This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. The 2009 Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2009 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 15, 2009

NEW ISSUE - BOOK-ENTRY ONLY RATINGS: See "Ratings" herein

In the opinion of Co-Bond Counsel, under existing statutes, regulations, and decisions, interest on the 2009 Bonds will be excludable from gross income for purposes of federal income taxation on the date of their issuance. Further, Co-Bond Counsel is of the opinion that interest on the 2009 Bonds is not includable in the alternative minimum taxable income of individuals, corporations, or other taxpayers as an enumerated item of tax preference or other specific adjustment. Co-Bond Counsel are of the opinion that, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, interest on the 2009 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein.

$97,500,000*
The Philadelphia Municipal Authority
Philadelphia, Pennsylvania
Lease Revenue Bonds
Series 2009

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

The Philadelphia Municipal Authority (the "Authority") will issue its Lease Revenue Bonds, Series 2009 (the "2009 Bonds") pursuant to a Trust Indenture dated as of June 1, 2009, between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The 2009 Bonds will mature on the dates and in the amounts, and bear interest at the rates, set forth on the inside front cover hereof. Interest on the 2009 Bonds is payable semiannually commencing on October 1, 2009, and on each April 1 and October 1 thereafter. The 2009 Bonds are issuable as fully registered bonds without coupons, in denominations of $5,000 and any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as Securities Depository for the 2009 Bonds. Purchases of beneficial ownership interests in the 2009 Bonds shall be made in book-entry only form. Purchasers ("Beneficial Owners") will not receive certificates representing their beneficial interest in the 2009 Bonds. Principal of and interest on the Bonds is payable directly to Cede & Co., for redistribution to DTC Participants and in turn to Beneficial Owners as described herein. So long as Cede & Co., as nominee of DTC, is the Bondholder, references herein to Bondholders or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See "THE 2009 BONDS - Book-Entry Only System."

THE 2009 BONDS ARE SUBJECT TO REDEMPTION PRIOR TO MATURITY, AS DESCRIBED HEREIN.

The proceeds of the 2009 Bonds will be used to: (i) design, construct and equip a youth center facility (including capitalized interest); and (ii) pay costs associated with the issuance of the 2009 Bonds.

The 2009 Bonds are limited obligations of the Authority and will be payable solely from funds held by the Trustee for such purpose and from payments to be made under a Prime Lease (defined herein) between the Authority, as Lessor, and

THE CITY OF PHILADELPHIA

as Lessee, assigned by the Authority to the Trustee (except for such amounts as shall provide for the Authority's Administrative Expenses and certain indemnification of the Authority by the City). **The rental payments by the City under the Prime Lease are payable only out of the current revenues of the City, and the City has covenanted to provide for such rental payments and include the same in its annual operating budget for each Fiscal Year. There can be no assurance that funds sufficient to pay such rental payments will be available in any Fiscal Year of the City. See " SECURITY AND SOURCES OF PAYMENT FOR THE 2009 BONDS" herein.**

NEITHER THE GENERAL CREDIT NOR THE TAXING POWER OF THE CITY OR THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE 2009 BONDS, NOR WILL THE 2009 BONDS BE OR BE DEEMED TO BE OBLIGATIONS OF THE CITY, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

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

The 2009 Bonds are offered when, as and if issued by the Authority and received by the Underwriters and subject to receipt of the approval of legality of the issuance of the 2009 Bonds by Duane Morris LLP and Tucker Law Group, LLC, Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Authority by Austin J. McGreal, Esquire, Philadelphia, Pennsylvania, Counsel to the Authority, and for the Underwriters by their Co-Counsel, Cozen O'Connor and the Law Office of Denise Joy Smyler, both of Philadelphia, Pennsylvania. Certain legal matters will be passed on for the City by the Office of the City Solicitor. It is anticipated that the 2009 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2009.

Cabrera Capital Markets, LLC **Wachovia Bank, National Association**

Citi **Loop Capital Markets, LLC** **Raymond James & Associates, Inc.**

Dated: _____, 2009

* Preliminary, subject to change.

$97,500,000*
The Philadelphia Municipal Authority
Philadelphia, Pennsylvania
Lease Revenue Bonds
Series 2009

MATURITY SCHEDULE*

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

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP **

$_____ _____% Term Bond due April 1, 20__, Price ____% to Yield ___% CUSIP **_____
$_____ _____% Term Bond due April 1, 20__, Price ____% to Yield ___% CUSIP **_____
$_____ _____% Term Bond due April 1, 20__, Price ____% to Yield ___% CUSIP **_____

* Preliminary, subject to change.

** The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, City or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Authority, the City nor the Underwriters has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

THE PHILADELPHIA MUNICIPAL AUTHORITY
100 South Broad Street, Suite 1525
Philadelphia, Pennsylvania 19110

Kemel Dawkins.....Chairman

Robert A. Zuritsky. .....Vice Chairman

Leonard V. Cid.....Member

Albert A. Childs .....Member

Executive Director

Albert A. Childs

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2009 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2009 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement does not constitute an offer to sell the 2009 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by The Philadelphia Municipal Authority, the City of Philadelphia or the Underwriters to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the 2009 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2009 Bonds. All summaries of statutes and documents are qualified in their entirety by reference to such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

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

This Official Statement is submitted in connection with the sale of the 2009 Bonds referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The 2009 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2009 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY OF PHILADELPHIA AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE 2009 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The 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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OFFICIAL STATEMENT
Relating To

$97,500,000*
The Philadelphia Municipal Authority
Philadelphia, Pennsylvania
Lease Revenue Bonds
Series 2009

INTRODUCTION

Purpose

This Official Statement, including the cover page, the inside cover page and the attached Appendices, is furnished in connection with the offering by The Philadelphia Municipal Authority, Philadelphia, Pennsylvania (the "Authority") of $97,500,000* aggregate principal amount of its Lease Revenue Bonds, Series 2009 (the "2009 Bonds"). The 2009 Bonds are being issued pursuant to the provisions of the Pennsylvania Municipality Authorities Act (the Act of June 19, 2001, P.L. 287, as amended) (the "Act"), and of a Trust Indenture dated as of June 1, 2009 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The 2009 Bonds and any other bonds issued pursuant to the Indenture are sometimes referred to herein as "Bonds." Any terms capitalized herein and not otherwise defined shall have the respective meanings set forth in APPENDIX C hereto.

The proceeds of the 2009 Bonds will be used to: (i) design, construct and equip a youth center facility (including capitalized interest); and (ii) pay costs associated with the issuance of the 2009 Bonds. See "ESTIMATED SOURCES AND USES" and "PLAN OF FINANCING" for a more detailed description of the uses of the proceeds of the 2009 Bonds.

The Philadelphia Municipal Authority

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

Security for the 2009 Bonds

The 2009 Bonds are limited obligations of the Authority and the principal thereof, premium, if any, and interest thereon will be payable solely from the revenues pledged and assigned for such payment by the Indenture, including payments under the Prime Lease dated as of June 1, 2009 (the "Prime Lease") between the Authority, as Lessor, and the City of Philadelphia (the "City"), as Lessee, of the Leased Premises (as defined in the Indenture) (except such amounts as shall provide for the Authority's Administrative Expense and certain indemnification of the Authority by the City) and other funds held by the Trustee for such purpose. The 2009 Bonds are equally and ratably secured on a parity basis with any Additional Bonds issued under the terms of the Indenture. The City agrees in the Prime Lease to pay to the Authority amounts which, together with other monies in the Bond Fund available therefor, are sufficient to make the Authority's required payments of principal, premium, if any, and interest on the 2009 Bonds then becoming due, whether by maturity, redemption or otherwise. **The rental payments by the City under the Prime Lease are payable only out of the current revenues of the City, and the**

* Preliminary, subject to change.

City covenanted to provide for such rental payments and include the same in its annual operating budget for each Fiscal Year. There can be no assurance that funds sufficient to pay such rental payments will be available in any Fiscal Year of the City. See " SECURITY AND SOURCES OF PAYMENT FOR THE 2009 BONDS" herein.

NEITHER THE GENERAL CREDIT NOR THE TAXING POWER OF THE CITY OF PHILADELPHIA OR THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE 2009 BONDS, NOR WILL THE 2009 BONDS BE OR BE DEEMED TO BE OBLIGATIONS OF THE CITY, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

The City is required to pay rentals and additional sums required under the Prime Lease from current revenues of the City without suspension or abatement of any nature. So long as any of the 2009 Bonds remain Outstanding, or sufficient money for the payment of 2009 Bonds in full, including principal, interest or redemption price, if any, is not held by the Trustee in trust therefor, the obligation of the City to pay rentals from current revenues of the City shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever. **Defaults under the Prime Lease do not cause an acceleration of payments thereunder.** See "SECURITY AND SOURCES OF PAYMENT FOR THE 2009 BONDS."

Book-Entry Only System

The 2009 Bonds are issuable only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2009 Bonds. Purchases of the 2009 Bonds will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. Beneficial Owners (as hereinafter defined) will not receive certificates representing their interest in the 2009 Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2009 Bonds. See "THE 2009 BONDS – Book-Entry Only System" herein.

Additional Bonds

The Indenture provides for the issuance of Additional Bonds (i) to pay the cost of Capital Additions or to reimburse expenditures of the Authority or the City for any such costs and (ii) to pay the cost of refunding any bonds previously issued under the Indenture, under the circumstances and upon satisfaction of certain conditions therein described. See APPENDIX C.

Trustee

U.S. Bank National Association is a national banking association formed under the laws of the United States of America and will serve as Trustee for the 2009 Bonds. The designated corporate trust office of U.S. Bank National Association is: Two Liberty Place, Suite 2000, 50 S. 16th Street, Philadelphia, Pennsylvania 19102.

Forward Looking Statements

Any statements or estimates regarding future results are subject to uncertainty related to the realization of assumptions and the occurrence of future events. Accordingly, no assurance is given that any projected future results will be achieved. All estimates and assumptions of financial and other information are based on information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting "forward looking statements" may or may not be realized because of a wide variety of economic and

other circumstances. Included in such forward looking statements are numbers and other information from adopted and proposed budgets of the City, including the City's Seventeenth and Eighteenth Five-Year Plans.

Continuing Disclosure Agreement

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the City will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with the Trustee for the 2009 Bonds which shall constitute a written undertaking for the benefit of the owners and beneficial owners of the 2009 Bonds. The proposed form of the Continuing Disclosure Agreement is attached to this Official Statement as APPENDIX D.

Miscellaneous

Brief descriptions of the Authority, the 2009 Bonds, the Ground Lease (as hereinafter defined), the Prime Lease and the Indenture are included in this Official Statement. Reference should be made to the material under the caption "THE 2009 BONDS" for a description of the 2009 Bonds, including the book-entry system applicable thereto. APPENDIX A provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the City's relationship with the Pennsylvania Intergovernmental Cooperation Authority ("PICA"), a summary of the City's current five year plan approved by PICA and socio-economic and demographic information about the City. APPENDIX B contains the Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2008. APPENDIX C contains summaries of the Ground Lease, the Prime Lease and the Indenture. APPENDIX D contains the form of Continuing Disclosure Agreement with respect to the 2009 Bonds. APPENDIX E contains the proposed form of opinions of Co-Bond Counsel with regard to the 2009 Bonds.

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 2009 Bonds is qualified in its entirety by reference to the form 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, the Ground Lease and the Prime Lease may be obtained from the Authority and, during the initial offering period, at the offices of PNC Capital Markets LLC, 1600 Market Street, 21st Floor, Philadelphia, Pennsylvania 19103, and after initial delivery of the 2009 Bonds, at the corporate trust office of the Trustee mentioned above.

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 one or more of the Nationally Recognized Municipal Securities Information Repositories.

THE AUTHORITY

Organization

The Authority, a body corporate and politic, was organized and exists under and by virtue of the laws of the Commonwealth of Pennsylvania. It was incorporated on January 9, 1976 under the name of the Equipment Leasing Authority of Philadelphia, pursuant to the Act and an ordinance of Council of the City of Philadelphia ("City Council") approved December 23, 1975 (Bill No. 2201) for the purpose of leasing equipment to the City. By ordinance effective March 24, 1983 (Bill No. 1530), City Council approved a change to the Authority's present name and expanded the Authority's powers to include the

acquisition and operation of facilities for disposal of city waste. City Council adopted an ordinance (Bill No. 225) approved by the Mayor on July 9, 1984, which expanded the Authority's powers to permit it to acquire, hold, construct, improve, maintain, own and lease facilities and equipment for the conduct of judicial proceedings and/or facilities and equipment for the incarceration, detention, correction and rehabilitation of prisoners in the City. By ordinance approved March 25, 1988 (Bill No.14), City Council approved amendments to the Articles of Incorporation of the Authority to allow the Authority to lease, for the purpose of subleasing to the City, certain buildings or portions of buildings to be used as office space for City employees or employees of City-approved entities. City Council adopted an ordinance (Bill No. 487) approved by the Mayor on August 3, 1989, which expanded the Authority's power to permit it to acquire certain buildings to be leased to the City. City Council adopted an ordinance (Bill No. 513) approved by the Mayor on August 8, 1989, which further expanded the Authority's power to permit it to acquire the headquarters of the Philadelphia Gas Works. City Council adopted an ordinance (Bill No. 071082) approved by the Mayor on January 3, 2008, which expanded the Authority's power to permit it to undertake the Project (as hereinafter defined) and extended the term of the Authority's existence to January 1, 2054.

Board of the Authority

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

	Term Expires*
Kemel Dawkins (Chairman)	January 1, 2004
Robert A. Zuritsky (Vice Chairman)	January 1, 2006
Leonard V. Cid	January 1, 2008
Albert A. Childs	January 1, 2007

*If term expires, the Board Member continues to serve until successor is appointed.

There is currently one vacancy on the Board of the Authority.

Financing Program of the Authority

The Authority has a number of limited obligation bond issues outstanding and may issue others from time to time. Each such issue is payable solely from revenues derived from the project being financed, from special funds established therefor or from other financing arrangements. Each issue is separately secured, and is separate and independent from the 2009 Bonds as to sources of payment and security.

The 2009 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 2009 Bonds. The Authority may from time to time enter into further financing transactions with other entities in connection with projects unrelated to the 2009 Bonds. Such transactions will provide for the issuance of bonds or notes to be secured by separate sources of revenues or other security.

PLAN OF FINANCING

The proceeds of the 2009 Bonds will be used to: (i) design, construct and equip a youth center facility (including capitalized interest) (the "Project"); and (ii) pay costs associated with the issuance of the 2009 Bonds. The Project will contain, among other things, a secure residential detention facility

providing educational, health and social services to juveniles, other related facilities, and parking improvements. The Project will be primarily located on property located at 91 North 48th Street, Philadelphia, Pennsylvania (the "Property"), which is owned by the City and will be leased to the Authority pursuant to a ground lease (the "Ground Lease") dated June 1, 2009, between the City and the Authority. The Authority will then construct the Project and lease it to the City pursuant to the Prime Lease.

In addition, it is anticipated that a parcel of property in the vicinity of the Property to be used for parking (the "Parking Parcel") will be leased by the Authority from the Philadelphia Authority for Industrial Development ("PAID") and improved as part of the Project. PAID currently has a purchase contract for the acquisition of Parking Parcel (as part of a larger tract of land) which is subject to various conditions. PAID has agreed that, once it completes the acquisition of the Parking Parcel, it will lease it to the Authority, and PAID may, under certain circumstances, transfer ownership to the Authority. The Parking Parcel will become part of the Leased Premises once acquired by PAID and leased to the Authority. The provision of accessory parking for the Project is a condition of the approval by the Zoning Board of Adjustment for the use of the Property as such.

See "ESTIMATED SOURCES AND USES" for a more detailed description of the uses of the proceeds of the 2009 Bonds.

No lien on the Project will secure the Bonds; the Bonds are secured solely by the Trust Estate pledged under the Indenture. See "SECURITY FOR THE BONDS" herein.

ESTIMATED SOURCES AND USES

The following table sets forth estimated sources and uses of funds in connection with the 2009 Bonds, excluding accrued interest:

Sources of Funds

Par Amount of 2009 Bonds
[Plus/Less]: Net Original Issue [Premium/Discount]

Total Sources

Uses of Funds

Project
Capitalized Interest
Costs of Issuance*

Total Uses of Funds

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

FISCAL YEAR DEBT SERVICE REQUIREMENTS

Set forth below is the schedule of fiscal year debt service on the 2009 Bonds.

Fiscal Year Ending June 30	Principal	Interest	Debt Service on 2009 Bonds

THE 2009 BONDS

General

The 2009 Bonds will be dated their date of delivery and will bear interest at the respective rates per annum and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2009 Bonds are being issued as fully registered bonds without coupons in the denomination of $5,000 and integral multiples thereof. Interest on the 2009 Bonds will be payable semi-annually commencing on October 1, 2009, and on each April 1 and October 1 thereafter (each such date being an "Interest Payment Date"). Interest will be computed on the basis of a year of 360 days consisting of twelve 30-day months.

The principal of the 2009 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of the 2009 Bonds by the registered owners thereof. Interest on each 2009 Bond is payable by check or draft of the Trustee mailed to the person in whose name each 2009 Bond is registered on the registration books maintained by the Trustee at the close of business on the Record Date (which is the fifteenth day of the month, whether or not a Business Day, preceding the month in which an Interest Payment Date occurs) or by wire transfer to the registered owner of at least $1,000,000 in aggregate principal amount of the 2009 Bonds upon written notice provided by the registered owner to the Trustee not less than five (5) days prior to the applicable Record Date.

The 2009 Bonds will be issued initially in "book-entry" form only, as described under "Book-Entry Only System" below.

Book-Entry Only System

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

DTC will act as securities depository for the 2009 Bonds. The 2009 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2009 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provision of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 National Securities Clearing Corporation and Fixed Income Clearing Corporation, both 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of 2009 Bonds (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2009 Bonds, except in the event that use of the book-entry system for the 2009 Bonds is discontinued.

To facilitate subsequent transfers, all 2009 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 2009 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 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2009 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all the 2009 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2009 Bonds are credited on the record date.

Payments of principal, premium, if any, and interest on the 2009 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the City or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the 2009 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2009 Bonds at any time by giving reasonable notice to the City, and the City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under either of such circumstances, in the event that a successor securities depository is not obtained, 2009 Bond certificates are required to be printed and delivered.

NEITHER THE AUTHORITY, THE CITY NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2009 BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE 2009 BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. THE AUTHORITY, THE CITY AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF.

Transfer and Exchange

Subject to the provisions described under "Book-Entry Only System" above, the 2009 Bonds may be transferred and exchanged upon delivery thereof to the designated corporate trust office of the Trustee, to the extent and upon the conditions set forth in the Indenture. No service charge shall be made for any exchange or transfer, but the Authority or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed.

Neither the Authority nor the Trustee is required to transfer or exchange any 2009 Bonds during the fifteen (15) days immediately preceding the date of selection of 2009 Bonds to be redeemed and ending at the close of business on the date on which the notice of redemption is given, or to transfer or exchange any 2009 Bond selected or called for redemption in whole or in part. No transfer or exchange made other than as described above and in the Indenture shall be valid or effective for any purposes thereunder.

If any 2009 Bond is mutilated, lost, stolen or destroyed, the Authority shall execute and the Trustee shall authenticate and deliver a new 2009 Bond of like tenor and denomination. The Authority and the Trustee may require reasonable indemnification and may charge the holder of the 2009 Bond with the cost of replacing any 2009 Bond mutilated, lost, stolen or destroyed.

Redemption Provisions

Optional Redemption. The 2009 Bonds maturing on or after April 1, 20__, shall be subject to optional redemption by the Authority, at the direction of the City, on or after April 1, 20__, in whole or in part at any time (and, if in part, in such order of maturity and amount as the Authority may direct in writing, and within a maturity as selected by lot in such manner as the Trustee may determine), upon payment of the principal amount of the 2009 Bonds, plus accrued interest to the redemption date.

Extraordinary Optional Redemption. The 2009 Bonds are subject to extraordinary optional redemption in the event that there is an actual destruction or condemnation of, or damage to, all or part of the Leased Premises as the result of which the Authority, the City or the Trustee realizes any insurance or condemnation proceeds, in which case (to the extent such proceeds are not applied to repair or replace the Leased Premises pursuant to the Prime Lease), but subject to the satisfaction of the requirements of the Indenture, the Authority, at the written request of the City, may direct the Trustee to effect an extraordinary optional redemption, without premium, of a principal amount of 2009 Bonds equal to the amount of such insurance or condemnation proceeds, on any Interest Payment Date; provided that, in the event of a condemnation of the Leased Premises, the 2009 Bonds shall be subject to extraordinary optional redemption only to the extent that such condemnation is not initiated or effected by the City or an entity controlled by or related to the City. As a precondition to any extraordinary optional redemption, the City shall deliver to the Authority and the Trustee a Consulting Engineer's Certificate (as defined in the Indenture) stating: (a) that there has been an actual destruction or condemnation of, or damage to, all or part of the Leased Premises, which has resulted in the payment of insurance or condemnation proceeds; (b) the dollar amount of such insurance or condemnation proceeds realized; and (c) that, in the judgment of the Consulting Engineer, the repair or replacement of the Leased Premises with such insurance or condemnation proceeds is impractical.

Mandatory Redemption. The 2009 Bonds maturing on April 1, 20__, April 1, 20__, and April 1, 20__, shall be subject to mandatory redemption (as selected by lot in such manner as the Trustee may determine) prior to maturity on April 1 of each of the years set forth below, in the principal amounts set forth below, without premium, plus accrued interest to the redemption date.

2009 Bonds Maturing April 1, 20__		2009 Bonds Maturing April 1, 20__		2009 Bonds Maturing April 1, 20__	
Year (April 1)	Principal Amount	Year (April 1)	Principal Amount	Year (April 1)	Principal Amount

*Final Maturity.

Notice of Redemption. Notice of any redemption shall be given not less than 30 days prior to the redemption date by mailing by first class mail (certified mail return receipt requested in the case of Registered Owners of $1,000,000 or more) a copy of the redemption notice to the Registered Owner of each 2009 Bond to be redeemed in whole or in part at the address shown on the registration books kept by the Trustee. 2009 Bonds called for redemption will be payable at the designated corporate trust office of the Trustee. Notice of an optional redemption may be conditioned upon the deposit of monies with the Trustee on or prior to the date fixed for redemption, and, if conditional, such notice shall be of no effect unless such monies are so deposited. All 2009 Bonds or portions thereof so called for redemption shall cease to accrue interest on the specified redemption date.

Any notice of redemption mailed in accordance with the requirements set forth in the Indenture shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any 2009 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other 2009 Bond.

SECURITY AND SOURCES OF PAYMENT FOR THE 2009 BONDS

The 2009 Bonds are limited obligations of the Authority and will be payable solely from funds held by the Trustee for such purpose, and from payments to be made by the City under the Prime Lease which payments will be assigned by the Authority to the Trustee (except for such amounts as shall provide for the Authority's Administrative Expenses and certain indemnification of the Authority by the City). See APPENDIX C hereto.

The City will agree in the Prime Lease to pay to the Authority amounts which, together with other monies in the Bond Fund available therefor, are sufficient to make the Authority's required payments of principal and premium, if any, and interest on the 2009 Bonds then becoming due, whether by maturity, redemption or otherwise. If the monies available to the Authority for the purposes of the Indenture should be insufficient to pay the Authority's obligations thereunder, or under the 2009 Bonds, then the City, upon demand, will be required to pay to the Authority or its assigns such additional sums, in each Fiscal Year, as shall be required for such purposes.

The City’s obligations under the Prime Lease 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 of taxing power for the payment of its obligations thereunder. The rentals payable under the Prime Lease shall be payable only out of the current revenues of the City, and the City agrees to provide for the payment of rentals and to include the same in its annual Operating Budget for each year. The City covenants in the Prime Lease to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all rental payments due and payable under the Prime Lease in each of the City's Fiscal Years.

There can be no assurance that funds sufficient to pay such rental payments will be available in any Fiscal Year of the City. If the current revenues are insufficient to pay the total rentals in any Fiscal Year as the same become due and payable, the City has covenanted to include amounts not so paid in its Operating Budget for the ensuing Fiscal Year and to produce sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of rentals due for such ensuing year. The failure

of the City to make any payments required by the rental provisions of the Prime Lease for a period of two Business Days after the date specified for payment shall constitute a default thereunder. **Defaults under the Prime Lease do not cause an acceleration of payments thereunder. An acceleration of the Authority's payment obligations with respect to the 2009 Bonds or any Additional Bonds will not cause an acceleration of the payments by the City under the Prime Lease.**

The City will be required to pay rentals and additional sums required under the Prime Lease from current revenues of the City without suspension or abatement of any nature, notwithstanding that all or any part of the Leased Premises shall have been wholly or partially destroyed, damaged or injured, and shall not have been repaired, replaced or rebuilt. So long as any of the 2009 Bonds remain outstanding, or sufficient money for the payment of the 2009 Bonds in full, including principal, interest or redemption price, if any, is not held by the Trustee in trust therefor, the obligation of the City to pay rentals from current revenues shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place after the date of the Prime Lease.

Certain actions under the Indenture and the Prime Lease, including directions or consents in connection with the exercise of remedies upon the occurrence of a default, and the approval of amendments to the Indenture and the Prime Lease, require the approval of the Registered Owners of a majority of the aggregate outstanding principal amount of the Bonds

BOND INSURANCE

The 2009 Bonds may or may not be issued with bond insurance, and the decision whether to use bond insurance on all or a portion of the 2009 Bonds will be subject to market conditions at the time of pricing of the 2009 Bonds.

NO LITIGATION

There is no controversy or litigation of any nature now pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2009 Bonds or contesting any proceedings of the Authority with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the 2009 Bonds or the existence or powers of the Authority or the validity or enforceability of the Prime Lease.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, Inc. ("S&P") and FitchRatings ("Fitch") have assigned the 2009 Bonds ratings of "Baa1", "BBB" and "BBB+", respectively. An explanation of the significance of such credit ratings may be obtained from the applicable credit rating agency.

A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that any such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such credit rating agency if, in its judgment, circumstances so warrant. Neither the Authority, the City nor the Underwriters have undertaken any responsibility to assure the maintenance of any rating. The City has agreed, in the Continuing Disclosure Agreement, to report actual rating changes on the 2009 Bonds. See "CONTINUING DISCLOSURE AGREEMENT" herein and APPENDIX D. Any downward change in or withdrawal of a credit rating may have an adverse effect on the marketability or market price of the 2009 Bonds.

APPROVAL OF LEGAL MATTERS

The 2009 Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the receipt of an approving opinion with respect to certain legal matters of Duane Morris LLP and Tucker Law Group, LLC, Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain other legal matters will be passed upon for the Authority by Austin J. McGreal, Esquire, Philadelphia, Pennsylvania, Counsel to the Authority, and for the Underwriters by their Co-Counsel, Cozen O'Connor and the Law Office of Denise Joy Smyler, both of Philadelphia, Pennsylvania. Certain legal matters with respect to the obligations of the City under the Prime Lease will be passed upon by the Office of the City Solicitor.

TAX MATTERS

Federal Tax Matters

In the opinion of Co-Bond Counsel, under existing statutes, regulations, and decisions, interest on the 2009 Bonds will be excludable from gross income for purposes of federal income taxation on the date of their issuance. Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the issuance of the 2009 Bonds in order for interest on the 2009 Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the 2009 Bonds. These include the following: (i) a requirement that certain earnings received from the investment of amounts deemed to be proceeds of the 2009 Bonds be rebated to the United States of America under certain circumstances; (ii) other requirements applicable to the investment of the proceeds of the 2009 Bonds; and (iii) other requirements applicable to the use of the proceeds of the 2009 Bonds and the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the 2009 Bonds in gross income for federal income tax purposes, effective from the date of their issuance. Both the Authority and the City have covenanted to regulate the investment of the proceeds of the 2009 Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the 2009 Bonds. Accordingly, assuming compliance with such covenants, it is the opinion of Co-Bond Counsel that the interest on the 2009 Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

Further, Co-Bond Counsel is of the opinion that interest on the 2009 Bonds is not includable in the alternative minimum taxable income of individuals, corporations, or other taxpayers as an enumerated item of tax preference or other specific adjustment. Interest income on the 2009 Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

In rendering its opinion, Co-Bond Counsel will rely without investigation on the Tax and Section 148 Certificate made by the Authority with respect to certain material facts within the knowledge of the Authority, as well as certain certificates made by the City with respect to certain material facts within the knowledge of City.

Ownership of the 2009 Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued debt to purchase or carry the 2009 Bonds. Co-Bond Counsel express no opinion as to these matters. The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date of this Official Statement and does not purport to be complete; holders of the 2009 Bonds should consult their own tax advisors as to the effects, if any, of the Code (and any proposed or subsequently enacted amendments to the Code) in their particular circumstances.

Pennsylvania Tax Matters

Co-Bond Counsel are of the opinion that, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, interest on the 2009 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

UNDERWRITING

The 2009 Bonds are being purchased by the firms listed on the front cover page of this Official Statement (collectively, the "Underwriters"), at a purchase price of $_____, which reflects the par amount of the 2009 Bonds, less an underwriters' discount of $_____, [plus/less] net original issue [premium/discount] of $_____.

The initial public offering prices of the 2009 Bonds may be changed from time to time by the Underwriters without notice. The Underwriters may offer and sell the 2009 Bonds to certain dealers (including dealers depositing 2009 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the offering prices set forth on the cover page hereof. The purchase contract for the 2009 Bonds provides that the Underwriters' obligation to purchase the 2009 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the 2009 Bonds if any 2009 Bonds are purchased.

Citigroup Inc., parent company of Citigroup Global Markets Inc., one of the Underwriters, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2009 Bonds.

FINANCIAL ADVISORS

Fairmount Capital Advisors and P.G. Corbin & Company, Inc., both of Philadelphia, Pennsylvania, are acting as financial advisors ("Co-Financial Advisors") to the City in connection with the issuance of the 2009 Bonds. The Co-Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2009 Bonds. The Co-Financial Advisors have not undertaken to make independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement.

LIMITATION OF RIGHTS AND REMEDIES UNDER FEDERAL BANKRUPTCY CODE

The rights and remedies of holders of the 2009 Bonds may be subject to the provisions of the Federal Bankruptcy Code, which permits, under prescribed circumstances, a public agency or instrumentality of a state to file a petition for relief, in the nature of an adjustment in the repayment of debts, in a bankruptcy court of the United States, to other reorganization and insolvency proceedings, and to general principles of equity, whether asserted in a proceeding at law or in equity.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act") prevents the City from filing a petition for relief under Chapter 9 of the Federal Bankruptcy Code as long as the Pennsylvania Intergovernmental Cooperation Authority ("PICA") has outstanding any bonds issued pursuant to the PICA Act; as of June 30, 2008, PICA had $572,095,000 aggregate principal amount of bonds outstanding. If no such bonds were outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City. If the provisions of the PICA Act relating to the authorization by the Governor for the City to file a petition under Chapter 9 of the Federal Bankruptcy Code were invoked, such provisions could limit the

enforcement of Bondholders' rights and remedies. See “PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY” in APPENDIX A.

CONTINUING DISCLOSURE AGREEMENT

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the City will enter into a Continuing Disclosure Agreement with the Trustee for the 2009 Bonds which shall constitute a written undertaking for the benefit of the owners and beneficial owners of the 2009 Bonds. The proposed form of the Continuing Disclosure Agreement is attached to this Official Statement as APPENDIX D.

CERTAIN RELATIONSHIPS

Duane Morris LLP and Tucker Law Group, LLC, Co-Bond Counsel, and Cozen O’Connor and the Law Office of Denise Joy Smyler, co-counsel to the Underwriters, each provide ongoing legal services to the City.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the 2009 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with the foregoing statements. The City makes no representations or warranties to investors as to the accuracy or timeliness of any other information available at such website, nor any hyperlinks referenced therein.

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

THE PHILADELPHIA MUNICIPAL AUTHORITY

By:_____
Chairman

Approved:

THE CITY OF PHILADELPHIA

By: _____
Director of Finance

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APPENDIX A

INFORMATION CONCERNING THE CITY OF PHILADELPHIA

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THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

The City of Philadelphia (the "City") 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, 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 (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, now 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 Philadelphia: (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 Philadelphia, consisting of Common Pleas, Municipal and Traffic Courts, is part of the Commonwealth of Pennsylvania 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 GAGAS, Generally Accepted Government Auditing Standards established by the federal Government Accountability Office (formerly known as the General Accounting Office), and GAAS, Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants. As of March 1, 2009, the Office of the City Controller had 120 employees, including 76 auditors, 29 of whom were certified public accountants.

The City Controller post-audits and reports on the City's combined financial statements, federal assistance received by the City, the performance of City departments and the finances of the School District. 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 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"), who is the chief financial and budget officer and is selected from three names submitted to the Mayor by a Finance Panel, the City Solicitor (the "City Solicitor"), who is head of the Law Department, and the Deputy Mayor for Planning and Economic Development and Director of Commerce (the "Director of Commerce"). 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 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 Solicitor 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 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 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, his cabinet and the City Controller:

Michael A. Nutter, Mayor, was sworn in as Philadelphia's 98th Mayor on January 7, 2008. He won the Democratic nomination in a five-way primary election. Elected to Philadelphia City Council in 1992, the Mayor represented the City's Fourth Councilmanic District for nearly fifteen years. During his time in 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.

Clarence D. Armbrister, Chief of Staff, was appointed on January 7, 2008. Prior to his appointment, Mr. Armbrister was Executive Vice President and Chief Operating Officer of Temple

University. Mr. Armbrister began his career at Temple in April 2003 when he was named Senior Vice President. He was elevated to the position of Executive Vice President and Chief Operating Officer in January 2007. Prior to joining Temple, Mr. Armbrister was a Director in the UBS Financial Services Municipal Securities Group in Philadelphia and had served as Managing Director of the School District of Philadelphia, Treasurer of the City of Philadelphia, and was a partner in the law firm of Saul Ewing LLP. Mr. Armbrister holds a J.D. from the University of Michigan Law School and a B.A. degree in political science and economics from the University of Pennsylvania.

Camille Cates Barnett, Ph.D., Managing Director, was appointed in January 2008. Dr. Barnett is a professional manager, having worked in the cities of Sunnyvale, California, Dallas, Houston and Austin, Texas and Washington, DC. Prior to her appointment as Managing Director, Dr. Barnett served as an advisor and consultant to public sector clients to improve governance, with the Public Strategies Group, and Public Financial Management. Dr. Barnett encourages collaborative approaches to growth, disaster recovery, economic strength, environmental sustainability and other issues that cross governmental jurisdictions and has written numerous articles on emerging networks in governing and transforming the public sector. Dr. Barnett has a Ph.D. in public administration from the University of Southern California and has taught at the University of Southern California and the University of Texas at Austin.

Rob Dubow, Director of Finance, was appointed on January 7, 2008. The Director of Finance is the Chief Financial Officer of the City. Prior to his appointment, Mr. Dubow was the Executive Director of the Pennsylvania Intergovernmental Cooperation Authority (PICA), which is a financial oversight board established by the Commonwealth in 1991. He served as Chief Financial Officer of the Commonwealth of Pennsylvania from 2004 to 2005. From 2000 to 2004, he served as Budget Director for the City of Philadelphia, where he had also been a Deputy Budget Director and Assistant Budget Director. Before working for the City, Mr. Dubow was a Senior Financial Analyst for PICA. He also served as a Research Associate at the Pennsylvania Economy League and was a reporter for the Associated Press. Mr. Dubow earned a Masters in Business Administration degree from the Wharton School of Business and a Bachelor of Arts degree from the University of Pennsylvania.

Shelley R. Smith, City Solicitor, was appointed on January 7, 2008. The City Solicitor of the City of Philadelphia is the City's chief legal officer, the head of the City's Law Department, and a member of the Mayor's Cabinet. Prior to her appointment, Ms. Smith was the Associate General Counsel for Regulatory Affairs - East at Exelon Corporation. Prior to joining Exelon, Ms. Smith was with Ballard Spahr as Of Counsel in the Labor, Employment & Immigration Group. Ms. Smith also spent more than a decade with the City of Philadelphia's Law Department where she was trial attorney and supervisor in the Civil Rights Unit, Chief of the Affirmative Litigation and Labor and Employment Units, and, finally, Chair of the Corporate and Tax Group.

Everett A. Gillison, Deputy Mayor for Public Safety, was appointed on January 7, 2008. Mr. Gillison advises and assists the Mayor on all policies, planning and initiatives designed to promote the public safety and prevent crime. He will lead a collaborative effort with the Police Department and other agencies in the criminal justice system to provide a more holistic approach to the prevention and the enhancement of public safety throughout the City. Mr. Gillison previously served as a Senior Trial Lawyer for the Defender Association of Philadelphia where he worked for more than 30 years. Other experience also includes his time on the Board of Summerbridge of Greater Philadelphia, as well as a member of the American College of Trial Lawyers.

Dr. Donald Schwarz, Deputy Mayor for Health and Opportunity and Health Commissioner, was appointed in January 2008. Prior to entering government service, Dr. Schwarz was Vice Chairman of the Department of Pediatrics of the University of Pennsylvania School of Medicine and Craig-Dalsimer Division Chief for Adolescent Medicine at The Children's Hospital of Philadelphia. He was also Mary D. Ames Associate Professor of Child Advocacy in the Department of Pediatrics of the University of Pennsylvania School of Medicine at The Children's Hospital of Philadelphia. Dr. Schwarz is board

certified in pediatrics and adolescent medicine. Dr. Schwarz was, for 22 years, an active researcher in the areas of adolescent risk behaviors and early childhood development.

Andrew Altman was appointed Deputy Mayor for Planning and Economic Development and Director of Commerce in March 2008. Prior to his appointment, Mr. Altman was the President of Altman Development LLC in New York City that was founded to lead large-scale, urban land development projects on behalf of private equity and development firms. Previously, Mr. Altman was the first President and Chief Executive Officer of the Anacostia Waterfront Corporation in Washington, D.C., that was established to guide the revitalization of over 2800 acres of waterfront. Mr. Altman served in former Washington, D.C. Mayor Anthony Williams' Cabinet, as head of the city's planning agency, from 1999-2004 and was previously the director of planning for the city of Oakland, California. Mr. Altman is a native of Philadelphia and graduate of Temple University. Mr. Altman holds a Masters in City Planning from the Massachusetts Institute of Technology. Mr. Altman has announced that he will be resigning his position at the end of June 2009.

Rina Cutler, Deputy Mayor for Transportation and Utilities was appointed in January 2008. Ms. Cutler will advise and assist the Mayor on and coordinate all policies, planning and initiatives relating to transportation, waste management, infrastructure and public utilities. She will collaborate with the Managing Director in coordinating the development of policy and the allocation of resources for the departments of Streets, Water and Aviation. Ms. Cutler will also serve as the Mayor's representative working with SEPTA, PGW, the Parking Authority and other organizations. Ms. Cutler previously served as Deputy Secretary of Administration for the Pennsylvania Department of Transportation in Harrisburg. Her experience includes time as Executive Director of the Philadelphia Parking Authority and Transportation Commissioner for the Transportation Department in Boston, Massachusetts, as well as the Executive Director of Parking and Traffic in San Francisco.

Melanie Johnson, City Representative, was appointed on January 7, 2008. The City Representative will promote and give wide publicity to items of interest reflecting the accomplishments of the City and its inhabitants and the growth and development of its commerce and industry. Ms. Johnson had served as the Director of Communications for the Nutter for Mayor Campaign since August of 2006. Prior experience includes her time as Press Secretary to Former Mayor Ed Rendell, Director of Communication for Multicultural Affairs Congress at Philadelphia Convention and Visitors Bureau, and Senior Account Executive at Beach Advertising.

Joan Markman is the City's first Chief Integrity Officer, and took office with the Nutter administration on January 7, 2008. Before that, Ms. Markman spent 20 years as a federal prosecutor in the United States Attorney's Office in Philadelphia, where she focused on the investigation and prosecution of fraud and public corruption cases. Ms. Markman has also served as an adjunct lecturer in Trial Advocacy at the University of Pennsylvania Law School, as an associate attorney in the firm Dechert Price and Rhoads, and as an Assistant District Attorney in Philadelphia. She is a 1979 graduate of Wesleyan University and a 1983 graduate of the University of Virginia School of Law.

Amy L. Kurland, Inspector General, was appointed on January 7, 2008. The Inspector General investigates fraud, corruption, and abuse in all City departments, agencies, commissions and boards, as well as in contracts with individuals or companies receiving City funds and doing business with the City. Prior to her appointment, Ms. Kurland was an Assistant United States Attorney and Senior Litigation Counsel for the Eastern District of Pennsylvania for 24 years, specializing in public corruption and white collar fraud prosecutions. She is also an Adjunct Professor of Trial Advocacy at Rutgers University. Ms. Kurland received her B.A. from Reed College and her J.D. from Rutgers University.

Lori Shorr, Ph.D., Chief Education Advisor to the Mayor, was appointed in January 2008. Dr. Shorr previously served in Pennsylvania's Rendell administration as Special Assistant to the Secretary of Education for the Commonwealth of Pennsylvania and in that capacity led the

administration's work in aligning academic expectations between high school and post-secondary education. Her work at the state included dual enrollment, transfer and articulation, the Governor's Commission on College and Career Success, and other initiatives. Dr. Shorr was previously Vice President of Policy and Planning at Philadelphia Youth Network, a nationally-recognized non-profit which manages $24 million of investments from government, industry and the foundations community to effect systems change and serve over 10,000 disenfranchised Philadelphia youth through direct programming. Before her service at the Commonwealth, she was in the Provost's and President's offices at Temple University where her work concentrated on local academic alignment issues. At Temple Dr. Shorr also was affiliated faculty in both Women's Studies and Urban Education departments, lecturing on both feminist film theory and educational equity. She continues to publish and speak nationally in the areas of education, equity, and public policy. Dr. Shorr earned her Ph.D. from the University of Pittsburgh in Critical and Cultural Studies.

Pauline Abernathy, Senior Advisor to the Mayor, was appointed in January 2008. Ms. Abernathy was previously Deputy Director of Health and Human Services Policy at The Pew Charitable Trusts where she initiated, designed and managed national initiatives related to child welfare policy, underage drinking prevention, retirement savings and student debt policy. Prior to working at Pew, Ms. Abernathy worked at The White House National Economic Council and Domestic Policy Council and at the U.S. Department of Education and as a legislative assistant for a U.S. Senator. She has a bachelor's degree in Art History from Yale University and a Masters in Public Policy from Harvard University's Kennedy School of Government.

Terry Gillen, Senior Advisor to the Mayor for Economic Development, was appointed on January 7, 2008. Prior to joining the Administration, Terry Gillen was the Chief Executive Officer of the Collegiate Consortium for Workforce and Economic Development. She also has served as the Director of Policy for the Pennsylvania Department of Community and Economic Development in Harrisburg under the Rendell Administration and as Chief Operating Office of National Community Capital Association – a national community development financing organization. From 1995 to 1998, Ms. Gillen was Senior Vice President of the Philadelphia Industrial Development Corporation ("PIDC"), which is the City's leading economic development agency. At PIDC, Ms. Gillen managed the Office of Defense Conversion, which oversees the reuse of the City's former defense facilities – including the former Navy Yard. In 1992, Ms. Gillen was appointed by Mayor Rendell as Deputy Commerce Director for the City of Philadelphia.

Alan L. Butkovitz is serving his first term as Philadelphia's elected City Controller, an office independent of the Mayor. Prior to his election as City Controller, Mr. Butkovitz served 15 years in the Pennsylvania House of Representatives, representing the 174th Legislative District in Northeast Philadelphia where he served on the Veterans Affairs and Urban Affairs Committees as well as committees on Aging and Older Adults, Children and Youth and Insurance. Mr. Butkovitz was widely praised for leading the bi-partisan investigation into violence in Philadelphia public schools. He authored legislation creating the Office of the Safe Schools Advocate, the first of its kind in the nation. Mr. Butkovitz was born and raised in Philadelphia. He is an attorney and received his Juris Doctor degree from Temple University Law School in 1976 and a bachelor's degree from Temple University in 1973.

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 the PGW for the benefit of the City.

Local Government Agencies

There are a number of significant governmental authorities and quasi-governmental non-profit corporations that also provide services within the City.

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.

The Philadelphia 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 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 Redevelopment Authority of the City of Philadelphia (the "Redevelopment Authority") and the Philadelphia Housing Authority develop and/or administer low and moderate income rental units and housing in the City. The Redevelopment Authority, 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 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 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.

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 Convention Center Authority is currently undertaking an expansion of the Pennsylvania Convention Center.

School District

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

Charter, the School District is managed by a nine-member Board of Education appointed by the Mayor from a list supplied by an Educational Nominating Panel that is chosen by the Mayor. In some matters, including the incurrence of short-term and long-term debt, both the City and the School District are 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.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

General

The Pennsylvania Intergovernmental Cooperation Authority ("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. 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. 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. 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. Under the PICA Act, such certification 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 "Source of Payment of PICA Bonds" below.

On June 16, 1992, PICA, at the request of the City, issued $474,555,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 PICA Bonds"). The proceeds of the 1992 PICA Bonds were used (i) to make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit ($153.5 million) and the then-projected Fiscal Year 1992 General Fund deficit ($71.4 million); (ii) to make grants to the City to pay the costs of certain capital projects to be undertaken by the City; and (iii) to make a grant to the City to provide it with financial assistance to enhance productivity in the operation of City government. It had been anticipated that the proceeds of the 1992 PICA Bonds would also be used to fund the City's projected Fiscal Year 1993 General Fund deficit; however, because no deficit occurred, a grant from PICA for this purpose was not required. These proceeds, in the amount equal to $23.5 million, were instead used to provide funds for other City purposes.

On July 29, 1993, PICA, at the request of the City, issued $643,430,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 PICA Bonds"), the proceeds of which were used to make grants to the City to pay the costs of certain capital projects to be undertaken by the City and to make a grant to the City to provide for the defeasance of certain outstanding general obligation bonds of the City in the aggregate amount of $336,225,000.

On September 14, 1993, PICA issued $178,675,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A PICA Bonds"), the proceeds of which were used to advance refund $136,670,000 principal amount of the 1992 PICA Bonds.

On December 15, 1994, PICA, at the request of the City, issued $122,020,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program) Series of 1994 (the "1994 PICA Bonds"), the proceeds of which were used to make grants to the City to pay the costs of certain capital projects to be undertaken by the City.

On May 30, 1996, PICA issued $343,030,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 PICA Bonds"), the proceeds of which were used to advance refund $304,160,000 principal amount of the 1992 PICA Bonds and $120,180,000 principal amount of the 1994 PICA Bonds.

On April 15, 1999, PICA issued $610,005,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "1999 PICA Bonds"), the proceeds of which were used to advance refund $610,730,000 principal amount of the 1993 PICA Bonds.

On June 16, 2003, PICA issued $165,550,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003, the proceeds of which were used to refund $163,185,000 principal amount of the 1993A PICA Bonds.

On June 15, 2006, PICA issued $89,950,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities), the proceeds of which were used to refund $89,960,000 principal amount of the 1996 PICA Bonds.

On May 15, 2008, PICA issued $133,740,000 Series 2008A and $80,825,000 Series 2008B Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program). The proceeds of the Series 2008A bonds were used to refund $142,085,000 principal amount of the 2003 PICA Bonds; the proceeds of the Series 2008B bonds together with other available funds of the Authority were used to refund $85,500,000 principal amount of the 2006 PICA Bonds.

As of the close of business on June 30, 2008, the principal amount of PICA bonds outstanding was $572,095,000.

In June 2009, PICA is expected to issue $354,925,000 of its bonds to refund the outstanding 1999 PICA Bonds and pay the costs of terminating an associated swap.

Source of Payment of PICA Bonds

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.

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 1999 through 2008, the current estimate for Fiscal Year 2009 and the budgeted amount for Fiscal Year 2010, are set forth below:

Year	Amount
1999	$ 245.8 million
2000	256.6 million
2001	273.6 million
2002	278.0 million
2003	281.5 million
2004	285.0 million
2005	300.2 million
2006	309.9 million
2007	327.9 million
2008	341.8 million
2009 (Estimate)	352.1 million
2010 (Adopted Budget)	360.9 million

PICA bonds are payable from the PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

Five-Year Plans of the City

One of the conditions precedent to the issuance of bonds by PICA was the development by the City and approval by PICA of a five-year financial plan. 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 adopted by City Council, signed by the Mayor and approved by PICA.

The Mayor presented the Seventeenth Five-Year Plan (the "Seventeenth Five-Year Plan") to City Council on February 14, 2008. City Council approved the Fiscal Year 2009 Budget and the revised Fiscal Years 2009-2013 Five Year Plan on May 22, 2008. The Mayor signed the budget into law on May 22, 2008. The Seventeenth Five-Year Plan was approved by PICA on June 17, 2008.

The Mayor presented the Eighteenth Five-Year Plan (the "Eighteenth Five-Year Plan") to City Council on March 19, 2009. City Council began its review of the Fiscal Year 2010 Operating Budget and

Eighteenth Five Year Plan on March 25, 2009. City Council approved the Fiscal Year 2010 Budget on May 21, 2009, and the Mayor signed it on May 27, 2009. The City is revising the Eighteenth Five-Year Plan to reflect changes made to the Fiscal Year 2010 budget by the Mayor and City Council. The City expects to submit the revised Eighteenth Five-Year Plan to PICA in June 2009 for PICA's approval.

CITY 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.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City of Philadelphia contained in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2008 (the "Fiscal Year 2008 Comprehensive Annual Financial Report").

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 2008 Comprehensive Annual Financial Report.

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.

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 fund 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, 2008), 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 eighteen 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, 2008), as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

Basis of Accounting and Measurement Focus

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.

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 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 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, ten 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, Wage Tax Reduction, 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 councilmanic 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 generally accepted accounting principles (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 ninety 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 thirty 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 A-11 for a summary of the City's capital improvement program for the Fiscal Years 2010 through 2015.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from funds that City Council appropriates, 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.

Awards

For the twenty-eighth 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 to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. 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.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

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 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. 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 April 2001. This 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, Collateralized Certificates of Deposit, Bankers Acceptance Notes, Eurodollar Deposits, Euro Certificates of Deposit, Commercial Paper, Corporate Bonds, Money Market Mutual Funds, Repurchase Agreements and Commonwealth of Pennsylvania securities, all of investment grade rating or better. Each category of instruments, excluding U.S. Government Treasury and Agency securities which carry no limitation, is limited to investment of no more than 25% of the total portfolio, and no more than 10% of the total portfolio per institutional or corporate 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, the City Treasurer and the Deputy City Treasurer with ex-officio membership of a representative of each of the principal operating and capital funds, i.e., Water Fund, Aviation Fund, Philadelphia Gas Works and Philadelphia Municipal Authority. 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 whose yield or market value does not follow the normal swings in interest rates. Investment in derivatives such as "inverse floaters," leveraged variable rate debt and interest-only or principal-only Collateralized Mortgage Obligations are specifically forbidden. The use of any other derivative investment products is restricted to identified "core cash" in any fund but never to exceed 25% of any fund's balance at the time of purchase.

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.

DISCUSSION OF FINANCIAL OPERATIONS

Fiscal Year 2008 Actual

Results for Fiscal Year 2008 reflect revenues of $3.72 billion, obligations of $3.92 billion and a Fiscal Year 2008 fund balance of $119.5 million on a legally enacted basis (modified accruals), an increase of $35.1 million over the fund balance estimated in the adopted budget, but a decrease of $178.4 million from the Fiscal Year 2007 ending fund balance. The decrease was caused in large part by one-time payments to the City's four unions as part of collective bargaining agreement settlements and reduction in business privilege and real estate transfer tax collections. This increase over the estimate in the adopted budget is largely due to the fact that the Fiscal Year 2007 fund balance was $126 million higher than anticipated when the budget was adopted. The estimate is also $54 million lower than the Fiscal Year 2008 fund balance estimated in the Approved Five Year Plan. This decrease is mainly the result of the lower than expected business privilege tax receipts, and lower state reimbursements.

Fiscal Year 2009 Adopted Budget

The City's Fiscal Year 2009 budget was approved by City Council on May 22, 2008 and signed into law that day. The budget projects estimated revenues of $3.9 billion, obligations of $4.03 billion and an ending fund balance of $62.5 million on the legally enacted basis. This budget was adopted by the City in conjunction with the Seventeenth Five-Year Plan which was approved by PICA on June 17, 2008.

Fiscal Year 2009 Current Estimate

The City's Fiscal Year 2009 current estimate projects revenues of $3.75 billion and obligations of $3.95 billion on a legally enacted basis. Tax revenues are now projected to be $179 million below budget levels. The real estate transfer tax and business privilege tax account for more than $152 million of the reduction. Total general fund revenue is projected to be $138.5 million below budget. Obligations are now projected to be $78.4 million below budgeted levels as the administration took quick action to reduce obligations and reduce the projected deficit. The Fiscal Year 2009 fund balance is projected to be ($60) million.

Effect of Economic Crisis on City Budget

Like other local governments across the country, the City is experiencing declines in tax collections and expected increases in pension costs. On November 6, 2008, Mayor Nutter announced the City's budget-balancing plan to address what would be, unless compensatory action was taken, an estimated $1 billion deficit over the next five years and a $108 million fund balance deficit, out of a $4 billion budget, in Fiscal Year 2009.

The Mayor's plan included, among other things, curtailment of certain nonessential services, suspension of City-funded business and wage tax reductions until Fiscal Year 2015, closing some outdoor pools, eliminating 800 positions either through layoffs or not filling vacancies, and reducing employee overtime costs. On December 4, 2008, City Council approved revenue enhancement legislation which was part of the Mayor's budget-balancing plan. This legislation included halting reductions of City-funded wage and business privilege tax rates until Fiscal Year 2015. In addition, the legislation included increases to certain fees, including some licensing and inspection fees, false burglar alarm fees and some health related fees. The budget-balancing plan was expected to result in $148 million in savings for Fiscal Year 2009, which, based upon then current revenue estimates, would have resulted in a Fiscal 2009 ending fund balance of $41 million.

However during November and December the City continued to experience declining receipts and further erosion in pension fund earnings performance. On January 15, 2009, Mayor Nutter announced that despite previous actions taken which are described above, the City again faced a five year deficit of over $1 billion and an Fiscal Year 2009 fund balance estimate of ($60) million.

On January 16, 2009, the administration issued a budget call that included budget reductions of 10, 20 and 30 percent from every department. The administration reviewed these responses, engaged in community outreach programs and town hall meetings and conducted citizen and employee surveys to solicit input on the array of options available to balance the budget and Plan. The administration proposed a 2010 budget (discussed below) and an Eighteenth Five-Year Plan that includes staff reductions, anticipated benefit and pension savings and work rule changes, increased fees and a temporary increase in the City Sales Tax (as defined herein). Additionally, the Eighteenth Five-Year Plan assumes 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 by Fiscal Year 2014. In addition to the deferral, the City is changing the amortization period from 20 years to 30 years and lowering the interest rate assumption from 8.75 percent to 8.25 percent. The temporary City Sales Tax increase and several pension changes require approval of the Pennsylvania General Assembly. The City is currently working with Commonwealth officials on obtaining such approval for these changes.

Fiscal Year 2010 Adopted Budget

The City's Fiscal Year 2010 budget was presented to City Council on March 19, 2009, was approved by City Council on May 21, 2009, and signed by the Mayor on May 27, 2009. The budget projects estimated revenues of $3.815 billion, obligations of $3.694 billion and an ending fund balance of $85.3 million after discharging the Fiscal Year 2009 fund balance deficit on the legally enacted basis. The budget includes a 1 percent City Sales Tax increase. The City Sales Tax increase and several of the assumed changes to the pension system will require approval of the Pennsylvania General Assembly. The administration is developing alternate budget balancing scenarios in the event that approval of the Pennsylvania General Assembly does not occur.

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Table A-1
City of Philadelphia General Fund
Summary of Operations
(Legal Basis) (Amounts In Millions of USD)

	Actual	Actual	Actual	Actual	Actual	Current Estimate	Adopted Budget
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
REVENUES							
Real Property Taxes	377.7	392.7	395.8	397.5	402.8	412.8	420.2
Wage and Earnings Tax	1,049.6	1,073.6	1,111.2	1,167.4	1,184.8	1,127.3	1,146.0
Net Profits Tax	13.0	13.7	14.6	15.3	12.5	11.8	12.4
Business Privilege Tax	309.2	379.5	415.5	436.4	398.8	365.7	348.7
Sales Tax	108.0	119.9	127.8	132.6	137.3	128.0	234.7
Other Taxes[(a)]	202.2	250.9	304.1	286.7	260.3	200.9	177.3
Total Taxes	2,059.7	2,230.3	2,369.0	2,435.9	2,396.5	2,246.5	2,339.3
Locally Generated Non-Tax Revenue	207.4	200.9	235.9	247.9	265.8	275.6	276.0
Revenue from Other Governments	801.1	1,054.6	924.5	1,032.9	1,033.4	1,091.2	1,171.1
Receipts from Other City Funds	24.7	26.3	24.9	27.4	27.2	136.0	28.2
Total Revenue	3,092.9	3,512.1	3,554.3	3,744.1	3,722.8	3,749.3	3,814.6
OBLIGATIONS/APPROPRIATIONS							
Personnel Services	1,278.3	1,243.5	1,250.2	1,327.6	1,390.7	1,420.8	1,358.4
Purchase of Services	1,050.3	1,090.1	1,065.7	1,151.6	1,188.7	1,188.8	1,149.5
Materials, Supplies and Equipment	70.6	71.5	82.1	89.1	92.1	87.2	78.3
Employee Benefits	598.9	704.7	760.2	890.3	983.0	965.2	812.8
Indemnities, Contributions and Grants	95.1	113.5	110.9	119.0	120.9	130.3	117.9
City Debt Service	93.7	89.7	82.9	89.1	87.2	108.3	121.9
Other	32.0	36.7	38.6	31.2	32.3	22.7	25.0
Payments to Other City Funds	29.1	36.6	35.4	38.7	24.8	30.0	30.0
Total Obligations/Appropriations	3,248.0	3,386.3	3,426.0	3,736.6	3,919.8	3,953.3	3,693.8
Operating Surplus (Deficit) for the Year	(155.4)	125.8	128.2	7.5	(197.0)	(204.0)	120.8
Net Adjustments – Prior Year	17.3	17.2	30.1	35.9	18.6	24.5	24.5
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	91.3	(46.8)	96.2	254.5	297.9	119.5	(60.0)
Cumulative Adjusted Year End Fund Balance (Deficit)	(46.8)	96.2	254.5	297.9	119.5	(60.0)	85.3

(a) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
FIGURES MAY NOT ADD DUE TO ROUNDING.

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

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Current Estimate 2009	Adopted Budget 2010
REVENUES							
General Fund	3,092.8	3,512.1	3,554.3	3,744.1	3,722.8	3,749.3	3,814.6
Water Fund[a]	438.3	451.4	490.3	519.7	589.7	561.3	613.6
Aviation Fund[b]	241.4	249.0	271.5	268.6	287.9	329.6	364.8
Other Operating Funds[c]	39.0	38.6	41.9	44.9	113.2	45.6	49.2
Total Revenue	3,811.5	4,251.1	4,358.0	4,577.3	4,713.6	4,685.8	4,842.2
OBLIGATIONS/APPROPRIATIONS							
Personnel Services	1,444.7	1,409.0	1,412.9	1,498.2	1,568.9	1,605.8	1,542.6
Purchase of Services	1,197.0	1,250.0	1,233.5	1,328.5	1,441.4	1,415.3	1,399.8
Materials, Supplies and Equipment	119.2	121.9	136.2	145.9	151.1	151.3	163.6
Employee Benefits	662.1	784.9	845.3	990.1	1,095.8	1,076.3	934.5
Indemnities, Contributions and Taxes	99.7	117.3	116.5	122.6	127.1	141.3	130.4
Debt Service[d]	344.6	336.8	337.6	348.8	346.7	395.3	429.7
Other	32.0	36.7	38.6	31.2	32.3	22.6	25.0
Payments to Other City Funds	95.5	97.0	119.4	144.9	154.7	114.3	123.6
Total Obligations/Appropriations	3,994.8	4,153.6	4,240.0	4,610.2	4,917.9	4,922.2	4,749.2
Operating Surplus (Deficit) for the Year	(183.4)	97.5	118.0	(32.8)	(204.3)	(236.4)	93.0
Net Adjustments Prior Year	41.0	45.8	60.6	69.6	51.0	52.7	56.7
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	132.0	(10.4)	132.9	311.5	348.3	195.0	11.3
Cumulative Adjusted Year End Fund Balance (Deficit)	(10.4)	132.9	311.5	348.3	195.0	11.3	161.0

(a) 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.

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

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

(d) Excludes PICA bonds.

FIGURES MAY NOT ADD DUE TO ROUNDING.

Quarterly Reporting to PICA

On November 16, 1992, the City submitted the first of its quarterly reports to PICA. This reporting is required under the PICA Act 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 such previous quarterly or monthly period 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.

On February 20, 2009 based on results as reported in the December 31, 2008 Quarterly City Managers Report for December 31, 2008, PICA informed the City that a variance had been declared as defined in Section 4.10(a) of the Intergovernmental Cooperation Agreement. The City is providing monthly information to PICA as requested. PICA has agreed to accept the submission of the Eighteenth Five Year Plan (FY2010-FY2014) as the City's proposed remedial action to address the variance.

REVENUES OF THE CITY

General

In 1932, the Pennsylvania General Assembly 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 property 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.

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table A-3 for revenues by major source for Fiscal Years 1999-2010 and Table A-4 for General Fund tax revenues for Fiscal Years 2004-2010. The following description does not take into account revenues in the Non-Debt Related Funds. The tax rates for Fiscal Years 1999 through 2008 are contained in the Fiscal Year 2008 Comprehensive Annual Financial Report.

Wage, Earnings, and Net Profits Taxes. These taxes are levied on the wages, earnings, and net profits of all residents of the City and all non-residents employed within the City. The rate for both residents and non-residents was 4.3125% from Fiscal Year 1977 through Fiscal Year 1983. For Fiscal Years 1984 through 1991 the wage and earnings tax rate was 4.96% for residents and 4.3125% for non-residents and the net profits tax rate was 4.96% for both residents and non-residents.

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. The table below sets forth the resident and non-resident wage and earnings tax rates for Fiscal Years 1999-2008, and the annual wage and earnings tax receipts in Fiscal Years 1999-2008 and the estimated receipts in Fiscal Year 2009 and budgeted receipts in Fiscal Year 2010.

