This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. 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 these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 23, 2015

NEW ISSUE - BOOK ENTRY ONLY

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

In the opinion of Co-Bond Counsel, under existing law, interest on the 2015 Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of federal tax law. Interest on the 2015 Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to corporate holders of the 2015 Bonds may be indirectly subject to alternative minimum tax under circumstances described in "TAX MATTERS" herein. The 2015 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2015 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the 2015 Bonds. See "TAX MATTERS" herein.

PHILADELPHIA REDEVELOPMENT AUTHORITY

$73,495,000*
City Service Agreement Revenue Refunding Bonds, Series 2015A

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

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

The 2015 Bonds Philadelphia Redevelopment Authority (formerly known as the Redevelopment Authority of the City of Philadelphia) (the "Authority") is issuing the above-referenced bonds (the "2015 Bonds").

Purpose The 2015 Bonds are being issued for the purpose of (i) current refunding the 2005C Bonds and (ii) paying the costs of issuance of the 2015 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security The following is qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS" and the documents referenced under such caption. The 2015 Bonds are payable by the Authority solely from payments (the "Service Fee") to be made by

THE CITY OF PHILADELPHIA

(the "City") under the Service Agreement dated April 15, 2002, as amended and supplemented (the "Service Agreement"), between the City and the Authority. The Service Fee is sized to be sufficient to pay, among other things, the principal of and interest on the 2015 Bonds when due. The Service Fee is payable solely from the current revenues of the City. The City has covenanted in the Service Agreement and the Ordinances to include in its annual operating budget and appropriate in each Fiscal Year amounts sufficient to pay all Service Fee payments in such Fiscal Year when due. The obligation of the City to budget and appropriate the Service Fee is unconditional and absolute.

The 2015 Bonds are limited obligations of the Authority and are not obligations of the City, the Commonwealth of Pennsylvania (the "Commonwealth") or any other political subdivision thereof. The 2015 Bonds are not secured by the General Fund of the City, and neither the general credit of the Authority, nor the credit or taxing power of the City, the Commonwealth or any other political subdivision thereof is pledged to the payment of the principal of and interest on the 2015 Bonds. The Authority has no taxing power.

Redemption The 2015 Bonds are subject to optional redemption prior to maturity, as described herein. See "THE 2015 BONDS—Redemption Provisions" herein.

Additional Bonds The Authority has reserved the right to issue additional bonds secured on a parity basis with the 2015 Bonds under the circumstances and upon satisfaction of certain conditions described in the Indenture, all as described herein.

Interest Payment Dates Interest on the 2015 Bonds is payable semiannually on each April 15 and October 15, commencing on October 15, 2015.

Tax Status For information on the tax status of the 2015 Bonds, see the italicized language at the top of this cover page.

Delivery Date It is expected that the 2015 Bonds will be available for delivery to DTC on or about April 15, 2015.

This cover page contains certain information for quick reference only. It is not a summary of the 2015 Bonds or this Official Statement. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to the making of an informed investment decision regarding the 2015 Bonds.

The 2015 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters and subject to receipt of the approval of legality of Ballard Spahr LLP and Turner Law, P.C., Co-Bond Counsel, each of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Authority by Ryan Harmon, Esq., General Counsel to the Authority, and for the Underwriters by their Co-Counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania and Gonzalez Saggio & Harlan, LLP, New York, New York. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department. Hawkins Delafield & Wood LLP and Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, as Co-Disclosure Counsel to the City, will each deliver an opinion to the City and the Underwriters regarding certain matters.

Goldman, Sachs & Co. **Siebert Brandford Shank & Co., L.L.C.**
Barclays **Raymond James & Associates, Inc.** **Stifel**

Dated: April __, 2015

* Preliminary, subject to change.

MATURITIES, AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIPS[1]

$73,495,000*
Philadelphia Redevelopment Authority
City Service Agreement Revenue Refunding Bonds, Series 2015A

Maturity (April 15)*	Principal Amount*	Interest Rate	Price	Yield	CUSIP[1]
2027	$ 9,155,000				
2028	14,925,000				
2029	15,670,000				
2030	16,460,000				
2031	17,285,000				

[1] CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Capital IQ, a division of McGraw Hill Financial, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of 2015 Bonds only at the time of issuance of the 2015 Bonds and the Authority, the City and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2015 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the 2015 Bonds.

* Preliminary, subject to change.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriters to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2015 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Authority and the City and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the cover page, the inside cover page and the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the 2015 Bonds is made only by means of this entire Official Statement.

The statements contained in this Official Statement and in the Appendices and in any other information provided by the Authority and the City and other parties to the transactions described herein that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date hereof, and neither the Authority nor the City assumes any obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the 2015 Bonds.

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.

In connection with the offering of the 2015 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2015 Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Summary of the Offering

This summary is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the 2015 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page, the inside cover page and the Appendices, and other documents available for review and to which reference is herein made. Capitalized terms used in this summary and not otherwise defined have the meanings given to such terms in APPENDIX D.

Issuer:	Philadelphia Redevelopment Authority (formerly known as the Redevelopment Authority of the City of Philadelphia) (the "Authority").
Bonds Offered:	$73,495,000* aggregate principal amount of its City Service Agreement Revenue Refunding Bonds, Series 2015A (the "2015 Bonds").
Interest Payment Dates:	Interest on the 2015 Bonds will be payable semiannually on each April 15 and October 15, commencing on October 15, 2015.
Security and Sources of Payment	The following is qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS" and the documents referenced under such caption. The 2015 Bonds are payable by the Authority solely from payments (the "Service Fee") to be made by the City of Philadelphia (the "City") under the Service Agreement dated April 15, 2002, as amended and supplemented (the "Service Agreement"), between the City and the Authority. The Service Fee is sized to be sufficient to pay, among other things, the principal of and interest on the 2015 Bonds when due. The Service Fee is payable solely from the current revenues of the City. The City has covenanted in the Service Agreement and the Ordinances to include in its annual operating budget and appropriate in each Fiscal Year amounts sufficient to pay all Service Fee payments in such Fiscal Year when due. The obligation of the City to budget and appropriate the Service Fee is unconditional and absolute. The 2015 Bonds are limited obligations of the Authority and are not obligations of the City, the Commonwealth of Pennsylvania (the "Commonwealth") or any other political subdivision thereof. The 2015 Bonds are not secured by the General Fund of the City, and neither the general credit of the Authority, nor the credit or taxing power of the City, the Commonwealth or any other political subdivision thereof is pledged to the payment of the principal of and interest on the 2015 Bonds. The Authority has no taxing power.
Additional Bonds:	The Authority has reserved the right to issue additional bonds secured on a parity basis with the 2015 Bonds under the circumstances and upon satisfaction of certain conditions described in the Indenture, all as described herein.
Use of Proceeds:	The 2015 Bonds are being issued for the purpose of (i) current refunding the Redevelopment Authority of the City of Philadelphia Revenue Bonds, Series 2005C (City of Philadelphia Neighborhood Transformation Initiative), and (ii) paying the costs of issuance of the 2015 Bonds.
Redemption:	The 2015 Bonds are subject to optional redemption prior to maturity, as described herein. See "THE 2015 BONDS—Redemption Provisions" herein.
Authorized Denominations:	The 2015 Bonds will be issued as registered bonds in denominations of $5,000 and integral multiples thereof.

* Preliminary, subject to change.

Form and Depository: The 2015 Bonds will be delivered solely in registered form under a global book-entry system through the facilities of DTC.

Tax Status: For information on the tax status of the 2015 Bonds, see the italicized language at the top of the cover page of this Official Statement.

Ratings:

S&P	"A+"
Moody's	"A2"
Fitch	"A-"

See "RATINGS" herein.

THE 2015 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT; AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS CONTAINED IN SUCH ACT.

THE 2015 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR BY THE SECURITIES COMMISSION OR ANY REGULATORY AUTHORITY OF ANY STATE, NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

Page

INTRODUCTION 1
General 1
Authorization 1
Purpose 2
Philadelphia Redevelopment Authority 2
Security for the 2015 Bonds 2
Outstanding Bonds 3
Trustee 3
Information Regarding the City of Philadelphia 3
Miscellaneous 3
THE AUTHORITY 4
Organization 4
Financing Program of the Authority 4
THE 2015 BONDS 5
General 5
Transfer and Exchange 5
Redemption Provisions 6
Additional Bonds 6
SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS 6
General 6
City's Obligation to Appropriate Service Fee under Service Agreement 7
Remedies for Bondholders 8
PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS 10
THE NTI PROGRAM AND THE NTI PROGRAM BUDGET 10
Overview of the NTI Program 10
Development of Annual Program Budget 11
FISCAL YEAR DEBT SERVICE REQUIREMENTS 11
NO LITIGATION 12
The Authority 12
The City 12
RATINGS 12
APPROVAL OF LEGAL MATTERS 12
TAX MATTERS 13
Federal Tax Exemption 13
Pennsylvania Tax Matters 14
Changes in Federal and Pennsylvania Tax Law 14
UNDERWRITING 14
FINANCIAL ADVISORS 15
CONTINUING DISCLOSURE UNDERTAKING 15
CERTAIN RELATIONSHIPS 16
MISCELLANEOUS 16

APPENDIX A GOVERNMENT AND FINANCIAL INFORMATION
APPENDIX B CITY SOCIOECONOMIC INFORMATION
APPENDIX C COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2014
APPENDIX D SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT
APPENDIX E PROPOSED FORM OF APPROVING OPINION OF CO-BOND COUNSEL
APPENDIX F FORM OF CONTINUING DISCLOSURE AGREEMENT
APPENDIX G BOOK-ENTRY ONLY SYSTEM

[THIS PAGE INTENTIONALLY LEFT BLANK]

PRELIMINARY OFFICIAL STATEMENT

Relating To

PHILADELPHIA REDEVELOPMENT AUTHORITY

$73,495,000*
City Service Agreement Revenue Refunding Bonds,
Series 2015A

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the attached Appendices, is furnished in connection with the offering by Philadelphia Redevelopment Authority (formerly known as the Redevelopment Authority of the City of Philadelphia), Philadelphia, Pennsylvania (the "Authority") of $73,495,000* aggregate principal amount of its City Service Agreement Revenue Refunding Bonds, Series 2015A (the "2015 Bonds"). Reference should be made to the material under the caption "THE 2015 BONDS" for a description of the 2015 Bonds, including the book-entry system applicable thereto.

Certain factors that may affect an investment decision concerning the 2015 Bonds are described throughout this Official Statement. Persons considering a purchase of the 2015 Bonds should read this Official Statement, including the cover page, the inside cover page and the Appendices, which are an integral part hereof, in its entirety. All estimates and assumptions of financial and other information are based on information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting forward-looking statements may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from the adopted and proposed budgets of the City of Philadelphia (the "City"), as well as from the City's proposed Twenty-Fourth Five-Year Plan. See "DISCUSSION OF FINANCIAL OPERATIONS—Current Financial Information" in APPENDIX A hereto. Accordingly, no assurance is given that any projected future results will be achieved.

Authorization

The 2015 Bonds are being issued pursuant to the provisions of the Pennsylvania Urban Redevelopment Law, Act No. 385 of the General Assembly of the Commonwealth of Pennsylvania approved May 24, 1945 (P.L. 991), as amended and supplemented (the "Act"), and a resolution of the Authority adopted on March 11, 2015. The 2015 Bonds will be secured under the terms of a Trust Indenture dated as of April 15, 2002, as amended and supplemented to date (the "Original Indenture"), and as further amended and supplemented by a Fifth Supplemental Indenture dated as of April 1, 2015 (the "Fifth Supplemental Indenture" and, collectively with the Original Indenture, the "Indenture"), between the Authority and TD Bank, N.A., as successor trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined have the respective meanings set forth in APPENDIX D hereto.

---

* Preliminary, subject to change.

Purpose

The 2015 Bonds are being issued for the purpose of (i) current refunding the Redevelopment Authority of the City of Philadelphia Revenue Bonds, Series 2005C (City of Philadelphia Neighborhood Transformation Initiative), currently outstanding in the principal amount of $81,305,000 (the "2005C Bonds"), and (ii) paying the costs of issuance of the 2015 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2005C Bonds were issued to finance a portion of the neighborhood transformation initiative undertaken by the Authority and the City for revitalization, renewal, redevelopment and transformation of blighted areas within the City to promote the health, safety and welfare of the residents of the City (as further described herein, the "NTI Program"). See "THE NTI PROGRAM AND THE NTI PROGRAM BUDGET" herein.

Philadelphia Redevelopment Authority

The Authority is a public body and a body corporate and politic, exercising public powers of the Commonwealth of Pennsylvania (the "Commonwealth") as an agency thereof created under and pursuant to the Act. See "THE AUTHORITY" herein.

Security for the 2015 Bonds

The following is qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS" and the documents referenced under such caption. The 2015 Bonds are payable by the Authority solely from payments (the "Service Fee") to be made by the City under the Service Agreement dated as of April 15, 2002, as amended and supplemented to date (the "Original Service Agreement"), and as further amended and supplemented by a Fourth Supplemental Service Agreement dated as of April 1, 2015 (the "Fourth Supplemental Service Agreement" and, collectively with the Original Service Agreement, the "Service Agreement"), between the City and the Authority. The Service Fee is sized to be sufficient to pay, among other things, the principal of and interest on the 2015 Bonds when due. The Service Fee is payable solely from the current revenues of the City. The City has covenanted in the Service Agreement and the Ordinances (defined herein) to include in its annual operating budget and appropriate in each Fiscal Year amounts sufficient to pay all Service Fee payments in such Fiscal Year when due. The obligation of the City to budget and appropriate the Service Fee is unconditional and absolute.

Under the Indenture, the Authority has assigned and granted to the Trustee a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for Reserved Rights), the Revenues and all monies, investments and securities held in the Funds and Accounts (except the Rebate Fund) established under the Indenture. The City has covenanted in the Ordinances to make all Service Fee payments and all other amounts due under the Service Agreement directly to the Trustee, as assignee of the Authority, so long as any Bonds are Outstanding.

The 2015 Bonds are limited obligations of the Authority and are not obligations of the City, the Commonwealth or any other political subdivision thereof. The 2015 Bonds are not secured by the General Fund of the City, and neither the general credit of the Authority, nor the credit or taxing power of the City, the Commonwealth or any other political subdivision thereof is pledged to the payment of the principal of and interest on the 2015 Bonds. The Authority has no taxing power.

Outstanding Bonds

On March 2, 2005, the Authority issued $25,510,000 aggregate principal amount of its Taxable Revenue Bonds, Series 2005A (City of Philadelphia Neighborhood Transformation Initiative), currently outstanding in the principal amount of $5,720,000 (the "2005A Bonds"), and its Qualified Redevelopment Revenue Bonds, Series 2005B (AMT) (City of Philadelphia Neighborhood Transformation Initiative), currently outstanding in the principal amount of $44,040,000 (the "2005B Bonds"), as well as the 2005C Bonds, currently outstanding in the principal amount of $81,305,000 (collectively, the "2005 Bonds"). All of the 2005C Bonds are being refunded with a portion of the proceeds of the 2015 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

On May 1, 2012, the Authority issued $91,305,000 aggregate principal amount of its Revenue Refunding Bonds, Series 2012 (City of Philadelphia Neighborhood Transformation Initiative), currently outstanding in the principal amount of $81,400,000 (the "2012 Bonds"). The 2015 Bonds will be equally and ratably secured under the Indenture with the 2005A Bonds, the 2005B Bonds, the 2012 Bonds and any Additional Bonds issued under the Indenture.

Trustee

TD Bank, N.A. is a national banking association formed under the laws of the United States of America and will serve as Trustee for the 2015 Bonds. The address of the designated corporate trust office of the Trustee is 1006 Astoria Boulevard, Cherry Hill, New Jersey 08034.

Information Regarding the City of Philadelphia

The City's Comprehensive Annual Financial Report and other information about the City can be found on the City's website at www.phila.gov/investor (the "City Investor Website"). The "Terms of Use" statement of the City Investor Website, which applies to all users of the City Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2015 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

APPENDIX A provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the relationship with the Pennsylvania Intergovernmental Cooperation Authority and the City's five-year plans. APPENDIX B contains socioeconomic and demographic information about the City. APPENDIX C contains the Comprehensive Annual Financial Report of the City for the Fiscal Year ended June 30, 2014. Certain information contained herein regarding the City is for periods prior to or subsequent to June 30, 2014. As a result, certain of the information in APPENDIX C is, at times, at variance with corresponding information concerning the City in APPENDIX A.

Miscellaneous

Brief descriptions of the Authority, the 2015 Bonds, the Service Agreement (defined herein) and the Indenture are included in this Official Statement. The summaries of the documents contained herein do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference

to the entire text of such documents, and the description herein of the 2015 Bonds is qualified in its entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights.

Copies of the Indenture and the Service Agreement may be obtained from the Authority and, during the initial offering period, at the principal offices of Goldman, Sachs & Co., the Representative of the Underwriters. After initial delivery of the 2015 Bonds, such copies may be obtained from the Trustee at its designated corporate trust office.

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

THE AUTHORITY

The Authority was established in 1945 pursuant to the Act. The Authority exists and operates under the Act for the public purposes of the elimination of blighted areas through economically and socially sound redevelopment of such areas, as provided by the Act, in conformity with the comprehensive general plan of the City, for residential, recreational, commercial, industrial or other purposes, and otherwise encouraging the provision of healthful homes, a decent living environment and adequate places of employment of the people of the Commonwealth. In order to carry out its corporate purposes, the Authority has the power under the Act and the Pennsylvania Redevelopment Cooperation Law, Act No. 383 of the General Assembly of the Commonwealth approved May 24, 1945 (P.L. 982), as amended and supplemented, to issue bonds, to cooperate with the City and to enter into contracts necessary or convenient to the exercise of its power. The jurisdiction of the Authority is coextensive with the corporate limits of the City. In 2011, the Authority's name was changed from Redevelopment Authority of the City of Philadelphia to Philadelphia Redevelopment Authority. The principal office of the Authority is located at 1234 Market Street, 16th Floor, Philadelphia, Pennsylvania 19107, telephone (215) 854-6500, facsimile (215) 854-6603.

Organization

The powers of the Authority are vested in and exercised by a board of five members (the "Board") appointed by the Mayor of the City. The Act provides that all members of the Board of the Authority shall be residents of the City and shall hold office for a term of five years or until a successor is appointed. The members of the Board of the Authority and their terms are as follows (currently there is one vacancy on the Board):

Name	Title	Term Expires
James J. Cuorato	Chairman	March 27, 2017
Jennifer I. Rodriguez	Vice-Chair	March 27, 2015
Alan Greenberger	Second Vice-Chair and Assistant Treasurer	March 27, 2016
Rob Dubow	Treasurer	March 28, 2019

Financing Program of the Authority

The Authority has a number of special obligation bond and note issues outstanding and may issue others from time to time. Each such issue is payable solely from revenues derived from the project being

financed or from special funds established therefor, is separately secured, and is separate and independent from the 2015 Bonds as to sources of payment and security.

The Authority has experienced a default with respect to an obligation issued by it, by reason of nonpayment of debt service by the party receiving financing through the Authority. However, the Bonds, including the 2015 Bonds, are payable solely from the funds pledged under the Indenture and any other obligations issued by the Authority are payable solely from the funds specifically pledged for the payment of such other obligations. Accordingly, a default on another issue of obligations issued by the Authority would not constitute a default on the Bonds, including the 2015 Bonds.

THE 2015 BONDS

General

The 2015 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 2015 Bonds are being issued as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof. Interest on the 2015 Bonds will be payable semiannually on each April 15 and October 15, commencing on October 15, 2015 (each an "Interest Payment Date"). Interest shall be computed on the basis of a year of 360 days, consisting of twelve 30-day months.

The principal or redemption price of the 2015 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of the 2015 Bonds by the registered owners thereof. Interest on each 2015 Bond is payable by check or draft of the Trustee mailed to the person in whose name such 2015 Bond is registered on the registration books maintained by the Trustee at the close of business on the Record Date (as defined herein) or by wire transfer to an account within the continental United States to the registered owner of at least $1,000,000 in aggregate principal amount of the 2015 Bonds upon written notice provided by such registered owner to the Trustee. The Record Date for the 2015 Bonds will be the last day (whether or not a business day) of the calendar month immediately preceding each Interest Payment Date.

The 2015 Bonds will be issued initially in "book entry" form only, as described in APPENDIX G.

Transfer and Exchange

The 2015 Bonds may be transferred and exchanged upon delivery thereof to the 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 2015 Bonds during the fifteen (15) days immediately preceding the date of mailing of any notice of redemption of 2015 Bonds or at any time following the mailing of any such notice, if the 2015 Bond or portion thereof to be transferred or exchanged has been called for such redemption. No transfer or exchange made other than as described above and in the Indenture shall be valid or effective for any purpose thereunder.

If any 2015 Bond is mutilated, lost, stolen or destroyed, the Authority shall execute and the Trustee shall authenticate and deliver a new 2015 Bond of like maturity, tenor and denomination. The Authority and the Trustee may require indemnification against any and all claims arising out of the issuance of substitute 2015 Bonds.

Redemption Provisions

Optional Redemption. The 2015 Bonds maturing on or prior to _____ are not subject to optional redemption. The 2015 Bonds maturing on and after _____ are subject to redemption prior to maturity at the option of the Authority, solely at the direction of the City, on or after _____, at any time, in whole or in part (and, if in part, in such maturities and amounts as the Authority or the City may direct, and within a maturity as selected by lot in such manner as the Trustee may determine), in any case at a redemption price equal to 100% of the principal amount of the 2015 Bonds so redeemed, plus accrued interest to the redemption date.

Notice of Redemption. Notice of any redemption shall be given not less than thirty (30) days prior to the redemption date by mailing by first class mail, postage prepaid, a copy of the redemption notice to the registered owner of each 2015 Bond to be redeemed in whole or in part at the address shown on the registration books kept by the Trustee. Any 2015 Bond 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 not later than the opening of business on the date fixed for redemption and such notice shall be of no effect unless such monies are so deposited. All 2015 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 2015 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other 2015 Bond.

Additional Bonds

The Indenture provides for the issuance of Additional Bonds secured on a parity basis with the 2005A Bonds, the 2005B Bonds, the 2012 Bonds and the 2015 Bonds under the circumstances and upon satisfaction of certain conditions therein described. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT—The Indenture—Issue of Bonds" in APPENDIX D hereto.

No Additional Bonds may be issued to finance the NTI Program without further action of City Council of the City ("City Council"). City Council has authorized, pursuant to the 2011 Ordinance (defined herein), the issuance by the Authority of bonds, notes or other evidence of indebtedness secured by the Service Fee in one or more series, to pay the costs of the refunding of all or a portion of the Authority's revenue bonds issued to finance the NTI Program and any reserves, capitalized interest, costs of issuance and costs of credit or liquidity enhancement, subject to the limitation that the Annual Debt Service Requirement not increase to more than $20 million as a result of any such refunding, net of debt service payable from amounts available in any escrow or similar fund.

SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS

General

The 2015 Bonds are limited obligations of the Authority and, together with the 2005A Bonds, the 2005B Bonds, the 2012 Bonds, any Additional Bonds, Swap Payment Obligations and Credit Facility Payment Obligations, are payable solely from the revenues pledged under the Indenture for their payment and derived by the Authority under the Service Agreement. The 2015 Bonds are not obligations of the City, the Commonwealth or any other political subdivision thereof. The 2015 Bonds are not secured by the General Fund of the City, and neither the general credit of the Authority, nor the credit or taxing power of the City, the Commonwealth or any other political subdivision thereof is pledged to the payment

of the principal of the 2015 Bonds or interest thereon or any premium or other cost incident thereto. The Authority has no taxing power.

In order to secure the payment of the principal or redemption price of, and interest on the 2015 Bonds, the 2005A Bonds, the 2005B Bonds, the 2012 Bonds and any Additional Bonds issued under the Indenture, and to the extent and in the manner provided in the Indenture, to secure the payment of amounts owed to any Credit Issuer and any Swap Provider, and the performance and observance by the Authority of all of the covenants, expressed or implied, in the Indenture or the Bonds, the Authority has assigned and granted to the Trustee a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for the Reserved Rights), the Revenues and all monies, investments and securities held in the Funds and Accounts (except the Rebate Fund) established under the Indenture (the "Trust Estate"). At the time of delivery of the 2015 Bonds, and pursuant to the Service Agreement, the Authority will, among other things, confirm its assignment of all of its rights under the Service Agreement (other than the Reserved Rights) to the Trustee. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT—The Indenture—Pledge of the Trust Estate" in APPENDIX D hereto.

City's Obligation to Appropriate Service Fee under Service Agreement

Under the City's Home Rule Charter, at 351 Pa. Code § 2.2-309 (the "City Charter"), City Council is obligated to make annual appropriations to pay amounts coming due under the Service Agreement as provided in the Ordinances. The Ordinances provide that the City's obligation to appropriate and pay the Service Fee and other amounts due under the Service Agreement is unconditional and absolute.

City Charter. The City Charter permits City Council to authorize service contracts of a duration of more than one year without making appropriations therefor beyond the current year. Such service contracts are valid and binding upon the City although no appropriations have been made for the ensuing years during which the service contracts are to be operative. The Service Agreement constitutes such a service contract. City Council is obligated by the City Charter to make appropriations from year to year to pay amounts coming due under the Service Agreement.

Ordinances. Pursuant to Ordinance (Bill No. 020036) passed by City Council on February 28, 2002 and signed by the Mayor of the City on March 13, 2002 (the "2002 Ordinance"), and Ordinance (Bill No. 110733) passed by City Council on December 8, 2011 and signed by the Mayor of the City on December 21, 2011 (the "2011 Ordinance" and, collectively with the 2002 Ordinance, the "Ordinances"), City Council has authorized the Service Agreement. The City has covenanted in the Ordinances to budget and make appropriations in each and every Fiscal Year in such amounts as will be required in order to make all Service Fee payments and pay all other amounts due and payable under the Service Agreement, and to make such payments directly to the Trustee, as assignee of the Authority, so long as Bonds issued by the Authority to finance costs of the NTI Program are Outstanding. The Original Service Agreement was authorized by City Council by the 2002 Ordinance. The Fourth Supplemental Service Agreement was authorized by City Council by the 2011 Ordinance.

Service Agreement. The City has agreed in the Service Agreement to pay to the Trustee, as assignee of the Authority, the Service Fee in amounts sufficient to: (i) pay the principal, premium, if any, and interest then becoming due on Bonds issued under the Indenture, including the 2015 Bonds, whether by maturity (other than by reason of acceleration), redemption or otherwise; (ii) pay any Credit Facility Payment Obligations or Swap Payment Obligations becoming due; and (iii) restore a deficiency in any debt service reserve fund established under the Indenture. No such debt service reserve fund currently

exists, nor is one being established in connection with the issuance of the 2015 Bonds, and there are currently no Credit Facility Payment Obligations and Swap Payment Obligations.

The Service Fee is payable only out of the current revenues of the City, and the City has agreed in the Service Agreement to provide for the payment of the Service Fee and include the same in its annual operating budget for each Fiscal Year. The City covenants in the Service Agreement to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Service Fee payments due and payable under the Service Agreement in each of the City's Fiscal Years. If the City's current revenues are insufficient to pay the total Service Fee in any Fiscal Year as the same becomes due and payable, the City covenants in the Service Agreement to include amounts not so paid in its operating budget for the ensuing Fiscal Year in order to provide sufficient current revenues to pay in each ensuing Fiscal Year such balance due in addition to the amount of the Service Fee due for such ensuing Fiscal Year.

The Service Agreement provides that the City is required to pay the Service Fee and additional sums required under the Service Agreement with respect to administrative fees and expenses. The Service Agreement provides that the obligation of the City to pay the Service Fee shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived or diminished regardless of any cause or circumstance, including any defense, rights of setoff, recoupment or counterclaim that the City might otherwise have or assert against the Authority, the Trustee, any Bondholder or any other person. The obligation of the City to make payments under the Service Agreement shall continue in full force and effect so long as any of the 2015 Bonds remain Outstanding.

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

The failure of the City to pay the Service Fee within two (2) Business Days after the date specified for payment shall constitute a default under the Service Agreement. A default under the Service Agreement will not cause an acceleration of payments thereunder. See "—Remedies for Bondholders" below.

Remedies for Bondholders

The failure to pay interest on, or principal or redemption price (as the case may be) of, the 2015 Bonds when due constitutes an Event of Default under the Indenture. Upon the occurrence and continuation of such an Event of Default, the Trustee may (or, at the direction of Bondholders on the terms set forth in the Indenture, shall) declare the principal of all Bonds then Outstanding (including the 2015 Bonds) to be immediately due and payable. In addition, if such an Event of Default has occurred and is continuing, the Trustee may (or, at the direction of Bondholders on the terms set forth in the Indenture, shall), in its own name: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders including the right to require the Authority to enforce collection of all amounts due and payable under the Service Agreement (other than with respect to the Reserved Rights) and to require the Authority to carry out any other agreements with, or for the benefit of the Bondholders and to perform its duties under the Act; (b) bring suit upon the Bonds then Outstanding (including the 2015 Bonds); (c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Bondholders; and (d) by action or suit in equity enjoin any acts or things which maybe unlawful or in violation of the rights of the Bondholders.

Upon the occurrence and continuation of a payment default under the Service Agreement, the Authority (or the Trustee as assignee of the Authority) may, at its option, exercise any one or more of the following remedies: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the City to perform its duties and obligations under the Service Agreement; (b) by action or suit in equity require the City to account as if it were the trustee of an express trust for the Authority; or (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority. In no event (including an acceleration of the Authority's payment obligations under the 2015 Bonds) shall payment of the Service Fee due under the Service Agreement be accelerated.

Accordingly, although the Trustee can accelerate the Authority's payment obligations with respect to the 2015 Bonds, neither the Authority nor the Trustee is empowered to accelerate the City's obligations under the Service Agreement to make payments thereunder in amounts sufficient to pay, among other things, the principal of and interest on the 2015 Bonds upon the occurrence and continuation of an Event of Default under the Indenture.

For additional information regarding the rights of Bondholders and remedies available upon the occurrence of events of default under the Indenture and the Service Agreement, as well as limitations on such rights and remedies, see APPENDIX D.

The rights and remedies of Bondholders with respect to the City's and the Authority's obligations under the Service Agreement and the 2015 Bonds could be significantly limited by the provisions of Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Chapter 9 permits, under prescribed circumstances (and only after an authorization by the applicable state legislature or by a governmental office or organization empowered by state law to give such authorization), a "municipality" of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature, and it desires to effect a plan to adjust its debt. Chapter 9 defines "municipality" as a "political subdivision or public agency or instrumentality of a State." Thus, for purposes of Chapter 9, except as may be limited by state law, each of the Authority and the City would be considered a "municipality." As a result of the commencement of a federal bankruptcy case by either the Authority or the City, Bondholders could experience delays in receiving Bond payments, as well as partial or total losses of their investments in the 2015 Bonds.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Pa. P.L. 9, No. 6 (1991)) (the "PICA Act"), prohibits the City from filing a petition for relief under Chapter 9 of the United States Bankruptcy Code so long as the Pennsylvania Intergovernmental Cooperation Authority ("PICA") has outstanding any bonds issued pursuant to the PICA Act. As of February 28, 2015, the principal amount of PICA bonds outstanding was $363,640,000, and the final maturity date of such bonds is June 15, 2023. Furthermore, if no PICA bonds are outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City. If the Governor were to grant an approval for the City to file a petition under Chapter 9, and the City were to so file, provisions of the United States Bankruptcy Code could limit the enforcement of Bondholders' rights and remedies. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA—Local Government Agencies—*Non-Mayoral-Appointed or Nominated Agencies*—PICA" in APPENDIX A hereto.

Regardless of any specific adverse determinations in an Authority or City bankruptcy proceeding, the existence of such a proceeding could have a materially adverse effect on the liquidity and value of the 2015 Bonds.

PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS

The Authority will use the proceeds of the 2015 Bonds to (i) current refund the 2005C Bonds and (ii) pay the costs of issuance of the 2015 Bonds.

The following table sets forth estimated sources and uses of funds in connection with the 2015 Bonds:

Sources of Funds	
Principal Amount	$
Original Issue Premium	
Total Sources of Funds	$
Uses of Funds	
Refunding of the 2005C Bonds	$
Costs of Issuance[1]	
Total Uses of Funds	$

[1] Includes legal fees, Underwriters' discount, printing, rating agency fees, trustee fees, financial advisor fees and other expenses of the offering.

THE NTI PROGRAM AND THE NTI PROGRAM BUDGET

Overview of the NTI Program

The NTI Program was created in 2001 and undertaken by the Authority and the City for revitalization, renewal, redevelopment and transformation of blighted areas within the City to promote the health, safety and welfare of the residents of the City through: (i) demolition and clearing of vacant, unsafe, unfit or imminently dangerous structures, (ii) encapsulation, stabilization and sealing of structures, (iii) environmental remediation, (iv) acquisition, whether by purchase or exercise of powers of eminent domain or otherwise, of property, (v) holding, maintaining, improving, marketing, redeveloping and sale or lease of property, (vi) fencing, graffiti removal and other measures for safety or beautification of property, (vii) relocation of affected residents, and payment of the costs thereof, (viii) provision of financial assistance, including grants, loans or guarantees, for the acquisition, improvement or redevelopment of property for industrial, commercial or residential purposes, (ix) repair or provision of streets, curbs, sidewalks, driveways, retaining walls, utility infrastructure and public facilities, and (x) development and maintenance of databases and management information systems with respect to the foregoing.

The NTI Program was funded primarily with the proceeds of Bonds issued by the Authority under the Indenture in the aggregate principal amount of $296,000,000, consisting of tax-exempt bonds, taxable bonds and qualified redevelopment bonds. To date, approximately $276,000,000 in projects under the NTI Program have been funded throughout the City with the proceeds of Bonds. As of March 1, 2015, proceeds of the 2005 Bonds in the approximate amount of $40,000,000 remained to be expended on the NTI Program.

The City and the Authority have entered into an Intergovernmental Cooperation and Funding Agreement pursuant to which the City has delegated administration of certain elements of the NTI Program to the Authority.

Development of Annual Program Budget

The 2002 Ordinance requires that, at least sixty (60) days before the beginning of each Fiscal Year during which Bond proceeds will be expended, the City and the Authority shall submit to City Council for its approval an annual Program Statement and Budget setting forth proposed expenditures of the Bond proceeds for the upcoming Fiscal Year (the Program Statement and Budget approved by City Council is referred to herein as the "Approved Budget"). Any expenditure of Bond proceeds must be in accordance with the Service Agreement and the Approved Budget. Any amendments to the Approved Budget require City Council approval. The Program Statement and Budget for the Fiscal Year ending June 30, 2015, which was approved by City Council on June 5, 2014, and amended by City Council on October 16, 2014, contemplated spending the remaining proceeds of the 2005 Bonds on demolition, land acquisition, housing and neighborhood preservation and management information systems. The Authority anticipates having the remaining proceeds of the 2005 Bonds under contract by December 31, 2015, and spent by March 31, 2016.

FISCAL YEAR DEBT SERVICE REQUIREMENTS

Set forth below is the schedule of Fiscal Year debt service payments due on the 2005A Bonds, the 2005B Bonds, the 2005C Bonds, the 2012 Bonds and the 2015 Bonds in each Fiscal Year of the City ending June 30.

Period Ending June 30	Current Annual Debt Service[(1), (2)]	2015 Bonds Principal	2015 Bonds Interest	Total
2015	$18,486,496			
2016	18,489,190			
2017	18,523,800			
2018	18,527,050			
2019	18,523,300			
2020	18,526,800			
2021	18,521,050			
2022	18,525,300			
2023	18,527,800			
2024	18,527,300			
2025	18,527,550			
2026	18,528,500			
2027	19,948,250			
2028	19,946,750			
2029	19,946,250			
2030	19,949,750			
2031	19,950,000			
Total	$321,975,136			

(1) For Bonds Outstanding as of June 30, 2014.
(2) Does not reflect the refunding of the 2005C Bonds.

NO LITIGATION

The Authority

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 2015 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 2015 Bonds or the existence or powers of the Authority or the validity or enforceability of the 2015 Bonds, the Indenture or the Service Agreement.

The City

Upon delivery of the 2015 Bonds, the City of Philadelphia Law Department shall furnish an opinion to the effect, among other things, that, except for litigation which in the opinion of the City of Philadelphia Law Department is without merit, there is no litigation or other legal proceeding pending in any court or, to the best of its knowledge after inquiry, threatened in writing, (i) seeking to restrain or enjoin the issuance, delivery or sale of the 2015 Bonds or the execution or delivery of the Fourth Supplemental Service Agreement or the exercise of rights and performance of obligations of the City under the 2015 Bonds or the Service Agreement, or the Authority's pledge or application of any monies or security provided for the payment of the 2015 Bonds, (ii) in which a final unfavorable decision can reasonably be anticipated which would materially and adversely affect the performance by the City of its obligations under the Service Agreement or the Ordinances or the financial condition or operations of the City as a whole, or (iii) in any way contesting the validity or enforceability of the 2015 Bonds, the Service Agreement, the Ordinances or the transactions contemplated thereby.

RATINGS

Standard & Poor's Ratings Group, Moody's Investors Service, Inc. and Fitch Ratings have assigned the 2015 Bonds ratings of "A+," stable outlook, "A2," stable outlook, and "A-," stable outlook, respectively. A rating, including any related outlook with respect to potential changes in such rating, reflects only the view of the rating agency assigning such rating and is not a recommendation to buy, sell or hold the 2015 Bonds. An explanation of the procedure and methodology used by each rating agency and the significance of the ratings may be obtained from the rating agency furnishing the rating.

Ratings may be changed at any time and no assurance can be given that they will not be revised, downgraded or withdrawn entirely by any such rating agencies. None of the Authority, City or the Underwriters has 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 2015 Bonds. See "CONTINUING DISCLOSURE UNDERTAKING" herein and APPENDIX F hereto. Any such downgrade, revision or withdrawal of a rating may have an adverse effect on the market price of or the market for the 2015 Bonds.

APPROVAL OF LEGAL MATTERS

The 2015 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters, subject to the receipt of an approving opinion with respect to certain legal matters of Ballard Spahr LLP and Turner Law, P.C., Co-Bond Counsel, each of Philadelphia, Pennsylvania. The proposed form of approving opinion of Co-Bond Counsel is attached hereto as APPENDIX E. Certain other legal matters will be passed upon for the Authority by Ryan Harmon, Esq., General Counsel to the Authority, and for the Underwriters by their Co-Counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania and Gonzalez Saggio & Harlan, LLP, New York, New York. Certain legal matters with

respect to the obligations of the City under the Service Agreement will be passed upon for the City by the City of Philadelphia Law Department. Hawkins Delafield & Wood LLP and Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, as Co-Disclosure Counsel to the City, will each deliver an opinion to the City and the Underwriters regarding certain matters.

The various legal opinions to be delivered concurrently with the delivery of the 2015 Bonds express the professional judgment of the law firms rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the law firm does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Federal Tax Exemption

In the opinion of Ballard Spahr LLP and Turner Law, P.C., Co-Bond Counsel, interest on the 2015 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2015 Bonds, assuming the accuracy of the certifications of the Authority and the City and continuing compliance by the Authority and the City with the requirements of the Internal Revenue Code of 1986 (the "Code"). Interest on the 2015 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the 2015 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

This opinion of Co-Bond Counsel will assume the accuracy of certifications made by the Authority and the City and will be subject to the condition that the Authority and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2015 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City has covenanted to comply with all such requirements, which include, among others, restrictions upon the yield at which proceeds of the 2015 Bonds and other money held for the payment of the 2015 Bonds and deemed to be "proceeds" thereof may be invested and the requirement to calculate and rebate any arbitrage that may generated with respect to investments allocable to the 2015 Bonds. Failure to comply with such requirements could cause interest on the 2015 Bonds to be includible in gross income retroactive to the date of issuance of the 2015 Bonds.

Co-Bond Counsel will express no opinion regarding other tax consequences of ownership, disposition of, or the accrual or receipt of interest on, the Bonds.

Original Issue Discount. The 2015 Bonds being offered at a discount ("original issue discount") equal generally to the difference between the public offering price and principal amount are referred to as "Discount Bonds". For federal income tax purposes, original issue discount on a Discount Bond accrues periodically over the term of such 2015 Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in such 2015 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium. The 2015 Bonds being offered at a premium ("original issue premium") equal generally to the excess of their public offering price over their principal amount are referred to herein as the "Premium Bonds". For federal income tax purposes, original issue premium is amortizable

periodically over the term of a Premium Bond through reductions in the holder's tax basis for such 2015 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisors for an explanation of the amortization rules.

Pennsylvania Tax Matters

The 2015 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2015 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the 2015 Bonds.

Changes in Federal and Pennsylvania Tax Law

From time to time, there are legislative proposals in the Congress and in state legislatures that, if enacted, could alter or amend the treatment of the 2015 Bonds for federal and state tax purposes or adversely affect the market value or marketability of the 2015 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, from time to time regulatory actions are announced or proposed, and litigation is threatened or commenced, which, if implemented or concluded in a particular manner, could adversely affect the market value or marketability of the 2015 Bonds. It cannot be predicted whether any such regulatory action will be implemented, whether any particular litigation or judicial action will be commenced or, if commenced, how it will be resolved, or whether the 2015 Bonds or the market value or marketability thereof would be affected thereby. Purchasers of the 2015 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Co-Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of delivery of the 2015 Bonds, and Co-Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete. Holders of the 2015 Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

See APPENDIX E hereto for the Proposed Form of Approving Opinion of Co-Bond Counsel.

UNDERWRITING

The 2015 Bonds are being purchased by the Underwriters named on the cover page of this Official Statement, for whom Goldman, Sachs & Co. is acting as the representative, subject to certain terms and conditions set forth in a Bond Purchase Agreement between the Authority and the Underwriters, at a purchase price of $_____, which reflects the par amount of the 2015 Bonds, plus original issue premium of $_____, less an underwriters' discount of $_____. The 2015 Bonds are offered for sale to the public at prices set forth on the inside front cover page of this Official Statement. The 2015 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2015 Bonds into investment trusts) at prices lower than such offering prices, and such public offering prices may be changed from time to time by the Underwriters without prior notice.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the

Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

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

FINANCIAL ADVISORS

Public Financial Management, Inc. of Philadelphia, Pennsylvania and Acacia Financial Group, Inc. of Marlton, New Jersey are acting as co-financial advisors (together, the "Financial Advisors") to the City in connection with the issuance of the 2015 Bonds. The Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2015 Bonds. They have received and reviewed but have not independently verified information in this Official Statement for accuracy or completeness (except, as to each Financial Advisor, the information in this section). Investors should not draw any conclusions as to the suitability of the 2015 Bonds from, or base any investment decisions upon, the fact that the Financial Advisors have advised the City with respect to the 2015 Bonds. The Financial Advisors' fees for this issue are contingent upon the sale and issuance of the 2015 Bonds.

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

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with the requirements of Rule l5c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C., as dissemination agent for the benefit of the Registered Owners (as defined in such agreement) of the 2015 Bonds, to be dated the date of original delivery and payment for the 2015 Bonds, the form of which is annexed hereto as APPENDIX F.

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

CERTAIN RELATIONSHIPS

Siebert Brandford Shank & Co., L.L.C., one of the Underwriters of the 2015 Bonds, has entered into a separate agreement with Credit Suisse Securities USA LLC for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the 2015 Bonds, Siebert Brandford Shank & Co., L.L.C. will share a portion of its underwriting compensation with respect to the 2015 Bonds with Credit Suisse Securities USA LLC.

Ballard Spahr LLP, Co-Bond Counsel, provides ongoing legal services to the City. Ballard Spahr LLP also provides services to certain of the Underwriters from time to time unrelated to the issuance of the 2015 Bonds. Turner Law, P.C., Co-Bond Counsel, provides ongoing legal services to the Authority and the City. Dilworth Paxson LLP, co-counsel to the Underwriters, represents the City in matters unrelated to this financing. Law Office of Ann C. Lebowitz, Co-Disclosure Counsel, provides ongoing legal services to the City.

MISCELLANEOUS

This Official Statement is made available only in connection with the sale of the 2015 Bonds and may not be used in whole or in part for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Authority, the City, the Underwriters and the purchasers or owners of any of the 2015 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any opinions or estimates herein will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

The attached Appendices are an integral part of this Official Statement and should be read in their entirety together with the foregoing statements.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The City makes no representations or warranties to investors as to the accuracy or timeliness of any information available on the City Investor Website, any other websites maintained by the City or the Authority, or any hyperlinks referenced therein.

