General	1,380	1,380	1,171	209	1,146	25
City Planning Commission	2,551	2,551	2,248	303	2,904	(656)
Commission on Human Relations	2,067	2,067	1,942	125	1,983	(41)
Zoning Code Commisssion	500	500	465	35	468	(3)
Arts & Culture	3,905	3,911	2,550	1,361	3,943	(1,393)
Board of Revision of Taxes	6,503	2,098	1,893	205	7,463	(5,570)
Total General Government	125,024	126,984	114,627	12,357	95,112	19,515
Operation of Service Departments						
Housing	2,800	2,800	2,251	549	2,800	(549)
Managing Director	17,984	18,034	15,954	2,080	16,576	(622)
Police	538,403	553,637	551,450	2,187	541,606	9,844
Streets	113,190	132,800	131,004	1,796	134,903	(3,899)
Fire	188,762	198,042	198,042	-	190,051	7,991
Public Health	113,962	114,037	108,923	5,114	111,198	(2,275)
Office-Behavioral Health/Mental Retardation	14,272	14,272	14,272	-	14,239	33
Parks and Recreation	49,829	51,373	47,084	4,289	47,050	34
Fairmount Park Commission	-	-	-	-	-	-
Atwater Kent Museum	249	269	267	2	298	(31)
Camp William Penn	-	-	-	-	-	-
Public Property	164,879	171,157	171,142	15	164,793	6,349
Department of Human Services	576,365	577,070	543,584	33,486	562,731	(19,147)
Philadelphia Prisons	234,140	235,195	232,219	2,976	240,571	(8,352)
Office of Supportive Housing	38,474	38,474	36,368	2,106	38,387	(2,019)
Office of Fleet Management	51,437	53,015	52,173	842	47,331	4,842
Licenses and Inspections	23,069	23,351	18,381	4,970	23,069	(4,688)
Board of L & I Review	156	156	136	20	127	9
Board of Building Standards	72	72	61	11	61	-
Zoning Board of Adjustment	378	378	330	48	311	19
Records	4,009	4,009	3,982	27	5,195	(1,213)
Philadelphia Historical Commission	404	404	377	27	387	(10)
Art Museum	2,300	2,350	2,350	-	2,343	7
Philadelphia Free Library	32,968	33,012	32,549	463	32,752	(203)
Total Operations of Service Departments	2,168,102	2,223,907	2,162,899	61,008	2,176,779	(13,880)
Financial Management						
Office of Director of Finance	7,800	9,500	10,431	(931)	11,176	(745)
Department of Revenue	15,050	15,542	14,160	1,382	16,420	(2,260)
Sinking Fund Commission	211,036	203,640	197,918	5,722	185,464	12,454
Procurement	4,238	4,581	4,819	(238)	4,397	422
City Treasurer	905	905	761	144	648	113
Audit of City Operations	7,292	8,004	7,840	164	7,408	432
Total Financial Management	246,321	242,172	235,929	6,243	225,513	10,416

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2011 (with comparative actual amounts for the Fiscal Year Ended June 30, 2010)

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2011 Actual	Positive (Negative)	FY 2010 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	966,020	982,800	968,957	13,843	831,698	137,259
PGW Rental Reimbursement	18,000	17,500	1,700	15,800	18,000	(16,300)
Community College of Philadelphia	26,468	26,468	25,409	1,059	26,468	(1,059)
Legal Services	35,941	36,616	36,616	-	35,941	675
Hero Award	25	37	35	2	43	(8)
Refunds	250	126	-	126	1	(1)
Indemnities	42,000	1,716	-	1,716	1	(1)
Office of Risk Management	3,239	3,175	4,079	(904)	2,891	1,188
Witness Fees	172	172	84	88	104	(20)
Contribution to School District	38,600	38,600	38,600	-	38,540	60
Total City-Wide Under Director of Finance	1,130,715	1,107,210	1,075,480	31,730	953,687	121,793
Promotion and Public Relations						
City Representative	946	946	904	42	906	(2)
Commerce	18,642	18,642	18,323	319	27,321	(8,998)
Total Promotion and Public Relations	19,588	19,588	19,227	361	28,227	(9,000)
Personnel						
Civic Service Commission	170	170	168	2	154	14
Personnel Director	5,186	5,190	4,591	599	4,052	539
Total Personnel	5,356	5,360	4,759	601	4,206	553
Administration of Justice						
Clerk of Quarter Sessions	4,549	-	-	-	4,510	(4,510)
Register of Wills	3,399	3,399	3,239	160	3,209	30
District Attorney	29,062	30,557	30,505	52	30,153	352
Sheriff	13,089	14,466	14,230	236	15,785	(1,555)
First Judicial District	97,755	113,955	115,412	(1,457)	105,746	9,666
Total Administration of Justice	147,854	162,377	163,386	(1,009)	159,403	3,983
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,342	1,459	-	1,459	1,599	(1,599)
Conduct of Elections						
City Commissioners	8,794	9,404	8,987	417	9,200	(213)
Total Obligations	3,853,096	3,898,461	3,785,294	113,167	3,653,726	131,568
Operating Surplus (Deficit) for the Year	56,047	(2,547)	75,000	77,547	600	74,400

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, 2011 (with comparative actual amounts for the Fiscal Year Ended June 30, 2010)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2011 Actual	Positive (Negative)	FY 2010 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	444,619	447,637	462,404	14,767	429,760	32,644
Sales and Charges - Prior Years	40,326	40,326	26,883	(13,443)	31,431	(4,548)
Fire Service Connections	1,009	1,743	1,846	103	1,593	253
Surcharges	5,169	5,297	5,481	184	4,576	905
Fines and Penalties	1,024	834	769	(65)	1,206	(437)
Miscellaneous Charges	1,026	1,113	1,101	(12)	1,645	(544)
Charges to Other Municipalities	34,200	34,000	32,020	(1,980)	37,357	(5,337)
Licenses and Permits	2,061	2,185	2,232	47	2,226	6
Interest Income	7,050	850	1,530	680	851	679
Fleet Management - Sale of Vehicles & Equipment	195	205	92	(113)	287	(195)
Contributions from Sinking Fund Reserve	2,927	2,740	-	(2,740)	2,648	(2,648)
Reimbursement of Expenditures	218	198	88	(110)	59	29
Repair Loan Program	2,340	2,278	2,237	(41)	2,116	121
Other	721	721	780	59	623	157
Total Locally Generated Non-Tax Revenue	542,885	540,127	537,463	(2,664)	516,378	21,085
Revenue from Other Governments						
State	500	500	27	(473)	726	(699)
Federal	2,800	2,800	2,842	42	1,905	937
Total Revenue from Other Governments	3,300	3,300	2,869	(431)	2,631	238
Revenue from Other Funds	64,726	49,044	27,138	(21,906)	27,734	(596)
Total Revenues	610,911	592,471	567,470	(25,001)	546,743	20,727
Obligations						
Mayor's Office of Information Services	16,855	16,855	10,910	5,945	1,907	9,003
Public Property	2,500	2,500	2,500	-	3,614	(1,114)
Office of Fleet Management	8,510	8,510	8,255	255	7,211	1,044
Water Department	299,257	300,959	281,214	19,745	271,671	9,543
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions						
Other Employee Benefits	40,300	42,169	42,169	-	27,494	14,675
Contributions, Indemnities and Taxes	40,480	42,293	42,279	14	39,974	2,305
Department of Revenue	6,500	1,116	-	1,116	-	-
Sinking Fund Commission	15,144	15,144	13,579	1,565	17,678	(4,099)
Procurement Department	195,045	195,045	185,543	9,502	196,717	(11,174)
Law	69	69	69	-	69	-
	3,251	3,251	3,177	74	3,115	62
Total Obligations	627,911	627,911	589,695	38,216	569,450	20,245
Operating Surplus (Deficit) for the Year	(17,000)	(35,440)	(22,225)	13,215	(22,707)	482

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, 2011 (with comparative actual amounts for the Fiscal Year Ended June 30, 2010)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2011 Actual	Positive (Negative)	FY 2010 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	22,000	20,000	32,010	12,010	27,442	4,568
Space Rentals	133,000	102,500	104,585	2,085	103,250	1,335
Landing Fees	75,000	53,000	60,421	7,421	50,218	10,203
Parking	28,000	26,000	28,009	2,009	23,733	4,276
Car Rentals	20,000	18,000	17,862	(138)	16,743	1,119
Interest Earnings	2,000	1,000	352	(648)	326	26
Sale of Utilities	5,000	4,000	3,365	(635)	3,850	(485)
Passenger Facility Charge	33,000	33,000	32,353	(647)	33,133	(780)
Overseas Terminal Facility Charges	-	-	8	8	10	(2)
International Terminal Charge	28,000	20,000	17,700	(2,300)	19,755	(2,055)
Other	17,170	15,070	6,054	(9,016)	6,557	(503)
Total Locally Generated Non-Tax Revenue	363,170	292,570	302,719	10,149	285,017	17,702
Revenue from Other Governments						
State	-	102	102	-	194	(92)
Federal	5,000	2,500	1,333	(1,167)	2,896	(1,563)
Total Revenue from Other Governments	5,000	2,602	1,435	(1,167)	3,090	(1,655)
Revenue from Other Funds	2,000	1,000	653	(347)	2,063	(1,410)
Total Revenue	370,170	296,172	304,807	8,635	290,170	14,637
Obligations						
Mayor's Office of Information Services	6,295	6,295	5,987	308	393	5,594
Police	13,533	13,533	13,218	315	13,029	189
Fire	6,203	6,203	5,437	766	5,109	328
Public Property	26,900	26,900	18,400	8,500	13,900	4,500
Office of Fleet Management	8,108	8,108	3,532	4,576	5,287	(1,755)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	20,900	21,684	21,683	1	14,946	6,737
Other Employee Benefits	19,264	18,480	17,979	501	17,993	(14)
Purchase of Services	4,146	4,146	2,469	1,677	2,732	(263)
Contributions, Indemnities and Taxes	2,512	827	-	827	-	-
Sinking Fund Commission	121,218	121,218	102,448	18,770	95,343	7,105
Commerce	154,524	156,209	114,241	41,968	113,665	576
Law	1,878	1,878	1,658	220	1,560	98
Total Obligations	385,481	385,481	307,052	78,429	283,957	23,095
Operating Surplus (Deficit) for the Year	(15,311)	(89,309)	(2,245)	87,064	6,213	(8,458)

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.

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the wage and earnings tax. Property tax information is also presented.

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

Demographic & Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These tables contain service and infrastructure information data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

The City of Philadelphia implemented GASB Statement No. 34 in FY2002. Tables presenting government-wide information include information beginning in that year.

City of Philadelphia
Net Assets by Component
For the Fiscal Years 2002 Through 2011

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	280.9	286.4	175.0	241.3	248.6	161.4	206.4	(5.8)	(59.3)	(47.5)
Restricted	427.0	426.8	484.1	516.5	471.5	689.7	641.0	833.8	705.1	789.5
Unrestricted	(1,295.5)	(453.8)	(707.0)	(1,028.6)	(1,010.9)	(1,220.5)	(1,567.1)	(2,120.6)	(2,421.9)	(2,495.5)
Total Governmental Activities Net Assets	(587.6)	259.4	(47.9)	(270.8)	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,776.1)	(1,753.5)
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	199.1	478.6	541.0	548.4	537.4	544.0	591.8	750.6	831.8	845.1
Restricted	1,001.6	642.1	504.0	472.0	551.9	635.1	644.1	511.2	489.3	550.6
Unrestricted	(106.3)	(12.7)	91.3	269.7	273.9	257.3	266.2	269.8	257.3	234.3
Total Business-Type Activities Net Assets	1,094.4	1,108.0	1,136.3	1,290.1	1,363.2	1,436.4	1,502.1	1,531.6	1,578.4	1,630.0
Primary Government										
Invested in Capital Assets, Net of Related Debt	480.0	765.0	716.0	789.7	786.0	705.4	798.2	744.8	772.5	797.6
Restricted	1,428.6	1,068.9	988.1	988.5	1,023.4	1,324.8	1,285.1	1,345.0	1,194.4	1,340.1
Unrestricted	(1,401.8)	(466.5)	(615.7)	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(2,164.6)	(2,261.2)
Total Primary Government Net Assets	506.8	1,367.4	1,088.4	1,019.3	1,072.4	1,067.0	782.4	239.0	(197.7)	(123.5)

City of Philadelphia **Table 2**
Changes in Net Assets
For the Fiscal Years 2002 Through 2011