Fiscal Year	Resident Wage and Earnings Tax Rates*	Non-Resident Wage and Earnings Tax Rates	Annual Wage and Earnings Tax Receipts (including PICA Tax) (Amounts in Millions)
1999	4.6869%	4.0750%	$1,195.6
2000	4.6135	4.0112	1,242.3
2001	4.5635	3.9672	1,332.6
2002	4.5385	3.9462	1,297.3
2003	4.5000	3.9127	1,306.6
2004	4.4625	3.8801	1,347.6
2005	4.3310	3.8197	1,387.5
2006	4.3010	3.7716	1,435.6
2007	4.2600	3.7557	1,510.6
2008	4.2190	3.7242	1,527.5
2009 (Current Estimate)**	3.9800 (July 1) 3.9300 (January 1)	3.5392 (July 1) 3.5000 (January 1)	1,488.7
2010 (Adopted Budget)	3.9296	3.4997	1,516.2

* Includes PICA Tax.
** There are two rate decreases during Fiscal Year 2009.

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in this tax rate for each of the Fiscal Years 2009-2013. The Seventeenth Five-Year Plan approved reducing the wage tax from its current 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 through tax reduction funding provided by the Commonwealth of Pennsylvania from gaming proceeds. In Fiscal Year 2009 there have been two rate reductions: one that took effect July 1, 2008 and the other that took effect January 1, 2009. Each approved Five-Year Plan since the one covering Fiscal Years 1996-2000 has included reductions in this tax rate for each of its fiscal years. The Eighteenth Five-Year Plan suspends future City-funded rate reductions until Fiscal Year 2015.

For a discussion of legislation approved by City Council that halts the reduction of City-funded wage tax rates until Fiscal Year 2015, see "DISCUSSION OF FINANCIAL OPERATIONS-Effect of Economic Crisis on City Budget" in this Appendix A.

Business Privilege Tax. In May 1984, the City enacted an ordinance substituting the Business Privilege Tax for the Mercantile License Tax. The Business Privilege Tax has been levied since January 1985 on every entity engaging in business in the City.

The Business Privilege Tax is a composite tax. Tax rates vary according to business classification (regulated, non-regulated, persons registered under the Pennsylvania Securities Act of 1972, manufacturing, wholesale, or retail) and method of tax computation employed. The various methods of tax computation are as follows: effective Fiscal Year 1989, all regulated industries, banks, trust

companies, insurance companies, and public utilities, among others, were taxed at an annual rate of 3.25 mills on annual receipts not to exceed 6.5% of their net income. The tax on annual receipts and net income of all businesses, other than regulated industries, was levied at 3.25 mills and 6.5%, respectively, provided that persons registered under the Pennsylvania Securities Act of 1972 shall in no event pay a tax of less than 5.711 mills on all taxable receipts plus the lesser of 4.302% of net income or 4.302 mills on gross taxable receipts.

Non-regulated industry manufacturers can opt for a lower 5.395% rate on receipts from sales after deducting the applicable cost of goods. Non-regulated wholesalers may choose a gross receipts tax on wholesale transactions at a lower rate of 7.55% after deducting applicable product and labor costs. Non-regulated retailers have the option of choosing the lower rate of 2.1% on receipts from retail sales after deducting applicable product and labor costs.

All persons subject to both the Business Privilege Tax and the Net Profits Tax are entitled to apply a credit of 60% of their Business Privilege Tax liability against what is due on the Net Profits Tax, which credit may be carried back or forward for up to three years.

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the Business Privilege Tax from its previous level of 3.25 mills. The tax rates for tax years 1999-2009 are set forth below.

Tax Year	Business Privilege Tax/Gross Receipts
1999	2.775 mills
2000	2.650 mills
2001	2.525 mills
2002	2.400 mills
2003	2.300 mills
2004	2.100 mills
2005	1.900 mills
2006	1.665 mills
2007	1.540 mills
2008	1.415 mills
2009	1.415 mills

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 suspends future City-funded rate reductions until Fiscal Year 2015.

For a discussion of legislation approved by City Council that halts the reduction of City-funded business privilege tax rates until Fiscal Year 2015, see "DISCUSSION OF FINANCIAL OPERATIONS-Effect of Economic Crisis on City Budget" in this Appendix A.

All business activity is also assessed a one-time $200 licensing fee administered by the Department of Licenses and Inspections.

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. From Fiscal Year 2003 through Fiscal Year 2007 the City's portion of the rate was 34.74 mills and the School District's portion was 47.90 mills. In Fiscal Year 2008, City Council shifted 1.69 mills of City tax to the School District. In Fiscal Year 2008, the City's portion of the rate became 33.05 mills and the School District's portion became 49.59 mills. Those rates remain in effect.

Sales and Use Tax. In connection with the adoption of the Fiscal Year 1992 Budget, the City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes. 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 assumes an increase to 2 percent from the current 1 percent rate. This increase requires approval of the Pennsylvania General Assembly. The Plan assumes this temporary increase will sunset on June 30, 2014. The table below sets forth the City Sales Tax collected in Fiscal Years 1999 through 2008, estimated collections for Fiscal Year 2009 and budgeted collections for Fiscal Year 2010.

Fiscal Year	City Sales Tax Collections
1999	$101.4 million
2000	103.7 million
2001	111.3 million
2002	108.1 million
2003	108.0 million
2004	108.0 million
2005	119.9 million
2006	127.8 million
2007	132.6 million
2008	137.3 million
2009 (Current Estimate)	128.0 million
2010 (Adopted Budget)	234.7 million

Other Taxes. The City also collects real property transfer taxes, parking lot taxes, and other miscellaneous taxes such as the Amusement Tax.

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 2009 General Fund current estimate projects that approximately 28.5% of General Fund revenues will be received from other governmental jurisdictions, including: (1) $537 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $200 million from the Federal government; and (3) $68.6 million from other governments, in which revenues are primarily rental and loan repayments from the Philadelphia Gas Works and the Convention Center Service Fee offset. In addition, the projected net collections of the PICA Tax of $281.6 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 Fiscal Year 2006, the transferred amount was $4,994,000; and for Fiscal Years 2007 and Fiscal Year 2008, the transferred amount was $4,994,000.

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 Year 2006, 2007 and 2008 the City budgeted the receipt of the $18,000,000 payment and the grant back of such amount to PGW. The City's Eighteenth Five-Year Plan assumes that the $18,000,000 payment will be made in each of Fiscal Years 2009 through 2014 and that the City will grant back such payment to PGW in each such Fiscal Year.

Philadelphia Parking Authority

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 authorized 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"), and to administer the City's on-street parking program through an Agreement of Cooperation ("Agreement of Cooperation") with the City.

Revenues under the Lease Agreement with PPA – 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 2003 through 2008 that totaled $11,629,311, $14,539,053, $27,239,000, $30,186,642, $33,184,918, and $33,570,037, respectively. The Fiscal Year 2009 estimated transfer amount is $35,000,000. The Fiscal Year 2010 budgeted transfer amount is $36,000,000.

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.

Assessment and Collection of Real and Personal Property Taxes

The Board of Revision of Taxes (the "Board") appoints real estate assessors who annually assess all real estate located within the City. The assessors return assessments for each parcel of real estate to the Board. The Board may increase or decrease the property valuations contained in the returns of the assessors in order that such valuations conform with law. After the Board gives proper notice of all changes in property assessments, and after it has heard all assessment appeals, it then makes assessments and certifies the results 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 2008 Comprehensive Annual Financial Report for assessed and market values of taxable realty in the City and for levies and rates of collections.

During Fiscal Year 1997 and subsequent to the adoption of the Fiscal Year 1998 budget, the City decided to abandon the collection of the Personal Property Tax due to uncertainty as to the outcome of litigation challenging specific aspects of the tax then pending in other jurisdictions of the Commonwealth. As a result, the City realized no Personal Property Tax revenues in Fiscal Year 1998 or in subsequent years. The Personal Property Tax had been levied on the value of certain personal property of the residents of the City.

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Table A-3
City of Philadelphia
Summary of
Principal Operating Funds (Debt Related)
Revenues by Major Source
Fiscal Years 1999-2010 (Legal Basis)
(Amounts in Millions of USD)

Fiscal Year	Real Property Taxes[a]	Wage Earnings & Net Profits Taxes[a]	Business Privilege Tax[a]	Sales and Use Tax[a]	Other Taxes[b]	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Govts	Revenue from Other City Funds	Total Revenues
1999	342.6	949.8[c]	254.5	101.4	118.3	1,766.6	290.5	143.2	259.9	2,460.2	639.9	103.1	3,203.2
2000	353.6	985.7[c]	290.1	103.7	123.5	1,856.6	296.1	149.4	258.0	2,560.1	708.3	79.9	3,348.3
2001	363.4	1,059.0[d]	314.0[d]	111.3	130.0[d]	1,977.7	285.8	175.7	251.3	2,690.5	781.7	90.5	3,562.7
2002	376.8	1,019.3	295.8	108.1	148.6	1,945.4	302.8	181.7	257.9	2,687.8	722.5	80.8	3,491.1
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	4,713.6
2009 (Current Estimate)	412.8	1,127.3	365.7	128.0	212.7	2,246.5.	487.3	325.1	285.7	3,334.6	1,125.8	225.4	4,685.8
2010 (Adopted Budget)	420.2	1,146.0	348.7	234.7	189.7	2,339.3	528.4	355.0	275.8	3,498.5	1,212.7	131.0	4,842.2

(a) See Table 7 in the Fiscal Year 2008 Comprehensive Annual Financial Report for Tax Rates.
(b) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
(c) In Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Taxes 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 the PICA bonds and PICA's expenses.
(d) Accounting accrual changes required by GASB #33 resulted in additional one-time tax revenue accruals in Fiscal Year 2001. (Wage Tax, $50.4 million; Business Privilege, $5.2 million; Other Taxes, $4.3 million).

FIGURES MAY NOT ADD DUE TO ROUNDING.

Table A-4
City of Philadelphia General Fund
Tax Revenues (a)
Fiscal Years 2004-2010
(Amounts in Millions of USD)

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Current Estimate 2009	Adopted Budget 2010
REAL PROPERTY TAXES							
Current	332.6	353.2	354.1	367.2	366.5	370.8	378.2
Prior	45.1	39.5	41.7	30.3	36.3	42.0	42.0
Total	377.7	392.7	395.8	397.5	402.8	412.8	420.2
WAGE AND EARNINGS TAX[b]							
Current	1,034.5	1,066.0	1,104.0	1,162.4	1,176.5	1,115.3	1,134.0
Delinquent	15.1	7.6	7.2	5.1	8.3	12.0	12.0
Total	1,049.6	1,073.6	1,111.2	1,167.5	1,184.8	1,127.3	1,146.0
BUSINESS TAXES							
Business Privilege							
Current	269.9	326.7	390.5	401.9	376.1	340.7	323.7
Delinquent	39.2	52.8	25.0	34.5	22.7	25.0	25.0
Sub-Total Business Privilege	309.1	379.5	415.5	436.4	398.8	365.7	348.7
Net Profits Tax							
Current	11.3	12.0	11.8	10.9	9.1	8.3	8.4
Delinquent	1.7	1.7	2.8	4.3	3.4	3.5	4.0
Sub-Total Net Profits Tax	13.0	13.7	14.6	15.3	12.5	11.8	12.4
Total Business Taxes	322.1	393.2	430.1	451.6	411.3	377.5	361.1
OTHER TAXES							
Sales and Use Tax	108.0	119.9	127.8	132.6	137.3	128.0	234.7
Amusement Tax	18.3	13.5	17.0	16.4	18.0	18.4	18.9
Real Property Transfer Tax	141.3	192.3	236.4	217.3	184.0	110.6	84.7
Parking Taxes	42.5	45.0	48.4	50.3	55.5	69.0	70.7
Other Taxes	0.1	0.1	2.3	2.6	2.8	2.9	3.0
Sub-Total Other Taxes	310.2	370.8	431.9	419.2	397.6	328.9	412.0
TOTAL TAXES	2,059.6	2,230.3	2,369.0	2,435.9	2,396.5	2,246.5	2,339.3

(a) See Table 7 in the Fiscal Year 2008 Comprehensive Annual Financial Report for Tax Rates.

(b) 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.

FIGURES MAY NOT ADD DUE TO ROUNDING

Table A-5
Ten Largest Certified Market and Assessment Values
of Tax-Abated Properties
Certified Values for 2008

	Location	2008 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment
1	2201 Park Towne Place	$48,000,000	$15,360,000	$13,452,400	$ 1,907,600
2	819-41 Chestnut Street	45,200,000	14,464,000	5,440,000	9,024,000
3	1600-18 Arch Street	37,661,200	12,051,584	2,550,400	9,501,184
4	1825-51 North 10th Street	33,200,000	10,624,000	0	10,624,000
5	3118-98 Chestnut Street	29,861,000	9,555,520	656,075	8,899,445
6	801 Market Street	30,000,000	9,600,000	1,544,000	8,056,000
7	1915-19 Chestnut Street	29,264,100	9,364,512	8,956,800	407,712
8	200 West Washington Square	30,572,000	9,783,040	640,000	9,143,040
9	11000 East Roosevelt Blvd.	24,277,400	7,768,768	3,680,000	4,088,768
10	3175 John F. Kennedy Blvd.	26,400,000	8,448,000	2,400,000	6,048,000

Source: City of Philadelphia, Board of Revision of Taxes

EXPENDITURES OF THE CITY

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

Personal Services (Personnel)

As of June 30, 2008, the City employed 27,753 full-time employees with the salaries of 23,111 employees paid from the General Fund. Additional employment is supported by other funds, including the 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.

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

Table A-6
City of Philadelphia
Filled, Full Time Positions — All Operating Funds
at June 30 Actual

	2004	2005	2006	2007	2008	2009*	2010**
General Fund							
Police	7,668	7,368	7,287	7,424	7,367	7,478	7,478
Streets	1,946	1,788	1,858	1,814	1,839	1,888	1,797
Fire	2,337	2,248	2,270	2,399	2,326	2,357	2,328
Health	745	667	662	664	665	746	739
Courts	2,046	2,004	1,936	1,928	1,970	1,945	1,965
Prisons	2,033	2,152	2,225	2,176	2,131	2,400	2,360
Human Services	1,815	1,743	1,703	1,721	1,784	1,858	1,858
All Other	5,170	4,995	4,878	4,941	5,029	5,216	4,982
Total General Fund	23,760	22,965	22,819	23,067	23,111	23,888	23,507
Other Funds	4,659	4,649	4,616	4,598	4,642	5,044	5,044
TOTAL	28,419	27,614	27,435	27,665	27,753	28,932	28,551

*Estimated 2009 includes vacant positions.
** Adopted Budget

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.

In September 2004, a collective bargaining agreement was reached with District Council 47. This four-year contract includes a $750 payment to each member with no general wage increase in Fiscal Year 2005 and wage increases of 2, 3 and 4 percent effective July 1 of each succeeding year, respectively. In December 2004, a collective bargaining agreement was reached with District Council 33, which mirrored the agreement previously reached with District Council 47. Each of the collective bargaining agreements included a health benefit reopener provision for the final two years of the agreement. The City concluded negotiations with District Councils 33 and 47 and agreed to increase the per member per month contributions to the unions by fourteen percent in Fiscal Year 2007 and an additional fourteen percent in Fiscal Year 2008.

On June 28, 2006, an arbitration panel issued a 3-year award to the IAFF Local 22. The award granted wage increases of 3.0% effective July 1, 2005, 3.0% effective July 1, 2006, and 4.0% effective July 1, 2007. In addition, the panel granted Local 22 health medical increases of 11.3% effective July 1, 2005, 14.1% effective July 1, 2006, and 14.0% effective July 1, 2007. The arbitration panel also addressed management issues believed by the City to be outside its jurisdiction. On August 24, 2007, the

Commonwealth Court issued an opinion affirming in part and revising in part. The Court upheld the medical increases granted by the arbitrator's and revised the decision that limited the City's management rights.

The FOP contract contained a 3% increase in wages effective July 1, 2004, 3% effective July 1, 2005, 3% effective July 1, 2006 and a 4% increase effective July 1, 2007. The award also called for a re-opener for health medical coverage for Fiscal Year 2006 and Fiscal Year 2007.

At the re-opener in August of Fiscal Year 2006, the arbitrators ordered the City to increase FOP healthcare contributions by 15.7 percent and 10 percent in Fiscal Year 2006 and Fiscal Year 2007, respectively. After a City appeal, the Court of Common Pleas remanded the ruling back to arbitration, but the panel reissued its original ruling with no change. The City appealed the ruling to Common Pleas Court on February 13, 2006, and lost. The City has appealed that ruling in Commonwealth Court which ruled in favor of the City. The FOP petitioned the Pennsylvania Supreme Court asking the Court to review the matter, which the Court declined to do. The Mayor and the FOP reached a settlement in which the City agreed to pay the amounts awarded by the arbitrator. Accordingly, the matter has been withdrawn as moot.

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

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

The City has also reached a one year agreement with District Council 33 and District Council 47, which was effective July 1, 2008. The agreement calls for a lump sum bonus of $1,100 per member. The agreement also calls for no increase in the current per member per month health benefit payment. The union memberships have ratified the agreements.

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The following table presents employee wage increases for the Fiscal Years 1998 through 2009.

Table A-7
City of Philadelphia
Employee Wage Increases
Fiscal Years 1998-2009

Fiscal Year	District Council No. 33	District Council No. 47	Fraternal Order of Police	International Association of Fire Fighters
1998	3.0% (a)	3.0% (a)	4.0% (b)	4.0% (c)
1999	3.0% (a)	3.0% (a)	3.0% (b)	3.0% (c)
2000	4.0% (d)	4.0% (d)	4.0% (e)	4.0% (f)
2001	No increase	No increase	3.0%	3.0%
2002	3.0% (h)	3.0% (h)	4.0%	4.0%
2003	3.0% (i)	3.0% (i)	3.0%	3.0%
2004	3.0%	3.0%	3.5%	3.5%
2005	No increase (j)	No increase (j)	3.0%	3.0%
2006	2.0%	2.0%	3.0%	3.0%
2007	3.0% (k)	3.0% (k)	3.0%	3.0%
2008	4.0% (l)	4.0% (l)	4.0%	4.0%
2009	No increase (m)	No increase (m)	4.0% (n)	4.0% (n)

(a) Third year of a four year contract: 3% effective December 15, 1998.
(b) First year of a two year contract: 3% effective September 15, 1998.
(c) Third year of a four year contract: 3% effective September 15, 1998.
(d) Fourth year of a four year contract: 4% effective March 15, 2000.
(e) Second year of a two year contract: 4% effective September 15, 1999.
(f) Fourth year of a four year contract: 4% effective September 15, 1999.
(g) First year of a four year contract: cash bonus of $1,500 paid in August 2000.
(h) Second year of a four year contract: 3% effective December 15, 2001.
(i) Third year of a four year contract: 3% effective December 15, 2002.
(j) First year of a four year contract: cash bonus of $750 paid in October 2004 to District Council 47 members and in December 2004 to District Council 33 members.
(k) Third year of a four year contract: 3% effective July 1, 2006.
(l) Fourth year of a four year contract: 4% effective July 1, 2007.
(m) Cash bonus of $1,100 paid 15 days after ratification.
(n) One year contract: 2% effective July 1, 2008 and 2% effective January 1, 2009.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 2004 through 2010 are shown in the following table.

Table A-8
City of Philadelphia
General Fund Employee Benefit Expenditures
Fiscal Years 2004-2010
(Amounts in Millions of USD)

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Current Estimate 2009	Adopted Budget 2010
Pension Contribution*	229.4	315.5	346.5	436.8	430.8	461.1	332.2
Health/Medical/Dental	253.7	285.9	291.8	331.5	421.0	368.8	368.8
Social Security	60.6	59.9	60.8	64.1	69.7	69.2	69.2
Other	55.2	43.4	61.1	57.9	61.5	66.1	42.6
Total	598.9	704.7	760.2	890.3	983.0	965.2	812.8

* The Pension Contribution amount includes debt service on the Pension Obligation Bonds, Series 1999. The Fiscal Year 2010 Pension Contribution assumes certain changes which require the approval of the Pennsylvania General Assembly.

Municipal Pension Fund (Related to All Funds)

The City is required by the Home Rule Charter to maintain an actuarially sound pension and retirement system covering all officers and employees of the City. Court decisions have interpreted this requirement to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

A. Accrued actuarially determined normal costs.

B. Amortization of the unfunded actuarial accrued liability ("UAAL") determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.

C. Amortization in level percent of pay of the changes in the July 1, 1985 liability due to: nonactive member's benefit modifications (10 years); experience gains and losses (15 years); changes in actuarial assumptions (20 years); and active members' benefit modifications (20 years).

The pension fund was actuarially valued every two years through 1984, and beginning with the July 1, 1985 valuation report, is required to be actuarially valued each year.

The July 1, 1980 unfunded liability, as amended by subsequent reports, will be amortized over 38 years through annual contributions which will closely approximate a level percent of payroll. The Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, enacted December 18, 1984 adopted changes in funding of municipal pensions that have been reflected in the valuation report for July 1, 1985. In particular, this act generally requires that unfunded actuarial accrued liability be funded in annual level dollar payments. The City is permitted to amortize the July 1, 1985 UAAL over 40 years as a level percentage of pay of each year's aggregate payroll ending in 2025.

A July 2004 amendment to Act 205 allowed for 2001 and 2002 calendar year investment losses to be amortized over 30 years, rather than the usual 15.

Based on the City's most recent actuarial report dated as of July 1, 2008, the unfunded accrued liability was $3.775 billion which equals a funding ratio of 55.4%.

Non-uniformed 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. 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. The retirement age differs for Plan 67 (age 55) and Plan 87 (age 60).

Effective January 1, 1987, the City adopted a new plan ("Plan 87") to cover employees hired after January 8, 1987, as well as members in the previous Plan who elected to transfer to Plan 87. Except for elected officials, Plan 87 provides for less costly benefits and reduced employee contributions. For elected officials, Plan 87 provides for enhanced benefits, with participating elected officials required to pay for the additional normal cost. Police and Fire personnel became eligible for Plan 87 on July 1, 1988. Because of Court challenges, members of District Council 33 and Locals 2186 and 2187 of District Council 47 were not eligible for Plan 87 until October 2, 1992.

The Eighteenth Five-Year Plan assumes several changes to the pension system, some of which will require approval of the Pennsylvania General Assembly. The City proposes to change the amortization period from 20 to 30 years and to lower the assumed rate of interest from 8.75 percent to 8.25 percent. Additionally, the Plan assumes a partial deferral of the pension payment in Fiscal Year 2010 ($150 million) and Fiscal Year 2011 ($80 million) to be paid back by Fiscal Year 2014.

A comprehensive statement of operations of the City Municipal Pension Fund for Fiscal Years 1999 through 2008 is contained in the Fiscal Year 2008 Comprehensive Annual Financial Report.

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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 2004 through 2010.

TABLE A-9
CITY OF PHILADELPHIA
PURCHASE OF SERVICE IN THE GENERAL FUND
FISCAL YEARS 2004-2010
(AMOUNTS IN MILLIONS OF USD)

	Actual				Actual	Current Estimate	Adopted Budget
	2004	2005	2006	2007	2008	2009	2010
Human Services (a)	493.7	511.8	467.9	495.3	515.3	498.9	490.6
Public Health	69.1	60.7	61.1	65.5	65.1	71.1	68.6
Public Property (b)	132.4	133.3	137.6	156.3	139.5	142.3	146.1
Streets (c)	53.9	54.6	54.8	58.3	58.4	52.0	45.6
Sinking Fund-Lease Debt (d)	70.8	70.7	77.0	84.3	85.1	91.6	93.7
Legal Services (e)	33.4	33.5	33.6	35.4	37.3	37.3	35.9
First Judicial District	23.0	28.3	24.4	24.8	25.6	22.1	20.9
Licenses & Inspections (f)	6.0	3.1	11.5	11.4	11.9	9.9	8.5
Emergency (g)	12.0	22.1	28.6	31.3	33.9	32.5	31.7
Prisons	80.8	84.9	82.8	87.5	93.6	111.1	116.7
All Other	75.2	87.1	86.4	101.5	123.0	120.0	91.3
Total	1,050.3	1,090.1	1,065.7	1,151.6	1,188.7	1,188.8	1,149.6

(a) Includes payments for care of dependent and delinquent children.
(b) Includes payments for SEPTA, space rentals, utilities, and telecommunications. In Fiscal Year 2008, the telecommunications division was transferred to the Mayor's Office of Information Services (M.O.I.S.). Services purchased for MOIS appear in the table under the category "All Other". In FY2010 telecommunications is budgeted in Public Property.
(c) Includes solid waste disposal costs.
(d) Includes, among other things, Justice Center, Neighborhood Transformation Initiative and Stadium lease debt.
(e) Includes payments to the Defender Association to provide legal representation for indigents.
(f) Includes payments for demolition in Fiscal Year 2006, Fiscal Year 2007, Fiscal Year 2008 and Fiscal Year 2009.
(g) Includes homeless shelter and boarding home payments.

FIGURES MAY NOT ADD DUE TO ROUNDING

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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. The Fiscal Year 2009 budget includes a $38.5 million contribution, and the Fiscal Year 2010 budget includes a $38.5 million contribution.

City Loan to PGW

The City made a loan of $45 million to PGW during Fiscal Year 2001 to assist PGW in meeting its cash flow requirements. This loan was scheduled to mature in Fiscal Year 2007; however, PGW did not make the $45 million payment. PGW repaid $2 million to the City on August 31, 2007. PGW remitted a payment for $20.5 million before December 28, 2007; and PGW remitted a payment for the balance of $22.5 million on August 29, 2008. In addition, in order to assist PGW, (i) the City agreed to forgo the $18 million annual rental payment in Fiscal Year 2005, (ii) for Fiscal Years 2006, 2007 and 2008 the City made a grant to PGW equal to the annual rental payment received from PGW in such fiscal years, and (iii) the City's Eighteenth Five-Year Plan contemplates that in each of the Fiscal Years 2009 through 2014, the City will make a grant to PGW equal to the annual rental payment received from PGW in such Fiscal Years.

City Payments to SEPTA

The City's Fiscal Year 2008 operating subsidy payment to SEPTA was $61.3 million. The City's Fiscal Year 2009 operating subsidy payment to SEPTA was $63.1 million. The Fiscal Year 2010 budget projects operating subsidy payments to SEPTA of $64.2 million. The Eighteenth Five-Year Plan provides that the City's contribution to SEPTA will increase to $70.9 million by Fiscal Year 2014.

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 June 30, 2008, the Constitutional debt limitation for tax-supported general obligation debt was approximately $1,417,996,300 (based upon a formula of 13.5% of the assessed value of taxable real

estate within the City on a 10 year rolling average). As of June 30, 2008, the City's total amount of authorized general obligation debt was $1,688,913,000, which includes approximately $359,651,000 of self-supporting debt, which does not count against the Constitutional debt limit. As of June 30, 2008, $1,329,262,000 of general obligation debt subject to the constitutional debt limit was authorized, and of this authorized amount, $1,144,477,000 was issued and outstanding. As of June 30, 2008, a balance of $184,785,000 remained authorized and unissued, and after legally authorized deductions for appropriations of approximately $30,855,700 for Fiscal Year 2009 maturing serial bonds, there remains a balance of $119,590,000 available for future authorization and issuance. On May 14, 2009, the City introduced a bill to authorize the issuance of $65,525,000 of general obligation bonds.

Of the balance of remaining authorized general obligation debt subject to the Constitutional debt limit, $165,000,000 was utilized by the issuance on the General Obligation Bonds, Series 2008B on January 6, 2009, and $19,785,000 remains authorized and unissued.

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 $350 million of Tax and Revenue Anticipation Notes in November 2008. These notes are scheduled to be repaid on June 30, 2009.

Long-Term Debt

Table A-10 presents a synopsis of the bonded debt of the City and its component units at the close of Fiscal Year 2008. 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, 2008, see the Fiscal Year 2008 Comprehensive Annual Financial Report.

Of the total balance of City tax-supported general obligation bonds issued and outstanding at June 30, 2008, approximately 15% is scheduled to mature within 5 years and approximately 34% is scheduled to mature within 10 years.

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 of June 30, 2008, the principal amounts of the outstanding bonds of each of these authorities relating to the City's contract and lease obligations were as follows:

PMA	$ 185.9 million
PAID*	$ 1,987.1 million
Parking Authority	$ 16.9million
Redevelopment Authority	$ 265.6million
Convention Center Authority	$ 215.3 million

Source: Office of the Director of Finance

* This includes 100% of Pension Bonds, only 86% applicable to the general fund.

The bonds of the Parking Authority included in the previous table are payable from project revenues, and by the City only if and to the extent that net revenues are inadequate for this purpose. The City paid $2.3 million in Fiscal Year 2006, $1.2 million in Fiscal Year 2007, $2.0 million in Fiscal Year 2008 and $1.2 million in Fiscal Year 2009 toward the repayment of these bonds. See "Revenues of the City – Philadelphia Parking Authority."

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 the college, 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 current estimate in Fiscal Year 2009 is $26,467,924. 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.

Swap Information

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

City Entity	City GO	City Lease - PAID	City Lease - PAID	City Lease - PAID	City Lease - PAID
Related Bond Series	2007B	2001 (Stadium)	2001 (Stadium)	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	$313,505,000	$298,485,000	$104,965,000	$217,275,000	$72,400,000
Current Notional Amount	$313,505,000	$193,520,000	$104,965,000	$217,275,000	$72,400,000
Termination Date	8/1/2031	10/1/2030	10/1/2020	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap (1)	Constant Maturity Swap	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20%, plus fixed annuity	62.89% 5-year LIBOR CMS + 0.20%	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	SIFMA	SIFMA	3.9713%	3.9713%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value (2)	($18,374,859)	($9,164,253)	$1,349,979	($15,812,371)	($5,268,937)

Notes:

(1) PAID receives annual fixed payments of $1,216,500 from 7/1/2004 through 7/1/2013. As the result of an amendment on 7/14/2006, $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 10/1/2006 to 10/1/2020). The constant maturity swap is shown separately.

(2) Fair values are as of May 31, 2009 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 the Water and Wastewater Systems, PGW and the Airport, see the City's 2008 Comprehensive Annual Financial Report attached as Appendix B. In addition, PICA has entered into swaps which are detailed in the City's 2008 Comprehensive Annual Financial Report attached as Appendix B.

Recent and Upcoming Financings

On April 16, 2008, the City priced $195,170,000 of its General Obligation Refunding Bonds, Series 2008A. The 2008A Bonds, proceeds of which were used to refund all of the City's Series 2003B-1 and B-2 General Obligation Bonds, closed on May 1, 2008.

The City, in conjunction with PAID, replaced the Financial Guaranty Insurance Company ("FGIC") insurance policy on the Philadelphia Authority for Industrial Development Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B with a direct pay letter of credit from J.P. Morgan and Bank of New York. The remarketing of the bonds took place on April 30 and the restructuring closed on May 1, 2008.

On June 9, 2008, the City purchased a Letter of Credit from Wachovia Bank, N.A. related to the Sinking Fund Reserve Account for the 1998B Airport Revenue Bonds. The surety policy was originally provided by FGIC, but because FGIC was downgraded below the 'AA' category, the surety policy no longer met the rating requirements of the General Airport Revenue Bond Ordinance ("GARBO"). The Wachovia Letter of Credit in an amount of $33.1 million meets the requirements of the bond ordinance and replaced the FGIC policy.

The City restructured $78.5 million outstanding Water and Wastewater Revenue Bonds, Series 1997B. The Ambac Assurance Corporation ("Ambac") insurance policy was replaced by a Letter of Credit from Bank of America N.A. The transaction closed on September 10, 2008.

On November 18, 2008, the City priced $350 million of Tax and Revenue Anticipation Notes. The transaction closed on November 25, 2008.

The City restructured $178.6 million in outstanding Airport Revenue Bonds Series 2005C and the sinking fund reserve account in the approximate amount of $18.7 million. The City replaced the MBIA insurance policy and the surety policy for the sinking fund reserve account for the Series 2005C Bonds with a letter of credit for both the Series 2005C Bonds and the reserve account provided by TD Bank. The City closed this transaction on December 23, 2008.

On December 15, 2008 the City priced $165 million of General Obligation Bonds, Series 2008B. These bonds will be used to fund the cost of certain capital projects. The transaction closed on January 6, 2009.

The Airport Revenue Bonds, Series 2005B were insured by MBIA Insurance Corporation ("MBIA"). The Airport Revenue Bonds Series 2005A and 2005B also had MBIA surety policies for the Sinking Fund Reserve Account in the following approximate amounts: $8.3 million, and $4.0 million, respectively. When MBIA was downgraded below the 'AA' category, the surety policies no longer met the requirements of the GARBO. The City together with the Airport refunded the Series 2005B Bonds with the issuance of the 2009A fixed rate bonds. The MBIA reserve account surety policy for the 2005B bonds was replaced with bond proceeds. The City cash funded the 2005A sinking fund reserve account on April 9, 2009. The City closed the Airport Revenue Bonds, Series 2009A transaction on April 14, 2009.

On May 12, 2009, the City and the Water Department priced $140 million of Water and Wastewater Revenue Bonds, Series 2009A. The bonds will be used to fund capital improvements to the City's water and wastewater systems. The transaction closed May 21, 2009.

The City, in conjunction with PMA, plans to issue the 2009 Bonds as further described in the forepart of this Official Statement.

The City anticipates executing an approximately $31 million, four-year tax-exempt lease to finance an upgrade to its municipal radio communications system for emergency and normal public safety purposes. This financing is expected to close in July 2009.

The City and the Water Department are working on restructuring the Water and Wastewater Revenue Refunding Bonds, Series 2005B. The City will replace the Financial Security Assurance ("FSA") insurance policy with a letter of credit from Bank of America N.A. The City anticipates this transaction to close in July 2009.

The PGW 6th Series Revenue Bonds are insured by FSA and had liquidity provided by J.P. Morgan, Wachovia Bank N.A., and Scotia Bank. The liquidity expired in January 2009. All of the 6th Series Bonds are owned by the banks. The City, together with PGW, plans to refund the 6th Series Bonds with variable rate bonds secured by letters of credit from Bank of America, N.A., Wachovia Bank N.A., Scotia Bank and J.P. Morgan. If the City is unable to procure any of such letters of credit, it will utilize fixed rate bonds unless an additional letter of credit from another highly rated bank is available. This transaction is anticipated to price and close by the end of July 2009.

The City plans to issue approximately $275 million of its annual tax and revenue anticipation notes in August 2009.

The City also has outstanding variable rate debt that is insured by FSA which has more recently experienced problems in the market. The $313.5 million of General Obligation Bonds, Series 2007B are insured by FSA with Dexia as the liquidity provider. These bonds have had increases in interest rates and have at times had trouble being remarketed, leading to bonds becoming bank bonds. As of May 20, 2009, none of these bonds were bank bonds. The City plans to refund the 2007B Bonds with a combination of variable rate bonds secured by a letter of credit from Wachovia Bank, N.A. and fixed rate bonds and to terminate a portion of the swap related to the 2007B Bonds. This transaction is anticipated to price in July 2009 and close in August 2009.

The 2003 Variable Rate Series, Water and Wastewater Revenue Refunding Bonds are also insured by FSA insurance with Dexia as the liquidity provider. As of May 20, 2009, there were $460,000 of bank bonds for the Water and Wastewater Series 2003. The City together with the Water Department is currently evaluating options to best handle potentially restructuring or refunding these bonds.

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Table A-10
City of Philadelphia
City-related Bond Indebtedness
June 30, 2008
(Amounts in Thousands of USD)

	Governmental Fund Types				Enterprise Funds			
	General Fund	Municipal Authority Fund	PICA	Total	Water Fund	Aviation Fund	Total	All Funds Total
Bonded Debt Outstanding, July 1, 2007	1,166,400	195,400	622,500	1,984,300	1,762,300	1,161,400	2,923,700	4,908,000
Increases:								
PAR Value of Bonds Issued:								
General Obligation	697,600	-	214,600	912,200	-	-	-	912,200
Revenue	-	-	-	-	217,500	255,400	255,400	255,400
Total Bonds Sold	697,600	-	214,600	912,200	-	255,400	255,400	1,167,600
Decreases								
Matured Bonds:								
General Obligation	34,200	9,500	37,400	81,100	1,200	-	1,200	82,300
General Obligation Refunded	682,800	-	227,600	910,400	-	-	-	910,400
Revenue	-	-	-	-	91,300	32,600	123,900	123,900
Revenue Refunded	-	-	-	-	-	81,400	81,400	81,400
Total Decrease	717,000	9,500	265,000	991,500	92,500	114,000	206,500	1,198,000
Bonded Debt Outstanding, June 30, 2008	1,147,000	185,900	572,100	1,905,000	1,669,800	1,302,800	2,972,600	4,877,600

Source: Office of Director of Finance.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2010-2015 contemplates a total budget of $7,953,891,000 of which $2,186,356,000 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 2010-2015 on May 21, 2009.

Table A-11
City of Philadelphia
Fiscal Years 2010-2015
Capital Improvement Program
(Amounts in Thousands of USD)

CITY FUNDS – TAX SUPPORTED	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2010-2015**
Carried-forward Loans	229,502	0	0	0	0	0	229,502
Operating Revenue	38,339	17,439	20,439	17,439	17,439	17,439	128,534
New Loans	63,000	68,020	78,023	88,013	97,944	99,946	494,946
Pre-financed Loans	6,042	1,000	1,000	1,000	1,000	1,000	11,042
PICA Pre-financed Loans	43,017	0	0	0	0	0	43,017
Tax-supported Subtotal	379,900	86,459	99,462	106,452	116,383	118,385	907,041
CITY FUNDS - SELF-SUSTAINING							
Carried-forward Loans	653,509	0	0	0	0	0	653,509
Operating	146,926	41,961	40,352	40,743	40,134	40,525	350,641
New Loans	496,729	532,113	525,404	582,679	883,025	810,394	3,830,344
Self-Sustaining Subtotal	1,297,164	574,074	565,756	623,422	923,159	850,919	4,834,494
REVOLVING FUNDS	26,000	0	0	0	0	0	26,000
OTHER THAN CITY FUNDS							
Federal *	598,182	84,762	70,048	68,008	77,023	74,458	972,481
Federal Off Budget	96,553	95,859	79,906	81,815	97,600	117,840	569,573
State *	96,650	6,205	5,837	6,897	5,968	6,321	127,878
State Off Budget	20,772	35,902	36,933	35,058	36,799	34,732	200,196
Other Governments *	62,663	0	0	0	0	0	62,663
Other Governments/Off Budget	9,883	11,989	5,435	5,514	5,793	6,081	44,695
Private *	81,670	26,020	26,020	25,020	25,020	25,020	208,770
Private Off Budget	0	100	0	0	0	0	100
Other Than City Funds Subtotal	966,373	260,837	224,179	222,312	248,203	264,452	2,186,356
TOTAL	2,669,437	921,370	889,397	952,186	1,287,745	1,233,756	7,953,891

*Other Than City Funds in FY 2010 contain both New and Carried-Forward amounts as follows:

Federal	New –	$ 250,399	Carried Forward –	$ 347,783
State	New –	15,399	Carried Forward –	81,251
Other Governments	New –	0	Carried Forward –	62,663
Private	New –	5,030	Carried Forward –	76,640

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Aviation Division, 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 Aviation Division, 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 $30.2 million for Fiscal Year 2001, $30.0 million for Fiscal Year 2002, $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 and $29.3 million for Fiscal Year 2008. Estimates of settlements and judgments from the General Fund are $35.3 million, $24.5 million, $24.5 million, $24.5 million, and $24.5 million for Fiscal Years 2009 through 2013, respectively. 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 2008, payments for claims arising from labor settlements in the General Fund were $1.11 million of which $0.85 million was paid from the Indemnities account, and $0.26 million from the Operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged $26.1 million per year over the five years from Fiscal Year 2004 through Fiscal Year 2008.

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; a class action suit alleging that the City failed to properly oversee management of funds in the deferred compensation plan of City employees; civil rights claims; a pay dispute with former and current paramedics; and a federal lawsuit filed by twenty-four homeowners in the Osage-Pine neighborhood whose homes were destroyed in the MOVE altercation of 1985. 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 2003 which resulted from these claims and lawsuits was $3.9 million, $2.9 million for Fiscal Year 2004, $2.4 million for Fiscal Year 2005 $4.2 million for Fiscal Year 2006, $2.5 million in Fiscal Year 2007 and $4.6 million in Fiscal Year 2008. The Water Fund's budget for Fiscal Year 2009 contains an appropriation for Water Department claims in the amount of $6.5 million, although the current estimate, based on the first three quarters of Fiscal Year 2009 expenditures, is for only $2.3 million. 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 Aviation Division and in some cases lawsuits have been instituted. Many of these Aviation Division claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Aviation Division. The aggregate loss for Fiscal Year 2008 which resulted from these claims and lawsuits was $1.3 million. The Indemnities budget for Aviation Fund claims for Fiscal Year 2009 contains an appropriation in the amount of $2.5 million, although the current estimate, based on the first three quarters of fiscal year 2009 expenditures, is for only $420,000. The Aviation Division is the first source of payment for any of the claims against the Aviation Division.

ADDITIONAL INFORMATION

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, with a Repository as soon as practicable after delivery of such report. The CAFR for the City's fiscal year ended June 30, 2008 was deposited with a Repository on February 24, 2009. 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, 2008. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, Suite 1300, 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102. The CAFR is also available online at www.phila.gov/investor, the City's website ("City Website" or "Website"). 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.

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 Website contains information in addition to that set forth in the CAFR. The "Terms of Use" statement of the City Website, incorporated herein by this reference, 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.

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CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.45 million according to the U.S. Census Bureau, 2006 Population Estimates. The City is in the heart of a nine-county metropolitan area with approximately 5.1 million residents. Air, rail, highway, and water routes provide easy access to the City.

The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. The City's metropolitan area is the nation's fourth largest in the retail market with over 2,400 retail stores.

Quality of Life

The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions include the Philadelphia Museum of Art (which houses the third largest art collection in the United States), the Philadelphia Orchestra, Academy of Music, Pennsylvania Ballet, the Constitution Center, the Kimmel Center (which had over 1 million people in attendance in 2007), Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, and the Rodin Museum. The South Philadelphia sports complex, currently consisting of Lincoln Financial Field, Citizens Bank Park, the Wachovia Spectrum and the Wachovia Center, is home to the Philadelphia 76ers, Flyers, Phillies and Eagles. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park, which spans 8,000 acres and includes Pennypack Park and the country's first zoo.

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, seven 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.

The City has the second largest concentration of students on the East Coast with eighty 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. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

Hospitals and Medical Centers

The City also has major research facilities, including those located at its universities, the medical schools, the Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children's Hospital of Philadelphia (ranked number one in U.S. children's hospitals) has recently completed the construction of a new $100 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.

Hospitals and Medical Centers: The following table presents the most recent published data regarding hospitals and medical centers in Philadelphia. Due to mergers, consolidations and closures that have occurred or may occur in the future, this table is accurate only as of its publication date.

Table A-12
City of Philadelphia
Hospitals and Medical Centers

(As of October 2008)

Institution	Beds
Albert Einstein	424
Chestnut Hill	143
Frankford (1)	477
Jeane (3)	176
Kensington	35
Mercy Hospital of Philadelphia	180
Methodist Hospital Division, TJUH	202
Nazareth	195
Northeastern Temple East	187
Pennsylvania	410
Presbyterian	223
Roxborough Memorial	137
St. Joseph's	146
Veteran's Affairs Medical Ctr Phila	137
Hahnemann University	497
Hosp of the Univ of Pennsylvania	743
Temple (2)	746
Thomas Jefferson	694
Children's Hospital of Philadelphia (4)	431
Fox Chase Cancer Center	100
Girard	106
Kindred - Philadelphia	52
Shriner's	35
St. Agnes Continuing Care	58
St. Christopher's	124
Belmont	147
Fairmount BHS	180
Friends	192
Magee Rehabilitation	96
MossRehab	166

Source: Delaware Valley Healthcare Council of HAP, Monthly Utilization Report-Summary Stats, October 2008

(1) Frankford includes data for all three divisions — Frankford, Torresdale and Bucks County.
(2) Temple includes data for Episcopal Hospital.
(3) Jeanes Hospital Closed NICU Unit as of April 30, 2007 and OB as of May 31, 2007.
(4) Children's Seashore House is now consolidated into Children's Hospital of Philadelphia's data.

Children's Hospital Expansion. The Children's Hospital of Philadelphia is expanding its research facilities in West Philadelphia. The $400 million first phase of the new complex is expected to be completed in Fall 2009; the $500 million second phase has been put on hold for the time being due to market conditions.

University of Pennsylvania. A major new $302 million cancer research and treatment center, the Center for Advanced Medicine, opened in October 2008. The West Tower of the Center of Advanced Medicine is estimated to be completed in 2010 at a cost of $370 million and is currently under construction.

The Fox Chase Cancer Center. The Center is a non-profit institution, which is expanding its campus in the northeast section of the City. The Center's 25-year Master Plan is over $1 billion, providing over 2.7 million square feet of space dedicated to research and patient care. While a planned expansion into Burholme Park is currently the subject of litigation, the Cancer Research Pavilion will open in July 2009 on the current main campus. The project cost is $100 million. Other projects on the current main campus are being planned at this time.

Demographics

During the ten-year period between 1990 and 2000, the population of the City decreased from 1,585,577 to 1,517,550. During the same period, the population of Pennsylvania increased by 3.4%, less than one-third the national rate of increase.

Table A-13
Population
City, Pennsylvania & Nation

	1990	2000	2007 (est.)	% Change 1990-2000	% Change 2000-2007
Philadelphia	1,585,577	1,517,550	1,449,634	-4.3%	-4.5%
Pennsylvania	11,881,643	12,281,054	12,432,792	3.4%	1.2%
United States	248,709,873	281,421,906	301,621,157	13.2%	7.2%

Source: U.S. Census Bureau, 2007 Population Estimates, Census 2000, 1990 Census.

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Table A-13
Population Age Distribution

Philadelphia County

Age	1990	% of Total	2000	% of Total	2005-2007* (est)	% of Total
0-24	563,816	35.6	551,308	36.3	523,318	36
25-44	490,224	30.9	444,774	29.3	402,896	27.7
45-64	290,803	18.3	307,746	20.2	339,409	23.3
65-84	217,913	13.7	186,383	12.3	160,269	11
85 & up	22,801	1.4	27,339	1.8	28,490	2
Total	1,585,577	100	1,517,550	100	1,454,382	100

Pennsylvania

Age	1990	% of Total	2000	% of Total	2005-2007* (est)	% of Total
0-24	4,021,585	33.8	4,016,670	32.6	3,996,274	32.2
25-44	3,657,323	30.8	3,508,562	28.6	3,212,382	25.9
45-64	2,373,629	20	2,836,657	23.1	3,308,060	26.8
65-84	1,657,270	13.9	1,681,598	13.7	1,614,969	13
85 & up	171,836	1.4	237,567	1.9	269,274	2.2
Total	11,881,643	100	12,281,054	100	12,400,959	100

United States

Age	1990	% of Total	2000	% of Total	2005-2007* (est)	% of Total
0-24	90,342,198	36.3	99,437,266	35.3	103,110,927	34.5
25-44	80,754,835	32.5	85,040,251	30.2	83,587,234	28
45-64	46,371,009	18.6	61,952,636	22	74,794,039	25
65-84	28,161,666	11.3	30,752,166	11	32,289,322	10.8
85 & up	3,080,165	1.2	4,239,587	1.5	4,975,788	1.7
Total	248,709,873	100	281,421,906	100	298,757,310	100

Source: U.S. Dept. of Commerce, Bureau of the Census.

*2005-2007 American Community Survey 3 year estimates

The Economy

Philadelphia'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 service center with strengths in insurance, law, finance, health, education, and utilities.

The cost of living in Philadelphia 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.

Table A-14
Office Rental Rates in Cities
Throughout the United States

(In $ Per Square Foot)

	January 2004	January 2005	May 2006	November 2006	May 2007	May 2008	November 2008
Atlanta	23.09	21.92	20.08	20.56	20.16	21.76	21.23
Chicago	29.97	28.47	23.77	22.97	22.44	24.75	24.78
Dallas	20.58	19.71	17.43	16.47	17.20	22.96	23.72
Denver	17.84	17.24	19.03	20.37	22.17	27.15	27.55
Houston	19.29	18.21	19.15	19.52	21.53	28.92	26.83
Los Angeles	25.56	26.55	23.12	22.59	23.74	30.52	30.51
New York	45.51	45.16	55.15	62.07	69.44	103.43	98.08
Philadelphia	23.24	21.97	22.42	22.96	22.60	24.35	25.26
Phoenix	20.38	19.39	24.29	26.19	27.32	29.14	29.17
Portland	20.59	19.65	21.58	22.41	23.00	25.85	27.62
San Francisco	27.15	27.75	30.62	31.11	35.81	49.71	48.57
St. Louis	20.52	19.91	21.12	21.75	21.21	22.82	22.42
Tampa	19.23	18.01	20.54	21.13	22.46	25.30	26.11
Washington, D.C.	31.05	35.95	42.74	43.58	44.00	51.05	51.26

Source: CB Richard Ellis, Global Market Rents Report; Global MarketView: Office Occupancy Costs Report.

Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables A-15 and A-16, respectively.

The employment changes within the City principally have been due to declines in the manufacturing sector and the relatively stronger performance of the service economy. The City's and region's economies are diversified, with strong representation in the health care, government, and education sectors but without the domination of any single employer or industry.

In March 2000, the Philadelphia Authority for Industrial Development ("PAID") took ownership of more than 1,000 acres at the site of the former Philadelphia Navy Shipyard, Naval Station. Naval Hospital and Defense Supply Center and has begun to implement aggressive redevelopment activities. To date, at least 47 companies have leased or purchased in excess of 2 million square feet of facilities at the complex, now known as the Philadelphia Naval Business Center ("PNBC"). In addition to this employment, the Navy has retained more than 2 million square feet of facilities. Together, the private and Navy facilities employ more than 7,000 people. Long term plans call for more than 10 million square feet of industrial and commercial space at PNBC, with employment targeted between 15,000-20,000.

Table A-15
Labor Force Data Annual Average
Based on Residency (not seasonally adjusted)

	2002	2003	2004	2005	2006	2007	2008
Philadelphia (000)*							
Labor Force	635.2	622.6	619.1	617.7	615.4	614.7	627.2
Employment	588.5	575.7	573.9	576.2	577.3	577.8	582.3
Unemployment	46.6	46.9	45.2	41.4	38.1	37.0	44.9
Unemployment Rate (%)	7.3	7.5	7.3	6.7	6.2	6.0	7.2
Philadelphia PMSA (000)**							
Labor Force	2,898.4	2,879.2	2,893.1	2,924.8	2,954.5	2,948.2	2,986.2
Employment	2,743.1	2,722.4	2,746.1	2,786.6	2,821.7	2,822.8	2,826.3
Unemployment	155.2	156.8	147.1	138.2	132.7	125.4	159.9
Unemployment Rate (%)	5.4	5.4	5.1	4.7	4.5	4.3	5.4
Pennsylvania (000)							
Labor Force	6,218.0	6,145.0	6,205.0	6,257.0	6,290.0	6,287.0	6,395.0
Employment	5,869.0	5,796.0	5,868.0	5,946.0	6,003.0	6,013.0	6,051.0
Unemployment	349.0	349.0	338.0	311.0	287.0	274.0	344.0
Unemployment Rate (%)	5.6	5.7	5.4	5.0	4.6	4.4	5.4
United States (000,000)							
Labor Force	144.9	146.5	147.4	149.3	151.4	153.1	154.3
Employment	136.5	137.7	139.3	141.7	144.4	146.0	145.4
Unemployment	8.4	8.8	8.1	7.6	7.0	7.1	8.9
Unemployment Rate (%)	5.8	6.0	5.5	5.1	4.6	4.6	5.8

Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, 2009.

* Philadelphia County

** The Philadelphia PMSA includes Philadelphia-Camden-Wilmington, PA, NJ, DE, MD Metro Stat Area.

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Table A-16
Philadelphia County
Total Monthly Employment and Monthly Unemployment Rates
Based on Residency
2002 – 2008

	Total Employment in 000's							Unemployment Rate %						
Month	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
January	589.9	580.5	574.5	576.0	576.4	580.7	582.1	6.9	7.5	7.5	6.9	6.2	6.1	6.7
February	591.3	580.3	574.2	574.3	576.9	580.0	576.6	7.1	7.5	7.3	7.2	6.4	5.9	6.8
March	589.5	579.7	572.8	573.1	577.2	579.4	576.3	7.2	7.3	7.7	7.0	6.3	5.8	6.7
April	589.9	578.9	573.4	575.7	578.0	577.4	580.1	7.4	7.5	7.4	6.8	6.4	5.9	6.8
May	591.2	576.1	570.7	577.5	577.8	576.1	582.2	7.3	7.5	7.5	6.7	6.2	6.0	7.0
June	590.6	575.9	571.5	575.5	578.4	578.2	580.2	7.3	7.7	7.5	6.6	6.2	6.0	7.0
July	588.3	573.4	574.3	577.8	576.0	578.5	577.0	7.5	7.6	7.4	6.4	6.3	6.0	7.0
August	589.2	573.7	573.6	576.6	577.5	578.0	577.7	7.4	7.6	7.3	6.5	6.3	6.0	7.9
September	590.4	573.1	574.6	577.5	577.3	577.2	578.6	7.3	7.7	7.1	6.6	6.1	6.1	7.5
October	586.8	573.1	574.9	576.9	578.7	576.3	579.4	7.4	7.6	7.1	6.5	5.9	6.1	7.7
November	583.5	573.3	576.3	576.5	577.3	577.7	573.6	7.6	7.5	6.9	6.7	6.0	6.0	8.0
December	582.0	570.7	576.0	577.9	576.7	574.0	572.6	7.6	7.4	6.9	6.5	6.0	6.3	8.6

Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, 2009 (monthly Seasonally Adjusted Labor Force), Philadelphia County.

Table A-17
Philadelphia City
Non-Farm Payroll Employment*

(Amounts in Thousands)

	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008****
Total Non-Farm	683.5	671.3	657.9	660.3	662.5	662.4	660.9
Natural Resources, Construction & Mining	12.9	12.3	11.4	12.0	12.4	11.8	11.2
Manufacturing	37.7	34.0	32.6	31.2	29.9	28.3	26.5
Trade, Transportation & Utilities	98.5	95.8	90.9	90.0	88.5	88.0	88.4
Information	17.0	15.9	13.6	13.2	12.8	12.9	12.9
Financial Activities	52.3	50.7	49.0	48.2	47.7	47.1	46.1
Professional &Business Services	82.9	80.9	80.3	82.4	84.2	85.3	84.0
Education & Health Services	181.0	185.3	184.1	186.8	192.2	196.4	202.9
Leisure & Hospitality	54.2	52.9	54.6	56.6	58.0	58.4	57.4
Other Services	29.9	29.0	28.5	28.5	28.2	28.2	28.3
Government	117.1	114.7	113.0	111.4	108.6	105.9	103.2

Source: Bureau of Labor Statistics, 2009.

* Includes persons employed within the City, without regard to residency.
** Preliminary, December 2008.

Table A-18
City of Philadelphia
Largest Employers in Philadelphia
June 30, 2008
(Listed Alphabetically)

Albert Einstein Medical
Children's Hospital of Philadelphia
City of Philadelphia
School District of Philadelphia
Southeastern Pennsylvania Transportation Authority
Temple University
Thomas Jefferson University Hospitals
United States Postal Service
University of Pennsylvania
University of Pennsylvania Hospital

Source: Philadelphia Department of Revenue

Table A-19
Fortune 500
Largest Corporations
With Headquarters in Philadelphia, 2008

Corporation	Type of Industry	Ranking	Revenues ($ Millions)
Sunoco	Petroleum Refining	56	$42,101.0
Comcast	Telecommunications	79	$30,895.0
Cigna	Health Care/Insurance	141	$17,623.0
ARAMARK	Diversified Outsourcing Services	216	$12,384.3
Rohm & Haas	Chemical	295	$8,911.0
Crown Holdings	Metal Products	325	$7,727.0
Sovereign Bancorp	Financial	469	$5,010.7

Source: Fortune Magazine website, May 2008.

Income

The following table presents data relating to per-capita income for the City, the PMSA, and the United States. It illustrates that, for the past few years, real per-capita income has generally outpaced the urban cost of living index, suggesting that on average, the newly created service jobs have generated positive real income growth for City wage earners.

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TABLE A-20
CONSUMER PRICE INDICES AND MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

	1990	2000	2002	2003	2004	2005	2006	2007	2008
CPLLl United States [(a)]	130.7	172.2	179.9	184.0	188.9	195.3	201.6	207.3	215.3
CPL U Philadelphia PMSA [(a)]	135.8	176.5	184.9	188.8	196.5	204.2	212.1	216.7	224.1
Buying Income [(b)]									
Philadelphia	$24,880	$31,621	$29,995	$28,015	$28,150	$29,269	$30,748	$31,292	$30,746
Philadelphia Metro Area*	$33,277	$47,152	$43,800	$41,820	$42,852	$44,060	$45,395	$46,413	$46,900
United States	$27,912	$37,233	$38,365	$38,035	$38,201	$39,324	$39,324	$40,710	$41,792

* Statistic is a measure of the Philadelphia, Camden & Wilmington Metropolitan Area.

Source: (a) Consumer Price Index - All Urban Consumers. U.S. Bureau of Labor Statistics.
(b) Sales & Marketing Management's 2007 Survey of Buying Power.

Table A-21
Number of Households by Income Range in Philadelphia County

Income	Number of Households *			Percentage of Households *		
	1990	2000	2005-2007** (est)	1990	2000	2005 -2007** (est)
Under $ 9,999	136,335	109,237	86,260	22.6	18.5	15.5
$10,000-14,999	59,331	49,035	50,017	9.9	8.3	9.0
$15,000-24,999	108,405	89,059	75,816	18.1	15.0	13.6
$25,000-49,999	190,237	171,215	147,471	31.7	29.0	26.4
$50,000 and over	106,432	171,737	198,421	17.6	29.1	35.5
Total	600,740	590,283	557,985	100.0	100.0	100.0

Source: U.S. Department of Commerce, Bureau of the Census.
* A household includes all the persons who occupy a housing unit.
** 2005-2007 American Community Survey 3 year estimates

Number of Households by Income Range in United States

Income	Number of Households (000's)			Percentage of Households		
	1990	2000	2005-2007* (est)	1990	2000	2005-2007* (est)
Under $ 9,999	14,214	10,067	8,514	15.5	9.5	7.6
$10,000-14,999	8,133	6,657	6,429	8.8	6.3	5.8
$15,000-24,999	16,124	13,536	12,364	17.5	12.8	11.1
$25,000-49,999	31,003	30,965	28,489	33.7	29.3	25.5
$50,000 and over	22,519	44,312	55,811	24.5	42.1	50
Total	91,994	105,537	111,609	100.0%	100.0%	100.0%

Source: U.S. Department of Commerce, Economics and Statistics Administration, 2000 Census of Population. Figures may not add due to rounding.
* 2005-2007 American Community Survey 3 year estimates

Retail Sales

The following table reflects taxable sales for Philadelphia from Fiscal Years 1997 to 2008.

Table A-22
Philadelphia
Taxable Retail Sales 1997-2008
($000's)

Fiscal Year	Taxable Sales
1997	9,637,833
1998	8,276,083
1999	9,604,970
2000	10,432,800
2001	11,107,100
2002	10,980,914
2003	10,933,524
2004	11,172,231
2005	12,001,439
2006	12,839,137
2007	13,643,582
2008	13,704,958

Source: Figures determined by dividing the Philadelphia local sales tax reported by the Pennsylvania Department of Revenue by the local sales tax rate of 0.01.

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 the airport 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 Philadelphia International Airport in 1985. The line places the airport less than 25 minutes from the Center City business district and connects directly with the commuter rail network and the Convention Center, which opened in June 1993. 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 Philadelphia to the other major cities and markets 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 Philadelphia International Airport (PHL) and Northeast Philadelphia Airport (PNE) comprise the Philadelphia Airport System (the "Airport System"). The Airport System is owned by the City of Philadelphia and is operated by the Department of Commerce's Division of Aviation. PHL is located 7.2 miles southwest of Center City; and PNE, a smaller reliever airport, is located 10 miles northeast of

Center City. PHL is accessible from major highways within the City and from surrounding communities and SEPTA's Airport rail line. PHL provides its passengers with service on 11 domestic carriers, two of which also provide international service, and 13 regional carriers, while five foreign flag carriers also provide international service. In addition, there are four all-cargo carriers. PHL serves as a key connecting hub for US Airways.

Water and Wastewater Systems

The water and wastewater systems of Philadelphia 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 58 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 472,600 accounts through 3,137 miles of mains, three water treatment plants, 15 pumping stations and provides fire protection through more than 25,000 fire hydrants.

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 accounts is approximately 471,000. The wastewater and stormwater systems contain three water pollution control plants, a biosolids processing facility, 13 pumping stations, and approximately 3,652 miles of sewers. Based on its current NPDES discharge permit, the City is required to achieve effluent limitations that are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act, as amended.

Municipal Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 3,000 tons of solid waste per day is 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 City significantly reduced its waste disposal costs over the last decade. The current disposal contract, which began July 1, 2005, continues this trend. With three one-year City options, the contract can be extended through Fiscal Year 2012. Disposal rates escalate at a relatively low rate of approximately three percent per year over the contract term, and multiple vendors maximize operational flexibility and efficiencies.

Housing

While the City's housing market has remained relatively stable, recently home values have gone up, as shown on the table below:

Table A-23
Characteristics of Housing Units

	1990	2000	2005-2007* (est)
Total Housing Units			
Philadelphia County	674,899	661,958	660,244
Pennsylvania	4,938,140	5,249,750	5,451,386
Percent Owner-Occupied			
Philadelphia County	62.0%	59.3%	57.3%
Pennsylvania	70.6%	71.3%	71.7%
Median Value of Owner-Occupied Housing			
Philadelphia County	$49,400	$59,700	$ 117,500
Pennsylvania	$69,700	$97,000	$ 144,100
Number/Average Persons per Housing Unit			
Philadelphia County	2.56	2.65	2.66
Pennsylvania	2.72	2.62	2.59

Source: U.S. Department of Commerce, Bureau of the Census.
*2005-2007 American Community Survey 3 year estimates.

Promoting Economic Development

Mission

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 of Philadelphia—all in order to grow the City's tax base.