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

PHILADELPHIA REDEVELOPMENT AUTHORITY

By: _____
Name: Brian Abernathy
Title: Executive Director

Approved:

THE CITY OF PHILADELPHIA

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

Page

THE GOVERNMENT OF THE CITY OF PHILADELPHIA 1
Introduction 1
History and Organization 1
Elected and Appointed Officials 2
Government Services 4
Local Government Agencies 5
DISCUSSION OF FINANCIAL OPERATIONS 9
Principal Operations 9
Fund Accounting 9
Budget Procedure 9
Budget Stabilization Reserve 10
Annual Financial Reports 11
Five-Year Plans of the City 11
Quarterly Reporting to PICA 11
Overview of City Response to Economic Downturn 12
Summary of Operations 13
Current Financial Information 14
CITY FINANCES AND FINANCIAL PROCEDURES 16
General 16
Current City Disclosure Practices 17
Independent Audit and Opinion of the City Controller 17
Budgetary Accounting Practices 18
REVENUES OF THE CITY 19
General 19
Major Revenue Sources 19
Wage, Earnings, and Net Profits Taxes 21
Business Income and Receipts Tax 21
Real Property Taxes Assessment and Collection 23
Sales and Use Tax 32
Other Taxes 33
Improved Collection Initiative 33
Other Locally Generated Non-Tax Revenues 33
Revenue from Other Governments 34
Revenues from City-Owned Systems 34
Philadelphia Parking Authority Revenues 35
Proposed Tax Rate Changes 36
EXPENDITURES OF THE CITY 38
Personal Services (Personnel) 38
Overview of City Employees 39
Overview of Employee Benefits 40
Overview of Current Labor Situation 41
Purchase of Services 43
City Payments to School District 44
City Payments to SEPTA 45
City Payments to Convention Center Authority 45
PENSION SYSTEM 46
Overview 46

Pension System; Pension Board 47
Funding Requirements; Funding Standards 49
UAL and its Calculation 50
Pension Adjustment Fund 52
Rates of Return; Asset Values; Changes in Plan Net Position 53
Funded Status of the Municipal Pension Fund 56
Annual Contributions 58
Projections of Funded Status 61
OTHER POST-EMPLOYMENT BENEFITS 63
PGW PENSION PLAN 64
General 64
PGW Pension Plan 64
Pension Costs and Funding 65
Additional Information 65
PGW OTHER POST-EMPLOYMENT BENEFITS 66
CITY CASH MANAGEMENT AND INVESTMENT POLICIES 67
General Fund Cash Flow 67
Consolidated Cash 67
Investment Practices 68
DEBT OF THE CITY 69
General 69
Short-Term Debt 70
Long-Term Debt 71
Other Long-Term Debt Related Obligations 73
PICA Bonds 73
OTHER FINANCING RELATED MATTERS 75
Swap Information 75
Swap Policy 76
Letter of Credit Agreements 77
Recent and Upcoming Financings 77
CITY CAPITAL IMPROVEMENT PROGRAM 79
LITIGATION 80
General Fund 80
Water Fund 81
Aviation Fund 82
PGW 82

THE GOVERNMENT OF THE CITY OF PHILADELPHIA

Introduction

The City of Philadelphia (the "City" or "Philadelphia") is located along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth" or "Pennsylvania"). The City is the largest city in the Commonwealth and the fifth largest city in the nation with approximately 1,553,165 residents (based on 2013 estimates). The City is also the center of the United States' sixth largest metropolitan statistical area, which is an 11-county area encompassing the City, Camden, NJ, and Wilmington, DE and represents approximately 6,035,000 residents (based on 2013 estimates).

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. The City is a business and personal services center with strengths in professional services, such as insurance, law, finance, healthcare and higher education, and leisure and hospitality. The cost of living in the City is relatively moderate compared to other major metropolitan areas in the northeast United States. In addition, the City, as one of the country's education centers, offers the business community a large and diverse labor pool.

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

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

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

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

History and Organization

The City was incorporated in 1789 by an Act of the General Assembly of the Commonwealth (the "General Assembly") (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1682). In 1854, the General Assembly, by an act commonly referred to as the Consolidation Act, (i) made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"), (ii) abolished all governments within these boundaries other than the City and the County, and (iii) consolidated the legislative functions of the City and the County. Article 9, Section 13 of the

Pennsylvania Constitution abolished all county offices in the City, provides that the City performs all functions of county government, and states that laws applicable to counties apply to the City.

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

Under the City Charter, there are two principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and responsibility for all public primary and secondary education.

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

Elected and Appointed Officials

The Mayor is elected for a term of four years and is eligible to be elected for no more than two successive terms. Each of the seventeen members of City Council is also elected for a four-year term, which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of City Council. Of the members of City Council, ten are elected from districts and seven are elected at-large. No more than five of the seven at-large candidates for City Council may be nominated by any party or political body. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller's responsibilities derive from the City Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards, established by the federal Government Accountability Office (formerly known as the General Accounting Office), and Generally Accepted Auditing Standards, promulgated by the American Institute of Certified Public Accountants.

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

Under the City Charter, the principal officers of the City's government appointed by the Mayor are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), the City Solicitor (the "City Solicitor"), the Director of Commerce (the "Director of Commerce"), and the City Representative (the "City Representative"). In addition to the foregoing principal officers, the Mayor also utilizes a deputy mayor structure, which includes additional individuals that comprise the Mayor's cabinet.

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

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, City Council, and all of the agencies of the City government. The City Solicitor is also responsible for (i) advising on legal matters pertaining to all of the City's contracts and bonds, (ii) assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and (iii) conducting litigation involving the City.

The Director of Finance is the chief financial and budget officer of the City and is selected from three names submitted to the Mayor by a Finance Panel, which is comprised of the President of the Philadelphia Clearing House Association, the Chairman of the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants, and the Dean of the Wharton School of Finance and Commerce of the University of Pennsylvania. Under Mayor Nutter's administration, the Director of Finance is responsible for the financial functions of the City, including (i) development of the annual operating budget, the capital budget, and capital program; (ii) the City's program for temporary and long-term borrowing; (iii) supervision of the operating budget's execution; (iv) the collection of revenues through the Department of Revenue; (v) the oversight of pension administration as Chairperson of the Board of Pensions and Retirement; and (vi) the supervision of the Office of Property Assessment. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose office manages the City's debt program and serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

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

Michael A. Nutter, Mayor, was sworn in for a second consecutive term on January 2, 2012 as Mayor of his hometown. Born in Philadelphia and educated at the Wharton School at the University of Pennsylvania, Michael Nutter has been committed to public service since his youth in West Philadelphia. Before his election as Mayor, he served almost 15 years on City Council, earning the reputation of a reformer.

In 2008, the Mayor laid out a vision for Philadelphia to focus his administration around five key goals designed to make the City safer, healthier, greener, and more competitive, and to create an ethical government that serves all of its citizens. Philadelphia has made progress on these fronts after weathering

the impacts of the recession and the slower than expected economic recovery. The Proposed Twenty-Fourth Five-Year Plan (as defined herein) makes investments to further each of the Mayor's five goals:

- Goal 1: Philadelphia becomes one of the safest cities in America;
- Goal 2: The education and health of Philadelphians improves;
- Goal 3: Philadelphia is a place of choice;
- Goal 4: Philadelphia becomes the greenest and most sustainable city in America; and
- Goal 5: Philadelphia government works efficiently and effectively, with integrity and responsiveness.

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

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

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

Government Services

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

The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate PGW for the benefit of the City.

In 2012, the City engaged a team of legal and financial advisors to assist it with a process to consider the sale of PGW to a private entity. On March 2, 2014, the City, as seller, entered into an agreement, providing for the sale of a portion of the assets that comprise PGW and the transfer of PGW operations to a private entity. Closing on the agreement was subject to authorization by City Council and approval by the Pennsylvania Public Utility Commission ("PUC"), among other things. City Council did not introduce legislation authorizing the sale of PGW or hold hearings on such sale under the terms of the agreement. As a result, the prospective buyer terminated the agreement. Presently, the City does not have plans to sell PGW. The City expects PUC to publish a report in April 2015, which will include information regarding PGW and the foregoing sale process. City Council has also proposed hearings on the future of energy initiatives in the City, including PGW, the first of which was held on March 13, 2015.

For more information on PGW, see "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information – Fiscal Year 2015 Adopted Budget," "PGW PENSION PLAN," "PGW OTHER POST-EMPLOYMENT BENEFITS," "EXPENDITURES OF THE CITY – PGW Annual Payments," and "LITIGATION – PGW," among others.

Local Government Agencies

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

Mayoral-Appointed or Nominated Agencies

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

Philadelphia Municipal Authority. The Philadelphia Municipal Authority (formerly the Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include any project authorized under applicable law that is specifically authorized by ordinance of City Council. PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

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

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

Philadelphia Land Bank. The Philadelphia Land Bank (the "Land Bank") was created in 2014 with a mission to return vacant and tax delinquent property to productive reuse. The Land Bank is an independent agency formed under the authority of City ordinance and Pennsylvania law. The Land Bank has an 11-member board of directors, of which five are appointed by the Mayor and five are appointed by City Council. The final board member is appointed by a majority vote of the other board members. The City provides funds for its operations.

The Land Bank can: (i) consolidate properties owned by multiple public agencies into single ownership to speed property transfers to new, private owners; (ii) acquire tax-delinquent properties through purchase after tax foreclosure; (iii) clear the title to those properties so that new owners are not burdened by old liens; and (iv) assist in the assemblage and disposition of land for community, nonprofit and for-profit uses.

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

Philadelphia Housing Authority. The Philadelphia Housing Authority (the "Housing Authority") is a public body organized pursuant to the Housing Authorities Law of the Commonwealth and is neither a department nor an agency of the City. The Housing Authority is the fourth largest public housing authority in the United States and is responsible for developing and managing low and moderate income rental units and limited amounts of for-sale housing in the City. The Housing Authority is also responsible for administering rental subsidies to landlords who rent their units to housing tenants qualified by the Housing Authority for such housing assistance payments. The Housing Authority is governed by a nine member Board of Commissioners, all of whom are appointed by the Mayor with the approval of a majority of the members of City Council. The terms of the Commissioners are concurrent with the term of the appointing Mayor. Two of the members of the Board are required to be Housing Authority residents.

Over 93% of the Housing Authority's annual budget is funded directly or indirectly by the U.S. Department of Housing and Urban Development, and most of the balance of the Housing Authority's budget is derived from resident rent payments. Neither the Housing Authority's funds nor its assets are available to pay City expenses, debts or other obligations, and the City has no power to tax the Housing Authority or its property. Neither the City's funds nor its assets are subject to claims for the expenses, debts or other obligations of the Housing Authority.

Hospitals and Higher Education Facilities Authority of Philadelphia. The Hospitals and Higher Education Facilities Authority of Philadelphia (the "Hospitals Authority") assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority also permit the financing of construction of buildings and facilities

for certain colleges and universities and other health care facilities and nursing homes. The Hospitals Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

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

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

Of the 15 members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The Director of Finance is an ex-officio member of the Board with no voting rights. The Commonwealth, the City and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing of the Pennsylvania Convention Center. In January 2014, SMG began managing and operating the Pennsylvania Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service.

The School District. The School District was established by the Educational Supplement to the City Charter to provide free public education to the City's residents. Under the City Charter, the School District is governed by the Board of Education of the School District of Philadelphia (the "Board of Education"). During a period of distress following a declaration of financial distress by the Secretary of Education of the Commonwealth, all of the powers and duties of the Board of Education granted under the Public School Code of 1949, as amended (the "School Code") or any other law are suspended and all of such powers and duties are vested in the School Reform Commission (the "School Reform Commission") created pursuant to the School Code. The School Reform Commission is granted all of the powers and duties of the Board of Education by the School Code, as well as all the powers and duties of a board of control under the School Code. The School Reform Commission is responsible for the operation, management and educational program of the School District during such period. It is also responsible for financial matters related to the School District. The School District was declared distressed by the Secretary of Education of the Commonwealth pursuant to the School Code, effective December 22, 2001, and such declaration continues to be in effect.

The School Code provides that the members of the Board of Education continue to serve during the time the School District is governed by the School Reform Commission, and that the establishment of the School Reform Commission may not interfere with the regular selection of the members of the Board of Education. The School Reform Commission may delegate duties to the Board of Education. Two of the five members of the School Reform Commission are appointed by the Mayor and three by the Governor of the Commonwealth, subject to confirmation by the Pennsylvania Senate.

Under the City Charter, the School District's governing body is required to levy taxes annually, within the limits and upon the subject authorized by the General Assembly or City Council, in amounts

sufficient to provide for operating expenses, debt service charges, and for the costs of any other services incidental to the operation of public schools. The School District has no independent power to authorize school taxes. Certain financial information regarding the School District is included in the City's CAFR.

Except during a period of distress following a declaration of financial distress by the Secretary of Education of the Commonwealth, as described above, the Board of Education consists of nine members appointed by the Mayor from a list supplied by an Educational Nominating Panel established in accordance with provisions set forth in the City Charter. In some matters, including the incurrence of short-term and long-term debt, the School District is governed primarily by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth, and the City has no property interest in or claim on any revenues or property of the School District.

Non-Mayoral-Appointed or Nominated Agencies

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

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

The City is required, on an annual basis for so long as any bonds of PICA remain outstanding, to submit to PICA a five-year financial plan. See "DISCUSSION OF FINANCIAL OPERATIONS – Five-Year Plans of the City" below. The City is also required to make quarterly financial reports to PICA, as further described below under "DISCUSSION OF FINANCIAL OPERATIONS – Quarterly Reporting to PICA."

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

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

DISCUSSION OF FINANCIAL OPERATIONS

Principal Operations

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

Fund Accounting

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

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

The City maintains 22 individual governmental funds. The City's CAFRs, including the City's CAFR for Fiscal Year 2014 (the "Fiscal Year 2014 CAFR"), present data separately for the General Fund, Grants Revenue Fund, and Health Choices Behavioral Health Fund, which are considered to be major funds. Data for the remaining 19 funds are combined into a single aggregated presentation.

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

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's CAFRs, including the Fiscal Year 2014 CAFR, as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

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

Budget Procedure

At least 90 days before the end of the Fiscal Year, the operating budget for the next Fiscal Year is prepared by the Mayor and submitted to City Council for adoption. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may

not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget.

At least 30 days before the end of the Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing Fiscal Years. If the Mayor disapproves the bills, he must return them to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives such bills. If the Mayor does not return the bills within the time required, they become law without his approval. If City Council passes the bills by a vote of two-thirds of all of its members within seven days after the bills have been returned with the Mayor's disapproval, they become law without his approval. While the City Charter requires that City Council adopt the ordinances for the operating and capital budgets at least 30 days before the end of the Fiscal Year, in practice, such ordinances are often adopted after such deadline, but before the end of such Fiscal Year. For example, the City's Fiscal Year 2015 operating budget (the "Fiscal Year 2015 Adopted Budget") was presented to City Council on March 6, 2014, approved by City Council on June 19, 2014, and signed by the Mayor on June 27, 2014.

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. For Fiscal Year 2015, City Council adopted the Capital Improvement Program for Fiscal Years 2015-2020 on June 19, 2014. An amendment to such program was approved by City Council on October 30, 2014 and signed by the Mayor on November 12, 2014.

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

For information on the Fiscal Year 2015 Adopted Budget and the Proposed Fiscal Year 2016 Budget (as defined below), see "– Current Financial Information – Fiscal Year 2015 Adopted Budget" and "Proposed Fiscal Year 2016 Budget" below. For a summary of the Mayor's proposed Capital Improvement Program for Fiscal Years 2016-2021 (the "Proposed Capital Improvement Program"), See Table 41.

Budget Stabilization Reserve

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

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

Annual Financial Reports

The City is required by the City Charter to issue, within 120 days after the close of each Fiscal Year, a statement as of the end of the Fiscal Year showing the balances in all funds of the City, the amounts of the City's known liabilities, and such other information as is necessary to furnish a true picture of the City's financial condition (the "Annual Financial Reports"). The Annual Financial Reports, which are released on or about October 28 of each year, are intended to meet these requirements and are unaudited. As described above, the audited financial statements of the City are contained in the CAFR, which is published at a later date. The Annual Financial Reports contain financial statements for all City governmental funds and blended component units presented on the modified accrual basis. The proprietary and fiduciary funds are presented on the full accrual basis. They also contain budgetary comparison schedules for those funds that are subject to an annual budget. The financial statements of the City's discretely presented component units that are available as of the date of the Annual Financial Reports are also presented.

Five-Year Plans of the City

The PICA Act requires the City to annually prepare a financial plan that includes projected revenues and expenditures of the principal operating funds of the City for five Fiscal Years consisting of the current Fiscal Year and the subsequent four Fiscal Years. Each five-year plan, which must be approved by PICA, is required to, among other things, eliminate any projected deficits, balance the Fiscal Year budgets and provide procedures to avoid fiscal emergencies. The City has updated the previous Fiscal Year's five-year plan with the preparation of each new five-year plan. For information on the currently proposed five-year plan, see "– Current Financial Information – Proposed Twenty-Fourth Five-Year Plan" below.

Quarterly Reporting to PICA

The PICA Act requires the City to prepare and submit quarterly reports to PICA so that PICA may determine whether the City is in compliance with the then-current five-year plan. Each quarterly report is required to describe actual or current estimates of revenues, expenditures, and cash flows compared to budgeted revenues, expenditures, and cash flows by covered funds for each month in the previous quarter and for the year-to-date period from the beginning of the then-current Fiscal Year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

Under the PICA Agreement, a "variance" is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund (i.e., a principal operating fund) of more than 1% of the revenues budgeted for such fund for that Fiscal Year is reasonably projected to occur, such projection to be calculated from the beginning of the Fiscal Year for the entire Fiscal Year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that Fiscal Year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the Fiscal Year for the entire Fiscal Year.

PICA may not take any action with respect to the City for variances if the City: (i) provides a written explanation of the variance that PICA deems reasonable; (ii) proposes remedial action that PICA believes will restore overall compliance with the then-current five-year plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current five-year plan; and (iv) submits monthly supplemental reports until it regains compliance with the then-current five-year plan.

PICA last declared a variance in February 2009 and that variance was cured. As of December 31, 2014, PICA has declared no further variances. A failure by the City to explain or remedy a variance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under "DEBT OF THE CITY – PICA Bonds" below, otherwise payable to the City). The City uses its Quarterly City Manager's Reports to satisfy the quarterly reporting requirement to PICA. Such reports are released within 45 days following the end of the applicable quarter and the most recent versions of such reports are available on the City's Investor Website (as defined herein). The most recent Quarterly City Manager's Report is the report for the period ending December 31, 2014, which was released on February 17, 2015.

Overview of City Response to Economic Downturn

Between October 2008 and December 2011, the City implemented significant actions to balance the budget and its five-year plans, including reducing overtime costs, reducing General Fund full- and part-time employee headcount, implementing a temporary five-year sales tax increase (which expired on June 30, 2014) and a 9.9% Real Estate Tax increase in Fiscal Year 2011, pension funding changes, freezing City funded wage and business tax reductions until Fiscal Year 2014, increasing fees, and instituting spending cuts throughout the City government. During this period of time, the City improved its public safety results due to important changes in policing and largely maintained delivery of its services. The City undertook these measures as a result of the impact of the national and global recession.

Beginning in August 2008, the City began to experience adverse budgetary performance for Fiscal Year 2009 as a result of the recession. In November 2008, the City projected a gap of at least $1 billion over the five-year period covering Fiscal Years 2009-2013, and the City took a series of measures to close the projected gap for Fiscal Years 2009-2013. However, the economy deteriorated further and revenues declined at a greater pace than had been projected, leaving the City with a Fiscal Year 2009 operating deficit of $286.8 million, resulting in a deficit of $236.8 million after prior year net adjustments of $41.8 million and a cumulative adjusted year-end General Fund balance deficit of $137.2 million. Tax receipts continued to display weakness in Fiscal Year 2010, increasing the projected gap for Fiscal Years 2010-2014. In total during the six-year period of Fiscal Years 2009-2014, the projected shortfall was estimated to reach $2.4 billion. As a result of the budgeting measures outlined above, the City had (i) an actual cumulative adjusted year-end General Fund balance deficit of $114.0 million in Fiscal Year 2010, (ii) an actual cumulative adjusted year-end General Fund balance surplus of approximately $92,000 in Fiscal Year 2011, (iii) an actual cumulative adjusted year-end General Fund balance surplus of approximately $146.8 million in Fiscal Year 2012, (iv) an actual cumulative adjusted year-end General Fund balance surplus of $256.9 million in Fiscal Year 2013, and (v) an actual cumulative adjusted year-end General Fund balance surplus of $202.1 million in Fiscal Year 2014. See also Table 1 below.

Summary of Operations

The following table presents the summary of operations for the General Fund for Fiscal Years 2011-2014 (actual) and Fiscal Year 2015 (budgeted and estimated). For a description of the legally enacted basis on which the City's budgetary process accounts for certain transactions, see "CITY FINANCES AND FINANCIAL PROCEDURES – Budgetary Accounting Practices." "Current estimate," as used in the tables and text below, refers to the most recent revised Fiscal Year 2015 estimate, which was published by the City on March 5, 2015.

Table 1
General Fund
Summary of Operations (Legal Basis)
Fiscal Years 2011-2014 (Actual) and 2015 (Budgeted and Estimated)
(Amounts in Millions of USD)[(1), (2)]

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Adopted Budget 2015	Current Estimate 2015
Revenues						
Real Property Taxes[(3)]	482.7	500.7	540.5	526.4	547.4	542.8
Wage and Earnings Tax	1,134.3	1,196.3	1,221.5	1,261.6	1,294.7	1,321.1
Net Profits Tax	8.8	15.1	19.2	16.3	20.5	17.8
Business Income and Receipts Tax[(4)]	376.9	389.4	450.9	461.7	453.2	451.3
Sales Tax[(5)]	244.6	253.5	257.6	263.1	154.6	143.8
Other Taxes[(6)]	211.7	215.4	243.7	266.9	277.9	302.2
Total Taxes	2,459.1	2,570.4	2,733.5	2,795.9	2,748.2	2,778.9
Locally Generated Non-Tax Revenue	280.0	256.7	266.2	301.8	970.7[(7)]	299.2
Revenue from Other Governments[(8), (9), (10)]	1,066.5	715.9	651.5	666.0	638.9	643.0
Receipts from Other City Funds	54.6	48.3	46.8	42.0	67.9	64.2
Total Revenue	3,860.3	3,591.4	3,698.0	3,805.6	4,425.7	3,785.4
Obligations/Appropriations						
Personnel Services	1,360.4	1,319.0	1,362.4	1,450.6	1,433.9	1,494.1
Purchase of Services	1,127.8	760.8	757.8	787.6	814.9	824.0
Materials, Supplies and Equipment	78.3	79.9	85.4	88.8	92.6	94.0
Employee Benefits	967.1	1,066.2	1,119.1	1,194.1	1,817.3[(7)]	1,121.7
Indemnities, Contributions and Refunds[(11)]	111.1	118.0	138.3	208.6	145.2	151.2
City Debt Service[(12)]	110.4	111.3	118.9	122.5	136.6	133.9
Other	0.0	0.0	0.0	0.0	52.8[(13)]	3.4[(13)]
Payments to Other City Funds	30.3	29.5	31.5	34.4	31.2	43.1
Total Obligations/Appropriations	3,785.3	3,484.9	3,613.3	3,886.6	4,524.6	3,865.3
Operating Surplus (Deficit) for the Year	75.0	106.5	84.7	(80.9)	(98.8)	(79.9)
Net Adjustments – Prior Year	39.1	40.2	25.4	26.1	20.4	22.9
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	(114.0)	0.1	146.8	256.9	146.8	202.1
Cumulative Adjusted Year End Fund Balance (Deficit)	0.1	146.8	256.9	202.1	68.4	145.1

(1) Sources: For Fiscal Years 2011-2014, the City's CAFRs for such Fiscal Years. For Fiscal Year 2015, the Fiscal Year 2015 Adopted Budget and the Proposed Twenty-Fourth Five-Year Plan (as defined herein).