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental Activities:										
Economic Development	97.3	127.9	127.4	89.5	89.8	92.6	116.4	116.0	145.0	92.2
Transportation:										
Streets & Highways	110.9	99.8	109.9	119.0	116.0	116.6	117.7	119.1	129.4	136.3
Mass Transit	85.2	85.9	81.3	84.9	84.5	85.1	88.3	90.5	82.7	75.2
Judiciary and Law Enforcement:										
Police	674.9	755.2	793.8	817.1	836.0	921.4	1,002.9	985.6	990.5	1,048.1
Prisons	201.0	223.4	237.1	250.2	268.7	293.2	311.4	339.1	343.8	340.4
Courts	265.8	253.8	277.2	284.9	287.1	304.1	321.6	318.7	312.0	315.0
Conservation of Health:										
Emergency Medical Services	25.7	29.0	30.6	34.2	35.6	36.0	37.2	36.9	47.8	53.3
Health Services	1,147.8	1,196.5	1,174.6	1,275.0	1,411.9	1,442.6	1,572.6	1,701.5	1,446.7	1,524.6
Housing and Neighborhood Development	124.8	125.2	119.0	123.0	149.5	111.2	142.1	149.1	131.3	126.1
Cultural and Recreational										
Recreation	84.5	109.5	118.4	68.3	73.3	73.4	86.2	77.3	77.0	98.7
Parks	44.2	26.2	32.6	30.2	28.9	32.6	36.6	37.7	37.9	14.0
Libraries and Museums	66.9	63.0	67.5	80.7	68.6	90.3	87.0	92.8	79.0	75.7
Improvements to General Welfare:										
Social Services	580.4	641.5	691.2	697.6	702.0	765.5	794.1	756.3	718.8	718.4
Education	81.8	57.1	58.6	61.6	59.9	64.0	65.5	67.2	65.4	64.0
Inspections and Demolitions	50.5	44.3	81.3	79.0	55.3	64.3	47.3	27.8	23.4	30.1
Service to Property:										
Sanitation	109.1	114.8	121.0	126.0	128.8	134.4	138.0	137.8	142.7	143.0
Fire	173.0	190.2	215.4	229.6	236.1	285.3	284.8	278.6	266.0	285.9
General Management and Support	521.8	524.8	576.9	519.9	574.8	568.7	636.9	684.1	683.3	561.0
Interest on Long Term Debt	169.7	130.2	98.3	138.2	136.9	149.5	95.1	214.6	174.9	136.3
Total Governmental Activities Expenses	4,615.3	4,798.3	5,012.1	5,108.9	5,343.7	5,630.8	5,981.7	6,230.7	5,897.6	5,838.3
Business-Type Activities:										
Water and Sewer	427.7	412.9	416.9	442.3	455.4	476.2	504.3	530.8	502.5	520.2
Aviation	197.9	244.5	261.0	269.5	303.1	314.3	323.1	326.2	330.1	336.0
Industrial and Commercial Development	3.8	2.2	2.5	4.7	2.1	3.7	2.1	3.0	0.1	1.9
Total Business-Type Activities Expenses	629.4	659.6	680.4	716.5	760.6	794.2	829.5	860.0	832.7	858.1
Total Primary Government Expenses	5,244.7	5,457.9	5,692.5	5,825.4	6,104.3	6,425.0	6,811.2	7,090.7	6,730.3	6,696.4
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	15.1	0.2	6.9	0.1	-	-	-	0.3	0.1	-
Transportation:										
Streets & Highways	1.3	1.1	1.5	1.9	2.2	3.5	3.9	2.8	4.4	5.1
Mass Transit	0.4	0.6	0.5	0.5	0.6	0.6	0.5	0.4	0.5	0.6
Judiciary and Law Enforcement:										
Police	1.4	2.2	2.4	2.2	7.2	1.7	4.3	5.0	3.3	3.5
Prisons	0.7	0.4	0.5	0.4	0.4	0.3	0.3	0.4	0.5	0.5
Courts	72.4	50.9	52.5	48.4	51.5	51.5	52.7	51.8	53.4	45.6
Conservation of Health:										
Emergency Medical Services	18.6	20.1	20.7	23.1	25.0	27.7	27.6	37.5	36.8	34.7
Health Services	10.0	10.2	11.6	13.5	14.0	12.6	15.3	14.4	16.2	16.7
Housing and Neighborhood Development	2.3	18.9	12.0	10.0	22.3	45.2	25.2	31.3	20.8	23.1
Cultural and Recreational:										
Recreation	14.5	14.3	13.0	0.8	0.4	0.2	0.3	3.2	(0.1)	2.8
Parks	1.6	1.9	1.7	0.9	0.4	0.5	1.5	0.6	0.9	5.0
Libraries and Museums	0.3	0.3	0.4	0.5	0.9	0.9	0.8	1.3	0.9	1.8
Improvements to General Welfare:										
Social Services	8.8	8.8	6.9	7.6	7.4	7.3	6.4	7.6	14.4	6.8
Education	-	-	-	-	-	-	-	1.1	-	-
Inspections and Demolitions	0.5	0.5	0.8	0.7	0.7	44.4	44.9	40.3	43.9	45.5
Service to Property:										
Sanitation	1.2	1.8	2.0	2.1	1.8	-	3.1	2.9	2.0	11.6
Fire	0.3	0.1	0.1	0.5	0.4	0.7	0.2	0.7	0.3	0.5
General Management and Support	127.0	150.7	138.2	130.8	179.1	107.5	110.6	131.9	127.9	136.6
Interest on Long Term Debt	-	-	-	-	-	-	-	-	-	9.2
Operating Grants and Contributions	1,834.2	1,907.2	1,958.7	2,067.2	2,142.1	2,204.9	2,339.9	2,438.1	2,050.4	2,223.5
Capital Grants and Contributions	19.9	17.3	19.6	9.1	21.4	15.8	10.0	35.0	46.9	32.1
Total Governmental Activities Program Revenues	2,130.5	2,207.5	2,250.0	2,320.3	2,477.8	2,525.3	2,647.5	2,806.6	2,423.5	2,605.2

City of Philadelphia **Table 2**
Changes in Net Assets
For the Fiscal Years 2002 Through 2011

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-Type Activities:										
Charges for Services:										
Water and Sewer	350.9	385.4	401.6	450.6	470.8	493.6	503.3	499.7	552.4	558.5
Aviation	201.2	230.5	251.9	278.4	295.0	309.2	303.2	251.7	240.0	258.1
Industrial and Commercial Development	3.2	1.2	1.2	1.1	1.2	1.5	1.5	0.5	0.3	0.5
Operating Grants and Contributions	11.0	8.9	4.8	2.0	2.5	2.8	5.4	2.6	6.1	4.8
Capital Grants and Contributions	23.8	17.8	21.0	20.7	25.3	22.4	36.6	109.4	90.5	105.9
Total Business-Type Activities Program Revenues	590.1	643.8	680.5	752.8	794.8	829.5	850.0	863.9	889.3	927.8
Total Primary Government Revenues	2,720.6	2,851.3	2,930.5	3,073.1	3,272.6	3,354.8	3,497.5	3,670.5	3,312.8	3,533.0
Net (Expense)/Revenue										
Governmental Activities	(2,484.8)	(2,590.8)	(2,762.1)	(2,788.6)	(2,865.9)	(3,105.5)	(3,334.2)	(3,424.1)	(3,474.1)	(3,233.1)
Business-Type Activities	(39.3)	(15.8)	0.1	36.3	34.2	35.3	20.5	3.9	56.6	69.7
Total Primary Government Net Expense	(2,524.1)	(2,606.6)	(2,762.0)	(2,752.3)	(2,831.7)	(3,070.2)	(3,313.7)	(3,420.2)	(3,417.5)	(3,163.4)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Property Taxes	351.7	362.7	374.4	381.8	386.3	399.2	401.3	409.2	400.8	506.6
Wage & Earnings Taxes	1,271.2	1,301.9	1,345.9	1,373.0	1,424.9	1,498.5	1,524.5	1,465.5	1,448.5	1,504.6
Business Taxes	307.9	306.9	319.2	367.9	430.2	453.7	414.5	407.6	385.2	364.2
Other Taxes	286.1	294.7	342.1	406.4	457.7	460.3	457.0	435.0	578.3	645.8
Unrestricted Grants & Contributions	61.1	61.2	47.1	84.3	81.7	104.1	104.7	107.8	171.4	173.8
Interest & Investment Earnings	35.2	57.5	26.0	32.9	60.2	81.8	65.3	46.1	25.5	35.8
Special Items	-	(99.3)	-	-	-	-	-	-	-	-
Transfers	4.1	4.1	-	4.4	5.0	4.9	4.9	4.2	28.3	24.9
Total Governmental Activities	2,317.3	2,289.7	2,454.7	2,650.7	2,846.0	3,002.5	2,972.2	2,875.4	3,038.0	3,255.7
Business-Type Activities:										
Interest & Investment Earnings	45.4	33.5	6.6	15.8	43.8	45.7	48.7	22.9	7.7	6.9
Transfers	(6.9)	(4.1)	-	(4.4)	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)	(24.9)
Total Business-Type Activities	38.5	29.4	6.6	11.4	38.9	40.8	43.8	18.7	(20.6)	(18.0)
Total Primary Government	2,355.8	2,319.1	2,461.3	2,662.1	2,884.9	3,043.3	3,016.0	2,894.1	3,017.4	3,237.7
Change in Net Assets										
Governmental Activities	(167.5)	(301.1)	(307.4)	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)	(436.1)	22.6
Business-Type Activities	(0.8)	13.6	6.7	47.7	73.1	76.1	64.3	22.6	36.0	51.7
Total Primary Government	(168.3)	(287.5)	(300.7)	(90.2)	53.2	(26.9)	(297.7)	(526.1)	(400.1)	74.3

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2011

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	-	-	-	-	10.0	4.8	4.9	4.7	2.3	2.3
Stadium Financing	186.9	102.8	18.7	4.3	6.0	6.4	0.1	1.7	0.6	0.3
Cultural & Commercial Corridor Project	-	-	-	-	-	143.3	122.5	89.8	30.8	19.2
Long Term Loan	45.0	45.0	45.0	45.0	45.0	45.0	22.5	-	-	-
Committed to:										
Encumbrances	105.6	93.1	88.5	141.5	132.4	135.6	108.8	102.8	-	-
General Fund	-	-	-	-	-	-	-	-	87.9	-
Assigned to:	-	-	-	-	-	-	-	-	-	-
Unassigned:	139.0	(7.9)	(148.1)	(36.4)	111.2	152.7	(24.3)	(274.6)	(251.8)	(45.7)
Total General Fund:	476.5	233.0	4.1	154.3	304.5	487.8	234.4	(75.6)	(130.2)	(23.9)
All Other Governmental Funds										
Non-spendable:										
Permanent Fund (Principal)	-	-	-	-	-	-	-	-	-	2.6
Restricted for:										
Behavioral Health	27.7	30.8	36.9	61.5	196.0	192.9	177.8	188.7	171.0	250.1
Neighborhood Revitalization	144.1	139.1	87.4	173.6	130.1	99.9	77.8	74.6	73.1	61.3
Public Safety Emergency Phone System	6.7	6.3	8.4	6.8	16.7	21.7	28.7	38.8	40.4	36.9
Economic Development	-	-	-	-	-	-	-	-	-	6.6
Intergovernmental Financing	38.5	28.7	30.6	31.7	26.8	24.5	18.6	12.1	7.9	21.1
Intergovernmentally Financed Pgms	-	-								24.5
Streets & Highways	0.7	0.9	2.2	2.8	4.0	7.5	12.8	16.8	16.8	18.3
Housing & Neighborhood Development	-	-	-	-	-	-	-	-	-	10.5
Health Services	-	-	-	-	-	-	-	4.0	10.8	8.8
Debt Service	94.7	93.3	88.3	88.1	84.3	92.3	80.9	79.1	76.6	82.8
Capital Improvements	6.8	-	80.9	-	-	103.0	21.0	196.1	152.2	267.7
Trust Purposes	6.5	6.8	7.1	7.4	7.8	8.9	8.3	6.4	4.7	8.1
Parks & Recreation	-	-	-	-	-	-	-	-	-	0.3
Libraries & Museums	-	-	-	-	-	-	-	-	-	0.1
Stadium Financing	-	-	-	-	-	-	-	-	-	6.3
Committed to:										
Capital Improvements	121.0	101.5	77.8	76.5	76.0	56.7	61.7	62.5	37.9	-
Economic Development	-	-	-	-	-	-	-	-	6.5	-
Housing & Neighborhood Development	-	-	-	-	9.6	15.9	17.4	18.6	15.2	-
Debt Service	8.2	6.1	5.7	6.5	4.9	5.2	5.7	5.6	7.9	-
Trust Purposes	3.4	3.4	5.0	5.6	6.9	9.2	9.1	8.0	7.7	-
Intergovernmental Financing	54.7	53.1	44.9	43.6	50.1	53.3	52.2	62.6	36.2	-
Social Services	-	-	-	-	-	-	-	-	-	0.0
Prisons	-	-	-	-	-	-	-	-	-	3.6
Parks & Recreation	-	-	-	-	-	-	-	-	-	0.5
Assigned to:										
Behavioral Health	69.0	-	144.0	134.7	-	28.4	40.5	-	42.5	-
PICA Rebate Fund	2.2	3.2	3.9	5.7	6.5	7.0	7.4	8.0	7.5	-
PMA	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	-
Unassigned:										
Community Behavioral Health	-	116.1	-	-	(24.8)	-	-	(5.4)	-	-
Housing & Neighborhood Dev	(7.7)	(8.8)	(6.6)	(8.0)	(5.5)	(3.9)	(3.2)	(5.0)	(4.0)	(4.0)
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Grants Revenue Fund	(68.3)	(55.3)	(53.9)	(43.3)	(51.2)	(26.2)	(23.0)	(36.7)	(39.0)	(34.3)
Capital Improvement	-	(98.1)	-	(6.3)	(67.1)	-	-	-	-	-
Total All Other Governmental Funds	508.3	427.2	562.6	587.1	471.3	696.3	594.2	734.9	672.1	771.7