Background

In response to the national recession, in 2009 the City is poised to launch several reforms aimed at enhancing its competitive position. By reorienting economic development services to provide transparency and better address customer service needs, Philadelphia will strive to become the business location of choice. This new business climate, coupled with recent cultural additions, neighborhood reinvestment and a renewed sense of civic pride, is designed to enhance Philadelphia's position as a world-class city.

Philadelphia's Competitive Advantages

Philadelphia's competitive advantages as a business location are based on size, strategic location, relative affordability, cultural and recreational amenities, and its growing strength in key knowledge industries. The City of Philadelphia, the fifth-largest city in the nation as of the last official census with the third largest downtown population, is at the center of the sixth largest metropolitan region. Our region includes the fourth largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries.

Accessibility

Philadelphia is in a key position to access regional and international markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK's Northeast Corridor service, major interstate highway access, regional SEPTA service and the port. The capacity of Philadelphia's transportation infrastructure is demonstrated by its median commuting time, which is 19 percent lower than the national metropolitan average. Recent analysis has shown that employees also benefit: Commuters to suburban firms, nearly all of whom drive to work, spend over $6,200 per year in vehicle expenses. By contrast, 70 percent of downtown office workers use public transit to get to work, and the annual cost of a SEPTA regional rail pass is just $2,172. In addition, 37 percent of downtown residents walk to work, the highest percentage of any major American city.

Culture

As a major urban center with a rich historical legacy, Philadelphia is increasingly gaining national recognition for its cultural and recreational advantages, which include the many tourism assets concentrated within city limits. Independence National Historical Park, the Philadelphia Art Museum, and the Franklin Institute, as well as recent developments, such as the construction of the stunning Kimmel Center for the Performing Arts and the National Constitution Center, are increasingly drawing national attention. The development of new first-class sports facilities, as well as continued access and development along the City's Delaware and Schuylkill River waterfronts, adds to this array.

Affordability

Philadelphia remains affordable when compared to its peers, as noted in the chart below.

Cost of Living 2008 (Third Quarter)

Index	Philadelphia, PA	Washington-Arlington – Arlington, DC-VA	Boston, MA	New York (Manhattan), NY	National Average
Composite (100%)	124.1	137.7	133.7	220.3	100.0

Source: Council for Community and Economic Research ACCRA Cost of Living Index

The Council for Community and Economic Research determines "Cost of Living" by weighing various living expenses including: cost of groceries, housing, utilities, transportation and health. The national average cost for each index area is set at "100", and the indices for each place are then calculated based upon their relation to that average. With lower composite indices indicating lower cost of living, Philadelphia's composite index of 124.1 is an indication of how our region matches up to other east coast peer metropolitan regions.

Educational Attainment

Philadelphia captures a significant portion of the region's educational employment and enrollment because of its major colleges and universities. The City houses 40 percent of all students during their studies, and the Philadelphia region retains a strong share of its graduates (55 percent) and an even greater share of graduates who are originally from the region (82 percent). The region retains 26 percent of non-native graduates, based on a survey of the class of 2005. On average, the region's workforce over age 25 is better educated (with four-year college degrees) than those in other metropolitan areas across the U.S. (32 percent, compared to 27 percent). At the same time, the City has one of the lowest educational attainment rates in the nation, with only 20.7 percent of its 25-years-or-older population possessing a bachelor's degree or higher in 2006.

Real Estate Market

Despite challenges in the national economy, Philadelphia's central business district ("CBD"), encompassing 42.2 million rentable square feet, shows stable office market conditions. The strength of the market is driven by the continued expansion of the city's major healthcare and educational institutions, which are less likely to be impacted by the slowdown, and the growth of Comcast Corporation. Recent developments in the financial services market offer both retention risks and attraction opportunities for Philadelphia. Significant downsizing among law firms and other professional services businesses pose the greatest challenge to the office market.

On the recovery side, Cushman & Wakefield's market forecast names Boston, Philadelphia, Washington, DC and Seattle as places where markets "will be in a recovery-ready mode in 2010.". The Center City office market has seen positive results in recent years, with 1 million square feet of net absorption in 2006, 992,000 square feet in 2007 and approximately 876,000 square feet of positive net absorption in 2008. Philadelphia's CBD boasted a direct vacancy rate of under 9% for the sixth quarter in a row as of the first quarter of 2009. The overall vacancy rate, including the sublease market which has seen a slight increase in activity but is still below national levels, is at 10.2%. The CBD experienced 130,000 square feet of leasing activity year to date. As building owners make substantial capital investments and 'trophy' locations are in demand, Class A asking rental rates in the CBD have risen from $25.85 in 2006 to $27.52 per square foot in the first quarter of 2009. A concerted attraction and retention campaign involving the combined efforts of the City, PIDC, the Center City District, the Greater Philadelphia Chamber of Commerce, and the Commonwealth has sustained these market conditions.

Amidst the national slowdown in real estate, Philadelphia's single-family property market remains consistent but is showing some signs of strain due to threats of increased foreclosures and a stagnant buyers market. However, the rental real estate market continues to be positioned favorably. Unburdened by a glut of speculative multifamily projects outstripping tenant demand, Philadelphia has maintained a low apartment vacancy rate and has fared well when compared to other regions.

Major Industry Sectors

When compared to the average sector concentration in Pennsylvania counties, Philadelphia has a higher concentration of employment in six sectors, as noted in the chart below.

Philadelphia Industry Concentrations Compared to Pennsylvania

Industry	Pennsylvania	Philadelphia County
Education and Health Services	1.34	2.27
Financial Activities	0.97	1.22
Other Services	0.98	1.06
Professional and Business Services	0.91	0.99
Leisure and Hospitality	0.87	0.94
Information	0.82	0.90
Trade, Transportation, and Utilities	0.99	0.69
Manufacturing	1.10	0.44
Construction	0.80	0.33
Unclassified	0.01	0.02
Natural Resources and Mining	0.55	0.00

Source BLS: 2007 Location Quotient, 2006 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.

Philadelphia has maintained an above-average concentration of employment in Education and Health Services, Financial Activities, Other Services, Professional Business Services, Leisure and Hospitality as well as Information Services. The employment base has undergone a gradual shift over the last decade, most notably marked by growth in leisure/hospitality and education/health services sector employment.

Despite a continued rise in unemployment over the past year, the overall gap between local and national unemployment has shrunk considerably due to deteriorating market conditions brought on by the nation's financial crisis.

As indicated in the chart below, until this year's economic downturn the City has consistently had an unemployment rate between 1.4 to 1.9 percent higher than the national average.

Year	U.S.	Pennsylvania	Philadelphia	% Difference between U.S. and Phila
1997	4.9%	5.1%	6.8%	1.9%
1998	4.5%	4.6%	6.2%	1.7%
1999	4.2%	4.4%	6.1%	1.9%
2000	4.0%	4.2%	5.6%	1.6%
2001	4.7%	4.8%	6.1%	1.4%
2002	5.8%	5.6%	7.3%	1.5%
2003	6.0%	5.7%	7.5%	1.5%
2004	5.5%	5.4%	7.3%	1.8%
2005	5.1%	5.0%	6.7%	1.6%
2006	4.6%	4.7%	6.3%	1.7%
2007	4.6%	4.4%	6.0%	1.4%
2008	5.8%	5.5%	7.2%	1.4%
2009*	8.3%	8.1%	9.5%	1.2%

Source: Bureau of Labor Statistics (BLS).2008.
**2009 Preliminary estimate based on 4 month average (Jan. – Apr.)*

The jobs report is mixed. As shown in the chart below, the local economy has reflected a trend toward growth in particular sectors. Overall job growth in the City has decreased slightly in 2008 and continues to be sluggish.

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Cluster Employment Data: City of Philadelphia
2003-2009
(in thousands)

Sector	2003	2004	2005	2006	2007	2008	2009*	% Change from 2003-2009*	Average Annual % Change
Construction & Mining	12.3	11.4	12	12.6	11.8	12.2	10.4	-15%	-2.1%
Manufacturing	34	32.6	31.2	30	28.3	27.3	25.4	-25%	-3.5%
Trade, Transportation, & Utilities	95.8	90.9	90	88.6	88.0	87.5	85.1	-11%	-1.5%
Information	15.9	13.6	13.2	12.7	12.9	12.3	11.8	-26%	-3.7%
Financial Activities	50.7	49	48.2	47.6	47.1	46.3	45.3	-11%	-1.5%
Professional & Business Services	80.9	80.3	82.4	84.1	85.3	85.5	81.4	1%	.1%
Education & Health Services	185.3	184.1	186.8	192	196.4	201.1	202.7	9%	1.2%
Leisure & Hospitality	52.9	54.6	56.6	57.6	58.4	57.8	55.7	5%	.7%
Other Services	29	28.5	28.5	28.2	28.2	28.1	27.7	-4%	-0.6%
Government	114.7	113	111.4	108.4	105.9	104.5	104.2	-9%	-1.2%
Total	671.5	658	660.3	661.8	662.4	662.5	649.7		

Source: Bureau of Labor Statistics.
Note: All years have been restated based on current BLS data, retrieved 5.22.2009 from data.bls.gov.
* 2009 Preliminary estimates based on 3 month average (Jan. – March.)

While the ongoing economic crisis has dampened employment growth across virtually every sector of the economy, "Philadelphia is coping better than many other urban areas throughout the U.S.," according to a recent economic report published by the Center City District. Much of this can be attributed to the City's diverse employment base and its avoidance of speculative real estate and high-risk financial activities that swept through the country following the "Technology Bust" of 2001.

The sector of Philadelphia's economy which has remained most insulated from the current recession has been Education and Health Services, capturing a 9% growth rate since 2003. The City, in its strategic plan for economic development and job growth, has identified the "Eds and Meds", along with Professional and Business Services, and Leisure and Hospitality, as targeted growth sectors that will drive the City's recovery process and position it for continued long-term growth.

The Education sector not only provides stable support to the local economy, but also generates a steady supply of potential "Knowledge Industry" workers. In the knowledge industry, which relies on the supply of new college graduates, companies apply emerging technologies to deliver high-quality, knowledge-based services. The knowledge industry includes sectors as diverse as financial services, engineering, health care, insurance, law, life sciences, printing, publishing, and academia. In a 2009 report published by the Milken Institute, the Greater Philadelphia region's life sciences industry earned the number one ranking of the study's "current impact" category by directly employing 94,400 workers and generating $7.7 billion in direct revenue in 2008. These advantages equip Philadelphia and the region to continue to build its knowledge industries.

While Philadelphia has a strong core of knowledge-based industries, the City must capitalize on these advantages to ensure future growth and dynamism. Within the knowledge economy is another

sector of great importance to Philadelphia and the region, the life sciences, which includes health care, research, biotechnology, and pharmaceuticals. Philadelphia is capitalizing on the region's opportunity to become an incubator for research generated by life sciences and educational institutions. Several sites now foster incubator opportunities, including the Philadelphia 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.

Philadelphia's economy enjoys a large market share of for-profit creative industry companies which are technology-driven, known as businesses representing the "creative economy." A subset of the knowledge industry, 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. Philadelphia supports several initiatives with the goal of increasing employment in this sector and fostering population growth in the City as a result.

Philadelphia International Airport

Philadelphia International Airport served 31.8 million passengers, including 4.0 million international travelers, in calendar year 2008. In 2007, PHL ranked seventeenth in the nation in terms of total passengers and is presently the tenth busiest in the world for aircraft operations, according to data reported by Airports Council International North America. The regional economic impact of the Airport is $14 billion annually PHL opened a new commuter terminal in 2001, a new international terminal in May 2003, and recently completed the extension of Runway 17-35 to increase airfield capacity.

In 2005, the Airport issued three series of Airport Revenue Bonds which included $125 million in fixed-rate Series 2005A bonds, $41 million in variable-rate Series 2005B bonds and $189.5 million in variable-rate Series 2005C bonds. Proceeds of the 2005A and B bonds have enabled the Airport to undertake critical infrastructure projects, such as expansion of Terminals D and E, improvements to Terminal A East, expansion of security checkpoints at Terminals B and C, and resurfacing of Runway 9R-27L. Proceeds of the 2005C bonds were used to refund the Airport's Series 1995A revenue bonds.

In August of 2007, the City issued the 2007A Bonds and the 2007B Bonds. Proceeds from the 2007A Bonds provide funding for several new capital projects including international terminal gate expansion, design work for the expansion of Terminal F, design of a new in-line baggage system for Terminal B/C, and an infrastructure improvement program. The 2007B Bonds refunded the Series 1997B Airport Revenue Bonds.

Philadelphia Industrial Development Corporation

Philadelphia Industrial Development Corporation (PIDC) is a private, not-for-profit Pennsylvania corporation, founded in 1958 by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce to promote economic development throughout the City. The many programs provided by PIDC include (i) direct mortgage funding in a subordinate position at reduced interest rates for fixed asset improvement to companies who intend to build or expand in Philadelphia; (ii) tax-exempt bond financing to eligible borrowers through the Philadelphia Authority for Industrial Development (PAID); (iii) offering of fully improved parcels of land for sale in more than a dozen designated industrial parks and districts across the City; and (iv) offering of development assistance and project management to a range of Philadelphia's development and non-profit corporations.

Financing Programs

PIDC offers a variety of Financing Programs to assist economic development for all segments of the Philadelphia market. Primary categories include:

PIDC Loan Programs: Largely funded by federal, state, and local government sources, PIDC loan programs generally offer subordinated financing and below-market rates which encourage investment in Philadelphia. Specific terms and uses vary and may cover infrastructure costs, land acquisition, building construction, machinery/equipment purchase, or working capital. During 2008, PIDC settled 37 loan transactions and provided approximately $55 million of funding to projects valued at $237 million.

PAID Bond Program: PIDC also manages the Philadelphia Authority for Industrial Development (PAID). PAID issues, as a conduit, tax-exempt bonds for qualified manufacturing and not-for-profit and other projects. PAID is also a conduit for taxable issues. During calendar year 2008, PAID settled 25 bond issues for $389.8 million in financing and total project costs of $419.3 million.

Real Estate Services

On behalf of the City of Philadelphia, PIDC is responsible for acquiring, improving and selling industrial and commercial land in strategic locations throughout the City. Over the years, PIDC has successfully leveraged economic development on more than 2,000 acres of such land.

? Industrial Land: PIDC parcels are competitively priced, zoned for immediate development, environmentally clean, and fully improved with roads and utilities. Many of these sites are located in established Northeast, West, and Southwest Philadelphia industrial park settings with excellent access to transportation and workforce. Others are situated in redeveloping commercial neighborhood corridors.

? Most of PIDC's properties are in designated incentive areas, which include specific entitlements to tax abatements, low interest loans and other benefits. Of particular note are the Keystone Opportunity Zones (KOZs), which abate business taxes for varying terms.

? Public Property Sales: In 2005, PIDC entered into an agreement with the City's Department of Public Property to market the City's surplus real estate throughout Philadelphia. During 2008, PIDC completed 8 different transactions with a combined sale price of $5.996 million. Since this effort began, PIDC has completed the sale of 27 properties resulting in approximately $14 million for the City's General Fund.

? Developer Selection: When demand is present, PIDC also manages developer selection and sales of key real estate assets utilizing conventional RFQ/RFP methodology. Currently, PIDC is developing a handful of RFQ/RFP documents for sites that are likely to be in demand when the real estate market rebounds.

? In summary, PIDC closed 12 land sales, totaling 44.3 acres in 2008. This level of activity is consistent with 2008 and represents the impacts of the overall slowdown in the national and regional economy. In Fiscal Year 2009, PIDC working along with the City of Philadelphia's Commerce Department and the City Planning Commission will complete a study of Philadelphia's industrial land inventory, characteristics, and projected demand to develop a new industrial land policy to serve as a guide for the nature, location and scale of industrial land acquisition and development for the foreseeable future.

The Navy Yard

During the past decade, the United States Department of Defense has downsized significantly in the Philadelphia area, resulting in substantial excess real estate in the city. PIDC is responsible for converting these former military properties to civilian use, and many of the dispositions realized during 2003-2006 included development sites from this portfolio.

Located on the Delaware River at the south end of Broad Street, The Navy Yard is the largest former Defense Department asset, with 1,000 acres and 6.5 million square feet of existing industrial and office space. Since the ownership transfer in March 2000, PIDC has been responsible for planning, operations and development of this massive property.

Initial emphasis was on upgrading roads and utilities systems with over $25 million of infrastructure investment. Development of the Aker Philadelphia Shipyard, a $300 million state-of-the-art facility, was funded by federal, state, and local sources. Successful leasing and development efforts have resulted in more than 80 companies and three Navy operations occupying more than 4.5 million square feet of space and employing more than 7,000 people. In September 2004, PIDC and the City released an updated Navy Yard Master Plan, which focuses on mixed use development on 400 acres east of Broad Street and envisions over $2 billion of private investment in office, research, retail, residential, and recreational projects. To date, major progress was achieved in implementation of the Master Plan:

? Industrial Anchors: The Navy Yard continues to be a vital industrial and manufacturing center, with the Aker Philadelphia Shipyard as a major anchor activity. Aker employs 1,300 in its commercial shipbuilding operation and is in the midst of $2 billion worth of ship orders. This robust activity also supports a number of supplier and related industrial and manufacturing companies located at The Navy Yard. The US Navy also retains significant industrial facilities to support its foundry and propeller shop with nearly 800 employees. Building on the skilled workforce and range of industrial supplier companies located at The Navy Yard, an affiliate of Boston Ship repair leased a dry-dock, pier and related facilities in 2007 and commenced ship repair in 2008. Also in 2007, Tasty Baking Company announced plans for, and began construction on, a new 350,000 SF bakery and distribution center at The Navy Yard. This facility will be operational in 2009. This facility, along with an additional 200,000 SF of speculative flex and industrial space, is being developed in the Navy Yard Commerce Center by Liberty Property Trust and Synterra Partners.

? Navy Yard Corporate Center: In 2003, PIDC selected a team led by Liberty Property Trust and Synterra Partners to develop 72 acres with 1.4 million square feet of Class A office space. Liberty/Synterra has developed three buildings, (i) a 77,000-square-foot, multi-tenant speculative building which is now 100 percent leased, (ii) a 47,000 square foot build-to-suit headquarters for Unique Industries and (iii) a 95,000 square foot office building currently under construction. The third building will be a multi-tenant building to include Tasty Baking Company's corporate headquarters as the anchor tenant and will open in 2009 with more than 70% of the space now leased..

? Additional Corporate Office Activity: The Navy Yard's shift from a federal, industrial property to a private sector business park with corporate/research future has defined itself in recent years with a combination of headquarters relocations by Vitetta Architects and Engineers, Unique Industries, and Barthco International. In 2006, Urban Outfitters, a major retailer of clothing, furnishings and accessories completed its $115 million corporate campus, an award-winning historic conversion of approximately 300,000 SF of former industrial facilities now housing more than 900 employees.

? Research and Development: In addition to the development of general corporate office facilities, The Navy Yard has established an important market segment in technology and R&D activity. This activity is anchored by the Naval Ship Systems Engineering Station, an 1,800 person federal research lab that houses the Navy's premier research organization focusing on power, energy, fuel cells, propulsion, IT and systems integration. In order to complement and expand this research base, the Commonwealth designated the Navy Yard as a Keystone Innovation Zone (KIZ), providing access to variety of state incentives for

technology development. The KIZ team led by PIDC includes the U.S. Navy, Penn State University, the Delaware Valley Industrial Resource Center (DVIRC), the City of Philadelphia and the Ben Franklin Technology Partners of Southeastern Pennsylvania. Early initiatives of the KIZ have resulted in Penn State establishing a Navy Yard location for its graduate level engineering program; the relocation of Ben Franklin Technology Partners' Corporate Office to The Navy Yard; the development of the Building 100 Innovation Center by Ben Franklin, DVIRC and PIDC to house early stage technology companies focused on power and energy related research; and a cadre of 12 KIZ related companies with offices at The Navy Yard. PIDC and Penn State have also prepared initial plans for a $70 million, 120,000 SF Energy Engineering and Technology Innovation Center that will provide Penn State with a major research presence at The Navy Yard.

The Navy Yard also supports a significant and growing life sciences community. In 2004, AppTec Laboratory Services, a Minneapolis based provider of contract testing and manufacturing services to the pharmaceutical sector, developed a new, 75,000 SF office and lab facility at The Navy Yard. Established with approximately 40 employees initially, AppTec now has more than 260 employees at The Navy Yard. In 2008, WuXi Pharmaceuticals acquired AppTec and now houses its North American contract testing operation at The Navy Yard. Phoenix IP Ventures, an intellectual property Merchant Bank focused in the life sciences area, established its corporate headquarters at The Navy Yard, where it also houses operations for its growing base of companies.

Additional Projects under Construction

The following table lists additional projects currently under construction in the City for the City/Public sector.

Table A-25
Projects under Construction

Project	Estimated Cost
City Hall Exterior Renovation Project	$90,000,000
Presidents House	$8,400,000
Robin Hood Dell Restoration	$5,500,000
Emergency Standby Generators	$4,600,000
Herron & Gambrel Playground Improvements	$2,600,000
Philadelphia Industrial Correctional Center Security Upgrade Project	$ 2,100,000
Fire Point Source Capture	$ 11,000,000
Waterworks Dredging Enhancement	$1,000,000

Source: Office of Budget and Program Evaluation, January 2009

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2008

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City of Philadelphia

PENNSYLVANIA 1682

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

City of Philadelphia

P E N N S Y L V A N I A

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008

Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Michael J. Kauffman
Accounting Director

SEAL OF THE CITY OF PHILADELPHIA

PHILADELPHIA MANETO

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Cover photo – US Pro Cycling Championship - by R. Kennedy courtesy of GPMTC.org

C I T Y O F P H I L A D E L P H I A

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Philadelphia, Pennsylvania 19102-1693

ROB DUBOW
Director of Finance

February 20, 2009

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, 2008 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 Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Financial section includes Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information and the Combining and Individual Fund Statements. The Statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

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 129 square miles along the Delaware River, serves a population in excess of 1.4 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 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 (10) from districts and seven (7) from the City at large, elected every four years. Minority representation is assured by the requirement that no more than five (5) 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 Redevelopment Authority of Philadelphia's, the Philadelphia Parking Authority's, the School District of Philadelphia's, the Community College of Philadelphia's, Community Behavioral Health, Inc.'s, the Pennsylvania Convention Center Authority's, Penn's Landing Corporation's and the Philadelphia Authority for Industrial Development's statements are discretely presented. A component unit was considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for the entity or that the nature and significance of the relationship between the City and the entity was 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 when you consider 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 the 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.

The City had, at the close of fiscal year 2008, a positive fund balance of $119.5 million. In fiscal 2008, increased costs for pensions, benefits and fuel, and criminal justice and social services reduced opportunities to contain overall costs. As a result the fiscal year 2008 budget included a position reduction in most General Fund departments as well as a continuation of the hiring freeze. However, the City's fiscal year 2009 and future budgets will be defined by the national and global financial and economic crisis. By the end of the current fiscal year, the city is now projecting a $47 million budget shortfall rather than a modest surplus. This shortfall is projected despite having solved for a projected $108 million shortfall in November 2008 (midway through the fiscal year).

To deal with the crisis, the current administration has made a commitment they would follow three guiding principles in making adjustments to current and future budgets – preservation of core services, minimize the impact of any adjustments on Philadelphia's most vulnerable populations and be mindful of the long term financial and economic implication of any action taken.

With those principles in mind the Administration identified ways to produce quality services at a lower cost such as the Streets Department – electricity efficiencies and reductions – savings of $1 million and the Division of Technology – IT consolidation - $.85 million and overall reduction in overtime – savings of $18.5 million.

In addition, the Administration has looked to improve collection of the money owed as well as additional revenue generation. For example, delinquent taxpayer collections are expected to increase revenue $8.2 million and increased fees and fines are expected to generate $4.8 million.

The City's finances and, in particular, its tax collections are closely tied to the national and global economy. The current global economic situation, which remains exceptionally fluid, is noteworthy for the degree of uncertainty regarding future forecasts of economic activity. That uncertainty is best illustrated in the changes in the Blue Chip Consensus Forecast for U.S. growth, measured by the percentage change in annual U.S. GDP between September, 2008 and February, 2009. In September, 2008, the Blue Chip Consensus Forecast for U.S. economic growth was 1.5%, suggesting minimal yet, still positive, growth for the economy. Over the next five months, the Blue Chip Consensus dropped monthly as forecasters struggled to incorporate data detailing the loss of jobs, the credit crisis, and the deepening contraction in the economy in their latest forecasts. On February 10, 2009, Blue Chip released its latest Consensus Forecast for U.S. economic growth; that forecast projects 1.9% contraction in the U.S. economy in Calendar Year 2009. This is a substantial change from the September, 2008 forecast.

Every major forecaster of the U.S. economy, including the Federal Open Market Committee and the Congressional Budget Office, has stressed that there are uncertain times for forecasters. It remains unclear, one year into the current recession (as dated by the National Bureau of Economic Research) how extensive job losses may be, what the impact of the current downturn will be on corporate and personal incomes and balance sheets, or how long the current downturn will last. This uncertainty will continue to affect the City's revenues and revenue forecast.

This table shows that over the five years before the global economic crisis the City's population had been declining slowly, personal income had been rising and the unemployment rate had been declining:

Calendar Year	Population	Personal Income (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate
2003	1,475,400	41,843,691	28,361	7.5%
2004	1,468,780	43,234,005	29,435	6.7%
2005	1,460,301	45,086,361	30,875	5.9%
2006	1,453,212	47,484,811	32,676	6.2%
2007	1,449,634	50,010,851	34,499	6.0%

Long Term Financial Planning

Long term financial planning for the City and for governments and businesses around the world has been made much more challenging with the rate of deterioration in the economy seeming to accelerate at rates not seen in decades. As discussed above, the City has made sweeping changes to its budget and five-year plan to compensate for projected deficits and will continue to make those adjustments as necessary Fiscal 2009 budgets have been reduced to eliminate growth in the number of employees and similar cuts are being forecast for the following fiscal year. However some planned initiatives must take place if the City is to be positioned for economic recovery in the long run.

Some of the initiatives implemented this year are:

- **Creation of an Office of Sustainability.** The City is committed to "going green" and this office is charged with developing and implementing best practices in sustainable development and management throughout the government, particularly in areas of green building, energy efficiency, green collar jobs, natural resource management, environmental health and resource recovery..
- **Implementation of Philly Stat.** A crucial aspect of customer service focus is the development of tools and standards to assess and analyze the successes and challenges facing the City's operating departments. By tracking performance indicators, work orders and citizen feedback, PhillyStat functions as both a performance measurement and customer service tool.
- **Creation of a 3-1-1 System.** 3-1-1 is a non-emergency service system with the potential to revolutionize the way citizens and public servants experience municipal government. As of January 1, 2009, residents can call 3-1-1 for basic City services such as reporting abandoned vehicles, requesting pothole maintenance or finding real time traffic information. After residents place their request, their information is logged into the PhillyStat database and a service file is created. These service files are then tracked until the request for service is fulfilled, providing rich data on the departments responsible for handling the complaint, their functionality and efficiency.

Cash Management

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the US Treasury, repurchase agreements and commercial paper. The Pension Trust Fund's investment portfolio also includes stocks, corporate bonds, real estate and other items.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its agent, the Federal Reserve Bank, or a financial institution's trust department.

Risk Management

The City and several of its component units are self-insured for fire damage, casualty losses, public liability, Worker's Compensation, and Unemployment Compensation. Liabilities arising in these areas are liquidated with available resources of the respective operating funds. The Airports, the Philadelphia Gas Works and the remaining component units are principally insured through insurance carriers.

Pension and Other Post-employment Benefits

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.

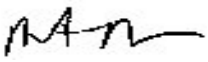
The **Deferred Retirement Option Plan** (DROP) was initiated in October, 1999. Under this plan employees that reach retirement age may accumulate their monthly service retirement benefit in an interest bearing account at the Board of Pensions for up to four (4) years and continue to be employed by the City of Philadelphia. The Mayor may determine that an extraordinary circumstance exists which threatens public health, safety and welfare, and where it would be in the City's best overall interest to extend participation. Then public safety employees in their fourth year in the program may remain employees of the City for up to one additional year beyond the four (4) year limit under the same terms and conditions of the DROP.

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, 2007. This was the twenty-eighth 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

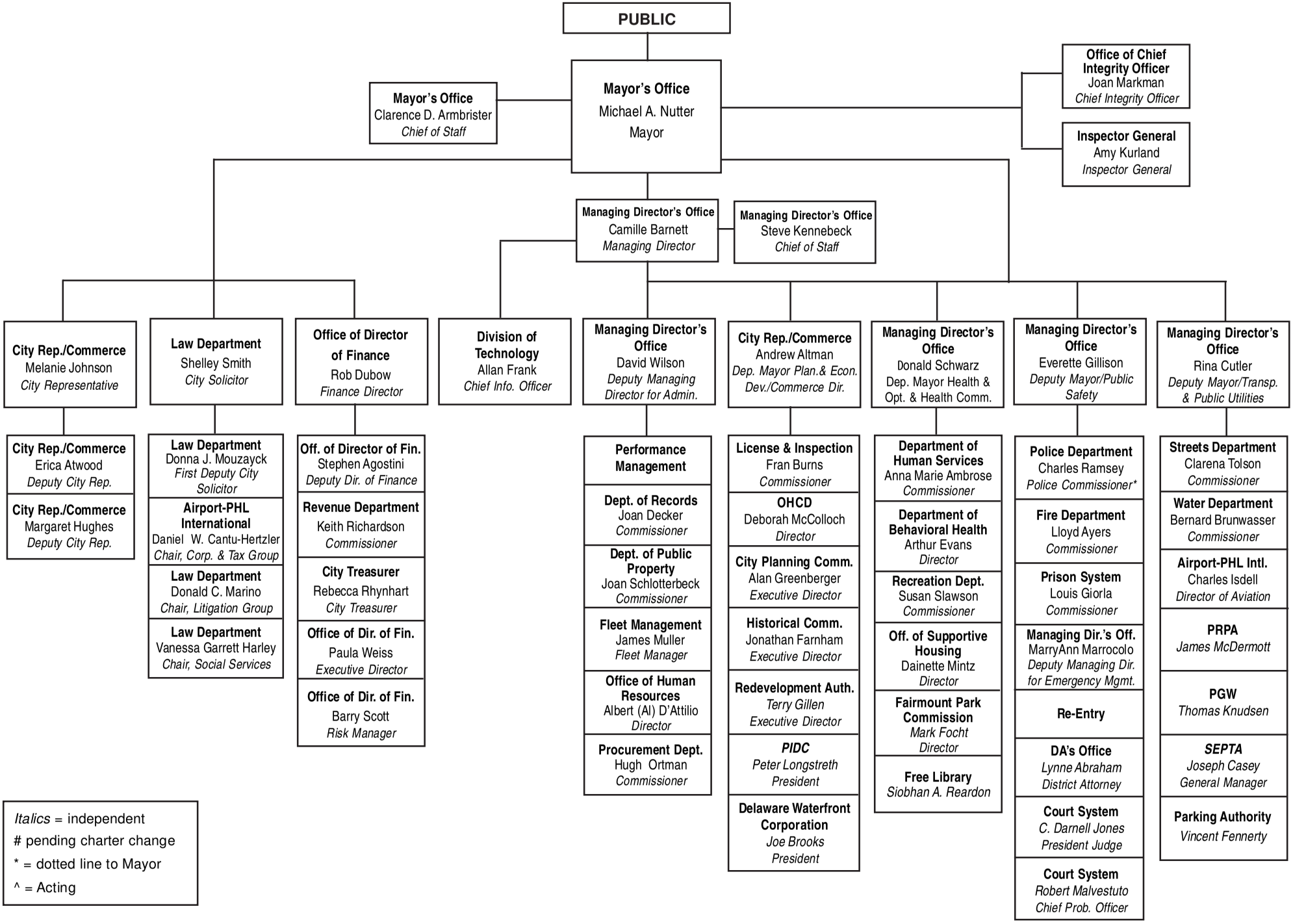
City of Philadelphia Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.

President

Executive Director


PUBLIC
Mayor's Office
Clarence D. Armbrister
Chief of Staff
Mayor's Office
Michael A. Nutter
Mayor
Office of Chief Integrity Officer
Joan Markman
Chief Integrity Officer
Inspector General
Amy Kurland
Inspector General
Managing Director's Office
Camille Barnett
Managing Director
Managing Director's Office
Steve Kennebeck
Chief of Staff
City Rep./Commerce
Melanie Johnson
City Representative
City Rep./Commerce
Erica Atwood
Deputy City Rep.
City Rep./Commerce
Margaret Hughes
Deputy City Rep.
Law Department
Shelley Smith
City Solicitor
Law Department
Donna J. Mouzayck
First Deputy City Solicitor
Airport-PHL International
Daniel W. Cantu-Hertzler
Chair, Corp. & Tax Group
Law Department
Donald C. Marino
Chair, Litigation Group
Law Department
Vanessa Garrett Harley
Chair, Social Services
Office of Director of Finance
Rob Dubow
Finance Director
Off. of Director of Fin.
Stephen Agostini
Deputy Dir. of Finance
Revenue Department
Keith Richardson
Commissioner
City Treasurer
Rebecca Rhynhart
City Treasurer
Office of Dir. of Fin.
Paula Weiss
Executive Director
Office of Dir. of Fin.
Barry Scott
Risk Manager
Division of Technology
Allan Frank
Chief Info. Officer
Managing Director's Office
David Wilson
Deputy Managing Director for Admin.
Performance Management
Dept. of Records
Joan Decker
Commissioner
Dept. of Public Property
Joan Schlotterbeck
Commissioner
Fleet Management
James Muller
Fleet Manager
Office of Human Resources
Albert (Al) D'Attilio
Director
Procurement Dept.
Hugh Ortman
Commissioner
City Rep./Commerce
Andrew Altman
Dep. Mayor Plan.& Econ. Dev./Commerce Dir.
License & Inspection
Fran Burns
Commissioner
OHCD
Deborah McColloch
Director
City Planning Comm.
Alan Greenberger
Executive Director
Historical Comm.
Jonathan Farnham
Executive Director
Redevelopment Auth.
Terry Gillen
Executive Director
PIDC
Peter Longstreth
President
Delaware Waterfront Corporation
Joe Brooks
President
Managing Director's Office
Donald Schwarz
Dep. Mayor Health & Opt. & Health Comm.
Department of Human Services
Anna Marie Ambrose
Commissioner
Department of Behavioral Health
Arthur Evans
Director
Recreation Dept.
Susan Slawson
Commissioner
Off. of Supportive Housing
Dainette Mintz
Director
Fairmount Park Commission
Mark Focht
Director
Free Library
Siobhan A. Reardon
Managing Director's Office
Everette Gillison
Deputy Mayor/Public Safety
Police Department
Charles Ramsey
Police Commissioner*
Fire Department
Lloyd Ayers
Commissioner
Prison System
Louis Giorla
Commissioner
Managing Dir.'s Off.
MarryAnn Marrocolo
Deputy Managing Dir. for Emergency Mgmt.
Re-Entry
DA's Office
Lynne Abraham
District Attorney
Court System
C. Darnell Jones
President Judge
Court System
Robert Malvestuto
Chief Prob. Officer
Managing Director's Office
Rina Cutler
Deputy Mayor/Transp. & Public Utilities
Streets Department
Clarena Tolson
Commissioner
Water Department
Bernard Brunwasser
Commissioner
Airport-PHL Intl.
Charles Isdell
Director of Aviation
PRPA
James McDermott
PGW
Thomas Knudsen
SEPTA
Joseph Casey
General Manager
Parking Authority
Vincent Fennerty
Italics = independent
# pending charter change
* = dotted line to Mayor
^ = Acting

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 ..... Carol Ann Campbell
5th District ..... Darrell L. Clarke
6th District ..... Joan L. Krajewski
7th District ..... Daniel J. Savage
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 ..... Juan F. Ramos
At-Large ..... Frank Rizzo

District Attorney ..... Lynne M. Abraham

City Controller ..... Alan Butkovitz

City Commissioners
Chairwoman ..... Margaret M. Tartaglione
Commissioner ..... Anthony Clark
Commissioner ..... Edgar Howard

Register of Wills ..... Ronald R. Donatucci

Clerk of Quarter Sessions ..... Vivian T. Miller

Sheriff ..... John Green

First Judicial District of Pennsylvania
President Judge, Court of Common Pleas ..... C. Darnell Jones II
President Judge, Municipal Court ..... Louis J. Presenza
President Judge, Traffic Court ..... Thomasine Tynes

Appointed Officials

Managing Director	Camille Cates Barnett, Ph.D.
Director of Finance	Rob Dubow
City Solicitor	Shelley A. Smith
City Representative	Melanie Johnson
Chief of Staff	Clarence Armbrister
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	Donald R. Schwarz, M.D.
Deputy Mayor for Planning & Economic Development/Commerce Director	Andrew Altman
Chief Integrity Officer	Joan L. Markman
Inspector General	Amy L. Kurland
Chief Education Advisor to the Mayor	Lori A. Shorr, Ph.D.
Senior Advisor to the Mayor	Pauline Abernathy
Senior Advisor to the Mayor for Economic Development	Teresa A. Gillen
Chief Information Officer	Terry Phillis
Acting Director of the City Planning Commission	Gary Jastrzab
Capital Program Office Director	Richard Tustin
Acting City Treasurer	John Nacchio
Revenue Commissioner	Keith Richardson
Procurement Commissioner	Hugh Ortman
Police Commissioner	Charles Ramsey
Acting Prisons Commissioner	Louis Giorla
Streets Commissioner	Clarena Tolson
Fire Commissioner	Lloyd Ayers
Acting Recreation Commissioner	William Carapucci
Acting Public Property Commissioner	Joan Schlotterbeck
Director of the Office of Behavioral Health	Arthur C. Evans
Department of Human Services Commissioner	Anne Marie Ambrose
Acting Licenses and Inspections Commissioner	John Elfrey
Acting Water Commissioner	Bernard Brunwasser
Records Commissioner	Joan T. Decker
Acting Personnel Director	Celia O'Leary
Executive Director of the Board of Pensions & Retirement	Gwendolyn Bell
Executive Director of the Fairmount Park Commission	Mark Focht
Executive Director of the Sinking Fund Commission	Carl P. Coin
Acting Director of Aviation	Charles J. Isdell, Jr.
Acting President and Director of the Free Library of Philadelphia	Joseph McPeak
Acting Director of the Office of Housing Support	Dainette Mintz
Director of the Office of Labor Relations	Joseph Tolan

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA
MANETO

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

ALBERT F. SCAPEROTTO
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, 2008, which collectively comprise the City of Philadelphia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the entities whose percentage of assets and revenues are disclosed in Note I-1C. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 previously 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, 2008, 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 Notes IV-1 and IV-3 to the financial statements, in 2008 the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50, *Pension Disclosures*.

Also, as discussed in Note III-13B to the financial statements, in 2008 the City of Philadelphia reevaluated its relationship with the Philadelphia Housing Authority (PHA), which has been reported as a discretely presented component unit in the past, and determined that PHA no longer meets the criteria for inclusion as a component unit. Accordingly, net assets at July 1, 2007 have been adjusted to exclude PHA.

The management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans and other post employment benefits-schedule of funding progress, and the related notes to required supplementary information, on pages 120 through 124, 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'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 2008 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 2008 basic financial statements taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Philadelphia's basic financial statements for the year ended June 30, 2007, which are not presented with the accompanying financial statements. In our report dated January 29, 2008, we expressed unqualified opinions on the respective 2007 financial statements of the governmental activities, the business-type activities, the aggregate discretely presently component units, each major fund, and the aggregate remaining fund information. The 2007 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations, on pages 148 through 152, have been subjected to the auditing procedures applied in the audit of the 2007 basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the 2007 basic financial statements, 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.

Albert F. Scaperotto

February 20, 2009

ALBERT F. SCAPEROTTO, 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, 2008 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 assets* were $782.5 million resulting from an excess of its assets over its liabilities, however, its *unrestricted net assets* showed a deficit of $1,300.9 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 decreased by $284.6 million. The governmental activities of the city experienced a decrease of $350.3 million, while the business type activities had an increase of $65.7 million.

- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of $828.6 million, a decrease of $355.5 million from last year. The *unreserved fund balance* of the governmental funds ended the fiscal year with a surplus of $54.6 million, a decrease of $236.9 million from last year. Primarily, this was due to the General fund which experienced a decrease in Fund Balance of $253.4 million.

- The overall unreserved fund balance of the city's General fund ended the fiscal year with a deficit of $24.3 million, a decrease from last year of $177.1 million. This is due to the increase of expenditures of $275.3 million or 7.7% over last year. This is first time since FY2004 that the General fund's unreserved fund balance has declined and the first time since FY2005 that it has been a deficit.

- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a surplus fund balance of $119.5 million, as compared to a surplus of $297.9 million last year. This decrease of $178.4 was due to the operating deficit of $197.0 million offset by some cancellations of prior year obligations.

Overview of the Financial Statements

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

- Government-wide financial statements which provide both long-term and short-term information about the city's overall financial condition.
- Fund financial statements which provide a more detailed look at major individual portions, or funds, of the city.
- Notes to the financial statements which explain some of the information contained in the financial statements and provide more detailed data.
- Other supplementary information which further explains and supports the information in the financial statements.

Government-wide financial statements. The government-wide financial statements report information about the city as a whole using accounting methods similar to those used by a private-sector business. The two statements presented are:

The *statement of net 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 ten distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, the Convention Center Authority, Gas Works, Housing Authority, Parking Authority, Penn's Landing 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-one 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 eighteen funds 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 assets exceeded its liabilities by $782.5 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, $798.2 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.

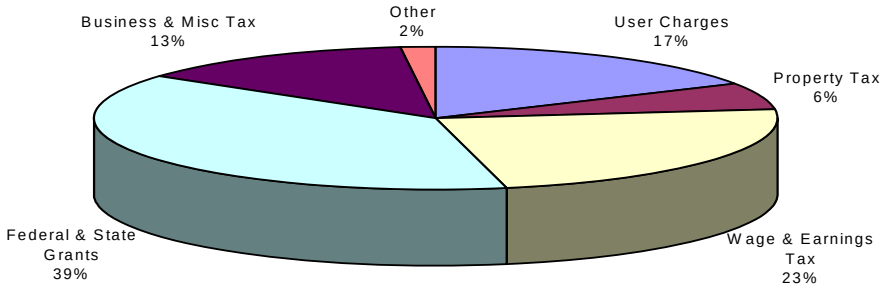
A portion of the city's net assets, $1,285.1 million, are subject to external restrictions as to how they may be used. The remaining component of net assets is unrestricted. Unrestricted net assets ended the fiscal year with a deficit of $1,300.9 million. The governmental activities reported negative *unrestricted net assets* of $1,567.1 million. Any deficits will have to be funded from future revenues. The business type activities reported an unrestricted net assets surplus of $266.2 million.

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

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

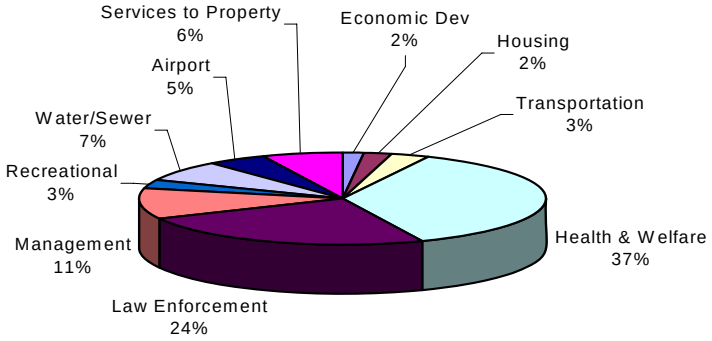
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2008	2007	Change	2008	2007	Change	2008	2007	Change
Current and other assets	2,478.3	2,922.7	-15.21%	1,352.7	1,304.3	3.71%	3,831.0	4,227.0	-9.37%
Capital assets	2,183.3	2,193.0	-0.44%	3,188.4	3,097.0	2.95%	5,371.7	5,290.0	1.54%
Total assets	**4,661.6**	**5,115.7**	-8.88%	**4,541.1**	**4,401.3**	3.18%	**9,202.7**	**9,517.0**	-3.30%
Long-term liabilities	4,572.8	4,690.0	-2.50%	2,907.8	2,851.7	1.97%	7,480.6	7,541.7	-0.81%
Other liabilities	808.5	795.0	1.70%	131.2	113.2	15.90%	939.7	908.2	3.47%
Total liabilities	**5,381.3**	**5,485.0**	-1.89%	**3,039.0**	**2,964.9**	2.50%	**8,420.3**	**8,449.9**	-0.35%
Net assets:									
Invested in capital assets, net of related debt	206.4	161.4	27.88%	591.8	544.0	8.79%	798.2	705.4	13.16%
Restricted	641.0	689.7	-7.06%	644.1	635.1	1.42%	1,285.1	1,324.8	-3.00%
Unrestricted	(1,567.1)	(1,220.5)	-28.40%	266.2	257.3	3.46%	(1,300.9)	(963.2)	-35.06%
Total net assets	**(719.7)**	**(369.4)**	-94.83%	**1,502.1**	**1,436.4**	4.57%	**782.4**	**1,067.0**	-26.67%

Changes in net assets. The city's total revenues this year, $6,513.6 million, fell short of total costs of $6,811.2 million by $297.5 million. Approximately 30% 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 61% are related to the health, welfare and safety of the general public.



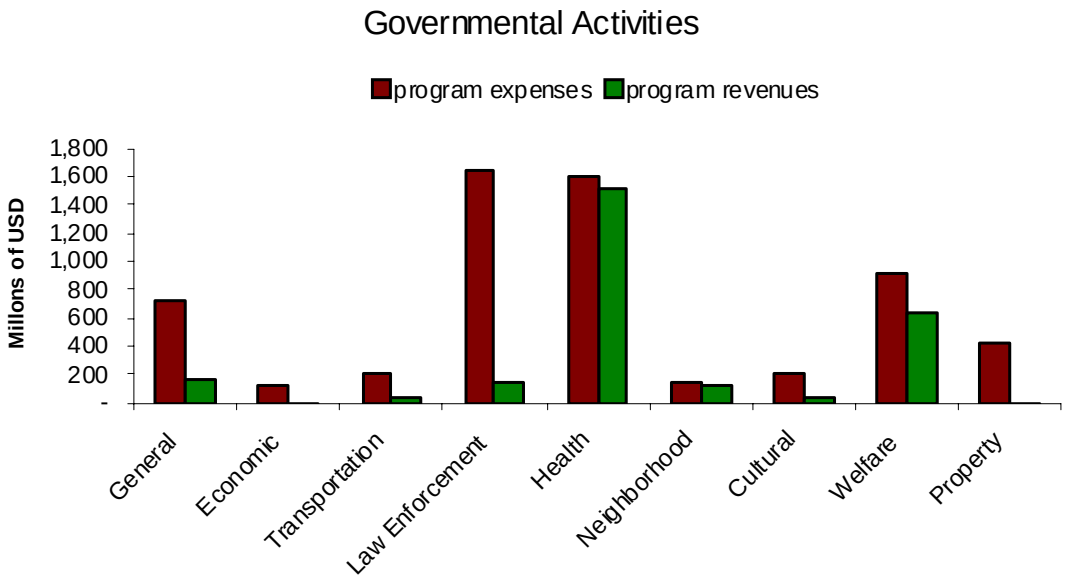
Overall, net assets for the city decreased by $284.6 million. Total revenues increased by $115.7 million, total expenses increased by $386.2 million over last year. This resulted in the Change in Net Assets being $279.2 million lower than in the previous year. There is also an $13.0 million increase to last year's net assets due to a change in the accounting for library book depreciation resulting in an overall increase in net assets over last year. Tax receipts decreased by $14.5 million largely attributable to decreased real estate transfer tax tax collections. Grants & Contributions increased by $0.6 million.

Expense increases included $113.1 million for Health Services , $14.5 million for Police, $68.2million for General management and Support, and $31.0 million for Housing and Neighborhood Development.



Governmental Activities

The governmental activities of the City resulted in a $350.3 million decrease 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		%	Program Revenues		%	Net Cost		%
	2008	**2007**	**Change**	**2008**	**2007**	**Change**	**2008**	**2007**	**Change**
General Welfare	907.0	893.9	1.5%	637.7	622.5	2.4%	269.3	271.4	-0.8%
Judiciary & Law Enforcement	1,635.8	1,518.7	7.7%	139.8	126.8	10.3%	1,496.0	1,391.9	7.5%
Public Health	1,609.8	1,478.6	8.9%	1,504.4	1,428.6	5.3%	105.4	50.0	110.8%
General Governmental	732.0	718.2	1.9%	156.8	156.6	0.1%	575.2	561.6	2.4%
Services to Property	422.8	419.7	0.7%	5.5	4.5	22.2%	417.3	415.2	0.5%
Housing, Economic & Cultural	674.3	601.7	12.1%	203.4	186.2	9.2%	470.9	415.5	13.3%
	5,981.7	**5,630.8**	6.2%	**2,647.6**	**2,525.2**	4.8%	**3,334.1**	**3,105.6**	7.4%

- The cost of all governmental activities this year was $5,981.7 million; the amount that taxpayers paid for these programs through tax payments was $2,797.2 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,349.9 million while those who benefited from the programs paid $297.76 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 $175.0 million. After prior year adjustments of $11.6 million, the difference of $357.7 million will have to be funded from future resources.

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:

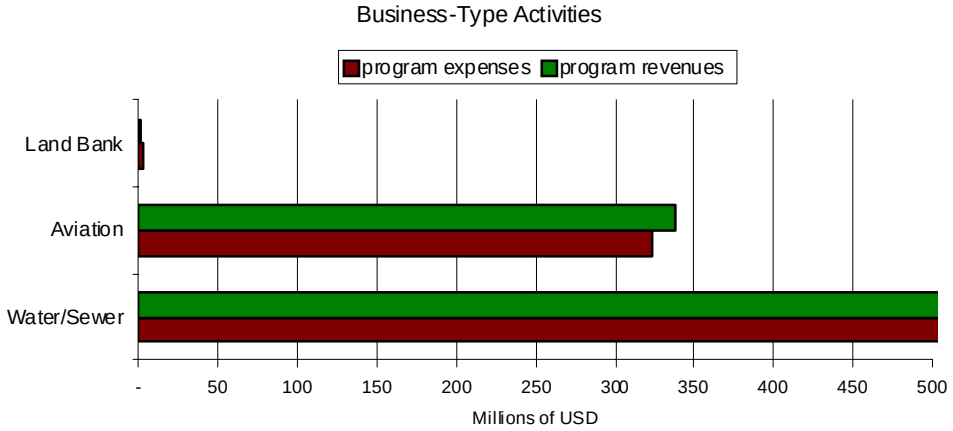
City of Philadelphia-Net Assets

(millions of USD)	Governmental Activities		Business-type Activities		Total		%
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**Change**
Revenues:							
Program revenues:							
Charges for services	297.7	304.6	808.0	804.3	1,105.7	1,108.9	-0.3%
Operating grants and contributions	2,339.9	2,204.9	5.4	2.8	2,345.3	2,207.7	6.2%
Capital grants and contributions	10.0	15.7	36.6	22.4	46.6	38.1	22.3%
General revenues:							
Wage and earnings taxes	1,524.5	1,498.5	-	-	1,524.5	1,498.5	1.7%
Property taxes	401.3	399.2	-	-	401.3	399.2	0.5%
Other taxes	871.5	914.0	-	-	871.5	914.0	-4.6%
Unrestricted grants and contributions	104.7	104.1	-	-	104.7	104.1	0.6%
Unrestricted Interest	65.3	81.8	48.7	45.6	114.0	127.4	-10.5%
Total revenues	**5,614.9**	**5,522.8**	**898.7**	**875.1**	**6,513.6**	**6,397.9**	1.8%
Expenses:							
Economic development	116.4	92.6	-	-	116.4	92.6	25.7%
Transportation	206.0	201.6	-	-	206.0	201.6	2.2%
Judiciary & law enforcement	1,635.8	1,518.7	-	-	1,635.8	1,518.7	7.7%
Conservation of health	1,609.8	1,478.6	-	-	1,609.8	1,478.6	8.9%
Housing & neighborhood development	142.1	111.2	-	-	142.1	111.2	27.8%
Cultural & recreational	209.8	196.3	-	-	209.8	196.3	6.9%
Improvement of the general welfare	907.0	893.9	-	-	907.0	893.9	1.5%
Services to taxpayer property	422.8	419.7	-	-	422.8	419.7	0.7%
General management	637.0	568.7	-	-	637.0	568.7	12.0%
Interest on long term debt	95.1	149.5	-	-	95.1	149.5	-36.4%
Water & waste water	-	-	504.2	476.1	504.2	476.1	5.9%
Airport	-	-	323.1	314.3	323.1	314.3	2.8%
Industrial land bank	-	-	2.1	3.7	2.1	3.7	-43.2%
Total expenses	**5,981.8**	**5,630.8**	**829.4**	**794.1**	**6,811.2**	**6,424.9**	6.0%
Increase (decrease) in net assets before transfers & special items	(366.9)	(108.0)	69.3	81.0	(297.6)	(27.0)	
Transfers	5.0	5.0	(5.0)	(5.0)	-	-	
Increase (decrease) in Net Assets	**(361.9)**	**(103.0)**	**64.3**	**76.0**	**(297.6)**	**(27.0)**	
Net Assets - Beginning	(369.4)	(290.7)	1,436.4	1,363.2	1,067.0	1,072.5	-0.5%
Adjustment	11.6	24.3	1.4	(2.8)	13.0	21.5	
Net Assets - End	**(719.7)**	**(369.4)**	**1,502.1**	**1,436.4**	**782.4**	**1,067.0**	-26.7%

Business-type Activities

Business-type activities caused the city's net assets to increase by $65.7million. This increase was comprised of an increase in net assets for water/wastewater of $29.3 million, for aviation of $36.8 million and a decrease for industrial & commercial development operations of $0.4 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.

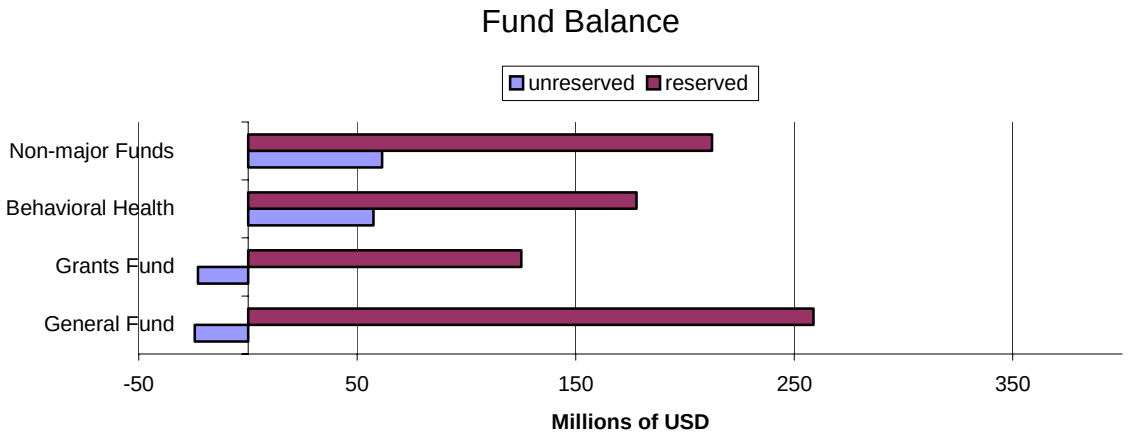


Financial Analysis of the Government's Funds

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 $828.6 million a decrease of $355.5 million over last year. Of the total fund balance, $773.9 million represents *reserved fund balance* which indicates that it is not available for new spending because it has already been committed to: contracts for goods and services ($184.8 million); revitalize neighborhoods ($77.8million); pay debt service ($79.3million); support programs funded by independent agencies ($70.8million); fund a portion of the city's managed care programs ($177.8 million); fund a portion of new sports stadiums ($0.1million); loan to PGW ($22.5 million); fund the 911 emergency phone system ($28.7 million); fund a portion of the central library renovation project ($4.9million), cultural and commercial corridor project ($122.5million); and trusts ($4.7million). The difference between the combined fund balance and reserved fund balance is $54.6 million which constitutes *unreserved fund balance,* this surplus is available to fund future budgets.

The general fund, the primary operating fund of the city, reported a *unreserved fund balance deficit* of $24.3 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 -0.1% and 6.07%, respectively.



Overall, the total fund balance (reserved and unreserved) of the general fund decreased by $253.4 million during the current fiscal year. This decrease was due to an excess of expenditures and other financing uses over revenues and other financing sources for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- An decrease of $38.8 million in tax revenue due to a decline in collections for Wage & Earnings Tax, Business Privilege Tax and Real Property Transfer Tax.

Expenditures:

- Expenditures for the year increased $265.0 million, an increase of 7.4%.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $218.3 million of which $177.8 million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance decreased during the fiscal year by $2.8 million.

The Grants Revenue fund has a total fund balance in the amount of $102.1 million which is comprised of a positive reserved fund balance of $125.1 million (earmarked for neighborhood revitalization, the productivity bank and emergency telephone system programs) and a deficit unreserved fund balance of $23.0 million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unreserved fund balance. The overall fund balance of the grants revenue fund experienced a decrease of $17.8 million during the current fiscal year due primarily to increases in health & housing and neighborhood development expenditures.

***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 $65.7 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had an increase of $29.3 million, airport operations which experienced an increase of $36.8 million, while industrial & commercial development operations experienced a decrease of $0.4 million.

The proprietary funds reported an *unrestricted nets assets* surplus of $266.2 million, comprised of $160.6 million for the water and waste water operations, $85.5 million for the airport and $20.2 million for the industrial & commercial development activities. These unrestricted net assets represent an overall increase of $8.9 million over the previous year, comprised of an decrease of $1.5 million for the water and waste water operations, an increase of $10.8 million for the airport and a decrease of $0.4 million for the Land Bank. The change in the water unrestricted is the result of increased costs for personnel and fringe benefits.

General Fund Budgetary Highlights

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:

- $10.8 million for Police Department payroll
- $5.0 million for indemnity payments
- $2.4 million for First Judicial District expenses
- $1.8 million for communication costs in the Department of Technology

The general fund's budgetary unreserved fund balance surplus of $119.5 million differs from the general fund's fund financial statement deficit of $24.3 million by $143.8 million due to business privilege tax receipts which are received prior to being earned but have no effect on budgeted cash receipts.

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to $5.4 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. Major capital asset events for which capital expenditures have been incurred during the current fiscal year include the following:

- Infrastructure improvements of $26.2 million for streets, highways and bridges and $97.7 million for the water and waste water systems.
- City Hall complex exterior renovations in the amount of $9.6 million.
- Adjudicated Youth Center relocation totaling $6.2 million
- Recreational facility improvements in the amount of $12.9 million.
- Subway, Elevated and Rail improvements totaling $7.0 million
- Airport terminal and airfield improvements in the amount of $130.6 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
	2008	2007	(Dec)	2008	2007	(Dec)	2008	2007	(Dec)
Land	750.6	743.2	7.4	94.4	94.3	0.1	845.0	837.5	7.5
Buildings	769.5	773.9	(4.4)	1,580.6	1,564.8	15.8	2,350.1	2,338.7	11.4
Improvements other than buildings	97.7	97.7	-	118.9	98.4	20.5	216.6	196.1	20.5
Machinery & equipment	221.2	209.1	12.1	30.4	28.2	2.2	251.6	237.3	14.3
Infrastructure	339.2	368.6	(29.4)	1,149.1	1,148.0	1.1	1,488.3	1,516.6	(28.3)
Construction in progress	5.1	0.5	4.6	215.0	163.3	51.7	220.1	163.8	56.3
Total	**2,183.3**	**2,193.0**	**(9.7)**	**3,188.4**	**3,097.0**	**91.4**	**5,371.7**	**5,290.0**	**81.7**

The city's governmental activities experienced an overall decrease in capital assets of $9.7 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 $7.5 billion in long term debt outstanding. Of this amount, $4.8 billion represents bonds outstanding (comprised of $1.9 billion of debt backed by the full faith and credit of the city, and $2.9 billion of debt secured solely by specific revenue sources) while $2.7 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)	2008	2007	2008	2007	2008	2007
Bonds Outstanding:						
General obligation bonds	1,883.3	1,999.4	4.6	5.8	1,887.9	2,005.2
Revenue bonds	-	-	2,872.2	2,815.3	2,872.2	2,815.3
Total Bonds Outstanding	**1,883.3**	**1,999.4**	**2,876.8**	**2,821.1**	**4,760.1**	**4,820.5**
Other Long Term Obligations:						
Service agreements	2,252.7	2,246.0	-	-	2,252.7	2,246.0
Employee related obligations	399.4	409.0	27.8	28.3	427.2	437.3
Indemnities	36.1	35.6	2.4	1.6	38.5	37.2
Other	1.3	-	0.8	0.7	2.1	0.7
Total Other Long Term Obligations	**2,689.5**	**2,690.6**	**31.0**	**30.6**	**2,720.5**	**2,721.2**
Total Long Term Debt Outstanding	**4,572.8**	**4,690.0**	**2,907.8**	**2,851.7**	**7,480.6**	**7,541.7**

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 $200.0 million in Tax and Revenue Anticipation Notes by June 2008 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In April, 2008, the City issued general obligation refunding bonds Series 2008A. Sub series (1) issued for the amount of $140.4 million, are serial bonds, having interest rates ranging from 4% to 5.25% and mature through 2027. Sub series (2) are term bonds with a 5.25% interest rate and maturing in 2032 were issued for the amount of $54.7 million. The proceeds of the bonds were used to current refund series 2003B1 and B2.

Currently the city's bonds are 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	Baa1	BBB	BBB+
Water Revenue Bonds	A3	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, 2008* the legal debt limit was $1,418.0 million. There is $1,298.4 million of outstanding tax supported debt leaving a legal debt margin of $119.6 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 all been considered in preparing the City of Philadelphia's budget for the 2009 fiscal year:

- Philadelphia entered FY09 with a surplus of $119.5 million.
- Continuation of the wage and business tax reduction program which began in fiscal year 1995.
- Union contracts for uniformed and non uniformed employees must be negotiated for the start of the fiscal year. Modest wage increases are included in the budget.
- Base health insurance costs are projected to grow 8% each year through FY2010. The City successfully negotiated low-growth rate increases in FY2006 (4.7%) and FY2007 (cap of 12%)

- The airport's budget is funded primarily with airline rates and charges, to the extent not otherwise funded by non-airline rentals, concession fees and user charges. The airport is projecting a 7.4% increase in revenues in FY2009.
- Since June 30, 2008 financial markets as a whole have incurred significant declines in value due to the ongoing credit crisis and a contraction in global economic activity. The global economic downturn has adversely impacted the City of Philadelphia's Municipal Pension Plan's investment portfolio and caused a significant decline in the values reported in the accompanying financial statements. Changes in the value of the Plan's investment portfolio have an effect on the City's future required annual contribution to the Plan. However, it should be noted that the recent market events did not result in any material permanent impairment to the investment portfolios of the Plan and because the values of individual investments fluctuate with market conditions, the amount of investment losses that the Plan will recognize in its future financial statements, if any, cannot be determined.