(2) Figures may not add up due to rounding.

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

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

(5) The amounts for Fiscal Years 2011-2014 reflect a 1% increase in the City Sales Tax effective October 8, 2009, which expired June 30, 2014. Fiscal Year 2015 figures include remaining 1% City Sales Tax, an additional $15,000,000 for debt service, plus any amounts designated for the Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax".

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

(7) The Fiscal Year 2015 Adopted Budget included $700 million from the proposed sale of PGW. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services" and "– Current Financial Information – Fiscal Year 2015 Adopted Budget."

(8) Includes the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds."

(9) Fiscal Year 2011 was the last year that the full amount of revenue for DHS (as defined herein) was deposited into the General Fund. The decrease in revenues from Fiscal Year 2011 to Fiscal Year 2012 is largely due to the transfer of the majority of DHS revenue and obligations to the Grants Revenue Fund.

(10) Includes state gaming revenues.

(11) Includes contributions to the School District. See also Table 20 and the accompanying text herein.

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

(13) The Fiscal Year 2015 Adopted Budget included funding for future contracts with District Council 33, IAFF and FOP, which were settled subsequent to the adoption of such budget. The Proposed Twenty-Fourth Five-Year Plan sets aside $37.9 million for this purpose for Fiscal Years 2015-2020. See "EXPENDITURES OF THE CITY – Overview of Current Labor Situation."

Current Financial Information

Table 2 below shows General Fund balances for Fiscal Year 2014 (actual), Fiscal Year 2015 (adopted budget), Fiscal Year 2015 (current estimate), and Fiscal Year 2016 (proposed budget).

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

	Fiscal Year 2014 Actual[2] (June 30, 2014)	Fiscal Year 2015 Adopted Budget[3] (June 27, 2014)	Fiscal Year 2015 Current Estimate[4] (March 5, 2015)	Fiscal Year 2016 Proposed Budget[5] (March 5, 2015)
REVENUES				
Taxes	$2,795,884	$2,748,205	$2,778,919	$2,856,316
Locally Generated Non - Tax Revenues	301,755	970,712[6]	299,227	275,107
Revenue from Other Governments	666,009	638,912	643,002	655,690
Revenues from Other Funds of City	42,001	67,903	64,249	65,240
Total Revenue	**$3,805,649**	**$4,425,732**[6]	**$3,785,397**	**$3,852,353**
OBLIGATIONS / APPROPRIATIONS				
Personal Services	1,450,615	1,433,919	1,494,136	1,523,139
Personal Services - Employee Benefits	1,194,091	1,817,314[6]	1,121,659	1,172,182
Purchase of Services	787,615	814,898	823,995	831,016
Materials, Supplies and Equipment	88,814	92,612	94,046	96,831
Contributions, Indemnities and Taxes	208,587	145,192	151,167	150,773
Debt Service	122,481	136,578	133,851	141,398
Payments to Other Funds	34,361	31,215	43,055	32,715
Advances & Miscellaneous Payments	0	52,837	3,411	6,907
Total Obligations / Appropriations	**$3,886,564**	**$4,524,565**[6]	**$3,865,320**	**$3,954,961**
Operating Surplus (Deficit)	**(80,915)**	**(98,833)**	**(79,923)**	**(102,608)**
OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS				
Net Adjustments - Prior Years	26,148	20,388	22,885	22,885
Operating Surplus/(Deficit) & Prior Year Adj.	(54,767)	(78,445)	(57,038)	(79,723)
Prior Year Fund Balance	256,902	146,813[7]	202,135	145,097
Year End Fund Balance	**$202,135**	**$68,368**	**$145,097**	**$65,375**

(1) Amounts may not total due to rounding.
(2) From the Fiscal Year 2014 CAFR.
(3) From the Fiscal Year 2015 Adopted Budget.
(4) From the Proposed Twenty-Fourth Five-Year Plan.
(5) From the Proposed Fiscal Year 2016 Budget.
(6) Includes the payment of $700 million to the Municipal Pension Plan from the proceeds of the sale of PGW, which did not occur. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services" and "– Current Financial Information – Fiscal Year 2015 Adopted Budget."
(7) As of June 27, 2014, the City estimated that Fiscal Year 2014 would end with a General Fund balance of $146.813 million. Upon the release of the Fiscal Year 2014 CAFR, the actual number reported was $202.135 million and such number has been included in the current estimate for Fiscal Year 2015.

Fiscal Year 2015 Adopted Budget. In the Fiscal Year 2015 Adopted Budget, total revenues were estimated to increase due to the inclusion of an estimated $700 million in one-time locally generated non-tax revenues from the proposed sale of PGW. Similarly, total obligations were estimated to increase as a result of an equal one-time expenditure of $700 million to be paid into the Municipal Pension Fund. The sale of PGW did not occur and such revenues and obligations are not included in the current estimate for Fiscal Year 2015. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services" for more information on PGW.

Fiscal Year 2015 Current Estimate. The current estimate for Fiscal Year 2015 is derived from information included in the City's proposed five-year plan for Fiscal Years 2016-2020 (the "Proposed Twenty-Fourth Five-Year Plan"), which was submitted by the Mayor to City Council on March 5, 2015.

Proposed Fiscal Year 2016 Budget and Proposed Twenty-Fourth Five-Year Plan. The City's proposed Fiscal Year 2016 operating budget (the "Proposed Fiscal Year 2016 Budget") was submitted by the Mayor to City Council on March 5, 2015.

For Fiscal Years 2016-2020, the Proposed Twenty-Fourth Five-Year Plan projects that the City will end such Fiscal Years with General Fund balances (on the legally enacted basis) of $65.4 million (Fiscal Year 2016), $33.2 million (Fiscal Year 2017), $48.3 million (Fiscal Year 2018), $96.2 million (Fiscal Year 2019), and $155.4 million (Fiscal Year 2020). The City continues to face uncertainty regarding the pace of economic growth. The estimated General Fund balances in Fiscal Years 2016-2020, which are low, could lead to financial risk.

Labor Agreements. The Proposed Twenty-Fourth Five-Year Plan set aside $32.7 million for the six-year period (Fiscal Years 2015-2020) for the AFSCME DC 33, Correctional Officers (Local 159) expected arbitration award. On March 23, 2015, an award was issued in the arbitration. The City's preliminary estimates indicate the award would result in additional labor costs of approximately $41.3 million in excess of the assumed $32.7 million. The $41.3 million is the aggregate of approximately $1.1 million in Fiscal Year 2015, $3.8 million in Fiscal Year 2016, and $9.1 million in each of Fiscal Years 2017-2020.

The City is in the process of refining such estimates and determining what adjustments would be made to the current estimates of expenditures and fund balances in Fiscal Year 2015 and Fiscal Years 2016-2020. Without regard to whatever other adjustments may be made to the Fiscal Year 2015 budget and the Proposed Twenty-Fourth Five-Year Plan, the $41.3 million, if considered in isolation, would reduce the projected General Fund balances, for Fiscal Years 2015-2020, to approximately $144.0 million, $60.5 million, $19.2 million, $25.3 million, $64.0 million, and $114.1 million, respectively.

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

CITY FINANCES AND FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the Fiscal Year 2014 CAFR and notes therein. The Fiscal Year 2014 CAFR was prepared by the Office of the Director of Finance in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units.

General

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

Imposed non-exchange revenues, such as real estate taxes, are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, Business Income and Receipts Tax ("BIRT"), net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

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

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

In Fiscal Year 2012, the City transferred the majority of the Department of Human Services ("DHS") revenues and obligations to the Grants Revenue Fund.

The City also reports on permanent funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of

the permanent funds that require the principal to remain intact, while only the earnings may be used for the programs.

The City reports on the following fiduciary funds:

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

- The Philadelphia Gas Works Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its pension plan. For more information on the PGW Pension Plan (as defined herein), see "PGW PENSION PLAN."

The City reports on the following major proprietary funds:

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

- The Aviation Fund accounts for the activities of the 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 revenues of the Aviation Fund are charges for the use of the City's airports. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Current City Disclosure Practices

It is the City's practice to file its CAFR, which contains the audited combined financial statements of the City, in addition to certain other information, such as the City's bond ratings and information about upcoming debt issuances, with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such report (but no later than February 25 of each year). The Fiscal Year 2014 CAFR was filed with the MSRB on February 25, 2015, through the MSRB's Electronic Municipal Market Access ("EMMA") system. The Fiscal Year 2014 CAFR is attached hereto as APPENDIX C and is also available on the City's investor information website at http://www.phila.gov/investor (the "City's Investor Website").

A wide variety of information concerning the City is available from publications and websites of the City and others, including the City's Investor Website. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2014 CAFR. The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the

City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the Fiscal Year 2014 CAFR.

Budgetary Accounting Practices

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

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

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

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

REVENUES OF THE CITY

General

Prior to 1939, the City relied heavily on the real estate tax as the mainstay of its revenue system. In 1932, the General Assembly adopted an act (commonly referred to as the Sterling Act) under which the City was permitted to levy any tax that was not specifically pre-empted by the Commonwealth. 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: (i) enacting the wage, earnings, and net profits tax in 1939; (ii) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (iii) requiring under the City Charter that the water, sewer, and other utility systems be fully self-sustaining; and (iv) enacting the Mercantile License Tax (a gross receipts tax on business done within the City) in 1952, which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax (renamed the Business Income and Receipts Tax in May 2012).

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for General Fund tax revenues for Fiscal Years 2011-2014, as well as the Fiscal Year 2015 Adopted Budget and current estimates for Fiscal Year 2015. The following discussion of the City's revenues does not take into account revenues in the non-debt related funds. The tax rates for Fiscal Years 2011 through 2014 are contained in the Fiscal Year 2014 CAFR.

Table 3
General Fund Tax Revenues
Fiscal Years 2011-2015
(Amounts in Millions of USD) [(1), (2), (3)]

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Adopted Budget 2015	Current Estimate 2015
Real Property Taxes[(4)]	$454.7	$464.4	$504.2	$483.9	$503.2	$498.5
Current	28.0	36.3	36.3	42.5	44.2	44.2
Prior	$482.7	$500.7	$540.5[(4)]	$526.4	$547.4	$542.8
Total						
Wage and Earnings Tax[(5)]						
Current	$1,127.4	$1,192.2	$1,219.5	$1,255.9	$1,290.4	$1,314.6
Prior	6.9	4.1	2.0	5.7	4.3	6.5
Total	$1,134.3	$1,196.3	$1,221.5	$1,261.6	$1,294.7	$1,321.1
Business Taxes						
Business Income and Receipts Tax[(6)] Current & Prior	$376.9	$389.4	$450.9	$461.7	$453.2	$451.3
Net Profits Tax						
Current	$5.7	$12.2	$17.2	$13.2	$18.0	$14.8
Prior	3.1	2.9	1.9	3.1	2.5	3.0
Subtotal Net Profits Tax	8.8	15.1	19.2	16.3	20.5	17.8
Total Business Taxes	$385.7	$404.5	$470.1	$478.0	$473.7	$469.1
Other Taxes						
Sales and Use Tax[(7)]	$244.6	$253.5	$257.6	$263.1	$154.6	$143.8
Amusement Tax	20.8	21.9	19.1	20.0	20.9	20.1
Real Property Transfer Tax	116.6	119.4	148.0	168.1	176.6	201.7
Parking Taxes	71.6	70.9	73.3	75.1	76.9	76.9
Other Taxes	2.7	3.2	3.4	3.7	3.5	3.5
Subtotal Other Taxes	$456.3	$468.9	$501.3	$530.0	$432.5	$446.0
TOTAL TAXES	$2,459.1	$2,570.4	$2,733.5	$2,795.9	$2,748.2	$2,778.9

(1) Sources: For Fiscal Years 2011-2014, the City's CAFRs for such Fiscal Years. For Fiscal Year 2015, the Fiscal Year 2015 Adopted Budget and the Proposed Twenty-Fourth Five-Year Plan.

(2) See Table 7 in the Fiscal Year 2014 CAFR for tax rates.

(3) Figures may not add up due to rounding.

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

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

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

(7) The amounts for Fiscal Years 2011-2014 reflect a 1% increase in the City Sales Tax effective October 8, 2009, which expired June 30, 2014. Fiscal Year 2015 figures include remaining 1% City Sales Tax, an additional $15,000,000 for debt service, plus any amounts designated for the Pension Fund. See "– Sales and Use Tax."

Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising 45.7% of all tax revenues in Fiscal Year 2014) is the wage, earnings and net profits tax. The wage and earnings tax is collected from all employees working within City limits, and all City residents regardless of work location. The net profits tax is collected on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts within the City limits. The following table sets forth the resident and non-resident wage, earnings and net profits tax rates for Fiscal Years 2011-2015, the annual wage, earnings and net profits tax receipts in Fiscal Years 2011-2014, and the current estimate of such receipts for Fiscal Year 2015.

Table 4
Summary of Wage, Earnings and Net Profits Tax Rates and Receipts
Fiscal Years 2011-2015[1]

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates[2]	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD)[3]
2011	3.9280%	3.4985%	$1,501.8 (Actual)
2012	3.9280%	3.4985%	$1,568.9 (Actual)
2013	3.9280%	3.4985%	$1,617.2 (Actual)
2014	3.9240%	3.4950%	$1,662.3 (Actual)
2015	3.9200%	3.4915%	$1,741.6 (Current Estimate)

(1) See Table 7 in the Fiscal Year 2014 CAFR for tax rates.
(2) Includes PICA Tax. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.
(3) Sources: For Fiscal Years 2011-2014, the City's CAFRs for such Fiscal Years. For Fiscal Year 2015, the Proposed Twenty-Fourth Five-Year Plan.

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident wage tax rate. Gaming revenues have averaged approximately $86.27 million in Fiscal Years 2011-2014. The Fiscal Year 2015 Adopted Budget and the current estimate for Fiscal Year 2015 is $86.28 million. The wage tax rates in such Fiscal Years reflect a rate reduction due to these revenues.

See "– Proposed Tax Rate Changes" for information regarding proposed wage and earnings tax rate reductions commencing in Fiscal Year 2016 under the Proposed Twenty-Fourth Five-Year Plan and commencing in Fiscal Year 2017 under the Governor's proposed 2015-2016 budget.

Business Income and Receipts Tax

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

The BIRT allows for particular allocations and tax computations for regulated industries, public utilities, manufacturers, wholesalers and retailers. There are also credit programs where meeting the requirement of the program allows for a credit against the BIRT. All persons subject to both the BIRT and the net profits tax are entitled to apply a credit of 60% of the net income portion of their BIRT

liability against what is due on the net profits tax to the maximum of the net profits tax liability for that tax year.

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

Table 5
Summary of Business Income and Receipts Tax Rates

Tax Year	Gross Receipts	Net Income
2011	1.415 mills	6.45%
2012	1.415 mills	6.45%
2013	1.415 mills	6.45%
2014	1.415 mills	6.43%
2015	1.415 mills	6.41%
2016	1.415 mills	6.39%
2017	1.415 mills	6.35%
2018	1.415 mills	6.30%
2019	1.415 mills	6.25%
2020	1.415 mills	6.20%
2021	1.415 mills	6.15%
2022	1.415 mills	6.10%
2023	1.415 mills	6.00%

In addition, the 2011 legislation incorporated several changes intended to help small and medium sized businesses and lower costs associated with starting a new business in order to stimulate new business formation and increase employment in the City, including the following: (i) the Commercial Activity License fee for all businesses was eliminated in 2014; (ii) business taxes for the first two years of operations for all new businesses with at least three employees in their first year and six employees in their second year were eliminated beginning in 2012; and (iii) across the board exclusions on the gross receipts portion of the BIRT were provided for all businesses phased in over a three-year period beginning in 2014 and eventually excluding the first $100,000 of gross receipts, along with proportional reductions in the net income portion of the BIRT. The legislation also provides for implementation of single sales factor apportionment in 2015, which enables businesses to pay BIRT based solely on sales in the City, rather than on property or payroll.

The net impact of the 2011 legislative changes has been an estimated decrease in revenues that could have been collected from the BIRT in the amount of $3.2 million in Fiscal Year 2014. In Fiscal Year 2015, such estimated decrease is projected to be $25.2 million, with the amounts of such estimated decreases projected to grow annually through Fiscal Year 2020, for which a $63.4 million estimated decrease is projected. For Fiscal Years 2015-2020, the estimated cumulative decrease in revenues that could have been collected from the BIRT without the above legislative changes is projected to be $308.1 million.

Real Property Taxes Assessment and Collection

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

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

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

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

In order to mitigate the hardship that could be created by those large increases, the ordinance imposing the new Real Estate Tax rates included a homestead exemption of $30,000 for all primary residential owner-occupants. To date, approximately 75% of all eligible households have received the homestead exemption. Another relief program, known as the Longtime Owner Occupants Program, ("LOOP"), permitted long-term property owners whose property value at least tripled and who met income requirements to pay a reduced Real Estate Tax for 10 years to mitigate any significant increases in their bills. Currently, over 17,500 property owners have participated in the program, with the cost remaining below the legislatively established cap of $20 million. The new Real Estate Tax rates include the impact of the homestead exemption and LOOP.

The Real Estate Tax rates for tax years 2011-2015 are set forth in Table 6 below:

Table 6
Real Estate Tax Rates and Allocations

Tax Year	City	School District	Total
2011	4.123%	4.959%	9.082%
2012	4.123%	5.309%	9.432%
2013	4.462%	5.309%	9.771%
2014[1]	0.6018%	0.7382%	1.340%
2015[1]	0.6018%	0.7382%	1.340%

[1] The reduction of the Real Estate Tax rates for tax years 2014 and 2015 reflect the City's Actual Value Initiative.

Fiscal Year 2015 current Real Estate Tax revenue for the City is projected to be $498.5 million (excluding delinquent collections), higher than the Fiscal Year 2014 actual amount of $484 million.

Table 7 below shows the differences in the assessed values of properties used for tax year 2013 Real Estate Taxes (prior to AVI) and the assessed values used for tax year 2014 and 2015 Real Estate Taxes following the reassessment and implementation of AVI. Prior to AVI, the OPA certified the market values in November in the preceding tax year (that is, for tax year 2013, the OPA certified the market values in November 2012), but following AVI, the OPA certifies the market values by March 31 of the prior year (that is, for tax year 2015, the OPA certified the market values on March 31, 2014). Taxpayers base their appeals on the certified market values, and therefore, the assessed values are adjusted as the appeals are finalized. For budgetary purposes, the OPA provides an updated table to the Office of the Director of Finance in December, from which tax rates are determined.

Table 7
Certified Property Values 2013, 2014 and 2015 and Updated Assessed Property Values for 2015

Tax Year 2013*

Category	Tax Status	Assessed Value	Taxable Assessed Value	Exempt Assessed Value	Number of Parcels
Residential	Fully Taxable	$21,257,133,434	$6,802,282,698	$0	448,609
Residential	Abatement	3,038,267,900	172,618,172	799,627,556	15,815
Residential	Exemption	176,246,000	978,711	55,420,009	6,257
Total		**$24,471,647,334**	**$6,975,879,581**	**$855,047,565**	**470,681**
Hotels and Apartments	Fully Taxable	$4,694,682,190	$1,502,298,301	$0	25,974
Hotels and Apartments	Abatement	826,716,800	87,482,601	177,066,775	539
Hotels and Apartments	Exemption	795,158,700	9,424,011	245,026,773	1,121
Total		**$6,316,557,690**	**$1,599,204,913**	**$422,093,548**	**27,634**
Store with Dwelling	Fully Taxable	$933,069,234	$298,582,155	$0	14,736
Store with Dwelling	Abatement	55,627,300	7,937,076	9,863,660	191
Store with Dwelling	Exemption	24,407,800	1,465,872	6,344,624	217
Total		**$1,013,104,334**	**$307,985,103**	**$16,208,284**	**15,144**
Commercial	Fully Taxable	$7,871,193,801	$2,518,782,016	$0	10,649
Commercial	Abatement	1,150,309,400	133,140,564	234,958,444	437
Commercial	Exemption	12,398,611,000	61,299,919	3,906,255,601	4,298
Total		**$21,420,114,201**	**$2,713,222,499**	**$4,141,214,045**	**15,384**
Industrial	Fully Taxable	$1,714,727,400	$548,712,768	$0	4,376
Industrial	Abatement	212,537,100	23,627,281	44,384,591	108
Industrial	Exemption	439,991,100	6,349,937	134,447,215	221
Total		**$2,367,255,600**	**$578,689,986**	**$178,831,806**	**4,705**
Vacant Land	Fully Taxable	$745,426,660	$238,536,531	$0	33,992
Vacant Land	Abatement	510,000	0	163,200	1
Vacant Land	Exemption	480,948,600	2,729,783	151,173,769	12,115
Total		**$1,226,885,260**	**$241,266,314**	**$151,336,969**	**46,108**
Grand Total		**$56,815,564,419**	**$12,416,248,396**	**$5,764,732,217**	**579,656**

*Certified Market Value as of 11/30/2012

Tax Year 2014*

Category	Tax Status	Assessed Value	Taxable Assessed Value	Exempt Assessed Value	Number of Parcels
Residential	Fully Taxable	$61,109,079,400	$61,109,079,400	$0	449,977
Residential	Abatement	5,321,882,000	1,006,287,885	4,315,594,115	15,135
Residential	Exemption	600,339,500	9,097,095	591,242,405	6,085
Total		**$67,031,300,900**	**$62,124,464,380**	**$4,906,836,520**	**471,197**
Hotels and Apartments	Fully Taxable	$11,874,704,000	$11,874,704,000	$0	26,015
Hotels and Apartments	Abatement	2,016,286,000	630,265,222	1,386,020,778	531
Hotels and Apartments	Exemption	2,131,041,200	150,488,411	1,980,552,789	1,111
Total		**$16,022,031,200**	**$12,655,457,633**	**$3,366,573,567**	**27,657**
Store with Dwelling	Fully Taxable	$3,292,805,900	$3,292,805,900	$0	14,751
Store with Dwelling	Abatement	111,412,300	49,261,276	62,151,024	190
Store with Dwelling	Exemption	43,773,500	4,063,521	39,709,979	209
Total		**$3,447,991,700**	**$3,346,130,697**	**$101,861,003**	**15,150**
Commercial	Fully Taxable	$15,924,459,700	$15,924,459,700	$0	10,347
Commercial	Abatement	1,645,409,300	749,680,116	895,729,184	413
Commercial	Exemption	26,024,024,400	586,654,681	25,437,369,719	4,281
Total		**$43,593,893,400**	**$17,260,794,497**	**$26,333,098,903**	**15,041**
Industrial	Fully Taxable	$2,751,232,900	$2,751,232,900	$0	4,268
Industrial	Abatement	212,399,700	72,547,530	139,852,170	88
Industrial	Exemption	572,167,700	23,389,866	548,777,834	188
Total		**$3,535,800,300**	**$2,847,170,296**	**$688,630,004**	**4,544**
Vacant Land	Fully Taxable	$1,681,239,900	$1,681,239,900	$0	34,050
Vacant Land	Abatement	3,447,200	62,763	3,384,437	5
Vacant Land	Exemption	2,088,476,400	26,694,608	2,061,781,792	12,054
Total		**$3,773,163,500**	**$1,707,997,271**	**$2,065,166,229**	**46,109**
Grand Total		**$137,404,181,000**	**$99,942,014,774**	**$37,462,166,226**	**579,698**