[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 2002 Through 2011

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Tax Revenue	2,255.6	2,253.8	2,379.0	2,535.2	2,708.5	2,805.1	2,781.8	2,705.2	2,812.3	2,995.0
Locally Generated Non-Tax Revenue	298.4	339.8	280.0	265.2	354.5	381.7	349.7	349.3	302.7	370.6
Revenue from Other Governments	1,790.2	2,049.5	1,922.3	2,242.0	2,223.2	2,376.6	2,468.4	2,564.9	2,323.4	2,366.4
Other Revenues	13.6	17.3	18.5	16.7	15.3	17.1	17.9	49.6	33.1	25.8
Total Revenues	4,357.8	4,660.4	4,599.8	5,059.1	5,301.5	5,580.5	5,617.8	5,669.0	5,471.5	5,757.8
Expenditures										
Current Operating:										
Economic Development	91.7	170.4	157.0	92.7	81.5	85.5	112.3	107.0	135.1	82.6
Transportation:										
Streets & Highways	71.8	78.1	75.9	77.7	78.8	89.2	89.7	89.9	91.1	87.4
Mass Transit	56.9	57.5	52.9	56.6	56.7	58.1	61.7	63.7	65.2	67.1
Judiciary and Law Enforcement:										
Police	665.2	727.3	752.0	770.9	798.0	860.2	951.9	933.9	882.7	955.9
Prisons	194.8	214.3	224.5	241.3	256.6	278.1	298.2	326.9	315.2	315.9
Courts	265.7	246.5	267.8	276.9	278.2	292.3	311.1	310.5	288.1	294.9
Conservation of Health:										
Emergency Medical Services	25.7	28.4	29.7	33.3	34.8	34.9	36.0	36.2	45.0	50.7
Health Services	1,146.0	1,192.7	1,170.3	1,271.1	1,407.7	1,436.8	1,567.6	1,695.0	1,436.5	1,514.8
Housing and Neighborhood Development	123.5	120.7	119.0	122.9	147.9	109.2	141.9	148.4	131.2	126.1
Cultural and Recreational:										
Recreation	64.4	94.0	65.7	58.3	59.8	62.2	74.3	65.1	58.4	82.9
Parks	32.5	24.2	23.8	23.7	23.4	26.3	28.9	31.8	26.9	5.8
Libraries and Museums	62.5	64.4	61.1	68.2	70.2	83.2	84.2	81.0	68.8	68.7
Improvements to General Welfare:										
Social Services	578.6	636.1	683.4	689.1	695.9	756.7	778.2	743.1	699.7	701.8
Education	81.8	57.1	58.6	61.5	59.9	64.0	65.5	67.2	65.4	64.0
Inspections and Demolitions	50.9	46.6	83.6	81.2	59.8	63.0	46.3	33.1	27.3	34.8
Service to Property:										
Sanitation	109.1	111.5	117.8	122.0	125.6	129.5	132.9	134.6	130.6	133.9
Fire	170.3	188.0	203.0	217.8	225.8	267.6	276.4	266.9	237.6	258.1
General Management and Support	420.8	450.9	472.4	477.1	537.5	563.7	618.4	693.8	615.0	568.5
Capital Outlay	277.8	162.2	126.0	103.1	97.9	92.3	105.8	126.9	148.9	134.9
Debt Service:										
Principal	130.0	106.8	105.7	95.8	86.2	91.5	94.1	87.6	89.7	91.4
Interest	116.0	112.3	101.6	101.0	99.9	103.4	100.0	105.7	96.7	105.6
Bond Issuance Cost	-	-	9.2	3.9	-	5.0	24.2	8.5	23.5	2.2
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,736.0	4,890.0	4,961.0	5,046.1	5,282.1	5,552.7	5,999.6	6,156.8	5,678.6	5,748.0
Excess of Revenues Over (Under) Expenditures	(378.2)	(229.6)	(361.2)	13.0	19.4	27.8	(381.8)	(487.8)	(207.1)	9.8
Other Financing Sources (Uses)										
Issuance of Debt	-	165.5	487.7	157.3	10.0	353.1	1,303.8	262.9	207.0	139.1
Issuance of Refunding Debt	-	-	-	-	-	-	-	354.9	337.0	114.6
Bond Issuance Premium	-	-	4.8	-	-	13.8	31.1	26.7	24.3	5.0
Proceeds from Lease & Service Agreements	468.2	-	10.9	-	-	-	-	(3.1)	(1.0)	28.1
Bond Defeasance	-	(165.4)	(233.1)	-	-	-	(1,313.7)	(326.9)	(504.0)	(117.6)
Transfers In	703.5	449.4	442.9	581.4	433.1	460.1	465.2	574.5	558.1	583.1
Transfers Out	(693.5)	(445.2)	(442.9)	(577.0)	(428.1)	(455.1)	(460.2)	(570.3)	(529.7)	(558.1)
Total Other Financing Sources (Uses)	478.2	4.3	270.3	161.7	15.0	371.9	26.2	318.7	91.7	194.2
Special Items										
Business Privilage Tax Adjustment	-	(99.3)	-	-	-	-	-	-	-	-
Net Change in Fund Balances	100.0	(324.6)	(90.9)	174.7	34.4	399.7	(355.6)	(169.1)	(115.4)	204.0
Debt Service as a Percentage of Non-capital Expenditures	5.5%	4.7%	4.3%	4.0%	3.6%	3.6%	3.3%	3.2%	3.4%	3.5%

[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. $149.6 million of these estimated tax payments were deferred in the general fund in FY2011 because the underlying events had not occured.

City of Philadelphia **Table 5**

Comparative Schedule of Operations

Municipal Pension Fund

For the Fiscal Years 2002 through 2011

Amounts in millions of USD

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Additions:										
Contributions:										
Employee Contributions	50.1	52.5	50.5	49.3	48.9	49.2	51.7	54.0	51.6	52.7
Employer's:										
City of Philadelphia [1]	174.2	174.6	196.6	290.6	321.3	419.2	412.4	440.0	297.4	455.8
Quasi-Governmental Agencies	4.0	5.2	6.2	8.6	10.4	13.1	14.5	15.4	15.1	14.2
Total Employer's Contributions	178.2	179.8	202.8	299.2	331.7	432.3	426.9	455.4	312.5	470.1
Total Contributions	228.3	232.3	253.3	348.5	380.6	481.5	478.6	509.4	364.1	522.8
Interest & Dividends	109.3	74.4	68.4	74.6	65.1	80.3	97.1	75.6	70.5	79.5
Net Gain (Decline) in Fair Value of Investments	(359.6)	(3.9)	526.6	306.2	386.4	684.7	(322.0)	(945.6)	381.2	618.5
Net Securities Lending Revenue	2.2	1.0	0.8	0.9	0.7	1.1	7.4	5.7	1.9	1.5
Net Investment Income (Loss)	(248.1)	71.5	595.8	381.7	452.2	766.1	(217.5)	(864.3)	453.6	699.5
Miscellaneous Operating Revenue	0.7	2.4	1.3	0.4	2.1	2.1	1.1	1.0	0.7	1.4
Total Additions	(19.1)	306.2	850.4	730.6	834.9	1,249.7	262.2	(353.9)	818.4	1,223.7
Deductions:										
Pension Benefits	450.2	462.3	657.5	590.6	608.6	655.8	725.7	681.1	680.1	681.9
Refunds to Members	7.1	4.9	4.1	4.6	4.8	4.5	4.2	4.8	4.5	5.1
Administrative Costs	5.2	6.6	6.4	6.8	6.7	6.7	7.6	8.4	8.1	8.0
Total Deductions	462.5	473.8	668.0	602.0	620.1	667.0	737.5	694.3	692.7	695.0
Net Increase (Decrease)	(481.6)	(167.6)	182.4	128.6	214.8	582.7	(475.3)	(1,048.2)	125.7	528.7
Net Assets: Adjusted Opening	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6
Closing	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1046.98%	971.22%	1417.03%	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%	1432.56%
Closing Net Assets	11.37%	12.20%	16.55%	14.40%	14.10%	13.39%	16.40%	20.18%	19.42%	16.92%
Coverage of Additions over Deductions	-4.13%	64.63%	127.31%	121.36%	134.64%	187.36%	35.55%	-50.97%	118.15%	176.07%
Investment Earnings as % of Pension Benefits	-55.11%	15.47%	90.62%	64.63%	74.30%	116.82%	-29.97%	-126.90%	66.70%	102.58%

[1] Includes $1,250 million from the sale of Pension Obligation Bonds

City of Philadelphia

Table 6

Wage and Earnings Tax Taxable Income
For the Calendar Years 2001 Through 2010

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1,2]	Taxable Income	% of Total	Direct Rate [1,2]	Total Taxable Income	Total Direct Rate
2001	17,478.3	59.25%	4.55100%	12,020.4	40.75%	3.95670%	29,498.7	4.30883%
2002	17,615.6	59.54%	4.51930%	11,969.4	40.46%	3.92950%	29,585.0	4.28068%
2003	18,073.7	58.86%	4.48130%	12,635.0	41.14%	3.89640%	30,708.7	4.24064%
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	21,051.3	57.32%	4.26000%	15,670.2	42.68%	3.75570%	36,725.6	4.04435%
2008	22,013.7	57.19%	4.09950%	16,479.4	42.81%	3.63170%	38,493.1	3.89923%
2009	21,802.4	57.38%	3.92980%	16,195.0	42.62%	3.49985%	37,997.4	3.74655%
2010	22,158.1	57.02%	3.92880%	16,704.0	42.98%	3.49910%	38,862.1	3.74410%

Note:
The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

[1] For the years 2000 through 2003 the rate changed on July 1st. For those years the direct rate is an average of the two rates involved during the calendar year.

[2] In 2008 and 2009, the rate changed on January 1st and July 1st. The direct rate is an average of the two rates involved during that calendar year.

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 2002 through 2011

Tax Classification	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Wage and Earnings Tax:										
a City Residents	4.5385%	4.5000%	4.4625%	4.3310% [b]	4.3010% [b]	4.2600% [b]	4.2190% [b]	3.9300% [b]	3.9296% [b]	3.9280% [b]
Non-City Residents	3.9462%	3.9127%	3.8801%	3.8197% [b]	3.7716% [b]	3.7557% [b]	3.7242% [b]	3.5000% [b]	3.4997% [b]	3.4985% [b]

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)**	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City	3.745%	3.474%	3.474%	3.474%	3.474%	3.474%	3.305%	3.305%	3.305%	4.123%
School District of Philadelphia	4.519%	4.790%	4.790%	4.790%	4.790%	4.790%	4.959%	4.959%	4.959%	4.959%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	9.082%
[e] Assessment Ratio	30.33%	30.12%	30.02%	29.70%	29.69%	29.24%	29.22%	28.86%	28.46%	26.73%
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.506%	2.489%	2.481%	2.454%	2.454%	2.416%	2.415%	2.385%	2.352%	2.428%

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate
Certain long term leases are also subject to this tax.

Business Privilege Taxes	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
(% on Gross Receipts)	0.2400%	0.2400% [c]	0.2300% [c]	0.2100% [c]	0.1900% [c]	0.1665% [c]	0.1540% [c]	0.1415% [c]	0.1415% [c]	0.1415% [c]
[f] (% on Net Income)	6.5000%	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.4500% [c]	6.4500% [c]	6.4500% [c]

Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BPT Return

[c] **Net Profits Tax:**	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
[a] City Residents	4.5385%	4.5000%	4.4625%	4.4625%	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%	3.9280%
Non-City Residents	3.9462%	3.9127%	3.8801%	3.8801%	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%	3.4985%

Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 2002 through 2011

Tax Classification	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged									
Parking Lot Tax	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%
	Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City									
Hotel Room Rental Tax	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	7.2%	8.2%	8.2%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.2%	9.2%	9.2%
	Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other 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 Privilege Tax is allowed to be credited against the Net Profits Tax

City of Philadelphia **Table 8**

Principal Wage and Earnings Tax Remitters [1]

Current Calendar Year and Nine Years Ago *Amounts in millions of USD*

Remittance Range	2010 # of Remitters (Employers)	2010 Total Amount Remitted	2010 Percentage of Total Remitted	2001 # of Remitters (Employers)	2001 Total Amount Remitted	2001 Percentage of Total Remitted
Greater then $10 million	16	$384.9	26.45%	12	$273.7	21.53%
Between $1 million & $10 million	155	365.7	25.13%	130	320.4	25.21%
Between $100,000 & $1 million	1,473	375.8	25.83%	1,355	348.7	27.43%
Between $10,000 & $100,000	8,269	244.1	16.78%	8,268	244.7	19.25%
Less then $10,000	36,834	84.6	5.81%	36,427	83.5	6.58%
Total	46,747	$1,455.0	100.00%	46,192	$1,271.0	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia

Table 9

Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2002 through 2011

Amounts in millions of USD

Calendar Year of Levy [1]	Assessed Value [3]	Less: Tax-Exempt Property [2, 3]	Total Taxable Assessed Value	Total Direct Tax Rate [4]	STEB Ratio [5]	Estimated Actual Taxable Value (STEB)	Sales Ratio [6]	Estimated Actual Taxable Value (Sales)
2002	13,762	3,603	10,159	3.745%	30.33%	33,495	25.18%	40,346
2003	14,326	3,705	10,621	3.474%	30.12%	35,262	22.58%	47,037
2004	14,813	3,867	10,946	3.474%	30.02%	36,462	24.21%	45,213
2005	15,072	4,040	11,032	3.474%	29.70%	37,145	23.73%	46,490
2006	15,803	4,372	11,431	3.474%	29.69%	38,501	17.42%	65,620
2007	16,243	4,628	11,615	3.474%	29.24%	39,723	17.94%	64,744
2008	16,974	4,799	12,175	3.305%	29.22%	41,667	16.44%	74,057
2009	17,352	5,146	12,206	3.305%	28.86%	42,294	24.64%	49,537
2010	17,615	5,339	12,276	3.305%	28.46%	43,134	13.35%	91,955
2011	17,940	5,593	12,347	3.305%	26.73%	46,192	NA	NA

[1] Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

[3] Source: Board of Revison of Taxes

[4] per $1,000.00 of assessed value

[5] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

[6] This ratio is compiled by the Board of Revision of Taxes based on sales of property during the year.

Principal Property Tax Payers
Current Year and Nine Years Ago

Amounts in millions of USD

Taxpayer	2011 Assessment [1]	2011 Rank	2011 Percentage of Total Assessments	2002 Assessment [1]	2002 Rank	2002 Percentage of Total Assessments
Franklin Mills Associates	57.6	1	0.47	48.1	5	0.47
Phila Liberty Pla E Lp	54.4	2	0.44	64.3	1	0.63
Nine Penn Center Associates	54.1	3	0.44	52.1	3	0.51
Sugarhouse HSP Gaming LP	48.3	4	0.39			
HUB Properties Trust	43.8	5	0.35	59.5	2	0.59
Brandywine Operating Part (Bell Atlantic)	40.6	6	0.33	43.3	6	0.43
PRU 1901 Market LLC	35.2	7	0.29	32.9	7	0.32
Maguire/Thomas	33.9	8	0.27	32.0	9	0.32
Commerce Square Partners	33.3	9	0.27	32.3	8	0.32
Phila Shipyard Development Corp	30.3	10	0.25			-
Philadelphia Market Street			-	30.4	10	0.30
Two Liberty Place	-		-	51.8	4	0.51
	431.5		3.49	446.7		4.40
Total Taxable Assessments	12,347.1		100.00	10,158.6		100.00

[1] Source: Board of Revison of Taxes

City of Philadelphia

Table 11

Real Property Taxes Levied and Collected
For the Calendar Years 2002 through 2011

Amounts in millions of USD

Calendar Year of Levy [1]	Taxes Levied for the Year	Collected within the Year of the Levy: Amount	Collected within the Year of the Levy: Percentage of Levy	Collected in Subsequent Years	Total Collections to Date: Amount [2]	Total Collections to Date: Percentage of Levy
2002	368.2	340.4	92.4%	26.4	366.8	99.6%
2003	359.4	326.8	90.9%	27.2	354.0	98.5%
2004	372.5	340.9	91.5%	25.9	366.8	98.5%
2005	373.5	350.3	93.8%	21.6	371.9	99.6%
2006	385.6	339.6	88.1%	22.3	361.9	93.9%
2007	391.7	347.5	88.7%	22.3	369.8	94.4%
2008	390.2	346.4	88.8%	22.6	369.0	94.6%
2009	396.5	315.4	79.6%	37.9	353.3	89.1%
2010	405.8	353.7	87.2%	23.0	376.7	92.8%
2011	509.1	440.9 [3]	86.6%	n/a	440.9	86.6%

[1] Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Includes collections through June 30, 2011

[3] Includes collections through June 30, 2011. It is estimated that approximately 91% of the amount levied for 2011 will be collected within the year of levy.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2002 through 2011

Amounts in millions of USD (except per capita)