Requests for information

The Comprehensive Annual Financial Report is designed to provide a general overview of the City of Philadelphia's finances for all interested parties. The City also publishes the *Supplemental Report of Revenues & Obligations* that provides a detailed look at budgetary activity at the legal level of compliance, the *Annual Report of Bonded Indebtedness* that details outstanding long term debt and the *Schedule of Financial Assistance* that reports on grant activity. All four reports are available on the City's website, *www.phila.gov/finance*. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Director of Finance
Suite 1340 MSB
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA
MANETO

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia
Statement of Net Assets
June 30, 2008

Exhibit I

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	111,221	30	111,251	256,198
Equity in Pooled Cash and Investments	-	-	-	41,075
Equity in Treasurer's Account	779,997	158,323	938,320	-
Investments	70,524	-	70,524	206,823
Due from Component Units	56,038	-	56,038	-
Due from Primary Government	-	-	-	92,308
Amounts Held by Fiscal Agent	186,265	-	186,265	71,507
Notes Receivable - Net	-	-	-	31,721
Accounts Receivable - Net	305,158	125,327	430,485	240,028
Interest and Dividends Receivable	3,526	-	3,526	17,948
Due from Other Governments - Net	442,216	1,394	443,610	89,529
Inventories	18,043	31,370	49,413	170,119
Other Assets	2,978	-	2,978	201,019
Restricted Assets:				
Cash and Cash Equivalents	-	60,261	60,261	369,040
Other Assets	-	918,916	918,916	163,583
Net Pension Asset	502,390	57,115	559,505	-
Capital Assets:				
Land and Other Non-Depreciated Assets	756,550	309,303	1,065,853	769,459
Other Capital Assets (Net of Depreciation)	1,426,709	2,879,080	4,305,789	2,680,275
Total Capital Assets, Net	2,183,259	3,188,383	5,371,642	3,449,734
Total Assets	4,661,615	4,541,119	9,202,734	5,400,632
Liabilities				
Notes Payable	-	-	-	128,271
Vouchers Payable	74,855	10,066	84,921	53,040
Accounts Payable	148,045	61,970	210,015	188,167
Salaries and Wages Payable	78,441	5,935	84,376	51,328
Accrued Expenses	37,758	35,347	73,105	173,122
Due to Agency Funds	806	-	806	-
Due to Primary Government	-	-	-	131,565
Due to Component Units	76,527	-	76,527	-
Funds Held in Escrow	25,824	345	26,169	11,455
Due to Other Governments	17	-	17	17,310
Deferred Revenue	231,257	18,299	249,556	145,612
Overpayment of Taxes	134,978	-	134,978	12,391
Other Current Liabilities	-	-	-	56,893
Non-Current Liabilities:				
Due within one year	217,644	127,834	345,478	266,446
Due in more than one year	4,355,117	2,779,191	7,134,308	4,771,419
Total Liabilities	5,381,269	3,038,987	8,420,256	6,007,019
Net Assets				
Invested in Capital Assets, Net of Related Debt	206,404	591,781	798,185	133,750
Restricted For:				
Capital Projects	413	241,285	241,698	1,884
Debt Service	79,363	219,712	299,075	198,244
Behavioral Health	235,262	-	235,262	-
Intergovernmental Finance	18,632	-	18,632	-
Neighborhood Revitalization	77,795	-	77,795	-
Stadium Financing	114	-	114	-
Central Library Project	4,934	-	4,934	-
Cultural & Commercial Corridor Project	122,461	-	122,461	-
Grant Programs	75,167	-	75,167	23,418
Rate Stabilization	-	183,130	183,130	-
Libraries & Parks:				
Expendable	3,881	-	3,881	-
Non-Expendable	4,460	-	4,460	-
Educational Programs	-	-	-	11,269
Other	18,535	-	18,535	64,199
Unrestricted(Deficit)	(1,567,075)	266,224	(1,300,851)	(1,039,151)
Total Net Assets	(719,654)	1,502,132	782,478	(606,387)

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

City of Philadelphia
Statement of Activities
For the Fiscal Year Ended June 30, 2008

Exhibit II

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	116,377	-	2,485	395	(113,497)		(113,497)	
Transportation:								
Streets & Highways	117,686	3,912	34,352	5,280	(74,142)		(74,142)	
Mass Transit	88,340	513	-	-	(87,827)		(87,827)	
Judiciary and Law Enforcement:								
Police	1,002,918	4,335	26,433	-	(972,150)		(972,150)	
Prisons	311,356	281	75	-	(311,000)		(311,000)	
Courts	321,555	52,717	55,950	-	(212,888)		(212,888)	
Conservation of Health:								
Emergency Medical Services	37,172	27,626	927	-	(8,619)		(8,619)	
Health Services	1,572,598	15,337	1,460,546	-	(96,715)		(96,715)	
Housing and Neighborhood Development	142,103	25,210	100,291	-	(16,602)		(16,602)	
Cultural and Recreational:								
Recreation	86,189	273	7,314	927	(77,675)		(77,675)	
Parks	36,638	1,500	5,674	52	(29,412)		(29,412)	
Libraries and Museums	86,968	831	14,437	-	(71,700)		(71,700)	
Improvements to General Welfare:								
Social Services	794,119	6,376	586,304	-	(201,439)		(201,439)	
Education	65,468	-	-	-	(65,468)		(65,468)	
Inspections and Demolitions	47,423	44,898	107	-	(2,418)		(2,418)	
Service to Property:								
Sanitation	138,039	3,094	1,991	-	(132,954)		(132,954)	
Fire	284,787	176	238	-	(284,373)		(284,373)	
General Management and Support	636,938	110,634	42,781	3,346	(480,177)		(480,177)	
Interest on Long Term Debt	95,093	-	-	-	(95,093)		(95,093)	
Total Governmental Activities	5,981,767	297,713	2,339,905	10,000	(3,334,149)		(3,334,149)	
Business Type Activities:								
Water and Sewer	504,252	503,314	3,476	2,979	-	5,517	5,517	
Aviation	323,115	303,212	1,917	33,603	-	15,617	15,617	
Industrial and Commercial Development	2,064	1,468	-	-	-	(596)	(596)	
Total Business Type Activities	829,431	807,994	5,393	36,582	-	20,538	20,538	
Total Primary Government	6,811,198	1,105,707	2,345,298	46,582	(3,334,149)	20,538	(3,313,611)	
Component Units:								
Gas Operations	888,528	849,503	22,921	-				(16,104)
Housing	56,900	1,898	53,924	-				(1,078)
Parking	200,641	201,634	-	-				993
Education	2,818,904	40,477	963,224	22				(1,815,181)
Health	682,549	-	680,560	-				(1,989)
Economic Development	167,623	40,423	98,236	10,072				(18,892)
Total Component Units	4,815,145	1,133,935	1,818,865	10,094				(1,852,251)
General Revenues:								
Taxes:								
Property Taxes					401,252	-	401,252	598,556
Wage & Earnings Taxes					1,524,476	-	1,524,476	-
Business Taxes					414,531	-	414,531	-
Other Taxes					456,979	-	456,979	177,618
Grants & Contributions Not Restricted to Specific Programs					104,730	-	104,730	1,064,600
Unrestricted Interest & Investment Earnings					65,303	48,749	114,052	19,012
Miscellaneous					-	-	-	2,178
Special Items					-	-	-	7,272
Transfers					4,994	(4,994)	-	13,487
Total General Revenues, Special Items and Transfers					2,972,265	43,755	3,016,020	1,882,723
Change in Net Assets					(361,884)	64,293	(297,591)	30,472
Net Assets - July 1, 2007					(369,378)	1,436,420	1,067,042	254,854
Adjustment					11,608	1,419	13,027	(891,713)
Net Assets Adjusted - July 1, 2007					(357,770)	1,437,839	1,080,069	(636,859)
Net Assets - June 30, 2008					(719,654)	1,502,132	782,478	(606,387)

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2008

Exhibit III

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	9,999	-	75	94,879	104,953
Equity in Treasurer's Account	272,825	233,318	132,679	141,175	779,997
Investments	-	-	-	68,817	68,817
Due from Other Funds	14,882	-	-	4,617	19,499
Due from Component Units	56,038	-	-	-	56,038
Amounts Held by Fiscal Agent	127,509	-	58,756	-	186,265
Taxes Receivable	559,249	-	-	13,587	572,836
Accounts Receivable	310,245	-	193	4,746	315,184
Due from Other Governmental Units	299,438	61,294	83,170	32,499	476,401
Allowance for Doubtful Accounts	(616,985)	-	-	(1,211)	(618,196)
Interest and Dividends Receivable	949	2,098	72	407	3,526
Other Assets	-	-	-	7,985	7,985
Total Assets	1,034,149	296,710	274,945	367,501	1,973,305
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	49,262	2,351	12,457	10,785	74,855
Accounts Payable	93,640	10,873	29,131	14,401	148,045
Salaries and Wages Payable	76,531	-	1,613	297	78,441
Due to Other Funds	796	-	-	19,509	20,305
Due to Component Units	-	65,151	5,647	5,729	76,527
Funds Held in Escrow	11,093	-	9,732	4,999	25,824
Due to Other Governmental Units	17	-	-	-	17
Deferred Revenue	433,389	-	114,255	38,030	585,674
Overpayment of Taxes	134,978	-	-	-	134,978
Total Liabilities	799,706	78,375	172,835	93,750	1,144,666
Fund Balances:					
Reserved for:					
Encumbrances	108,780	-	-	76,052	184,832
Neighborhood Revitalization	-	-	77,765	-	77,765
Behavioral Health	-	177,826	-	-	177,826
Intergovernmental Financing	-	-	-	52,213	52,213
Intergovernmentally Financed Programs	-	-	18,632	-	18,632
Public Safety Emergency Phone System	-	-	28,694	-	28,694
Debt Service	-	-	-	79,363	79,363
Trust Purposes	-	-	-	4,660	4,660
Long Term Loan	22,500	-	-	-	22,500
Central Library Project	4,935	-	-	-	4,935
Stadium Financing	113	-	-	-	113
Cultural & Commercial Corridor Project	122,461	-	-	-	122,461
Unreserved, reported in:					
General Fund	(24,346)	-	-	-	(24,346)
Special Revenue Funds	-	40,509	(22,981)	34,982	52,510
Debt Service Funds	-	-	-	1,566	1,566
Capital Projects Funds	-	-	-	21,034	21,034
Permanent Funds	-	-	-	3,881	3,881
Total Fund Balances	234,443	218,335	102,110	273,751	828,639
Total Liabilities and Fund Balances	1,034,149	296,710	274,945	367,501	

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	2,183,259
b. Unearned Receivables are deferred in the funds	354,417
c. Long Term Liabilities, including bonds payable, are not reported in the funds	(4,572,761)
d. Net Pension Asset is not reported in the funds	502,390
e. Other	(15,598)
Net Assets of Governmental Activities	(719,654)

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, 2008

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,395,229	-	-	386,572	2,781,801
Locally Generated Non-Tax Revenue	248,851	12,743	43,138	45,015	349,747
Revenue from Other Governments	782,441	743,171	832,088	110,703	2,468,403
Other Revenues	16,806	-	-	1,100	17,906
Total Revenues	3,443,327	755,914	875,226	543,390	5,617,857
Expenditures					
Current Operating:					
Economic Development	69,712	-	3,178	39,405	112,295
Transportation:					
Streets & Highways	64,220	-	-	25,441	89,661
Mass Transit	61,657	-	-	-	61,657
Judiciary and Law Enforcement:					
Police	944,361	-	7,516	-	951,877
Prisons	298,086	-	75	73	298,234
Courts	263,242	-	47,888	-	311,130
Conservation of Health:					
Emergency Medical Services	35,084	-	927	-	36,011
Health Services	150,938	758,793	657,875	-	1,567,606
Housing and Neighborhood Development	7,182	-	59,079	75,641	141,902
Cultural and Recreational:					
Recreation	66,986	-	7,281	50	74,317
Parks	22,872	-	48	5,986	28,906
Libraries and Museums	69,319	-	14,274	636	84,229
Improvements to General Welfare:					
Social Services	731,198	-	46,978	-	778,176
Education	65,468	-	-	-	65,468
Inspections and Demolitions	33,381	-	12,933	-	46,314
Service to Property:					
Sanitation	130,304	-	2,625	-	132,929
Fire	276,430	-	-	-	276,430
General Management and Support	574,575	-	19,759	24,117	618,451
Capital Outlay	-	-	-	105,763	105,763
Debt Service:					
Principal	-	-	-	94,068	94,068
Interest	-	-	-	99,973	99,973
Bond Issuance Cost	5,495	-	-	18,720	24,215
Total Expenditures	3,870,510	758,793	880,436	489,873	5,999,612
Excess (Deficiency) of Revenues Over (Under) Expenditures	(427,183)	(2,879)	(5,210)	53,517	(381,755)
Other Financing Sources (Uses)					
Issuance of Refunding Debt	391,635	-	-	912,150	1,303,785
Bond Issuance Premium	3,189	-	-	27,917	31,106
Bond Defeasance	(389,329)	-	-	(924,337)	(1,313,666)
Transfers In	271,649	-	-	193,588	465,237
Transfers Out	(103,353)	-	(12,599)	(344,292)	(460,244)
Total Other Financing Sources (Uses)	173,791	-	(12,599)	(134,974)	26,218
Net Change in Fund Balance	(253,392)	(2,879)	(17,809)	(81,457)	(355,537)
Fund Balance - July 1, 2007	487,835	221,214	119,919	355,208	1,184,176
Fund Balance - June 30, 2008	234,443	218,335	102,110	273,751	828,639

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds	(355,537)
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 (121,083) exceeded capital outlays (117,332) in the current period	(3,751)
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(1,625)
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 (158,338) exceeded proceeds	158,338
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	(119,523)
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	(39,786)
Change in Net Assets of governmental activities	(361,884)

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, 2008

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
	Water and		Industrial & Commercial	
Assets	Sewer	Aviation	Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	51,016	103,054	4,253	158,323
Due from Other Governments	548	846	-	1,394
Accounts Receivable	190,855	13,157	2,906	206,918
Allowance for Doubtful Accounts	(80,345)	(1,246)	-	(81,591)
Inventories	15,408	2,934	13,028	31,370
Total Current Assets	177,512	118,745	20,187	316,444
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	344,646	423,605	-	768,251
Amounts Held by Fiscal Agent	-	30,781	-	30,781
Sinking Funds and Reserves	107,098	50,583	-	157,681
Grants for Capital Purposes	-	8,826	-	8,826
Receivables	2,950	10,688	-	13,638
Total Restricted Assets	454,694	524,483	-	979,177
Net Pension Asset	45,279	11,836	-	57,115
Capital Assets:				
Land	5,919	88,433	-	94,352
Infrastructure	1,830,034	523,056	-	2,353,090
Construction in Progress	138,705	76,246	-	214,951
Buildings and Equipment	1,502,137	1,763,618	-	3,265,755
Less: Accumulated Depreciation	(1,762,760)	(977,005)	-	(2,739,765)
Total Capital Assets, Net	1,714,035	1,474,348	-	3,188,383
Total Non-Current Assets	2,214,008	2,010,667	-	4,224,675
Total Assets	2,391,520	2,129,412	20,187	4,541,119
Liabilities				
Current Liabilities:				
Vouchers Payable	6,670	3,396	-	10,066
Accounts Payable	10,507	9,736	-	20,243
Salaries and Wages Payable	2,984	2,951	-	5,935
Construction Contracts Payable	8,109	33,618	-	41,727
Accrued Expenses	17,197	18,150	-	35,347
Funds Held in Escrow	345	-	-	345
Deferred Revenue	7,723	10,576	-	18,299
Bonds Payable-Current	91,534	36,300	-	127,834
Total Current Liabilities	145,069	114,727	-	259,796
Non-Current Liabilities:				
Bonds Payable	1,578,275	1,266,500	-	2,844,775
Unamortized Discount and Loss	(75,252)	(20,597)	-	(95,849)
Other Non-Current Liabilities	20,822	9,443	-	30,265
Total Non-Current Liabilities	1,523,845	1,255,346	-	2,779,191
Total Liabilities	1,668,914	1,370,073	-	3,038,987
Net Assets				
Invested in Capital Assets, Net of Related Debt	112,198	479,583	-	591,781
Restricted For:				
Capital Projects	159,611	81,674	-	241,285
Debt Service	107,098	112,614	-	219,712
Rate Stabilization	183,130	-	-	183,130
Unrestricted	160,569	85,468	20,187	266,224
Total Net Assets	722,606	759,339	20,187	1,502,132

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, 2008

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	499,872	71,808	-	571,680
Sales of Land and Improvements	-	-	1,113	1,113
Rentals and Concessions	-	160,624	-	160,624
Miscellaneous Operating Revenues	6,421	5,925	355	12,701
Total Operating Revenues	506,293	238,357	1,468	746,118
Operating Expenses:				
Personal Services	111,030	62,924	-	173,954
Purchase of Services	88,649	75,226	1,122	164,997
Materials and Supplies	34,079	4,632	-	38,711
Employee Benefits	74,087	39,475	-	113,562
Indemnities and Taxes	5,295	1,568	-	6,863
Depreciation	83,648	76,181	-	159,829
Cost of Goods Sold	-	-	942	942
Total Operating Expenses	396,788	260,006	2,064	658,858
Operating Income (Loss)	109,505	(21,649)	(596)	87,260
Non-Operating Revenues (Expenses):				
Operating Grants	497	1,917	-	2,414
Passenger Facility Charges	-	64,855	-	64,855
Interest Income	27,849	20,687	213	48,749
Net Pension Obligation	(9,745)	(4,772)	-	(14,517)
Debt Service - Interest	(89,357)	(57,668)	-	(147,025)
Other Revenue (Expenses)	(8,362)	(669)	-	(9,031)
Total Non-Operating Revenues (Expenses)	(79,118)	24,350	213	(54,555)
Income (Loss) Before Contributions & Transfers	30,387	2,701	(383)	32,705
Transfers Out	(4,994)	-	-	(4,994)
Capital Contributions	2,979	33,603	-	36,582
Change in Net Assets	28,372	36,304	(383)	64,293
Net Assets - July 1, 2007	693,279	722,571	20,570	1,436,420
Adjustment	955	464	-	1,419
Net Assets Adjusted - July 1, 2007	694,234	723,035	20,570	1,437,839
Net Assets - June 30, 2008	722,606	759,339	20,187	1,502,132

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

City of Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	494,531	241,921	227	736,679
Payments to Suppliers	(123,497)	(82,157)	(1,122)	(206,776)
Payments to Employees	(185,175)	(99,100)	-	(284,275)
Internal Activity-Payments to Other Funds	-	(4,970)	-	(4,970)
Claims Paid	(4,531)	-	-	(4,531)
Other Receipts (Payments)	-	265	355	620
Net Cash Provided (Used)	181,328	55,959	(540)	236,747
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	997	1,755	-	2,752
Operating Subsidies and Transfers from Other Funds	(4,994)	-	-	(4,994)
Net Cash Provided (Used)	(3,997)	1,755	-	(2,242)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	-	254,928	-	254,928
Contributions Received	-	32,647	-	32,647
Acquisition and Construction of Capital Assets	(100,755)	(127,958)	-	(228,713)
Interest Paid on Debt Instruments	(82,486)	(70,071)	-	(152,557)
Principal Paid on Debt Instruments	(92,501)	(115,624)	-	(208,125)
Passenger Facility Charges	-	70,150	-	70,150
Other Receipts (Payments)	-	(759)	-	(759)
Net Cash Provided (Used)	(275,742)	43,313	-	(232,429)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	(11,396)	-	(11,396)
Interest and Dividends on Investments	90,609	27,665	216	118,490
Net Cash Provided (Used)	90,609	16,269	216	107,094
Net Increase (Decrease) in Cash and Cash Equivalents	(7,802)	117,296	(324)	109,170
Cash and Cash Equivalents, July 1 (including $350.9 mil for Water & Sewer and $353.3 mil for Aviation reported in restricted accounts)	403,494	440,143	4,577	848,214
Cash and Cash Equivalents, June 30 (including $344.6 mil for Water & Sewer and $454.4 mil for Aviation reported in restricted accounts)	395,692	557,439	4,253	957,384
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	109,505	(21,649)	(596)	87,260
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	83,648	76,181	-	159,829
Changes in Assets and Liabilities:				
Receivables, Net	(12,055)	2,004	(874)	(10,925)
Deferred Revenue	293	6,082	930	7,305
Inventories	(224)	95	-	(129)
Accounts and Other Payables	161	(6,754)	-	(6,593)
Net Cash Provided by Operating Activities	181,328	55,959	(540)	236,747

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, 2008

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	-	109,594
Equity in Treasurer's Account	4,917,952	20,114
Investments	-	29,066
Securities Lending Collective Investment Pool	776,255	-
Accounts Receivable	4,457	-
Due from Brokers for Securities Sold	93,212	-
Interest and Dividends Receivable	10,166	-
Due from Other Governmental Units	4,798	-
Due from Other Funds	-	806
Total Assets	5,806,840	159,580
Liabilities		
Vouchers Payable	289	182
Accounts Payable	4,067	-
Salaries and Wages Payable	118	-
Payroll Taxes Payable	-	6,094
Funds Held in Escrow	377	153,304
Due on Return of Securities Loaned	776,255	-
Due to Brokers for Securities Purchased	161,303	-
Accrued Expenses	974	-
Due to Other Governmental Units	7,491	-
Deferred Revenue	2,475	-
Other Liabilities	344	-
Total Liabilities	953,693	159,580
Net Assets Held in Trust for Pension Benefits	4,853,147	-

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

City of Philadelphia **Exhibit X**

Statement of Changes in Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	442,387
Employees' Contributions	51,690
Total Contributions	494,077
Investment Income:	
Interest and Dividends	115,501
Net Decline in Fair Value of Investments	(345,601)
(Less) Investments Expenses	(19,316)
Securities Lending Revenue	34,922
(Less) Securities Lending Expenses	(27,440)
Net Investment Loss	(241,934)
Miscellaneous Operating Revenues	1,069
Total Additions	253,212
Deductions	
Personal Services	3,593
Purchase of Services	1,910
Materials and Supplies	108
Employee Benefits	1,886
Pension Benefits	758,346
Refunds of Members' Contributions	4,200
Indemnities	11
Other Operating Expenses	98
Total Deductions	770,152
Change in Net Assets	(516,940)
Net Assets - July 1, 2007	5,370,087
Net Assets - June 30, 2008	4,853,147

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

City of Philadelphia
Statement of Net Assets
Component Units
June 30, 2008

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Pennsylvania Convention Center Authority	Penn's Landing Corporation	Philadelphia Authority for Industrial Development*	Total
Assets										
Cash on Deposit and on Hand	51,692	94,062	56,144	1,053	1,392	31,806	2,378	8,568	9,103	256,198
Equity in Pooled Cash and Investments	-	-	-	41,075	-	-	-	-	-	41,075
Investments	-	-	99,792	-	45,926	-	60,623	482	-	206,823
Due from Primary Government	-	11,217	-	-	-	78,123	2,968	-	-	92,308
Amounts Held by Fiscal Agent	6	-	-	71,501	-	-	-	-	-	71,507
Notes Receivable	48	31,468	-	-	205	-	-	-	-	31,721
Taxes Receivable	-	-	-	129,665	-	-	-	-	-	129,665
Accounts Receivable-Net	71,404	177	1,271	15,495	2,558	415	548	1,956	16,539	110,363
Interest and Dividends Receivable	-	16,366	143	669	98	-	672	-	-	17,948
Due from Other Governments	-	641	-	62,306	1,253	-	-	-	25,329	89,529
Inventories	147,770	18,636	-	3,713	-	-	-	-	-	170,119
Other Assets	114,800	918	2,106	77,958	713	309	4,141	74	-	201,019
Restricted Assets:										
Cash and Cash Equivalents	164,746	12,271	-	172,880	1,192	-	-	-	17,951	369,040
Other Assets	112,393	27,673	-	-	-	-	-	-	23,517	163,583
Capital Assets:										
Land and Other Non-Depreciated Assets	53,200	479	16,000	646,866	23,671	-	18,831	6,621	3,791	769,459
Other Capital Assets (Net of Depreciation)	987,173	1,412	198,757	1,132,055	80,614	1,659	213,868	4,572	60,165	2,680,275
Total Capital Assets	1,040,373	1,891	214,757	1,778,921	104,285	1,659	232,699	11,193	63,956	3,449,734
Total Assets	1,703,232	215,320	374,213	2,355,236	157,622	112,312	304,029	22,273	156,395	5,400,632
Liabilities										
Notes Payable	51,600	23,140	9,816	-	43,715	-	-	-	-	128,271
Vouchers Payable	43,449	-	-	-	9,591	-	-	-	-	53,040
Accounts Payable	-	10,432	19,803	146,029	-	1,198	5,348	1,029	4,328	188,167
Salaries and Wages Payable	2,797	-	-	36,455	4,283	6,549	1,244	-	-	51,328
Accrued Expenses	67,425	6,827	1,053	-	2,033	91,181	3,665	938	-	173,122
Funds Held in Escrow	-	10,367	-	-	76	-	-	-	1,012	11,455
Due to Other Governments	-	-	-	1,167	4,381	-	-	-	11,762	17,310
Due to Primary Government	43,000	1,500	47,338	-	-	-	24,651	-	15,076	131,565
Deferred Revenue	20,411	58,886	3,550	8,800	3,365	13,384	1,555	7,801	27,860	145,612
Overpayment of Taxes	-	-	-	12,391	-	-	-	-	-	12,391
Other Current Liabilities	-	-	-	56,849	-	-	-	44	-	56,893
Non-Current Liabilities:										
Due within one year	41,830	3,052	8,810	197,645	1,614	-	13,495	-	-	266,446
Due in more than one year	1,209,419	35,402	204,932	3,096,536	11,129	-	193,639	2,312	18,050	4,771,419
Total Liabilities	1,479,931	149,606	295,302	3,555,872	80,187	112,312	243,597	12,124	78,088	6,007,019
Net Assets										
Invested in Capital Assets, Net of Related Debt	(5,690)	1,891	-	31,124	54,231	-	-	-	52,194	133,750
Restricted For:										
Capital Projects	-	-	-	-	1,884	-	-	-	-	1,884
Debt Service	105,005	9,589	9,618	74,032	-	-	-	-	-	198,244
Educational Programs	-	-	-	6,207	5,062	-	-	-	-	11,269
Grant Programs	-	-	-	-	-	-	-	-	23,418	23,418
Other	-	-	-	3,767	-	-	60,432	-	-	64,199
Unrestricted	123,986	54,234	69,293	(1,315,766)	16,258	-	-	10,149	2,695	(1,039,151)
Total Net Assets	223,301	65,714	78,911	(1,200,636)	77,435	-	60,432	10,149	78,307	(606,387)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2007. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2007. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2008.

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

City of Philadelphia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2008

Exhibit XII

Amounts in thousands of USD

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Housing Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Convention Center Authority	Penn's Landing Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations															
Gas Works	888,528	849,503	22,921	-	(16,104)										(16,104)
Housing															
Redevelopment Authority	56,900	1,898	53,924	-		(1,078)									(1,078)
Housing Authority	-	-	-	-			-								-
Parking															
Parking Authority	200,641	201,634	-	-				993							993
Education															
School District	2,687,564	9,479	923,106	22					(1,754,957)						(1,754,957)
Community College	131,340	30,998	40,118	-						(60,224)					(60,224)
Total	2,818,904	40,477	963,224	22											
Health															
Community Behavioral Health	682,549	-	680,560	-							(1,989)				(1,989)
Economic Development															
Convention Center Authority	50,856	10,993	32,549	10,072								2,758			2,758
Penn's Landing Corporation	11,147	7,115	3,238	-									(794)		(794)
Authority for Industrial Development	105,620	22,315	62,449	-										(20,856)	(20,856)
Total	167,623	40,423	98,236	10,072											
Total Component Units	4,815,145	1,133,935	1,818,865	10,094											(1,852,251)
General Revenues:															
Property Taxes					-	-		-	598,556	-	-	-	-	-	598,556
Other Taxes					-	-		-	177,618	-	-	-	-	-	177,618
Grants & Contributions Not Restricted to Specific Programs					-	-		-	1,004,487	60,113	-	-	-	-	1,064,600
Unrestricted Interest & Investment Earnings					-	3,666		8,096	-	806	1,989	3,169	302	984	19,012
Miscellaneous					-	-		-	63	2,115	-	-	-	-	2,178
Special Item-Gain (Loss) on Sale of Capital Assets					-	-		7,087	-	-	-	-	-	185	7,272
Transfers					-	-		-	-	-	-	-	-	13,487	13,487
Total General Revenues, Special Items and Transfers					-	3,666		15,183	1,780,724	63,034	1,989	3,169	302	14,656	1,882,723
Change in Net Assets					(16,104)	2,588		16,176	25,767	2,810	-	5,927	(492)	(6,200)	30,472
Net Assets - July 1, 2007					239,405	63,126	893,819	62,735	(1,228,509)	74,625	-	54,505	10,641	84,507	254,854
Adjustment					-	-	(893,819)	-	2,106	-	-	-	-	-	(891,713)
Net Assets Adjusted - July 1, 2007					239,405	63,126	-	62,735	(1,226,403)	74,625	-	54,505	10,641	84,507	(636,859)
Net Assets - June 30, 2008					223,301	65,714	-	78,911	(1,200,636)	77,435	-	60,432	10,149	78,307	(606,387)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2007. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2007. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2008.

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

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA
MANETO

Notes to the Financial Statements
FYE 06/30/2008

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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.

From time to time the status of the City's component units is re-evaluated to determine if an organization continues to meet the requirements for inclusion as a component unit. The Philadelphia Housing Authority (PHA) has been included as a discretely presented component unit in the past. However, after reviewing the City's relationship with PHA, it has been determined that PHA should be considered a related organization. Although City officials appoint a voting majority of PHA's board of directors, it has been determined that the City cannot impose its will on PHA and PHA is not fiscally dependent on the City.

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.

Penn's Landing Corporation (PLC) – 121 N. Columbus Blvd., Philadelphia, PA 19106
PLC was established to assist the City and the Commonwealth of Pennsylvania and their agencies in the rehabilitation, renewal and management of the historic site on the bank of the Delaware River known as Penn's Landing. The Corporation is governed by a 20 member board with 10 members appointed by the City. It receives substantial subsidies from the City and its budgets must be approved by the City**.**

Pennsylvania Convention Center Authority (PCCA) – 1101 Arch St., Philadelphia, PA 19107
PCCA was established to develop, promote and operate a convention center facility in the Philadelphia metropolitan area. Under a Lease & Service agreement, the City is obligated to pay an annual service fee sufficient to cover the debt service on PCCA's outstanding bonded debt. A voting majority of PCCA's governing board is not appointed by the City; however, PCCA meets the criteria of fiscal dependency and the significance of the City's relationship with PCCA is such that exclusion from the City's financial report would be misleading.

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.

C. AUDIT RESPONSIBILITY

The financial statements of the above component units, except for the **SDP**, as well as the financial statements of the Municipal Pension Fund, the Gas Works Retirement Reserve Fund and the Fairmount Park Commission Departmental and Permanent Funds have been audited by auditors other than the Office of the Controller of the City of Philadelphia. The table below indicates the percentage of certain financial information that was subject to audit by those other auditors:

	Governmental Activities	Business-type Activities	Aggregate Discretely Presented Component Units	Major Funds	Aggregate Remaining Fund Information
Total Assets	6%	0%	56%	0%	94%
Total Revenues	7%	0%	44%	0%	83%

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

Activity 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 un-collectibles. The real estate tax receivable allowance is equal to 45.8% 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 $8.264 on each $100 assessment; $4.959 for the SDP and $3.305 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, eight Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, HealthChoices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax 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 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 $336.7 million and $338.5 million respectively. All of the collateralized securities were held in the City's name except for $122.4 million which were 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 has selected 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, 2008 the City's Investments consisted of:

(amounts in thousands of USD)	Primary Government	
	Fair Value	% of Total
U.S. Government Securities	464,659	6.1%
U.S. Government Agency Securities	1,145,698	15.1%
Corporate Bonds	571,798	7.5%
Corporate Equity	4,110,285	54.1%
Commercial Paper	182,507	2.4%
Collateralized Mortgage Obligations	173,247	2.3%
Other Bonds and Investments	66,974	0.9%
Short-Term Investment Pools	377,285	5.0%
Real Estate	17,999	0.2%
Financial Agreements	469,554	6.2%
Certificates of Deposit	20,205	0.3%
	7,600,211	

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

(amounts in thousands of USD)

Maturity :	Fair Value		
	Less than 1 year	1-3 years	More than 3 years
Short term Investment Pools	224,989	-	-
U.S. Government Securities	24,920	74,762	911
U. S. Government Agency Securities	956,349	167,143	-
Corporate Bonds	192,721	43,471	-
Collateralized Mortgage Agreements	1,275	-	-
Commercial Paper	182,748	-	-
Financial Agreements	-	-	-
Repurchase Agreements	10,659	-	-
Certificates of Deposit	10,000	10,196	-
	1,603,661	295,572	911

Credit Risk: The City's credit risk is limited by investing in US Government securities (5.3%) or US Government Agency obligations (59.1%). 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 (9.6%) 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, 88.0% 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 AAAm by Standard & Poor's Corp and Aaa by Moody's Investor Services. 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 69.2% of all investments and is invested primarily in equity securities (73.0%). 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, 76.8% had Standard & Poor ratings of AAA to A and 77.4% had Moody's rating of Aaa to A1.

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 (6.23%). The fair value of the investment in the Lehman Aggregated Pooled Index Fund was $279,411 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 24% of the total investment in equities.

Municipal Pension Fund

Equity Securities subject to Foreign Currency Risk

(thousands of USD)

Currency	Fair Value	
Euro Currency	268,961	35.09%
Japanese Yen	158,494	20.68%
Pound Sterling	148,628	19.39%
Australian Dollar	49,395	6.44%
All others	141,046	18.40%
	766,524	

Fixed Income Securities and Other Investments subject to Foreign Currency Risk

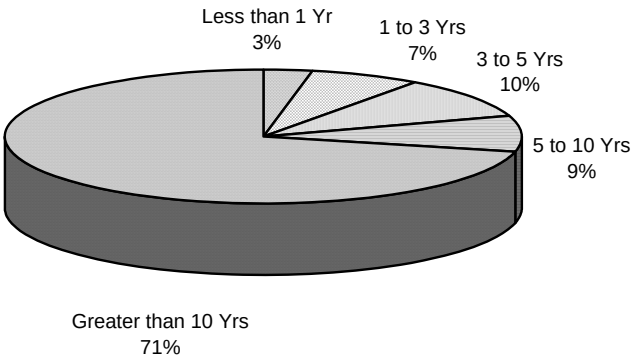
	Currency	Fair Value	Maturities
		(thousands of USD)	
Currency	Euro	11,495	
Currency	Japanese Yen	1,526	
Currency	All others	4,037	
Government Issues	Euro	4,533	June 14, 2011
Government Issues	Canadian Dollar	257	December 01, 2031
Limitied Partnership Units	Euro	49,976	
Real Estate Investment Trusts	Pounds Sterling	788	
Real Estate Investment Trusts	All others	746	

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 5.7% of all investments and is primarily invested in equity securities (61.2%). 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)

Investment Type	less than 1 yr.	1-3 yrs	3-5 yrs	5-10 yrs	more than 10 yrs
Short-Term Investment Pools	6,943	-	-	-	-
U.S. Government Agency Securities	-	3,566	269	2,126	1,990
U.S. Government Securities	-	13,382	8,760	3,312	1,217
MTG Pass Thrus	372	898	1,553	79	8,200
Collateralized Mortgage Obligations	-	-	495	1,130	34,801
Municipal Securities	-	90	159	-	411
Asset Backed Securities	-	330	2,196	1,568	6,692
Corporate bonds	1,931	7,220	13,597	16,069	13,366
	9,246	25,486	27,029	24,284	66,677

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 banks 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, the carrying amount of PICA's deposits with financial institutions (including certificates of deposit and shares in US government money market funds) was $88.6. Statement balances were insured or collateralized as follows:

(thousands of USD)	
Insured	100
Uninsured and uncollateralized	88,566
	88,666

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. PICA has $66,994,274 of other investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in PICA's name.

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
U S Government Securities	398	398
Money Market Funds	29	29
Certificates of Deposit	107	106
	534	533

All investments were uninsured and unregistered, for which the securities are held by the financial institutions' trust department in the Authority's name at June 30.

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, the Authority's investment in money market funds and government securities was rated AAA by S&P and the Authority's investment in government securities were not rated. Depository cash accounts consisted of $472,000 on deposit with a local bank. Amounts are insured by the FDIC up to $100,000. 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.

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 no 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 - 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	-	-	-	796	796
Non major Special Revenue Funds	14,882	-	4,450	10	19,342
Non major Debt Service Funds	-	167	-	-	167
Total	14,882	167	4,450	806	20,305

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	Airport	PCCA	CBH	RDA	Timing Difference	Total
Payables Due From:							
Behavioral Health	-	-	-	65,151	-	-	65,151
Grants Revenue	-	-	-	-	5,647	-	5,647
Non-major Funds	-	-	2,968	-	2,761	-	5,729
PGW	43,000	-	-	-	-	-	43,000
PPA	8,887	35,474	-	-	-	2,977	47,338
PCCA	24,651	-	-	-	-	-	24,651
PAID	15,076	-	-	-	-	-	15,076
Timing Difference	(35,576)	(35,474)	-	12,972	2,809	-	(55,269)
Total	56,038	-	2,968	78,123	11,217	2,977	151,323

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity for the year ended June 30 was as follows:

(Amounts In Millions of USD)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	743	11	(4)	750
Fine Arts	1	-	-	1
Construction In Process	1	4	-	5
Total capital assets not being depreciated	745	15	(4)	756
Capital assets being depreciated:				
Buildings	1,719	40	(4)	1,755
Other Improvements	276	8	(1)	283
Equipment	443	39	(17)	465
Infrastructure	1,168	20	-	1,188
Transit	292	-	-	292
Total capital assets being depreciated	3,898	107	(22)	3,983
Less accumulated depreciation for:				
Buildings	(945)	(55)	14	(986)
Other Improvements	(178)	(8)	2	(184)
Equipment	(347)	(17)	15	(349)
Infrastructure	(800)	(48)	-	(848)
Transit	(181)	(8)	-	(189)
Total accumulated depreciation	(2,451)	(136)	31	(2,556)
Total capital assets being depreciated, net	1,447	(29)	9	1,427
Governmental activities capital assets, net	2,192	(14)	5	2,183

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	94		-	94
Construction In Process	163	255	(203)	215
Total capital assets not being depreciated	257	255	(203)	309
Capital assets being depreciated:				
Buildings	2,817	116	(13)	2,920
Other Improvements	224	11	-	235
Equipment	102	28	(20)	110
Infrastructure	2,286	70	(3)	2,353
Total capital assets being depreciated	5,429	225	(36)	5,619
Less accumulated depreciation for:				
Buildings	(1,261)	(84)	5	(1,340)
Other Improvements	(108)	(8)	-	(117)
Equipment	(73)	(8)	2	(79)
Infrastructure	(1,147)	(60)	3	(1,204)
Total accumulated depreciation	(2,590)	(160)	10	(2,740)
Total capital assets being depreciated, net	2,839	65	(26)	2,879
Business-type activities capital assets, net	3,097	320	(229)	3,188

Depreciation expense was charged to the programs of the primary government as follows:

(Amounts in Thousands of USD)

Governmental Activities:	
Economic Development	3,560
Transportation:	
Streets & Highways	32,177
Mass Transit	26,664
Judiciary and Law Enforcement:	
Police	6,816
Prisons	6,249
Courts	628
Conservation of Health:	
Health Services	2,390
Housing and Neighborhood Development	2
Cultural and Recreational:	
Recreation	8,120
Parks	9,027
Libraries and Museums	2,782
Improvements to General Welfare:	
Social Services	2,347
Inspections and Demolitions	117
Service to Property:	
Fire	4,898
General Management & Support	30,778
Total Governmental Activities	136,555
Business Type Activities:	
Water and Sewer	83,648
Aviation	76,181
Total Business Type Activities	159,829

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)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	113	1	-	114
Art	8			8
Construction In Process	409	234	(118)	525
Total capital assets not being depreciated	530	235	(118)	647
Capital assets being depreciated:				
Buildings	1,050	113	(3)	1,160
Other Improvements	826	87	(6)	908
Equipment	241	23	(19)	245
Infrastructure	1	-	-	1
Total capital assets being depreciated	2,118	223	(28)	2,314
Less accumulated depreciation for:				
Buildings	(494)	(19)	2	(511)
Other Improvements	(464)	(45)	4	(505)
Equipment	(159)	(24)	17	(165)
Infrastructure	(1)	-	-	(1)
Total accumulated depreciation	(1,118)	(88)	23	(1,183)
Total capital assets being depreciated, net	1,000	135	(4)	1,131
Capital assets, net	1,530	370	(122)	1,779
Business-type activities:				
Capital assets not being depreciated:				
Land	31	-	-	31
Fine Arts	5	-	-	5
Construction In Process	87	86	(90)	83
Total capital assets not being depreciated	123	86	(90)	119
Capital assets being depreciated:				
Buildings	874	7	1	883
Other Improvements	22	11	-	33
Equipment	354	23	(6)	370
Infrastructure	1,215	66	(2)	1,279
Total capital assets being depreciated	2,465	107	(7)	2,565
Less accumulated depreciation for:				
Buildings	(312)	(20)	1	(331)
Other Improvements	(21)	(6)	-	(27)
Equipment	(89)	(15)	6	(97)
Infrastructure	(535)	(26)	2	(559)
Total accumulated depreciation	(956)	(67)	9	(1,014)
Total capital assets being depreciated, net	1,509	40	2	1,551
Capital assets, net	1,632	126	(87)	1,671

- Capital Assets beginning balance for business-type activity decreased by $925.9 million. PHA is no longer a component unit of the City.

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 $200 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. The notes outstanding at year- end (August 31, 2007) had an average weighted interest rate of approximately 3.95% and terms to maturity of 4 days. The principal amount outstanding was $51.6 million.

RDA has issued a series of Mortgage Notes Payable with an outstanding balance at year-end of $23.1 million related to various projects of the Authority. These notes have interest rates ranging from 0% to 8%. Aggregate minimum principal payments on these notes are as follows:

Fiscal Year	Amount
2009	$ 6,370,305
2010	-
2011	-
2012	-
2013	-
2014-2018	4,922,956
2019-2023	8,814,000
2024-2028	1,083,000
2029-2033	-
2034-2038	1,950,000
Total	$ 23,140,261

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 $80.6 million. The loans have interest rates ranging from 3.75% to 6.50%, mature through 2023 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
2008 to 2009	$ 5,030,000
2009 to 2010	3,730,000
2010 to 2011	3,885,000
2011 to 2012	4,040,000
2012 to 2013	4,220,000
2013 to 2018	13,330,000
2018 to 2023	9,480,000
Total	$ 43,715,000

PPA, in prior years, borrowed a total of $17.7 million in the form of bank notes ranging in maturity from 12-15 years and in interest rates from 4.06 to 6.5%. The proceeds of these notes were used to finance various capital projects, the acquisition of capital assets, building improvements and the development of a records department.

The total outstanding principal balance of these notes at March 31, 2008 was $9,815,762 subject to the following repayment schedule**:**

Fiscal Year		Amount
2009	$	1,499,086
2010		1,729,166
2011		1,962,163
2012		1,498,024
2013		795,745
2014-2018		2,331,578
Total	$	9,815,762

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, 2008 the statutory limit for the City is $1.418 billion, the General Obligation Debt net of deductions authorized by law is $1.3293 billion, leaving a legal debt borrowing capacity of $88.7 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)

Governmental Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Term Bonds	1,197.3	214.5	(810.8)	601.0	56.6
Refunding Bonds	136.5	697.6	(13.7)	820.4	8.6
Serial Bonds	650.6	-	(167.0)	483.6	22.4
Less Deferred Amounts					
Unamortized Bond Premium	37.9	31.1	(3.6)	65.4	-
Unamortized Issuance Expenses	(12.7)	(21.2)	1.1	(32.8)	-
Unamortized Discount and Loss	(10.2)	(46.7)	2.5	(54.4)	-
Total Bonds Payable	1,999.4	875.3	(991.5)	1,883.2	87.6
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,444.9	48.8	(47.1)	1,446.6	54.8
Neighborhood Transformation	271.6	-	(6.0)	265.6	6.3
One Parkway	49.6	51.6	(51.5)	49.7	1.5
Sports Stadia	334.0	340.0	(325.8)	348.2	6.2
Library	10.4	-	(0.4)	10.0	0.4
Cultural Corridor Bonds	135.5	-	(2.9)	132.6	3.1
Arbitrage	-	1.3	-	1.3	-
Indemnity Claims	35.6	31.4	(30.9)	36.1	11.2
Worker's Compensation Claims	225.7	32.8	(47.9)	210.6	26.4
Termination Compensation Payable	183.3	21.9	(20.1)	185.1	20.1
OPEB Obligation	-	3.7	-	3.7	-
Governmental Activity Long-term Liabilities	4,690.0	1,406.8	(1,524.1)	4,572.7	217.6

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	4.00 % to 5.25 %	1,147.0	Fiscal 2009 to 2033
PMA	2.00 % to 7.50 %	185.9	Fiscal 2009 to 2019
PICA	4.75 % to 5.52 %	572.1	Fiscal 2009 to 2023
		1,905.0	

- In April, 2008, the City issued general obligation refunding bonds Series 2008A, in the amount of $195.1 million. Approximately $140.4 million are serial bonds with interest rates ranging from 4% to 5.25% and mature through 2027. The balance of $54.7 million are term bonds, with a 5.25% interest rate and a maturity date of 2032. The proceeds of the bonds were used to current refund series 2003B1 and B2. The cash flow required by the new bonds is $18.1 million less than the cash flow required by the refunded bonds. The refunding structure of the bonds generated approx. $11.3 million in net present value savings, or 5.671% of the principal amount of the refunded bonds. The early extinguishment of debt resulted in an accounting loss of approx. $1.0 million, representing the difference between the reacquisition price of $200.8 million and the amount of debt extinguished of $199.8 million. The resulting loss will be amortized over the life of the new bonds through 2032.

- In May, 2008, PICA issued Special Tax Revenue Refunding Bonds Series 2008A and 2008B for the amounts of $133.7 million and $80.8 million respectively. The bonds have interest rates ranging from 5.0% through 5.52%

and mature through 2022. The net proceeds from the sale of the series 2008 bonds, together with other available funds were used to (1) provide for the current refunding of all of the Authority's Special Tax Revenue Bonds series 2003 outstanding as of May, 2008. and (2) to pay the costs of obtaining credit enhancement from and the costs of issuing the 2008A bonds. The net proceeds from the sale of the series 2008B bonds, together with other available funds, were used to (1) provide for the current refunding of all of the Authority's Special Tax Bonds Series 2006 outstanding as of May, 2008, and (2) to pay the costs of obtaining credit enhancement for and the costs of issuing the 2008B bonds.

The City has General Obligation Bonds authorized and un-issued at year-end of $233.8 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
2009	31.0	53.7	14.2	14.7	42.4	29.4
2010	32.7	52.1	15.0	13.9	37.7	27.3
2011	34.4	50.4	15.6	13.3	36.1	25.3
2012	37.1	48.6	16.2	12.6	37.9	23.4
2013	44.2	46.7	16.4	12.4	39.9	21.4
2014-2018	245.5	196.3	98.1	28.6	223.7	73.5
2019-2023	265.0	131.7	10.4	0.3	154.4	20.9
2024-2028	277.8	71.6	-	-	-	-
2029-2033	179.3	19.9	-	-	-	-
2034-2038	-	-	-	-	-	-
Totals	1,147.0	671.0	185.9	95.8	572.1	221.2

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
2009	54.9	41.8	6.3	13.6	1.5	2.2	6.2	14.2	0.4	0.4	3.1	6.2
2010	71.1	38.7	6.6	13.3	1.5	2.2	4.9	13.9	0.4	0.4	3.3	6.1
2011	80.2	34.5	6.9	13.0	1.6	2.2	5.6	13.7	0.4	0.4	3.3	5.9
2012	70.9	48.8	7.2	12.7	1.7	2.1	5.9	13.4	0.5	0.3	3.4	5.8
2013	70.1	54.6	7.6	12.3	2.1	2.0	11.5	13.0	0.5	0.3	3.6	5.6
2014-2018	309.9	351.2	44.5	55.2	11.8	8.7	65.1	56.3	2.8	1.4	20.9	25.3
2019-2032	228.1	445.5	57.7	42.0	14.9	5.6	80.2	41.7	3.4	0.8	26.8	19.4
2024-2028	336.4	339.5	74.5	25.3	14.6	1.8	98.8	24.0	1.6	0.1	34.4	11.8
2029-2033	225.0	7.4	54.3	5.5	-	-	70.0	4.4	-	-	33.8	3.1
Totals	1,446.6	1,362.0	265.6	192.9	49.7	26.8	348.2	194.6	10.0	4.1	132.6	89.2

(2) Business Type Debt Payable

The following schedule reflects changes in long-term liabilities for Business-Type Activities for the fiscal year:

(Amounts In Millions of USD)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activity					
Bonds Payable					
General Obligation Bonds	5.8	-	(1.2)	4.6	1.2
Revenue Bonds	2,917.9	255.4	(205.3)	2,968.0	126.6
Less Deferred Amounts					
Unamortized Discounts and Loss	(102.6)	(2.2)	9.0	(95.8)	-
Total Bonds Payable	2,821.1	253.2	(197.5)	2,876.8	127.8
Indemnity Claims	1.6	6.6	(5.8)	2.4	-
Worker's Compensation Claims	13.0	3.5	(4.4)	12.1	-
Termination Compensation Payable	15.3	2.6	(2.2)	15.7	-
Arbitrage	0.7	0.5	(0.4)	0.8	-
Business-type Activity Long-term Liabilities	2,851.7	266.4	(210.3)	2,907.8	127.8

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	1.0 %	4.6	Fiscal 2009 to 2012
		4.6	

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
2009	1.2	0.1
2010	1.2	-
2011	1.2	-
2012	1.0	-
Totals	4.6	0.1

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	2.73 % to 8.25 %	1,665.2	Fiscal 2009 to 2036
Aviation Fund	4.20 % to 7.90 %	1,302.8	Fiscal 2009 to 2037
Total Revenue Debt Payable		2,968.0	

- In August, 2007, the City issued $172.4 million of Airport Revenue Bonds, Series 2007A and $82.9 million of Airport Revenue Refunding Bonds Series 2007B. The Series 2007A Bonds have a 5% interest rate and mature through 2037. The Series 2007B Bonds had interest rates ranging from 4.5 – 5% and mature through 2027.Proceeds from the 2007A bonds provide funding for several new capital projects at PHL, including international terminal gate expansion, an infrastructure improvement program, design work for the expansion of Terminal F and the design of a new in-line baggage system for Terminal B/C. The 2007B bonds refunded the Airport's Series 1997B bonds. The refunding structure of the 2007B bonds realized a net present value savings of approximately $2.6 million or 3.22% of the principal amount of the refunded bonds. The early extinguishment of debt resulted in an accounting loss of approximately $3.2 million, representing the difference between the reacquisition price of $83.1 million and the amount of debt extinguished of $81.4 million (less $1.5 million unamortized discount). The resulting loss of $3.2 million will be amortized monthly over the life of the refunded bonds through 2027

- In November 2007 the water department purchased a surety policy to replace cash reserves in accordance with the water general ordinance. This transaction allowed the water department to transfer $64 million from the reserve to be used for water/sewer projects

- On June 9, 2008 the City purchased a letter of credit from Wachovia Bank, N.A. related to the sinking fund reserve account for the 1998B Airport Revenue Bonds. A surety policy was originally purchased from FGIC to meet the rating requirements, but because FGIC was downgraded below the 'AA' category, the surety policy no longer met the rating requirements of the General Airport Revenue Bond Ordinance. The letter of credit meets the necessary requirements.

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
2009	90.3	85.0	36.3	69.1
2010	94.0	81.2	38.5	66.9
2011	99.6	75.0	47.4	64.4
2012	106.9	67.3	50.3	61.4
2013	115.5	61.6	53.3	58.3
2014-2018	493.2	223.0	297.0	240.6
2019-2023	225.7	140.8	294.8	157.2
2024-2028	185.2	84.2	303.3	83.7
2029-2033	210.2	33.0	124.6	27.3
2034-2038	44.6	3.4	57.3	6.5
Totals	1,665.2	854.5	1,302.8	835.4

(3) Defeased Debt

As of the current fiscal year-end, the City had defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At year end, bonds outstanding pertaining to the following funds are considered defeased.

(Amounts In Millions of USD)

Governmental Funds:	
General Obligation Bonds	403.6
Enterprise Funds:	
Water Fund Revenue Bonds	171.1
	574.7

- In December, 2007, the City simultaneously issued general obligation bonds Series 2007A and 2007B in the amounts of $188.9 million and $313.5 million respectively.

  The Series 2007A bonds are fixed rate refunding bonds, have interest rates ranging from 4.0% to 5.25% and mature through 2019. The Series 2007B bonds are multi-modal refunding bonds that will bear interest at a weekly rate, subject to conversion to an ARS rate, daily rate, commercial paper rate, term rate or fixed rate at the direction of the City, maturing through 2031. The bonds will be used to currently refund a portion of the Series 1994B bonds & the Series 1995 bonds, and advance refund the Series 1998 (Nov) & Series 2001 bonds.

  The cash flow required by the new bonds is $30.8 million less than the cash flow required by the refunded bonds. Using the bond yield, the refunding structure of the bonds generated approximately $21.8 million in net present value savings or 4.521% of the principal amount of the refunded bonds. The early extinguishment of debt resulted in an accounting loss of approx. $25.9 million, the difference between the reacquisition price of $509.0 million and the amount of debt extinguished of $483.1 million. The resulting losses will be amortized over the shorter of the life of the new bonds or the life of the old bonds from 2014 through 2031.

  The net proceeds from the issuance of the bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments. As a result, the amount of $483.0 million of principal in refunded debt service has been removed from the City's government-wide statements. $403.6 million of these bonds is outstanding at year end.

- In May, 2007, the City issued $191.4 million of Water & Wastewater Revenue refunding Series 2007A and $153.6 million Water & Wastewater Revenue refunding Series 2007B bonds. The proceeds of the bonds were used to current refund a portion of the 1997A Series Water & Wastewater Revenue and to advance refund a portion of the Series 2001A Water & Wastewater Revenue Bonds. The refunding structure of the bonds generated approximately $14.5 million in net present value savings or 5.509% of the principal amount of the refunded bonds. The early extinguishing of debt resulted in an accounting loss of approximately $17.1 million, representing the difference between the reacquisition price of $353.7 million and the amount of debt extinguished of $341.5 million (less $4.9 million unamortized discount). The resulting loss attributed to the Series 1997A and Series 2001A bonds, $17.1 million, will be amortized monthly over the life of the refunded bonds through November, 2031.

(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 $200.0 million in Tax Revenue Anticipation Notes by June 2008 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, 2008	-
Additions	200.0
Deletions	(200.0)
Balance June 30, 2008	-

(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, 2008, the General Fund, Aviation Fund and the Water Fund had recorded liabilities of $1.3 million, $0.2 million and $ 0.5 million respectively.

(6) Swaps

City Entity	City GO	Airport	Water	Water	Water	Water
Related Bond Series	2007B	2005C Refunding	2003 Refunding	2005 Refunding	2009 Forward	2009 Forward
Initial Notional Amount	$313,505,000	$189,500,000	$381,275,000	$86,105,000	$90,000,000	$90,000,000
Current Notional Amount	$313,505,000	$178,600,000	$371,175,000	$84,035,000	$90,000,000	$90,000,000
Termination Date	8/1/2031	6/15/2025	6/15/2023	8/1/2018	1/1/2037	1/1/2037
Product	Fixed Payer Swap	Fixed Payer Swap (1)	Fixed Payer Swap (2)	Fixed Payer Swap (3)	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	SIFMA	Bond Rate/ 68.5% 1-month LIBOR	Bond Rate/ 68.5% 1-month LIBOR	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	Multiple Fixed Rates	4.52%	4.53%	4.1184%	4.1184%
Dealer	Royal Bank of Canada	JP Morgan Chase Bank, N.A.	Citigroup Financial Products Inc.	Citigroup Financial Products Inc.	Wachovia Bank, N.A.	Merrill Lynch Capital Serv., Inc.
Dealer Rating	Aaa/AA-	Aaa/AA	Aa3/AA- (Citigroup Inc.)	Aa3/AA- (Citigroup Inc.)	Aa1/AA	A1/A (Merrill Lynch & Co.)
Fair Value (4)	(6,344,013)	(22,813,937)	(34,222,897)	(8,300,650)	(2,184,819)	(2,184,819)

Notes:

(1) The City received an up front payment of $6,536,800 for the related swaption. JPM exercised its option to enter into the swap on 6/15/2005. The swap includes a knock-out option whereby JPM has the right to terminate the swap if the 180-day SIFMA average exceeds 7.00%.

(2) The City received an up front payment of $24,989,925.68 for the related swaption. Citigroup exercised its option to enter into the swap on 3/18/2003. Under the swap, the City receives the bond rate or 68.5% of 1-month LIBOR in the event of an Alternative Floating Rate Date. An Alternative Floating Rate Date has been triggered and the City is currently receiving the LIBOR-based rate.

(3) The City received an up front payment of $4,000,000 for the related swaption. Citigroup exercised its option to enter into the swap on 5/4/2005. Under the swap, the City receives the bond rate or 68.5% of 1-month LIBOR in the event of an Alternative Floating Rate Date. An Alternative Floating Rate Date has been triggered and the City is currently receiving the LIBOR-based rate.

(4) Fair values are shown from the City's perspective and include accrued interest.

a. City of Philadelphia 2007B 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.

Terms: The swap, 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 rates are based on an amortizing notional schedule (with an original notional amount of $ 313.5 million). As of June 30, 2008, the swap had a notional amount of $313.5 million and the associated variable rate bond had a $313.5 million principal amount. The bonds mature in August, 2031.

Fair Value: As of June 30, 2008, the swap had a negative fair value of $ 6.3 million. This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2008, 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 FSA, no termination event based on the City's ratings can occur as long as FSA is rated at least A3 and A-.

As of June 30, 2008, the rates were:

	Terms	Rates	
Interest Rate Swap			
Fixed payment to RBC under swap	Fixed	3.82900	%
Variable payment from RBC under swap	SIFMA	(1.55000)	%
Net interest rate swap payments		2.27900	%
Variable Rate bond coupon payments	Weekly resets	1.70000	%
Synthetic interest rate on bonds		3.979	%

Swap payments and associated debt: As of June 30, 2008, 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
2009	$ -	$ 5,329,585	$ 7,144,779	$ 12,474,364
2010	-	5,329,585	7,144,779	12,474,364
2011	-	5,329,585	7,144,779	12,474,364
2012	-	5,329,585	7,144,779	12,474,364
2013	-	5,329,585	7,144,779	12,474,364
2014 - 2018	-	26,647,925	35,723,895	62,371,820
2019 - 2023	79,630,000	25,321,330	33,945,477	59,266,807
2024 - 2028	164,410,000	14,140,430	18,956,494	33,096,924
2029 - 2032	69,465,000	3,011,040	4,036,565	7,047,605
	313,505,000	95,768,650	128,386,326	224,154,976

b. 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 rates 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 will approximate the debt service of the refunded bonds. 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, 2008, the swap had a notional amount of $178.6 million and the associated variable-rate bond had a $178.6 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, 2008, the swap had a negative fair value of $22.8 million. This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase.

Risk: As of June 30, 2008, 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. However, because the Airport's swap payments are insured by MBIA, no termination event based on the Airport's ratings can occur as long as MBIA is rated at least A- or A3.

As of June 30, 2008, the rates were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JPMorgan under swap	Fixed	6.04400 %
Variable payment from JPMorgan under swap	SIFMA	(1.55000) %
Net interest rate swap payments		4.49400 %
Variable Rate bond coupon payments	Weekly resets	5.35 % *
Synthetic interest rate on bonds		9.844 %

**The 5.35% interest rate is a weighted average of the percentage of bonds that were owned by the liquidity bank and being charged 5% and those in the market with investors which were at a rate of 7.9%.*

Swap payments and associated debt: As of June 30, 2008, 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.

June 30	Principal	Interest	Swaps Net	Total Interest
2009	$ 4,700,000	$ 9,555,100	$ 8,026,284	$ 17,581,384
2010	5,300,000	9,303,650	7,815,066	17,118,716
2011	6,000,000	9,020,100	7,576,884	16,596,984
2012	6,700,000	8,699,100	7,307,244	16,006,344
2013	7,500,000	8,340,650	7,006,146	15,346,796
2014 - 2018	49,100,000	34,876,650	29,296,386	64,173,036
2019 - 2022	53,200,000	17,168,150	14,421,246	31,589,396
2023 - 2025	46,100,000	4,980,850	4,183,914	9,164,764
	178,600,000	101,944,250	85,633,170	187,577,420

c. City of Philadelphia 2003 Water & Sewer Swap(1993 Bonds)

Objective In December 2002, the City entered into a swaption that provided the City's Water and Sewer Department with an up-front payment of $25.0 million. As a synthetic refunding of all or a portion of its 1993 Bonds, this payment approximated the present value savings, as of December 2002 of a refunding on March 18 2003, based upon interest rates in effect at the time. The swaption gave Citigroup (formerly 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 on March 18, 2003 and the swap commenced on that date. Under the terms of the swap, the City pays a fixed rate of 4.52% 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 the 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 rates are based on an amortizing notional schedule (with an initial notional amount of $381.2 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance will approximate the debt service of the refunded bonds.

As of June 30, 2008, the swap had a notional amount of $371.2 million and the associated variable-rate bond has a $371.2 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature June 15, 2023, and the related swap agreement terminates on June 15, 2023.