* Certified Market Value as of 3/31/2013

Tax Year 2015*

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

*Certified Market Value as of 3/31/2014

Tax Year 2015*

Category	Tax Status	Assessed Value	Taxable Assessed Value	Exempt Assessed Value	Number of Parcels
Residential	Fully Taxable	$57,708,624,701	$57,708,624,701	$0	433,481
Residential	Abatement	5,687,490,200	1,104,887,119	4,582,603,081	16,339
Residential	Exemption	3,481,880,800	1,712,854,043	1,769,026,757	22,825
Total		**$66,877,995,701**	**$60,526,365,863**	**$6,351,629,838**	**472,645**
Hotels and Apartments	Fully Taxable	$11,918,828,800	$11,918,828,800	$0	24,756
Hotels and Apartments	Abatement	2,092,908,500	628,258,095	1,464,650,405	675
Hotels and Apartments	Exemption	2,250,576,300	250,119,472	2,000,456,828	1,749
Total		**$16,262,313,600**	**$12,797,206,367**	**$3,465,107,233**	**27,180**
Store with Dwelling	Fully Taxable	$2,967,777,500	$2,967,777,500	$0	13,819
Store with Dwelling	Abatement	109,779,300	49,870,388	59,908,912	202
Store with Dwelling	Exemption	181,776,600	91,902,692	89,873,908	752
Total		**$3,259,333,400**	**$3,109,550,580**	**$149,782,820**	**14,773**
Commercial	Fully Taxable	$14,849,570,200	$14,849,570,200	$0	10,101
Commercial	Abatement	1,793,745,500	728,806,697	1,064,938,803	420
Commercial	Exemption	25,446,674,700	531,894,525	24,914,780,175	4,327
Total		**$42,089,990,400**	**$16,110,271,422**	**$25,979,718,978**	**14,848**
Industrial	Fully Taxable	$2,723,395,200	$2,723,395,200	$0	4,144
Industrial	Abatement	191,930,300	67,640,941	124,289,359	81
Industrial	Exemption	532,975,000	12,845,366	520,129,634	206
Total		**$3,448,300,500**	**$2,803,881,507**	**$644,418,993**	**4,431**
Vacant Land	Fully Taxable	$1,463,909,135	$1,463,909,135	$0	34,013
Vacant Land	Abatement	9,256,500	1,065,520	8,190,980	36
Vacant Land	Exemption	2,069,084,600	44,144,247	2,024,940,353	12,034
Total		**$3,542,250,235**	**$1,509,118,902**	**$2,033,131,333**	**46,083**
Grand Total		**$135,480,183,836**	**$96,856,394,641**	**$38,623,789,195**	**579,960**

*Data current as of 12/31/2014

As part of the transition to the new assessment system, OPA set up a new process called a first level review ("FLR"), where a taxpayer could request an administrative review of their assessment notice prior to launching a formal appeal with the BRT. For tax year 2014, OPA received 51,301 requests for FLRs. As a result of the FLR process, the total taxable assessed value has been reduced by approximately $1.58 billion as of February 23, 2015; however, approximately 2,000 FLRs have not yet been finalized. The BRT has the authority to increase or decrease the property valuations contained in the return of the assessors in order that such valuations conform with law. After all changes in property assessments, and after all assessment appeals, assessments are certified and the results provided to the Department of

Revenue. There have been 24,681 timely formal appeals to the BRT and, as of February 23, 2015, 20,982 appeals have been disposed of by the BRT. The total market value of properties for which appeals have been filed is approximately $17.23 billion, and losses due to market value appeal decisions total approximately $1.36 billion.

For tax year 2015, OPA mailed approximately 3,700 Change of Assessment notices. As of the May 2014 filing deadline, 236 FLRs have been filed. Additionally, 4,638 formal BRT market value appeals have been filed, including a large number of appeals that were filed by taxpayers still awaiting a decision on an outstanding 2014 appeal The 2015 appeals have not been addressed and BRT will begin hearing these in November-December of 2015.

The vast majority of the appeals that have been disposed of by the BRT have involved residential properties with relatively minor assessments at issue. The majority of hearings involving commercial and industrial property appeals are likely to be heard by September 2015. As those appeals compose the vast majority of the total taxable assessed value appealed citywide, an estimate of the effect of these appeals on the total taxable assessed value cannot be made until a larger percentage of the commercial and industrial appeals are resolved.

On October 24, 2012, the Governor approved Act 160 ("Act 160"), which permits downward adjustments to School District property tax and use and occupancy tax rates, solely to offset the higher assessed values anticipated under AVI, and only to the extent the yield from such lower rates is no lower than the highest tax yield in the previous three years. Act 160 also precludes the School District from using its direct authority to levy real estate taxes, separately granted by the General Assembly of the Commonwealth, but only to the extent the City authorizes School District real estate taxes yielding an amount not lower than total real estate taxes yielded in the year prior to the year of the revision of assessments, adjusted to account for increases in assessed value since the first year of revision.

In 2014, City Council passed legislation intended to ease the transition to AVI, which provided, for tax year 2014 only, that residential and commercial property owners who appeal their new property assessments need only pay the prior year's amount of Real Estate Tax and (if applicable) use and occupancy tax, pending the assessment appeal. Interest and penalties would not accrue on the additional 2014 tax liability during the appeal, whether or not the appeal is ultimately successful. The City estimates that it will collect approximately $7.2 million of additional one-time tax revenues from taxpayers who are paying the tax year 2014 amounts along with the tax year 2015 amounts in Fiscal Year 2015.

With AVI, the OPA planned to conduct full reassessments annually; however, staff resources have been redeployed to focus on the large number of appeals. For tax year 2016, OPA is conducting reassessments on properties in areas for which its measurements show that there are larger variations in assessed values than is standard under best assessment practice. In total, OPA will assess approximately 120,000 properties for tax year 2016, but OPA expects that many of those properties will not receive a changed assessment. OPA anticipates doing full reassessments annually beginning in tax year 2017.

Historically, the City did not commence collection of Real Estate Taxes while they were "overdue," between the March 31 due date and January 1 when they became "delinquent". In late 2010, the Department of Revenue sent a letter to taxpayers who had overdue taxes, but had paid all prior years, to explain that if they did not pay by the end of the year, the addition on their Real Estate Tax would be capitalized (i.e. become part of the principal) and their tax liability would become a lien on the property. This effort has been repeated each year since and has resulted in significant collections and reduction of expenses that would otherwise be incurred for further collection efforts. Also in 2012 and 2013, the Department of Revenue and the Law Department hired two outside collection firms to collect overdue Real Estate Taxes with an Outbound Calling Campaign. This project has been extremely successful,

contributing to a decrease in first time Real Estate Tax delinquencies and generating a total of approximately $17,000,000 in collections of overdue Real Estate Taxes in 2013 alone. The City is continuing this practice and pursuing a number of other initiatives to improve collections, including sequestration of delinquent properties occupied by commercial tenants.

See Table 8 below for data with respect to Real Estate Taxes levied and collected by the City from 2010 to 2014. See Table 9 for the assessed property values of the City's principal taxable assessed parcels in 2015. See Table 10 for the 2015 market and assessed values of the ten highest valued taxable real properties in the City as well as the amounts and duration of Real Estate Tax abatements with respect to such properties.

Table 8
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2010-2014
(Amounts in Millions of USD)[(1), (2)]

Calendar Year	Taxes Levied Based on Original Assessment[(3)]	Taxes Levied Based on Adjusted Assessment[(4)]	Collections in the Calendar Year of Levy	Percentage Collected in the Calendar Year of Levy	Collections in Subsequent Years[(5)]	Total Collections to Date: All Years	Percentage Collected to Date: All Years[(6)]
2010	$405.8	N/A	$353.7	87.2%	$41.8	$395.5	97.5%
2011	$509.1	N/A	$440.9	86.6%	$44.8	$485.7	95.4%
2012	$508.6	$492.2	$459.2	93.3%	$13.9	$473.1	96.1%
2013	$554.0	$538.0	$505.6	94.0%	$8.3	$513.9	95.5%
2014	$553.2	$535.8	$470.1[(6)]	87.7%[(6), (7)]	N/A	$470.1	87.7%

(1) Source: Fiscal Year 2014 CAFR.
(2) Real Estate Taxes are levied by the City and the School District. While this table reflects City General Fund Real Estate Tax revenues exclusively, the School District Real Estate Tax collection rates are the same.
(3) Taxes are levied on a calendar year basis. They are due on March 31.
(4) Adjustments include assessment appeals, a 1% discount for payment in full by February 28, the senior citizen tax discount, and the tax increment financing return of tax paid. For 2014, adjustment includes the LOOP program since the program was implemented after initial bills were sent.
(5) Includes payments from capitalization charges. This capitalization occurs one time, after the end of the first year of the levy, on any unpaid balances.
(6) Reflects collections through June 30, 2014
(7) Preliminary analysis shows the 2014 calendar year percentage collected as of December 31, 2014 is 91.6% with $482.8 million in payments on an adjusted levy of $527.1 million. Outstanding appeals generated by the AVI initiative have had a significant impact on this collection rate. Adjusting for the appeals the collection rate approaches 93%.

Table 9
Principal Taxable Assessed Parcels – 2015
(Amounts in Millions of USD)

Taxpayer	2015 Assessment[1]	2015 Percentage of Total Assessments
HUB Properties Trust	$265.7	0.27%
Nine Penn Center Associates	232.6	0.24
Phila Liberty Place ELP	207.7	0.21
Philadelphia Market Street	203.7	0.21
Tenet Health Systems Hahnemann	192.1	0.20
Brandywine Cira	182.7	0.19
Commerce Square Partners	178.2	0.18
Maguire / Thomas	170.1	0.17
NNN 1818 Market Street 37	170.0	0.17
Franklin Mills Associates	163.2	0.17
Total	$1,966.0	2.00%
Total Taxable Assessments[2]	$98,370.6	

Source: City of Philadelphia, Office of Property Assessment.

(1) Assessment Values rounded to the nearest $100,000 and only include the largest assessed property for each taxpayer, additional properties owned by the same taxpayer are not included.

(2) Total 2015 Taxable Assessment as of March 31, 2014.

Table 10
Ten Largest Certified Market and Assessment Values
of Tax-Abated Properties
Certified Values for 2015
(Amounts in Millions of USD)

Location	2015 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Thru Tax Year
1701 John F Kennedy Blvd.	$212.5	$212.5	$9.1	$203.4	2017
2929 L Arch St.	$160.7	$160.7	$0.0	$160.7	2015
1001 N Delaware Ave.	$150.9	$150.9	$39.3	$111.6	2020
1500 Spring Garden St.	$138.7	$138.7	$27.8	$110.9	2020
2116 Chestnut St.	$72.5	$72.5	$1.4	$71.1	2023
2323 Race St.	$72.4	$72.4	$2.8	$69.6	2016
2026 – 58 Market St.	$65.0	$65.0	$20.7	$44.3	2023
3401 Chestnut St.	$64.6	$64.6	$3.4	$61.2	2017
1601 N. 15th St.	$64.2	$64.2	$0.5	$63.7	2017
907-37 Market St.	$61.0	$61.0	$41.4	$19.6	2016

Source: City of Philadelphia, Office of Property Assessment.

See "– Proposed Tax Rate Changes" for information regarding a proposed increase in the School District portion of the Real Estate Tax commencing in Fiscal Year 2016 under the Proposed Twenty-Fourth Five-Year Plan and proposed reductions in both the City and School District portion of the Real Estate Tax commencing in Fiscal Year 2017 under the Governor's proposed 2015-2016 budget

Sales and Use Tax

Pursuant to the authorization granted by the Commonwealth under the PICA Act, the City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes effective beginning in Fiscal Year 1992. It is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. Vendors are required to pay City Sales Taxes to the Commonwealth Department of Revenue together with the Commonwealth sales and use tax. The State Treasurer deposits the collections of City Sales Taxes in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City's budgets for Fiscal Years 2010-2014 provided for an increase in the City Sales Tax rate to 2%, as authorized by the Commonwealth effective October 8, 2009, through June 30, 2014. In July 2013, the Commonwealth authorized the implementation of a new, permanent 1% increase in the City Sales Tax rate effective July 1, 2014, which was adopted by the City on June 12, 2014 and became effective on July 1, 2014. Under the reauthorized City Sales Tax, the first $120 million collected from such additional 1% will be distributed to the School District. For Fiscal Years 2015-2018, the General Assembly has also authorized the City to use the next $15 million of City Sales Tax revenues from such additional 1% collected in such Fiscal Years for the payment of debt service on obligations issued by the City for the benefit of the School District. Following any such debt service payments, that remaining portion of the City Sales Tax revenues from such additional 1% distributed to the City is required to be used exclusively in accordance with Act 205 (as defined herein) and deposited to the Municipal Pension Fund.

In October 2014, the City, through PAID, issued its $57,515,000 City Service Agreement Revenue Bonds, Series 2014B ("City Service Agreement Bonds") to fund a portion of the School District's operating deficit for its Fiscal Year 2015 and refund certain outstanding City Service Agreement Bonds. The debt service on the City Service Agreement Bonds is approximately $15 million annually through Fiscal Year 2018 and the City expects to pay its obligations with respect to such bonds with a combination of proceeds from the City Sales Tax revenues and other General Fund revenues. Such City Sales Tax revenues are not pledged to the holders of such bonds. Such funding by the City of a portion of the School District's operating deficit for Fiscal Year 2015, and the related payment of debt service, does not require a comparable increase in grants by the City to the School District in subsequent Fiscal Years. See "EXPENDITURES OF THE CITY – City Payments to School District" and the paragraphs that follow Table 20.

The following table sets forth the City Sales Taxes collected in Fiscal Years 2011 through 2014 and the current estimate for Fiscal Year 2015.

Table 11
Summary of City Sales Tax Collections
(Amounts in Millions of USD)[1]

Fiscal Year	City Sales Tax Collections
2011 (Actual)	$244.6
2012 (Actual)	$253.5
2013 (Actual)	$257.6
2014 (Actual)	$263.1
2015 (Current Estimate)	$143.8[2]

(1) Sources: For Fiscal Years 2011-2014, the City's CAFRs for such Fiscal Years. For the current estimate for Fiscal Year 2015, the Proposed Twenty-Fourth Five-Year Plan.

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

See "– Proposed Tax Rate Changes" for information regarding a proposed reduction of the City Sales Tax commencing in Fiscal Year 2017 under the Governor's proposed 2015-2016 budget.

Other Taxes

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

Improved Collection Initiative

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

In addition to compliance efforts, the City is engaged in two active projects to implement technology solutions for its cashiering and payments processing systems and to develop an integrated data warehouse and case management system. These initiatives are designed to improve operational efficiencies and drive compliance efforts by providing tools currently unavailable to the City.

Other Locally Generated Non-Tax Revenues

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

Revenue from Other Governments

The following table presents revenues received from other governmental jurisdictions for Fiscal Years 2011-2015 and the percentage such revenues represent in the General Fund. The table does not reflect substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Table 12
Revenue from other Governmental Jurisdictions
Fiscal Years 2011-2014 (Actual) and 2015 (Current Estimate)
(Dollar Amounts in Millions of USD)[1]

Fiscal Year	Commonwealth[2]	Federal Government	Other Governments[3], [4]	Total	Percentage of General Fund Revenues
2011 (Actual)	$833.7	$170.1	$62.7	$1066.5	27.6%
2012 (Actual)[5]	536.8	97.0	82.1	715.9	19.9
2013 (Actual)	233.6	39.7	64.2	337.5	9.1
2014 (Actual)	255.3	31.0	61.0	347.3	9.1
2015 (Current Estimate)	216.9	32.1	57.0	306.0	8.0

(1) Sources: For Fiscal Years 2011-2014, the City's CAFRs for such Fiscal Years. For Fiscal Year 2015, the Proposed Fiscal Year 2016 Budget.
(2) Such revenues are for health, welfare, court, and various other specified purposes.
(3) Such revenues primarily consist of payments from PGW, parking fines and fees from PPA.
(4) Does not include the PICA Tax.
(5) Fiscal Year 2011 was the last year that the full amount of revenue for DHS (as defined herein) was deposited into the General Fund. The decrease in revenues from Fiscal Year 2011 to Fiscal Year 2012 is largely due to the transfer of the majority of DHS revenue and obligations to the Grants Revenue Fund.

Revenues from City-Owned Systems

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

Water Fund. The revenues of the Philadelphia Water Department (the "Water Department") are required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (i) all Net Reserve Earnings and (ii) $4,994,000. "Net Reserve Earnings" means the amount of interest earnings during the Fiscal Year on amounts in the Debt Reserve Account and Subordinated Bond Fund, each as defined in the Water Ordinance. The following table shows the amounts transferred from the Water Fund to the General Fund for Fiscal Years 2011-2014 and the current estimate for Fiscal Year 2015.

Table 13
Transfers from Water Fund to General Fund
Fiscal Years 2011-2014 (Actual) and 2015 (Current Estimate)[1]

Fiscal Year	Amount Transferred
2011	$1,229,851
2012	$1,086,165
2013	$560,156
2014	$400,364
2015	$800,000

[1] Sources: For Fiscal Years 2011-2014, the Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2015, the Proposed Fiscal Year 2016 Budget.

PGW. The revenues of PGW are required to be segregated from other funds of the City. Payments for debt service on PGW bonds are made directly by PGW. In certain prior Fiscal Years, PGW made an annual payment of $18 million to the General Fund. PGW made such annual payment in Fiscal Years 2012-2014 and is expected to make such annual payment in Fiscal Year 2015. Revenue estimates contained in the Proposed Twenty-Fourth Five-Year Plan include such $18 million annual payment to the General Fund from PGW for Fiscal Years 2016-2020. For more information on PGW, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services" and "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information – Fiscal Year 2015 Adopted Budget."

Philadelphia Parking Authority Revenues

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

PPA owns and operates five parking garages and a number of surface parking lots at PHL. The land on which these garages and surface lots are located is leased from the City, acting through the Division of Aviation, pursuant to a lease expiring in 2030 (the "Lease Agreement"). The Lease Agreement provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at PHL and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its operations at PHL, if any.

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

Pursuant to the Agreement of Cooperation, on-street parking revenues are administered and collected on behalf of the City by the PPA. Pursuant to Pennsylvania law, PPA is to transmit these revenues to the City, net of any actual expenses incurred in the administration of the on-street parking

system in accordance with the PPA's approved budget, provided that, should such net revenues exceed a designated threshold, any excess above that threshold is to be transmitted to the School District. Pursuant to Act 84 of 2012, commencing in Fiscal Year 2015, the threshold, which was previously set at $25 million, is set at $35 million, including a mandatory escalator to take into account increases in revenues. The following table presents payments received by the City from PPA under the Agreement of Cooperation for Fiscal Years 2010-2014.

Table 14
PPA On-Street Parking Payments to the City
Fiscal Years 2010-2014
(Amounts in Millions of USD)[1]

Fiscal Year	Payments to the City
2010	$33.7
2011	$41.6
2012	$37.3
2013	$36.5
2014	$37.7

(1) Sources: City's CAFRs for Fiscal Years 2010-2014.

Proposed Tax Rate Changes

The Proposed Twenty-Fourth Five-Year Plan includes future changes to some of the taxes described above. Also, the Governor's proposed 2015-2016 budget includes additional future changes which are incorporated into the Proposed Twenty-Fourth Five-Year Plan. Such proposed future changes affect the following taxes.

Wage and Earnings Tax. Commencing in Fiscal Year 2016, reductions in both the resident and non-resident wage and earnings tax, which resumed in Fiscal Year 2014 after being suspended during the national economic downturn, are proposed to continue under the Proposed Twenty-Fourth Five-Year Plan. The Governor's proposed 2015-2016 budget would provide for additional reductions beginning in Fiscal Year 2017. The following table details rates under the Proposed Twenty-Fourth Five-Year Plan and under the Governor's proposed 2015-2016 budget.

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

	Proposed Twenty-Fourth Five-Year Plan		Governor's Proposed 2015-2016 Budget	
Fiscal Year	Resident Wage and Earnings Tax Rates[2]	Non-Resident Wage and Earnings Tax Rates	Resident Wage and Earnings Tax Rates[2]	Non-Resident Wage and Earnings Tax Rates
2015	3.9200%	3.4915%	3.9200%	3.4915%
2016	3.9102%	3.4828%	3.9102%	3.4828%
2017	3.9004%	3.4741%	3.4831%	3.1147%
2018	3.8907%	3.4654%	3.4874%	3.1181%
2019	3.8129%	3.3961%	3.4233%	3.0606%
2020	3.7366%	3.3282%	3.3603%	3.0041%

(1) Source: The Proposed Twenty-Fourth Five-Year Plan.
(2) Includes PICA Tax. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.

Receipts from the Wage and Earnings Tax, estimated under the Proposed Twenty-Fourth Five-Year Plan to grow at a rate of 4.00% in Fiscal Year 2017 and then 3.00% annually through Fiscal Year 2020, would be reduced under the Governor's proposed 2015-2016 budget; however; the City would be compensated by the Commonwealth for the revenue losses resulting from such reductions, as a result of the other proposed tax changes described below.

Real Estate Tax. Commencing in Fiscal Year 2016 under the Proposed Twenty-Fourth Five-Year Plan, the City proposes to increase the School District portion of the Real Estate Tax in order to provide $105 million in additional revenue for the School District, resulting in an increase in the combined rate from 1.3400% to 1.4651% through Fiscal Year 2020.

In addition to wage and earnings tax relief and sales tax relief, the Governor's proposed 2015-2016 budget provides $87.6 million in property tax relief in Fiscal Year 2017, to be used to increase the amount of the homestead exemption from $30,000 to $56,650, the maximum allowed under Pennsylvania law. Also beginning in Fiscal Year 2017, the Governor's proposed 2015-2016 budget would reduce both the City and School District portion of the Real Estate Tax, resulting in a decrease in the combined rate from 1.4651% to 1.4633% through Fiscal Year 2020. The reduction would be funded annually with $1.7 million from the Commonwealth.

City Sales Tax. Beginning in Fiscal Year 2017, the Governor's proposed 2015-2016 budget would reduce the City Sales Tax from 2.0% to 1.4%, while broadening the categories of transactions that would be subject to the City Sales Tax. Revenue from the first 1.0% would continue to go to the City's General Fund, with the additional revenue generated by the base broadening mandated to be contributed to the Municipal Pension Fund.