	Governmental Activities								Business-Type Activities						
Fiscal Year	General Obligation Bonds	Pension Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	% of Personal Income [1]	Per Capita
2002	2,009.5	1,386.6	142.6	55.8	346.8	-	-	3,941.3	19.2	1,722.2	1,123.0	2,864.4	6,805.7	0.2	4,543.2
2003	1,903.3	1,394.6	139.2	54.7	342.0	-	-	3,833.8	15.5	1,670.8	1,104.8	2,791.1	6,624.9	0.2	4,434.3
2004	2,047.1	1,416.4	146.5	53.5	341.9	-	-	4,005.4	11.6	1,614.7	1,073.1	2,699.4	6,704.8	0.2	4,490.8
2005	1,950.8	1,429.7	285.3	52.2	341.1	-	-	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	0.2	4,668.0
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	4,638.4
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	4,733.1
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	4,678.3
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	4,761.5
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	4,621.8
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	4,890.6

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

City of Philadelphia

Table 13

Ratios of General Bonded Debt Outstanding

For the Fiscal Years 2002 through 2011

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]
2002	2,009.5	10,158.6	30.33%	33,493.6	6.00%	1,330.31
2003	1,903.3	10,621.1	30.12%	35,262.6	5.40%	1,260.41
2004	2,047.1	10,945.9	30.02%	36,462.0	5.61%	1,351.53
2005	1,950.8	11,031.8	29.70%	37,144.1	5.25%	1,285.43
2006	1,863.8	11,430.6	29.69%	38,499.8	4.84%	1,225.98
2007	1,993.7	11,615.0	29.24%	39,723.0	5.02%	1,303.05
2008	1,899.1	12,175.2	29.22%	41,667.4	4.56%	1,232.90
2009	2,093.8	12,205.6	28.86%	42,292.4	4.95%	1,353.20
2010	2,085.1	12,276.3	28.46%	43,135.3	4.83%	1,364.32
2011	2,135.0	12,347.1	26.73%	46,191.9	4.62%	1,365.09

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Board of Revison of Taxes

[2] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[3] See Table 17 for Population Amounts

City of Philadelphia **Table 14**
Direct and Overlapping Governmental Activities Debt
June 30, 2011

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	2,866.3	100.00%	2,866.3
[1] **City Direct Debt**			4,282.9
Total Direct and Overlapping Debt			7,149.2

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 2002 through 2011

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2011

[1] Assessed Value		11,643.9
[2] Debt Limit		1,571.9
[3] Debt Applicable to Limit:		
Tax Supported General Obligation Debt:		
Issued & Outstanding		1,367.9
Authorized but Unissued		106.7
	Total	1,474.6
Less: Amount set aside for repayment of general obligation debt		-
Total Net Debt Applicable to Limit		1,474.6
Legal Debt Margin		97.3

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	1,253.2	1,261.3	1,280.3	1,304.8	1,335.6	1,374.7	1,418.0	1,469.4	1,523.4	1,571.9
Total Net Debt Applicable to Limit	1,163.6	1,202.2	1,159.1	1,205.5	1,185.8	1,293.4	1,329.3	1,352.3	1,407.0	1,474.6
Legal Debt Margin	89.6	59.1	121.2	99.3	149.8	81.3	88.7	117.1	116.4	97.3
Total Net Debt Applicable to the Limit as a Percent of Total Debt	92.85%	95.31%	90.53%	92.39%	88.78%	94.09%	93.74%	92.03%	92.36%	93.81%

[1] Average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.
[2] Thirteen and one-half percent (13.5%) of the average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.
[3] Refer to Purdon's Statutes 53 P.S. Section 15721

City of Philadelphia **Table 16**
Pledged-Revenue Coverage
For the Fiscal Years 2002 through 2011

Amounts in millions of USD

No.		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	390.8	454.2	421.6	463.5	504.0	536.2	597.8	527.5	566.7	589.7
2	Net Operating Expenses	242.9	250.2	262.0	277.7	284.2	303.2	334.7	342.6	334.0	357.7
3	Transfer To (From) Rate Stabilization Fund	(26.3)	16.8	(28.8)	(0.6)	21.6	26.0	(9.8)	(34.7)	(2.7)	10.9
4	Net Revenues	174.2	187.2	188.4	186.4	198.2	207.0	272.9	219.6	235.4	221.1
	Debt Service:										
5	Revenue Bonds Outstanding	145.2	156.1	157.0	155.4	165.2	172.7	173.8	183.0	195.7	184.3
6	General Obligation Bonds Outstanding	0.6	-	-	-	-	-	-	-		
7	Pennvest Loan	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
8	Total Debt Service	147.4	157.3	158.2	156.6	166.4	173.9	175.0	184.2	196.9	185.5
9	Net Revenue after Debt Service	26.8	29.9	30.2	29.8	31.8	33.1	97.9	35.4	38.5	35.6
10	Transfer to General Fund	4.1	4.1	-	4.4	5.0	5.0	5.0	4.2	2.3	-
11	Transfer to Capital Fund	16.1	16.0	16.4	16.7	16.9	16.9	16.9	17.1	17.3	18.1
12	Transfer to Residual Fund	6.6	9.8	13.8	8.7	9.9	11.2	76.0	14.1	18.9	17.5
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.20	1.20	1.57	1.20	1.20	1.20
	Coverage B (Line 4/(Line 8 + Line 11))	1.07	1.08	1.08	1.08	1.08	1.08	1.42	1.09	1.10	1.09
	Airport Revenue Bonds										
1	Fund Balance	-	-	-	-	-	10.2	42.6	61.4	55.1	77.6
2	Project Revenues	146.5	168.4	183.3	185.1	200.8	211.3	250.5	255.3	246.9	260.8
3	Passenger Facility Charges	16.8	31.2	32.8	32.9	32.6	32.9	32.9	32.9	33.1	32.4
4	Total Fund Balance and Revenue	163.3	199.6	216.1	218.0	233.4	254.4	326.0	349.6	335.1	370.8
5	Net Operating Expenses	56.3	67.0	71.9	71.3	77.2	87.1	99.8	99.5	102.9	98.1
6	Interdepartmental Charges	39.7	46.1	52.2	57.6	57.9	70.6	89.1	89.0	80.7	88.6
7	Total Expenses	96.0	113.1	124.1	128.9	135.1	157.7	188.9	188.5	183.6	186.7
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	107.0	132.6	144.2	146.7	156.2	167.3	226.2	250.1	232.2	272.7
9	All Bonds (Line 4-Line 7)	67.3	86.5	92.0	89.1	98.3	96.7	137.1	161.1	151.5	184.1
	Debt Service:										
10	Revenue Bonds	64.1	83.2	89.7	88.1	88.1	85.5	84.4	95.6	94.3	102.4
11	General Obligation Bonds	2.0	1.4	1.0	1.1	-	-	-	-	-	-
12	Total Debt Service	66.1	84.6	90.7	89.2	88.1	85.5	84.4	95.6	94.3	102.4
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.67	1.59	1.61	1.67	1.77	1.96	2.68	2.62	2.46	2.66
	Total Debt Service - Test "B" (Line 9/Line 12)	1.02	1.02	1.01	1.00	1.12	1.13	1.62	1.69	1.61	1.80

Note:

The rate covenant of the Aviation issues permit inclusion of Fund Balance at the beginning of the period with project revenues for the period to determine adequacy of coverage.

Coverage "A" requires that Net Revenues equal at least 120% of the Debt Service Requirements while Coverage "B" requires that Net Revenues equal at least 100% of the Debt Service Requirements plus Required Capital Account Transfers. Test "A" requires that Project Resources be equal to Net Operating Expenses plus 150% of Revenue Bond Debt Service for the year. Test "B" requires Project Resources be equal to Operating Expenses for the year plus all debt service requirements for the year except any General Obligation Debt Service not applicable to the project.

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis. Prior to FY2008 Airport Revenues and Expenses were reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

City of Philadelphia

Table 17

Demographic and Economic Statistics

For the Calendar Years 2001 through 2010

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2001	1,512,507	38,709,099	25,593	6.1%
2002	1,510,550	40,731,865	26,965	7.3%
2003	1,510,068	42,198,628	27,945	7.5%
2004	1,514,658	43,463,015	28,695	7.3%
2005	1,517,628	44,944,207	29,615	6.7%
2006	1,520,251	47,566,075	31,288	6.2%
2007	1,530,031	50,672,227	33,118	6.0%
2008	1,540,351	53,689,351	34,855	7.1%
2009	1,547,297	54,125,507	34,981	9.8%
2010	1,528,306	54,565,206 [4]	35,703	10.9%

[1] US Census Bureau

[2] US Department of Commerce, Bureau of Economic Analysis

[3] US Department of Labor, Bureau of Labor Statistics

[4] Estimated using the rate of growth for the previous year

City of Philadelphia

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2011	2002
Albert Einstein Medical	Albert Einstein Medical
Children's Hospital of Philadelphia	City of Philadelphia
City of Philadelphia	First Union Services, Inc.
Comcast Corporation	School District of Philadelphia
Hospital of the University of Pennsylvania	SEPTA
School District of Philadelphia	Temple University
SEPTA	Tenet Healthsystem
Temple University	United States Postal Service
Thomas Jefferson University Hospitals	University Of Pennsylvania
University Of Pennsylvania	Verizon Corporation

City of Philadelphia
Table 19

Full Time Employees by Function

For the Fiscal Years 2005 through 2011

	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:							
Economic Development	6	6	6	6	23	25	27
Transportation:							
Streets & Highways	564	579	585	584	568	515	499
Mass Transit	1	1	1	1	8	7	9
Judiciary and Law Enforcement:							
Police	7,578	7,522	7,639	7,754	7,685	7,503	7,439
Prisons	2,227	2,228	2,183	2,153	2,309	2,268	2,173
Courts	3,450	3,403	3,361	3,386	3,310	3,215	3,225
Conservation of Health:							
Emergency Medical Services	289	255	249	237	256	329	341
Health Services	1,163	1,133	1,148	1,140	1,163	1,135	1,139
Housing and Neighborhood Development	105	97	111	108	99	96	94
Cultural and Recreational:							
Recreation	511	495	482	483	462	453	601
Parks	182	158	156	156	152	158	1
Libraries and Museums	726	812	816	808	723	687	682
Improvements to General Welfare:							
Social Services	2,196	2,140	2,164	2,232	2,107	2,079	1,989
Inspections and Demolitions	380	248	243	246	221	223	214
Service to Property:							
Sanitation	1,233	1,272	1,229	1,239	1,169	1,157	1,185
Fire	1,925	1,974	2,109	2,052	2,019	1,820	1,838
General Management and Support	2,253	2,347	2,331	2,414	2,393	2,276	2,225
Total Governmental Activities	24,789	24,670	24,813	24,999	24,667	23,946	23,681
Business Type Activities:							
Water and Sewer	2,326	2,239	2,229	2,291	2,256	2,196	2,116
Aviation	967	1,004	1,010	1,057	1,033	1,001	1,010
Total Business-Type Activities	3,293	3,243	3,239	3,348	3,289	3,197	3,126
Fiduciary Activities:							
Pension Trust	64	65	65	59	69	66	65
Total Primary Government	28,146	27,978	28,117	28,406	28,025	27,209	26,872

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2002 through 2011

Table 20

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	134	93	117	105	102	107	74	119	69	36
Potholes Repaired	11,593	24,182	23,179	20,862	18,203	12,721	12,326	11,976	23,049	24,406
Judiciary and Law Enforcement:										
Police										
Arrests	77,701	66,083	68,486	67,795	69,166	73,606	75,805	68,922	64,465	73,310
Calls to 911	3,319,936	3,269,276	3,290,786	3,270,114	3,321,896	3,398,985	3,164,454	3,084,261	3,064,973	2,949,231
Prisons										
Average Inmate Population	7,637	7,631	7,738	8,141	8,613	8,796	9,133	9,554	8,806	7,935
Inmate Beds (city owned)	7,382	7,382	8,283	8,405	8,605	8,443	9,005	9,137	9,137	8,200
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	NA	NA	NA	NA	209,654	216,606	215,305	217,505	222,882	227,147
First Responder Runs	NA	NA	NA	NA	69,740	68,203	60,756	53,610	54,960	66,763
Health										
Patient Visits	342,742	320,833	317,184	337,770	324,014	323,121	334,139	349,078	350,695	339,032
Children Screened for Lead Poisoning	39,629	39,293	37,863	38,013	43,038	43,501	41,590	50,525	47,713	45,844
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	NA	NA	NA	NA	2,878	2,227	1,389	1,420	1,388	2,714
Libraries										
Items borrowed	7,024,391	7,056,608	6,963,935	6,294,315	6,188,637	6,328,706	7,037,694	7,419,466	6,530,662	7,210,217
Visitors to all libraries	6,226,316	6,440,990	6,216,973	5,517,569	6,103,354	6,422,857	6,648,998	6,396,633	5,615,201	6,103,528
Visitors to library website	970,970	1,353,626	1,661,794	2,044,518	2,594,527	3,285,380	4,912,405	4,613,496	5,256,928	6,131,726
Improvements to General Welfare:										
Social Services										
Children Receiving Services	NA	26,388	28,039	28,926	28,086	28,898	25,893	35,685	31,416	28,572
Children in Placement	NA	9,190	9,037	8,548	7,999	8,070	7,739	7,993	8,792	7,122
Emergency Shelter Beds (average)	2,011	2,109	2,412	2,539	2,781	2,677	2,747	2,689	2,617	2,520
Transitional Housing Units (new placements)	615	458	489	597	448	543	435	476	487	510
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,929	2,894	3,006	3,008	3,006	2,922	2,798	2,532	2,412	2,254
Recyclables Collected (tons per day)	149	175	169	157	155	179	197	288	381	441
Fire										
Fires Handled	NA	NA	NA	NA	9,523	8,080	7,444	6,850	4,927	7,945
Fire Marshall Investigations	NA	NA	NA	NA	2,734	3,153	3,097	3,031	2,726	2,711
Business Type Activities:										
Water and Sewer										
New Connections	83	110	106	137	207	125	295	281	704	121
Water Main Breaks	497	988	794	706	660	825	687	802	646	954
Avg. Daily Treated Water Delivered (x 1000 gallons)	178,000	183,700	175,600	174,100	175,800	169,400	167,000	163,660	242,900	250,000
Peak Daily Treated Water Delivered (x 1000 gallons)	200,300	208,600	201,700	210,000	207,400	179,100	170,500	167,090	272,200	282,000
Avg. Daily Water Sewage Treatment (x 1000 gallons)	409,230	478,130	476,110	478,670	430,170	463,080	411,830	417,330	468,200	410,000
[1] **Aviation**										
Passengers Handled (PIA)	24,030,686	24,232,804	26,190,976	31,074,454	31,341,459	31,885,333	32,287,035	30,819,348	30,469,899	31,225,470
Air Cargo Tons (PIA)	544,875	565,653	568,898	599,758	591,815	571,452	575,640	475,365	440,495	449,683
Aircraft Movements (PIA and NPA)	590,563	654,758	584,214	629,885	625,692	614,720	593,757	551,191	543,462	458,832