Fair Value: As of June 30, 2008, the swap had a negative fair value of ($34.2 million). This means that the City's Water and Sewer Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2008, the City 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 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 the marginal tax rates causes the rate paid on the 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, falls below Baa3 or and BBB-, or by Citigroup if the rating of the City's Water & Wastewater Revenue Bonds falls below Baa3 or and BBB-. However, because the City's swap payments are insured by FSA, no termination event based on the City's Water & Wastewater Revenue Bond ratings can occur as long as FSA is rated at least A or A2.

As of June 30, 2008, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Citigroup under swap	Fixed	4.52 %
Variable payment from Citigroup under swap	68.5% of 1 month LIBOR	(1.68681) %
Net interest rate swap payments		2.83319 %
Variable Rate bond coupon payments	Weekly resets	1.52 %
Synthetic interest rate on bonds		4.35319 %

Swap payments and associated debt: As of June 30, 2008, 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
2009	1,145,000	5,641,860	10,516,093	16,157,953
2010	1,205,000	5,624,456	10,483,653	16,108,109
2011	1,260,000	5,606,140	10,449,513	16,055,653
2012	41,195,000	5,586,988	10,413,815	16,000,803
2013	43,205,000	4,960,824	9,246,682	14,207,506
2014 - 2018	214,210,000	13,440,144	25,051,633	38,491,777
2019 - 2023	68,955,000	3,248,164	6,054,385	9,302,549
	371,175,000	44,108,576	82,215,774	126,324,350

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d. City of Philadelphia, 2005 Water & Sewer Swap (1995 Bonds)

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 rates 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 will approximate the debt service of the refunded bonds.

As of June 30, 2008, the swap had a notional amount of $84.0 million and the associated variable-rate bond had an $84.0million 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, 2008, the swap had a negative fair value of ($ 8.3 million). This means that the Water Department would have to pay this amount if the swap terminated

Risk: As of June 30, 2008, 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 Baa3 and BBB- or by Citigroup if the rating of the City's water and wastewater revenue bonds falls below Baa3 and BBB-. However, because the City's swap payments are insured by FSA, no termination event based on the City's water and wastewater revenue bond ratings can occur as long as FSA is rated at least A or A2.

As of June 30, 2008, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Citigroup under swap	Fixed	4.53 %
Variable payment from Citigroup under swap	68.5% of one month LIBOR	(1.68681) %
Net interest rate swap payments		2.84319 %
Variable Rate bond coupon payments	Weekly resets	1.52 %
Synthetic interest rate on bonds		4.36319 %

Swap payments and associated debt: As of June 30, 2008, 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
2009	370,000	1,277,332	2,389,275	3,666,607
2010	390,000	1,271,708	2,378,755	3,650,463
2011	405,000	1,265,780	2,367,666	3,633,446
2012	425,000	1,259,624	2,356,152	3,615,776
2013	450,000	1,253,164	2,344,068	3,597,232
2014 - 2018	81,830,000	3,865,588	7,230,659	11,096,247
2019 - 2023	165,000	2,508	4,691	7,199
	84,035,000	10,195,704	19,071,266	29,266,970

e. City of Philadelphia Forward-Starting Water & Wastewater Swaps

Objective: In February, 2007, the City entered into two forward starting 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.

Terms: The notional amount was evenly split between two counterparties, Merrill Lynch Capital Services, Inc. and Wachovia Bank, N.A. Both swap confirmations were amended in December, 2007, to move the swap start date from February, 2008, to February, 2009 as the bond issuance had been delayed. The termination date is the same for both swaps and is January, 2037. The swaps were priced based on an amortizing notional schedule with a combined $180.0 million initial notional amount. Under the swaps, the City will pay a fixed rate of 4.1184% and will receive a variable rate equal to the SIFMA Municipal Swap Index.

Fair value: As of June 30, 2008, the swap taken together had a negative fair value of ($ 4.4 million). This means that the Water and Sewer Department would have to pay this amount to terminate these swaps.

Risk: As of June 30, 2008, 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 swap become positive, the City would be exposed to credit risk in the amount of the swap's 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 additional termination events based on credit ratings. The swaps may be terminated by the City if Merrill Lynch's guarantor (Merrill Lynch & Co.) or Wachovia fails to have a rating of at least Baa2 or higher or BBB or higher, or by Merrill Lynch or Wachovia if the City fails to have a rating of at least Baa2 or higher or BBB or higher.

City Entity	PICA	PICA	PICA	PICA	PICA
Related Bond Series	1999 (1)	1999 (2)	2008A (3)	2008A	2008B (4)
Initial Notional Amount	$326,865,000	$326,865,000	$163,185,000	$163,185,000	$89,960,000
Current Notional Amount	$326,865,000	$326,865,000	$133,740,000	$133,740,000	$80,825,000
Termination Date	6/15/2023	6/15/2023	6/15/2022	6/15/2022	6/15/2020
Product	Fixed Payer Swaption	Basis Cap	Fixed Payer Swap	Basis Cap	Fixed Payer Swap
Rate Paid by Dealer	62% 1-month LIBOR	0.46%	67% of 1 month LIBOR	0.40%	67% of 1 month LIBOR
Rate Paid by City Entity	Multiple Fixed Rates ranging from 5.12% to 4.75%	Greater of (i) average of SIFMA for one month/ LIBOR less 70% * 1 month LIBOR or (ii) zero	5.0%	Greater of (i) average of SIFMA for one month/ LIBOR less 70% * 1 month LIBOR or (ii) zero	Multiple Fixed Rates ranging from 5.52% to 5.5%
Dealer	JP Morgan Chase Bank, N.A.	JP Morgan Chase Bank, N.A.	JP Morgan Chase Bank, N.A.	JP Morgan Chase Bank, N.A.	JP Morgan Chase Bank, N.A.
Dealer Rating	Aaa/AA	Aaa/AA	Aaa/AA	Aaa/AA	Aaa/AA
Fair Value	(39,458,087)	1,991,700	(17,261,738)	857,813	(12,075,008)

Notes:

(1) This is a swaption that has not yet been exercised. It can be exercised by the counterparty after June 15, 2009 up to and including December 15, 2022. PICA received an upfront payment of $9.7 million related to this trade.

(2) Payments begin on July 15, 2009.

(3) This was a swaption done in conjunction with the 1993A bonds and was exercised in conjunction with the 2003 refunding bonds. PICA received an upfront payment of $10.72 million related to this trade. The 2008A bonds refunded the 2003 bonds.

(4) This was a swaption done in conjuction with the 1996 bonds and was exercised in conjuction with the 2006 refunding bonds. PICA received an upfront payment pf $5.815 million related to this trade. The 2008B bonds refunded the 2006 bonds.

f. PICA Series 1993A, 1996 & 1999 Swaption and Basis Cap Agreement Related to 1999 Swaption

Objective of the swaptions: During the fiscal year ended June 30, 2002, PICA (the Authority) entered into three swaption agreements with JP Morgan Chase Bank (JP Morgan). JP Morgan paid the Authority upfront premium payments totaling $26.2 million ($10.7 million for the 1993A issuance, $5.8 million for the 1996 issuance and $9.7 million for the 1999 issuance). These swaption agreements were entered into in order to create a synthetic refunding of the Authority's 1993A, 1996, and 1999 bonds. The premium payments approximated the present value savings on the Bonds' call dates. The swaptions give the counterparty the option to make the Authority enter into pay-fixed, receive-variable interest rate swaps.

Terms: The fixed swap rates (ranging from approximately 4.75% to 5.5%) were set at rates that, when added to an assumption for remarketing and liquidity costs, would approximate the coupons of the refunded bonds. The swap's variable payment would be a predetermined percentage (ranging from 62% to 67% depending on the trade as shown in the chart above) of the one month LIBOR. The 1993A and 1996 swaptions have been exercised. Both the Authority and the counterparty have the ability to terminate the 1999 swaption agreement at market, prior to the date that the swap is set to begin.

In June, 2003, PICA entered into a basis cap transaction related to the 1999 swaption. Beginning July 15, 2009, the counterparty will pay the Authority a fixed rate each month of .46% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by one-month LIBOR, less 70%, multiplied by one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the 1999 interest rate swaption noted above. The objective of the basis cap is to generate income. If the ratio of SIFMA/LIBOR rises sharply, the anticipated benefit might not be realized.

Fair value: As of June 30, 2008, the 1999 swaption had a negative fair value of approximately ($39.5) million. The fair value was determined by the counterparty using its proprietary methodology. The 1999 Basis Cap had a positive fair value of $2.0 million as of June 30, 2008. This means that PICA would have to pay to terminate the 1999 swaption and would be paid to terminate the basis cap.

Risk: If the option on the 1999 swaption is exercised and the refunding bonds are not issued, the 1999 bonds would not be refunded and the Authority would make net swap payments as required by the terms of the contracts. If the options are exercised and the variable rate refunding bonds are issued, the actual savings ultimately recognized by the transactions will be affected by the relationship between the interest rate terms of the to-be-issued variable rate refunding bonds versus the variable payment on the swap. As of June 30, 2008, the Authority was not exposed to credit risk because the swaption had a negative fair value. However, should interest rates change and the fair value of the swaption become positive, the Authority would be exposed to credit risk in the amount of the swaptions' fair value. The counterparty was rated "AA" by Standard and Poor's and "Aaa" by Moody's Investors Service as of June, 2008. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A-" or "A3" respectively, the fair value of the swaption will be fully collateralized by the counterparty within 15 days of its having ceased to have such minimum ratings. The collateral would be posted with a third party custodian.

The swaption, if exercised, exposes the Authority to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to converge, the expected cost savings may not be realized. At June, 2008, the 67% of LIBOR rate was approximately 2.55% and the SIFMA rate was equal to 2.70%.

The swaption and the basis cap include an additional termination event based on credit ratings. The swaption and the basis cap may be terminated by the Authority if the counterparty's ratings fall below A- or A3 and collateral is not posted within 15 days.

g. PICA Series 2003 and 2006 Swap Agreement and Basis Cap Agreement

In June, 2003, and June 2006, the counterparty exercised its option under the 1993A and 1996 swaption agreements respectively, concurrently with **PICA** (the Authority) Series 2003 and 2006 Refunding Bond issuances. The $10.7 million premium received (1993A) was recognized as swaption premium revenue during the fiscal year ended June 30, 2003. The $5.8 million (1996) premium was recognized as swaption premium revenue during the fiscal year ended June 30, 2006. At June 30, 2008, the unamortized swaption premium continue to be reflected as deferred revenue in the government-wide financial statements, net of amortization over the life of the related Swap Agreements.

Terms: The series 2003 and 2006 bonds and the related swap agreements mature June, 2022 and June, 2020 respectively. The swaps' initial notional amounts of $163.1 million and $90.0 million match the related 1993A and 1996 bonds that were currently refunded on June 16, 2003 and June 6, 2006 and the notional amount declines each year to match the original maturity schedules of the 1993A and 1996 refunded bonds. Under the swaps, the Authority pays the counterparty a fixed payment of 5.0% for the 2003 swap and approximately 5.5% for the 2006 swap and receives a variable payment computed as 67% of the one-month LIBOR.

In June, 2003, the Authority also entered into two basis cap transactions with the counterparty, one related to the 2003 swap and one related to the 1999 swaption as discussed above. 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 SIFMA for the month divided by one-month LIBOR less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the 2003 interest rate swap noted

above. The objective of each basis cap is to generate income. If the ratio of SIFMA/LIBOR rises sharply, the anticipated benefit might not be realized.

Fair value: The 2003 swap and basis cap had a negative fair value of approximately ($17.3 million) and positive $0.8 million as of June 30, 2008 respectively. This means that PICA would have to pay to terminate the 2003 swap and would receive payment if the basis cap were terminated. The swap and basis cap negative fair values may be countered by a reduction in total interest payments required by the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase.

Risk: As of June 30, 2008, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's fair value. The counterparty was rated "AA" by Standard and Poor's and "Aaa" by Moody's Investors Service as of June, 2008. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A-" or "A3", respectively, the fair value of the swap will be fully collateralized by the counterparty within 15 days of it having ceased to have such minimum ratings. The collateral would be posted with a third party custodian.

As noted above, the swap exposes the Authority to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. If a change occurs, the results in the rates' moving to converge, the expected cost savings may not be realized. At June, 2008, the 67% of LIBOR rate was approximately 2.55% and the SIFMA rate was equal to 2.70%

The swap and the basis cap include an additional termination event based on credit ratings. The swap and the basis cap may be terminated by the Authority if the counterparty's ratings fall below A- or A3 and collateral is not posted within 15 days.

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued $1.291 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 $1.25 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 fiscal year 2004, $10.9 million was borrowed from the line of credit.

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 2008 NTI Service Agreement liability of $265.6 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 2008, the Sports Stadium Financing Agreement liability of $348.2 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. During fiscal year 2007, none of the proceeds were spent. In fiscal 2008 the liability of $132.6 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) Forward Purchase Agreements

In June, 2000 the Pennsylvania Intergovernmental Cooperation Authority (PICA), entered into a debt service reserve forward delivery agreement which began August 1, 2003, whereby PICA received a premium of $4,450,000 on December 1, 2002 for the debt service reserve fund in exchange for the future earnings from the debt service reserve fund investments. Under this agreement PICA is guaranteed a fixed interest rate on the debt service reserve investments of 4.79%. The premium amount will be deferred and recognized as revenue over the remaining life of this agreement or through June 15, 2010 beginning with the first scheduled delivery of the debt service reserve investments in August, 2003.

(12) Pension Obligation Bond Option Rights

In July, 2002, the City through **PAID** sold the option rights relating to $225 million Pension Funding Income Bonds, Series 1999C. The bonds were structured with provisions which permit the optional redemption or mandatory tender for purchase prior to maturity at any time on or after January 15, 2004, at a purchase price of par plus accrued interest. By selling the rights, the City can no longer cause the mandatory tender for purchase or to optionally redeem the bonds. If the Purchaser exercises the option rights, then upon payment of the exercise price of the option, the Purchaser becomes the new owner of the bonds and is entitled to receive the original fixed rate payments on the Series C bonds. The City realized $8.1 million from the sale of the option rights.

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 $2,613.3 million in principal, with interest rates from 3.0% to 6.25 % and have due dates from 2010 to 2036. 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	2,638.4	724.3	(749.4)	2,613.3	75.8
Add: Bond Premium	27.4	-	(4.9)	22.5	1.5
Less: Bond Discounts	(1.6)	(0.6)	0.1	(2.1)	(0.1)
Total Bonds Payable	2,664.2	723.7	(754.2)	2,633.7	77.2
Termination Compensation Payable	290.1	29.0	(31.6)	287.5	28.2
Severance Payable	214.6	12.0	(61.8)	164.8	10.1
Other Liabilities	143.5	38.3	(41.7)	140.1	29.0
Capital Lease	1.6	-	(0.8)	0.8	0.8
Deferred Reimbursement	45.3	16.1	-	61.4	50.6
Deferred Revenue	-	-	-	-	-
Arbitrage Liability	-	3.8	-	3.8	-
Early Retirement Incentive	3.9	-	(1.8)	2.1	1.7
Total	3,363.2	822.9	(891.9)	3,294.2	197.6

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
2009	75.8	111.3
2010	76.5	111.4
2011	78.7	108.0
2012	82.0	103.7
2013	84.7	100.0
2014-2018	433.8	449.3
2019-2023	486.8	352.6
2024-2028	534.2	243.6
2029-2033	630.1	116.8
2034-2038	130.8	8.6
Totals	2,613.4	1,705.3

- **SDP** elected to refund its Series 2004B and Series 2004C Auction Rate Securities (ARS) Bonds due to unfavorable conditions in the financial markets for this product. In April, 2008, SDP issued $682.6 million in General Obligation Refunding Bonds to refund $678.6 million of all of the maturities of the 2004B and 2004C Bonds. In addition to the proceeds from the new bonds, the 2004B and 2004C Sinking Funds had $1.3 million and $4.7 million

respectively, accumulated for debt service on those bonds. This $6.0 million plus earnings of $115,640 on the deposits in the escrow account were used to retire all of the 2004B and 2004C bonds and to pay $2.6 million in issuance costs, including underwriting fees, insurance fees, and other costs. The net proceeds were deposited in an irrevocable trust with the escrow agent to provide for all future debt service payments for the refunded bonds. As a result, the Series 2004B and 2004C ARS bonds were defeased and the liability for these bonds was removed from the reported SDP bonds payable. As of June 30, 2008, none of the refunded bonds remain outstanding.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $59.0 million. This difference is being amortized until the year 2031.

An analysis was completed to determine the cash flow difference between old debt and new debt. The basis of this comparison was the application of the ARS maximum rate of 12.0% on the 2004 bonds versus an estimated annualized benchmark for variable rate debt of 3.0% on the 2008 refunded bonds. This analysis resulted in a cash flow of $779.7 million less than the cash flow required to service the old debt. In addition, there was an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of $590.4 million.

- In December, 2007, the SDP issued two series of Qualified Zone Academy Bonds in the aggregate amount of $41.7 million. The Series C Bonds and the Series D Bonds were issued for $13.5 million and $28.2 million respectively. The bonds were issued to fund various projects in the Capital Improvements Program.

(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
PCCA	5.75 % to 6.875 %	215.3	Fiscal 2009 to 2020
PPA	3.5 % to 5.75 %	210.6	Fiscal 2009 to 2030
PGW	3.0 % to 5.25 %	1,218.2	Fiscal 2008 to 2038
RDA	4.55 % to 5.52 %	20.1	Fiscal 2009 to 2028
Total Revenue Debt Payable		1,664.2	

The following two debt issuances are PAID conduit debt transactions which are reflected in the City's financial statements as Other Long Term Liabilities.

- In November, 2007, **PAID** issued Lease Revenue Refunding Bonds Series 2007C in the amount of $51.6 million. The bonds have interest rates ranging from 3.5% to 5.25% and mature through 2027. The proceeds of the bonds were used to refund Series 1996A Bonds for the One Benjamin Franklin Parkway Project.

  The cash flow required by the new bonds is $1.8 million less than the cash flow required by the refunded bonds. The refunding structure of the bonds generated approx. $1.7 million in net present value savings, or 3.393 % of the principal amount of the refunded bonds. The early extinguishment of debt resulted in an accounting loss of $1.4 million, the difference between the reacquisition price of $51.0 million and $49.6 million, the old debt. The resulting loss will be amortized monthly over the life of the refunded bonds through 2027.

- In October, 2007, **PAID** issued Lease Revenue Refunding Bonds Series 2007A & B in the amounts of $50.3 million and $289.7 million respectively. The Series 2007A bonds have interest rates ranging from 4.25% to 5% and mature through 2014. The Series 2007B bonds have a weekly interest rate subject to conversion to an ARS rate, and maturity dates from 2015 through 2030. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds.The cash flow required by the new bonds is $18.6 million less than the cash flow required by the refunded bonds. The refunding structure of the bonds generated approximately $16.6 million in net present value savings, or 5.177% of the principal amount of the refunded bonds.

The early extinguishment of debt resulted in an accounting loss of approximately $18.3 million, representing the difference between the reacquisition price of $338.3 million and the amount of debt extinguished of $319.9 million. The resulting loss attributed to the Series 2001B Stadium Bonds will be amortized once a year over the life of the refunded bonds through 2031.

In connection with the sale of the Series 2007B bonds**, PAID** entered into separate interest rate swap agreements pursuant to which **PAID** will make periodic fixed rate payments to the swap counterparties and the swap counterparties will make periodic floating rate payments to **PAID**.

In May, 2008, the Series 2007B bonds were reoffered under an irrevocable direct-pay letter of credit (LOC).issued by JP Morgan Chase Bank National Association, (JP Morgan) and Bank of New York (BNY) to provide credit enhancement and a liquidity facility for the bonds. The LOC replaces the credit enhancement previously provided by a bond insurance policy from Financial Guaranty Insurance Company (FGIC), and a liquidity facility for the 2007B bonds previously provided by the Banks pursuant to a standby bond purchase agreement. The bond insurance policy previously provided by FGIC and the standby bond purchase agreement previously provided by the Banks have been cancelled.

Under the terms of the LOC JP Morgan, the administrative agent is obligated for $164.7 million plus accrued interest and BNY, the documentation agent is obligated for $125 million plus accrued interest. JP Morgan and BNY are severally and not jointly liable under the letter of credit.

- In April, 2007, the Philadelphia Parking Authority's **(PPA**) board of directors authorized a plan to sell the "Rittenhouse Properties," various dwellings previously acquired with the proceeds from a 1999 bond indenture. In June, 2007**, PPA's** executive director, at the directions of the board of directors and with the concurrence of the City of Philadelphia, executed an Agreement of Sale for the Rittenhouse Properties for $ 36.7 million. The Properties sold in September, 2007, and **PPA** recognized a gain of $7.1 million. Upon the sale of these properties, **PPA**, in compliance with the bond indenture's trust documents, both redeemed the Series 1999 Parking System Revenue Bonds and repaid to the City the funds provided to the PPA in its role as guarantor of the bond issue.

The debt service through maturity for the Revenue Debt Payable of Component Units is as follows:

(Amounts in Millions of USD)

Fiscal	Pennsylvania Convention Center Authority		Philadelphia Parking Authority ‡		Philadelphia Gas Works †		Philadelphia Redevelopment Authority	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	13.5	10.7	8.8	11.1	41.8	54.6	-	0.9
2010	14.1	10.0	9.3	10.6	44.6	53.9	-	0.9
2011	15.0	9.3	9.8	10.1	46.4	51.6	-	0.9
2012	15.6	8.5	10.3	9.6	47.0	49.3	-	0.9
2013	16.4	7.7	10.8	9.0	40.4	47.6	-	0.9
2014-2018	96.0	24.8	50.3	36.9	228.8	207.1	2.4	4.2
2019-2023	44.7	2.4	42.0	23.7	238.0	151.5	-	4.2
2024-2028	-	-	47.8	12.5	245.9	95.7	5.7	3.3
2029-2033	-	-	21.5	1.2	172.7	46.3	12.0	0.2
2034-2038	-	-	-	-	100.1	14.0	-	-
2039-2043	-	-		-	12.5	0.3	-	-
Totals	215.3	73.4	210.6	124.7	1,218.2	771.9	20.1	16.6

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2007
‡ - Parking Authority amounts are presented as of its fiscal year ended March 31, 2008

(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)

Pennsylvania Convention Center Authority	192.4
Philadelphia Gas Works †	368.7
Philadelphia Authority for Industrial Dev.	320.0
Community College of Philadelphia	27.9
School District of Philadelphia	1,304.1
Total	2,213.1

† - Gas Works amounts are presented as of August 31, 2007

- In April, 2007, **PGW** issued $245.4 million in Gas Revenue Bonds. The 19th Series Bonds were issued in the amount of $14.5 million, have a 5% interest rate and mature through 2023. The proceeds were used to refund a portion of the 15th Series Bonds, various project and issuance costs. The 7th Series bonds sub series (1), (2) and (3) were issued for $137.7 million, $36.3 million and $56.9 million respectively. Sub series (1) are serial bonds with interest rates ranging from 4-5% and mature in 2028. Sub series Sub series (2) and (3) are term bonds with a 5% interest rate and mature through 2037. A portion of the proceeds were used for various acquisitions, construction & improvement costs. The balance of $30.9 million was used to advance refund a portion of the 2nd Series B, 3rd Series and 4th Series bonds in the amounts of $7.5 million, $3.1 million and $20.0 million respectively.

  The refunding of this existing debt resulted in an accounting loss of $2.2 million. This loss is being deferred and amortized as interest expense over the life of the new bonds. The refunding generated a present value savings of $2.2 million.

  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.

  At August, 31, 2007, the assets pledged, primarily non-callable U.S. government securities, had a market value of $386.6 million, bearing interest on face value from 4.30% to 7.76%.

- In February 2007, under a loan agreement with Hospitals & Higher Education Facilities Authority, **CCP** borrowed $30.5 million. The proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide future debt service payments on the 1998 and 2001 loan agreements. As a result, that portion of the 1998 and 2001 loans is considered defeased, and the related liability ($6.7 million and $24.0 million respectively) has been removed from the statement of net assets. At June 30, 2008, the outstanding principal of the defeased debt is $27.9 million. The 2007 loan is payable over 16-1/2 years with interest rates ranging from 4.0% to 5.0% and an average annual payment of $2.7 million.

  The transaction resulted in a loss on the advance refunding of approximately $1.6 million. This amount is deferred as unamortized issuance costs and amortized as a component of interest expense over the life of the defeased 1998 and 2001 loans.

  The advanced refunding reduced the total loan payments over the next 16-1/2 years by approximately $819,071. This resulted in an economic gain (difference between the present values of the payments on the old and new debt) of $816,498.

(4) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. Rebate-able arbitrage earnings occur when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceeds the bond yield paid to investors. As of June 30, 2008, the arbitrage rebate calculation for **SDP** indicated a liability in 2011 (based on current market conditions which could change when actually due and payable) totaling $3.8 million.

(5) Swaps

City Entity	PGW	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID
Related Bond Series	2006 Refunding	2001 (Stadium)	2001 (Stadium)	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	$313,390,000	$298,485,000	$104,965,000	$217,275,000	$72,400,000
Current Notional Amount	$313,390,000	$193,520,000	$104,965,000	$217,275,000	$72,400,000
Termination Date	8/1/2031	10/1/2030	10/1/2020	10/1/2030	10/1/2030
Product	Fixed Payer Swap (1)	Basis Swap (2)	Constant Maturity Swap	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	Bond Rate/ SIFMA/ 70% 1-month LIBOR	67% 1- month LIBOR + 0.20%, plus fixed annuity	62.89% 5-year LIBOR CMS + 0.20%	SIFMA	SIFMA
Rate Paid by City Entity	3.6745%	SIFMA	SIFMA	3.9713%	3.9713%
Dealer	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Dealer Rating	Aaa/AA	A1/A (Merrill Lynch & Company	A1/A (Merrill Lynch & Company	Aaa/AA	A1/A (Merrill Lynch & Company
Fair Value (3)	(12,761,556)	(525,710)	230,308	(7,228,999)	(2,408,804)

Notes:

(1) PGW pays the lesser of the bond rate and SIFMA from 1/26/2006 to 8/1/2011 and 70% of 1-month LIBOR from 8/1/2011 to 8/1/2031
(2) PAID receives annual fixed payments of $1,216,500 from 7/1/2004 through 7/1/2013. As the results of an amendment on 7/14/2006, $104,965,000 of the total notional amount was restructured as a constant maturity swap(the rate received by PAID on that portion was converted from a percentage of 1-month LIBOR to a percentage of the 5-year LIBOR swap rate from 10/1/2006 to 10/1/2020. The constant maturity swap is shown separately.

(3) Fair values are shown from the City's perspective and include accrued interest.

a. City of Philadelphia, 2006 Philadelphia Gas Works ("PGW") Synthetic Refunding Swap

Objective: In January, 2006, 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.

Terms: The swap, executed with JP Morgan Chase Bank, commenced 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% of the one month LIBOR-until maturity. The rates are based on an amortizing notional schedule (with an initial notional amount of $313.4 million).

As of June 30, 2008, the swap had a notional amount of $313.4 million and the associated variable rate bond had a $313.4 million principal amount. The bonds mature on August 1, 2031.

Fair Value: As of June 30, 2008, the swaps had a negative fair value ($12.8 million). This means that PGW would have to pay this amount to terminate the swap.

Risks: As of June 30, 2008, 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 swaps' fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of JP Morgan Chase Bank falls below A- or A3, unless JP Morgan Chase Bank 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 JP Morgan Chase Bank of its obligations under the swap.

The swap may be terminated by JP Morgan Chase if the rating on the PGW Bonds falls below BBB or Baa2. However, because the City's swap payments are insured by FSA, as long as, FSA is rated at or above A2 or A, the termination event based on the City's ratings is stayed.

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 would be exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70% 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% of one month LIBOR received on the swap.

As of June 30, 2008, the rates were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JPMorgan under swap	Fixed	3.6745 %
Variable payment from JPMorgan under swap	Bond Rate	(1.5) %
Net interest rate swap payments		2.17450 %
Variable Rate bond coupon payments	Weekly resets	1.5000 %
Synthetic interest rate on bonds		3.6745 %

Swap payments and associated debt: As of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2009	1,775,000	4,700,850	6,814,666	11,515,516
2010	1,845,000	4,674,225	6,776,068	11,450,293
2011	1,915,000	4,646,550	6,735,949	11,382,499
2012	1,990,000	4,617,825	6,694,307	11,312,132
2013	2,070,000	4,587,975	6,651,034	11,239,009
2014 - 2018	50,505,000	21,504,975	31,175,045	52,680,020
2019 - 2023	80,640,000	16,779,900	24,325,262	41,105,162
2024 - 2028	115,180,000	9,730,050	14,105,329	23,835,379
2029 - 2033	57,470,000	1,659,975	2,406,410	4,066,385
Totals	313,390,000	72,902,325	105,684,070	178,586,395

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, 2008, the swaps together had a notional value 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, 2008, the swap with JP Morgan Chase Bank had a negative fair value of ($7.2 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of ($2.4 million). This means that PAID would have to pay these amounts to terminate the swaps

Risks: As of June 30, 2008, **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, 2008, the rates were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JPMorgan and Merrill Lynch under swap	Fixed	3.97130 %
Variable payment from JPMorgan and Merrill Lynch under swap	SIFMA	(1.550) %
Net interest rate swap payments		2.42130 %
Variable Rate bond coupon payments	Weekly resets	1.50000 %
Synthetic interest rate on bonds		3.9213 %

Swap payments and associated debt: As of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2009	$ -	$ 4,345,125	$ 7,013,901	$ 11,359,026
2010	-	4,345,125	7,013,901	11,359,026
2011	-	4,345,125	7,013,901	11,359,026
2012	-	4,345,125	7,013,901	11,359,026
2013	-	4,345,125	7,013,901	11,359,026
2014 - 2018	40,665,000	21,132,675	34,112,364	55,245,039
2019 - 2023	80,200,000	16,370,100	26,424,615	42,794,715
2024 - 2028	98,820,000	9,819,675	15,850,919	25,670,594
2029 - 2033	69,990,000	2,128,875	3,436,430	5,565,305
	289,675,000	71,176,950	114,893,833	186,070,783

c. Philadelphia Authority for Industrial Development Basis Swap

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 in a synthetic refunding, using a swap based percent 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 rates 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 on $105.0 million of the original notional total with rates 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 is October 1, 2006, with variable payments made (as described above) through October 1, 2020.

As of June 30, 2008, the notional amount on the portion of the swap that was not amended was $193.5 million. As of June 30, 2008, the notional amount on the portion of the swap that was amended was $105.0 million:

Fair Value: As of June 30, 2008, the swap (including both the amended swap and the portion of the original swap that was not amended) had a negative fair value of ($295,402.). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2008, **PAID** is not exposed to credit risk because the swaps taken together 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 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 underlying rating on the associated bonds falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes **PAID** to two forms of basis risk, each with a different portion of the swap. On the un-amended portion, 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. On the amended portion, **PAID** is exposed to basis risk if the relationship between five-year LIBOR and SIFMA changes from its historic pattern. This risk would be magnified in a flat or inverted yield curve environment.

d. The School District of Philadelphia Swap 2004

Simultaneously with the issuance of its General Obligation Refunding Bonds, Series 2004B and General Obligation Refunding Bonds Series 2004C, **SDP** entered into certain qualified interest rate management agreements related to the 2004 bonds (the 2004 swaps). The 2004 Swaps were insured by financial guaranty insurance policies issued by FGIC (the "Swap Insurance Policies") The 2004 Swaps were floating-to-fixed swaps with counterparties (having at least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's) were entered into for the purpose of managing interest rate rise and cost associated with the 2004 bonds. Each 2004 swap was associated with a sub-series of 2004 bonds, which were either 7-day reset auction-rate securities or 35-day reset auction-rate securities. The combination of auction-rate securities and floating-to-fixed swaps created synthetic fixed-rate debt expected to bear a rate lower than was then available for the conventional fixed rate bonds. The rate of 58.5% of LIBOR + 27 basis points swaps was used to hedge the 7-day auction-rate securities and a rate of 60.4% of LIBOR + 32 basis point swaps was used to hedge the 35-day securities.

In November, 2006, **SDP** entered into two basis swaps related to a portion of the lease rental debt associated with the 2003 bonds and all or a portion of the lease rental debt to be incurred by **SDP** in connection with the partial refunding of the 2003 bonds. The basis swaps were entered into in order to manage the interest cost of **SDP**. The basis swaps provide for periodic payments at a floating rate equal to the SIFMA Municipal Swap Index ("SIFMA") by **SDP** in exchange for an upfront cash payment of $10 million and periodic scheduled payments at a floating rate equal to 67% of LIBOR (a tax-exempt proxy) plus 27.88 basis points by counterparties on the notional amount of $500.0 million (the "2006 Basis Swaps").

The financial credit crisis which began in 2007 triggered by the sub-prime mortgage crisis resulted in a lack of liquidity and the downgrade of FGIC and the lack of the auction rate market. These events lead to rate dislocations and unanticipated increases in interest rate expense for auction rate securities, such as the 2004 bonds. Therefore, **SDP** refunded the 2004 bonds by issuing General Obligation Refunding Bonds Series A, B, C, and D of 2008. Simultaneously with the issuance of the Series 2008 bonds, **SDP** amended the 2004 Swaps in order to terminate the FGIC insurance for each 2004 Swap and to relate the series 2008 bonds to the amended 2004 Swaps, as so amended. The aggregate notional amounts of the 2008 Swaps are equal to $682.6 million aggregate principal amount of the Series 2008 bonds. An aggregate principal amount of series 2008 bonds of $4.1 million is un-hedged.

e. The School District of Philadelphia 2008 Swap Agreements

Amount	Relating to General Obligaion Bond Series	GO Bond Sub Series
$ 95,000,000	2008A	A-1
78,475,000	2008A	A-2
80,000,000	2008A	A-3
60,000,000	2008B	B-1
54,200,000	2008B	B-2
64,900,000	2008B	B-3
70,000,000	2008B	B-4
91,000,000	2008C	C-1
58,925,000	2008D	D-1
26,075,000	2008D	D-2

Terms, fair values and credit risk: The terms, including the fair values and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2008 are as follows:

Related Bonds	PAYS	RECEIVES	MATURITY DATE	INITIAL NOTIONAL (USD)	Current NOTIONAL (USD)	BANK COUNTERPARTY	Counterparty Credit Rating (Moody's/S&P/Fitch)	TOTAL VALUES (USD)
Series 2003	SIFMA Swap Index	67% of USD LIBOR + 0.2788%	5/15/2033	150,000,000	150,000,000	Wachovia Bank	Aa1/AA/AA-	(5,562,555)
Series 2003	SIFMA Swap Index	67% of USD LIBOR + 0.2788%	5/15/2033	350,000,000	350,000,000	Bear Sterns Financial Products Inc.	Aaa/AAA/N/A	(12,979,294)
Series B-1	3.7670%	58.5% of USD LIBOR + 0.27%	09/01/2030	60,000,000	60,000,000	Wachovia Bank	Aa1/AA/AA-	(5,257,873)
Series B-2	3.7670%	58.5% of USD LIBOR + 0.27%	09/01/2030	54,200,000	54,200,000	Wachovia Bank	Aa1/AA/AA-	(4,733,322)
Series B-3	3.7670%	58.5% of USD LIBOR + 0.27%	09/01/2030	64,900,000	64,900,000	Wachovia Bank	Aa1/AA/AA-	(5,670,398)
Series A-1	3.8150%	58.5% of USD LIBOR + 0.27%	09/01/2030	95,000,000	95,000,000	Morgan Stanley Capital Services, Inc.	Aa3/A+/AA-	(8,369,762)
Series A-2	3.7610%	58.5% of USD LIBOR + 0.27%	09/01/2030	78,475,000	78,475,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(6,799,906)
Series D-1	3.6838%	60.4% of USD LIBOR + 0.32%	09/01/2021	59,025,000	58,925,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(3,045,266)
Series C-1	3.7350%	60.4% of USD LIBOR + 0.32%	09/01/2021	91,000,000	91,000,000	Morgan Stanley Capital Services, Inc.	Aa3/A+/AA-	(4,494,779)
Series A-3	3.6890%	60.4% of USD LIBOR + 0.32%	09/01/2021	80,000,000	80,000,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(4,119,920)
Series B-4	3.6890%	60.4% of USD LIBOR + 0.32%	09/01/2021	70,000,000	70,000,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(3,604,424)
Series D-2	3.2400%	58.5% of USD LIBOR + 0.27%	09/01/2011	38,475,000	26,075,000	Merrell Lynch Capital Services	A1/A/A+	(580,291)
								(65,217,791)

Fair Value: The swaps had a total negative fair value of ($65.2 million) as of June 30, 2008. As of the prior reporting period of June 30, 2007, when the prevailing interest rates were higher, the swaps had a negative fair value of ($16.7 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.

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, 2003, **SDP** adopted a written interest rate management plan pursuant to a resolution of the School District Reform Commission, authorized in February, 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 swaps only 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, 2008, **SDP** was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, **SDP** would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements contain varying one-way collateral agreements with the counterparties. The swaps require collateralization by the counterparty of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Basis Risk: The basis risk on the fixed-to-floating swaps is the risk that the interest rate paid by **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 **SDP** receives a percentage of LIBOR to offset the actual variable bond rate **SDP** pays on its bonds. **SDP** is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate **SDP** pays on the bonds. Depending on the magnitude and duration of any basis risk shortfalls, the expected cost savings from the swap may not be realized.

The basis risk on the basis swaps is the risk that benchmark tax-exempt interest rates paid by **SDP** on each basis swap differ from the variable swap rate received from the applicable counterparty on the related swap. The **SDP** bears basis risk on each of its basis swaps since the **SDP** receives a percentage of LIBOR and pays the tax-exempt benchmark SIFMA. The **SDP** is exposed to basis risk should the floating rate that it receives on a swap plus the spread is less than SIFMA **SDP** 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: **SDP** can terminate a swap at any time at its option; the counterparty to a swap may only terminate a swap upon the occurrence of certain termination events as provided in each swap. If a fixed-to-floating swap is terminated, the related variable-rate bonds would no longer be hedged to a fixed rate; 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, **SDP** would be liable to the counterparty for a payment equal to the swap's fair value, calculated pursuant to the procedures stated in each swap.

(6) Other Long-Term Debt

The **SDP** had loans payable of $3,362 at year-end which consisted of an interest-free loan that is expected to be repaid over the next year.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

The City's operating leases consist of leases of airport facilities, recreation facilities, certain transit facilities and various other real estate and building sites. Rental income for all operating leases for the year was:

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	8,105	26,123	3,438
Additional Rentals	10,627	137,504	655
Total Rental Income	18,732	163,627	4,093

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	
2009	3,484	19,334	4,329
2010	3,602	17,668	4,090
2011	3,724	15,294	3,916
2012	3,852	14,288	2,995
2013	3,984	7,024	4,903
2014-2018	22,118	32,382	4,772
2019-2023	25,276	21,471	3,374
2024-2028	30,294	12,955	1,872
2029-2033	36,341	13,465	1,081
2034-2038	-	-	937
2039-2043	-	-	841
2044-2048	-	-	793
2049-2053	-	-	793
2054-2058	-	-	793
2059-2063	-	-	793
2064-2068	-	-	793
2069-2073	-	-	793
2074-2078	-	-	793
2079-2083	-	-	790
2084-2088	-	-	704
2089-2093	-	-	140
Total	132,675	153,881	40,295

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	152,030	18,357	51,956
Additional	5,137	11,093	-
Sublease	435	-	-
Total Rental Expense	157,602	29,450	51,956

As of year end, 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	
2009	30,007	1,600	14,974
2010	26,065	1,003	13,045
2011	26,477	395	5,994
2012	26,599	91	5,090
2013	23,895	91	5,754
2014-2018	88,462	136	9,325
2019-2023	37,323	-	5,303
2024-2028	787	-	5,303
2029-2033	257	-	5,302
2034-2038	125	-	5,302
2039-2043	21	-	972
Total	260,018	3,316	76,364

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
2009	2,457
2010	1,221
2011	965
2012	719
2013	595
2014-2018	5,047
Future Minimum Rental Payments	11,005
Interest Portion of Payments	(2,691)
Obligation Under Capital Leases	8,314

During FY2007, PLC entered into an agreement for a telephone system with a lease term of five years and an interest rate of 6.13% annually. Cost as follows:

Penns Landing Corp

	(USD)
Equipment Cost	44,418
Less: Accum Depreciation	(13,326)
	31,092

Amortization expense for FY2008 was $8,884.00.

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, 2008, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASBS #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 RESERVATIONS

The City has reserved portions of several funds' Fund Balances. Following is a description of all such reservations followed by a summary of the major funds at year end for the Primary Government:

Reserved for Encumbrances - An account used to segregate a portion of Fund Balance for expenditure upon vendor performance

Reserved for Intergovernmental Financed Programs - An account used to segregate a portion of Fund Balance legally restricted to programs to improve the City's financial status.

Reserved for Behavioral Health - An account used to segregate a portion of Fund Balance that is required to be held in reserve to ensure adequate funding for costs of managed behavioral health care.

Reserved for Long Term Loan - An account used to segregate a portion of Fund Balance that represents amounts that were loaned and are not due to be repaid in the next fiscal year.

Reserved for Neighborhood Revitalization - An account used to segregate a portion of Fund Balance for the purpose of revitalizing various neighborhoods in the City of Philadelphia.

Reserved for Public Safety Emergency Phone System - An account used to segregate a portion of Fund Balance legally restricted for the improvement of the emergency phone system.

Reserved for Central Library Project - An account used to segregate a portion of Fund Balance for the amount held by the fiscal agent for the purpose of renovating the central library.

Reserved for Cultural and Commercial Corridor Financing: An account used to segregate a portion of fund balance for the amount held by the fiscal agent for the purpose of funding cultural and commercial corridor improvements.

(Amounts In Millions of USD)	General Fund	Health Choices Behavioral Health Fund	Grants Revenue Fund	Total
Reserved Fund Balance:				
Reserved for Encumbrances	108.8	-	-	108.8
Reserved for Neighborhood Revitalization	-	-	77.8	77.8
Reserved for Behavioral Health	-	177.8	-	177.8
Reserved for Intergov Financed Programs	-	-	18.6	18.6
Reserved for Emergency Phone System	-	-	28.7	28.7
Reserved for Long Term Loan	22.5	-	-	22.5
Reserved for Central Library Project	4.9	-	-	4.9
Reserved for CCC Project	122.5	-	-	122.5
Total Reserved Fund Balance	258.7	177.8	125.1	561.6

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:				
		Non major Governmental			
Transfers From:	General	Special Revenue	Debt Service	Capital Improvement	Total
General	-	955	100,825	1,572	103,352
Grants	5,412	-	-	7,187	12,599
Non major Special Revenue Funds	261,242	-	80,101	2,949	344,292
Water Fund	4,994	-	-	-	4,994
Total	271,648	955	180,926	11,708	465,237

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government 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	1,883.2
Service Agreements	2,254.0
Employee Related Obligations	399.4
Indemnities	36.1
Total Adjustment	4,572.7

13. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNMENT

- Government Wide net assets beginning balance for governmental activities was increased by $11.6 million due to the recalculation of the Net Pension Obligation by the actuary for FY2007.

- Government Wide net assets beginning balance for business-type activities was increased by $1.4 million due to the recalculation of the Net Pension Obligation by the actuary for FY2007. This represents a $.9 million increase in the Water Fund and a $.5 million increase in the Aviation Fund.

B. COMPONENT UNITS

- **SDP** district-wide net assets beginning balances were increased by $2.1 million. These adjustments were due to (1) a net understatement of capital assets valued at $1.8 million; (2) an understatement of accumulated depreciation of $0.3 million; (3) a net overstatement of deferred charges of $2.9 million; and (4) an overstatement of net bond premiums of $3.5 million.

- This year, upon the City's re-evaluation of its relationship with the Philadelphia Housing Authority (PHA), which has been reported as a discretely presented component unit of the

City in the past, it was determined that PHA no longer meets the criteria for inclusion as a component unit in the City's report. Therefore, Net Assets – July 1, 2007 were restated to exclude PHA's $893.8 million share of Net Assets.

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14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports $1,285.1 million of restricted net assets, of which $36.0 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Assets	Restricted by Enabling Legislation
Capital Projects	241,698	-
Debt Service	299,075	-
Behavioral Health	235,262	-
Intergovernmental Finance	18,632	-
Neighborhood Revitalization	77,795	-
Stadium Financing	114	-
Central Library Project	4,934	-
CCC Project	122,461	-
Grant Programs	75,167	17,426
Rate Stabilization	183,130	-
Libraries & Parks:		
Expendable	3,881	-
Non-Expendable	4,460	-
Other	18,535	18,535
Total	1,285,144	35,961

15. FUND DEFICITS

a) The Community Development Fund, which is a Special Revenue fund, has a Fund Balance deficit at year end of $3.2 million.

16. ADVANCE SERVICE CHARGE

The City's Water Fund Regulations provide for the assessment of an "Advance Service Charge" (ASC) at the time a property is initially connected to the system. The initial charge is calculated to be the equivalent of three (3) monthly service charges. This long-standing practice of assessing an initial charge equivalent to the average of three monthly service charges has been consistent whether the billing period was semi-annually (through 1979), quarterly (1979-1994) or monthly (1994-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 334 disconnection permits were issued resulting in a refund or final credit of approximately $262,000 and 1,243 new connection permits were issued resulting in additional advance service charges of approximately $498,000.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. One blended component unit, **PICA**, and three discretely presented component units - the **SDP, PCCA**, and **CCP** - participate in state administered cost-sharing multiple employer plans. In addition, one discretely presented component unit - **RDA** – maintains its own single employer defined benefit plans. For the year ending June 30, 2008, the City adopted the requirements of GASB Statement No. 50, *Pension Disclosures*, issued May, 2007.

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). The plan maintained by the City's component unit is the Redevelopment Authority of the City of Philadelphia Retirement Plan (RDA 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 GASBS #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.

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, 2007 was as follows:

Retirees and beneficiaries currently receiving benefits	35,527
Terminated members entitled to benefits but not yet receiving them	1,301
Active members	28,354
Total Members	65,182

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 of the unfunded actuarial accrued liability determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries (the Dombrowski suit) is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.
- 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 $517.9 million or 35.4% of the covered payroll of $1,461.6 million. The City's actual contribution was $412.4 million. The City's contribution met the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189. 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
2006	426.0	77.88%	(817.6)
2007	556.3	75.36%	(680.5)
2008	561.0	76.10%	(559.5)

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2007. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a five-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 8.75%
- projected annual salary increases of 5% (including inflation)
- annual inflation of 2.75%
- 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 (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
07/01/2007	4,421.7	8,197.2	3,775.5	53.94%	1,351.8	279.29%

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)	536,874
Interest on Net Pension Obligation (NPO)	(60,685)
Adjustment to ARC	84,785
Annual Pension Cost	560,974
Contributions Made	426,934
Increase in NPO	134,040
NPO at beginning of year*	(693,545)
NPO at end of year	(559,505)
Interest Rate	8.75%
15 Year amortization Factor (EOY)	8.18%

* The NPO at beginning of the year differs from the NPO at June 30, 2007 by $13.0 million due to a re-calculation of the contributions made during FY2007.

e) 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. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

At September 1, 2007 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	2,151
Current Employees	1,665
Total Members	3,816

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 $15.2 million (approximately 2.0% of covered payroll) were made to the PGW Plan during the year.

Historically, payments to beneficiaries of the **PGW** Plan are made by the Fund and not from the assets of the Plan. During the year, payments to beneficiaries exceeded the Fund's actuarially com
puted pension contribution and a withdrawal of $16.8 million from the pension assets was necessary to meet beneficiary payment obligations.

c) Funding Status

The funded status of the **PGW** plan as of September 1, 2007 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
09/01/2007	$416,183	$482,380	($66,197)	86.3%	$102,958	64.3%

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 was $15,217,000 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
2005	14.7	100%
2006	17.6	100%
2007	15.2	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.

3) Component Unit - Redevelopment Authority Plan

a) Plan Description

The **RDA** contributes to the Redevelopment Authority of the City of Philadelphia Retirement Plan (the Plan) which is a single-employer defined benefit pension plan.

Substantially all full time **RDA** employees are eligible to participate in the Plan after six months of service. Benefits vest after five years of service. **RDA** employees who retire at or after age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their final monthly salary multiplied by the number of months of credited service up to 20 years plus 2% of final monthly compensation multiplied by months of credited service in excess of 20 years up to a maximum of 35 years. The Plan also provides death and disability benefits which are determined in a manner similar to the retirement benefits.

b) Funding Policy

The plan's funding policy provides for actuarially determined periodic employer contributions which account for benefits that increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the **RDA's** employee group as a whole has tended to remain level as a percentage of annual covered payroll. **RDA** employees are required to contribute 6% of their salary to the Plan. The **RDA** is required to contribute the remaining amounts necessary to fund the Plan as defined under Act 205 of the Commonwealth of Pennsylvania Code.

c) Annual Pension Cost

The contribution for the Plan for Fiscal 2008 of $1.5 million (approximately 46% of covered payroll, representing normal cost) was determined in accordance with actuarially determined requirements computed through the actuarial valuation performed as of January 1, of each respective year using the aggregate cost method. The **RDA** contributed $1,303,846 and the employees contributed $244,350 (approximately 7% of current covered payroll).

Significant actuarial assumptions include a 7.75% rate of return on investment assets, projected salary increases of 6% per year (4% for merit and promotion, 2% for inflation) and no post-retirement benefit increases.

The actuarial value of assets was determined based on contractual value, which approximated fair value. As of the latest actuarial valuations, performed as of January 1, 2008, the actuarial accrued liability was

$49.9 million and the actuarial value of assets was $48.0 million. The Unfunded Actuarial Accrued Liability (UAAL) over the actuarial value of asset is $1.9 million. The UAAL is being amortized over the average lifetime of active plan participants. The portion of the UAAL arising from actuarial gains and losses is amortized over a 15-year period.

The Net Pension (Benefit) Obligation as of June 30, 2008 is as follows:

	amounts in thousands
Annual Required Contribution	886,695
Interest On Net Pension Obligation	(15,382)
Adjustment to Annual Required Contribution	24,779
Annual Pension Cost	896,092
Contributions Made	(1,303,846)
Decrease In Net Pension Obligation	(407,754)
Net Pension Obligation - Beginning of Year	(198,481)
Net Pension Obligation - End of Year	(606,235)

The **RDA's** actuarially required contributions and percentage contributed for the last three years are summarized below:

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2006	1,259.9	98%	(44.0)
2007	893.8	117%	(198.5)
2008	896.1	101%	(606.2)

d) Funding Status and Funding Progress

The funding status of the pension plan as of January 1, 2008, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost Method (b)	Unfunded Actuarial Accrued Liqbility (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
01/01/2008	$48,014	$49,915	$1,901	96.20%	$3,364	56.53%

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liability. The information about the Plan's funded status and funded progress disclosed above has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funded progress of the Plan.

For the fiscal year ended June 30, 2007, **RDA's** pension plan was amended to include termination benefits equal to the eligible participants' monthly retirement benefit. **RDA** paid a one-time termination benefits totaling $243,363 for the year ended June 30, 2007.

B. MULTIPLE EMPLOYERS PLANS

One of the City's blended component units and three of its discretely presented component units participate in two defined benefit plans (PSERS and SERS) and one, **CCP,** participates in two defined contribution plans (TIAA-CREF and Fidelity Investments) as described below.

The payroll for **CCP** employees covered by any of the four multiple employer plans was $60.4 million and the total payroll was $68.3 million. Contributions to the four plans by the **CCP** during the fiscal year totaled approximately $4.7 million representing 7.72% of covered payroll. **CCP** employees contributed approximately $4.0 million representing 5% of covered payroll.

1) Public School Employee Retirement System (PSERS)

a) Plan Description

School Districts and Community Colleges in the Commonwealth of Pennsylvania participate in the State administered Public School Employees Retirement System (PSERS) which is a cost-sharing multiple-employer defined benefit plan. PSERS provides retirement and disability benefits, legislatively mandated ad hoc cost-of-living adjustments and health care insurance premium assistance to qualifying annuitants. Authority to establish and amend benefit provisions rests in the Public School Employees' Retirement Code (the Code).

PSERS issues a comprehensive annual financial report which includes financial statements and required supplementary information for the plan. A copy of the report can be obtained by writing to:

Public School Employees' Retirement System
PO Box 125
Harrisburg, PA 17108-0125

b) Funding Policy

Contribution policy is established by the Code and requires contributions from active members, employers and the Commonwealth. Most active members contribute at 5.25% of qualifying compensation. Members joining the PSERS on or after July 22, 1983 contribute at 6.25% (class TC) or 7.50% (class TD). The employer rate is actuarially determined. The rate for fiscal year 2007 was 7.13%, and is composed of a pension contribution rate of 6.44% for pension benefits and .69% for health insurance premium assistance. The **SDP's** contributions for the last three years are as follows:

(Amounts in Millions of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	55.8	100%
2007	69.3	100%
2008	78.2	100%

2) State Employees Retirement System (SERS)

a) Plan Description

PICA and **PCCA** employees and certain **CCP** employees are eligible to participate in the Pennsylvania State Employees Retirement System (SERS) which is a cost sharing multiple employer plan. The SERS provides pension, death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees, who retire at age 60 after 3 years of service or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. The general annual benefit is 2% to 2.5% of the member's highest three year average salary times years of service. The General Assembly has the authority to establish and amend benefits of the SERS. Ad hoc cost-of-living adjustments are provided at the discretion of the General Assembly.

b) Funding Policy

The SERS funding policy is set by the SERS Board. Active members are required to contribute periodically at statutory rates, generally 5 to 6.25% of gross pay. The amount is recorded in an individually identified account that accumulates interest at 4% per year as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Employer contributions are an actuarially determined percentage of payroll such that they, along with employee contributions and an actuarially determined investment rate of return, are adequate to accumulate assets to pay benefits when due.

In May 2001, the **PCCA** initiated Act 2001-9 which created a new Class AA membership, changed the vesting requirements of all members from 10 to 5 years, increased the member contribution rate from 5% to 6.25% and increased the benefit formula to 2.5% of final average salary. New members are automatically enrolled as Class AA. However, election for current members at the time of enactment was voluntary. Contributions of the **PCCA** for the last three years were as follows:

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	120.7	100%
2007	171.9	100%
2008	172.7	100%

PICA has not been required to contribute over the past three years.

According to the retirement code, all obligations of the SERS will be assumed by the Commonwealth should the SERS terminate. During the year and as of year end, the SERS did not hold securities issued by the City or other related parties.

The SERS issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to:

State Employees' Retirement Board
Commonwealth of Pennsylvania
30 North Third Street
Harrisburg, PA 17108-1147

3) Teacher's Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments

a) Plan Description

Community College employees are also eligible to participate in the Teacher's Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). TIAA-CREF is a defined contribution plan and, as such, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time faculty and administrative employees are eligible to participate from the date of employment, and clerical employees have a one year waiting period. Part-time faculty may participate after earning four (4) seniority units, as defined in the Collective Bargaining Agreement. College policy and collective bargaining agreements require that both the employee and the college contribute amounts, as set forth below, based on the employees earnings.

The **CCP's c**ontributions for each employee (and interest allocated to the employee's account), are fully vested. Death benefits in the amount of the full present value of accumulation are provided to the beneficiary of participants who die prior to retirement. There are a variety of payments available. The **CCP** has 1,125 employees participating in this plan.

b) Funding Policy

The employer's contribution requirement for full-time faculty and administrators and other staff is 10% of the base contract amount. For visiting lecturers, the rate is 5% of the base contract. For part-time faculty, the rate is 5% of all earnings. For all employees, the employee's contribution requirement is 5% of base salary.

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)

During fiscal year 2008, the City adopted GASB Statement No. 45., *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions (OPEB*), issued July, 2004. This statement establishes standards for the measurement, recognition, and display of expenses/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports of state and local governments.

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 or pays the health care providers directly for non unionized employees. For fiscal year 2008, the City paid $75.8 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 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)

Annual required contribution	83,249
Interest on net OPEB obligation	124
Annual OPEB cost	83,373
Payments made	(79,705)
Increase in net OPEB obligation	3,668
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	3,668

Funded Status and Funding Progress: As of July 1, 2007, the most recent (initial) 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 $1.1 billion. The covered annual payroll was $ 1.5 billion and the ratio of the UAAL to the covered payroll was 73.3 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. 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 3.5% compound annual interest rate on the City's general investments.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of post-employment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than In the future when it will be paid. In adopting the requirements of GASB 45, during the year ended June, 2008, SDP recognizes the costs of post-employment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands of the

SDP's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing in 2008.

Plan description: **SDP** provides up to $2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or any age with 35 years of service. Disabled employees' eligibility is determined by the insurance company providing the coverage.

Funding Policy: **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. For the fiscal year ended June 30, 2008, SDP paid $591,379.

Annual OPEB Cost and Net OPEB Obligation: The **SDP's** annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Cost Method. 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, which under GASB 45 may be amortized over no more than 30 years. The following table shows the elements of **SDP's** annual OPEB cost for the year, the amount paid in behalf of the plan, and changes in SDP's net OPEB obligation to the plan for the year ended June 30, 2008.

	(USD)
Annual required contribution	591,379
Interest on net OPEB obligation	-
Annual OPEB cost	591,379
Payments made	(591,379)
Increase/(Decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	-

SDP's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
6/30/2008	$ 591,379	100%	$ -

Funded Status and Funding Progress: As of June 30, 2008, the most recent (initial) actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability of $13.9 million and the actuarial value of assets was $0, resulting in an unfunded actuarial liability (UAAL) off $13.9 million.

Actuarial Methods and Assumptions: The actuarial assumptions used in the June 30, 2008 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 10 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.

- No actuarial liability is included for non-vested participants who terminated prior to the valuation date.
- Withdrawal: During the first 5 years of service withdrawal rates were assumed ranging from 24.49% to 10.88%.
- After 5 years of service retirement rates ranged from 11.31% at age 55 through 100% at ages 70 and above.
- Disability incidents were as follows:

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%

- Accelerated death benefit: This benefit was assumed as an immaterial value.

Philadelphia Gas Works (PGW) OPEB

Plan description: **PGW** provides certain health care and life insurance benefits for approximately 1,935 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 $36.1 million, of which approximately 48.1% relates to retirees and their dependents. Total premiums for group life insurance amounted to $2.0 million of which approximately 76.3% 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, 2007. 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 time 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.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the calculation of **PGW's** OPEB liability for FY2007. This amount has been recorded in other liabilities and deferred credits and has been expensed in FY2007.

	(Amounts in Thousands)
Annual required contribution	45,237
Interest on net OPEB obligation	-
Annual OPEB cost	45,237
Payments made	(18,816)
Increase/(Decrease) in net OPEB obligation	26,421
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	26,421

Redevelopment Authority (RDA) OPEB

Plan description: **RDA** self-administers its single-employer, retiree medical and life insurance defined benefits plan. The plan does not issue stand-alone financial statements, and the accounting for the plan is reported within the financial statements of RDA. Eligibility begins upon the earlier of age 50 and five years of credited service or the attainment of age 55. Retirees and spouses receive medical benefits for a minimum of five years. If the employee had over 20 years of service at the time of retirement, the benefit will continue for an additional five years but not beyond age 65. Retirees only are eligible for basic life insurance coverage for five years after their retirement.

Funding Policy: Starting in FY2008, **RDA's** financial statements reflect the accrual of expenses in accordance with GASB Statement #45. Formerly, RDA accounted for, and financed expenses on a pay-as-you-go basis. For the year ended June 30, 2008, $457,418 was actually paid on behalf of a total of 47 retirees.

Certain retirees are required to contribute nominal amounts towards health insurance. The remainder of the post-employment benefits cost is funded by **RDA** on a pay-as-you-go basis. A group of retirees who retires during the fiscal years 1969 through 1975 receive benefits of life and health insurance for which the retirees contribute approximately 96% of the total benefit cost. The remainder is funded on a pay-as-you-go basis, and the benefits are provided until the death of the retiree.

Annual OPEB Cost and Net OPEB Obligation: **RDAs'** OPEB expenses are calculated based on the annual required contribution of the employer (ARC). The ARC and related information was actuarially determined using the entry age normal cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of June 30, 2008, is included in the OPEB liability in **RDA's** Statement of Net Assets.

The following table shows the components of the **RDA's** annual OPEB cost for the year, the amount actually contributed to the plan, and changes in **RDA's** net OPEB obligation to the Retiree Health Plan:

	(USD)
Normal Cost*	357,013
UAAL Amortization**	463,584
Adjustment to ARC	820,597
Contributions Made***	(457,418)
Increase in net OPEB obligation	363,179
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	363,179

RDA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2008	$ 820,597	56%	$ 363,179

Funded Status and Funding Progress: As of June 30, 2008, the actuarial accrued liability for benefits was $7.5 million, all of which was unfunded. Actuarial value of assets was $0, resulting in a UAAL of $7.5 million.

The projections of future benefit payments for an ongoing plan's ongoing obligation involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. 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 benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The 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.

Assumptions include a retirement rate of 100% at the age of 56, mortality rates RP-2000 Combined Mortality Table, and a payroll growth rate with projected salary increases of 6.00% per year. The healthcare claims costs were determined based on premium information supplied by the RDA, with pre 65 premiums being adjusted to reflect retiree-specific experience and a standard turnover assumption was based on GASB 45 paragraph 35b. .Healthcare costs are expected to increase at the following rates:

Year	Trend
2008	11.0%
2009	10.0%
2010	9.0%
2011	8.0%
2012	7.0%
2013	6.0%
2014	5.0%

Based on the historical and expected returns of **RDA's** short-term investment portfolio, a discount rate of 5% was used. The amortization cost for the initial UAAL is a level dollar amount for a period of 30 years. The remaining amortization period at June 30, 2008, was 29 years.

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 2008 this transfer amounted to $261.2 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 $61.3 million to SEPTA

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled $73.9 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 $261.1 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2006 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2007	270.7	85.3	(80.1)	275.9
Fiscal 2008	275.9	74.2	(89.0)	261.1

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro rata charge to the various funds. Payments for the year were $3.2 million for Unemployment Compensation claims and $52.3 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $222.6 million discounted at 4%. On an undiscounted basis, these liabilities total $299.5 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 $201.9 million (discounted) and $272.9 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 $153.7 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, 2006 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2007	113.2	92.4	(46.2)	159.4
Fiscal 2008	159.4	40.2	(45.9)	153.7

The **SDP** Weekly Indemnity, Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. The cost of Weekly Indemnity coverage is shared equally by **SDP** and covered employees. Unemployment Compensation coverage is funded by a pro rata charge to the various funds. Payments for the year were $17.3 million for Weekly Indemnity, $4.6 million for Unemployment Compensation claims and $31.2

million for Workers' Compensation claims. Amounts collected in excess of claims incurred for **SDP's** Weekly Indemnity Plan are included in **SDP's** General Fund as a Reservation of Fund Balance.