Under the Governor's proposed 2015-2016 budget, the Commonwealth would compensate the City for the revenue loss resulting from the 0.6% reduction in the City Sales Tax, as well as for the loss of revenue relating to the 0.6% reduction that would otherwise have been realized by the City from broadening the categories of transactions that would be subject to the City Sales Tax. The reduction in the City Sales Tax, the base broadening and the compensation of the City by the Commonwealth would provide the expected funding for the School District, for the debt service during Fiscal Years 2017 and 2018 on obligations issued by the City for the benefit of the School District, and for contributions by the City to the Municipal Pension Fund.

EXPENDITURES OF THE CITY

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

Personal Services (Personnel)

As of January 2015, the City employed 27,831 full-time employees, representing approximately 4.2% of non-farm public and private employment in the City. Of these full-time public employees, the salaries of 21,015 were paid from the General Fund. Additional sources of funding for full-time public employees include the Grants Fund, the Water Fund and the Aviation Fund, as well as grants and contributions from other governments. Activities funded through such grants and contributions are not undertaken if funding is not received. The following table sets forth the number of filled, full-time positions of the City as of the dates indicated.

Table 16
Filled, Full-Time Positions
Fiscal Year 2011-2014 (Actual) and as of Dec. 31, 2014 (Current Estimate)

	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	Dec. 31, 2014[1]
General Fund					
Police	7,219	7,225	7,193	7,095	7,020
Fire	2,146	2,072	2,125	2,053	2,048
Courts	1,869	1,957	1,909	1,866	1,858
Prisons	2,166	2,144	2,248	2,268	2,286
Streets	1,689	1,682	1,690	1,684	1,648
Public Health	661	669	673	659	628
Human Services[2]	1,668	804	377	382	439
All Other	4,602	4,622	4,710	4,984	5,088
Total - General Fund	22,020	21,175	20,925	20,991	21,015
Other Funds	4,540	4,540	5,547	5,657	5,626
Total - All Funds	26,560	25,715	26,472	26,648	26,641

(1) Source: Proposed Twenty-Fourth Five-Year Plan.
(2) Fiscal Years 2012-2014 reflect the transfer of the majority of DHS revenue and obligations from the General Fund to the Grants Revenue Fund.

Overview of City Employees

The wages and benefits of City employees vary not only by position, but also by whether the employees are represented by a union and, if so, which union. Employee wages and benefits may also be impacted by whether the employee is subject to the civil service system or exempt from those rules. Thus, City employees may be broken down into three major categories for purposes of understanding how their wages and benefits are determined: (i) employees who are not subject to the civil service system ("exempt employees"); (ii) employees who fall under the civil service system but are not represented by a union ("non-represented employees"); and (iii) employees who are subject to the civil service system and are represented by a union ("union employees").

As of January 2015, the City's 23,071 unionized employees, representing approximately 83% of the City's employees, were represented by the City's four municipal unions: (i) Fraternal Order of Police ("FOP") Lodge No. 5; (ii) International Association of Fire Fighters ("IAFF") Local 22; (iii) American Federation of State, County and Municipal Employees District Council 33 ("AFSCME DC 33"); and (iv) American Federation of State, County and Municipal Employees District Council 47 ("AFSCME DC 47").

Collective bargaining with respect to the wages, hours and other terms and conditions of employment of union employees, other than uniformed employees of the Police Department and the Fire Department, is governed by the Public Employee Relations Act (Pa. P.L. 563, No. 195 (1970)) ("PERA"). PERA requires the City and the unions to negotiate in good faith to attempt to reach agreement on new contract terms and, if an impasse exists after such negotiations, to mediate through the Commonwealth Bureau of Mediation. Once the mediation procedures have been satisfied, and if no collective bargaining agreement has been reached, most employees covered by PERA are permitted to strike.

Certain employees, however, including employees of the Sheriff's Office and the Register of Wills represented by the FOP, corrections officers represented by AFSCME DC 33, and employees of the First Judicial District represented by AFSCME DC 47, are not permitted to strike under PERA. These employees must submit any impasse to binding interest arbitration once the mediation procedures have been satisfied. PERA permits parties at an impasse, which are not required to submit to binding interest arbitration, to do so voluntarily. Provisions of an interest arbitration award issued under PERA that require legislative action are considered advisory only and the legislative body is permitted to meet, consider, and reject those provisions.

Uniformed employees of the Police Department and the Fire Department bargain under the Policemen and Firemen Collective Bargaining Act (Pa. P.L. 237, No. 111 (1968)) ("Act 111"), which provides for final and binding interest arbitration to resolve collective bargaining impasses and prohibits these employees from striking. Interest arbitration under Act 111 operates similarly to interest arbitration under PERA, but City Council is not permitted to reject the portions of an interest arbitration award that require legislative action. To the contrary, City Council is required to pass any legislation necessary to implement the award unless doing so would violate state or federal law. Thus, the arbitration panel has significant, although not limitless, power to issue an award on mandatory subjects of bargaining. As with interest arbitration under PERA, the arbitration panel cannot issue an award on a matter that is one of inherent managerial policy. In addition to the grounds available to challenge a PERA interest arbitration award on appeal, the PICA Act requires an Act 111 interest arbitration panel to, among other things, give substantial weight to the City's five-year plan and ability to pay for the cost of the award without negatively impacting services, and gives the City the right to appeal the award to the Court of Common Pleas if it believes the panel has failed to meet these responsibilities. If the arbitration panel fails to do so or, among other things, if it awards wages or benefits that exceed what is assumed in the most-recent five-year plan without substantial evidence in the record demonstrating that the City can afford these increases

without adversely impacting service levels, the Court of Common Pleas is required to vacate the arbitration award and remand it to the arbitration panel.

Overview of Employee Benefits

The City provides various pension, life insurance, and health benefits for its employees. The benefits offered depend on the employee's union status and bargaining unit, if applicable. General Fund employee benefit expenditures for Fiscal Years 2011 through 2015 are shown in the following table.

Table 17
General Fund Employee Benefit Expenditures
Fiscal Years 2011-2014 (Actual) and 2015 (Current Estimate)
(Amounts in Millions of USD)

	2011	2012	2013	2014	2015[1]
Pension Contribution[2]	$485.3	$547.8	$618.9[3]	$646.4[3]	$576.0
Health	343.6	379.4	363.2	409.4	396.4
Social Security	64.6	67.2	64.7	67.5	71.1
Other	73.6	72.0	72.3	70.8	78.2
Total	$967.1	$1,066.4	$1,119.1	$1,194.1	$1,121.7

(1) Source: Proposed Twenty-Fourth Five-Year Plan.
(2) Includes debt service on Pension Bonds (as defined herein).
(3) Includes repayment of deferred contributions. See Table 28.

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

Other employee benefits, including life insurance and paid leave, are similarly determined by the respective collective bargaining agreements and City policies and Civil Service Regulations. Employees also participate in the Municipal Pension Plan. See "PENSION SYSTEM" below.

Overview of Current Labor Situation

Table 18 summarizes the interest arbitration awards that have been issued and contract settlements reached as of January 2015 and provides an update on the status of negotiations, as well as changes that have been made for exempt and non-represented employees.

Table 18
Status of Arbitration Awards and Labor Contract Settlements as of January 2015

Organization	Authorized Number of Full-Time Citywide Employees Represented	Status of Arbitration Award or Contract Settlement	Wage Increases; Pension revisions[1]
FOP Lodge No. 5 (Police Department)	6,469	Three-year contract effective July 1, 2014 awarded by arbitration panel on July 30, 2014	• 3% pay increase for Fiscal Year 2015. • 3.25% pay increase for Fiscal Years 2016 and 2017.
FOP Lodge No. 5 (Sheriff's Office and Register of Wills)	324	Five-year arbitration award expired June 30, 2014; interest arbitration process for an award to be effective July 1, 2014 is ongoing[2]	• Employees hired after January 1, 2012 must choose between the existing plan and increasing their contribution from 30% to 50% of normal cost, or the City's new hybrid plan. Employees of the Register of Wills are required to enter the hybrid plan.
IAFF Local 22	2,109	Four-year contract effective July 1, 2013 awarded by arbitration panel on January 9, 2015	• 3% pay increase for Fiscal Year 2014 and 2015 • 3.25% pay increase for Fiscal Year 2016. • Wage reopener for Fiscal Year 2017.
AFSCME DC 33	7,973	Contract term from July 1, 2008 through June 30, 2016 ratified September 9, 2014	• 3.5% pay increase effective September 1, 2014. • 2.5% pay increase for Fiscal Year 2016. • Current employees will see their employee pension contributions increase by 1% of pay by January 1, 2016. • Employees hired after September 9, 2014 must choose between the existing plan and increasing their contribution by an additional 1% of pay (in addition to the increases for current employees), or the hybrid plan.
AFSCME DC 33 Correctional Officers	2,221	Three-year award through June 30, 2017	• 3% pay increase for Fiscal Year 2015 • 3.25% pay increase for Fiscal Years 2016 and 2017 • $600 equity adjustment to base wages on January 1, 2016

(1) Pension plans referred to hereunder are further described under "PENSION SYSTEM."

(2) Interest arbitration award covering the employees of the Sheriff's Office and Register of Wills with an effective date of July 1, 2014 is anticipated to be issued no later than April 2015. Although the terms of that award are not yet known, the Proposed Twenty-Fourth Five-Year Plan assumes $5.3 million in increased labor costs associated with such award.

Organization	Authorized Number of Full-Time Citywide Employees Represented	Status of Arbitration Award or Contract Settlement	Wage Increases; Pension revisions[1]
AFSCME DC 47	3,480	Contract term from July 1, 2009 through June 30, 2017 ratified on March 5, 2014	• 3.5% pay increase effective April 4, 2014. • 2.5% pay increase for Fiscal Year 2016. • 3% pay increase for Fiscal Year 2017. • Current employees will see their employee pension contributions increase by 1% of pay by January 1, 2016. • Employees hired after May 14, 2014 must choose between the existing plan and increasing their contribution by an additional 1% of pay (in addition to the increases for current employees), or the hybrid plan.
AFSCME DC 47 Local 810 Court Employees	495	Agreement ratified August 13, 2014 on economic terms for July 1, 2014 through June 30, 2016	• 2.5% pay increase for Fiscal Year 2015. • 2.5% pay increase for Fiscal Year 2016. • Current employees will see their employee pension contributions increase by 1% of pay by January 1, 2016. • Employees hired after May 14, 2014 must choose between the existing plan and increasing their contribution by an additional 1% of pay (in addition to the increases for current employees), or the hybrid plan.
Exempt and Non-Represented Employees	4,760	September 2012 changes for exempt and non-represented employees	• 2.5% pay increase effective October 1, 2012. • 3.5% pay increase for Fiscal Year 2015. • Current employees pay 30% of normal cost plus 1% of pay by January 1, 2016. • New employees must choose between increasing their contribution by an additional 2% of pay by January 1, 2016, or the hybrid plan

[1] Pension plans referred to hereunder are further described under "PENSION SYSTEM."

Purchase of Services

The following table shows the City's major purchase of services, which represents one of the major classes of expenditures from the General Fund. Table 19 shows contracted costs of the City for Fiscal Years 2011-2014 and the current estimate for Fiscal Year 2015 and, with the exception of the Convention Center subsidy and vehicle leasing, excludes debt service.

Table 19
Purchase of Services in the General Fund
Fiscal Years 2011-2014 (Actual) and 2015 (Current Estimate)
(Amounts in Millions of USD)[1]

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Current Estimate 2015
Human Services[2]	448.2	78.2	67.5	76.3	77.9
Public Health	66.1	63.0	63.0	60.5	60.1
Public Property[3]	138.7	139.5	139.5	140.7	147.9
Streets[4]	51.0	45.7	40.5	48.3	46.3
Legal Services[5]	36.6	37.1	38.7	40.6	42.6
First Judicial District	27.9	24.1	16.5	15.8	10.7
Licenses & Inspections[6]	4.1	7.0	7.1	10.1	10.0
Supportive Housing[7]	30.2	30.4	34.2	36.9	36.6
Prisons	106.6	104.0	105.4	105.8	105.1
All Other[8]	131.0	142.1	154.4	159.1	175.6
Total	1,040.4	671.1	666.8	694.1	712.8

(1) Sources: For Fiscal Years 2011-2014, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years and the Proposed Fiscal Year 2016 Budget. For the current estimate for Fiscal Year 2015, the Proposed Fiscal Year 2016 Budget.
(2) Includes payments for care of dependent and delinquent children. Fiscal Year 2011 was the last year that the full amount of revenue for DHS was deposited into the General Fund. The decrease in revenues and obligations from Fiscal Year 2011 to Fiscal Year 2012 is largely due to the transfer of the majority of DHS revenue and obligations to the Grants Revenue Fund.
(3) Includes payments for SEPTA, space rentals, and utilities.
(4) Includes solid waste disposal costs.
(5) Includes payments to the Defender Association to provide legal representation for indigents.
(6) Includes payments for demolition in Fiscal Year 2011 and Fiscal Year 2012.
(7) Includes homeless shelter and boarding home payments.
(8) Includes the Convention Center subsidy and payments for vehicle leasing.

Figures may not add up due to rounding.

City Payments to School District

In each Fiscal Year since Fiscal Year 1996, the City has made an annual grant of at least $15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's then current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional $20 million annual grant beginning in Fiscal Year 2002. The following table presents the City's payments to the School District from the General Fund for Fiscal Years 2011-2014 and the current estimate for Fiscal Year 2015.

Table 20
City Payments to School District
Fiscal Years 2011-2014 (Actual) and 2015 (Current Estimate)
(Amounts in Millions of USD)[1]

	Actual 2011	Actual 2012	Actual 2013[2]	Actual 2014[3]	Current Estimate 2015
City Payments to School District	$38.6	$48.9	$68.9	$114.1	$69.1

(1) Sources: For Fiscal Years 2011-2014, the City's CAFRs for such Fiscal Years. For the current estimate for Fiscal Year 2015, the Proposed Twenty-Fourth Five-Year Plan.

(2) The City's contribution included a budgeted contribution of $48.9 million and an additional contribution of $20 million, which was derived from an increase in the Real Estate Tax rate.

(3) In Fiscal Year 2014, the City's contribution included a budgeted contribution of $69.1 million and an additional $45.1 million one-time contribution that was passed through from the Commonwealth.

In Fiscal Year 2014, the City also issued, through PAID, $27.3 million of bonds for the benefit of the School District in Fiscal Year 2014. In Fiscal Year 2015, the City issued, through PAID, $57.5 million of bonds for the benefit of the School District and to refund the bonds issued in Fiscal Year 2014.

Section 696 of the School Code imposes on the City a maintenance of effort obligation with respect to the School District. For so long as the School District remains subject to a declaration of "distress" by the Secretary of Education, the City is obligated to continue (i) paying over to the School District each year an amount at least equal to the amount paid over to the School District in the previous year and (ii) authorizing for the School District tax rates at least equal to the rates of taxation authorized by the City for the School District in the previous year. The School District was declared distressed effective December 22, 2001, and such declaration continues to be in effect. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Mayoral-Appointed or Nominated Agencies* – The School District."

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

City Payments to SEPTA

SEPTA operates a public transportation system within the City and Bucks, Chester, Delaware, and Montgomery counties. SEPTA's operating budget is supported by federal, Commonwealth, and local subsidies, including payments from the City. The following table presents the City's payments to SEPTA from the General Fund for Fiscal Years 2011-2014 and the current estimate for Fiscal Year 2015.

Table 21
City Payments to SEPTA
Fiscal Years 2011-2014 (Actual) and 2015 (Current Estimate)
(Amounts in Millions of USD)[1]

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Current Estimate 2015
City Payment to SEPTA	$65.9	$66.4	$65.2	$66.0	$70.4

[1] Sources: For Fiscal Years 2011-2014, the City's CAFRs for such Fiscal Years. For the current estimate for Fiscal Year 2015, the Proposed Twenty-Fourth Five-Year Plan.

The City budgets operating subsidies each Fiscal Year to match the estimated operating subsidies of the Commonwealth under Act 89. The state operating subsidy is funded through the Pennsylvania Public Transportation Trust Fund as created by Act 44 of 2007, amended by Act 89 of 2013. The local match requirement for Fiscal Years 2016-2020 has been calculated to match state operating subsidies. In addition, local matching funds must be appropriated each Fiscal Year in which state funds are received in order for SEPTA to receive the full allocation of state funds. The Proposed Twenty-Fourth Five-Year Plan projects operating subsidy payments to SEPTA from the City will increase to $92.5 million by Fiscal Year 2020. For more information on SEPTA, see APPENDIX B – "KEY CITY-RELATED SERVICES AND BUSINESSES – Transportation – SEPTA."

City Payments to Convention Center Authority

In connection with the financing of the expansion to the Pennsylvania Convention Center and the refinancing of debt for the original Pennsylvania Convention Center construction, the Commonwealth, the City, and the Convention Center Authority entered into an operating agreement in 2010 (the "Convention Center Operating Agreement"). The Convention Center Operating Agreement provides for the operation of the Convention Center by the Convention Center Authority and includes an annual service fee of $15,000,000 from the City to the Convention Center Authority in each Fiscal Year through Fiscal Year 2040.

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

PENSION SYSTEM

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

Overview

The City faces significant ongoing financial challenges in meeting its pension obligations, including an unfunded actuarial liability ("UAL") of approximately $5.7 billion as of July 1, 2014. In Fiscal Year 2014, the City's contribution to the Municipal Pension Fund was approximately $553.2 million, of which the General Fund's share was $463.8 million. The City's aggregate pension costs (consisting of payments to the Municipal Pension Fund and debt service on the Pension Bonds) have increased from approximately 7% of the City's General Fund budget to approximately 15% of the General Fund budget from Fiscal Years 2005 to 2014. See Table 28 below. As reflected in the Funded Ratio chart following Table 26, the funded ratio of the Municipal Pension Plan was 47.7% on July 1, 1995 (at which time the UAL was approximately $2.5 billion), and was 45.8% on July 1, 2014.

The growth in the UAL is the product of a number of factors, including the following:

- The decline in the equity markets in 2008-2009. See Table 22.

- A reduction in the assumed rate of return, from 9.00% in 2004 to 7.80% effective July 1, 2014. Although the gradual reductions in the assumed rates of return reflected in Table 22 are considered a prudent response to experience studies, by reducing the assumed return in the measurement of the actuarial liabilities, it serves to increase the UAL from what it otherwise would have been.

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

- The Municipal Pension Plan is a mature system, with the result that the number of members making contributions to the Municipal Pension Plan is less than the number of retirees and other beneficiaries receiving payments from the Municipal Pension Plan by approximately 10,700.

- The determination by the City, commencing in Fiscal Year 2005, to fund in accordance with the "minimum municipal obligation" ("MMO"), as permitted and as defined by Pennsylvania statute, which resulted in the City contributing less than otherwise would have been contributed under the prior City policy. See below, "Funding Requirements; Funding Standards."

- Revising, in Fiscal Year 2009, the period over which the UAL is amortized, from a period ending June 30, 2019, to a period ending June 30, 2039.

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

- Reducing the assumed rate of return on a gradual and consistent basis. See Table 22.

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

- In conjunction with extending the amortization period for the UAL from a period ending June 30, 2019, to a period ending June 30, 2039, changing from a level percent of pay amortization schedule to a level dollar amount schedule. This results in producing payments that ensure that a portion of principal on the UAL is paid each year.

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

- Negotiating recent collective bargaining agreements by which additional contributions are being made (and will be made) by certain current (and future) members of the Municipal Pension Plan.

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

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

Pension System; Pension Board

The City maintains two defined-benefit pension programs: (i) the Municipal Pension Plan, a multi-employer plan, which provides benefits to police officers, firefighters, non-uniformed employees, and non-represented appointed and elected officials, and (ii) the PGW Pension Plan, a single employer plan, which provides benefits to PGW employees. The Municipal Pension Plan is administered through 18 separate benefit structures, the funding for which is accounted for on a consolidated basis by the Municipal Pension Fund. The 18 benefit structures establish for their respective members different contribution levels, retirement ages, etc., but all assets are available to pay benefits to all members of the Municipal Pension Plan. The Municipal Pension Plan is a mature plan, initially established in 1915, with investment assets that totaled approximately $4.9 billion as of June 30, 2014. The Municipal Pension Plan has approximately 27,000 members who make contributions to the plan, and provides benefits to approximately 38,000 retirees and other beneficiaries.

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

Contributions are made by the City to the Municipal Pension Fund from (i) the City's General Fund, (ii) funds that are received by the City from the Commonwealth for deposit into the Municipal Pension Fund, and (iii) various City inter-fund transfers, representing amounts contributed, or reimbursed,

to the City's General Fund for pensions from the City's Water Operating Fund, Aviation Operating Fund, and certain other City funds or agencies. See Table 27 below, where the aggregate of such funds are referred to as "All City Funds Total Contribution." In addition to such City (employer) contribution, the other principal additions to the Municipal Pension Fund are (i) member (employee) contributions, (ii) interest and dividend income, (iii) net appreciation in asset values, and (iv) net realized gains on the sale of investments. See Table 24 below. An additional source of funding in the future is expected to be that portion of the 1% Sales Tax rate increase that is required under Pennsylvania law to be deposited to the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

The City of Philadelphia Board of Pensions and Retirement (the "Pension Board") was established by the City Charter to administer "a comprehensive, fair and actuarially sound pension and retirement system covering all officers and employees of the City." The City Charter provides that the Pension Board "shall consist of the Director of Finance, who shall be its chairman, the Managing Director, the City Controller, the City Solicitor, the Personnel Director and four other persons who shall be elected to serve on the Board by the employees in the civil service in such manner as shall be determined by the Board." In addition, there is one non-voting member on the Pension Board, who is appointed by the President of City Council. An Executive Director, together with a staff of 75 personnel, administers the day-to-day activities of the retirement system, providing services to approximately 65,000 members.

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

Membership. Total membership in the Municipal Pension Plan decreased by 0.2%, or 64,958 to 64,822 members, from July 1, 2013 to July 1, 2014, including an increase of 1.0% in active members from 26,788 to 27,065 (who were contributing to the Municipal Pension Fund). Of the 64,822 members, 37,757 were retirees, beneficiaries, disabled, and other members (who were withdrawing from, or not contributing to, the Municipal Pension Fund).

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

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

Certain membership information relating to the City's municipal retirement system provided by the Pension Board is set forth in Appendix A to the July 1, 2014 Actuarial Valuation Report (the "2014 Valuation") and includes as of July 1, 2014, among other information, active and non-active member data by plan, age/service distribution for active participants and average salary for all plans, and age and benefit distributions for non-active member data.

Funding Requirements; Funding Standards

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

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

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

The City has budgeted and paid at least the full MMO amount since such requirement was established, and more specifically, prior to Fiscal Year 2005 the City had been contributing to the Municipal Pension Plan the greater amount as calculated pursuant to the City Funding Policy which was implemented before Act 205 was effective, as described below. Payment of the MMO is a condition for receipt of the Commonwealth contribution to the Municipal Pension Fund. See Table 27 below.