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

City of Philadelphia Table 21
Capital Assets Statistics by Function
For the Fiscal Years 2002 through 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:										
Transportation:										
Streets & Highways										
[1] Total Miles of Streets	2,400	2,400	2,400	2,400	2,400	2,575	2,575	2,575	2,575	2,575
Streetlights	100,612	101,224	101,836	102,000	102,219	102,840	102,949	103,982	104,219	104,219
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	33	33	33	33	33	34	36	35	35	31
Prisons										
Major Correctional Facilities	5	5	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	NA	164	164	165	165	171	171	171	171	153
[2] Athletic Venues	NA	1,121	1,121	1,121	1,117	1,117	919	915	914	1,148
[4] Neighborhood Parks and Squares	NA	232	232	232	232	232	79	79	79	-
Parks										
Parks	NA	62	62	62	62	63	63	63	63	150
Baseball/Softball Fields	NA	106	106	106	106	109	77	79	79	407
Libraries										
Branch & Regional Libraries	55	55	54	53	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	63	63	63	63	64	64	64	63	63	63
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,168	3,169	3,169	3,169	3,169	3,133	3,137	3,145	3,236	3,164
Fire Hydrants	27,836	27,846	27,987	26,080	26,080	25,195	25,181	25,208	25,234	25,353
Treated Water Storage Capacity (x 1000 gallons)	1,067,200	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,400	1,065,400
Sanitary Sewers (miles)	594	595	596	596	596	768	750	749	751	758
Stormwater Conduits (miles)	622	622	623	623	623	784	713	720	721	731
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
[3] **Aviation**										
Passenger Gates (PIA)	103	120	120	120	120	120	120	120	120	126
Terminal Buildings (square footage) (PIA)	1,563,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	3,144,000	3,144,000
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	42,460	42,460	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.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT

The following sets forth the definitions of certain terms used in the Indenture and Service Agreement and elsewhere in this Official Statement, and a summary of certain provisions of the Indenture and the Service Agreement. Reference should be made to the full texts of the Indenture and the Service Agreement for a complete statement of all of these provisions and other provisions. Copies of the Indenture and the Service Agreement may be obtained from the Trustee. Capitalized terms used but not defined herein shall have the meanings set forth in the forepart of this Official Statement.

DEFINITIONS OF CERTAIN TERMS

"Account" shall mean any account authorized to be established by the Indenture.

"Administrative Expenses" shall mean the reasonable fees and expenses of the Authority (including the Authority's initial fee) and the Trustee and any paying agent, remarketing agent or other fiduciary or agent appointed under the Indenture, including reasonable legal fees and expenses, in connection with the funding and administration of the Project, the issuance of any Obligations, the administration of the Indenture, the performance of the Authority's obligations under the Service Agreement, or in connection with inquiring into, or enforcing the performance of, the City's obligations under the Service Agreement or the Indenture.

"Additional Obligations" shall mean all bonds, notes, evidences of indebtedness, lines of credit or other credit facility or liquidity facility (other than a Credit Facility), or other obligations issued under the Indenture (including all payment and reimbursement obligations in connection therewith), other than the 2012 Bonds, in each case with respect to which the City has agreed to pay the Service Fee .

"Annual Debt Service Requirement" shall mean, with respect to each Fiscal Year, the sum of the amounts required to be paid by the Authority in such Fiscal Year for (i) the payment of principal of and interest on the Obligations, and (ii) the payment of any Credit Facility Payment Obligations.

"Authorized Representative of the Authority" shall include the Chairman, Vice Chairman, Secretary and Assistant Secretary of the Authority.

"Authorized Representative of the City" shall include the City Treasurer, the Director of Finance or any other Person designated as such in writing signed by the City Treasurer or the Director of Finance.

"Certified Resolution" shall mean one or more resolutions of the governing body of the Authority, certified by the Secretary or Assistant Secretary of the Authority, under its seal, to have been duly adopted or enacted and to be in full force and effect as of the date of certification.

"Cost" or "Costs" shall mean all costs of the Project which the City or the Authority or either of them is authorized to incur under applicable law (including the Act and the 2012 Ordinance).

"Costs of Issuance" shall mean the costs of issuance of Obligations, including without limitation underwriting fees; costs of financial, legal, professional and other advice; Credit Facility Payment Obligations (and/or the costs thereof) payable in connection with the issuance of such Obligations; and any other expenses as may be necessary or incident to the issuance of such Obligations.

"Counsel" shall mean an attorney at law or law firm (which may include counsel to the Authority or the City) not unsatisfactory to the Trustee.

"Credit Facility" shall mean any letter of credit, surety bond, insurance policy, standby bond purchase agreement, line of credit or other credit facility or liquidity facility issued or entered into for the benefit of the Holders of the Obligations of any series or any portion thereof to further secure payment of the principal of and interest on such Obligations.

"Credit Facility Payment Obligations" shall mean all payment and reimbursement obligations of the Authority to a Credit Issuer in connection with any Credit Facility securing all or a portion of any series of Obligations. The Authority's obligations to pay the principal of and interest on Obligations held by a Credit Issuer (whether by purchase, subrogation, foreclosure of a pledge of such Obligations or otherwise) shall be Payment Obligations and shall not be Credit Facility Payment Obligations.

"Credit Issuer" shall mean each provider of a Credit Facility.

"Event of Default" shall mean any of the events described below under "THE INDENTURE−Events Of Default And Remedies."

"Fiscal Year" shall mean the period of twelve (12) months beginning on July 1 and ending on June 30 of the following calendar year.

"Fund" shall mean any fund authorized to be established by the Indenture.

"Government Obligations" shall mean direct obligations of, or obligations the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by, the United States of America.

"Holders" or "Holder" (when used with respect to Obligations) shall mean the Person in whose name any Obligation is registered. A Credit Issuer which owns Obligations by purchase or which is subrogated to the rights of Holders of the Obligations is a Holder of the Obligation for purposes of the Indenture.

"Indenture" shall mean the Indenture as amended or supplemented by all Supplemental Indentures in effect at the time in question.

"Independent" shall mean, with respect to any Person, a Person: (i) who is not a member of the Board of the Authority or an elected official of the City; (ii) who is not an officer or employee of the Authority or the City; (iii) which is not a partnership, corporation or association having a partner, director, or officer, who is a member of the Board of the Authority or an elected official of the City, or who is an officer or employee of the Authority or the City; provided, however, that the fact that such Person or entity is retained regularly by or transacts business with the Authority or the City shall not make such Person or entity an employee of the Authority or the City.

"Independent Certified Public Accountant" shall mean an Independent accounting firm which is appointed by the Authority for the purpose of examining and reporting on or passing on questions relating to the financial statements of the Authority, has all certifications necessary for the performance of such services and has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors.

"Investment Securities" shall mean: (1) Government Obligations; (2) any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, the Student Loan Marketing Association and Export-Import Bank of the United States; (3) any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by any other Federal agency and backed by the full faith and credit of the United States of America; (4) deposits in interest-bearing time or demand deposits, or certificates of deposit, fully insured by the Federal Deposit Insurance Corporation, or its successors, or fully secured by any of the obligations described above to the extent not so insured; (5) repurchase agreements relating to, or investment agreements secured by or providing for the acquisition of and, if applicable, resale of, obligations described in (1) or (2) above, with: (i) banks or trust companies (which may include any banking entity or depository); (ii) brokers or broker-dealers registered under the Securities Exchange Act of 1934 which are members of the Securities Investors' Protection Corporation and which are acceptable to the Authority; or (iii) insurance companies rated A+ or better by Best's having a net capital and surplus of at least $25,000,000; provided that any such repurchase agreement or investment agreement shall meet the following requirements: (A) the repurchase or investment agreement must be secured in the principal amount thereof by securities listed in subsections (1) or (2) above having at all times a fair market value of at least 100% of such agreement and deposited with the Trustee or its agents as collateral therefor, (B) the Trustee shall have a perfected first security interest in such collateral securities, and (C) the collateral securities shall be owned by the pledgor free and clear of any liens or security interests other than that of the Trustee; (6) certificates of deposit with such banks or trust companies as described in paragraph (5)(i) above fully secured as to principal and accrued interest by obligations described in paragraphs (1) through (4) deposited with or subject to the control of the Authority or the Trustee; (7) money market deposit accounts of banks or trust companies having a net capital and surplus of at least $25,000,000 (which may include the Trustee or any affiliate thereof); the authorized investments set forth in (5), (6) and (7) shall only be made if the agreements referenced therein provide for the repayment of the principal amount invested at an amount not less than that so invested; whenever security is required as set forth in (4) through (7), such security shall be deposited with the Trustee or other agent of the Trustee satisfactory to the Trustee and the Authority; (8) direct and general obligations of any state of the United States, for which the full faith and credit of such state is pledged, if at the time of their purchase such obligations are rated in any of the two highest rating categories by either S&P or Moody's, upon the discontinuance of either or both of such services, such other nationally recognized rating service or services, as the case may be, as shall be determined in a Certified Resolution of the Authority; (9) shares of open-end, diversified investment companies (i) registered under the Investment Company Act of 1940, (ii) investing exclusively in Investment Securities of the types set forth in (1) or (2) above, (iii) maintaining a constant net asset value per share in accordance with regulations of the Securities and Exchange Commission, and (iv) individually having aggregate net assets of not less than $10,000,000 on the date of purchase; provided that the purchase of shares of any particular investment company shall be limited to an aggregate amount of not more than 5% of the aggregate net assets of that investment company on the date of purchase; (10) commercial paper rated, at the time of purchase, in the highest category by S&P and Moody's; and (11) investment agreements with, or which are guaranteed by, a financial institution or financial services company which has an unsecured, uninsured and unguaranteed obligation rated, at the time such agreement is entered into, in one of the three highest rating categories by Moody's or S&P, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, or is an insurance company or insurance holding company with a claims paying ability rated in one of the three highest categories, provided (i) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with interest Payment Dates, (ii) moneys invested thereunder may be withdrawn without any penalty, premium or charge upon not more than seven days' notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); except with regard to an investment agreement relating to capitalized interest held in the Debt Service Fund, which may provide that moneys may be withdrawn only on the interest Payment Dates on which such capitalized interest is to be paid, (iii) the agreement is not subordinated to any other obligations of such financial institution or bank, (iv) the same guaranteed interest rate will be paid on any future deposits permitted to be made under such investment agreement, and (v) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such financial institution.

"Moody's" shall mean Moody's Investors Service, Inc. and any successor thereto.

"Obligation" or "Obligations" shall mean the 2012 Bonds and all Additional Obligations issued by the Authority under the Indenture.

“Outstanding” shall mean all Obligations authenticated and delivered under the Indenture, except: (a) all Obligations theretofore cancelled or required to be cancelled; (b) Obligations for the payment of which provision has been made; and (c) Obligations in substitution for which other Obligations have been authenticated and delivered.

“Paying Agent” or “Co-Paying Agent” means any national banking association, bank, bank and trust company or trust company appointed by the Authority.

“Payment Date” shall mean a date on which a payment of principal or interest with respect to any Obligations or payment of any Credit Facility Payment Obligations shall be due and payable.

“Payment Obligations” shall mean the Authority's obligation to repay the Obligations.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a limited liability company, a trust, an unincorporated organization, a governmental unit or an agency, political subdivision or instrumentality thereof, or any other group or organization of individuals.

“Reserved Rights” shall have the same meaning as set forth in the Service Agreement.

“Revenues” shall mean (i) the Service Fee and all other amounts payable to the Authority by the City under the Service Agreement, and all rights to receive the same (except for payments with respect to the Reserved Rights), (ii) all moneys, investments and securities at any time and from time to time held in the Funds and Accounts including all interest earnings and gains on sales of Investment Securities on deposit in such Funds and Accounts established under the Indenture, and (iii) any other amounts appropriated by the City and paid by the City to the Authority or the Trustee and pledged by the Authority as security for the payment of Payment Obligations and Credit Facility Payment Obligations or received from any other source by the Authority or the Trustee and pledged by the Authority as security for the payment of Payment Obligations and Credit Facility Payment Obligations.

“S&P” shall mean Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and any successor thereto.

“Service Fee” shall mean the service fee payable by the City to the Authority pursuant to the Service Agreement, and assigned to the Trustee.

“Supplemental Indenture” or “indenture supplemental hereto” shall mean any indenture amending or supplementing the Indenture which may be entered into in accordance with the provisions of the Indenture.

“Trust Estate” shall mean the security pledged for the Obligations as described below under THE INDENTURE−Pledge of the Trust Estate.”

“2012 Bonds” shall mean the “Bonds” as described in the forepart of this Official Statement.

THE INDENTURE

Pledge of the Trust Estate

To secure all Obligations issued and Outstanding in accordance with the terms and conditions of the Indenture and each Supplemental Indenture, the payment of the Payment Obligations and to the extent and in the manner provided in the Indenture, the payment of amounts owed to any Credit Issuer, the rights of the Holders of Obligations (and, to the extent provided in the Indenture, Credit Issuers) and the performance and observance of all of the covenants contained in said Obligations, in the Indenture and in each Supplemental Indenture, the Authority sells, assigns, transfers, sets over and pledges unto the Trustee, its successors in the trust and its assigns forever, and grant to said Trustee, its successors in trust and its assigns forever a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for the Reserved Rights) and the Revenues; provided, however, that the security interest granted and the pledge of the Trust Estate and assignment shall also secure the Authority's Credit Facility Payment Obligations; provided further however, that such pledge and security interest granted to secure the Authority's Credit Facility Payment Obligations shall be subject and subordinate to the pledge and security interest granted to secure the Payment Obligations.

Issuance of Additional Obligations

Additional Obligations may be issued under the Indenture upon satisfaction of the conditions set forth in the Supplemental Indenture providing for the issuance thereof; provided that no Additional Obligation may be issued unless the City executes and delivers to the Authority an amendment or supplement to the Service Agreement acknowledging the issuance of such Additional Obligations and confirming the obligations of the City to pay the Service Fee in amounts sufficient to pay the Payment Obligations with respect to such Additional Obligations.