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for those components using third party carriers. None of the losses of any of the Component Units have been settled with the purchase of annuity contracts.

7. COMMITMENTS

A. 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 $72.7 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. The Commonwealth has agreed to defer a scheduled payment of $61.4 million which includes a previous balance of $45.3 million, and additional expenses incurred in FY2008 of $16.1 million.

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 $256.1 million. Of this amount, $14.4 million is charged to current operations of the Enterprise Funds. The remaining $241.7 million pertaining to the General Fund is reflected in the Government Wide Full Accrual 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 $66.6 million to the General Fund and $2.2 million to the Enterprise Funds.

Significant cases included in the current litigation against the City are as follows:

- In *Burella v. City* the Plaintiff sued the City and three individual police officers under state and federal law, seeking to hold them liable for her non-fatal shooting at the hand of her husband who is a police officer. The Plaintiff's theories (procedural and substantive due process, equal protection, intentional infliction of emotional

distress) are based on the alleged failure of defendants to address the husbands' increasingly apparent psychological problems and anger management difficulties, manifested by repeated instances of domestic violence and physical altercations with his wife over several years. In September, 2007, the Third Circuit reversed the denial of the individual officers' summary judgment motions. The case has returned to the trial court for resolution of the remaining claims, primarily state law claims against the officers and federal claims against the City. Briefing is proceeding to determine whether any of these claims remain viable after the Third Circuits' decision.

- *Lawrence v. City of Philadelphia* is a collective action brought on behalf of 250 former and current fire-service paramedics (paramedics) against the City of Philadelphia's (City), under the Fair Labor Standards Act ("FLSA"). The plaintiffs claim the City violated the FLSA primarily by using the same schedule of 10 and 14-hour shifts applicable to firefighters, which can lead to them working as many as 48 hours in a traditional Sunday to Saturday workweek without compensating them at overtime rates for all hours worked over 40 in a week. The City has denied that the plaintiffs have been paid improperly and has asserted various defenses to the plaintiffs' claim. The City's primary defense is that fire service paramedics qualify for the higher overtime thresholds applicable to fire protection and other emergency service employees under Sections 203(y) and 207(k) of the FLSA. Discovery in this case is essentially complete and the parties filed cross-motions for summary judgment on March 16, 2005. All further briefings on summary judgment were completed by May 2, 2005. The court ruled in favor of the City on the summary judgment motion. Plaintiffs appealed to the Third Circuit and secured a reversal. The case now returns to the district court for an assessment of damages. Outside counsel has estimated the potential damages range between $4.9 million and $33 million plus attorney's fees.

- *In McKenna et al c. City of Philadelphia,* plaintiffs, three former officers allege 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. Judgment has not yet been entered because of an on-going procedural issue concerning damages. The City has been vigorously defending this case to reduce the damages substantially.

- *Waterfront Renaissance Associates v. City, 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 of Philadelphia and various civic associations and their officers alleging that Council's enactment in March, 2006, of a zoning overlay ordinance amending the Old City Residential Area Special District Controls prevented completion of WRA's project as planned. WRA further alleged a nearly 20 year history of support, encouragement, assistance, and other favorable representations for the project by the City. WRA complained that it had spent nearly $20 million in reliance upon City's actions for site-acquisitions, pre-development, promotional, and other soft and hard costs. WRA made claims under federal and state constitutional provisions and under state law.

  All defendants filed motions to dismiss. All defendants except the civic association and the City have been dismissed. The following claims remain against the City: promissory estoppel, detrimental reliance, un-just enrichment, violation of equal protection clause and violation of substantive due process. The Plaintiffs seek damages in excess of $20 million.

  The parties have files all appropriate pleadings and have commences written discovery, exchanged voluminous documents, and will now proceed through additional discovery, including a substantial number of depositions. The case currently has a discovery completion date of April, 2009.

  The City has vigorously contested the case and intends to continue to do so. The City believes that the district court has erred in several material respects in denying the motion to dismiss. However, the City is presently unable to appeal these orders since they are interlocutory and must proceed with the litigation to contest this case. It is difficult and uncertain at this stage of the case and based on the record developed to assess the likelihood of an unfavorable outcome and range/estimate of potential loss if an unfavorable outcome occurs. However, the City lawyers believe that an unfavorable outcome is remote. Furthermore, even if there were an unfavorable outcome, the likelihood that the Plaintiffs would be awarded the $20 million sought is remote.

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	5,280
Philadelphia Parking Authority	16,855
	22,135

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, 2008, which amounted to $843.9 million for all open program years as of December 16, 2008. Of this amount, $710.8 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2008 due to timing differences in audit requirements, $84.0 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2007and prior and $49.0 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed $192.1 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 $125.3 million.

B. COMPONENT UNITS

1) Claims and Litigation

- The **SDP** is a party to various claims, legal actions, arbitration and complaints arising in the ordinary course of business, which aggregate to a total potential liability of $17.5 million. In the opinion of the General Counsel of **SDP**, it is unlikely that final judgments or compromised settlements will approach the total potential liability. **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. Compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of $2.4 million and $1.7 million, respectively, for disputed contracts and labor and employment matters. Compromised settlements or unfavorable verdicts arising from personal injury and property damaged claims are deemed probable and reasonably possible in the aggregate amounts of $1.9 million and $2.6 million respectively. In addition, **SDP** has recorded in its Government Wide Full Accrual Statements the total cumulative potential liability of $126.7 million for Workers' Compensation, $6.2 million for Unemployment Compensation claims and $7.2 million for claims and judgments.

- There are twenty four lawsuits pending against **SDP** asserting claims in violation of § 1983 of the Civil Rights Act. In the opinion of the General Counsel of the **SDP**, unfavorable outcomes are deemed probable and rea-

sonably possible in the aggregate amounts, including attorney fees, of approximately $0.6 million and $0.5 million respectively

- More than thirty years ago, the Pennsylvania Human Relations Commission (the "Commission") initiated an action against the **SDP** in Pennsylvania Commonwealth court to end historical de facto racial segregation in public schools and sought to compel remedies such as forced busing. Between 1973 and 1993, the **SDP** and the Commission developed a series of desegregation plans, strategies and reforms with the objective of achieving maximum feasible desegregation. Despite the persistence of racially segregated residential patterns and the number of non-minority students choosing to attend any number of parochial or private schools in the region, the Court determined, from time to time and over the years, that such reform efforts were inadequate to cure the problem of racial isolation in the public schools.

  In late 1995, the Court joined the Commonwealth of Pennsylvania as a defendant in the action, and in the summer of 1996, held that the Commonwealth was liable for substantial and ongoing financial contributions to **SDP** to fund and support desegregation mandates. However, the Commonwealth Court's Order was vacated by the Pennsylvania Supreme Court when it assumed plenary jurisdiction of the case in the fall of 1996. After nearly three years, the Supreme Court determined that the Commonwealth Court lacked authority to add defendants or claims to the case after its commencement by the Commission in 1973. The Commonwealth was dismissed from the case and jurisdiction of the case was returned to the Commonwealth Court. Since that time, **SDP** has continued to implement remedial measures and reports periodically to the Court on its progress toward satisfying the Court's mandates.

  In May and September 2001, and at the request of the Court, **SDP** submitted a Comprehensive School Safety and Security Plan and a Curriculum Renewal Plan (collectively the "Plans") intended to guide managements' work in the areas of curriculum and instruction. Following a hearing, the Court issued an Opinion and Order concluding that **SDP** had made significant and continued effort to comply with the Remedial Order, accepting the Plans, and directing the Human Relations Commission to monitor their implementation. The Court further directed the Commission to monitor their implementation. The Court further directed the Commission to request the Court to close the case when it is satisfied that **SDP** has demonstrated that it can and will provide an equal educational opportunity to all students.

  In December, 2001, the Court reiterated its position that the Plans approved by the Court in September, 2001, are to be implemented by **SDP** notwithstanding any changes in management or organizational structure given the possibility of the impending state "takeover" of the district.

  After the Commonwealth assumed control of the district and between July 2002 and July 2003, **SDP** responded to Court questions, submitted materials, attended conferences, accompanied court officials on tours of elementary schools, and provided testimony concerning the series of initiatives being undertaken by management and the School Reform Commission Nevertheless by letter dated August, 2003, the Court indicated its intent to defer issuing an opinion and order until Counsel confer among themselves to determine whether they can agree upon a consent decree for submission and approval by the court. Since this time counsel for **SDP**, the Commission and Interventors met on a regular and consistent basis to develop a proposed Memorandum of Understanding (the "MOU").

  More specifically, the MOU, which was submitted to the Court for review and approved in March of 2004, stays all judicial proceedings for an initial period of three years while requiring that **SDP** submit annual reports to the Commission. As detailed in the MOU, the Commission will provide written feedback to **SDP** based on its review of the reports and the parties will have the opportunity to meet and confer during the term of the MOU. The MOU also includes a dispute resolution process by which the parties may seek to resolve disagreements, if any, remaining at the end of the initial period of the MOU before returning to Court. The MOU further preserves positions of the parties in the event the MOU does not result in a final resolution of this case and the stay is lifted.

  By order of the Court and following a hearing "for formal Court review and approval of the Memorandum of Understanding entered into by the parties in an effort to avoid continued litigation and to move toward a final resolution of this long-standing Philadelphia School desegregation case," the Court approved the MOU. The order further provided that "at the end of the Term of the Memorandum of Understanding, and unless the Pennsylvania Human Relations Commission or the **SDP** files an application with the Court indicating that areas of disagreement still remain, the case shall be terminated with prejudice upon precept by the Commission."

The **SDP** submitted annual status reports to the PHRC in December 2004, 2005 and 2006. The PHRC provided its annual response to the SDP December, 2006 status report during the summer of 2007. The PHRC is in the process of preparing its overall evaluations, which will state whether PHRC believes the SDP is in substantial compliance with the law and whether the case should be concluded. Depending on the PHRC's conclusion, the parties may proceed to the negotiation and dispute resolution processes set forth in the MOU.

SDP believes that the substantive and procedural aspects of the MOU have the potential to lead to a final resolution of this matter. Management is unable, at this stage however, to express an opinion concerning whether disagreements will remain at the end of the term of the MOU. Should the parties not resolve this matter within the framework of the MOU and should the stay be lifted, **SDP** believes that it may be able to raise meritorious defenses and arguments relating to its compliance with the Pennsylvania Human Relations Act, as well as, the proper scope of the Court's jurisdiction and remedial authority in the context of future proceedings.

- **SDP** was notified by the Pennsylvania Department of Education (PDE) that the results of an audit conducted by the Auditor General for the years ending June 30, 1991, 1992 and 1993 revealed that **SDP** over-reported student enrollment in Fiscal Year 1991 which established the base for all school subsidies through Fiscal Year 1999. The determination of subsidy reimbursement from the PDE's Director, Bureau of Budget and Fiscal Management, was $20 million after appeal through fiscal year 1999. In May, 1999, the SDP appealed the entire finding to the Secretary of Education. This matter is still pending. A similar audit was undertaken which concluded with PDE asserting an additional $20 million per year claim for alleged over reporting of enrollment in school years 1994-95 through 1996-97. **SDP** denies the claim and has produced documentation. Both matters remain pending. Though discussions with state representatives regarding relief from this potential liability are ongoing, no final determination of forgiveness has been made to date. There still remains a reasonably possible loss in this category in the total amount of $40.0 million.

- **SDP** was recently the subject of an audit by the National Science Foundation (NSF) Office of Inspector General (OIG) of two grant awards from NSF covering the period July 1, 1999 through August 31, 2005. The NSF OIG auditors issued a final audit report in May, 2008 questioning $4.2 million in federal funds expended under the awards. The NSF Cost Analysis and Audit Resolution (CAAR) branch has requested additional information and documentation from SDP to aid in its determination of whether to seek repayment of any funds from SDP, based upon the auditors' final conclusions. SDP has responded and will continue to respond to all requests as they are made. As of this date, NSF has made no finding of liability for SDP and NSF had initiated no administrative or legal proceedings to recover any funds from the SDP making the potential for material liability remote.

- In *Robert Johnston et al v. **SDP** et al* , a lawsuit was filed by three former and one current employee alleging reverse racial discrimination and retaliation under Title VII of the Civil Rights Act and the Pennsylvania Human Relations Act. Collectively, the plaintiffs claim that **SDP** and the Chief Procurement Officer ("CPO"), terminated their employment on the basis of race and retaliated against them by denying alternative placement or positions. In December, 2005, a jury verdict was entered in favor of the plaintiffs and against **SDP** and the CPO . That verdict included an award of back-pay, front-pay and reinstatement, as well as, compensatory damages in the amount of $2 million. Total value of the award, including future earnings, was in excess of $4 million. In June, 2006, **SDP** entered into a Settlement Agreement and General Release of Claims which provided for payments of over $3.8 million to the plaintiffs in fiscal years 2007, 2008 and 2009. As part of the resolution, the Plaintiffs waived reinstatement rights to positions with SDP as well as, releasing SDP from all claims. In July, 2007, SDP made the final installment of settlement payments in the amount of $1.3 million and payroll related expenditures of $0.3 million. As of June 30, 2008, SDP is still obligated to pay $0.2 million in outstanding payroll related expenditures.

- *The School District of Philadelphia 403(b) Plan and 457(b) Deferred Compensation Plan*
  Pursuant to resolutions of the School Reform Commission, the School District of Philadelphia implemented a new 403(b) Plan and a 457(b) Deferred Compensation Plan in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the new 403(b) and 457(b) Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District 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 School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans for employees who retire during or after the calendar year in which they attain age 55. Based on the advice of counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld those taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plans are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. No taxing authorities have challenged the tax treatment accorded these termination payments, and the School District has no reason to believe that any such challenge, if brought, would be successful. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. Furthermore, on June 30, 2008, the School District submitted a request for a Private Letter Ruling ("PLR") from the Internal Revenue Service to further confirm the School District's determination. The School District is seeking this PLR without prejudice to the School District's position that no such ruling is necessary under these circumstances. 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, 2008, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2008.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

1) In January 2009, the City issued General Obligation Bonds Series 2008B, sub series (a) through (e) in the amount of $165.0 million. Sub series (a) issued in the amount of $20.4 million are serial bonds with interest rates ranging from 4.0% to 6.0% maturing in 2018. Sub series (b), (c), (d), and (e) issued in the amounts of $4.8 million, $19.4 million, $25.0 million, and $95.3 million respectively, have interest rates ranging from 5.25% to 7.125% and mature through 2038. The bonds are being issued for the purpose of financing and reimbursing the City for the costs of various capital projects of the City and providing for certain other costs relating thereto.

2) In December 2008, the outstanding balance of $178.6 million of City of Philadelphia Airport Revenue Refunding Bonds Series 2005C was reoffered under an irrevocable direct pay letter of credit (LOC) from TD Bank. The LOC replaces a bond insurance policy from MBIA Insurance Corporation issued simultaneously with the issuance of the 2005C bonds in June, 2005, and a liquidity facility for the 2005C bonds provided by JP Morgan Chase Bank, N.A. The LOC will constitute both a Credit Facility and Liquidity Facility under the Ordinance and the Variable Rate Securities Agreement, and the Bank will be a Credit Provider and Liquidity Provider under the Ordinance and the Variable Rate Securities Agreement. The bonds will have a weekly interest rate and maturity date of 2025.

3) In November 2008, the City issued $350.0 million of Tax and Revenue Anticipation Notes 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, 2009.

4) In September 2008, the outstanding balance of $78.5 million of City Water & Wastewater Revenue Bonds, Series 1997B, was reoffered under an irrevocable direct-pay letter of credit (LOC) from Bank of America. The LOC replaces a bond insurance policy from Ambac Assurance Corp., previously issued with the original issuance of the 1997B bonds in November, 1997, in the amount of $100 million. The LOC will constitute both a credit facility and liquidity facility and Bank of America a credit provider and liquidity provider. The bonds continue to have a weekly interest rate and a maturity date of 2027.

5) At June 30, 2008 the Philadelphia Gas Works (PGW) owed the City $22.5 million that the City had loaned to them in FY2001. During the first half of FY2009 PGW returned all of the funds.

6) The City's Airport Revenue Bonds Series 2005A and 2005B currently have MBIA Insurance Corporation surety policies for their sinking fund reserve requirements. Because MBIA was downgraded below the 'AA' category, the surety policies no longer meet the requirements of the General Airport Revenue Bond

Ordinance. The City is working on refunding the Series 2005B Bonds as well as the reserve fund surety for the 2005B bonds and is pursuing remedies to meet the ordinance requirements as it relates to the reserve fund surety for the 2005A bonds.

7) Subsequent to June 30, 2008, the fair value of the City's investments has declined significantly due to the ongoing financial market crisis. Most of the City's investments are reflected in the Municipal Pension Fund. The fair value of the investments in the Municipal Pension Fund has decreased approximately 21% as of December, 2008. Similarly, the fair value of the investments in the Philadelphia Gas Works Retirement Reserve has decreased approximately 18% as of October, 2008. The financial market crisis has also had a detrimental effect on the fair value of the interest rate SWAPS and SWAPTIONS, increasing their negative values. For Fiscal Year 2009, the City's general fund operating budget is now projecting a budget shortfall rather than a modest surplus due in part to the national financial and economic crisis.

B. COMPONENT UNITS

1) In January 2009, the board of the Penn's Landing Corporation was dissolved and replaced with the Delaware River Waterfront Corporation. The new 16 member board, which will be led by the Mayor's Deputy Director for Economic Development and Planning, will be comprised of appointed City officials and private sector experts in design, finance, and real estate development. The new group will focus on the seven-mile stretch of waterfront property between Allegheny and Oregon Avenues, and serve as a catalyst in creating a vibrant amenity, extending our great City to the rivers' edge.

2) The Commonwealth of Pennsylvania agreed to make certain advances of portions of installments of basic education subsidy to SDP, thereby eliminating the need for SDP to issue its annual tax and revenue anticipation notes. Due to timing factors, the Commonwealth was unable to enact its budget prior to June 30th. Therefore, in July 2008, SDP issued $350.0 million of tax and revenue anticipation notes for a one month period. The Commonwealth advanced SDP $350.0 million and $150.0 million in July 2008, and November 2008, respectively, covering all of SDP's cash flow needs. In August 2008, SDP paid the note in full.

3) In October 2008, the School Reform Commission authorized the sale of $396.6 million in General Obligation Bonds at a combined true interest cost of 5.98%. The Series 2008E bonds in the amount of $282.4 million will be used to fund the final phase of funding for the SRC capital improvement program. The 2008F bonds issued in the amount of $114.2 million were issued to prepay a variable-rate loan made by the Dauphin County General Authority to SDP in August 2003. Both series of bonds were issued as fixed rate debt.

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, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	2,414,651	2,440,572	2,396,499	(44,073)
Locally Generated Non-Tax Revenue	267,209	257,940	265,764	7,824
Revenue from Other Governments	1,024,801	1,056,509	1,033,367	(23,142)
Revenue from Other Funds	24,749	40,271	27,212	(13,059)
Total Revenues	3,731,410	3,795,292	3,722,842	(72,450)
Expenditures and Encumbrances				
Personal Services	1,375,787	1,399,153	1,390,720	8,433
Pension Contributions	436,728	430,764	430,764	-
Other Employee Benefits	487,176	552,275	552,275	-
Sub-Total Employee Compensation	2,299,691	2,382,192	2,373,759	8,433
Purchase of Services	1,168,648	1,199,335	1,188,737	10,598
Materials and Supplies	63,206	68,811	66,839	1,972
Equipment	25,194	25,732	25,258	474
Contributions, Indemnities and Taxes	119,722	120,966	120,957	9
Debt Service	101,035	87,161	87,161	-
Payments to Other Funds	28,913	28,912	24,821	4,091
Advances, Subsidies, Miscellaneous	32,310	32,310	32,310	-
Total Expenditures and Encumbrances	3,838,719	3,945,419	3,919,842	25,577
Operating Surplus (Deficit) for the Year	(107,309)	(150,127)	(197,000)	(46,873)
Fund Balance Available for Appropriation, July 1, 2007	171,662	297,869	297,869	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	20,000	24,500	21,073	(3,427)
Revenue Adjustments - Net	-	-	(2,515)	(2,515)
Prior Period Adjustments	-	-	97	97
Adjusted Fund Balance, July 1, 2007	191,662	322,369	316,524	(5,845)
Fund Balance Available for Appropriation, June 30, 2008	84,353	172,242	119,524	(52,718)

* 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, 2008

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	10,000	12,788	12,743	(45)
Revenue from Other Governments	807,863	762,248	743,171	(19,077)
Total Revenues	817,863	775,036	755,914	(19,122)
Other Sources				
Increase in Unreimbursed Committments	-	-	72,259	72,259
Decrease in Financed Reserves	-	-	15,028	15,028
Total Revenues and Other Sources	817,863	775,036	843,201	68,165
Expenditures and Encumbrances				
Purchase of Services	886,063	885,009	836,137	48,872
Equipment	100	100	-	100
Payments to Other Funds	700	1,754	1,753	1
Total Expenditures and Encumbrances	886,863	886,863	837,890	48,973
Operating Surplus (Deficit) for the Year	(69,000)	(111,827)	5,311	117,138
Fund Balance Available for Appropriation, July 1, 2007	24,798	28,360	28,360	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	6,838	6,838
Other Adjustments	-	52,982	-	(52,982)
Adjusted Fund Balance, July 1, 2007	24,798	81,342	35,198	(46,144)
Fund Balance Available for Appropriation, June 30, 2008	(44,202)	(30,485)	40,509	70,994

* 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, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	52,727	59,955	43,138	(16,817)
Revenue from Other Governments	1,139,086	905,154	763,592	(141,562)
Total Revenues	1,191,813	965,109	806,730	(158,379)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(3,432)	(3,432)
Decrease in Financed Reserves	-	-	21,044	21,044
Total Revenues and Other Sources	1,191,813	965,109	824,342	(140,767)
Expenditures and Encumbrances				
Personal Services	97,178	96,812	77,444	19,368
Pension Contributions	10,294	10,787	9,945	842
Other Employee Benefits	15,297	16,064	14,693	1,371
Sub-Total Employee Compensation	122,769	123,663	102,082	21,581
Purchase of Services	907,477	920,037	715,511	204,526
Materials and Supplies	14,655	19,736	14,302	5,434
Equipment	6,265	9,232	3,988	5,244
Contributions, Indemnities and Taxes	500	349	240	109
Payments to Other Funds	22,139	22,477	13,452	9,025
Advances, Subsidies, Miscellaneous	118,008	5,158	-	5,158
Total Expenditures and Encumbrances	1,191,813	1,100,652	849,575	251,077
Operating Surplus (Deficit) for the Year	-	(135,543)	(25,233)	110,310
Fund Balance Available for Appropriation, July 1, 2007	-	(26,216)	(26,216)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	38,083	38,083
Revenue Adjustments - Net	-	-	(9,615)	(9,615)
Prior Period Adjustments	-	26,216	-	(26,216)
Adjusted Fund Balance, July 1, 2007	-	-	2,252	2,252
Fund Balance Available for Appropriation, June 30, 2008	-	(135,543)	(22,981)	112,562

* Refer to the notes to required supplementary information.

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						
07/01/2002	4,891.3	6,727.2	1,835.9	72.71%	1,207.3	152.07%
07/01/2003	4,548.1	7,188.3	2,640.2	63.27%	1,269.3	208.00%
07/01/2004	4,333.1	7,247.7	2,914.6	59.79%	1,266.0	230.22%
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%
City of Philadelphia Other Post Employment Benefits						
07/01/2007	-	1,136.7	1,136.7	0.00%	1,351.8	84.09%
Philadelphia Gas Works Pension Plan						
09/01/2002	370.0	424.7	54.7	87.12%	98.3	55.65%
09/01/2003	356.0	427.0	71.0	83.37%	101.2	70.16%
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%	103.0	64.27%

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	3,722,842	755,914	806,730
Transfers	(271,649)	-	-
Program Income	-	-	78,112
Adjustments applicable to Prior Years Activity	(2,515)	-	(127)
Change in Amount Held by Fiscal Agent	5,567	-	-
Change in BPT Adjustment	1,265	-	-
Return of Loan	(22,500)		
Other	10,317	-	(9,489)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,443,327	755,914	875,226
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,919,842	837,890	849,575
Transfers	(103,353)	-	(12,599)
Bond Issuance Costs	5,495	-	-
Expenditures applicable to Prior Years Budgets	75,884	(1,282)	42,136
Program Income	-	-	78,112
Other	10,317	-	-
Change in Amount Held by Fiscal Agent	32,537	-	-
Current Year Encumbrances	(70,212)	(77,815)	(76,788)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,870,510	758,793	880,436

City of Philadelphia
PENNSYLVANIA

Other Supplementary Information

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to specific purposes.

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.

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 Fairmount Park.

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 for the purpose of accumulating resources for the payment of principal on general obligation term bonds and to function as a conduit for the debt service payments to fiscal agents.

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 financial resources to be used for the acquisition or construction of the major capital facilities other than those financed by proprietary fund operations.

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 financial resources that are legally restricted to the extent that only earnings, 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 Fairmount Park.

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

Schedule I

Amounts in thousands of USD

	Special Revenue												
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets													
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	5,660	472	66,985	73,117
Equity in Treasurer's Account	1,798	13,844	3,187	-	5,234	19,958	144	3,378	-	327	-	-	47,870
Investments	-	-	-	-	-	-	-	-	-	952	106	-	1,058
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	167	167
Taxes Receivable	-	-	4,902	-	501	-	-	-	-	-	-	8,184	13,587
Accounts Receivable	-	-	-	2,683	-	-	-	-	-	1,243	818	-	4,744
Due from Other Governmental Units	-	-	-	8,786	-	-	-	-	-	-	-	-	8,786
Allowance for Doubtful Accounts	-	-	(1,207)	-	(4)	-	-	-	-	-	-	-	(1,211)
Interest and Dividends Receivable	1	21	3	-	11	43	-	-	-	-	-	119	198
Other Assets	-	-	-	-	-	-	-	-	-	-	-	7,985	7,985
Total Assets	1,799	13,865	6,885	11,469	5,742	20,001	144	3,378	-	8,182	1,396	83,440	156,301
Liabilities and Fund Balances													
Liabilities:													
Vouchers Payable	202	1,182	-	1,746	-	203	-	50	-	83	-	-	3,466
Accounts Payable	575	912	3,810	3,570	-	211	-	104	-	1,316	1,211	87	11,796
Salaries and Wages Payable	-	-	-	198	-	-	-	-	-	-	-	27	225
Due to Other Funds	-	-	-	5,355	-	-	-	10	-	-	-	13,977	19,342
Due to Component Units	-	-	2,968	600	-	2,161	-	-	-	-	-	-	5,729
Funds Held in Escrow	-	-	-	-	-	-	-	447	-	565	-	-	1,012
Deferred Revenue	-	-	107	3,225	-	-	-	-	-	-	-	9,700	13,032
Total Liabilities	777	2,094	6,885	14,694	-	2,575	-	611	-	1,964	1,211	23,791	54,602
Fund Balances:													
Reserved for:													
Encumbrances	134	834	-	-	-	12,730	24	516	-	66	-	-	14,304
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	-	-	52,213	52,213
Debt Service Principal & Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Trust Purposes	-	-	-	-	-	-	-	-	-	200	-	-	200
Unreserved:													
Designated for Trust Purposes	-	-	-	-	-	-	120	2,251	-	6,111	-	-	8,482
Undesignated	888	10,937	-	(3,225)	5,742	4,696	-	-	-	(159)	185	7,436	26,500
Total Fund Balances	1,022	11,771	-	(3,225)	5,742	17,426	144	2,767	-	6,218	185	59,649	101,699
Total Liabilities and Fund Balances	1,799	13,865	6,885	11,469	5,742	20,001	144	3,378	-	8,182	1,396	83,440	156,301

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2008

Schedule I

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	
Assets									
Cash on Deposit and on Hand	-	-	21,681	21,681	-	-	-	81	94,879
Equity in Treasurer's Account	412	-	-	412	92,893	-	92,893	-	141,175
Investments	-	14	58,993	59,007	-	413	413	8,339	68,817
Due from Other Funds	-	-	4,450	4,450	-	-	-	-	4,617
Taxes Receivable	-	-	-	-	-	-	-	-	13,587
Accounts Receivable	-	-	-	-	-	-	-	2	4,746
Due from Other Governmental Units	-	-	-	-	23,713	-	23,713	-	32,499
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(1,211)
Interest and Dividends Receivable	1	-	67	68	141	-	141	-	407
Other Assets	-	-	-	-	-	-	-	-	7,985
Total Assets	413	14	85,191	85,618	116,747	413	117,160	8,422	367,501
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	7,319	-	7,319	-	10,785
Accounts Payable	-	-	72	72	2,452	-	2,452	81	14,401
Salaries and Wages Payable	-	-	-	-	72	-	72	-	297
Due to Other Funds	-	-	167	167	-	-	-	-	19,509
Due to Component Units	-	-	-	-	-	-	-	-	5,729
Funds Held in Escrow	-	-	-	-	3,987	-	3,987	-	4,999
Deferred Revenue	-	-	4,450	4,450	20,548	-	20,548	-	38,030
Total Liabilities	-	-	4,689	4,689	34,378	-	34,378	81	93,750
Fund Balances:									
Reserved for:									
Encumbrances	-	-	-	-	61,748	-	61,748	-	76,052
Intergovernmental Financing	-	-	-	-	-	-	-	-	52,213
Debt Service Principal & Interest	413	14	78,936	79,363	-	-	-	-	79,363
Trust Purposes	-	-	-	-	-	-	-	4,460	4,660
Unreserved:									
Designated for Trust Purposes	-	-	-	-	-	-	-	3,881	12,363
Undesignated	-	-	1,566	1,566	20,621	413	21,034	-	49,100
Total Fund Balances	413	14	80,502	80,929	82,369	413	82,782	8,341	273,751
Total Liabilities and Fund Balances	413	14	85,191	85,618	116,747	413	117,160	8,422	367,501

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2008

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	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues													
Tax Revenue	-	-	39,332	-	5,268	-	-	-	-	-	-	341,972	386,572
Locally Generated Non-Tax Revenue	33	204	73	1,756	255	12,354	-	2,262	493	6,388	13,292	2,677	39,787
Revenue from Other Governments	4,838	25,655	-	63,781	-	-	-	-	-	-	-	-	94,274
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	330	330
Total Revenues	4,871	25,859	39,405	65,537	5,523	12,354	-	2,262	493	6,388	13,292	344,979	520,963
Expenditures													
Current Operating:													
Economic Development	-	-	39,405	-	-	-	-	-	-	-	-	-	39,405
Transportation:													
Streets & Highways	4,851	20,590	-	-	-	-	-	-	-	-	-	-	25,441
Judiciary and Law Enforcement:													
Prisons	-	-	-	-	-	-	-	73	-	-	-	-	73
Conservation of Health:													
Housing and Neighborhood Development	-	-	-	64,838	-	10,803	-	-	-	-	-	-	75,641
Cultural and Recreational:													
Recreation	-	-	-	-	-	-	-	-	-	50	-	-	50
Parks	-	-	-	-	-	-	-	-	-	5,809	-	-	5,809
Libraries and Museums	-	-	-	-	-	-	-	-	-	207	-	-	207
Improvements to General Welfare:													
Service to Property:													
General Management and Support	-	-	-	61	5,000	-	25	1,712	493	1,759	13,292	1,273	23,615
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,851	20,590	39,405	64,899	5,000	10,803	25	1,785	493	7,825	13,292	1,273	170,241
Excess (Deficiency) of Revenues Over (Under) Expenditures	20	5,269	-	638	523	1,551	(25)	477	-	(1,437)	-	343,706	350,722
Other Financing Sources (Uses)													
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Defeasance	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	955	-	-	955
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	(344,292)	(344,292)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	955	-	(344,292)	(343,337)
Net Change in Fund Balances	20	5,269	-	638	523	1,551	(25)	477	-	(482)	-	(586)	7,385
Fund Balance - July 1, 2007	1,002	6,502	-	(3,863)	5,219	15,875	169	2,290	-	6,700	185	60,269	94,348
Adjustment	-	-	-	-	-	-	-	-	-	-	-	(34)	(34)
Fund Balance Adjusted - July 1, 2007	1,002	6,502	-	(3,863)	5,219	15,875	169	2,290	-	6,700	185	60,235	94,314
Fund Balance - June 30, 2008	1,022	11,771	-	(3,225)	5,742	17,426	144	2,767	-	6,218	185	59,649	101,699

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, 2008

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	386,572
Locally Generated Non-Tax Revenue	138	10	5,060	5,208	-	15	15	5	45,015
Revenue from Other Governments	-	-	-	-	16,429	-	16,429	-	110,703
Other Revenues	-	-	-	-	770	-	770	-	1,100
Total Revenues	138	10	5,060	5,208	17,199	15	17,214	5	543,390
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	39,405
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	25,441
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	73
Conservation of Health:									
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	75,641
Cultural and Recreational:									
Recreation	-	-	-	-	-	-	-	-	50
Parks	-	-	-	-	-	-	-	177	5,986
Libraries and Museums	-	-	-	-	-	-	-	429	636
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	1	501	502	-	-	-	-	24,117
Capital Outlay	-	-	-	-	105,763	-	105,763	-	105,763
Debt Service:									
Principal	34,140	9,488	50,440	94,068	-	-	-	-	94,068
Interest	49,158	14,833	35,982	99,973	-	-	-	-	99,973
Bond Issuance Cost	15,730	-	2,990	18,720	-	-	-	-	18,720
Total Expenditures	99,028	24,322	89,913	213,263	105,763	-	105,763	606	489,873
Excess (Deficiency) of Revenues Over (Under) Expenditures	(98,890)	(24,312)	(84,853)	(208,055)	(88,564)	15	(88,549)	(601)	53,517
Other Financing Sources (Uses)									
Issuance of Refunding Bonds	697,585	-	214,565	912,150	-	-	-	-	912,150
Bond Issuance Premium	27,917	-	-	27,917	-	-	-	-	27,917
Bond Defeasance	(709,772)	-	(214,565)	(924,337)	-	-	-	-	(924,337)
Transfers In	76,519	24,306	80,101	180,926	11,707	-	11,707	-	193,588
Transfers Out	-	-	-	-	-	-	-	-	(344,292)
Total Other Financing Sources (Uses)	92,249	24,306	80,101	196,656	11,707	-	11,707	-	(134,974)
Net Change in Fund Balances	(6,641)	(6)	(4,752)	(11,399)	(76,857)	15	(76,842)	(601)	(81,457)
Fund Balance - July 1, 2007	7,054	20	85,220	92,294	159,226	398	159,624	8,942	355,208
Adjustment	-	-	34	34	-	-	-	-	-
Fund Balance Adjusted - July 1, 2007	7,054	20	85,254	92,328	159,226	398	159,624	8,942	355,208
Fund Balance - June 30, 2008	413	14	80,502	80,929	82,369	413	82,782	8,341	273,751

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Assets

Pension Trust Funds

June 30, 2008

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	435,544	4,482,408	4,917,952
Securities Lending Collective Investment Pool	-	776,255	776,255
Accounts Receivable	-	4,457	4,457
Due from Brokers for Securities Sold	-	93,212	93,212
Interest and Dividends Receivable	1,593	8,573	10,166
Due from Other Governmental Units	-	4,798	4,798
Total Assets	437,137	5,369,703	5,806,840
Liabilities			
Vouchers Payable	-	289	289
Accounts Payable	574	3,493	4,067
Salaries and Wages Payable	-	118	118
Funds Held in Escrow	-	377	377
Due on Return of Securities Loaned	-	776,255	776,255
Due to Brokers for Securities Purchased	-	161,303	161,303
Accrued Expenses	-	974	974
Due to Other Governmental Units	7,491	-	7,491
Deferred Revenue	-	2,475	2,475
Other Liabilities	-	344	344
Total Liabilities	8,065	945,628	953,693
Net Assets Held in Trust for Pension Benefits	429,072	4,424,075	4,853,147

City of Philadelphia **Schedule IV**

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	15,453	426,934	442,387
Employees' Contributions	-	51,690	51,690
Total Contributions	15,453	478,624	494,077
Investment Income:			
Interest and Dividends	18,378	97,123	115,501
Net Decline in Fair Value of Investments	(40,677)	(304,924)	(345,601)
(Less) Investments Expenses	(2,211)	(17,105)	(19,316)
Securities Lending Revenue	542	34,380	34,922
(Less) Securities Lending Expenses	(460)	(26,980)	(27,440)
Net Investment Loss	(24,428)	(217,506)	(241,934)
Miscellaneous Operating Revenues	-	1,069	1,069
Total Additions (Reductions)	(8,975)	262,187	253,212
Deductions			
Personal Services	-	3,593	3,593
Purchase of Services	-	1,910	1,910
Materials and Supplies	-	108	108
Employee Benefits	-	1,886	1,886
Pension Benefits	32,685	725,661	758,346
Refunds of Members' Contributions	-	4,200	4,200
Indemnities	-	11	11
Other Operating Expenses	-	98	98
Total Deductions	32,685	737,467	770,152
Change in Net Assets	(41,660)	(475,280)	(516,940)
Net Assets - July 1, 2007	470,732	4,899,355	5,370,087
Net Assets - June 30, 2008	429,072	4,424,075	4,853,147

City of Philadelphia **Schedule V**

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2008

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	109,594	109,594
Equity in Treasurer's Account	6,290	13,824	-	20,114
Investments	-	-	29,066	29,066
Due from Other Funds	-	-	806	806
Total Assets	6,290	13,824	139,466	159,580
Liabilities				
Vouchers Payable	-	182	-	182
Payroll Taxes Payable	-	6,094	-	6,094
Funds Held in Escrow	6,290	7,548	139,466	153,304
Total Liabilities	6,290	13,824	139,466	159,580
Net Assets	-	-	-	-

City of Philadelphia **Schedule VI**

Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Balance 7-1-2007	Additions	Deductions	Balance 6-30-2008
Escrow Fund				
Assets				
Equity in Treasurer's Account	7,848	344,378	345,936	6,290
Liabilities				
Funds Held in Escrow	7,826	343,666	345,202	6,290
Vouchers Payable	22	1,405	1,427	-
Total Liabilities	7,848	345,071	346,629	6,290
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	12,517	863,660	862,353	13,824
Liabilities				
Vouchers Payable	134	7,795	7,747	182
Payroll Taxes Payable	6,931	778,281	779,118	6,094
Funds Held in Escrow	5,452	85,180	83,084	7,548
Total Liabilities	12,517	871,256	869,949	13,824
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	123,808	214,149	228,363	109,594
Investments	19,881	9,185	-	29,066
Due from Other Funds	800	6	-	806
Total Assets	144,489	223,340	228,363	139,466
Liabilities				
Funds Held in Escrow	144,489	223,340	228,363	139,466
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	123,808	214,149	228,363	109,594
Equity in Treasurer's Account	20,365	1,208,038	1,208,289	20,114
Investments	19,881	9,185	-	29,066
Due from Other Funds	800	6	-	806
Total Assets	164,854	1,431,378	1,436,652	159,580
Liabilities				
Vouchers Payable	156	9,200	9,174	182
Payroll Taxes Payable	6,931	778,281	779,118	6,094
Funds Held in Escrow	157,767	652,186	656,649	153,304
Total Liabilities	164,854	1,439,667	1,444,941	159,580

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2008

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2008 Outstanding	Maturities	Interest Rates	FY 2009 Debt Service Requirements Interest	Principal
General Obligation Bonds:								
Term Bonds	97,493,541	07/27/2006	531,988	531,988	8/2030 to 8/2031	5.00	26,599	
	7,222,518	07/27/2006	7,222,518	7,222,518	8/2030 to 8/2031	5.00	361,126	-
	11,024,437	07/27/2006	11,024,437	11,024,437	8/2030 to 8/2031	5.00	551,222	-
	10,131,057	07/27/2006	10,131,057	10,131,057	8/2030 to 8/2031	5.00	506,553	-
Total Term Bonds	125,871,553		28,910,000	28,910,000			1,445,500	-
Refunding Issues	178,240,000	12/01/1998	178,240,000	128,790,000	05/2009 to 05/2020	4.75 to 5.25	6,417,019	8,120,000
	188,910,000	12/20/2007	188,910,000	182,910,000	08/2008 to 08/2019	4.00 to 5.25	9,232,838	25,000
	313,505,000	12/20/2007	313,505,000	313,505,000	08/2019 to 08/2031	variable rates	12,004,106	
	195,170,000	5/01/2008	195,170,000	195,170,000	12/2008 to 12/2032	4.00 to 5.25	10,102,737	460,000
Total Refunding Bonds	875,825,000		875,825,000	820,375,000			37,756,700	8,605,000
Serial Bonds	20,000,000	NA	20,000,000	4,612,539	07/2008 to 06/2013	1.00	40,698	1,186,284
	73,033,994 [1]	11/15/1998	5,699,095	312,472	03/2009	5.00	15,624	312,472
	56,902,420 [1]	11/15/1998	31,612,319	1,733,253	03/2009	5.00	86,663	1,733,253
	60,256,571 [1]	11/15/1998	60,256,571	3,303,771	03/2009	5.00	165,189	3,303,771
	19,707,015 [1]	11/15/1998	19,707,015	1,080,504	03/2009	5.00	54,025	1,080,504
	50,781,553 [1]	01/01/2001	50,781,553	23,583,948	09/2008 to 09/2021	4.1 to 5.50	1,092,308	2,054,315
	99,400,449 [1]	01/01/2001	95,928,447	44,551,052	09/2008 to 09/2021	4.1 to 5.50	2,063,415	3,880,685
		07/27/2006	3,472,002	3,389,195	8/2008 to 8/2029	4.50 to 5.125	165,798	87,040
	12,165,000 [1]	12/02/2003	12,165,000	9,481,400	02/2009 to 02/2015	5 to 5.25	483,814	1,293,140
	84,972,482	12/02/2003	37,835,000	29,488,600	02/2009 to 02/2015	5 to 5.25	1,504,736	4,021,860
		07/27/2006	47,137,482	46,013,258	8/2008 to 8/2029	4.50 to 5.125	2,250,953	1,181,685
	71,950,563	07/27/2006	71,950,563	70,234,549	8/2008 to 8/2029	4.50 to 5.125	3,435,851	1,803,721
	66,119,953	07/27/2006	66,119,953	64,542,998	8/2008 to 8/2029	4.50 to 5.125	3,157,422	1,657,554
Total Serial Bonds	615,290,000		522,665,000	302,327,539			14,516,496	23,596,284
Total General Obligation Bonds	1,616,986,553		1,427,400,000	1,151,612,539			53,718,696	32,201,284
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
14th Series	158,265,000 [2]	05/15/1989	158,265,000	23,600,000	10/2008	NA	-	23,600,000
Series 1993	1,157,585,000	08/01/1993	1,010,025,000	185,405,000	06/2009 to 06/2011	5.625 to 7.00	12,389,094	42,855,000
Series 1995	221,630,000	04/15/1995	221,630,000	60,020,000	08/2008 to 08/2018	6.25	3,421,562	10,550,000
Series 1997 B	350,000,000 [3]	11/25/1997	100,000,000	81,100,000	08/2008 to 08/2027	Variable rates	6,494,468	2,600,000
Series 1998	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	7,097,213	-
Series 1999 A	6,700,000	N.A.	6,700,000	942,231	07/2008 to 04/2019	2.73	20,198	443,103
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	7,069,482	-
Series 2003	381,275,000 [3]	04/01/2003	381,275,000	371,175,000	06/2009 to 06/2023	Variable rates	16,777,110	1,145,000
Series 2005 A	250,000,000	05/04/2005	250,000,000	243,730,000	07/2008 to 07/2035	3.00 to 5.25	12,019,013	4,290,000
Series 2005 B	86,105,000 [3]	05/04/2005	86,105,000	84,035,000	08/2008 to 08/2018	Variable rates	3,798,405	370,000
Series 2007 A	191,440,000	11/16/2006	191,440,000	188,625,000	8/2008 to 8/2027	4.00 to 5.00	8,911,500	4,300,000
Series 2007 B	153,595,000	11/16/2006	153,595,000	153,505,000	11/2008 to 11/2031	4.00 to 5.00	6,975,475	195,000
Total Water Revenue Bonds	3,377,700,000		2,980,140,000	1,665,197,231			84,973,520	90,348,103

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2008

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2008 Outstanding	Maturities	Interest Rates	FY 2009 Debt Service Requirements Interest	Principal
Aviation Revenue Bonds:								
Series 1997 A	222,265,000	07/01/1997	222,265,000	34,780,000	06/2009 to 06/2027	5.125 to 5.75	1,864,163	4,210,000
Series 1998 A	123,405,000	03/17/1998	123,405,000	78,075,000	06/2009 to 06/2018	5.25 to 5.5	4,212,706	6,110,000
Series 1998 B	443,700,000	07/01/1998	443,700,000	388,500,000	07/2008 to 07/2028	5.00 to 5.375	19,653,967	10,680,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	168,660,000	07/2008 to 07/2028	5.125 to 5.50	8,885,076	4,435,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	36,315,000	06/2009 to 06/2031	4.375 to 5.50	1,901,644	860,000
Series 2005 B	41,000,000 [3]	06/02/2005	41,000,000	41,000,000	06/2011 to 06/2020	Variable rates	3,239,000	-
Series 2005 C	189,500,000 [3]	06/02/2005	189,500,000	178,600,000	06/2009 to 06/2025	Variable rates	10,795,426	4,700,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	124,985,000	06/2009 to 06/2035	4.20 to 5.50	5,979,705	2,340,000
Series 2007 A	172,470,000	08/16/2007	172,470,000	172,470,000	06/2011 to 06/2037	5	8,623,500	-
Series 2007 B	82,915,000	08/16/2007	82,915,000	79,415,000	06/2009 to 06/2027	5	3,970,750	2,965,000
Total Aviation Revenue Bonds	1,628,040,000		1,628,040,000	1,302,800,000			69,125,937	36,300,000
Total Revenue Bonds	5,005,740,000		4,608,180,000	2,967,997,231			154,099,457	126,648,103
Total All Bonds	6,622,726,553		6,035,580,000	4,119,609,770 [4]			207,818,153	158,849,387

NOTES:

[1] These General Obligation Authorizations were issued as both Term and Serial Bonds.

[2] The balance outstanding on these issues includes zero discount bonds and compound interest bonds as follows:

Outstanding	Maturity Value	Discount
23,600,000	23,600,000	16,892,172

[3] Based on latest available estimated rates.

[4] A summary of all Bonds Outstanding is as follows:

	General Obligation Bonds	Revenue Bonds	Total
General Fund Types:			
General Fund	1,147,000,000	-	1,147,000,000
Proprietary Fund Types:			
Water Fund	4,612,539	1,665,197,231	1,669,809,770
Aviation Fund	-	1,302,800,000	1,302,800,000
Total Proprietary Funds	4,612,539	2,967,997,231	2,972,609,770
Total All Funds	1,151,612,539	2,967,997,231	4,119,609,770

City of Philadelphia **Schedule VIII**

Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	616,934	549,048	555,049	6,001
Revenue from Other Governments	1,500	753	464	(289)
Revenue from Other Funds	72,537	52,110	34,247	(17,863)
Total Revenues	690,971	601,911	589,760	(12,151)
Expenditures and Encumbrances				
Personal Services	111,077	111,128	106,317	4,811
Pension Contributions	37,850	35,389	35,389	-
Other Employee Benefits	33,894	37,126	37,126	-
Sub-Total Employee Compensation	182,821	183,643	178,832	4,811
Purchase of Services	116,684	116,661	98,439	18,222
Materials and Supplies	41,248	41,859	40,298	1,561
Equipment	4,076	4,040	3,140	900
Contributions, Indemnities and Taxes	6,603	5,804	4,586	1,218
Debt Service	183,470	183,470	174,986	8,484
Payments to Other Funds	169,069	168,494	107,286	61,208
Total Expenditures and Encumbrances	703,971	703,971	607,567	96,404
Operating Surplus (Deficit) for the Year	(13,000)	(102,060)	(17,807)	84,253
Fund Balance Available for Appropriation, July 1, 2007	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	13,000	14,000	17,787	3,787
Revenue Adjustments - Net	-	-	20	20
Adjusted Fund Balance, July 1, 2007	13,000	14,000	17,807	3,807
Fund Balance Available for Appropriation, June 30, 2008	-	(88,060)	-	88,060

City of Philadelphia **Schedule IX**

Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	-	-	1,532	1,532
Revenue from Other Funds	142,600	83,255	80,924	(2,331)
Total Revenues	142,600	83,255	82,456	(799)
Expenditures and Encumbrances				
Purchase of Services	125,000	125,000	64,320	60,680
Payments to Other Funds	17,600	17,600	17,594	6
Total Expenditures and Encumbrances	142,600	142,600	81,914	60,686
Operating Surplus (Deficit) for the Year	-	(59,345)	542	59,887
Fund Balance Available for Appropriation, July 1, 2007	6,138	1,697	1,697	-
Fund Balance Available for Appropriation, June 30, 2008	6,138	(57,648)	2,239	59,887

City of Philadelphia **Schedule X**

Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	35	35	33	(2)
Revenue from Other Governments	4,915	4,915	4,838	(77)
Total Revenues	4,950	4,950	4,871	(79)
Expenditures and Encumbrances				
Personal Services	3,284	3,284	3,284	-
Purchase of Services	1,311	1,231	1,085	146
Materials and Supplies	260	340	316	24
Equipment	80	80	74	6
Payments to Other Funds	15	15	15	-
Total Expenditures and Encumbrances	4,950	4,950	4,774	176
Operating Surplus (Deficit) for the Year	-	-	97	97
Fund Balance Available for Appropriation, July 1, 2007	649	729	729	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	75	50	62	12
Adjusted Fund Balance, July 1, 2007	724	779	791	12
Fund Balance Available for Appropriation, June 30, 2008	724	779	888	109

City of Philadelphia **Schedule XI**

Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	90	240	204	(36)
Revenue from Other Governments	22,055	25,500	25,656	156
Total Revenues	22,145	25,740	25,860	120
Expenditures and Encumbrances				
Personal Services	8,270	8,270	8,270	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	9,270	9,270	9,270	-
Purchase of Services	7,310	7,471	7,461	10
Materials and Supplies	3,595	3,595	3,583	12
Equipment	590	429	366	63
Contributions, Indemnities and Taxes	31	31	31	-
Total Expenditures and Encumbrances	20,796	20,796	20,711	85
Operating Surplus (Deficit) for the Year	1,349	4,944	5,149	205
Fund Balance Available for Appropriation, July 1, 2007	3,945	5,473	5,473	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	100	120	315	195
Adjusted Fund Balance, July 1, 2007	4,045	5,593	5,788	195
Fund Balance Available for Appropriation, June 30, 2008	5,394	10,537	10,937	400

City of Philadelphia **Schedule XII**

Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	45,900	39,920	39,332	(588)
Locally Generated Non-Tax Revenue	100	80	73	(7)
Total Revenues	46,000	40,000	39,405	(595)
Expenditures and Encumbrances				
Personal Services	96	96	86	10
Contributions, Indemnities and Taxes	45,904	45,904	43,017	2,887
Total Expenditures and Encumbrances	46,000	46,000	43,103	2,897
Operating Surplus (Deficit) for the Year	-	(6,000)	(3,698)	2,302
Fund Balance Available for Appropriation, July 1, 2007	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	3,684	3,684
Prior Period Adjustments	-	-	14	14
Adjusted Fund Balance, July 1, 2007	-	-	3,698	3,698
Fund Balance Available for Appropriation, June 30, 2008	-	(6,000)	-	6,000

City of Philadelphia **Schedule XIII**

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	343,775	323,342	275,310	(48,032)
Revenue from Other Governments	2,500	2,000	1,755	(245)
Revenue from Other Funds	1,040	10,930	10,786	(144)
Total Revenues	347,315	336,272	287,851	(48,421)
Expenditures and Encumbrances				
Personal Services	64,734	64,734	60,310	4,424
Pension Contributions	18,750	18,951	18,951	-
Other Employee Benefits	17,624	20,240	20,240	-
Sub-Total Employee Compensation	101,108	103,925	99,501	4,424
Purchase of Services	103,389	101,567	81,398	20,169
Materials and Supplies	10,296	10,488	7,886	2,602
Equipment	7,539	7,348	3,273	4,075
Contributions, Indemnities and Taxes	5,078	4,260	1,565	2,695
Debt Service	101,150	101,150	84,529	16,621
Payments to Other Funds	24,467	24,289	4,970	19,319
Total Expenditures and Encumbrances	353,027	353,027	283,122	69,905
Operating Surplus (Deficit) for the Year	(5,712)	(16,755)	4,729	21,484
Fund Balance Available for Appropriation, July 1, 2007	51,904	42,583	42,583	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	15,000	14,015	(985)
Revenue Adjustments - Net	-	-	83	83
Adjusted Fund Balance, July 1, 2007	63,904	57,583	56,681	(902)
Fund Balance Available for Appropriation, June 30, 2008	58,192	40,828	61,410	20,582

City of Philadelphia
Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2008

Schedule XIV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	250	250	1,756	1,506
Revenue from Other Governments	117,574	97,573	51,847	(45,726)
Total Revenues	117,824	97,823	53,603	(44,220)
Other Sources				
Increase in Financed Reserves	-	-	(7,678)	(7,678)
Total Revenues and Other Sources	117,824	97,823	45,925	(51,898)
Expenditures and Encumbrances				
Personal Services	8,120	8,120	4,624	3,496
Pension Contributions	2,139	2,133	1,891	242
Other Employee Benefits	2,626	2,632	1,726	906
Sub-Total Employee Compensation	12,885	12,885	8,241	4,644
Purchase of Services	84,558	84,534	63,566	20,968
Materials and Supplies	271	294	253	41
Equipment	80	80	74	6
Payments to Other Funds	30	30	23	7
Advances, Subsidies, Miscellaneous	20,000	4,451	-	4,451
Total Expenditures and Encumbrances	117,824	102,274	72,157	30,117
Operating Surplus (Deficit) for the Year	-	(4,451)	(26,232)	(21,781)
Fund Balance Available for Appropriation, July 1, 2007	-	(3,863)	(3,863)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	26,870	26,870
Prior Period Adjustments	-	3,863	-	(3,863)
Adjusted Fund Balance, July 1, 2007	-	-	23,007	23,007
Fund Balance Available for Appropriation, June 30, 2008	-	(4,451)	(3,225)	1,226

City of Philadelphia
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2008

Schedule XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	5,000	5,000	5,268	268
Locally Generated Non-Tax Revenue	120	150	255	105
Total Revenues	5,120	5,150	5,523	373
Expenditures and Encumbrances				
Purchase of Services	5,000	5,000	5,000	-
Operating Surplus (Deficit) for the Year	120	150	523	373
Fund Balance Available for Appropriation, July 1, 2007	5,052	5,219	5,219	-
Fund Balance Available for Appropriation, June 30, 2008	5,172	5,369	5,742	373

City of Philadelphia
Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2008

Schedule XVI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	14,300	13,700	12,354	(1,346)
Expenditures and Encumbrances				
Personal Services	1,400	1,400	-	1,400
Purchase of Services	20,400	20,400	19,798	602
Total Expenditures and Encumbrances	21,800	21,800	19,798	2,002
Operating Surplus (Deficit) for the Year	(7,500)	(8,100)	(7,444)	656
Fund Balance Available for Appropriation, July 1, 2007	3,236	4,597	4,597	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	5,000	5,000	7,543	2,543
Adjusted Fund Balance, July 1, 2007	8,236	9,597	12,140	2,543
Fund Balance Available for Appropriation, June 30, 2008	736	1,497	4,696	3,199

City of Philadelphia **Schedule XVII**

Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	398,362	398,362	1,002	(397,360)
Revenue from Other Governments	321,511	321,511	19,377	(302,134)
Revenue from Other Funds	-	-	8,528	8,528
Total Revenues	719,873	719,873	28,907	(690,966)
Other Sources (Uses)				
Increase in Unreimbursed Committments	-	-	19,160	19,160
Total Revenues and Other Sources	719,873	719,873	48,067	(671,806)
Expenditures and Encumbrances				
Capital Outlay	719,873	719,873	133,628	586,245
Operating Surplus (Deficit) for the Year	-	-	(85,561)	(85,561)
Fund Balance Available for Appropriation, July 1, 2007	-	-	102,570	102,570
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	4,872	4,872
Revenue Adjustments - Net	-	-	(1,260)	(1,260)
Adjusted Fund Balance, July 1, 2007	-	-	106,182	106,182
Fund Balance Available for Appropriation, June 30, 2008	-	-	20,621	20,621

City of Philadelphia **Schedule XVIII**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2008 Actual	Positive (Negative)	FY 2007 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	358,747	358,494	366,459	7,965	367,257	(798)
Prior Years	41,000	36,000	36,330	330	30,286	6,044
Total Real Property Tax	399,747	394,494	402,789	8,295	397,543	5,246
Wage and Earnings Taxes:						
Current	1,166,217	1,196,078	1,176,556	(19,522)	1,162,391	14,165
Prior Years	8,000	5,000	8,266	3,266	5,061	3,205
Total Wage and Earnings Taxes	1,174,217	1,201,078	1,184,822	(16,256)	1,167,452	17,370
Business Taxes:						
Business Privilege Taxes:						
Current	385,180	403,180	376,133	(27,047)	401,911	(25,778)
Prior Years	25,000	35,000	22,695	(12,305)	34,447	(11,752)
Total Business Privilege Tax	410,180	438,180	398,828	(39,352)	436,358	(37,530)
Net Profits Tax:						
Current	12,387	11,201	9,109	(2,092)	10,936	(1,827)
Prior Years	2,500	3,500	3,393	(107)	4,326	(933)
Total Net Profits Tax	14,887	14,701	12,502	(2,199)	15,262	(2,760)
Total Business Taxes	425,067	452,881	411,330	(41,551)	451,620	(40,290)
Other Taxes:						
Sales Tax	138,375	135,886	137,275	1,389	132,572	4,703
Amusement Tax	17,829	16,865	17,984	1,119	16,454	1,530
Real Property Transfer Tax	205,000	185,000	184,048	(952)	217,329	(33,281)
Parking Lot Tax	50,828	51,568	55,459	3,891	50,310	5,149
Miscellaneous Taxes	3,588	2,800	2,792	(8)	2,575	217
Total Other Taxes	415,620	392,119	397,558	5,439	419,240	(21,682)
Total Taxes	2,414,651	2,440,572	2,396,499	(44,073)	2,435,855	(39,356)
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	6,291	13,721	4,133	(9,588)	5,140	(1,007)
Licenses and Permits	41,839	41,964	41,557	(407)	40,584	973
Fines, Forfeits, Penalties, Confiscated Money and Property	20,985	20,655	18,756	(1,899)	18,441	315
Interest Income	23,850	30,550	28,977	(1,573)	41,978	(13,001)
Service Charges and Fees	107,844	115,405	105,968	(9,437)	108,084	(2,116)
Other	66,400	35,645	66,373	30,728	33,684	32,689
Total Locally Generated Non-Tax Revenue	267,209	257,940	265,764	7,824	247,911	17,853
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	198,323	185,839	162,784	(23,055)	207,430	(44,646)
Commonwealth of Pennsylvania:						
Grants and Other Payments	501,793	518,424	542,843	24,419	509,109	33,734
Other Governmental Units	324,685	352,246	327,740	(24,506)	316,396	11,344
Total Revenue from Other Governments	1,024,801	1,056,509	1,033,367	(23,142)	1,032,935	432
Revenue from Other Funds	24,749	40,271	27,212	(13,059)	27,417	(205)
Total Revenues	3,731,410	3,795,292	3,722,842	(72,450)	3,744,118	(21,276)

City of Philadelphia **Schedule XVIII**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2008 Actual	Positive (Negative)	FY 2007 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	28,621	16,358	14,584	1,774	13,625	959
Mayor's Office:						
Mayor's Office	4,951	5,776	5,658	118	5,061	597
Scholarships	200	200	200	-	200	-
Mural Arts Program	1,211	1,211	1,129	82	724	405
Labor Relations	549	549	524	25	547	(23)
Mayor's Office of Information Services	28,942	33,195	34,038	(843)	13,654	20,384
Capital Program Office	2,611	2,636	2,363	273	1,762	601
Mayor's Office of Community Services	-	3,540	3,540	-	-	3,540
Law	14,135	20,732	21,136	(404)	16,195	4,941
Board of Ethics	1,000	1,000	542	458		542
City Planning Commission	3,614	3,664	3,398	266	3,214	184
Commission on Human Relations	2,186	2,186	2,122	64	2,175	(53)
Zoning Code Commisssion	-	500	239	261		239
Board of Revision of Taxes	8,378	8,516	8,360	156	9,559	(1,199)
Total General Government	96,398	100,063	97,833	2,230	66,716	31,117
Operation of Service Departments						
Housing	4,000	5,200	5,200	-	6,317	(1,117)
Managing Director	15,472	15,912	15,884	28	13,328	2,556
Police	513,835	533,062	533,046	16	500,751	32,295
Streets	129,368	137,702	136,832	870	137,362	(530)
Fire	190,108	190,230	189,512	718	195,923	(6,411)
Public Health	116,461	118,675	112,928	5,747	112,910	18
Office of Behavioral Health/Mental Retardatic	14,262	14,262	14,136	126	14,352	(216)
Recreation	38,760	40,786	39,743	1,043	37,032	2,711
Fairmount Park Commission	13,368	15,531	15,074	457	14,463	611
Atwater Kent Museum	270	320	307	13	256	51
Camp William Penn	345	408	378	30	309	69
Public Property	167,296	171,302	167,061	4,241	194,332	(27,271)
Department of Human Services	607,648	615,482	614,856	626	590,438	24,418
Philadelphia Prisons	218,534	224,424	222,353	2,071	208,774	13,579
Office of Supportive Housing	37,911	43,112	40,694	2,418	38,608	2,086
Office of Fleet Management	61,483	68,520	67,048	1,472	59,708	7,340
Licenses and Inspections	29,729	30,755	30,534	221	28,686	1,848
Board of L & I Review	225	225	203	22	184	19
Board of Building Standards	113	113	96	17	91	5
Zoning Board of Adjustment	450	450	343	107	398	(55)
Records	7,757	7,757	7,634	123	8,017	(383)
Philadelphia Historical Commission	326	414	405	9	315	90
Art Museum	2,500	2,625	2,625	-	2,280	345
Philadelphia Free Library	41,531	41,679	40,607	1,072	39,211	1,396
Total Operations of Service Departments	2,211,752	2,278,946	2,257,499	21,447	2,204,045	53,454
Financial Management						
Office of Director of Finance	57,336	43,772	43,764	8	47,343	(3,579)
Department of Revenue	17,599	16,459	16,448	11	16,766	(318)
Sinking Fund Commission	189,792	172,221	172,221	-	173,420	(1,199)
Procurement	5,275	5,275	4,984	291	4,933	51
City Treasurer	770	770	718	52	642	76
Audit of City Operations	8,255	8,475	8,219	256	7,786	433
Total Financial Management	279,027	246,972	246,354	618	250,890	(4,536)

City of Philadelphia **Schedule XVIII**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2008 Actual	Positive (Negative)	FY 2007 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	923,903	983,039	983,039	-	890,330	92,709
Community College of Philadelphia	24,468	24,468	24,468	-	23,468	1,000
Legal Services	36,711	37,259	37,259	-	35,404	1,855
Hero Award	25	32	32	-	26	6
Refunds	500	235	235	-	10	225
Witness Fees	172	131	131	-	135	(4)
Contribution to School District	35,000	37,000	37,000	-	35,000	2,000
Total City-Wide Under Director of Finance	1,020,779	1,082,164	1,082,164	-	984,373	97,791
Promotion and Public Relations						
Commerce/City Representative	46,416	46,076	45,940	136	46,991	(1,051)
Personnel						
Civic Service Commission	169	169	149	20	146	3
Personnel Director	4,877	4,881	4,689	192	4,793	(104)
Total Personnel	5,046	5,050	4,838	212	4,939	(101)
Administration of Justice						
Clerk of Quarter Sessions	5,068	5,068	4,864	204	4,792	72
Register of Wills	3,777	3,777	3,522	255	3,443	79
District Attorney	31,987	32,322	32,003	319	30,937	1,066
Sheriff	14,921	15,481	15,428	53	14,644	784
First Judicial District	113,060	118,581	118,499	82	114,830	3,669
Total Administration of Justice	168,813	175,229	174,316	913	168,646	5,670
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,492	1,612	1,612	-	1,571	41
Conduct of Elections						
City Commissioners	8,996	9,307	9,286	21	8,486	800
Total Obligations	3,838,719	3,945,419	3,919,842	25,577	3,736,657	183,185
Operating Surplus (Deficit) for the Year	(107,309)	(150,127)	(197,000)	(46,873)	7,461	(204,461)

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
Water Operating Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2008 Actual	Positive (Negative)	FY 2007 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	371,991	388,218	396,682	8,464	379,903	16,779
Sales and Charges - Prior Years	55,653	39,743	31,076	(8,667)	40,645	(9,569)
Fire Service Connections	1,858	2,118	1,604	(514)	1,953	(349)
Surcharges	6,716	4,605	4,382	(223)	4,754	(372)
Fines and Penalties	838	1,038	988	(50)	877	111
Miscellaneous Charges	1,226	1,028	1,222	194	1,627	(405)
Charges to Other Municipalities	29,400	29,139	28,681	(458)	27,314	1,367
Licenses and Permits	1,916	1,910	2,101	191	1,797	304
Interest Income	11,605	9,553	11,607	2,054	15,754	(4,147)
Fleet Management - Sale of Vehicles & Equipment	170	170	160	(10)	102	58
Contributions from Sinking Fund Reserve	132,600	68,335	73,355	5,020	9,209	64,146
Reimbursement of Expenditures	111	193	555	362	60	495
Repair Loan Program	2,443	2,644	2,273	(371)	2,577	(304)
Other	407	354	363	9	345	18
Total Locally Generated Non-Tax Revenue	616,934	549,048	555,049	6,001	486,917	68,132
Revenue from Other Governments						
State	1,000	251	105	(146)	463	(358)
Federal	500	502	359	(143)	57	302
Total Revenue from Other Governments	1,500	753	464	(289)	520	(56)
Revenue from Other Funds	72,537	52,110	34,247	(17,863)	32,311	1,936
Total Revenues	690,971	601,911	589,760	(12,151)	519,748	70,012
Obligations						
Mayor's Office of Information Services	2,658	2,663	2,662	1	1,453	1,209
Managing Director	-	221	221	-	-	221
Public Property	3,020	3,050	3,045	5	4,237	(1,192)
Police Department	-	50	50	-	-	50
Fairmount Park	-	15	-	15	-	-
Office of Fleet Management	7,782	7,782	7,599	183	6,863	736
Water Department	403,493	407,561	324,410	83,151	265,144	59,266
Office of the Director of Finance	339	416	395	21	270	125
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	37,850	35,389	35,389	-	34,513	876
Other Employee Benefits	33,894	37,126	37,126	-	31,138	5,988
Contributions, Indemnities and Taxes	6,500	1,217	-	1,217	-	-
Department of Revenue	21,812	21,812	18,492	3,320	15,861	2,631
Sinking Fund Commission	183,470	183,469	174,987	8,482	173,923	1,064
Procurement Department	68	68	67	1	48	19
Law	3,085	3,132	3,124	8	2,879	245
Total Obligations	703,971	703,971	607,567	96,404	536,329	71,238
Operating Surplus (Deficit) for the Year	(13,000)	(102,060)	(17,807)	84,253	(16,581)	(1,226)

City of Philadelphia **Schedule XX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2008

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2008 Actual	Positive (Negative)	FY 2007 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	28,000	26,000	25,536	(464)	24,114	1,422
Space Rentals	145,250	123,810	84,833	(38,977)	74,077	10,756
Landing Fees	57,500	57,300	46,451	(10,849)	51,466	(5,015)
Parking	34,000	34,000	33,570	(430)	33,185	385
Car Rentals	20,000	20,000	20,247	247	19,709	538
Payment in Aid - Terminal Building	-	-	-	-	-	-
Interest Earnings	2,000	2,200	4,367	2,167	4,394	(27)
Sale of Utilities	5,000	4,000	4,476	476	5,080	(604)
Passenger Facility charge	35,000	33,000	32,925	(75)	32,921	4
Overseas Terminal Facility Charges	-	-	-	-	21	(21)
International Terminal Charge	12,000	18,000	18,689	689	17,849	840
Other	5,025	5,032	4,216	(816)	3,197	1,019
Total Locally Generated Non-Tax Revenue	343,775	323,342	275,310	(48,032)	266,013	9,297
Revenue from Other Governments						
State	-	-	-	-	-	-
Federal	2,500	2,000	1,755	(245)	1,693	62
Total Revenue from Other Governments	2,500	2,000	1,755	(245)	1,693	62
Revenue from Other Funds	1,040	10,930	10,786	(144)	920	9,866
Total Revenue	347,315	336,272	287,851	(48,421)	268,626	19,225
Obligations						
Mayor's Office of Information Services	694	694	265	429	-	265
Managing Director	-	361	360	1	-	360
Police	13,916	13,917	12,984	933	12,695	289
Fire	5,493	5,493	4,972	521	5,199	(227)
Public Property	25,689	25,689	15,689	10,000	20,159	(4,470)
Office of Fleet Management	7,907	7,907	4,625	3,282	3,788	837
Director of Finance	-	158	158	-	-	158
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	18,750	18,951	18,951	-	17,524	1,427
Other Employee Benefits	17,624	20,240	20,240	-	15,688	4,552
Purchase of Services	4,146	4,146	3,544	602	2,927	617
Contributions, Indemnities and Taxes	2,512	384	-	384	-	-
Sinking Fund Commission	101,150	101,150	84,529	16,621	85,694	(1,165)
Procurement	73	146	70	76	-	70
Commerce	153,222	151,940	114,927	37,013	124,936	(10,009)
Law	1,851	1,851	1,808	43	1,491	317
Total Obligations	353,027	353,027	283,122	69,905	290,101	(6,979)
Operating Surplus (Deficit) for the Year	(5,712)	(16,755)	4,729	21,484	(21,475)	26,204

Statistical Section

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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The City of Philadelphia implemented GASB Statement #34 in FY2002. Tables presenting government-wide information include information beginning in that year.