Act 205 was amended in 2009 by Pa. P.L. 396, No. 44 ("Act 44") to authorize the City to "fresh start" the amortization of the UAL by a level annual dollar amount over 30 years ending June 30, 2039. In addition, Act 44 authorized the City to defer, and the City did defer, $150 million of the MMO otherwise payable in Fiscal Year 2010, and $80 million of the MMO otherwise payable in Fiscal Year 2011, subject to repayment of the deferred amounts by June 30, 2014. The City repaid the aggregate deferred amount of $230 million, together with interest at the then-assumed interest rate of 8.25%, in Fiscal Year 2013. See Table 28 below.

GASB 27; Annual Required Contribution; City Funding Policy. Governmental Accounting Standards Board ("GASB") Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" ("GASB 27"), applies to the City for Fiscal Years beginning prior to July 1, 2014. For the Fiscal Year beginning July 1, 2014, GASB Statement No. 68 ("GASB 68"), which amends GASB 27 in several significant respects, applies. GASB 27 defines an "annual required contribution" ("ARC") as that amount sufficient to pay (i) the normal cost and (ii) the amortization of UAL, and provides that the maximum acceptable amortization period is 30 years (for the initial 10 years of implementation, 1996-2006, a 40 year amortization period was permitted). GASB 27 does not establish funding requirements for the City but rather is an accounting and financial reporting standard. GASB 68

will not require the calculation of an ARC but will require the City to include as a liability on its balance sheet the City's "net pension liability," as defined by GASB 68. The City has been funding the Municipal Pension Fund since Fiscal Year 2003 based on the MMO, including the deferral permitted by Act 44. See Table 28 below.

The City, prior to Fiscal Year 2005, had been funding the Municipal Pension Fund in accordance with what the City referred to as the "City Funding Policy." That reference was used and continues to be used in the Actuarial Reports. The City's financial statements have reflected as the ARC for GASB 27 purposes the amounts required under the City Funding Policy. Because the City has been using the City Funding Policy amounts as the ARC for financial reporting purposes under GASB 27, while funding at the lower MMO amounts, the aggregate differences have resulted in a Net Pension Obligation ("NPO") being reported. See Note IV.1 to the City's audited Financial Statements for the Fiscal Year ended June 30, 2014, which sets forth the City's ARC for such year. The City could have used the MMO as the ARC for financial reporting purposes under GASB 27. Had the City done so, the MMO amounts paid would have equaled or exceeded the ARC, and thus no NPO would have resulted. Under the City Funding Policy, the UAL as of July 1, 1985 was to be amortized over 34 years ending June 30, 2019, with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability were amortized in level-dollar payments over various periods as prescribed in Act 205. In 1999, the City issued pension funding bonds, the proceeds of which were deposited directly into the Municipal Pension Fund to pay down its UAL. For GASB 27 purposes, these funds were treated as additional contributions. See "– Annual Contributions – Pension Bonds" below.

UAL and its Calculation

According to the 2014 Valuation, the funded ratio (the valuation of assets available for benefits to total actuarial liability) of the Municipal Pension Fund as of July 1, 2014 was 45.8% and the Municipal Pension Fund had an unfunded actuarial liability ("UAL") of $5.706 billion. The UAL is the difference between total actuarial liability ($10.521 billion as of July 1, 2014) and the actuarial value of assets ($4.815 billion as of July 1, 2014).

Key Actuarial Assumptions. In accordance with Act 205, the actuarial assumptions must be, in the judgment of both Cheiron (the independent consulting actuary for the Municipal Pension Fund) and the City, "the best available estimate of future occurrences in the case of each assumption." The assumed investment return rate used in the 2014 Valuation was 7.80% a year (which includes an inflation assumption of 2.75%), net of administrative expenses, compounded annually. For the prior actuarial valuation, the assumed investment return rate was 7.85%. See Table 22 for the assumed rates of return for Fiscal Years 2005 to 2014.

Other key actuarial assumptions in the 2014 Valuation include the following: (i) total annual payroll growth of 3.30%, (ii) annual administrative expenses assumed to increase 3.30% per year, (iii) to recognize the expense of the benefits payable under the Pension Adjustment Fund, actuarial liabilities were increased by 0.54%, based on the statistical average expected value of the benefits, (iv) a vested employee who terminates will elect a pension deferred to service retirement age so long as their age plus years of service at termination are greater than or equal to 55 (45 for police and fire employees), (v) for municipal and elected members, 70% of all disabilities are ordinary and 30% are service-connected, and (vi) for police and fire members, 50% of all disabilities are ordinary and 50% are service-connected.

"Smoothing Methodology". The Municipal Retirement System uses an actuarial value of assets to calculate its annual pension contribution, using an asset smoothing method to dampen the volatility in asset values that could occur because of fluctuations in market conditions. The Municipal Retirement System used a five-year smoothing prior to Fiscal Year 2009, and beginning with Fiscal Year 2009 began

employing a ten-year smoothing. Using the ten-year smoothing methodology, investment returns in excess or below the assumed rate are prospectively distributed in equal amounts over a ten-year period, subject to the requirement that the actuarial value of assets will be adjusted, if necessary, to ensure that the actuarial value of assets will never be less than 80% of the market value of the assets, nor greater than 120% of the market value of the assets. The actuarial value of assets as of July 1, 2014, was approximately 99% of the market value of the assets.

Actuarial Valuations. The Pension Board engages an independent consulting actuary (currently Cheiron) to prepare annually an actuarial valuation report. Act 205, as amended by Act 44, establishes certain parameters for the actuarial valuation report, including: (i) use of the entry age normal actuarial cost method, (ii) that the report shall contain (a) actuarial exhibits, financial exhibits, and demographic exhibits, (b) an exhibit of normal costs expressed as a percentage of the future covered payroll of the active membership in the Municipal Pension Plan, and (c) an exhibit of the actuarial liability of the Municipal Pension Plan, and (iii) that changes in the actuarial liability be amortized in level-dollar payments as follows: (1) actuarial gains and losses be amortized over 20 years beginning July 1, 2009 (prior to July 1, 2009, gains and losses were amortized over 15 years); (2) assumption changes be amortized over 15 years beginning July 1, 2010 (prior to July 1, 2010, assumption changes were amortized over 20 years); (3) plan changes for active members be amortized over 10 years; (4) plan changes for inactive members be amortized over one year; and (5) plan changes mandated by the Commonwealth be amortized over 20 years.

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

Pension Adjustment Fund

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

The amount to be credited to the PAF is 50% of the "excess earnings" that are between one percent (1%) and six percent (6%) above the actuarial assumed investment rate. Earnings in excess of six percent (6%) of the actuarial assumed investment rate remain in the Municipal Pension Fund. Although the Pension Board utilizes a ten-year smoothing methodology, as explained above, for the actuarial valuation of assets for funding and determination of the MMO, § 22-311 provides for a five-year smoothing to determine the amount to be credited to the PAF. The actuary determined that for the Fiscal Year ended June 30, 2014, there were "excess earnings" as defined to be credited to the PAF of approximately $61.2 million available for transfer and distribution. The Pension Board transfers to the PAF the full amount calculated by the actuary as being available in any year for transfer within six months of the Pension Board designating the amount to be transferred.

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

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

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

Rates of Return. The following table sets forth for the Fiscal Years 2005-2014 the market value of assets internal rate of return and actuarial value of assets internal rate of return experienced by the Municipal Pension Fund, and the assumed rate of return. The 5-year and 10-year annual average returns as of June 30, 2014, were 12.01% and 7.38%, respectively, on a market value basis.

Table 22
Municipal Pension Fund
Annual Rates of Return

Year Ending June 30,	Market Value	Actuarial Value[1]	Assumed Rate of Return
2005	9.9%	1.8%	8.75%
2006	11.3	6.1	8.75
2007	17.0	10.7	8.75
2008	-4.5	10.1	8.75
2009	-19.9	-9.3	8.75
2010	13.8	12.9	8.25
2011	19.4	9.9	8.15
2012	0.2	2.4	8.10
2013	10.9	5.1	7.95
2014	15.7	4.8	7.85

Source: 2014 Valuation for Market and Actuarial Value annual rates of return; annual Actuarial Valuation Reports prepared by Mercer Human Resources Consulting for Fiscal Years 2005-2006 and Cheiron for Fiscal Years 2007-2014 for Assumed Rates of Return.

(1) Net of PAF. See "Pension Adjustment Fund" above. The actuarial values for 2005-2008 reflect a five-year smoothing; for 2009-2014, a ten-year smoothing.

Asset Values. The following table sets forth as of the July 1 actuarial valuation date for the years 2005-2014 the actuarial and market values of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

Table 23
Actuarial Value of Assets vs. Market Value of Net Assets
(Dollar Amounts in Millions of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets[1]	Market Value of Net Assets[1]	Actuarial Value as a Percentage of Market Value
2005	$4,159.5	$4,100.6	101.4%
2006	4,168.5	4,315.6	96.6
2007	4,421.7	4,850.9	91.2
2008	4,623.6	4,383.5	105.5
2009	4,042.1	3,368.4	120.0
2010[2]	4,380.9	3,650.7	120.0
2011[2]	4,719.1	4,259.2	110.8
2012[2]	4,716.8	4,151.8	113.6
2013	4,799.3	4,444.1	108.0
2014	4,814.9	4,854.3	99.2

Source: 2014 Valuation for Actuarial Value of Assets; 2005-2014 Actuarial Reports for Market Value of Net Assets.

(1) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2014 equaled $62,439,223. The Actuarial Value of Assets excludes that portion of the Municipal Pension Fund that is allocated to the PAF. The actuarial values for 2005-2008 reflect a five-year smoothing; for 2009-2014, a ten-year smoothing.

(2) The July 1, 2010 actuarial and market values of assets include the $150 million deferred contribution from Fiscal Year 2010, and the July 1, 2011 and July 1, 2012 actuarial and market values of assets include the total deferred contribution of $230 million. See Table 28 below.

Changes in Plan Net Position. The following table sets forth for the Fiscal Years 2010-2014, the additions, including employee (member) contributions, City contributions (including contributions from the Commonwealth), investment income and miscellaneous income, and deductions, including benefit payments and administration expenses, for the Municipal Pension Fund. Debt service payments on pension funding bonds (as described below at "Annual Contributions – Pension Bonds") are made from the City's General Fund and not made from the Municipal Pension Fund, and therefore are not included in Table 24. In those years in which the investment income is less than anticipated, the Municipal Pension Fund may experience negative changes (total deductions greater than total additions), which, as the table reflects, did occur in Fiscal Year 2012. Furthermore, if unrealized gains are excluded from Table 24, resulting in a comparison of cash actually received against actual cash outlays, it results in a negative cash flow in each year, which is typical of a mature retirement system.

Contributions from the Commonwealth are provided pursuant to the provisions of Act 205. Any such contributions are required to be used to defray the cost of the City's pension system. The amounts contributed by the Commonwealth for each of the last ten Fiscal Years are set forth in Table 27 below.

Employee (member) contribution amounts reflect contribution rates as a percent of pay, which vary from 5.00% to 6.00% for police and fire employees, and from 1.95% to 3.75% for municipal employees. However, future member contribution rates for nearly all municipal employees increased by 0.5% of pay on January 1, 2015 and are scheduled to increase by an additional 0.5% of pay commencing January 1, 2016.

Table 24
Changes in Net Position of the Municipal Pension Fund
Fiscal Years 2010-2014
(Amounts in Thousands of USD)

	2010	2011	2012	2013	2014
Beginning Net Assets (Market Value)[1]	$3,375,767	$3,501,602	$4,030,216	$3,922,817	$4,445,224
Additions					
- Member Contributions	51,570	52,706	49,979	49,614	53,722
- City Contributions[2,3]	312,556	470,155	556,031	781,823	553,179
- Investment Income[4]	455,793	701,225	13,297	442,667	677,380
- Miscellaneous Income[5]	(1,368)	(385)	1,224	3,134	4,089
Total	$818,551	$1,223,701	620,531	$1,277,238	$1,288,370
Deductions					
- Benefits and Refunds	(684,642)	(687,034)	(712,684)	(746,490)	(808,597)
- Administration	(8,074)	(8,053)	(15,246)[6]	(8,341)	(8,292)
Total	$ (692,716)	$ (695,087)	$ (727,930)	$ (754,831)	($816,889)
Ending Net Assets (Market Value[7]	$3,501,602	$4,030,216	$ 3,922,817	$4,445,224	$4,916,705

Source: Municipal Pension Fund's audited financial statements.

(1) Includes the PAF, which is not available for funding purposes.
(2) City Contributions include pension contributions from the Commonwealth. See Table 27 below.
(3) City Contributions are the actual cash outlays for Fiscal Year 2010 and Fiscal Year 2011, which do not include deferred amounts of $150 million and $80 million, respectively.
(4) Investment income is shown net of fees and expenses, and includes interest and dividend income, net appreciation in fair value of investments, and net gains realized upon the sale of investments.
(5) Miscellaneous income includes securities lending and other miscellaneous revenues.
(6) The $15,246 is the number in the Fund's 2012 audited financial statements. However, it was subsequently determined that certain investment expenses had been misclassified as administration expenses. If those investment expenses were not included, the administration deduction for Fiscal Year 2012 would have been $8,482,639.
(7) For Fiscal Year 2010, does not include the $150 million contribution receivable and for Fiscal Years 2011 and 2012 does not include the $230 million total contribution receivable, which was paid back and is included in Fiscal Year 2013.

Funded Status of the Municipal Pension Fund

The following two tables set forth as of the July 1 actuarial valuation date for the years 2005-2014, the asset value, the actuarial liability, the UAL, the funded ratio, covered payroll and UAL, as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively.

Table 25
Schedule of Funding Progress (Actuarial Value)
(Dollar Amounts in Millions of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets[1] (a)	Actuarial Liability (b)	UAL (Actuarial Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2005	$4,159.5	$7,851.5	$3,692.0	53.0%	$1,270.7	290.5%
2006	4,168.5	8,083.7	3,915.2	51.6	1,319.4	296.7
2007	4,421.7	8,197.2	3,775.5	53.9	1,351.8	279.3
2008	4,623.6	8,402.2	3,778.7	55.0	1,456.5	259.4
2009	4,042.1	8,975.0	4,932.9	45.0	1,463.3	337.1
2010	4,380.9	9,317.0	4,936.1	47.0	1,421.2	347.3
2011	4,719.1[2]	9,487.5	4,768.4	49.7	1,371.3	347.7
2012	4,716.8[2]	9,799.9	5,083.1	48.1	1,372.2	370.4
2013	4,799.3	10,126.2	5,326.9	47.4	1,429.7	372.6
2014	4,814.9	10,521.8	5,706.9	45.8	1,495.4	381.6

Source: 2014 Valuation.

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

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

Table 26
Schedule of Funding Progress (Market Value)
(Dollar Amounts in Millions of USD)

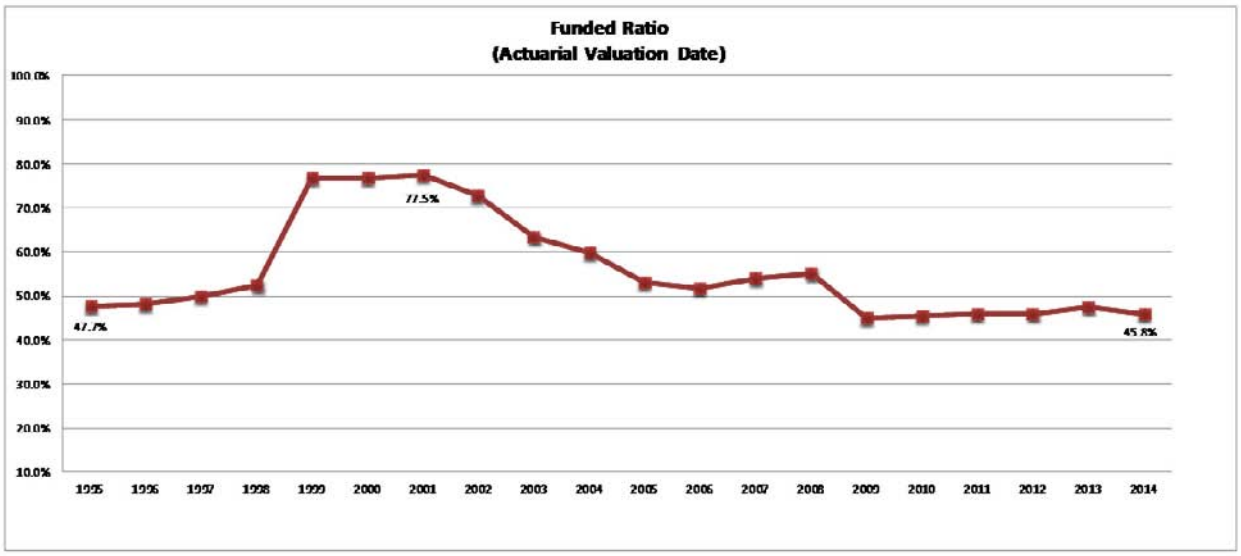
Actuarial Valuation Date (July 1)	Market Value of Net Assets[1] (a)	Actuarial Liability (b)	UAL (Market Value) (b-a)	Funded Ratio (Market Value) (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll (Market Value) [(b-a)/c]
2005	$4,100.6	$7,851.5	$3,750.9	52.2%	$1,270.7	295.2%
2006	4,315.6	8,083.7	3,768.1	53.4	1,319.4	285.6
2007	4,850.9	8,197.2	3,346.3	59.2	1,351.8	247.5
2008	4,383.5	8,402.2	4,018.7	52.2	1,456.5	275.9
2009	3,368.4	8,975.0	5,606.6	37.5	1,463.3	383.2
2010	3,650.7	9,317.0	5,666.3	39.2	1,421.2	398.7
2011	4,259.2	9,487.5	5,228.3	44.9	1,371.3	381.3
2012	4,151.8	9,799.9	5,648.1	42.4	1,372.2	411.6
2013	4,444.1	10,126.2	5,682.1	43.9	1,429.7	397.4
2014	4,854.3[2]	10,521.8	5,667.6	46.1	1,495.4	379.0

Source: 2005-2014 Actuarial Valuation Reports.

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

(2) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2014 equaled $62,439,223.

The following chart reflects the funded ratios, using the actuarial value of assets, for the period 1995 – 2014.



Annual Contributions

Table 27 shows the components of the City's annual pension contributions from City funds for the Fiscal Years 2005-2014.

Table 27
All City Funds Total Contribution to Municipal Pension Fund
(Amounts in Millions of USD)

Fiscal Year	General Fund Contribution[1]	Commonwealth Contribution	City Interfund Transfers[2]	All City Funds Total Contribution
2005	$224.2	$49.8	$35.0	$309.0
2006	231.2	57.3	43.3	331.8
2007	317.5	57.7	57.1	432.3
2008	305.5	59.6	61.8	426.9
2009	332.1	59.6	63.7	455.4
2010	204.0[3]	59.2	49.3	312.6
2011	343.4[3]	61.8	65.0	470.2
2012	376.9	95.0	84.1	556.0
2013	626.3[4]	65.7	89.8	781.8
2014	399.0	69.6	84.6	553.2

Source: 2005-2014 Actuarial Valuation Reports and the City.

(1) General Fund Contribution represents contributions to the Municipal Pension Fund from the City's General Fund, Grants Revenue Fund, Acute Care Hospital Assessment Fund, and General Capital Improvement Fund.

(2) City Interfund Transfers represent contributions to the Municipal Pension Fund from the City's Water Operating Fund, Airport Operating Fund, Special Gasoline Tax Fund, Community Development Block Grant Fund, and Municipal Pension Fund, as well as contributions from quasi-governmental agencies.

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

(4) Includes repayment of deferred contributions of $230.0 million authorized pursuant to Act 44 and $58.0 million of aggregate interest due over the entire deferral period.

Table 28 below sets forth for the City's Fiscal Years 2005-2014, information related to the City's annual pension contributions including, among other information, the MMO and the percentages of the MMO contributed.

Table 28
Annual City Contribution Status for the Municipal Pension Fund
(Dollar Amounts in Millions of USD)

Fiscal Year	MMO	All City Funds Total Contribution[1]	MMO (Deferred) Makeup Payments	% of MMO Contributed
2005	$294.0	$309.0		105.1%
2006	306.9	331.8		108.1
2007	400.3	432.3		108.0
2008	412.4	426.9		103.5
2009	438.5	455.4		103.9
2010	447.4	312.6	$(150.0)	100.0[2]
2011	511.0	470.2	(80.0)	100.0[2]
2012	507.0	556.0		109.7
2013	492.0	781.8[3]	230.0	158.9
2014	523.4	553.2		105.7

Source: 2005-2014 Actuarial Valuation Reports and the City.

(1) See Table 27 above.
(2) Act 205 directs the actuary, in performing the actuarial valuations, to disregard deferrals, and therefore 100% is reflected in this column.
(3) Includes repayment of deferred contributions of $230.0 million authorized pursuant to Act 44 and $58.0 million of aggregate interest due over the entire deferral period.

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

Table 29
Annual City Contribution as % of Covered Employee Payroll
(Dollar Amounts in Thousands of USD)

Fiscal Year	Annual City Contribution	Fiscal Year Covered Employee Payroll	ACC as % of Payroll
2005	$299,266[1]	$1,270,700	23.55%
2006	331,765	1,319,400	25.15
2007	432,267	1,351,826	31.98
2008	426,934	1,461,640	29.21
2009	455,389	1,462,451	31.14
2010	312,556	1,422,987	21.96
2011	470,155	1,410,207	33.34
2012	556,031	1,387,086	40.06
2013	781,823	1,423,417	54.93
2014	553,179	1,556,660	35.54

Source: Municipal Pension Fund Financial Statements, June 30, 2014.

(1) There is a minor inconsistency for Fiscal Year 2005 between the audited financial statements of the Municipal Pension Fund and the City's internal records, which as reflected in Tables 27 and 28, show an Annual City Contribution of approximately $309 million.

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

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

In October 2012, PAID, at the request of the City, issued Pension Bonds in the principal amount of $231.2 million, the proceeds of which were used principally to make the $230 million repayment of deferred contributions to the Municipal Pension Fund reflected in Table 28 above. These bonds had maturities of April 1, 2013 and 2014, and have been repaid.

In December 2012, PAID, at the request of the City, issued Pension Bonds in the approximate principal amount of $300 million, the proceeds of which were used to current refund a portion of the 1999 Pension Bonds. The refunding generated savings of approximately $22.7 million, which the City deposited into the Municipal Pension Fund.