Revenues to be Paid over to Trustee

The Revenues and all moneys, securities and funds held or set aside or to be held or set aside pursuant to the Indenture by the Trustee or in any Fund, Account or subaccount created by the Indenture and all other pledged property comprising the Trust Estate are pledged and a security interest is therein granted, to secure the payment of the Payment Obligations and Credit Facility Payment Obligations; provided, however, that the pledge and security interest granted to secure the Authority's obligation to pay Credit Facility Payment Obligations shall be subject and subordinate to the pledge and security interest in the Indenture granted to secure Payment Obligations. The Authority shall pay or cause to be paid the Revenues directly to the Trustee. Upon receipt of any Revenues, or other amounts forming a part of the Trust Estate under the Indenture, the Trustee shall deposit the same in the appropriate Fund or Funds. Except as otherwise provided in the Indenture, the Trust Estate under the Indenture shall be collected, held and applied for the equal and ratable benefit and security of all Holders of the Obligations.

Revenue Fund; Application Thereof

The Trustee shall establish a Revenue Fund, into which it shall deposit all Revenues received by it. Amounts on deposit in the Revenue Fund shall be deposited, on each Payment Date, first to the Debt Service Fund, to the extent (if any) needed to increase the amount in the Debt Service Fund so that it equals the Payment Obligations then due, and second, into the Subordinated Payment Obligations Fund, the amount of any Credit Facility Payment Obligations due on such Payment Date.

Debt Service Fund; Application Thereof

The Trustee shall establish and maintain a Debt Service Fund. Moneys on deposit in the Debt Service Fund shall be applied on each Payment Date as follows: (1) to the payment, when due, of interest on all Outstanding Obligations; (2) to the payment, when due, of the principal of Obligations then payable at maturity (but, except as otherwise provided in the Indenture, only upon surrender of such Obligations), subject to reduction by the principal amount of Obligations of the same series, maturity and interest rate purchased by the Authority and surrendered to the Trustee for cancellation or purchased for cancellation by the Trustee; and (3) during the 12-month period preceding each principal maturity, the Trustee shall, at the request of the Authority, accept the purchase of Obligations of the series, maturity and interest rate becoming due on such principal maturity date from funds in the Debt Service Fund; provided, however, that no such purchase shall be made unless the purchase price does not exceed 100% of the principal amount of the Obligations so to be purchased plus accrued interest. Payments from the Debt Service

Fund shall be made ratably (to the extent payable on the same date) by the Trustee according to amounts due in respect of each Obligation without preference of one Obligation over another.

Subordinated Payment Obligations Fund; Application Thereof

The Trustee shall establish a Subordinated Payment Obligations Fund into which the Trustee shall deposit for each series of Obligations amounts required to be deposited therein with respect to any Credit Facility Payment Obligations. The Trustee shall withdraw from the Subordinated Payment Obligations Fund on or before each Payment Date the amount of any Credit Facility Payment Obligations due on such date and shall cause the same to be paid to the applicable Credit Issuer. Payments from the Subordinated Payment Obligations Fund shall be made ratably (to the extent payable on the same date) by the Trustee according to the amounts due in respect of each Credit Facility Payment Obligation without priority or preference of one Credit Facility Payment Obligation over another.

Procedure When Funds Are Sufficient to Pay All Obligations

If at any time the amounts held by the Trustee in the Funds established under the Indenture are sufficient to pay principal of and interest on all Obligations then Outstanding to maturity, together with any amounts due the Trustee, the Trustee shall so notify the Authority and the City and, if so directed by the City, the Trustee shall apply the amounts in the Funds to the payment of the aforesaid obligations to effect a defeasance of the Obligations.

Moneys to Be Held for All Holders, With Certain Exceptions

Moneys and investments held in all Funds and Accounts established and held under the lien of the Indenture shall be held in trust for the benefit of the Holders of all Outstanding Obligations and each Credit Issuer, except that: (a) on and after the date on which the interest on or principal of any particular Obligation or Obligations is due and payable from the Debt Service Fund, the unexpended balance of the amount deposited or reserved in such Fund for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Holder of the Obligations or Holders of the Obligations entitled thereto; and (b) the rights of any Holders of the Obligations with respect to principal or interest payments extended beyond their due dates pursuant to the provisions of the Indenture shall be subordinate to the rights of Holders of the Obligations with respect to payments not so extended.

Investment or Deposit of Funds

Moneys on deposit in the Funds established pursuant to the Indenture shall be invested and reinvested by the Trustee at the direction of an Authorized Representative in Investment Securities that shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Indenture. The principal of the Investment Securities and the earnings thereon, including interest, income and net profits received in respect thereof, shall be applied upon receipt as follows: (i) earnings on the Revenue Fund, the settlement fund and the Debt Service Fund shall in each case be retained in such Fund or Account; and (ii) whenever any other transfer or payment is required to be made from any particular Fund, such transfer or payment shall be made from such combination of maturing principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Authority deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund in question, the reinvestment opportunities for maturing principal, the current yield on any Investment Securities to be redeemed, withdrawn or sold, and any penalties, gains or losses to be realized upon any such redemption, withdrawal or sale. The Trustee shall not be accountable for any depreciation in the value of the Investment Securities or any losses incurred upon any authorized disposition thereof. The Trustee shall not be responsible for monitoring the ongoing ratings of Investment Securities.

Covenants Of Authority

The covenants of the Authority under the Indenture include:

Payment of Principal and Interest on Obligations. The Authority shall promptly pay the interest on and the principal of Obligations, but only out of the Trust Estate.

Corporate Existence and Maintenance of Properties. The Authority shall (a) maintain its corporate existence, (b) maintain its power to perform its obligations under the Indenture, and (c) maintain the Service Agreement in full force and effect.

Compliance with Service Agreement. The Authority covenants and agrees that (a) it shall comply with all applicable provisions of the Service Agreement; (b) it shall enforce against the City the obligations of the City under the Service Agreement, including, without limitation, the obligation to pay the Service Fee when due; (c) it shall cause a copy of the Service Agreement certified by an Authorized Officer of the Authority to be filed with the Trustee, and a copy of any amendment to the Service Agreement certified by an Authorized Officer of the Authority to be filed with the Trustee; and (d) it shall furnish to the Trustee such documents, certificates and reports as it may be required under the terms of the Service Agreement to deliver to the City from time to time, whether or not otherwise specifically required under the Indenture.

Extension of Time for Payment. The Authority shall not directly or indirectly extend or assent to the extension of the time for payment of the principal of or interest on any Obligations and shall not directly or indirectly be a party to or approve any arrangement therefor. Notwithstanding the foregoing, the Holder of any Obligation may extend the time for payment of the principal of or interest on such Obligation; provided, however, that upon the occurrence of an Event of Default, funds available under the Indenture for the payment of the principal of and interest on the Obligations shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Further Assurances: Additional Revenues. The Authority shall not enter into any contract or take any action by which the rights of the Trustee or the Holders of the Obligations or Credit Issuers may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture and each Supplemental Indenture and for the better assuring, transferring, conveying, pledging, assigning, and confirming unto the Trustee the Trust Estate. If at any time the Authority receives any Revenues which are not assigned to the Trustee, it shall promptly pay the same to the Trustee for deposit in the Revenue Fund and, at the request of the Trustee, shall execute and deliver an assignment of its right, title and interest in and to future income or payments of the same type to the Trustee to be held as part of Revenues and file or record such assignment as may be appropriate to perfect the security interest created by the Indenture.

Creation of Liens. The Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of a similar nature, other than the Obligations and Credit Facility Payment Obligations, payable out of or secured by a pledge or assignment of the Trust Estate and shall not create or cause to be created any lien or charge on the Trust Estate.

Events Of Default And Remedies

Events of Default Defined. Each of the following shall be an Event of Default under the Indenture: (i) if payment of any installment of interest on any Obligation is not made when it becomes due and payable; (ii) if payment of the principal of any Obligation is not made when it becomes due and payable at maturity; (iii) if the Authority defaults in the due and punctual performance of any other covenant in the Obligations or in the Indenture and such default continues for sixty (60) days after written notice requiring the same to be remedied shall have been given to the Authority and the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of any Credit Issuer or the Holders of not less than 25% in principal amount of Obligations then Outstanding, provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such sixty (60) day period, no Event of Default shall be deemed to have occurred or exist if and so long as the Authority or the City shall commence such performance within such sixty (60) day period and shall diligently and continuously prosecute the same to completion; (iv) if the City fails to pay the Service Fee at the times and in the amounts required under the Service Agreement and any grace period with respect to such failure under the Service Agreement shall have lapsed; or (v) if the Authority fails to comply with the Act.

Acceleration and Annulment Thereof

If any Event of Default under (i), (ii) or (iii) above has occurred and is continuing, the Trustee may, and at the written direction of the Holders of a majority in principal amount of the Obligations then Outstanding the Trustee shall, by notice in writing to the Authority, declare the principal of all Obligations then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Obligations to the contrary notwithstanding; provided, however, that no such declaration shall be made, if the Authority or the City cures such Event of Default prior to the date of the declaration.

If after the principal of the Obligations has been so declared to be due and payable, all arrears of interest upon the Obligations are paid by the Authority, and the Authority also performs all other things in respect to which the Authority may have been in default under the Indenture and pays the reasonable charges of the Trustee and the Holders of Obligations, including reasonable attorney's fees, then, and in every such case, the Trustee may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Holders of Obligations; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Legal Proceedings by Trustee. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Obligations then Outstanding and receipt of indemnity to its satisfaction shall, in its own name: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders of Obligations including the right to require the Authority to enforce collection of all amounts due and payable under the Service Agreement (other than with respect to the Reserved Rights) and to require the Authority to carry out any other agreements with, or for the benefit of the Holders of Obligations and the Credit Issuers and to perform its duties under the Act; (b) bring suit upon the Obligations; (c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Holders of Obligations; and (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of Obligations and the Credit Issuers.

Discontinuance of Proceedings by Trustee. If any proceeding taken by the Trustee on account of any default is discontinued or is determined adversely to the Trustee, then the Authority, the Trustee, the Credit Issuers and the Holders of Obligations shall be restored to their former positions and rights under the Indenture as though no such proceeding had been taken.

Holders of Obligations May Direct Proceedings. The Holders of a majority in principal amount of the Obligations then Outstanding under the Indenture shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided such directions shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitations on Actions by Holders of Obligations. No Holder of the Obligations shall have any right to pursue any remedy under the Indenture unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the Holders of at least a majority in principal amount of the Obligations then Outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove described or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity and security satisfactory to it against fees, costs, expenses and liabilities, including reasonable attorneys' fees, and (d) the Trustee shall have failed to comply with such request within a reasonable time.

Application of Moneys in Event of Default. Except as described herein under "Moneys to Be Held for All Holders, With Certain Exceptions," any moneys on deposit in any Fund or Account established under the Indenture and any moneys received by the Trustee under the Indenture shall be applied after the occurrence of an Event of Default under the Indenture,

FIRST: To the payment of the costs of the Trustee, including counsel fees, any disbursements of the Trustee with interest thereon and its reasonable compensation;

SECOND: subject to the provisions described under "Covenants Of Authority−Extension of Time for Payment," to the payment of all interest then due on Outstanding Obligations or, if the amount available is insufficient for such purpose, to the payment of interest ratably in accordance with the amount due in respect of each Obligation;

THIRD: subject to the provisions described herein under "Covenants Of Authority−Extension of Time for Payment," to the payment of the outstanding principal amount of all Obligations or, if the amount available for the payment of principal is insufficient for such purpose, to the payment of principal ratably in accordance with the amount due in respect of each Obligations ; and

FOURTH: to the payment to any Credit Issuer of any Credit Facility Payment Obligation then due or, if the amount available is insufficient for such purpose, to the payment of Credit Facility Payment Obligations ratably in accordance with the amount due in respect of each Credit Facility Payment Obligation.

The surplus, if any, shall be paid to the City or the person lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Trustee's Right to Receiver; Compliance with Act. As provided by the Act, the Trustee shall be entitled as of right to the appointment of a receiver if an Event of Default under the Indenture shall have occurred and be continuing; and the Trustee, the Credit Issuers, the Holders of Obligations and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act.

Trustee and Holders of Obligations Entitled to All Remedies Under Act. Should any remedy under the Indenture be held unlawful, the Trustee and the Holders of Obligations shall nevertheless be entitled to every other remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of the Indenture shall apply to and be binding upon the trustee or receiver appointed under the Act.

Direction of Remedies by Credit Issuer

Except as otherwise specifically provided in the Indenture, each Credit Issuer shall have the same right to direct the Trustee in the exercise of remedies under the Indenture as though it were the Holder of all Obligations Outstanding that are entitled to the benefit of the Credit Facility issued by it. No Credit Issuer shall be entitled to direct the exercise of remedies under the Indenture if it shall then be in default of its payment obligations under the Credit Facility issued by it or if the Credit Facility issued by it is no longer in full force and effect.

The Trustee

Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Secretary of the Authority not less than sixty (60) days before the date when such resignation is intended to take effect; provided that notice of any such resignation shall be mailed by the resigning Trustee to the Holders of all Outstanding Obligations at their registered addresses and each Credit Issuer not less than 30 days prior to the intended effective date of the resignation, and that no resignation shall take effect until a successor Trustee has been appointed and has accepted such appointment. In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the retiring Trustee or any Holder of Obligations may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. Such court may thereupon (after such notice, if any, as it may deem proper and prescribe), appoint a successor Trustee.

Removal of Trustee. Any Trustee may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed by the Authority at the written direction of the City (if no Event of Default under the Indenture has occurred and is continuing) or otherwise executed by the Holders of a majority in principal amount of the Obligations then Outstanding and filed with the Trustee, the Authority and each Credit Issuer. Any such removal shall be effective on the date on which a successor Trustee has been appointed and has accepted such appointment. Notice of any such removal shall be mailed promptly by the Authority to the Holders of all Outstanding Obligations at their registered addresses.

Appointment of Successor Trustee. If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, the Authority at the written direction of the City shall appoint a successor and shall mail or cause to be mailed notice of such appointment. If the Authority fails to make such appointment within thirty (30) days, the appointment may be made by the Holders of a majority in principal amount of the Obligations then Outstanding. Notice of any such appointment shall be mailed promptly by the successor Trustee to the Holders of all Outstanding Obligations at their registered addresses.

Qualification of Successor. A successor Trustee shall be a national bank with trust powers, a banking association with trust powers, or a bank and trust company or a trust company organized under the laws of the Commonwealth, in each case having a combined net capital and surplus of at least $50,000,000 (or the obligations and liabilities of which are irrevocably and unconditionally guaranteed by an affiliated company having a combined net capital and surplus of at least $50,000,000).