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA
MANETO

City of Philadelphia
Net Assets by Component
For the Fiscal Years 2002 Through 2008

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	280.9	286.4	175.0	241.3	248.6	161.4	206.4
Restricted	427.0	426.8	484.1	516.5	471.5	689.7	641.0
Unrestricted	(1,295.5)	(453.8)	(707.0)	(1,028.6)	(1,010.9)	(1,220.5)	(1,567.1)
Total Governmental Activities Net Assets	(587.6)	259.4	(47.9)	(270.8)	(290.8)	(369.4)	(719.7)
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
Restricted	1,001.6	642.1	504.0	472.0	551.9	635.1	644.1
Unrestricted	(106.3)	(12.7)	91.3	269.7	273.9	257.3	266.2
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
Primary Government							
Invested in Capital Assets, Net of Related Debt	480.0	765.0	716.0	789.7	786.0	705.4	798.2
Restricted	1,428.6	1,068.9	988.1	988.5	1,023.4	1,324.8	1,285.1
Unrestricted	(1,401.8)	(466.5)	(615.7)	(758.9)	(737.0)	(963.2)	(1,300.9)
Total Primary Government Net Assets	506.8	1,367.4	1,088.4	1,019.3	1,072.4	1,067.0	782.4

City of Philadelphia
Changes in Net Assets
For the Fiscal Years 2002 Through 2008

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental Activities:							
Economic Development	97.3	127.9	127.4	89.5	89.8	92.6	116.4
Transportation:							
Streets & Highways	110.9	99.8	109.9	119.0	116.0	116.6	117.7
Mass Transit	85.2	85.9	81.3	84.9	84.5	85.1	88.3
Judiciary and Law Enforcement:							
Police	674.9	755.2	793.8	817.1	836.0	921.4	1,002.9
Prisons	201.0	223.4	237.1	250.2	268.7	293.2	311.4
Courts	265.8	253.8	277.2	284.9	287.1	304.1	321.6
Conservation of Health:							
Emergency Medical Services	25.7	29.0	30.6	34.2	35.6	36.0	37.2
Health Services	1,147.8	1,196.5	1,174.6	1,275.0	1,411.9	1,442.6	1,572.6
Housing and Neighborhood Development	124.8	125.2	119.0	123.0	149.5	111.2	142.1
Cultural and Recreational							
Recreation	84.5	109.5	118.4	68.3	73.3	73.4	86.2
Parks	44.2	26.2	32.6	30.2	28.9	32.6	36.6
Libraries and Museums	66.9	63.0	67.5	80.7	68.6	90.3	87.0
Improvements to General Welfare:							
Social Services	580.4	641.5	691.2	697.6	702.0	765.5	794.1
Education	81.8	57.1	58.6	61.6	59.9	64.0	65.5
Inspections and Demolitions	50.5	44.3	81.3	79.0	55.3	64.3	47.3
Service to Property:							
Sanitation	109.1	114.8	121.0	126.0	128.8	134.4	138.0
Fire	173.0	190.2	215.4	229.6	236.1	285.3	284.8
General Management and Support	521.8	524.8	576.9	519.9	574.8	568.7	636.9
Interest on Long Term Debt	169.7	130.2	98.3	138.2	136.9	149.5	95.1
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
Business-Type Activities:							
Water and Sewer	427.7	412.9	416.9	442.3	455.4	476.2	504.3
Aviation	197.9	244.5	261.0	269.5	303.1	314.3	323.1
Industrial and Commercial Development	3.8	2.2	2.5	4.7	2.1	3.7	2.1
Total Business-Type Activities Expenses	629.4	659.6	680.4	716.5	760.6	794.2	829.5
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
Program Revenues							
Governmental Activities:							
Charges for Services:							
Economic Development	15.1	0.2	6.9	0.1	-	-	-
Transportation:							
Streets & Highways	1.3	1.1	1.5	1.9	2.2	3.5	3.9
Mass Transit	0.4	0.6	0.5	0.5	0.6	0.6	0.5
Judiciary and Law Enforcement:							
Police	1.4	2.2	2.4	2.2	7.2	1.7	4.3
Prisons	0.7	0.4	0.5	0.4	0.4	0.3	0.3
Courts	72.4	50.9	52.5	48.4	51.5	51.5	52.7
Conservation of Health:							
Emergency Medical Services	18.6	20.1	20.7	23.1	25.0	27.7	27.6
Health Services	10.0	10.2	11.6	13.5	14.0	12.6	15.3
Housing and Neighborhood Development	2.3	18.9	12.0	10.0	22.3	45.2	25.2
Cultural and Recreational:							
Recreation	14.5	14.3	13.0	0.8	0.4	0.2	0.3
Parks	1.6	1.9	1.7	0.9	0.4	0.5	1.5
Libraries and Museums	0.3	0.3	0.4	0.5	0.9	0.9	0.8
Improvements to General Welfare:							
Social Services	8.8	8.8	6.9	7.6	7.4	7.3	6.4
Education	-	-	-	-	-	-	-
Inspections and Demolitions	0.5	0.5	0.8	0.7	0.7	44.4	44.9
Service to Property:							
Sanitation	1.2	1.8	2.0	2.1	1.8	-	3.1
Fire	0.3	0.1	0.1	0.5	0.4	0.7	0.2
General Management and Support	127.0	150.7	138.2	130.8	179.1	107.5	110.6
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
Capital Grants and Contributions	19.9	17.3	19.6	9.1	21.4	15.8	10.0
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

City of Philadelphia
Changes in Net Assets
For the Fiscal Years 2002 Through 2008

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008
Business-Type Activities:							
Charges for Services:							
Water and Sewer	350.9	385.4	401.6	450.6	470.8	493.6	503.3
Aviation	201.2	230.5	251.9	278.4	295.0	309.2	303.2
Industrial and Commercial Development	3.2	1.2	1.2	1.1	1.2	1.5	1.5
Operating Grants and Contributions	11.0	8.9	4.8	2.0	2.5	2.8	5.4
Capital Grants and Contributions	23.8	17.8	21.0	20.7	25.3	22.4	36.6
Total Business-Type Activities Program Revenues	590.1	643.8	680.5	752.8	794.8	829.5	850.0
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
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)
Business-Type Activities	(39.3)	(15.8)	0.1	36.3	34.2	35.3	20.5
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)
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
Wage & Earnings Taxes	1,271.2	1,301.9	1,345.9	1,373.0	1,424.9	1,498.5	1,524.5
Business Taxes	307.9	306.9	319.2	367.9	430.2	453.7	414.5
Other Taxes	286.1	294.7	342.1	406.4	457.7	460.3	457.0
Unrestricted Grants & Contributions	61.1	61.2	47.1	84.3	81.7	104.1	104.7
Interest & Investment Earnings	35.2	57.5	26.0	32.9	60.2	81.8	65.3
Special Items	-	(99.3)	-	-	-	-	-
Transfers	4.1	4.1	-	4.4	5.0	4.9	4.9
Total Governmental Activities	2,317.3	2,289.7	2,454.7	2,650.7	2,846.0	3,002.5	2,972.2
Business-Type Activities:							
Interest & Investment Earnings	45.4	33.5	6.6	15.8	43.8	45.7	48.7
Transfers	(6.9)	(4.1)	-	(4.4)	(4.9)	(4.9)	(4.9)
Total Business-Type Activities	38.5	29.4	6.6	11.4	38.9	40.8	43.8
Total Primary Government	2,355.8	2,319.1	2,461.3	2,662.1	2,884.9	3,043.3	3,016.0
Change in Net Assets							
Governmental Activities	(167.5)	(301.1)	(307.4)	(137.9)	(19.9)	(103.0)	(362.0)
Business-Type Activities	(0.8)	13.6	6.7	47.7	73.1	76.1	64.3
Total Primary Government	(168.3)	(287.5)	(300.7)	(90.2)	53.2	(26.9)	(297.7)

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2008

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008
General Fund							
Reserved	337.5	240.9	152.2	190.7	193.3	335.2	258.8
Unreserved	139.0	(7.9) [1]	(148.1)	(36.4)	111.2	152.7	(24.3)
Total General Fund	476.5	233.0	4.1	154.3	304.5	487.9	234.5
All Other Governmental Funds							
Reserved	490.5	455.7	378.0	487.5	585.1	557.5	515.2
Unreserved, reported in:							
Special Revenue Funds	6.8	64.8	98.9	100.8	(52.0)	30.0	52.5
Debt Service funds	1.8	1.7	1.6	1.7	1.7	1.5	1.6
Capital Projects Funds	6.8	(98.1)	80.9	(6.3)	(67.1)	103.0	21.0
Permanent Funds	2.4	3.1	3.2	3.4	3.7	4.3	3.9
Total All Other Governmental Funds	508.3	427.2	562.6	587.1	471.4	696.3	594.2

[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 **Table 4**
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2008

Amounts in millions of USD

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008
Revenues							
Tax Revenue	2,255.6	2,253.8	2,379.0	2,535.2	2,708.5	2,805.1	2,781.8
Locally Generated Non-Tax Revenue	298.4	339.8	280.0	265.2	354.5	381.7	349.7
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
Other Revenues	13.6	17.3	18.5	16.7	15.3	17.1	17.9
Total Revenues	4,357.8	4,660.4	4,599.8	5,059.1	5,301.5	5,580.5	5,617.8
Expenditures							
Current Operating:							
Economic Development	91.7	170.4	157.0	92.7	81.5	85.5	112.3
Transportation:							
Streets & Highways	71.8	78.1	75.9	77.7	78.8	89.2	89.7
Mass Transit	56.9	57.5	52.9	56.6	56.7	58.1	61.7
Judiciary and Law Enforcement:							
Police	665.2	727.3	752.0	770.9	798.0	860.2	951.9
Prisons	194.8	214.3	224.5	241.3	256.6	278.1	298.2
Courts	265.7	246.5	267.8	276.9	278.2	292.3	311.1
Conservation of Health:							
Emergency Medical Services	25.7	28.4	29.7	33.3	34.8	34.9	36.0
Health Services	1,146.0	1,192.7	1,170.3	1,271.1	1,407.7	1,436.8	1,567.6
Housing and Neighborhood Development	123.5	120.7	119.0	122.9	147.9	109.2	141.9
Cultural and Recreational:							
Recreation	64.4	94.0	65.7	58.3	59.8	62.2	74.3
Parks	32.5	24.2	23.8	23.7	23.4	26.3	28.9
Libraries and Museums	62.5	64.4	61.1	68.2	70.2	83.2	84.2
Improvements to General Welfare:							
Social Services	578.6	636.1	683.4	689.1	695.9	756.7	778.2
Education	81.8	57.1	58.6	61.5	59.9	64.0	65.5
Inspections and Demolitions	50.9	46.6	83.6	81.2	59.8	63.0	46.3
Service to Property:							
Sanitation	109.1	111.5	117.8	122.0	125.6	129.5	132.9
Fire	170.3	188.0	203.0	217.8	225.8	267.6	276.4
General Management and Support	420.8	450.9	472.4	477.1	537.5	563.7	618.4
Capital Outlay	277.8	162.2	126.0	103.1	97.9	92.3	105.8
Debt Service:							
Principal	130.0	106.8	105.7	95.8	86.2	91.5	94.1
Interest	116.0	112.3	101.6	101.0	99.9	103.4	100.0
Bond Issuance Cost	-	-	9.2	3.9	-	5.0	24.2
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
Excess of Revenues Over (Under) Expenditures	(378.2)	(229.6)	(361.2)	13.0	19.4	27.8	(381.8)
Other Financing Sources (Uses)							
Issuance of Debt	-	165.5	487.7	157.3	10.0	353.1	1,303.8
Bond Issuance Premium	-	-	4.8	-	-	13.8	31.1
Proceeds from Lease & Service Agreements	468.2	-	10.9	-	-	-	-
Bond Defeasance	-	(165.4)	(233.1)	-	-	-	(1,313.7)
Transfers In	703.5	449.4	442.9	581.4	433.1	460.1	465.2
Transfers Out	(693.5)	(445.2)	(442.9)	(577.0)	(428.1)	(455.1)	(460.2)
Total Other Financing Sources (Uses)	478.2	4.3	270.3	161.7	15.0	371.9	26.2
Special Items							
Business Privilage Tax Adjustment	-	(99.3) [1]	-	-	-	-	-
Net Change in Fund Balances	100.0	(324.6)	(90.9)	174.7	34.4	399.7	(355.6)
Debt Service as a Percentage of Non-capital Expenditures	5.6%	4.7%	4.3%	4.0%	3.6%	3.6%	3.3%

[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. $99.3 million of these estimated tax payments were deferred in the general fund in FY2003 because the underlying events had not occured.

City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 1999 through 2008

Table 5

Amounts in millions of USD

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Additions:										
Contributions:										
Employee Contributions	49.2	50.2	49.3	50.1	52.5	50.5	49.3	48.9	49.2	51.7
Employer's:										
City of Philadelphia	1,506.8 [1]	179.5	163.5	174.2	174.6	196.6	290.6	321.3	419.2	412.4
Quasi-Governmental Agencies	4.9	4.5	4.1	4.0	5.2	6.2	8.6	10.4	13.1	14.5
Total Employer's Contributions	1,511.7	184.0	167.6	178.2	179.8	202.8	299.2	331.7	432.3	426.9
Total Contributions	1,560.9	234.2	216.9	228.3	232.3	253.3	348.5	380.6	481.5	478.6
Interest & Dividends	119.3	124.9	133.8	109.3	74.4	68.4	74.6	65.1	80.3	97.1
Net Gain (Decline) in Fair Value of Investments	262.3	318.7	(422.8)	(359.6)	(3.9)	526.6	306.2	386.4	684.7	(322.0)
Net Securities Lending Revenue	1.5	1.5	2.0	2.2	1.0	0.8	0.9	0.7	1.1	7.4
Net Investment Income (Loss)	383.1	445.1	(287.0)	(248.1)	71.5	595.8	381.7	452.2	766.1	(217.5)
Miscellaneous Operating Revenue	0.2	0.2	0.6	0.7	2.4	1.3	0.4	2.1	2.1	1.1
Total Additions	1,944.2	679.5	(69.5)	(19.1)	306.2	850.4	730.6	834.9	1,249.7	262.2
Deductions:										
Pension Benefits	434.0	444.3	456.8	450.2	462.3	657.5	590.6	608.6	655.8	725.7
Refunds to Members	4.2	4.2	4.7	7.1	4.9	4.1	4.6	4.8	4.5	4.2
Administrative Costs	4.4	4.9	5.3	5.2	6.6	6.4	6.8	6.7	6.7	7.6
Total Deductions	442.6	453.4	466.8	462.5	473.8	668.0	602.0	620.1	667.0	737.5
Net Increase (Decrease)	1,501.6	226.1	(536.3)	(481.6)	(167.6)	182.4	128.6	214.8	582.7	(475.3)
Net Assets: Adjusted Opening	3,248.8	4,750.3	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3
Closing	4,750.4	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	964.44%	965.87%	1024.22%	1046.98%	971.22%	1417.03%	1321.25%	1380.05%	1467.11%	1527.79%
Closing Net Assets	9.14%	8.93%	10.29%	11.37%	12.20%	16.55%	14.40%	14.10%	13.39%	16.40%
Coverage of Additions over Deductions	439.26%	149.87%	-14.89%	-4.13%	64.63%	127.31%	121.36%	134.64%	187.36%	35.55%
Investment Earnings as % of Pension Benefits	88.27%	100.18%	-62.83%	-55.11%	15.47%	90.62%	64.63%	74.30%	116.82%	-29.97%

[1] Includes $1,250 million from the sale of Pension Obligation Bonds

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 1998 Through 2007

Table 6

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1]	Taxable Income	% of Total	Direct Rate [1]	Total Taxable Income	Total Direct Rate
1998	14,914.5	58.59%	4.73845%	10,540.8	41.41%	4.11985%	25,455.3	4.48229%
1999	15,903.0	58.82%	4.65020%	11,133.8	41.18%	4.04310%	27,036.8	4.40020%
2000	16,759.8	59.07%	4.58850%	11,611.4	40.93%	3.98920%	28,371.2	4.34323%
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	20,942.9	57.03%	4.26000%	15,782.7	42.97%	3.75570%	36,725.6	4.04328%

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 1998 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.

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 1999 through 2008

Tax Classification	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Wage and Earnings Tax:										
[a] City Residents	4.6869%	4.6135%	4.5635%	4.5385%	4.5000%	4.4625%	4.3310% [b]	4.3010% [b]	4.2600% [b]	4.2190% [b]
Non-City Residents	4.0750%	4.0112%	3.9672%	3.9462%	3.9127%	3.8801%	3.8197% [b]	3.7716% [b]	3.7557% [b]	3.7242% [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)**										
City	3.745%	3.745%	3.745%	3.745%	3.474%	3.474%	3.474%	3.474%	3.474%	3.305%
School District of Philadelphia	4.519%	4.519%	4.519%	4.519%	4.790%	4.790%	4.790%	4.790%	4.790%	4.959%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
[e] Assessment Ratio	30.35%	30.35%	30.32%	30.33%	30.12%	30.02%	29.70%	29.69%	29.24%	29.22%
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.508%	2.508%	2.506%	2.506%	2.489%	2.481%	2.454%	2.454%	2.416%	2.415%
	The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest If you pay your bill on or before the last day of February, you receive a 1% discount.									
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate Certain long term leases are also subject to this tax.									
Business Privilege Taxes										
(% on Gross Receipts)	0.2775%	0.2650%	0.2525%	0.2400%	0.2400% [c]	0.2300% [c]	0.2100% [c]	0.1900% [c]	0.1665% [c]	0.1540% [c]
[f] (% on Net Income)	6.5000%	6.5000%	6.5000%	6.5000%	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [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:**										
[a] City Residents	4.6869%	4.6135%	4.5635%	4.5385%	4.5000%	4.4625%	4.4625%	4.3310%	4.3010%	4.2600%
Non-City Residents	4.0750%	4.0112%	3.9672%	3.9462%	3.9127%	3.8801%	3.8801%	3.8197%	3.7716%	3.7557%
	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
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 1999 through 2008

Table 7

Tax Classification	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
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%	7.0%	7.0%
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%	15.0%	15.0%	15.0%
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%	6.0%	6.0%	6.0%
Rate of Tourism & Marketing Tax	-	-	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	6.0%	6.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
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%
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.

[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
Principal Wage and Earnings Tax Remitters [1]
Current Calendar Year and Nine Years Ago

Table 8

Amounts in millions of USD

Remittance Range	2007 # of Remitters (Employers)	2007 Total Amount Remitted	2007 Percentage of Total Remitted	1998 # of Remitters (Employers)	1998 Total Amount Remitted	1998 Percentage of Total Remitted
Greater then $10 million	14	340.4	22.92%	10	227.5	19.94%
Between $1 million & $10 million	154	385.5	25.96%	104	307.5	26.95%
Between $100,000 & $1 million	1,596	411.5	27.71%	1,166	302.7	26.53%
Between $10,000 & $100,000	8,873	263.0	17.71%	7,674	223.8	19.61%
Less then $10,000	37,081	84.5	5.70%	36,143	79.5	6.97%
Total	47,718	1,484.9	100.00%	45,097	1,141.0	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 1999 through 2008

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)
1999	12,628	3,387	9,241	3.745%	30.35%	30,448	22.99%	40,196
2000	12,864	3,413	9,451	3.745%	30.35%	31,140	23.70%	39,878
2001	13,254	3,513	9,741	3.745%	30.32%	32,127	25.46%	38,260
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	NA	NA

[1] Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

[3] Source: Board of Revison of Taxes

[4] per $1,000.00 of assessed value

[5] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13

[6] This ratio is compiled by the Board of Revision of Taxes based on sales of property during the year.

City of Philadelphia
Principal Property Tax Payers
Current Year and Nine Years Ago

Table 10

Amounts in millions of USD

	2008			1999		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
Franklin Mills Associates	64.4	1	0.53	46.4	4	0.50
Liberty Property Phila	58.1	2	0.48	-		-
Phila Liberty Pla E Lp	54.4	3	0.45	49.0	3	0.53
Nine Penn Center Associates	54.1	4	0.44	52.0	2	0.56
HUB Properties Trust	48.0	5	0.39	-		-
Bell Atlantic	40.6	6	0.33	43.7	6	0.47
PRU 1901 Market LLC	35.2	7	0.29	31.6	8	0.34
Maguire/Thomas	33.9	8	0.28	31.6	9	0.34
Commerce Square Partners	33.3	9	0.27	31.0	10	0.34
Phila Shipyard Development Corp	30.3	10	0.25	-		-
C S F Partnership	-		-	56.6	1	0.61
LP Associates	-		-	44.8	5	0.48
Philadelphia Market Street	-		-	32.1	7	0.35
	452.3		3.71	418.8		4.53
Total Taxable Assessments	12,175.0		100.00	9,240.9		100.00

[1] Source: Board of Revison of Taxes

City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 1999 through 2008

Table 11

Amounts in millions of USD

Calendar Year of Levy [1]	Taxes Levied for the Year	Collected within the Year of the Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount [2]	Percentage of Levy
1999	343.6	316.2	92.0%	24.0	340.2	99.0%
2000	349.3	322.0	92.2%	24.3	346.3	99.1%
2001	356.6	326.7	91.6%	23.9	350.6	98.3%
2002	368.2	340.4	92.4%	23.5	363.9	98.8%
2003	359.4	326.8	90.9%	24.0	350.8	97.6%
2004	372.5	340.9	91.5%	21.8	362.7	97.4%
2005	373.5	350.3	93.8%	16.6	366.9	98.2%
2006	385.6	339.6	88.1%	14.6	354.2	91.9%
2007	391.7	347.5	88.7%	6.7	354.2	90.4%
2008	391.1	329.9 [3]	84.4%	-	329.9	84.4%

[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, 2008.

[3] Includes collections through June 30, 2008. It is estimated that approximately 91% of the amount levied for 2008 will be collected within the year of levy.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 1999 through 2008

Table 12

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
1999	2,081.2	1,297.4	-	-	-	-	-	3,378.6	51.0	1,793.7	976.2	2,820.9	6,199.5	0.2	4,065.3
2000	1,964.6	1,303.0	-	-	-	-	-	3,267.6	38.5	1,738.7	962.2	2,739.4	6,007.0	0.2	3,952.0
2001	2,137.6	1,296.8	-	-	-	-	-	3,434.4	24.5	1,679.5	943.0	2,647.0	6,081.4	0.2	4,016.8
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	4,540.2
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	4,455.2
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	4,545.6
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	4,737.9
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	4,730.5
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	4,863.4
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	4,836.3

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 1999 through 2008

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]
1999	2,081.2	9,240.9	30.35%	30,447.8	6.84%	1,364.72
2000	1,964.6	9,451.6	30.35%	31,142.0	6.31%	1,292.50
2001	2,137.6	9,740.8	30.32%	32,126.6	6.65%	1,411.89
2002	2,009.5	10,158.6	30.33%	33,493.6	6.00%	1,340.56
2003	1,903.3	10,621.1	30.12%	35,262.6	5.40%	1,279.96
2004	2,047.1	10,945.9	30.02%	36,462.0	5.61%	1,387.86
2005	1,950.8	11,031.8	29.70%	37,144.1	5.25%	1,327.98
2006	1,863.8	11,430.6	29.69%	38,499.8	4.84%	1,276.58
2007	1,993.7	11,615.0	29.24%	39,723.0	5.02%	1,372.13
2008	1,899.1	12,175.2	29.22%	41,667.4	4.56%	1,309.72

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Board of Revison of Taxes

[2] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[3] See Table 17 for Population Amounts

City of Philadelphia
Direct and Overlapping Governmental Activities Debt
June 30, 2008

Table 14

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	2,633.7	100.00%	2,633.7
[1] **City Direct Debt**			4,135.9
Total Direct and Overlapping Debt			6,769.6

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

[1] Refer to Table 12

City of Philadelphia
Legal Debt Margin Information
For the Fiscal Years 1999 through 2008

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2008

[1]	Assessed Value	10,503.7
[2]	Debt Limit	1,418.0
[3]	Debt Applicable to Limit:	
	Tax Supported General Obligation Debt:	
	Issued & Outstanding	1,144.5
	Authorized but Unissued	184.8
	Total	1,329.3
	Less: Amount set aside for repayment of general obligation debt	-
	Total Net Debt Applicable to Limit	1,329.3
	Legal Debt Margin	88.7

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	1,227.4	1,241.5	1,247.4	1,253.2	1,261.3	1,280.3	1,304.8	1,335.6	1,374.7	1,418.0
Total Net Debt Applicable to Limit	973.6	939.2	1,152.7	1,163.6	1,202.2	1,159.1	1,205.5	1,185.8	1,293.4	1,329.3
Legal Debt Margin	253.8	302.3	94.7	89.6	59.1	121.2	99.3	149.8	81.3	88.7
Total Net Debt Applicable to the Limit as a Percent of Total Debt	79.32%	75.65%	92.41%	92.85%	95.31%	90.53%	92.39%	88.78%	94.09%	93.74%

[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 1999 through 2008

Amounts in millions of USD

No.		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	393.9	391.8	380.6	390.8	454.2	421.6	463.5	504.0	536.2	597.8
2	Net Operating Expenses	233.9	237.8	242.6	242.9	250.2	262.0	277.7	284.2	303.2	334.7
3	Transfer To (From) Rate Stabilization Fund	(15.4)	(22.4)	(39.4)	(26.3)	16.8	(28.8)	(0.6)	21.6	26.0	(9.8)
4	Net Revenues	175.4	176.4	177.4	174.2	187.2	188.4	186.4	198.2	207.0	272.9
	Debt Service:										
5	Revenue Bonds Outstanding	146.2	147.0	147.8	145.2	156.1	157.0	155.4	165.2	172.7	173.8
6	General Obligation Bonds Outstanding	2.3	1.5	1.3	0.6	-	-	-	-	-	-
7	Pennvest Loan	1.2	1.2	1.3	1.6	1.2	1.2	1.2	1.2	1.2	1.2
8	Total Debt Service	149.7	149.7	150.4	147.4	157.3	158.2	156.6	166.4	173.9	175.0
9	Net Revenue after Debt Service	25.7	26.7	27.0	26.8	29.9	30.2	29.8	31.8	33.1	97.9
10	Transfer to General Fund	4.1	4.1	4.1	4.1	4.1	-	4.4	5.0	5.0	5.0
11	Transfer to Capital Fund	15.6	15.9	15.9	16.1	16.0	16.4	16.7	16.9	16.9	16.9
12	Transfer to Residual Fund	6.0	6.7	7.0	6.6	9.8	13.8	8.7	9.9	11.2	76.0
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	1.20	1.20	1.20	1.57
	Coverage B (Line 4/Line 8 + Line 11)	1.06	1.07	1.07	1.07	1.08	1.08	1.08	1.08	1.08	1.42
	Airport Revenue Bonds										
1	Fund Balance	-	-	-	-	-	-	-	-	10.2	42.6
2	Project Revenues	124.5	130.4	148.0	146.5	168.4	183.3	185.1	200.8	211.3	250.5
3	Passenger Facility Charges	-	-	-	16.8	31.2	32.8	32.9	32.6	32.9	32.9
4	Total Fund Balance and Revenue	124.5	130.4	148.0	163.3	199.6	216.1	218.0	233.4	254.4	326.0
5	Net Operating Expenses	47.0	51.8	59.6	56.3	67.0	71.9	71.3	77.2	87.1	99.8
6	Interdepartmental Charges	41.5	35.3	36.0	39.7	46.1	52.2	57.6	57.9	70.6	89.1
7	Total Expenses	88.5	87.1	95.6	96.0	113.1	124.1	128.9	135.1	157.7	188.9
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	77.5	78.6	88.4	107.0	132.6	144.2	146.7	156.2	167.3	226.2
9	All Bonds (Line 4-Line 7)	36.0	43.3	52.4	67.3	86.5	92.0	89.1	98.3	96.7	137.1
	Debt Service:										
10	Revenue Bonds	29.7	36.5	44.8	64.1	83.2	89.7	88.1	88.1	85.5	84.4
11	General Obligation Bonds	5.2	5.7	5.7	2.0	1.4	1.0	1.1	-	-	-
12	Total Debt Service	34.9	42.2	50.5	66.1	84.6	90.7	89.2	88.1	85.5	84.4
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.61	2.15	1.97	1.67	1.59	1.61	1.67	1.77	1.96	2.68
	Total Debt Service - Test "B" (Line 9/Line 12)	1.03	1.03	1.04	1.02	1.02	1.01	1.00	1.12	1.13	1.62

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 1998 through 2007

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
1998	1,525,955	34,248,049	22,444	5.0%
1999	1,520,064	35,169,398	23,137	5.2%
2000	1,513,945	37,193,547	24,567	5.6%
2001	1,499,262	38,290,004	25,539	6.1%
2002	1,486,771	40,353,074	27,141	7.3%
2003	1,475,400	41,843,691	28,361	7.5%
2004	1,468,780	43,234,005	29,435	6.7%
2005	1,460,301	45,086,361	30,875	5.9%
2006	1,453,212	47,484,811	32,676	6.2%
2007	1,449,634	50,010,851 [4]	34,499	6.0%

[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

2008	1999
Albert Einstein Medical	-
Children's Hospital of Philadelphia	-
City of Philadelphia	City of Philadelphia
University of Pennsylvania Hospital	University of Pennsylvania Hospital
School District of Philadelphia	School District of Philadelphia
SEPTA	SEPTA
Temple University	Temple University
Thomas Jefferson University Hospitals	-
United States Postal Service	United States Postal Service
University Of Pennsylvania	University of Pennsylvania
	Consolidated Rail Corporation
	Hahnemann University Hospital
	First Union Services Corp

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2003 through 2008

Table 19

	2003	2004	2005	2006	2007	2008
Governmental Activities:						
Economic Development	9	9	6	6	6	6
Transportation:						
Streets & Highways	667	597	564	579	585	584
Mass Transit	1	1	1	1	1	1
Judiciary and Law Enforcement:						
Police	8,036	7,888	7,578	7,522	7,639	7,754
Prisons	1,991	2,002	2,227	2,228	2,183	2,153
Courts	3,500	3,471	3,450	3,403	3,361	3,386
Conservation of Health:						
Emergency Medical Services	311	300	289	255	249	237
Health Services	1,236	1,210	1,163	1,133	1,148	1,140
Housing and Neighborhood Development	120	110	105	97	111	108
Cultural and Recreational:						
Recreation	589	556	511	495	482	483
Parks	217	200	182	158	156	156
Libraries and Museums	829	774	726	812	816	808
Improvements to General Welfare:						
Social Services	2,218	2,220	2,196	2,140	2,164	2,232
Inspections and Demolitions	450	417	380	248	243	246
Service to Property:						
Sanitation	1,338	1,340	1,233	1,272	1,229	1,239
Fire	2,121	2,004	1,925	1,974	2,109	2,052
General Management and Support	2,494	2,369	2,253	2,347	2,331	2,414
Total Governmental Activities	26,127	25,468	24,789	24,670	24,813	24,999
Business Type Activities:						
Water and Sewer	2,415	2,342	2,326	2,239	2,229	2,291
Aviation	915	1,021	967	1,004	1,010	1,057
Total Business-Type Activities	3,330	3,363	3,293	3,243	3,239	3,348
Fiduciary Activities:						
Pension Trust	62	64	64	65	65	59
Total Primary Government	29,519	28,895	28,146	27,978	28,117	28,406

Note: Data for FY2002 is not available

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2002 through 2008

Table 20

	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:							
Transportation:							
Streets & Highways							
Street Resurfacing (miles)	134	93	117	105	102	107	74
Potholes Repaired	11,593	24,182	23,179	20,862	18,203	12,721	12,326
Judiciary and Law Enforcement:							
Police							
Arrests	77,701	66,083	68,486	67,795	69,166	73,606	75,805
Calls to 911	3,319,936	3,269,276	3,290,786	3,270,114	3,321,896	3,398,985	3,164,454
Prisons							
Average Inmate Population	7,637	7,631	7,738	8,141	8,613	8,796	9,133
Inmate Beds (city owned)	7,382	7,382	8,283	8,405	8,605	8,443	9,005
Conservation of Health:							
Emergency Medical Services							
Medic Unit Runs	NA	NA	NA	NA	209,654	216,606	215,305
First Responder Runs	NA	NA	NA	NA	69,740	68,203	60,756
Health							
Patient Visits	342,742	320,833	317,184	337,770	324,014	323,121	334,139
Children Screened for Lead Poisoning	39,629	39,293	37,863	38,013	43,038	43,501	41,590
Cultural and Recreational:							
Parks							
Athletic Field Permits Issued	NA	NA	NA	NA	2,878	2,227	1,389
Libraries							
Items borrowed	7,024,391	7,056,608	6,963,935	6,294,315	6,188,637	6,328,706	7,037,694
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
Visitors to library website	970,970	1,353,626	1,661,794	2,044,518	2,594,527	3,285,380	4,912,405
Improvements to General Welfare:							
Social Services							
Children Receiving Services	NA	26,388	28,039	28,926	28,086	28,898	25,893
Children in Placement	NA	9,190	9,037	8,548	7,999	8,070	7,739
Youth Development Opportunities	24,676	37,024	44,222	40,149	42,401	48,263	51,903
Emergency Shelter Beds (average)	2,011	2,109	2,412	2,539	2,781	2,677	2,747
Transitional Housing Units (new placements)	615	458	489	597	448	543	435
Service to Property:							
Sanitation							
Refuse Collected (tons per day)	2,929	2,894	3,006	3,008	3,006	2,922	2,798
Recyclables Collected (tons per day)	149	175	169	157	155	179	197
Fire							
Fires Handled	NA	NA	NA	NA	9,523	8,080	7,444
Fire Marshall Investigations	NA	NA	NA	NA	2,734	3,153	3,097
Business Type Activities:							
Water and Sewer							
New Connections	83	110	106	137	207	125	295
Water Main Breaks	497	988	794	706	660	825	687
Average Daily Consumption (x 1000 gallons)	178,000	183,700	175,600	174,100	175,800	169,400	167,000
Peak Daily Consumption (x 1000 gallons)	200,300	208,600	201,700	210,000	207,400	179,100	170,500
Average Daily Sewage Treatment (x 1000 gallons)	409,230	478,130	476,110	478,670	430,170	463,080	411,830
[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
Air Cargo Tons (PIA)	544,875	565,653	568,898	599,758	591,815	571,452	575,640
Aircraft Movements (PIA and NPA)	590,563	654,758	584,214	629,885	625,692	614,720	593,757

[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 2008

	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:							
Transportation:							
Streets & Highways							
[1] Total Miles of Streets	2,400	2,400	2,400	2,400	2,400	2,575	2,575
Streetlights	100,612	101,224	101,836	102,000	102,219	102,840	102,949
Judiciary and Law Enforcement:							
Police							
Stations and Other Facilities	33	33	33	33	33	34	36
Prisons							
Major Correctional Facilities	5	5	6	6	6	6	6
Conservation of Health:							
Health Services							
Health Care Centers	9	9	9	9	9	9	9
Cultural and Recreational:							
Recreation							
Recreation Centers	NA	164	164	165	165	171	171
[2] Athletic Venues	NA	1,121	1,121	1,121	1,117	1,117	919
Neighborhood Parks and Squares	NA	232	232	232	232	232	79
Parks							
Parks	NA	62	62	62	62	63	63
Baseball/Softball Fields	NA	106	106	106	106	109	77
Libraries							
Branch & Regional Libraries	55	55	54	53	54	54	54
Service to Property:							
Fire							
Stations and Other Facilities	63	63	63	63	64	64	64
Business Type Activities:							
Water and Sewer:							
Water Mains (miles)	3,168	3,169	3,169	3,169	3,169	3,133	3,137
Fire Hydrants	27,836	27,846	27,987	26,080	26,080	25,195	25,181
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
Sanitary Sewers (miles)	594	595	596	596	596	768	750
Storm Sewers (miles)	622	622	623	623	623	784	713
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
[3] **Aviation**							
Passenger Gates (PIA)	103	120	120	120	120	120	120
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
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	42,460	42,460

[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.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, THE GROUND LEASE AND THE PRIME LEASE

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, THE GROUND LEASE AND THE PRIME LEASE

The following are summaries of certain provisions of the Indenture, the Ground Lease and the Prime Lease. These summaries should not be regarded as full statements of the legal documents themselves or of the portions summarized.

For a complete statement of the provisions of the Indenture, the Ground Lease and the Prime Lease, reference should be made to those documents in their entirety, copies of which are available from the Authority and, prior to closing on the 2009 Bonds, at the offices of PNC Capital Markets LLC, and the Trustee after closing as set forth under "INTRODUCTION – Miscellaneous" in this Official Statement.

Words and terms used in this Summary are defined in the Indenture, the Ground Lease and the Prime Lease and shall have the same meanings herein as contained therein, except as otherwise defined in this Official Statement.

Definitions

The following definitions apply to the summaries of the Indenture, the Ground Lease and the Prime Lease hereinafter set forth, and to terms not otherwise defined in the Official Statement.

"Act of Bankruptcy" shall mean that (i) a party shall have commenced a voluntary case under bankruptcy law, applied for or consented to the appointment of or taking of possession by a receiver, trustee, assignee, custodian or liquidator of all or a substantial part of its assets; (ii) a party shall have failed, or admitted in writing its inability generally, to pay its debts as such debts become due; (iii) a party shall have made a general assignment for the benefit of creditors; (iv) a party shall have been adjudicated as bankrupt or shall have filed a petition or an answer seeking an arrangement with creditors; (v) a party shall have taken advantage of an insolvency law, or shall have submitted an answer admitting the material allegations of a petition in bankruptcy or insolvency proceeding; (vi) an order, judgment or decree for relief shall have been entered in an involuntary case against a party, without the application, approval or consent of such party, by any court of competent jurisdiction appointing a receiver, trustee, assignee, custodian or liquidator, for the party or for a substantial part of any of its assets, and such order, judgment or decree shall continue unstayed an in effect for any period of 60 consecutive days; or (vii) an involuntary petition in bankruptcy shall have continued undismissed for 60 days after the filing thereof.

"Additional Bonds" shall mean Bonds other than the 2009 Bonds, issued pursuant to Section 2.11 of the Indenture.

"Administrative Expenses" shall mean those expenses incurred by the Authority which are properly chargeable as administrative expenses necessary for the Project or any other Capital Addition or in connection with the Prime Lease or the Indenture and any transaction or event contemplated by the Prime Lease or the Indenture and include, without limiting the generality of the foregoing, the following: (a) fees and expenses of the Trustee and any Paying Agent under the Indenture, and rating agency fees; (b) fees and expenses of the Authority's professional advisors required by the Indenture or the Prime Lease or reasonably necessary and fairly attributable to the Project or any other Capital Addition and/or the Leased Premises, including, without limiting the

generality of the foregoing, fees and expenses of the Authority's Consulting Engineer, Consultants, Certified Public Accountant and Counsel; (c) costs of preliminary studies, surveys, planning, testing and design works; (d) fees and expenses of engineers, architects, financial advisors, attorneys and other experts engaged in connection with the Project; (e) financing costs, including interest on money borrowed to finance the Project, if capitalized; (f) fees and expenses relating to temporary loans in connection with the Project; (g) any up front, periodic or termination payments or any collateral due to a counterparty under nay qualified interest rate management agreement (upon authorization by ordinance of City Council) or due to a provider of a Credit Facility; (h) costs and premiums for insurance policies and renewals thereof; and (i) all rebate payments required to be made to the United States Treasury by the Authority pursuant to the Code and Section 7.16 of the Indenture.

"Authority's Board" shall mean the governing body of the Authority.

"Bond" or "Bonds" shall mean the 2009 Bonds together with any Additional Bonds authenticated and delivered under the Indenture.

"Bond Fund" shall mean the fund so designated which is established pursuant to the Indenture which shall be used to pay the principal or Redemption Price of and interest on the Bonds.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the Trustee or any Paying Agent is authorized by law to remain closed.

"Capital Additions" shall mean real and personal property of any kind and any and all additions and improvements to the Leased Premises, acquired or constructed by the Authority or the City, which have been approved by ordinance of City Council, which are used in or useful to the functioning of the Leased Premises as a building devoted wholly to public use, as described in the Act and further described in Exhibit B to the Prime Lease, and which are subject to the Prime Lease and the Costs of which are properly chargeable to plant or property account under Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing, land, easements, rights of way, leaseholds, other interests in real property, replacements of property retired and permanent additions and betterments. Capital Additions shall include the Project.

"Certified Public Accountant" shall mean a Person who shall be Independent, appointed by the City or the Authority, as the case may be, actively engaged in the business of public accounting and duly certified as a certified public accountant under the laws of the Commonwealth.

"Certified Resolution of the Authority" shall mean a copy of one or more resolutions certified by the Secretary or an Assistant Secretary of the Authority, under its seal, to have been duly adopted by the Authority's Board and to be in effect on the date of such certification.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and with respect to a specific section thereof, such reference shall be deemed to include (i) the regulations promulgated under such section, (ii) any successor provision of similar impact hereinafter enacted, (iii) any corresponding provisions of any subsequent federal internal revenue code and (iv) the regulations prescribed under the provisions described in (ii) and (iii).

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Consulting Engineer" shall mean an engineer or architect (or firm or corporation thereof) registered in the Commonwealth, or another state to the extent permitted by law, and qualified to pass upon construction questions, who has been appointed by the City or the Authority, as the case may be, and not unsatisfactory to the other party or the Trustee and who is, in fact, Independent.

"Construction Fund" shall mean the fund or funds so designated which are established pursuant to the Indenture for the payment of Costs.

"Cost" or "Costs," in connection with the Project or any other Capital Additions, shall mean all costs, charges and expenses which are properly chargeable thereto or which are incidental to the financing, acquisition and construction of the Project or any other Capital Additions, including, without limiting the generality of the foregoing:

A. Amounts payable to contractors and costs incident to the award of contracts;

B. Cost of labor, facilities and services furnished by the Authority, the City and their employees or others, materials and supplies purchased by the City or the Authority or others, and permits and licenses obtained by the Authority, the City or others;

C. Engineering, architectural, legal, accounting and other professional and advisory fees;

D. Premiums for contract performance bonds and insurance during construction and costs incurred on account of personal injuries and property damage in the course of construction and insurance against the same;

E. Interest during construction;

F. Administrative Expenses during construction;

G. Printing, engraving, underwriting costs and other expenses of financing;

H. Costs, fees and expenses in connection with the acquisition or rental of real and personal property or rights therein;

I. Costs of equipment purchased by the Authority or the City and necessary to the completion and proper operation of the Project or any other Capital Additions or property in question;

J. Amounts required to repay temporary or bond anticipation loans or advances from other funds of the City made to finance the costs of the Project or any other Capital Additions or required to be paid upon termination of any qualified interest rate management agreement (upon authorization by ordinance of City Council);

K. Cost of prior site improvements, including demolition of buildings, incurred by the City in anticipation of the Project or any other Capital Additions; and

L. Moneys necessary to fund the Funds created under the Indenture or the Prime Lease.

In the case of projects for refunding or redeeming any Bonds, "Cost" or "Costs" includes, without limiting the generality of the foregoing, the items listed in (C) and (G) above, advertising and other expenses related to the redemption of the Bonds to be redeemed and the Redemption Price of such Bonds (and the accrued interest payable on redemption to the extent not otherwise provided for). Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid hereunder, such payment may be made by way of reimbursement to the Authority, the City or others who have paid the same.

"Counsel" shall mean an attorney-at-law or law firm (who may be counsel for the City or for the Authority) selected by the Authority.

"Credit Facility" shall mean any letter of credit, line of credit, guaranty or other agreement constituting a credit enhancement or liquidity facility for a series of Bonds.

"Debt Service Requirements on the Bonds" shall mean, with respect to any Fiscal Year, the sum of amounts required to be set aside in such Fiscal Year for payment of interest, at a fixed or a maximum rate specified in the Bonds, on and principal of Bonds under consideration and amounts required to be deposited in such Fiscal Year to the credit of any sinking, purchase, redemption or analogous fund established for such Bonds; provided, however, that "Debt Service Requirements on the Bonds," with respect to any Fiscal Year, for a series of Bonds for which there shall have been established a sinking, purchase, redemption or analogous fund shall be determined after projecting operation of such fund to retirement of Bonds of such series to the extent that the same shall be required to be retired and giving effect to reduction in interest or principal, as applicable, payments to be made with respect to such Bonds by reason of such retirement.

"Federal Tax Certificate" shall mean the Tax and Section 148 Certificate(s) as to compliance with the provisions of sections 141 *et seq.* of the Code, including without limitation the arbitrage provisions of section 148 of the Code, executed by the Authority and the City in connection with the issuance of the Bonds.

"Fiduciary" shall mean the Trustee or any Paying Agent.

"Fiscal Year" shall mean the period of twelve months beginning July 1 of each year.

"Generally Accepted Accounting Principles" shall mean those accounting principles applicable in the preparation of financial statements of municipality authorities as promulgated by the Governmental Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

"Government Obligations" shall mean direct noncallable obligations of, or obligations the timely payment of principal of and interest on which when due has been guaranteed by, the United States of America.

"Holder" or "holder" shall mean the Registered Owner of a Bond.

"Independent" shall mean a Person: (a) who is not a member of the Authority's Board; (b) who is not an officer or employee of the Authority or the City; or (c) which is not a partnership, corporation or association having a partner, director, officer, or member who is a member of the Authority's Board, or an officer or employee of the Authority or the City; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority or the City shall not make such Person an employee within the meaning of this definition.

"Interest Payment Date" shall mean with respect to the 2009 Bonds, each April 1 and October 1 commencing October 1, 2009 and, with respect to any other Bonds, the dates designated as such in the Supplemental Indenture pursuant to which such Bonds shall be issued.

"Investment Securities" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

(a) Government Obligations;

(b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; bonds or notes of the U.S. Maritime Administration guaranteed under Title XI of the United States Code; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (collectively, "Agency Obligations");

(c) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured general obligation debt is rated "A3' or better by Moody's and "A-" or better by S&P or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is rated "A3" or better by Moody's and "A-" or better by S&P;

(d) commercial paper rated "Prime-1" by Moody's and "A-1" or better by S&P;

(e) obligations rated "A3" or better by Moody's and "A-" or better by S&P;

(f) deposits or bankers acceptances of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received by the Trustee to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which:

(1) has an unsecured, uninsured and unguaranteed obligation rated "Prime-l" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P, or

(2) is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting the rating requirements in (1) above;

(g) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are fully insured by the Federal Deposit Insurance Corporation;

(h) investments in a money-market fund rated "Am" or "Am-G;' or better by S&P;

(1) repurchase agreements collateralized by Government Obligations or Agency Obligations with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime-l" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P, provided:

(2) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(3) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

(4) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

(5) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than every 30 days, and if any deficiency in the required collateral percentage is not restored within two business days of such valuation will liquidate the collateral securities; and

(6) if the repurchase agreement is for amounts held in the Bond Fund, the repurchase agreement provides for the payment of amounts invested thereunder at least two days prior to the related debt service payment date; and

(7) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%; and

(i) investment agreements with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated "A3" or better by Moody's and "A-3" or better by S&P, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided:

(1) interest is paid at least semiannually at a fixed rate during the entire term of the agreement, consistent with bond payment dates;

(2) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided, such notice may be amended or cancelled at any time prior to the withdrawal date);

(3) the agreement is not subordinated to any other obligations of such insurance company or bank;

(4) the same guaranteed interest rate will be paid on any future deposits made to restore the applicable fund to its required amounts; and

(5) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

"Opinion of Counsel" shall mean a written opinion of counsel (who may be counsel for the Authority) selected by the Authority.

"Outstanding" in connection with Bonds, shall mean as of the time in question, all Bonds which have been authenticated and delivered under the Indenture, except: (a) bonds theretofore cancelled or required to be cancelled under the Indenture; (b) bonds for the payment or redemption of which moneys or Government Obligations, the principal of and interest on which when due will provide sufficient moneys to fully pay such Bonds in accordance with the defeasance provisions in Article XII of the Indenture, shall have been or shall concurrently be deposited with the Trustee; provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor; and (c) bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Indenture.

"Paying Agent" shall mean any paying agent for the Bonds appointed pursuant to the Indenture, and its successor or successors or other corporation or association which may at any time be substituted in its place pursuant to the Indenture.

"Permitted Encumbrance" shall mean, with respect to the Leased Premises, as of any particular time, (i) the Indenture, the Ground Lease, the Prime Lease, the lease from PAID to the Authority for the Parking Parcel and liens or encumbrances arising therefrom; (ii) liens for ad valorem taxes, special assessments and other governmental charges not then delinquent; (iii)

utility, access or other easements and rights-of-way, mineral rights, restrictions and exceptions, all of which will not materially interfere with or impair the operations being conducted on the Leased Premises; (iv) transfers and liens permitted under the Prime Lease; (v) liens or security interests existing on the date of the Prime Lease; and (vi) such minor defects, encroachments, irregularities, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Leased Premises and do not in the aggregate, in the opinion of Counsel, materially impair the use of the property affected thereby or interfere with its use for the purpose for which it was acquired or is held.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization, a governmental body, any other political subdivision, municipality or municipality authority or any other group or entity.

"Pledged Revenues" shall mean the revenues received or receivable by the Authority from the City or any other Persons pursuant to the Prime Lease (except the Administrative Expenses and the sums payable in connection with the Authority's rights with respect to indemnity), and any and all amounts payable to the Authority on account of the Leased Premises and all funds and income and receipts on the funds held by the Trustee under the Indenture.

"Principal Office," when used with respect to a Fiduciary, shall mean the principal, or principal corporate trust, or head or principal trust, office of such Fiduciary or, when used with respect to the payment or registration of transferor exchange of Bonds, shall refer to the office of such Fiduciary designated by the Fiduciary to the Authority and the City for such purpose.

"Qualified Majority of the Registered Owners" shall mean an amount of Registered Owners aggregating a majority or greater in principal of the Bonds then Outstanding.

"Record Date" shall mean the fifteenth day of the month (whether or not a Business Day) preceding the month in which an Interest Payment Date occurs.

"Redemption Price," where used with respect to a Bond, shall mean the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

"Registered Owner" or "Owner," in connection with a Bond, shall mean the person or persons in whose name or names the Bond shall be registered on the books of the Authority wherever kept for that purpose in accordance with the Indenture and the Bonds.

"Regulatory Body" shall mean and include (a) the United States of America and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the United States of America, (b) the Commonwealth , any political subdivision thereof and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the Commonwealth and (c) any other public or private body, whether federal, state, local or otherwise having or exercising regulatory jurisdiction and authority over the Leased Premises, but shall not include the Authority.

"Sinking Fund Account" or "Sinking Fund Accounts" shall mean one or more of the accounts so designated within the Bond Fund pursuant to the Indenture.

"Sinking Fund Installment Date" shall mean April 1 of the years in which the Trustee is required to pay at maturity or redeem, as applicable, Bonds of any series from the Sinking Fund Account or Accounts of the Bond Fund established for such series pursuant to the Indenture.

"Special Account" shall mean the special account in the Bond Fund to be utilized by the Trustee to pay principal or Redemption Price of and interest on the Bonds or shall be applied in an indenture supplemental thereto.

"Supplemental Indenture" or "indenture supplemental thereto" shall mean any indenture amending or supplementing the Indenture which may be entered into in accordance with the provisions of the Indenture.

"Supplemental Prime Lease" shall mean any lease amending or supplementing the Prime Lease which may be entered into in accordance with the Prime Lease.

THE INDENTURE

The 2009 Bonds are being issued under and subject to the provisions of the Indenture, to be dated as of June 1, 2009, by and between the Authority and the Trustee, to which reference is made for complete details of the terms of the 2009 Bonds.

Trust Estate

The Authority, in order to secure the payment of the principal or Redemption Price of, and interest on, all Bonds issued and Outstanding under the Indenture, assigns and pledges to the Trustee and grants to the Trustee a security interest in, assignment and pledge of, and a continuing lien on, each and all of the following: (A) all of the right, title and interest of the Authority in and to the Prime Lease (except for the Authority's rights with respect to indemnity and the Authority's Administrative Expenses thereunder and the Authority's obligations thereunder, which can only be performed by it), (B) the Pledged Revenues and (C) all moneys and securities from time to time held by the Trustee under the terms of the Indenture, subject to the terms thereof.

Additional Bonds

The Authority may issue one or more series of Additional Bonds from time to time pursuant to a Supplemental Indenture (a) to pay the Cost of Capital Additions or to reimburse expenditures of the Authority or the City for any such Costs and (b) to pay the Costs of refunding through redemption all or any portion of the Outstanding Bonds.

In any such event, the Trustee shall, at the request of the Authority, authenticate the Additional Bonds and deliver them as specified in the request, but only upon receipt of:

(1) a Certified Resolution of the Authority (a) stating the purpose of the issue; and (b) establishing the series of Additional Bonds to be issued and providing the terms and form of Additional Bonds thereof and directing the payments to be made into the funds and accounts in respect thereof; and (c) authorizing the execution and delivery of the Additional Bonds to be issued; and (d) if the purpose is refunding, authorizing the purchase or redemption of the Bonds to be refunded;

(2) a certificate of the Authority stating (a) the purpose of the issue; (b) any other amounts available for the purpose; (c) that except with respect to the completion of a Capital Addition or a refunding, no Event of Default under the Indenture has occurred and is continuing; and (d) that the proceeds of the issue plus the other amounts, if any, stated to be available for the purpose will be sufficient to pay the Costs thereof, which shall be itemized in reasonable detail; or (e) if the purpose is refunding, that notice of redemption of the Bonds to be refunded has been duly given or that provision has been made therefor; and (f) the Debt Service Requirements on all Bonds to be Outstanding after the issuance for each Fiscal Year until maturity of the last of such Bonds; and (g) the rentals and additional rentals, if any, to be paid by the City or other lessee of the Leased Premises under the Prime Lease will be adequate to satisfy in each Fiscal Year the Debt Service Requirements on the Bonds to remain Outstanding during the remaining life thereof and to provide for deficiencies existing on the date of such certification in any funds required to be maintained under the Indenture;

(3) a Supplemental Prime Lease, if necessary, providing for additional rentals under the Prime Lease sufficient to pay the Debt Service Requirements on the Additional Bonds;

(4) a certified ordinance of the City (a) approving the issuance of the Additional Bonds and the terms thereof if not otherwise approved; and (b) authorizing the execution of any required Supplemental Prime Lease;

(5) the proceeds of the sale of the Additional Bonds; and

(6) an Opinion of Counsel that the Additional Bonds are duly authorized and issued thereunder and all requirements of the Indenture for the issuance of such Additional Bonds have been met.