Amendments and Supplements Without Consent of Holders of Obligations

The Indenture may be amended or supplemented from time to time, without the consent of the Holders of the Obligations but with the consent of the City by a Supplemental Indenture authorized by a Certified Resolution of the Authority filed with the Trustee, for one or more of the following purposes: (a) to add additional covenants of the Authority or to surrender any right or power in the Indenture conferred upon the Authority; (b) to cure any ambiguity or to cure any defect in the Indenture in such manner as shall not be inconsistent with the provisions of the Indenture; (c) to modify, supplement, alter or amend the provisions of the Indenture in such manner as may be requested by a securities rating service in order to obtain a securities rating or ratings for any Obligations or to maintain or improve any such rating or ratings previously obtained; (d) to modify, supplement, alter or amend the provisions of the Indenture in such manner as may be necessary or appropriate to conform the provisions of the Indenture to the provisions of the Service Agreement as it may be amended from time to time; (e) to set forth such matters not inconsistent with the provisions of the Indenture as may be necessary or appropriate in connection with the issuance of any series of Obligations; or (f) to make such other changes in the Indenture as the Authority and the Trustee deem appropriate; provided that the foregoing clause (f) shall not permit amendments or supplements to be made which materially adversely affect the security of the Indenture or the rights of Holders of the Obligations.

Amendments With Consent of Holders of Obligations

The Indenture may be amended from time to time, with the consent of the City, by a Supplemental Indenture approved by the Holders of at least 51% in aggregate principal amount of the Obligations then Outstanding; provided, that (a) no amendment shall be made which adversely affects the rights of some but less than all series of Obligations without the consent of the Holders of at least 51% of the aggregate principal amount of the Outstanding Obligations so affected, and (b) no amendment which alters the interest rates on or principal amounts of any Obligations, the maturities or Interest Payment Dates of any Obligations or the provisions for amendment may be made without the consent of the Holders of all Outstanding Obligations adversely affected thereby.

A Credit Issuer of a Credit Facility securing a series of Obligations shall have the right to consent to amendments to the Indenture on behalf of and in lieu of the Holders of the Obligations of such Series (except with respect to the matters referred to in the proviso of the immediately preceding paragraph), so long as such Credit Issuer shall not be in default of its obligations under such Credit Facility.

Amendments to Service Agreement

The Authority may amend or supplement the Service Agreement in connection with the issuance of Additional Obligations and to make such other changes therein as may be deemed appropriate by the Authority and the City; provided, however, that the approval by the Holders of at least 51% in aggregate principal amount of the Obligations then Outstanding shall be required for any amendment or supplement to the Service Agreement that would materially adversely affect the security of the Service Agreement or of the Indenture or the rights of Holders of the Obligations under the Indenture; and provided further, that the Authority shall not amend or supplement the Service Agreement in any manner which would adversely affect the validity or enforceability of the Service Agreement.

A Credit Issuer of a Credit Facility securing a series of Obligations shall have the right to consent to amendments to the Service Agreement on behalf of and in lieu of the Holders of the Obligations of such Series (except with respect to the matters referred to in the proviso of the immediately preceding paragraph), so long as such Credit Issuer shall not be in default of its obligations under such Credit Facility.

Defeasance

When all interest on and principal of all Obligations have been paid, or there shall have been deposited with the Trustee an amount, evidenced by moneys or "escrowed obligations" (as defined below) the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Obligations at the maturity date, as well as all other sums payable under the Indenture by the Authority, and all Credit Facility Payment Obligations have been paid or provided for, the right, title and interest of the Trustee shall thereupon cease and the Trustee, on demand of the Authority, shall release the Indenture and all Supplemental Indentures and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such person, body or authority as may be entitled to receive the same all balances remaining in any funds under the Indenture.

"Escrowed obligations" shall mean the following, but only to the extent they are Investment Securities at the time of delivery to the Trustee: (a) Government Obligations; (b) rights to receive the principal of or the interest on Government Obligations through (i) direct ownership, as evidenced by physical possession of such Government Obligations or unmatured interest coupons thereof or by registration as to ownership thereof on the books of the issuer or its duly authorized paying agent or transfer agent, or (ii) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on Government Obligations; and (c) debt obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that (i) the principal of and interest on such obligations are secured by and payable from amounts received (without reinvestment) in respect of the principal of and interest on non-callable Government Obligations, (ii) such debt obligations are rated "AAA" by S&P, if S&P has assigned a rating to the Obligations, and "Aaa" by Moody's, if Moody's has assigned a rating to the Obligations (or, upon the discontinuation of both of the foregoing rating services, by such other nationally recognized rating service or services as may be acceptable to the Trustee).

In the event the Authority deposits "escrowed obligations" with the Trustee, the lien of the Indenture shall not be defeased unless the Trustee shall have received a report of an Independent Certified Public Accountant verifying the sufficiency of such escrowed obligations.

Deposit of Funds for Payment of Obligations

If the Authority deposits with the Trustee moneys or "escrowed obligations" the principal of and interest on which, when due, are sufficient to pay the principal of any particular Obligation or Obligations becoming due, at maturity or otherwise, together with all interest accruing thereon to the due date, interest on the Obligation or Obligations shall cease to accrue on the due date and all liability of the Authority with respect to such Obligation or Obligations shall likewise cease, except as provided below. Thereafter such Obligation or Obligations shall be deemed not to be Outstanding and the Holder or Holders of such Obligation or Obligations shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Obligation or Obligations, and the Trustee shall hold such funds in trust for such Holder or Holders.

Moneys deposited with the Trustee which remain unclaimed six (6) years after the date payment thereof becomes due shall, at the direction of the Authority, if the Authority is not at the time to the knowledge of the Trustee in default with respect to any covenant in the Indenture or the Obligations contained, be paid to the Authority for and on account of the City; and the Holders of the Obligations for which the deposit was made shall thereafter be limited to a claim against the Authority; provided, however, that before making any such payment to the Authority, the Trustee shall, at the expense of the Authority, give notice to Holders of such Obligations by first class mail stating that moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be paid to the Authority.

Limitations on Recourse

No personal recourse shall be had for any claim based on the Indenture or the Obligations or any Credit Facility against any member, officer or employee, past, present or future, of the Authority or of any successor body as such, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise. The Obligations and the Credit Facility Payment Obligations are payable solely from the Trust Estate held under the Indenture for such purpose. There shall be no other recourse under the Obligations, the Indenture, any Credit Facility or otherwise against the Authority or any other property now or hereafter owned by it and, upon entry of any judgment, the judgment creditor or creditors shall request the Prothonotary (or any successor official) to mark the judgment index accordingly.

Payments on Saturdays, Sundays and Holidays

Whenever the date fixed for the payment of the principal of or the interest on any Obligations falls on a Saturday, Sunday, legal holiday or other day on which the Trustee or any Paying Agent is authorized by law to close, then the payment of principal or interest need not be made on such date, but shall be made on the next succeeding regular business day with the same force and effect as if made on the date fixed, and no interest shall accrue on such payment to the date payment is made.

References to the Credit Issuer

References to any Credit Issuer in the Indenture or in any Supplemental Indenture shall be deemed inapplicable at any time that (A)(i) no Credit Facility issued by such Credit Issuer is in effect with respect to Obligations and (ii) no amount is owing to such Credit Issuer by the Authority or (B) such Credit Issuer is in default of its payment obligations under the Credit Facility issued by it.

THE SERVICE AGREEMENT

Additional Obligations

Upon the written request of the Director of Finance of the City, the Authority may issue Additional Obligations to refund Outstanding Obligations, including amounts necessary for Costs of Issuance of such Additional Obligations, costs of credit or liquidity enhancement, and other amounts necessary to effect any refunding. In connection therewith, the Authority and the City shall enter into an appropriate supplement to the Service Agreement, subject to the provisions of the Ordinance.

Service Fee

In consideration of the undertakings by the Authority under the Service Agreement with respect to the Project, the City agrees to pay as a Service Fee in each Fiscal Year directly to the Trustee, as the assignee of the Authority, the following sums:

The Annual Debt Service Requirement for such Fiscal Year, payable as follows: (i) on the 30th day preceding the date such amount is required to be paid to the Holders of the Obligations, the amount which is equal to the principal of the Obligations becoming due on such principal maturity date, subject to credit for other available funds in the manner provided in the Indenture; (ii) on the 30th day preceding the date such amount is required to be paid to the Holders of the Obligations, the amount which is equal to (A) interest on the Obligations becoming due on such Interest Payment Date, and (B) any other amounts due other than those set forth in clause (i) above on the due date for such amounts, subject to credit for other available funds in the manner provided in the Indenture; (iii) on or before the dates specified in any Credit Facility, the amounts which are equal to any Credit Facility Payment Obligations becoming due on such dates, subject to credit for other available funds in the manner provided in the Indenture.

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

The Service Fee shall be payable only out of the current revenues of the City, and the City agrees to provide for the payment of the Service Fee and include the same in its annual operating budget for each Fiscal Year. If the current revenues are insufficient to pay the total Service Fee in any Fiscal Year as the same becomes due and payable, the City covenants to include amounts not so paid in its operating budget for the ensuing Fiscal Year in order to provide sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of Service Fee due for such ensuing year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Service Fee payments due and payable under the Service Agreement in each of the City's Fiscal Years.

No Set-Off

The obligation of the City to make the payments required under the Service Agreement shall be absolute and unconditional. The City will pay without suspension, abatement, reduction, abrogation, waiver or diminution all payments required thereunder regardless of any cause or circumstance whatsoever, which may now exist or may hereafter arise, including, without limitation, any defense, set-off, recoupment or counterclaim which the City may have or assert against the Authority, the Trustee, any Bondholder or any other person.

City to Perform Certain Covenants Under Indenture

The City acknowledges that it has received an executed copy of the Indenture, and that it is familiar with its provisions, and agrees to be bound to the fullest extent permitted by law to all provisions thereof directly or indirectly relating to it, and that, in consideration of the service of the Authority rendered to the City under the Service Agreement, it will take all such actions as are required of it under the Indenture to preserve and protect the rights of the Trustee, the Holders of the Obligations and Credit Issuers thereunder and that it will not take or effect any action which would cause a default thereunder or impair such rights. The City assumes and agrees to perform all of the covenants and other obligations of the Authority under the Indenture, excepting only any approvals or consents required to be given by the Authority thereunder, and those covenants contained in the Indenture which are not within the control of the City.

Events of Default

Each of the following shall constitute an Event of Default under the Service Agreement: (a) the failure of the City to make any payment to the Trustee of the Service Fee due; (b) the failure of the City to make any other payment or to perform any other covenant, condition or agreement on its part to be performed; and (c) if the City proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the City or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, state or federal, by or against the City and if such is not vacated, dismissed or stayed on appeal within 60 days (provided that any such assignment, agreement, appointment or proceeding commenced under the First Class City Revenue Bond Act or the Municipal Utility Inventory and Receivables Financing Act, and/or any acceleration of the payment obligations in respect of any bonds, notes or other evidence of indebtedness issued under either aforementioned Act, shall not be an Event of Default).

Notice of Defaults; Opportunity to Cure Such Defaults

No default shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the City by the Authority or the Trustee and the City shall have had 30 days after receipt of such notice to correct the default and shall not have corrected it; provided, however. if the default cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the City within the period and diligently pursued until the default is corrected.

Remedies

If any Event of Default shall occur and be continuing, the Authority (or the Trustee as assignee of the Authority) may at its option exercise any one or more of the following remedies: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the City to perform its duties and obligations under the Service Agreement; (b) by action or suit in equity require the City to account as if it were the trustee of an express trust for the Authority; or (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority. In no event (including an acceleration of the Authority's payment obligations under the Obligations or with respect to any Credit Facility Payment Obligation) shall the due dates for payments of the Service Fee be accelerated.

Termination

The Service Agreement shall terminate on such date as the principal of and interest on all Obligations and all other amounts required under the Indenture to be paid and all other expenses payable by the City under the Service Agreement shall have been paid (or provision for such payment shall have been made as provided in the Indenture) and all other conditions of the Service Agreement and the Indenture shall have been fully satisfied.

Amendments and Supplements

The City and the Authority may enter into any written amendments or supplements to the Service Agreement as shall not adversely affect the rights of or the security of the Holders of the Obligations, only for the following purposes: (i) to cure any ambiguity, defect, or inconsistency or omission or in any amendment thereto; (ii) to grant to or confer upon the Authority or the Trustee any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon the Authority or the Trustee; (iii) to reflect a change in applicable law; (iv) as appropriate in connection with the issuance of Additional Obligations; or (v) to provide terms not inconsistent with the Indenture or the Service Agreement; provided, however, that the Service Agreement as so amended or supplemented shall provide at least the same security for Holders of the Obligations issued under the Indenture as the Service Agreement in this form.

All other amendments must be approved by the Trustee and, to the extent required by the Indenture, by the Holders of the Obligations, in the manner as is set forth in the Indenture.

Any amendment or supplement to the Service Agreement (other than an amendment or supplement pursuant to clauses (i) through (v) above) shall be approved by ordinance of the City Council and a copy of any such amendment or supplement, together with a copy of such ordinance, certified by the Clerk of the City Council, shall be filed with the Trustee.

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APPENDIX E

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

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APPENDIX E

BELOW IS THE PROPOSED FORM OF OPINION OF CO-BOND COUNSEL EXPECTED TO BE DELIVERED IN CONNECTION WITH THE ISSUANCE OF THE BONDS

October 17, 2012

RE: Philadelphia Authority for Industrial Development
City Service Agreement Revenue Bonds
Series 2012 (Federally Taxable)

TO THE PURCHASERS OF THE BONDS:

We have served as Co-Bond Counsel to the Philadelphia Authority for Industrial Development (the “Authority”) in connection with the issuance of $231,185,000 aggregate principal amount of its City Service Agreement Revenue Bonds, Series 2012 (Federally Taxable) (the “2012 Bonds”). The 2012 Bonds are being issued under and pursuant to the Pennsylvania Economic Development Financing Law, as amended (the “Act”), a Trust Indenture dated as of October 1, 2012 (the “Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), and pursuant to a resolution of the Authority adopted on September 11, 2012, authorizing the issuance of the 2012 Bonds (the “Resolution”).

The 2012 Bonds will bear interest at the fixed rates shown in the official statement (the “Official Statement”) prepared for the 2012 Bonds dated October 10, 2012. The 2012 Bonds will be issued only as fully registered bonds, initially in denominations of $5,000 and any integral multiples of $5,000 in excess thereof. The 2012 Bonds are not subject to redemption prior to maturity.

The 2012 Bonds are being issued to finance a portion of a project (the “Project”) consisting of (i) financing the repayment of the portion of the minimum municipal funding obligation of the City of Philadelphia, Pennsylvania (the “City”) deferred under 53 P.S. § 895.1002 (the “Deferred Funding Obligation”) and (ii) paying the costs of issuance of the 2012 Bonds.

Pursuant to a Service Agreement dated as of October 1, 2012 (the “Service Agreement”), between the City and the Authority, the City will pay to the Authority a Service Fee (as defined therein). Under the Indenture, the Authority has assigned and granted to the Trustee a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for certain reserved rights), the Revenues (as defined therein) and all monies, investments and securities held in the funds and accounts established under the Indenture.

The City Council of the City by Ordinance (Bill No. 120643), adopted September 27, 2012, and approved by the Mayor on September 29, 2012 (the “Ordinance”) authorized and approved, among other things, the execution and delivery of the Service Agreement and the issuance by the Authority of obligations to finance the repayment of the Deferred Funding Obligation.

We have examined the proceedings relating to the authorization and issuance of the 2012 Bonds, including, among other things: (a) the Act, the Articles of Incorporation and By-Laws of the Authority; (b) a certified copy of the Resolution; (c) executed counterparts of the Indenture and the Service Agreement or copies thereof; (d) a certified copy of the Ordinance; (e) the opinion of Phillip M. Brandt, Esq., Authority counsel and the opinion of Shelley R. Smith, Esq., City Solicitor, on each of which we have relied; and (f) various certificates executed by the Authority, the Trustee and/or the City. We have also examined a fully executed and authenticated 2012 Bond and we assume all other 2012 Bonds are in such form and are similarly executed and authenticated. In rendering our opinion, we have assumed the accuracy of and not undertaken to verify the factual matters set forth in such agreements, certificates and other documents by independent investigation and have relied on the covenants, warranties and representations made by the Authority, the Trustee and the City in such certificates and in the Indenture, the Service Agreement and other financing documents.

In addition, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity with originals of all documents submitted to us as copies and the authenticity of certificates of public officials. We have also assumed that the Indenture has been duly authorized by the Trustee and is a legally binding obligation of, and enforceable in accordance with its terms against, the Trustee.

From our examination of the foregoing and such other items as we deem relevant, we are of the opinion that:

1. The Authority is validly existing under the Act and has the power to issue the 2012 Bonds for the purpose of financing the Project.

2. The 2012 Bonds have been duly authorized, executed and delivered by the Authority, are valid and binding special limited obligations of the Authority, payable as to principal, interest and all other obligations thereunder solely from and enforceable only against the revenues and receipts derived from the Trust Estate (as defined in the Indenture), except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and to the exercise of judicial discretion in appropriate cases.

3. The Authority has the power to enter into the Indenture and the Service Agreement, each of which has been duly authorized, executed and delivered by the Authority, and which are enforceable against the Authority in accordance with their terms, except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and to the exercise of judicial discretion in appropriate cases.

4. The City has the power to enter into the Service Agreement, which has been duly authorized, executed and delivered by the City, and which is enforceable against the City in accordance with its terms, except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and to the exercise of judicial discretion in appropriate cases.

5. Under existing laws of the Commonwealth of Pennsylvania, the interest on the 2012 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 2012 Bonds or the interest thereon.

We express no opinion regarding federal tax consequences relating to the 2012 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 2012 Bonds. We also express no opinion as to the validity or enforceability of any provision which purports to require that provisions of an agreement may be amended or waived only in writing.

We call to your attention that the 2012 Bonds do not pledge the general credit or taxing power of the Commonwealth or any political subdivision, agency or instrumentality of the Commonwealth, nor shall the Commonwealth or any political subdivision, agency or instrumentality thereof be liable for the payment of the principal of or interest on the 2012 Bonds (other than the Authority, to the limited extent described herein).

This opinion is limited to the matters expressly stated herein. No implied opinions are to be inferred to extend this opinion beyond the matters expressly stated herein. This opinion is expressed as of the date hereof. We do not assume any obligation to update or supplement this opinion to reflect, or otherwise advise you of, any facts or circumstances which may hereafter come to our attention or any changes in facts, circumstances or law which may hereafter occur.

This opinion is furnished solely for your benefit in connection with the transactions described herein, and it may not be quoted or relied upon by, nor may copies hereof be delivered to, any other person or entity and it may not be used for any other purpose without our prior written consent.

Very truly yours,

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement ("Disclosure Agreement") is executed and delivered as of October 1, 2012 by and between the City of Philadelphia, Pennsylvania ("City") and Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent"), in connection with the issuance by the Philadelphia Authority for Industrial Development (the "Authority") of its $231,185,000 City Service Agreement Revenue Bonds, Series 2012 (Federally Taxable) (the "Bonds").

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. Definitions

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly requires otherwise) terms defined in the recitals hereto shall have such meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below:

"Annual Financial Information" shall mean the financial information or operating data with respect to the City delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in <u>Appendix A</u> attached hereto and in accordance with the Rule. The financial statements comprising the Annual Financial Information shall be prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board.

"Business Day" or "Business Days" shall mean any day other than a Saturday or Sunday or, in the City, a legal holiday or a day on which banking institutions are authorized by law or contracted to remain closed or a day on which the Dissemination Agent is closed.

"Disclosure Representative" shall mean the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

"EMMA" shall mean the Electronic Municipal Market Access System maintained by the MSRB.

"Indenture" shall mean the Trust Indenture dated as of October 1, 2012 between the Authority and the Trustee.

"Listed Event" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement dated October 10, 2012, relating to the Bonds.

"Ordinance" shall mean the ordinance of the City adopted September 27, 2012 authorizing the issuance of the Bonds by the Authority.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with their purchase and reoffering of the Bonds.

"Registered Owner" or "Owners" shall mean the person or persons in whose name a Bond is registered on the books of the City maintained by the Trustee in accordance with the Indenture and the Bonds. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owners" shall also mean and include, for the purposes of this Disclosure Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds, except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Disclosure Agreement.

"Rule" shall mean Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

"Securities Depository" shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the Indenture.

"Trustee" shall mean U.S. Bank National Association, as trustee for the Bonds.

All words and terms used in this Disclosure Agreement and defined above or elsewhere herein shall have the same meanings as set forth in the Indenture.

Section 2. Authorization and Purpose of Disclosure Agreement

This Disclosure Agreement is authorized to be executed and delivered by the City pursuant to section 8 of the Ordinance in order to assist the Participating Underwriters in complying with the requirements of the Rule.

Section 3. Annual Financial Information

(a) Within 240 days of the close of each fiscal year of the City, commencing with the fiscal year ended June 30, 2012, the Disclosure Representative shall file the Annual Financial Information for such fiscal year with the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with the MSRB. The Annual Financial Information will be in the form of the City's Comprehensive Annual Financial Report and, to the extent such information is not included therein, will include the other information set forth on <u>Appendix A</u>, and will contain unaudited financial statements if audited financial statements are not available.

(b) If unaudited financial statements are delivered pursuant to the preceding paragraph, as soon as audited financial statements for the City are available, commencing with the audited financial statements for the fiscal year ended June 30, 2012, the Disclosure Representative shall file the audited financial statements with the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file the audited financial statements with the MSRB.

Section 4. Listed Events

(a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner, not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds (each a "Listed Event"):

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) Modifications to the rights of the holders of the Bonds, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City;

(xiii) Consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor trustee, or the change of name of a trustee, if material.

The foregoing fourteen events are quoted from the Rule.

(b) Whenever the City concludes that a Listed Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Listed Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB. Upon receipt, the Dissemination Agent shall promptly file such notice with the MSRB. In addition, the Dissemination Agent shall promptly file with the MSRB, notice of any failure by the City or the Dissemination Agent to timely file the Annual Financial Information as provided in Section 3 hereof, including, any failure by the City or the Dissemination Agent to provide the Annual Financial Information on or before the date specified in Section 3 hereof.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a)(i), (iii), (iv), (viii) or (ix), notify the Disclosure Representative of the occurrence of such event and shall, within five Business Days of giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB of the occurrence of such event, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event is not a Listed Event within the meaning of the Rule.

(d) The Dissemination Agent shall prepare an affidavit of filing for each notice delivered pursuant to clauses (b) and (c) of this Section 4 and shall deliver such affidavit to the City no later than three Business Days following the date of delivery of such notice.

(e) Upon the return of all completed acknowledgments of a filing, the Dissemination Agent shall prepare an affidavit of receipt specifying the date and hour of receipt of such notice by each recipient to the extent such information has been provided to the Dissemination Agent. Such affidavit of receipt shall be delivered to the City no later than three Business Days following the date of receipt by the Dissemination Agent of the last completed acknowledgment.

(f) For the purposes of the event identified in clause (a)(xii) of this Section 4, the event is considered to occur when any of the following occur: The appointment of a receiver, trustee or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 5. Amendment; Waiver

(a) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement or waive any of the provisions hereof, provided that no such amendment or waiver shall be executed by the parties hereto or effective unless:

(i) the amendment or waiver is made in writing and in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the City or the governmental operations conducted by the City;

(ii) this Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Registered Owners of the Bonds.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Dissemination Agent of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, acceptable to both the City and the Dissemination Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a) (i), (ii), and (iii) of this Section 5.

(c) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Dissemination Agent upon execution of the amendment or waiver and the Dissemination Agent shall promptly file such notice with the MSRB. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner including owners of book-entry credits in the Bonds who have filed their names and addresses with the Trustee.

Section 6. Other Information; Duties of Dissemination Agent

(a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of the Listed Events specifically provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under the Indenture, any other agreement, or in any other capacity.

(c) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners or the MSRB.

Section 7. Default

(a) In the event that the City or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Registered Owner of the Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of the Bonds and if, in the Dissemination Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for expenses satisfactory to it.

(b) A default under this Disclosure Agreement shall not be or be deemed to be an Event of Default under the Bonds, the Indenture, the Service Agreement, the Ordinance, the Act or any other agreement related thereto and the sole remedy in the event of a failure of the City or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in Section 7(a) above.

Section 8. Concerning the Dissemination Agent

(a) The Dissemination Agent accepts and agrees to perform the duties imposed on it by this Disclosure Agreement, but only upon the terms and conditions set forth herein. The Dissemination Agent shall have only such duties in its capacity as are specifically set forth in this Disclosure Agreement. The Dissemination Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees, selected by it, and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Dissemination Agent shall not be answerable for the default or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Dissemination Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or liable to the City or any other person for actions taken hereunder, except for its own willful misconduct or negligence.

(b) The City shall pay the Dissemination Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Dissemination Agent and the City. Nothing in this Section 8(b) shall be deemed to constitute a waiver of governmental immunity by the City. The provisions of this paragraph shall survive termination of this Disclosure Agreement.

(c) The Dissemination Agent may act on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, electronic mail, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement; and the Dissemination Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. The Dissemination Agent shall be under no obligation to institute any suit, or to take any proceeding under this Disclosure Agreement, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the execution of the duties hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified by the Registered Owners to its satisfaction against any and all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements, and against all liability; the Dissemination Agent may, nevertheless, begin suit or appear in and defend suit, or do anything else in its judgment proper to he done by it as Dissemination Agent, without indemnity.

(d) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format (or as otherwise provided by the MSRB) and accompanied by identifying information as prescribed by the MSRB.

Section 9. Term of Disclosure Agreement

This Disclosure Agreement shall terminate upon (1) payment or provision for payment in full of the Bonds, or (2) repeal or rescission of Section (b)(5) of the Rule, or (3) a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

Section 10. Beneficiaries

This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent and the Registered Owners from time to time of the Bonds and nothing herein contained shall confer any right upon any other person.

Section 11. Notices

Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid or in a recognized form of overnight mail, or by e-mail or by telecopy with confirmation of receipt, addressed:

(a) To the Dissemination Agent at:

DAC, Digital Assurance Certification LLC
390 North Orange Avenue, Suite 1750
Orlando, FL 32801
Attention: Jenny Emami
Fax: (407) 515-6513
E-mail: jennye@dacbond.com

(b) To the City or the Disclosure Representative at:

City of Philadelphia
Office of the Director of Finance
Municipal Services Building, Room 1330
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
Attention: Director of Finance
Fax: (215) 568-1947
E-mail: rob.dubow@phila.gov ; or

City of Philadelphia
Office of the City Treasurer
Municipal Services Building, Room 640
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
Attention: City Treasurer
Fax: (215) 686-3815
E-mail: nancy.winkler@phila.gov

(c) To the MSRB at:

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314
Attention: CDI
Fax: (703) 683-1930
http://emma.msrb.org/

or such other addresses as may be designated in writing to all parties hereto.

Section 12. Personal Recourse

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the City (including without limitation, the Disclosure Representative), or of any successor body as such, either directly or through the City or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 13. Controlling Law

The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement.

Section 14. Removal and Resignation of the Dissemination Agent

The City has appointed the Dissemination Agent as exclusive Dissemination Agent under this Disclosure Agreement. The City may, upon thirty days' written notice to the Dissemination Agent and the Trustee, replace or appoint a successor Dissemination Agent. Upon termination of the Dissemination Agent's services as Dissemination Agent, whether by notice of the City or the Dissemination Agent, the City agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the City shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days' prior written notice to the City.

Section 15. Successors and Assigns

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 16. Headings for Convenience Only

The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17. Counterparts

This Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 18. Entire Agreement

This Disclosure Agreement sets forth the entire understanding and agreement of the City and the Dissemination Agent with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

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 duly authorized officers all as of the day and year first above written.

CITY OF PHILADELPHIA, PENNSYLVANIA

By:__________________________________
Rob Dubow
Director of Finance

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent

By:__________________________________
Authorized Officer

APPENDIX A

1. Commencing with the fiscal year ended June 30, 2012, a copy of the Comprehensive Annual Financial Report ("CAFR") which contains the audited combined financial statements of the City prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units, and

2. Commencing with the fiscal year ended June 30, 2012, to the extent such information is not contained in the CAFR, an update of the information in Appendix A of the Official Statement dated October 10, 2012, relating to the Bonds under the captions "DISCUSSION OF FINANCIAL OPERATIONS", "SUMMARY FINANCIAL INFORMATION", "REVENUES OF THE CITY," "EXPENDITURES OF THE CITY," "DEBT OF THE CITY" and "OTHER FINANCING RELATED MATTERS- Swap Information" and "-Letter of Credit and Liquidity Agreements."

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