If a Supplemental Prime Lease is required for the issuance of Additional Bonds, the City and the Authority shall execute such Supplemental Prime Lease. Notwithstanding satisfaction of other conditions to the issuance of Additional Bonds contained in the Indenture, no such issuance may occur should any Event of Default have occurred and be continuing unless such default shall be cured upon such issuance.

Construction Fund

The Trustee shall establish a Construction Fund and, within such Fund, shall establish two separate accounts therein, respectively, a Cost of Issuance Account and a Capitalized Interest Account for the payment of Costs which shall consist of the Bond proceeds, rental payments pursuant to the Prime Lease and other amounts received by the Trustee.

Payments shall be made from any account in the Construction Fund, in connection with the issuance of Bonds, including amounts set forth in the Authority's closing statement, of all Costs of the Project or any other Capital Additions, but only upon receipt by the Trustee of the requisitions and certifications required by the Indenture. Upon receipt of a completion certificate as provided in the Indenture, the Trustee shall transfer the balance in the Construction Fund and not reserved for the payment of unpaid Costs thereof to the Special Account in the Bond Fund established under the Indenture and described below.

Bond Fund; Application of Bond Fund

The Trustee shall establish a Bond Fund and, within such Fund, shall establish four separate accounts therein, respectively, an Interest Account, a Special Account, a Bond Redemption Account and a Sinking Fund Account for the 2009 Bonds.

The Trustee shall deposit the Pledged Revenues and any other payments under the Indenture (except proceeds of Additional Bonds) in the Bond Fund unless otherwise provided in the Indenture or in a Supplemental Indenture. While any Bonds are Outstanding, moneys in the Bond Fund will be used solely for the payment of principal or Redemption Price of and interest on the Bonds as the same shall become due and payable upon an Interest Payment Date, at maturity, upon redemption or otherwise.

Funds for the payment of the principal or Redemption Price of and interest on the Bonds shall be derived from the following sources in the order of priority indicated:

(1) moneys paid into the Interest Account of the Bond Fund for interest pursuant to the Indenture and moneys transferred from the Capitalized Interest Account of the Construction Fund for payment of interest shall be applied to the payment of interest next due on the Bonds;

(2) moneys deposited upon the completion of any Capital Additions into the Special Account, and any income or other gain from the investment thereof; and

(3) any other moneys furnished by the Authority to the Trustee, including moneys received by the Trustee pursuant to the Prime Lease.

Moneys transferred from the Construction Fund into the Special Account upon completion of any Capital Additions, and any income or other gain from the investment thereof, shall be held in trust for and applied by the Trustee to the redemption of the 2009 Bonds on the next due date. Moneys deposited into the Special Account upon the completion of any other Capital Addition for which Additional Bonds were issued shall be applied as set forth in a Supplemental Indenture.

The Trustee shall use the Sinking Fund Account to purchase or redeem the Bonds, in the manner specified in the Indenture. If, at any time, all the Bonds shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the Sinking Fund Account and shall transfer any balance then in such account to the Interest Account of the Bond Fund. Whenever Bonds are to be purchased out of the Sinking Fund Account, if the Authority, upon the direction of the City, shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture.

Security for and Investment or Deposit of Funds

All moneys received by the Trustee under the Indenture for deposit in any Fund or Account established thereunder shall be considered trust funds, shall not be subject to lien or attachment and shall, except as otherwise provided in the Indenture, be deposited in the commercial department of the Trustee, until or unless invested or deposited as provided in the Indenture. All

deposits in the commercial department of the Trustee shall, to the extent not fully insured, be fully secured as to principal by the securities listed in subsections (a), (b) and (c) of the definition of Investment Securities. If at any time the commercial department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such moneys with any other depository which is authorized to receive them and the deposits of which are insured by the Federal Deposit Insurance Corporation. All deposits in any other depository in excess of the amount covered by insurance shall, to the extent permitted by law, be fully secured as to principal by the securities listed in subsections (a), (b) and (c) of the definition of Investment Securities. Such security shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee as authorized by law with respect to trust funds in the Commonwealth, or with a bank or trust company having a combined net capital and surplus of not less than $100,000,000.

The Trustee shall, at the written direction of the Authority, as specifically directed in writing by the City, invest moneys held in the Construction Fund and in all other Funds and Accounts in moneys and Investment Securities. All such investments made shall mature or be subject to redemption by the holder at not less than the principal amount thereof or the cost of acquisition, whichever is lower, and all deposits in time accounts shall be subject to withdrawal and without penalty not later than the date when the amounts will foreseeably be needed for purposes of the Indenture. Except during the period of construction of any Capital Addition, the interest and income received upon such investments and any interest paid by the Trustee or any other depository with respect to moneys in any Fund or Account established under the Indenture and any profit (net of losses) resulting from the sale of securities shall be added or charged to the respective Fund or Account established under the Indenture; subject, however, to the provisions of the Indenture in the case of defeasance. Interest and income received during the period of construction of any Capital Addition shall be treated in accordance with the Certified Resolution or Supplemental Indenture authorizing Additional Bonds for such Capital Addition. Upon written request of the Authority or on its own initiative whenever payment is to be made out of the Bond Fund to pay principal of and interest on the Bonds, the Trustee shall sell such securities as may be requested or required to make the payment and restore the proceeds to the Fund in which the securities were held. Neither the Trustee nor the Authority shall be accountable for any depreciation in the value of any such security or for any loss resulting from the sale thereof. The Authority shall receive written direction from the City from the Director of Finance of the City.

Covenants of the Authority

Payment of Principal or Redemption Price of and Interest on Bonds.

The Authority shall promptly pay the interest on, and the principal or Redemption Price of, every Bond issued under the Indenture according to the terms thereof, but shall be required to make such payment only out of its Pledged Revenues and the moneys and securities held in the Funds and Accounts under the Indenture. The Authority shall appoint one or more Paying Agent for such purpose, each such agent to be a bank and trust company or a trust company or a national banking association having trust powers. The Authority appoints the Trustee to act as Paying Agent and designates the Principal Office of such agent as the place of payment, such appointment and designation to remain in effect until notice of change is filed with the Trustee.

Corporate Existence and Maintenance of Properties.

The Authority shall maintain its corporate existence and its right to own, operate or lease the Leased Premises and shall provide for (a) construction or acquisition of Capital Additions in accordance with the provisions of the Indenture and the Prime Lease and performance of all repairs, renewals, replacements and improvements to the Leased Premises or such Capital Additions necessary to maintain adequate service; and (b) compliance with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any competent Regulatory Body.

Leasing, Etc. of the Leased Premises.

The Authority may lease the Leased Premises or any portions thereof to, or enter into operating agreements in respect thereof with, third parties lawfully entitled to enter into such leases or agreements, but the Authority covenants that any such lease or agreement shall be subject to, and shall not contain terms inconsistent with, the Indenture and shall be approved by the Trustee. The Authority agrees that, except for the assignment of the Prime Lease to the Trustee pursuant to the Indenture, it will not assign or otherwise encumber the Prime Lease or any payments due thereunder.

Enforcement, Execution and Amendment of the Prime Lease and Other Contracts; Notice of Default.

The Authority shall cause any Capital Addition to be constructed and installed in accordance with the terms of the Prime Lease and the Indenture and shall enforce payment of service charges, rentals and other amounts payable under the Prime Lease or any Supplemental Prime Lease, and any other lease, agreement or other contract executed and made subject to the lien and security interest created by the Indenture, and shall otherwise enforce all of its rights and privileges, and honor all of its obligations, thereunder, and shall require every party with which it so contracts to perform its contractual obligations. So long as no Event of Default under the Indenture shall have occurred and be continuing, the Authority may exercise all its rights under the Prime Lease or any other lease, sublease, agreement or contract, or supplement or amendment thereto, but the Authority shall not, without the consent of the Trustee, amend any of the same so as to affect adversely the Authority's ability to perform its covenants under the Indenture. The Authority shall file with the Trustee copies of the Ground Lease, the Prime Lease and all other leases, agreements and contracts, together with all amendments or supplements thereto, whether or not the Trustee's consent is required thereto, and shall give prompt notice to the Trustee of any default by any of the parties thereto except defaults of minor importance to the interests of the Authority therein.

Property Insurance.

So long as the Leased Premises are subject to the terms of the Prime Lease, the City may act as self insurer and the Authority need not obtain property insurance; otherwise, the Authority shall keep the Leased Premises, or cause the same to be kept, insured by one or more insurance companies authorized and qualified to do business under the laws of the Commonwealth against such risks as are normally insured against; provided that the amounts of such insurance shall be

sufficient to prevent diminution of recovery for any loss thereunder by reason of any co-insurance clause in the policies therefor.

Each policy of insurance, if any, applicable to the Leased Premises may contain a loss deductible clause specifying such sum as the Authority may determine as the sum to be deducted from coverage for the amount of loss resulting from particular perils. All insurance policies, other than workers' compensation insurance, shall be non-assessable and shall be written in the names of the Trustee and the Authority (and, where appropriate, the lessee or similarly interested party), as their interests may appear and shall be made payable to the Trustee, which shall have the sole right to receive the proceeds of such policies and to collect and receipt for claims thereunder. So far as the same may be procurable without the payment of additional premiums, the policies for such insurance shall not be cancellable without at least 30 days' written notice to the Trustee and shall provide that all losses thereunder shall be payable to the Trustee notwithstanding any act or neglect of the Authority which might otherwise result in a forfeiture of such insurance. Any insurance proceeds shall be held by the Trustee as security for all Bonds then Outstanding until paid out as provided in the Indenture.

Insurance certificates with respect to insurance policies required under the Indenture shall be filed with the Trustee.

Any appraisal, adjustment or settlement agreed upon among the Authority, any insurer and the City which is evidenced (if the amount is $500,000 or less) by a certificate of the Authority and the City or (if the amount exceeds $500,000) by a Certified Resolution of the Authority and the City and approved by the Consulting Engineer shall be accepted by the Trustee.

Application of Proceeds of Property Insurance and Condemnation Awards.

In the event of any damage to the Leased Premises covered by insurance or condemnation of any portion of the Leased Premises, the Authority shall promptly notify the Trustee in writing of such event. The proceeds of property insurance and condemnation awards shall be applied in accordance with the Prime Lease. If the insurance proceeds or condemnation awards are insufficient to pay the Cost of repair, reconstruction or replacement, the deficiency shall be supplied at the request of the Authority out of funds payable by the City.

If any insurance proceeds or condemnation proceeds are not so applied as set forth in the Prime Lease within 12 months after receipt by the Trustee or the City, or if the Authority fails to file or cause to be filed the required certificate with respect to any damage to the Leased Premises within three months after the occurrence of the condemnation, injury or damage, or if the certificate which is filed states that the repair, reconstruction or replacement is not practical or desirable, the insurance proceeds or condemnation awards shall be deposited in the Bond Fund to be applied as set forth in the Prime Lease.

Public Liability Insurance.

The Authority will carry public liability insurance in such amounts and in such manner as set forth in the Prime Lease or, if the Prime Lease has been terminated, as customary in similar operations.

Sale, Lease or Encumbrance of Facilities Prohibited; Exceptions.

The Authority shall not and shall not permit the City to sell, lease, pledge or otherwise transfer or encumber the Leased Premises or any part thereof, or any revenues derived therefrom other than as stated in the Ground Lease, Prime Lease or the Indenture; but the Authority shall permit the City to sell property which has been replaced, or is no longer necessary in the ordinary course of operations.

Upon receipt of any documents as required under the Prime Lease and any amounts required to be deposited in any fund, the Trustee may execute such consents or releases to any sale or encumbrance permitted hereby as may be appropriate.

Payment of Taxes; Discharge of Liens.

The Authority shall pay, or cause to be paid, all taxes, assessments or other municipal or governmental charges lawfully imposed upon the Authority or the Leased Premises or any revenues therefrom and will not suffer to be created or to exist any lien or charge thereon except the lien and charge of the Bonds and encumbrances permitted under the Indenture.

Employment of Certified Public Accountant.

The Authority shall employ a Certified Public Accountant to perform the accounting and auditing functions and duties required by the Act and the Indenture.

Establishment of Fiscal Year.

The Authority has established a Fiscal Year beginning July 1 of each year and ending June 30 of the following year.

Annual Reports and Statements.

The Authority shall furnish to the Trustee and the City (and to Bondholders upon written request) within 35 days after receipt a report with respect to the operations of the Authority for the Project for each Fiscal Year. Such annual report shall be audited and certified by the Certified Public Accountant and shall contain a report in respect of the application by the Trustee of the moneys received by it pursuant to the provisions of the Indenture.

Financing Statements and Other Action to Protect Security Interests.

The Authority shall cause the Indenture or a financing statement or memorandum relating thereto to be filed, registered and recorded in such manner and at such places as may be required by law to protect fully the security of the holders of the Bonds and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof to the extent permitted by law. From time to time, as reasonably requested by the Trustee, the Authority shall obtain an Opinion of Counsel and furnish a signed copy thereof to the Trustee, setting forth what, if any, actions by the Authority or Trustee should be taken to preserve such security. The Authority shall perform any such acts and execute any and all further instruments as may be required by law or as shall reasonably be requested by the Trustee for such protection of the interests of the Trustee and the Bondholders,

and shall furnish satisfactory evidence to the Trustee of recording, registering, filing and refiling of such instrument and of every additional instrument which shall be necessary to preserve the lien of the Indenture upon the Trust Estate or any part thereof until principal of and interest on the Bonds secured thereby shall have been paid. The Trustee shall execute and file any such further or additional instrument and file as it may be advised by an Opinion of Counsel will preserve the lien of the Indenture upon the Trust Estate or any part thereof until the aforesaid principal shall have been paid.

Further Assurances; Additional Revenue.

The Authority shall not enter into any contract or take any action by which the rights of the Trustee or the Bondholders 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. If at any time the Authority receives any income or payment from or in respect of the Leased Premises which is not assigned to the Trustee, exclusive of the Administrative Expenses, it shall promptly pay the same to the Trustee for deposit in the Bond 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 Pledged Revenues and file or record such assignment as may be appropriate to perfect the security interest created thereby.

Compliance with Code.

(a) The Authority covenants to the Owners of the 2009 Bonds that it will make no investment or other use of the proceeds of the 2009 Bonds or any other series of Bonds issued thereunder, or otherwise take or omit taking any action, which would cause such Bonds to be "arbitrage bonds" as that term is defined in section 148(a) of the Code, and that it will continually comply with all other provisions of the Code required to maintain the exclusion of the interest on the 2009 Bonds from gross income throughout the term of such Bonds.

(b) In furtherance of the foregoing, and not in limitation thereof, if the amount earned on all nonpurpose investments (as defined in Treas. Reg. § 148-1(b)) exceeds the amount which would have been earned had such nonpurpose investments been invested at the yield on the 2009 Bonds computed in accordance with the requirements of section 148 of the Code and the Treasury Regulations promulgated thereunder, then the Authority will rebate such excess earnings to the U.S. Treasury, at the times and in the manner required by section 148(f) of the Code and the Treasury Regulations promulgated thereunder. The Authority shall retain records of all such rebate calculations after the retirement of the 2009 Bonds for such time as required by section 148 of the Code and the Treasury Regulations promulgated thereunder.

(c) The Trustee shall supply the Authority or the City upon request with any information in the possession of the Trustee which may be required to calculate the amount of any payment to be made to the U.S. Treasury under subsection (b) above.

(d) In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of its Federal Tax Certificate. These covenants shall survive payment in full or defeasance of any tax-exempt Bonds issued hereunder.

Payment to the City.

After payment of all Bonds Outstanding or defeasance under the Indenture and all other obligations thereunder, the Authority shall cause the Trustee to pay to the City all moneys and investments held by the Trustee pursuant to the Indenture not required to pay the Debt Service Requirements on the Bonds.

Events of Defaults and Remedies

Each of the following events will constitute an "Event of Default" under the Indenture:

(a) If payment of any installment of interest on the Bonds is not made by the Authority when it becomes due and payable; or

(b) If payment of the principal or Redemption Price of any Bond by the Authority is not made when it becomes due and payable at maturity or upon call for redemption or if any required transfer is not made into any sinking fund or sinking fund account established under the Indenture at the time and in the amounts required; or

(c) If an "Event of Default" with respect to rental payments occurs and is continuing under the Prime Lease, except rental payments due the Authority for Administrative Expenses; or

(d) If an "Event of Default" occurs and is continuing under the Prime Lease, other than the failure of the City to make rental payments, or a default occurs and is continuing in the payment of the rentals or other payments under any other lease or operating agreement or any amendment or supplement thereto relating to the Leased Premises or any other default occurs and is continuing thereunder which would give the Authority the right to terminate such lease or agreement; or

(e) If the Authority fails to comply with any provision of the Act or for any reason is rendered incapable of fulfilling its obligations hereunder or thereunder; or

(f) If the Authority defaults in the due and punctual performance of any other covenant in the Bonds or in the Indenture and such default continues for 45 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 the Holders of not less than 25% in principal amount of the Bonds 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 45-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Authority shall commence or cause the City to commence such performance within such 45-day period, and the Authority or the City shall diligently and continuously prosecute the same to completion; or

(g) If the Authority files or has filed against it a petition of bankruptcy or for arrangement or for reorganization pursuant to the United States Bankruptcy Code or other

similar laws, federal or state, or if, by the decree of a court of competent jurisdiction, the Authority is adjudicated bankrupt or declared insolvent, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally when or as they become due, or consents to the appointment of a trustee, receiver or liquidator of all or any part of the Leased Premises; provided that, if any such proceeding is commenced by a person other than the Authority, there will be no Event of Default if such proceedings are dismissed within 90 days of the filing of initial pleadings therein.

Any default by the Authority under the Indenture shall not result in the termination of the Prime Lease, so long as the City shall continue to perform all of its obligations under the Prime Lease and the failure to act on behalf of the Trustee will not affect the tax-exempt status of the Bonds or affect any priority rights in any legal proceeding or prejudice any other rights the Trustee may have against the Authority.

Except as to Events of Default paragraphs (a), (b) and (c) above, the Trustee shall not be required to take notice or be deemed to have knowledge of any Event of Default under the Indenture unless and until specifically notified in writing of such Event of Default by the Authority or by Registered Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding.

If any Event of Default described above has occurred and is continuing, the Trustee by notice in writing to the Authority may, and upon written request of a Qualified Majority of the Registered Owners shall, declare the principal of all Bonds then Outstanding to be immediately due and payable. Upon such declaration, the principal of the Bonds then Outstanding, together with interest accrued thereon, shall become due and payable immediately.

If after the principal of the Bonds has been so declared to be due and payable, all arrears of interest upon the Bonds are paid by the Authority, and the Authority also performs all other things in respect to which it may have been in default under the Indenture and pays the reasonable charges of the Trustee, the Bondholders and any trustee appointed under the Act, including reasonable attorney's fees, then, and in every such case, a Qualified Majority of the Registered Owners may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Registered Owners of Bonds issued under the Indenture; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

If an Event of Default has occurred and is continuing, the Trustee, in its discretion, may, and upon the written request of a Qualified Majority of the Registered Owners, and upon receipt of indemnity to the Trustee's satisfaction, shall, in its own name bring legal proceedings to enforce the rights of the Bondholders. In addition, a Qualified Majority of the Registered Owners, after furnishing indemnity satisfactory to the Trustee, shall have the right to direct the method of conducting all remedial proceedings by the Trustee.

No Bondholder 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) a Qualified Majority of the Registered Owners shall have requested the Trustee, in writing, to exercise the powers therein granted or to pursue such remedy in its or their name or names, (c) the Trustee shall have been

offered indemnity satisfactory to it against costs, expenses and liabilities and (d) the Trustee shall have failed to comply with such request within a reasonable time.

Any moneys received by the Trustee in connection with an Event of Default under the Indenture after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees due, expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and thereupon all moneys then in the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First – To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second – To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption or purchase for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates on which they became due and, if the amount available shall not be sufficient to pay in full the Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever all principal of and interest on all Bonds have been paid under the provisions of the Indenture relating to application of moneys in the Event of Default, and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the City.

Rights and Obligations of the Trustee and the Paying Agent

The Trustee may act through agents and is not answerable for any misconduct of such agents selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under the Indenture, except only its own willful misconduct or negligence. The Authority shall pay the Trustee reasonable compensation for its services under the Indenture

as well as reasonable expenses, all of which shall be agreed upon by the Authority, the Trustee and the City. The Authority shall also indemnify the Trustee and the Paying Agent against liabilities incurred which they may incur in the exercise and performance of their powers and duties under the Indenture, except with respect to their own willful misconduct or negligence. The Trustee has no duty to effect or renew any insurance policy and shall not incur any liability for the failure of the Authority to require or effect or review insurance or to report or file claims of losses thereunder.

The Trustee shall, within 90 days after the Trustee has notice of an occurrence of an Event of Default, give written notice by first class mail to all Bondholders of all defaults known to the Trustee, unless such defaults have been remedied; provided that, except in the case of a default in payment of principal or interest, the Trustee may withhold such notice to the Bondholders so long as it in good faith determines that such withholding is in the interest of the Bondholders. The Trustee may, at any time, require of the Authority full information as to the performance of any covenant under the Indenture, and if information satisfactory to it is not forthcoming, the Trustee may make, at the expense of the Authority, an investigation into the affairs of the Authority related to the Indenture and the Leased Premises. The Trustee shall be under no obligation to take any action in respect of any default or Event of Default or otherwise unless it has received a written request from a Qualified Majority of the Registered Owners and, if in its opinion such action may tend to involve expense or liability, unless it is also furnished with indemnity satisfactory to it.

The Trustee may act on any requisition, resolution, etc. which it in good faith believes to be genuine and to have been passed or signed by the proper persons, and the Trustee has 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 Trustee shall not be bound to make any investigation into the facts or matters stated in any financial or other statements, resolution, etc. furnished pursuant to the Indenture, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further enquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority.

The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action to which any Bondholders may be entitled with like effect as if the Trustee were not a party to the Indenture. The Trustee may also engage in any financial or other transaction with the Authority, provided that if the Trustee determines that any such relation is in conflict with its duties under the Indenture, it shall eliminate the conflict or resign as Trustee.

The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Authority and the City not less than 60 days before the date when such resignation is to take effect; provided notice of such resignation is mailed to each Bondholder and to Moody's and S&P not less than three weeks prior to the date when the resignation is to take effect. Such notice shall appoint a successor, or the Trustee may petition the court to appoint a successor. Any Trustee may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed by the Registered Owners of a majority in principal amount of the Bonds then Outstanding or by the Authority and filed with the Trustee and the Authority. 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 shall appoint a successor and shall promptly mail notice of such appointment to each Bondholder and

Moody's and S&P. If the Authority fails to make such appointment within 30 days, the Registered Owners of a majority in principal amount of the Bonds then Outstanding may do so. A successor trustee shall be a national bank with trust powers or a commercial bank or a bank and trust company or a trust company having capital and surplus of at least $100,000,000.

The Trustee shall provide such reports as may be reasonable required by the City and the Authority.

The Trustee is appointed as Paying Agent. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 60 days' written notice to the Authority, the City and the Trustee. Any Paying Agent may be removed at any time by the Authority by filing an instrument with such Paying Agent, the Trustee and the City. Any successor paying agent shall be appointed by the Authority, with the approval of the Trustee and the City, and shall be a commercial bank or trust company duly organized under the laws of any state of the United States or a national banking association, having a capital stock and surplus aggregating not less than $100,000,000 and be willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed on it by the Indenture.

Acts of Bondholders

Any action to be taken by Registered Owners may be evidenced by one or more concurrent written instruments signed by such Registered Owners in person or by an agent appointed in writing. The fact and date of the execution by any person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution. Any action by the Owner of any Bond shall bind all future Registered Owners of the same Bond in respect of anything done or suffered by the Authority or the Trustee pursuant thereto.

Amendments and Supplements

The Authority and the Trustee may, without the consent of, or notice to, any of the owners of the Bonds, enter into a Supplemental Indenture for any one or more of the following purposes:

(a) to set forth any or all of the matters in connection with the issuance of Additional Bonds under the Indenture;

(b) to add additional covenants of the Authority or to surrender any right or power conferred upon by the Authority;

(c) to reflect changes in applicable law or to cure any ambiguity or to correct or supplement any defective or inconsistent provision of the Indenture in such manner as will not be inconsistent with the Indenture and shall not impair the security thereof or adversely affect the interests of the Bondholders;

(d) to preserve the exemption from federal income tax of interest on the Bonds, provided such amendment or supplement would not affect less than all of the Bonds;

(e) to obtain, maintain or improve any securities rating of the Bonds by Moody's, S&P or Fitch; and

(f) to amend or supplement the Indenture in any other manner, provided that such modification, amendment or supplement does not materially adversely affect the rights of the Bondholders.

Exclusive of Supplemental Indentures for the purposes set forth in the preceding paragraphs, all of the Registered Owners of the Bonds then Outstanding under the Indenture, which would be affected by the action proposed to be taken shall have the right to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental to the Indenture for the purpose of amending any of the terms or provisions contained in the Indenture or in any Supplemental Indenture, except with respect to:

(a) the interest on and principal payable on any Bonds;

(b) the dates of maturity or sinking fund installments, the redemption provisions or the security for the Bonds; and

(c) Article XI of the Indenture (regarding amendments and supplements thereto).

Defeasance

When interest on and principal or Redemption Price shall be paid to the Registered Owners of all Outstanding Bonds, and if the Authority shall keep, perform, and observe all of its covenants and promises in the Bonds and in the Indenture expressed and shall have paid or provided for all obligations owed the Trustee, then the pledge of the Trust Estate and the rights granted and all covenants, agreements and other obligations of the Authority under the Indenture to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Authority all such instruments as may be appropriate to evidence such discharge and satisfaction of the lien thereof, and the Trustee and the Paying Agent shall pay over or deliver to the Authority all moneys and securities held by them pursuant to the Indenture which are not required for the payment of principal of and interest on Bonds not theretofore surrendered for such payment or redemption.

Moneys deposited with the Trustee or the Paying Agent which remain unclaimed five years after the date payment of the Bonds becomes due shall, upon request of the Authority, be paid to the Authority; and the Registered Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Authority; provided, however, that the Paying Agent, before making payment to the Authority may cause a notice to be mailed to the Registered Owners of such unpaid Bonds as their names appear on the registration books of the Authority, stating that the moneys remaining unclaimed will be returned to the Authority after a specified date.

THE GROUND LEASE

Term; Rentals

The Ground Lease, dated as of June 1, 2009, will be entered into between the City as lessor, and the Authority, as lessee. The Ground Lease provides that the City shall lease to the Authority the Property for a term beginning as of June 1, 2009 and ending April 30, 2039, subject to extension or termination as set forth therein.

The Authority shall pay the purchase price and costs of the Property acquisition and any preliminary studies, surveys, planning, testing and design work, fees and expenses of engineers, architects, financial advisors, attorneys and other experts, cost of materials, supplies and construction expended by the City for the Project prior to the issuance of the 2009 Bonds as rentals to the City. The Authority is not liable for the payment of any taxes or utility charges in respect of the Property during the term of the Ground Lease.

Covenants of the Authority and the City

Peaceable Enjoyment.

The City covenants that the Authority, upon observing and performing the terms, conditions and covenants of the Ground lease, shall peaceably and quietly hold the property without interruption by the City.

Compliance with Laws.

The City represents that the Property is in material compliance with all applicable laws and that it will not take any action or request that the Authority take any action that would be in violation of such laws.

Power to Perform Obligations.

The Authority represents that that it has the power and legal right to perform its obligations under the Ground Lease.

Surrender of Premises.

The Authority covenants that it will peaceably and quietly surrender the Property to the City at the termination of the Ground Lease.

Insurance and Condemnation Proceeds.

If the Property shall be wholly or partially destroyed or damaged by fire or other casualty covered by insurance or shall be wholly or partially condemned, taken or injured by any person, the Authority and the City covenant that they will take all actions and will do all things which may be necessary to enable recovery to be made upon such policies of insurance or on account of such taking, condemnation, conveyance, damage or injury in order that moneys due on account of losses suffered may be collected.

Events of Default and Remedies

The following shall constitute Events of Default under the Ground Lease:

(a) the Authority fails to make any payment required to be made under the Ground Lease when due; or

(b) any Act of Bankruptcy by the Authority; or

(c) any mechanic's or materialman's lien or claim is filed against the Property or notice or intention to file is given and not removed, satisfied, discharged or bonded within 90 days; or

(d) any lis pendens, judgment, lien encumbrance, notice of lien, attachment, levy or other adverse charge shall be entered or filed against the Authority's interest in the Property; or

(e) any failure by the Authority to observe or perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in the Ground Lease.

Upon the occurrence of an Event of Default by the Authority, the City shall have, in addition to all other rights and remedies available to the City at law or in equity, the following rights and remedies:

(a) to institute any and all proceedings permitted by law or equity, including, but not limited to, an action to enjoin a violation of the Ground Lease by the Authority; and

(b) to seek and obtain, and the Authority hereby consents to the entry of, a temporary restraining order, together with such other temporary, preliminary and permanent injunctive or other equitable relief, from any court of competent jurisdiction capable or issuing or granting such relief, to compel the Authority to respect, comply with or refrain from breaching or violating the terms, covenants and conditions of the Ground Lease, and, with respect thereto, the Authority shall waive any requirement that the City post a bond or other security in connection with such injunctive or other equitable relief.

Under no circumstances shall the City's remedies include the right to cause an acceleration of the rental payments due under the Ground Lease or a termination of the Ground Lease. The City may, however, cure an Event of Default on behalf of the Authority.

Termination

The City agrees that it shall not terminate the Ground Lease unless it has first received written consent of the Authority, the Trustee, and, if required under the Indenture, the Bondholders, to terminate the Ground Lease.

THE PRIME LEASE

Term; Rentals

The Prime Lease, dated as of June 1, 2009, will be entered into between the Authority, as lessor, and the City, as lessee. The Prime Lease provides that the Authority shall lease to the City the Leased Premises for a term beginning as June 1, 2009 and ending April 30, 2039, subject to extension or termination as set forth therein.

The City shall pay as rentals to the Authority the following sums at the following times:

(a) for deposit in the Bond Fund under the Indenture, on or before 10:00 a.m. Philadelphia time, on the date three Business Days prior to each Interest Payment Date or Sinking Fund Installment Date or on any other date that principal of and premium, if any, and interest on the Bonds, or any portion thereof, shall be due and payable, whether by maturity, redemption (other than by acceleration under the Indenture) or otherwise, an amount which, together with other moneys in the Bond Fund available therefor, is sufficient to make the Authority's required payments of principal of and premium, if any, and interest on the Bonds then becoming due, whether by maturity (other than by acceleration under the Indenture), redemption or otherwise;

(b) Commencing on _____, 2009, and on or before the first day of each quarter thereafter, such amount as shall provide for the Authority's Administrative Expenses incurred in connection with the Leased Premises and the Project, to the extent not otherwise paid by the City, including an amount which is sufficient to make any payment required to be made by the Authority to the United States Treasury, as provided in the Indenture and as requested in writing by the Authority; and

(c) at least one Business Day prior to the date when due, all amounts due and payable under any other Obligations to the extent not provided for in the preceding paragraphs.

As additional rental payments under the Prime Lease, the City shall pay all taxes and utility charges in respect of the Leased Premises.

In addition, from time to time, the City shall be required to make payments necessary to make up any deficiency in the funds established under the Indenture or to pay for any cost overruns with respect to the Project. At least 15 days prior to the beginning of each Fiscal Year, the Authority shall cause the Trustee to advise the City of the amount of such rental payments.

All rentals payable under the Prime Lease shall be paid in immediately available funds and held, invested, disbursed and applied as provided in the Indenture; provided, however, that, on or before 45 days prior to any Sinking Fund Installment Date, the City may deliver to the Trustee Bonds of a maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and the rentals required to effect such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered up to the full amount of such Sinking Fund Installment.

If the moneys available to the Authority for the purposes of the Indenture should be insufficient to pay the Authority's obligations thereunder or under the Bonds or any other Obligations, then the City upon demand shall pay to the Authority or its assigns such additional sum or sums in each Fiscal Year as shall be required for such purposes.

The Authority directs the rental payments to be paid to the Trustee under the Indenture, to which, under the terms of the Indenture, the Prime Lease and the rental payments payable thereunder are assigned, or to its successor trustee under the Indenture, and the City consents to such assignment and agrees to pay the moneys directly to the Trustee.

The rentals shall be payable only out of the current revenues of the City, and the City agrees to provide for the payment of rentals and include the same in its annual Operating Budget for each year. If the current revenues are insufficient to pay the total rentals in any Fiscal Year as the same become due and payable, the City covenants to include amounts not so paid in its Operating Budget for the ensuing Fiscal Year and to produce sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of rental 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 rental payments due and payable under the Prime Lease in each of the City's Fiscal Years.

Unconditional Obligation

The City shall pay rentals and additional sums required under the Prime Lease without suspension or abatement of any nature, notwithstanding (i) any and all defaults under the Ground Lease or the invalidity or unenforceability of the Ground Lease against the City, or (ii) that all or any part of the Leased Premises shall have been wholly or partially destroyed, damaged or injured and shall not have been repaired, replaced or rebuilt. So long as any of the Obligations remain Outstanding or sufficient money for the payment of the Obligations in full shall not be held by the Trustee in trust therefor, the obligation of the City to pay rentals from current revenues of the City shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, and regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place during the term of the Prime Lease, including, but without limiting the generality of the foregoing:

(a) any damage to or destruction of any part or all of the Leased Premises or any claims against the City's or the Authority's interest in any part or all of the Leased Premises;

(b) the taking or damaging of any part or all of the Leased Premises, by any public authority or agency in the exercise of the power of or in the nature of eminent domain or by way of a conveyance in lieu of such exercise or otherwise;

(c) any assignment, novation, merger, consolidation, transfer of assets, leasing or other similar transaction of or affecting the City, whether with or without the approval of the Authority or the Trustee;

(d) the expiration of the term of the Prime Lease pursuant to the provisions thereof;

(e) any failure of the Authority or the Trustee to perform or observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Prime Lease, the Indenture, the Bonds or any other Obligations;

(f) any acts or circumstances that may constitute an eviction or constructive eviction;

(g) failure of consideration, failure of title or commercial frustration;

(h) any change in the tax or other laws of the United States or of any state or other governmental authority;

(i) any determination that the interest on the Bonds is included in gross income of the owners thereof for purposes of federal income taxation;

(j) any change in the law applicable to the Prime Lease or the Indenture; and

(k) the failure to complete the construction or the equipping of any Capital Addition.

The Project and Capital Additions

The Authority agrees to transfer the net proceeds from the sale of the 2009 Bonds in accordance with the terms of the Indenture to pay the costs of the Project, any other Capital Additions, the costs of issuance of the Bonds and any other obligations of the Authority incurred in connection therewith. The City hereby agrees that, to the extent that other available moneys are insufficient therefor, it shall provide funds for the payment of the Costs of the Project or any other Capital Additions. The Authority shall enter into (or become party thereto by assignment from the City) all construction contracts and other agreements with third parties for any acquisition, installation, equipping, construction, renovations and conversions relating to the Project or any other Capital Additions based upon the plans and specifications submitted by the City to the Authority. The City on behalf of the Authority shall cause the Project or any other Capital Additions to be undertaken and completed in compliance with all applicable laws and requirements of insurance companies writing policies covering the Project or any other Capital Additions and in accordance with the construction contracts, estimates and schedules of Costs and plans and specifications therefor. All payments to suppliers and contractors due under the construction contracts shall be made by the Trustee in accordance with the terms of the Indenture.

The City and The Authority agree that they will use their best efforts to lease the Parking Parcel as soon as possible. Upon completing the leasing of such parcel, the Authority will notify the Trustee in writing that it has leased such parcel, and the Authority and the City agree to execute an appropriate Supplemental Prime Lease adding such tract of land to the Leased Premises.

Insurance and Condemnation

All risk of loss, damage, theft or destruction of the Leased Premises shall be borne by the City whose obligations under the Prime Lease shall continue in full force and effect upon such

event. The City will provide personal and property liability insurance either through self insurance or maintain such policies by itself or through the Authority.

If the Leased Premises shall be wholly or partially destroyed or damaged by fire or other casualty covered by insurance or shall be wholly or partially condemned, taken or injured by any person, the Authority and the City covenant that they will take all actions and will do all things which may be necessary to enable recovery to be made upon such policies of insurance or on account of such taking, condemnation, conveyance, damage or injury in order that moneys due on account of losses suffered may be collected and paid to the Trustee.

If moneys collected under policies of insurance or on account of condemnation, damage or injury with respect to any one loss shall equal or exceed $500,000 and the Consulting Engineer shall have determined that repair, reconstruction or replacement is practicable and desirable, and if the Authority and the City shall request, the Authority agrees that such moneys shall be paid by the Trustee for costs of such repair, reconstruction or replacement as provided in the Indenture from the Construction Fund. Moneys in excess of the amount needed for costs of such repair, reconstruction or replacement shall be deposited in the Bond Fund. If moneys collected under policies of insurance or on account of condemnation, damage or injury with respect to any one loss shall be less than $500,000 and the Consulting Engineer shall have determined that repair, reconstruction or replacement is practicable and desirable, and if the Authority and the City shall request, the Authority agrees that the Trustee shall pay such moneys to the City to be used by it for the purpose of paying costs of such repair, reconstruction or replacement and neither requisitions nor certificates shall be required.

In the event that any insurance or condemnation proceeds are not applied as set forth above within 12 months after receipt by the Trustee, or if the Authority fails to obtain the required certificate of the Consulting Engineer within three months after occurrence of the condemnation or damage to the Leased Premises, or if the certificate of the Consulting Engineer states that the repair, reconstruction or replacement is not practicable or desirable, then the insurance proceeds or condemnation awards shall be deposited in the Special Account of the Bond Fund for application in accordance with the provisions of the Indenture.

Subject to the provisions of the Indenture and the Bonds, if any insurance proceeds or condemnation proceeds are deposited in the Bond Fund, such proceeds shall be applied first, to the payment of any Bonds on which the Authority is in default under the Indenture and thereafter, to the redemption of Bonds designated by the City in writing to the Trustee; provided, however, that such redemption is made in accordance with the Indenture.

Covenants of the Authority and the City

Consulting Engineer.

The City covenants and agrees that whenever the services of a Consultant or a Consulting Engineer are required to carry out the provisions of the Prime Lease, it will, upon request of the Authority, retain a Consultant or Consulting Engineer.

Construction, Operation and Maintenance.

The City covenants to provide for the construction and equipping of the Project or Capital Additions. The City shall determine the level of operation and maintenance of the Leased Premises, and any repairs or replacements which the City shall install shall become the property of the Authority. The City further covenants that it will not commit or suffer any stripping or waste of the Leased Premises. The City will bear all costs in connection with the use of the Leased Premises.

Compliance with Laws and Recorded Covenants.

The City covenants that all actions heretofore and hereafter taken by the City or by the Authority upon the recommendation or request of any officer of the City to acquire and carry out the Project and any additional project or any Capital Addition, have been in material compliance and will be in full compliance with all pertinent laws and recorded covenants applicable to the City and to the Authority. In connection with the operation, maintenance, repair and replacement of the Leased Premises, the City covenants that it shall comply with all applicable laws and recorded covenants and any requirement of any board of fire underwriters having jurisdiction or of any insurance company writing insurance on the Leased Premises. The City further covenants and represents that the Leased Premises are in material compliance with all applicable zoning, subdivision, building, land use and similar laws and ordinances. The City covenants that it shall not take any action or request the Authority to execute any release which would cause the Leased Premises to be in violation of such laws or ordinances or such that a conveyance of the Leased Premises or of any portion of the Leased Premises would create a violation of such laws and ordinances.

Preservation of the Leased Premises.

Except with respect to the transactions contemplated by the Prime Lease or any Permitted Encumbrances, the City covenants that it will not:

(a) transfer the Prime Lease or the Leased Premises or any interest therein or part thereof, unless otherwise permitted by the Prime Lease or the Indenture;

(b) do or permit others under its control to do any work in or about the Leased Premises or related to any repair, rebuilding, restoration, replacement, alteration of or addition to the Leased Premises, or any part thereof, unless the City shall have first procured and paid for all requisite municipal and other governmental permits and authorizations; or

(c) do anything whereby the Leased Premises, or any part thereof, may be encumbered by any mechanic's or other similar lien and if, whenever any mechanic's or other similar lien is filed against the Leased Premises, or any part thereof, the City shall discharge the same of record within 30 days after the date of filing.

Power to Perform Obligations.

The City represents that that it has the power and legal right to perform its obligations under the Prime Lease.

Inspection.

The City covenants that the Authority may inspect any part of the Leased Premises.

Additional Information.

The City agrees to provide and certify such information concerning the Leased Premises, the City, the finances of the City and other topics as the Authority reasonably considers desirable to its evaluation of the City or the Authority considers necessary to enable the completion and publication of one or more official statements relating to the Bonds, to enable counsel to issue their respective opinions and otherwise advise the Authority as to the transaction or the capacity of the parties to enter into the same or to enable it to make any reports or supply any information required under the provisions of the Indenture, law, governmental regulation or otherwise.

Termination; Possession.

Upon termination of the Prime Lease, the City covenants that it will peaceably deliver possession of the Leased Premises upon demand by the Authority or, in the case of default, upon demand made by the Authority and the Trustee, in good repair and operating condition.

Investments and Use to Comply with the Code.

The City and the Authority each covenants that it will neither make nor instruct the Trustee to make any investment or other use of the proceeds of the Bonds or any other Obligation intended by its terms to be tax-exempt which would cause such Bonds or Obligations to be "arbitrage bonds" as that term is defined in section 148(a) of the Code, and all applicable regulations promulgated with respect thereto, and that it will comply with the requirements of the Code and applicable regulations throughout the term of the Bonds or Obligations so that the interest on the Bonds or Obligations shall be excluded from gross income of the owners thereof for federal income tax purposes. The City covenants that it will not use or permit the use of the Leased Premises in such a manner as would result, or allow the use of the Leased Premises by any entity whose use thereof would result, in the loss of the exclusion of interest on the Bonds or any other Obligation intended by its terms to be tax-exempt from gross income of the owners thereof for federal tax purposes.

Surrender of Premises.

Upon the expiration or earlier termination of the Prime Lease and the simultaneous expiration or earlier termination of the Ground Lease, the Authority shall peaceably and quietly, surrender, vacate and deliver up possession of the Leased Premises to the City, and the rights and obligations of the City and the Authority to the Leased Premises.

Events of Default; Termination of the Prime Lease

If the City shall fail to make any payment required by the Prime Lease or by the Indenture for a period of two Business Days after the due date or shall fail to comply with any of the other covenants contained in the Prime Lease and such failure shall not have been remedied or made good within 45 days after written notice of such failure given to the City by the Authority, or the

City shall file for relief concerning its indebtedness under any federal or state statute, the same shall constitute a default under the terms of the Prime Lease. Thereafter the Authority shall have the right to terminate the Prime Lease and to lease the Leased Premises to third parties and to take such other acts or steps as may be available under the Indenture or in law, equity or otherwise.

Termination of the Prime Lease by the Authority shall not relieve the City of any previously accrued obligations under the Prime Lease, nor shall it relieve the City of its obligations to make payments to the Authority on the dates when such payments are required under the Prime Lease or the Indenture, unless such premises have been relet, in which event the City is entitled to have credited against its rental obligations under the Prime Lease and the Indenture any net proceeds of the reletting of the Leased Premises by the Authority.

Amendment of the Prime Lease

Subject to provision that the parties shall not adversely affect the rights or the security of the Bondholders and the holders of other Obligations, the parties to the Prime Lease may amend the Prime Lease only for the following purposes:

(a) in connection with the issuance of Additional Bonds or other Obligations; or

(b) to cure any ambiguity, defect or omission therein or in any amendment thereto; or

(c) to reflect a change in applicable law; or

(d) to preserve the exemption from federal income tax of interest on the Bonds, provided such amendment would not affect less than all of the Bonds; or

(e) to obtain, maintain or improve any securities ratings of the Bonds by a Rating Agency; or

(f) in connection with the leasing of the Parking Parcel by PAID to the Authority and by the Authority to the City; or

(g) to add to the covenants and agreements of the City therein contained, or to surrender any right or power therein reserved to or conferred upon the City which shall not impair the security thereof or adversely affect the rights of the Bondholders under the Indenture.

All other amendments must be approved by the Trustee and, if the Indenture must be amended with Bondholders' consent or the consent of the holders of other Obligations, by a Qualified Majority of the Registered Owners in the same manner and to the same extent as is set forth in the Indenture; provided that the President of City Council must approve in writing any amendment consistent with the terms of the Ordinance; and further provided, however, that if any such proposed amendment would increase the Authority's or the City's financial obligations under the Prime Lease, or otherwise materially affect the rights and powers of the Authority, the City or any official of the City under the Prime Lease, then the President of City Council shall refer such proposed amendment to the City Council for its consideration; if the City Council approves such

amendment by ordinance, it may be executed by or on behalf of the City, unless the President of City Council waives the requirement for approval of City Council if the City Council makes a written determination that a necessary change to protect the interests of the City must be executed sooner than City Council approval may legally or practicably be granted.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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$_____
The Philadelphia Municipal Authority
Lease Revenue Bonds
Series 2009

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement ("Disclosure Agreement") dated as of June 1, 2009, is executed and delivered by and between The City of Philadelphia, Pennsylvania ("City") and Digital Assurance Certification, L.L.C., as dissemination agent ("Dissemination Agent") in connection with the issuance and sale by the Philadelphia Municipal Authority (the "Authority") of $_____ aggregate principal amount of its Lease Revenue Bonds, Series 2009 (the "Bonds").

In consideration or 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 for unless the context clearly otherwise requires) terms defined in the recitals hereto shall have such meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below.

"Annual Financial Information" shall mean the financial information or operating data with respect to the City, delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in Appendix A attached hereto and made a part hereof, and in accordance with the Rule. The financial statements comprising the Annual Financial Information are prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board.

"Business Day" or "Business Days" shall mean any day other than a Saturday or Sunday or, in the City, a legal holiday or a day on which banking institutions are authorized by law to close 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.

"Indenture" shall mean the Trust Indenture dated as of June 1, 2009, between the Authority and the Trustee.

"Material Event" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement, if material within the meaning of the Rule.

"MSRB'" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall have the meaning set forth in the Rule.

"Official Statement" shall mean the Official Statement dated June __, 2009, relating to the Bonds.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with their purchase and reoffering of the Bonds.

"Registered Owner" or "Registered Owners" shall mean the person or persons in whose name a Bond is registered on the books maintained by the Trustee in accordance with the Indenture. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered

Owner" or "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 successor thereto appointed pursuant to the Indenture.

"Trustee" shall mean U.S. Bank National Association, as trustee, and any successor thereto under the Indenture.

All words and terms used in this Disclosure Agreement and not 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 in order to assist the Participating Underwriters in complying with the requirements of the Rule. Because changes to the Rule will come into effect on July 1, 2009, and because the Issuer's first filing of Annual Financial is not due until after that date, this Disclosure Agreement takes into consideration the requirements of the Rule as of July 1, 2009.

Section 3. Annual Financial Information

(a) Within 240 days of the close of each fiscal year of the City, commencing with the fiscal year ending June 30, 2009, 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 will contain unaudited financial statements if audited financial statements are not available.

(b) As soon as audited financial statements for the City are available, commencing with the audited financial statements for the fiscal year ending June 30, 2009, 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. Material Events

(a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner, notice to MSRB of any of the following events with respect to the Bonds if material within the meaning of the Rule (each a "Material Event"):

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(7) Modifications to the rights and holders of the Bonds;

(8) Bond calls;

(9) Defeasances;

(10) Release, substitution or sale of property securing repayment of the Bonds; and

(11) Rating Changes.

The foregoing eleven (l1) events are quoted from the Rule. No mandatory redemption shall be deemed a Material Event.

(b) Whenever the City concludes that a Material Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Material Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB. Upon receipt, the Dissemination Agent shall promptly file such notice with the MSRB. In addition, the Dissemination Agent shall promptly file with the MSRB notice of any failure by the City or the Dissemination Agent to timely file the Annual Financial Information as provided in Section 3 hereof, including, any failure by the City or the Dissemination Agent to provide the Annual Financial Information on or before the date specified in Section 3(a) hereof.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a)(1), (4), (8), (9) notify the Disclosure Representative of the occurrence of such event and shall, within five (5) Business Days of giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event is not material within the meaning of the Rule.

(d) The Dissemination Agent shall prepare an affidavit of filing for each notice delivered pursuant to clauses (b) and (c) of this Section 4 and shall deliver such affidavit to the City no later than three (3) Business Days following the date of filing of such notice.

(e) The Dissemination Agent shall obtain confirmation (which may be electronic) from the MSRB of receipt of any notice delivered thereto. The Dissemination Agent shall prepare an affidavit of receipt specifying the date and hour of receipt of such notice by the MSRB to the extent such information has been provided to the Dissemination Agent. Such affidavit of receipt shall be delivered to the City no later than three (3) Business Days following the date of receipt by the Dissemination Agent of the confirmation from the MSRB.

Section 5. Amendment; Waiver

(a) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend the 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) the 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 Owner 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 therefore shall

be given by the Disclosure Representative to the Dissemination Agent upon execution of the amendment or waiver and the Dissemination Agent shall promptly file such notice with the MSRB. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner including owners of book-entry credits in the Bonds who have filed their names and addresses with the Dissemination Agent.

Section 6. Other Information; Duties of Dissemination Agent

(a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Material Events specifically provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under any other agreement or in any other capacity.

(c) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners or the MSRB.

Section 7. Default

(a) In the event that the City or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Registered Owner of the Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of the Bonds and if, in the Dissemination Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for expenses satisfactory to it.

(b) A default under the Disclosure Agreement shall not be or be deemed to be a default under the Bonds, the Indenture, the Lease (as defined in the Indenture) 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 of 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, 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 be done by it as Dissemination Agent, without indemnity.

Section 9. Term of Disclosure Agreement

This Disclosure Agreement shall terminate (1) upon payment or provision for payment in full of the Bonds, or (2) upon repeal or rescission of Section (b)(5) of the Rule, or (3) upon 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 telecopy with confirmation of receipt, addressed:

(a) To the Dissemination Agent at:

Digital Assurance Certification LLC
390 North Orange Avenue, Suite 1750
Orlando, FL 32801
Attention: Nicole Sheehan
Fax: (407) 515-6513

(b) To the City or the Disclosure Representative at:

City of Philadelphia
Office of the Director of Finance
1330 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
Attention: Director of Finance
Fax: (215) 568-1947; or

Office of the City Treasurer
640 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
Attention: City Treasurer
Fax: (215) 686-3815

(c) To the Trustee at:

U.S. Bank National Association
Two Liberty Place, Suite 2000
50 S. 16th Street
Philadelphia, PA 19102
Attention: Corporate Trust Services
Fax: (215) 523-6123

or such other addresses as may be designated in writing to all parties hereto.

Section 12. No 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 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 Dissemination Agent

(a) The City may discharge the Dissemination Agent by notice in writing mailed postage prepaid to the Dissemination Agent; provided, however, that the City shall provide written notice to the Trustee upon the engagement or discharge of any Dissemination Agent, and shall provide the name, address and telephone number of any successor Dissemination Agent. The City shall cause any successor Dissemination Agent appointed hereunder and any further successors to execute and deliver an acknowledgement of acceptance of the designation and duties of Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

(b) The Dissemination Agent may resign and thereby become discharged from its duties as such under this Disclosure Agreement by notice in writing mailed postage prepaid to the City, such resignation to become effective on the later of (i) the tenth (l0th) business day following the City's receipt or notice thereof (or at such different date and time as stated in such notice) and (ii) the City's appointment of a new Dissemination Agent hereunder or the City's notice to the Dissemination Agent and the Trustee that the City has determined to act itself in such capacity.

Section 15. Filings with MSRB; other Methods of Filing.

All filings with the MSRB pursuant to this Disclosure Agreement: (a) shall be made in an electronic format as prescribed by the MSRB; and (b) shall be accompanied by identifying information as prescribed by the MSRB.

In addition, notwithstanding any other provisions of this Disclosure Agreement, any filing required by this Disclosure Agreement may be made with such repositories and using such electronic filing systems as may be approved by the Securities and Exchange Commission and/or the MSRB.

Section 16. 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 17. 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 18. 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 19. 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.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its authorized officers, all as of the day and year first above written.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

By:_____
ROB DUBOW
Director of Finance

DIGITAL ASSURANCE CERTIFICATION, L.L.C.
as Dissemination Agent

By:_____
Paula Stuart
Chief Executive Officer

APPENDIX A

1. Commencing with the fiscal year ending June 30, 2009, a copy of the Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units; and

2. Commencing with the fiscal year ending June 30, 2009, to the extent such information is not contained in the CAFR, an update of the information in APPENDIX A of the Official Statement dated June __, 2009, relating to the Bonds under the captions "DISCUSSION OF FINANCIAL OPERATIONS", "REVENUES OF THE CITY", "EXPENDITURES OF THE CITY", and "DEBT OF THE CITY."

APPENDIX E

PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS

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PHILADELPHIA MUNICIPAL AUTHORITY
$_____
Lease Revenue Bonds, Series 2009

Philadelphia Municipal Authority
One Parkway Bldg.
1515 Arch Street, 9th Floor
Philadelphia, PA 19102

PNC Capital Markets LLC, on behalf of itself and
as Representative of the Underwriters of the Lease Revenue Bonds, Series 2009
1600 Market Street, 21st Floor
Philadelphia, PA 19103

US Bank National Association, as Trustee
Corporate Trust Services
Two Liberty Place, Suite 2000
50 S. 16th Street
Philadelphia, PA 19102

_____, 2009

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance and sale by the Philadelphia Municipal Authority (the "Authority") of $_____ aggregate principal of its

Lease Revenue Bonds, Series 2009 (the "2009 Bonds"). The 2009 Bonds are authorized to be issued under and pursuant to the Pennsylvania Municipal Authorities Act, the Act of June 10, 2001, P.L. 287, as amended, (the "Act"), resolutions of the Authority adopted November 22, 2004 and May 13, 2009 (collectively, the "Resolutions") and a trust indenture dated as of _____, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee). The 2009 Bonds are secured by the Indenture and issued for the purposes set forth therein. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Indenture.

As Co-Bond Counsel for the Authority, we have examined such instruments, opinions, ordinances, resolutions, records, certificates, agreements and other documents as we have deemed necessary to express this opinion, including, but not limited to, the Resolutions, ordinances of the City of Philadelphia (the "City"), certificates of the Authority and the City as to material factual matters, including their reasonable expectations relating to compliance with the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code"), and an information return filed by the Authority with the Internal Revenue Service (Form 8038-G). In rendering our opinion, we have not undertaken to verify the factual matters set forth in such certificates by independent investigation and have assumed that the

representations made by the Authority and the City in such certificates and in the Indenture and other financing documents are true and correct as of the date hereof.

Based on the foregoing, it is our opinion that:

1. The Authority is a public instrumentality of the Commonwealth of Pennsylvania and a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania and has the power and authority within all applicable constitutional and legal limitations to execute and deliver the Indenture, the Ground Lease, and the Prime Lease and to issue and sell the 2009 Bonds.

2. The Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due execution and delivery by the other party thereto, constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

3. The Ground Lease and the Prime Lease have been duly authorized, executed and delivered by the Authority, and, assuming due execution and delivery by the other party thereto, each constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

4. The Trust Estate has been duly and validly assigned to the Trustee under the Indenture.

5. The issuance and sale of the 2009 Bonds have been duly authorized by the Authority, and the terms of the 2009 Bonds comply with the requirements of the Indenture and the Act.

6. The 2009 Bonds have been duly authorized, executed and delivered by the Authority and authenticated by the Trustee in accordance with the Indenture, and constitute valid and binding limited obligations of the Authority, enforceable against the Authority in accordance with their terms and are entitled to all of the benefits and security of the Indenture.

7. Interest (including accrued original issue discount) on the 2009 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2009 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2009 Bonds to be includable in gross income retroactive to the date of issuance of the 2009 Bonds. The Authority and the City have covenanted to comply with all such requirements.

Interest on the 2009 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes.

We express no opinion regarding other federal tax consequences relating to the 2009 Bonds or the receipt of interest thereon.

8. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the 2009 Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2009 Bonds or the interest thereon.

9. The City has full power and authority to execute and deliver the Prime Lease and the Ground Lease; the Prime Lease and the Ground Lease have been duly authorized, executed and delivered by the City pursuant to the Ordinance (Bill No. 071083) of the City Council approved by the Mayor on January 3, 2008 and the City of Philadelphia Home Rule Charter, respectively, and the covenants of the City therein are valid and binding legal obligations of the City enforceable in accordance with their terms.

In providing this opinion, we advise you as follows:

(a) The enforceability of the documents mentioned herein may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles affecting the enforcement of creditors' rights and remedies, and by the exercise of judicial discretion in accordance with general principles of equity.

(b) The 2009 Bonds are limited obligations of the Authority payable solely from the Trust Estate as provided under the Indenture, and neither the full faith and credit nor the taxing power of the City, the Commonwealth of Pennsylvania or any political subdivision thereof is pledged to the payment of principal of and interest on the 2009 Bonds. The Authority has no taxing power.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. We express no opinion with respect to, and assume no responsibility for, the accuracy or completeness of the Official Statement prepared in respect of the 2009 Bonds, and make no representations that we have independently verified the contents thereof. We express no opinion concerning the existence or ownership of, or legal or equitable title to, any property or any interest in property, or the priority of, or the perfection of, the interest of any entity in any property or any interest in property.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur or review any legal matters incident to the purposes to which the proceeds thereof are to be applied, after the date hereof.

Very truly yours,

DUANE MORRIS LLP

PHILADELPHIA MUNICIPAL AUTHORITY
$_____
Lease Revenue Bonds, Series 2009

Philadelphia Municipal Authority
One Parkway Bldg.
1515 Arch Street, 9th Floor
Philadelphia, PA 19102

PNC Capital Markets LLC, on behalf of itself and
as Representative of the Underwriters of the Lease Revenue Bonds, Series 2009
1600 Market Street, 21st Floor
Philadelphia, PA 19103

US Bank National Association, as Trustee
Corporate Trust Services
Two Liberty Place, Suite 2000
50 S. 16th Street
Philadelphia, PA 19102

_____, 2009

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance and sale by the Philadelphia Municipal Authority (the "Authority") of $_____ aggregate principal of its

Lease Revenue Bonds, Series 2009 (the "2009 Bonds"). The 2009 Bonds are authorized to be issued under and pursuant to the Pennsylvania Municipal Authorities Act, the Act of June 10, 2001, P.L. 287, as amended, (the "Act"), resolutions of the Authority adopted November 22, 2004 and May 13, 2009 (collectively, the "Resolutions") and a trust indenture dated as of _____, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee). The 2009 Bonds are secured by the Indenture and issued for the purposes set forth therein. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Indenture.

As Co-Bond Counsel for the Authority, we have examined such instruments, opinions, ordinances, resolutions, records, certificates, agreements and other documents as we have deemed necessary to express this opinion, including, but not limited to, the Resolutions, ordinances of the City of Philadelphia (the "City"), certificates of the Authority and the City as to material factual matters, including their reasonable expectations relating to compliance with the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code"), and an information return filed by the Authority with the Internal Revenue Service (Form 8038-G). In rendering our opinion, we have not undertaken to verify the factual matters set forth in such certificates by independent investigation and have assumed that the

representations made by the Authority and the City in such certificates and in the Indenture and other financing documents are true and correct as of the date hereof.

Based on the foregoing, it is our opinion that:

1. The Authority is a public instrumentality of the Commonwealth of Pennsylvania and a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania and has the power and authority within all applicable constitutional and legal limitations to execute and deliver the Indenture, the Ground Lease, and the Prime Lease and to issue and sell the 2009 Bonds.

2. The Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due execution and delivery by the other party thereto, constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

3. The Ground Lease and the Prime Lease have been duly authorized, executed and delivered by the Authority, and, assuming due execution and delivery by the other party thereto, each constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

4. The Trust Estate has been duly and validly assigned to the Trustee under the Indenture.

5. The issuance and sale of the 2009 Bonds have been duly authorized by the Authority, and the terms of the 2009 Bonds comply with the requirements of the Indenture and the Act.

6. The 2009 Bonds have been duly authorized, executed and delivered by the Authority and authenticated by the Trustee in accordance with the Indenture, and constitute valid and binding limited obligations of the Authority, enforceable against the Authority in accordance with their terms and are entitled to all of the benefits and security of the Indenture.

7. Interest (including accrued original issue discount) on the 2009 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2009 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2009 Bonds to be includable in gross income retroactive to the date of issuance of the 2009 Bonds. The Authority and the City have covenanted to comply with all such requirements.

Interest on the 2009 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes.

We express no opinion regarding other federal tax consequences relating to the 2009 Bonds or the receipt of interest thereon.

8. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the 2009 Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2009 Bonds or the interest thereon.

9. The City has full power and authority to execute and deliver the Prime Lease and the Ground Lease; the Prime Lease and the Ground Lease have been duly authorized, executed and delivered by the City pursuant to the Ordinance (Bill No. 071083) of the City Council, approved by the Mayor on January 3, 2008, and the City of Philadelphia Home Rule Charter, respectively, and the covenants of the City therein are valid and binding legal obligations of the City enforceable in accordance with their terms.

In providing this opinion, we advise you as follows:

(a) The enforceability of the documents mentioned herein may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles affecting the enforcement of creditors' rights and remedies, and by the exercise of judicial discretion in accordance with general principles of equity.

(b) The 2009 Bonds are limited obligations of the Authority payable solely from the Trust Estate as provided under the Indenture, and neither the full faith and credit nor the taxing power of the City, the Commonwealth of Pennsylvania or any political subdivision thereof is pledged to the payment of principal of and interest on the 2009 Bonds. The Authority has no taxing power.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. We express no opinion with respect to, and assume no responsibility for, the accuracy or completeness of the Official Statement prepared in respect of the 2009 Bonds, and make no representations that we have independently verified the contents thereof. We express no opinion concerning the existence or ownership of, or legal or equitable title to, any property or any interest in property, or the priority of, or the perfection of, the interest of any entity in any property or any interest in property.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur or review any legal matters incident to the purposes to which the proceeds thereof are to be applied, after the date hereof.

Very truly yours,

THE TUCKER LAW GROUP, LLC