Projections of Funded Status

Cautionary Note. The information under this subheading, "Projections of Funded Status," was prepared by Cheiron. The table below shows a five-year projection of MMO payments, Actuarial Value of Assets, Actuarial Liability, and Funded Ratio. The charts below show projections through 2034 of funded ratios and MMO contributions. All projections, whether for five years or for twenty years, are subject to actual experience deviating from the underlying assumptions and methods, and that is particularly the case for the charts below for the periods beyond the projections in the five-year table. **Projections and actuarial assessments are "forward looking" statements and are based upon assumptions which may not be fully realized in the future and are subject to change, including changes based upon the future experience of the City's Municipal Pension Fund and Municipal Pension Plan.**

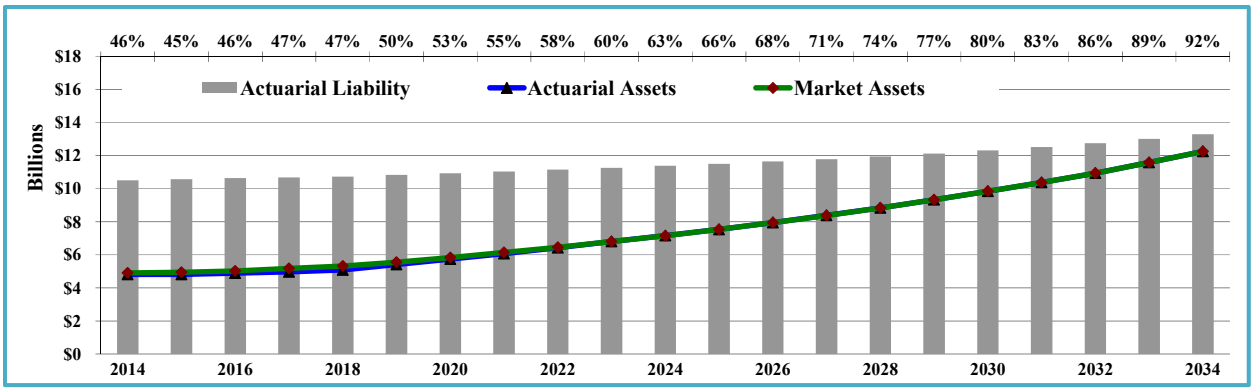
The projections are on the basis that all assumptions in the 2014 Valuation are exactly realized and the City makes all future MMO payments on schedule as required by Pennsylvania law, and must be understood in the context of the assumptions, methods and benefits in effect as described in the 2014 Valuation. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.80% annually, (ii) MMO contributions will be made each year, and (iii) the provisions of Act 205 as amended by Act 44 will remain in force during the projection period. See the 2014 Valuation for a further discussion of the assumptions and methodologies used by the Actuary in preparing the 2014 Valuation and the following projections. In addition, the table and charts below reflect estimates of sales tax revenues that will be deposited by the City into the Municipal Pension Fund, which were provided by the City to Cheiron. Cheiron has not analyzed and makes no representation regarding the validity of the sales tax revenue assumptions and estimates provided by the City. See "REVENUES OF THE CITY – Sales and Use Tax."

Five-Year Projection.

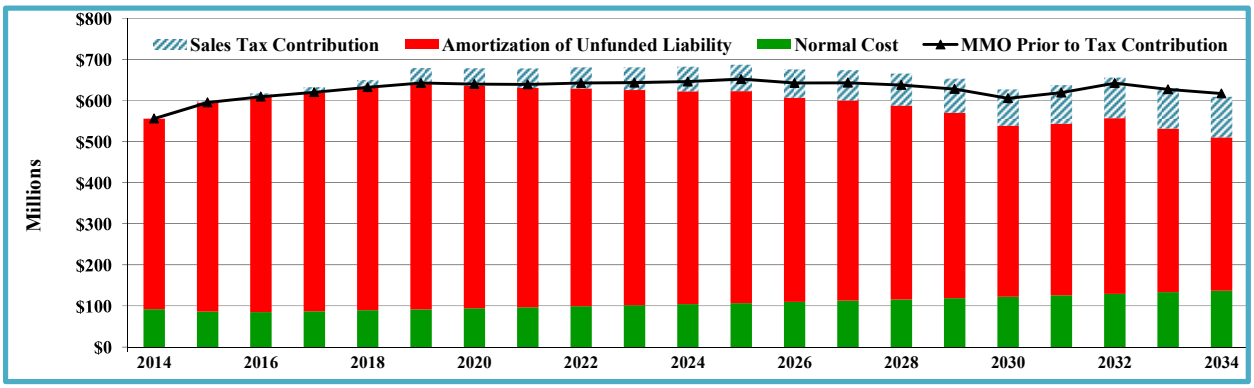
Fiscal Year End	MMO	Sales Tax Contribution	Actuarial Value of Assets	Actuarial Liability	UAL	Funded Ratio
2015	$ 556.0	$ 0.0	$ 4,814.9	$ 10,521.8	$ 5,706.9	45.8%
2016	595.0	2.8	4,815.5	10,584.8	5,769.3	45.5%
2017	609.4	7.8	4,900.0	10,640.2	5,740.2	46.1%
2018	619.5	13.2	4,976.2	10,689.7	5,713.5	46.6%
2019	630.9	18.6	5,085.4	10,733.2	5,647.7	47.4%
2020	639.9	38.9	5,410.4	10,836.9	5,426.5	49.9%

Twenty-Year Projections.

Funded Ratio Chart:



MMO Contribution Chart:



OTHER POST-EMPLOYMENT BENEFITS

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

To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by the union contract for AFSCME DC 33 and is self-insured or moving to self-insurance for all other eligible retirees. Eligible union represented employees receive five years of coverage through their union's health fund. The City's funding obligation for such benefits is the same as for active employees. Certain union represented employees may defer their coverage until a later date. For some groups, the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement, but for police and fire retirees, the City pays the cost of five years of coverage when the employee receives the benefits.

The annual payments made by the City for OPEB for the last five Fiscal Years are shown in Table 30 below.

Table 30
Annual OPEB Payment
(Amounts in Millions of USD)

Fiscal Year ended June 30,	Annual OPEB Payment
2010	$71,693
2011	65,533
2012	76,344
2013	57,096
2014	67,100

For financial reporting purposes, although the City funds OPEB on a pay-as-you-go basis, it is required to include in its financial statements (in accordance with GASB Statement No. 45) a calculation similar to that performed to calculate its pension liability. Pursuant to GASB 45, an annual required contribution is calculated which, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. As of July 1, 2013, the date of the most recent actuarial valuation, the UAL for the City's OPEB was $1.7 billion, the covered annual payroll was $1.4 billion, and the ratio of UAL to the covered payroll was 120.2%. See Note IV.3 to the City's audited Financial Statements for the Fiscal Year ended June 30, 2014.

PGW PENSION PLAN

General

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

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

The City sponsors the Philadelphia Gas Works Pension Plan (the "PGW Pension Plan"), a single employer defined benefit plan, to provide pension benefits for all of PGW's employees and other eligible class employees of PFMC and the Gas Commission. As plan sponsor, the City, through its General Fund, could be responsible for plan liabilities if the PGW Pension Plan does not satisfy its payment obligations to PGW retirees. At September 1, 2014, the PGW Pension Plan membership total was 3,734, comprised of (i) 2,343 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and (ii) 1,391 participants, of which 1,140 were vested and 251 were nonvested.

PGW Pension Plan

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

PGW is required by statute to contribute the amounts necessary to fund the PGW Pension Plan. The PGW Pension Plan is being funded with contributions by PGW to the Sinking Fund Commission of the City. Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. The pension payments are treated as an operating expense of PGW and are included as a component of PGW's base rate. As such, the payment amounts are subject to the approval of the PUC. To date, the PUC has approved the amounts requested that are allocable to pension payments.

Pension Costs and Funding

PGW pays an annual amount that is projected to be sufficient to cover its normal cost and an amortization over 20 years of the PGW Pension Plan's UAL. The following chart shows the normal cost, the amortization payment, and the resulting annual required contribution (being the amount also paid) for the last five PGW Fiscal Years.

Table 31
PGW Pension Payments
(Dollar Amounts in Thousands of USD)

Fiscal Year ended August 31,	Normal Cost	Amortization Payment	Annual Required Contribution (amount paid)
2010	$8,292	$16,341	$24,633
2011	8,125	7,300	15,425
2012	8,171	15,801	23,972
2013	8,782	14,832	23,614
2014	8,533	15,988	24,521

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

Table 32
Schedule of Pension Funding Progress
(Dollar Amounts in Thousands of USD)

Actuarial valuation date (September 1)	Actuarial value of assets	Actuarial liability	Unfunded actuarial liability	Funded ratio
2010	$381,975	$533,630	$151,655	71.58%
2011	421,949	572,190	150,241	73.74
2012	437,780	585,632	147,852	74.75
2013	462,691	623,612	160,921	74.20
2014	514,944	643,988	129,044	79.96

The current significant actuarial assumptions for the PGW Pension Plan are (i) investment return rate of 7.95% compounded annually, (ii) salary increases assumed to reach 4.5% per year; and (iii) retirements that are assumed to occur prior to age 62, at a rate of 10.0% at ages 55 to 61 and 100% at age 62.

Additional Information

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

Further information on the PGW Pension Plan, including with respect to its membership, plan description, funding policy, actuarial assumptions and funded status is contained in the Fiscal Year 2014 CAFR.

PGW OTHER POST-EMPLOYMENT BENEFITS

PGW provides post-employment healthcare and life insurance benefits to its participating retirees and their beneficiaries and dependents. The City, through its General Fund, could be responsible for costs associated with post-employment healthcare and life insurance benefits if PGW fails to satisfy its post-employment benefit obligations.

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

As part of a July 29, 2010 rate case settlement (the "Rate Settlement"), which provided for the establishment of an irrevocable trust for the deposit of funds derived through a rider from all customer classes to fund OPEB liabilities, PGW established the trust in July 2010, and began funding the trust in accordance with the Rate Settlement in September 2010. The Rate Settlement provides that PGW shall deposit $15.0 million annually for an initial five-year period towards the ARC, and an additional $3.5 million annually, which represents a 30-year amortization of the OPEB liability at August 31, 2010. These deposits will be funded primarily through increased rates of $16.0 million granted in the Rate Settlement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period of 30 years.

The following tables provide the detail of the PGW OPEB payments for the last five PGW Fiscal Years, and the funding progress.

Table 33
PGW OPEB Payments
(Amounts in Millions of USD)

Fiscal Year ended August 31,	Healthcare	Life Insurance	OPEB Trust	Total
2010	$20.6	$1.1	$0.0	$21.7
2011	21.8	1.4	18.5	41.7
2012	24.5	1.5	18.5	44.5
2013	22.2	1.5	18.5	42.2
2014	24.3	1.6	18.5	44.4

Table 34
Schedule of OPEB Funding Progress
(Dollar Amounts in Thousands of USD)

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

Further information on PGW's annual OPEB expense, net OPEB obligation and the funded status of the OPEB benefits related to PGW is contained in the Fiscal Year 2014 CAFR.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

Due to the fact that the receipt of revenues into the General Fund generally lag behind expenditures from the General Fund during each Fiscal Year, the City issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account (described below) to finance its on-going operations. The City has issued, or PICA has issued on behalf of the City, tax and revenue anticipation notes in each Fiscal Year since Fiscal Year 1972. Each issue was repaid when due, prior to the end of the Fiscal Year. The City issued $130 million of tax and revenue anticipation notes on November 25, 2014, which mature on June 30, 2015. The City expects to issue $175 million of tax and revenue anticipation notes in Fiscal Year 2016.

The timing imbalance referred to above results from a number of factors, principally the following: (i) Real Estate Taxes, BIRT, and certain other taxes are not due until the latter part of the Fiscal Year; and (ii) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

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

Consolidated Cash

The Act of the General Assembly of June 25, 1919 (Pa. P.L. 581, No. 274, Art. XVII, § 6) authorizes the City to make temporary inter-fund loans between certain operating and capital funds. The City maintains a Consolidated Cash Account for the purpose of pooling the cash and investments of all City funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Aviation Fund, and certain other restricted purpose funds). A separate accounting is maintained to record the equity of each member fund that participates in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the procedures described below.

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, an advance is made from the Consolidated Cash Account, in an amount necessary to result in a zero

balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a member fund that has negative equity are applied in repayment of the advance.

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

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

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and to make investments that preserve principal while striving to obtain the maximum rate of return. In accordance with the Home Rule Charter, the City Treasurer is the City official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional investment managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to revenue bonds for water and sewer and the airport are directly deposited and held separately in trust. A fiscal agent manages these cash balances 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 (as described below). In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with federal or Commonwealth reporting.

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

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

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio. Repurchase agreements, money market mutual funds, commercial paper, and corporate bonds are limited to investment of no more than 25% of the total portfolio. Obligations of the Commonwealth

and collateralized banker's acceptances and certificates of deposit are limited to no more than 15% of the total portfolio. Collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 5% of the total portfolio.

U.S. government securities carry no limitation as to the percent of the total portfolio per issuer. U.S. agency securities are limited to no more than 33% of the total portfolio per issuer. Repurchase agreements and money market mutual funds are limited to no more than 10% of the total portfolio per issuer. Commercial paper, corporate bonds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 3% of the total portfolio per issuer.

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

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

DEBT OF THE CITY

General

Section 12 of Article IX of the Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of [the] City shall not exceed 13.5% of the average of the annual assessed valuations of the taxable realty therein, during the ten years immediately preceding the year in which such increase is made, but [the] City shall not increase its indebtedness to an amount exceeding 3.0% upon such average assessed valuation of realty, without the consent of the electors thereof at a public election held in such manner as shall be provided by law." The Supreme Court of Pennsylvania has held that bond authorizations once approved by the voters need not be reduced as a result of a subsequent decline in the average assessed value of City property.

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called "self-supporting debt") incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay interest and sinking fund charges thereon. In the case of general obligation debt, the amount of such self-supporting debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-supporting debt is general obligation debt of the City, with the only distinction from tax-supported debt

being that it is not used in the calculation of the Constitutional debt limit. Self-supporting debt has no lien on any particular revenues.

For purposes of the following discussion, the approximately $138 million of general obligation debt approved by the voters of the City on January 15, 2015 has been included. Using the methodology described above, as of January 15, 2015, the Constitutional debt limitation for tax-supported general obligation debt was approximately $3,011,158,000. The total amount of authorized debt applicable to the debt limit was $1,751,044,000, including $724,949,000 of authorized but unissued debt, leaving a legal debt margin of $1,260,114,000. The calculation of the legal debt margin is as follows:

Table 35
General Obligation Bonded Debt
January 15, 2015
(Amounts in Thousands of USD)

Authorized, issued and outstanding	$1,379,700
Authorized and unissued	724,949
Total	$2,104,649
Less: Self-supporting debt	(353,605)
Less: Serial bonds maturing within a year	0
Total amount of authorized debt applicable to debt limit	1,751,044
Legal debt limit	3,011,158
Legal debt margin	$1,260,114

As a result of the implementation of the City's AVI, the assessed value of taxable real estate within the City has increased substantially. See "REVENUES OF THE CITY – Real Property Taxes Assessment and Collection." The $3.011 billion Constitutional debt limit calculation includes one year of property values certified under the City's AVI program, and nine years of property values under the City's former property valuation process. Assuming no increase or decrease in property values used to calculate the Constitutional debt limit in Table 35, the Constitutional debt limit is estimated to be $14.473 billion by 2024.

The City is also empowered by statute to issue revenue bonds and, as of February 28, 2015, had outstanding $1,779,781,000 aggregate principal amount of Water and Wastewater Revenue Bonds ("Water Bonds"), $1,008,775,000 aggregate principal amount of Gas Works Revenue Bonds, and $1,256,265,000 aggregate principal amount of Airport Revenue Bonds. As of February 28, 2015, the principal amount of PICA bonds outstanding was $363,640,000. In addition, the City has enacted an ordinance authorizing the issuance of and intends to issue in Fiscal Year 2015 approximately $300 million aggregate principal amount of Water Bonds. The City has enacted an ordinance authorizing the issuance of approximately $120 million and $350 million aggregate principal amount in commercial paper for PGW and the Division of Aviation, respectively.

Short-Term Debt

The City issued $130 million of Tax and Revenue Anticipation Notes on November 25, 2014, which mature on June 30, 2015. See "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – General Fund Cash Flow."

Long-Term Debt

The table below presents a synopsis of the bonded debt of the City and its component units as of the date indicated. Of the total balance of City general obligation bonds issued and outstanding as of February 28, 2015, approximately 23% is scheduled to mature within five Fiscal Years and approximately 49% is scheduled to mature within ten Fiscal Years. When PICA's outstanding bonds are included with the City general obligation bonds, approximately 60% is scheduled to mature within ten Fiscal Years.

Table 36
Bonded Debt -- City of Philadelphia and Component Units
as of February 28, 2015
(Amounts in Thousands of USD)[(1), (2)]

General Obligation and PICA bonds		
General Obligation Bonds		$1,379,700
PICA		363,640
Subtotal General Obligation and PICA bonds		1,743,340
Other Long-Term Debt-Related Obligations[(3)]		
Philadelphia Municipal Authority		
Municipal Services Building capital appreciation bonds	$ 7,337	
Criminal Justice Center	68,365	
Juvenile Justice Center	93,700	
Public Safety Campus	65,155	
Fleet Management Equipment Lease	14,850	
Energy Conservation	11,965	261,372
Philadelphia Authority for Industrial Development		
Pension capital appreciation bonds	$688,866	
Pension fixed rate bonds	761,655	
Stadiums	289,900	
Library	7,185	
Cultural and Commercial Corridor	108,085	
One Parkway	37,010	
Philadelphia School District	57,515	1,950,216
Parking Authority		13,020
Redevelopment Authority		212,465
Subtotal		$4,180,413
Revenue bonds		
Water Fund		1,779,781
Aviation Fund		1,256,265
Gas Works		1,008,775
Subtotal: Revenue bonds		$4,044,821
Grand total		$8,225,234

(1) Unaudited.
(2) For tables setting forth a ten-year historical summary of tax-supported debt of the City and the School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2014, see the Fiscal Year 2014 CAFR.
(3) The principal amount outstanding relating to the PAID 1999 Pension Obligation Bonds, Series B (capital appreciation bonds) and the PMA Municipal Services Building Rental Bonds, Series 1990C (capital appreciation bonds) are reflected as the accreted value thereon as of February 28, 2015.

Table 37
City of Philadelphia
Annual Debt Service on City-Related Long-Term Debt
(as of February 28, 2015)
(Amounts in Millions of USD)[1]

Fiscal Year	General Obligation Bonds[2]			Other Long-Term Obligations[3]			Total		
	Principal	Interest[4]	Total	Principal	Interest[4]	Total	Principal	Interest	Total
2016	$59.18	$68.37	$127.54	$101.86	$143.03	$244.88	$161.03	$211.40	$372.43
2017	62.09	65.36	127.45	102.02	142.67	244.69	164.10	208.03	372.14
2018	65.10	62.14	127.24	108.88	141.78	250.66	173.97	203.92	377.89
2019	68.36	58.77	127.13	74.51	140.93	215.44	142.87	199.70	342.57
2020	70.33	55.32	125.65	65.47	140.75	206.23	135.80	196.07	331.88
2021	63.36	52.06	115.41	80.71	125.60	206.31	144.07	177.65	321.72
2022	66.19	48.88	115.06	78.54	127.78	206.32	144.73	176.66	321.39
2023	70.55	45.40	115.95	115.99	90.33	206.32	186.53	135.74	322.27
2024	74.10	41.68	115.77	116.03	90.30	206.33	190.12	131.98	322.11
2025	77.74	37.79	115.53	120.58	85.76	206.34	198.31	123.56	321.87
2026	74.09	33.96	108.05	136.29	69.23	205.52	210.38	103.19	313.57
2027	77.65	30.11	107.76	162.04	46.10	208.14	239.69	76.22	315.90
2028	81.96	26.20	108.15	167.32	36.72	204.04	249.28	62.92	312.20
2029	55.53	22.94	78.47	279.65	19.63	299.28	335.17	42.58	377.75
2030	71.45	19.87	91.31	55.95	9.72	65.66	127.39	29.59	156.98
2031	75.15	16.27	91.42	58.57	7.11	65.68	133.72	23.38	157.10
2032	79.02	12.47	91.49	16.03	4.89	20.92	95.05	17.37	112.42
2033	43.22	9.37	52.59	7.40	4.29	11.69	50.61	13.67	64.28
2034	30.41	7.40	37.80	7.81	3.88	11.69	38.22	11.28	49.49
2035	15.55	6.15	21.69	8.26	3.43	11.69	23.80	9.58	33.38
2036	16.42	5.27	21.69	8.73	2.96	11.69	25.15	8.23	33.38
2037	17.33	4.36	21.69	9.23	2.46	11.69	26.56	6.82	33.38
2038	18.31	3.38	21.69	9.76	1.93	11.69	28.07	5.31	33.37
2039	19.37	2.32	21.69	10.33	1.37	11.69	29.70	3.69	33.38
2040	8.52	1.50	10.02	3.31	0.77	4.08	11.83	2.26	14.09
2041	9.10	0.93	10.02	3.45	0.62	4.07	12.55	1.55	14.10
2042	9.71	0.32	10.02	3.60	0.48	4.07	13.30	0.79	14.09
2043	0.00	0.00	0.00	3.75	0.33	4.08	3.75	0.33	4.08
2044	0.00	0.00	0.00	3.91	0.17	4.08	3.91	0.17	4.08
TOTAL	**$1,379.70**	**$738.59**	**$2,118.29**	**$1,919.93**	**$1,445.03**	**$3,364.96**	**$3,299.63**	**$2,183.62**	**$5,483.25**

(1) Does not include letter of credit fees.
(2) Does not include PICA Bonds.
(3) Includes PAID, PMA, PPA, and PRA bonds. Annual payment for certain items in this category are included in Table 36.
(4) Assumes interest rate to be fixed swap rate on hedged variable rate bonds plus any fixed spread. Net of capitalized interest on the PAID 2012 Service Agreement Revenue Refunding Bonds.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations, as shown on Table 36. The City budgets all other long-term debt-related obligations as a single budget item with the exception of PPA, which has a budget of $1,335,875 for Fiscal Year 2015.

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia ("CCP"). Under the Community College Act (Pa. P.L. 103, No. 31 (1985)), each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment). The amount paid by the City in Fiscal Year 2014 was $26.4 million. The budgeted amount and current estimate for Fiscal Year 2015 is $26.9 million.

PICA Bonds

PICA has issued 11 series of bonds at the request of the City. PICA no longer has authority under the PICA Act to issue bonds for new money purposes, but may refund bonds previously issued. As of February 28, 2015, two series of bonds remain outstanding: (i) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009, in the outstanding aggregate principal amount of $220,135,000 and having a final stated maturity date of June 15, 2023, and (ii) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010, in the outstanding aggregate principal amount of $143,505,000 and having a final stated maturity date of June 15, 2022. The proceeds of the bonds issued by PICA were used to (a) make grants to the City to fund its General Fund deficits, to fund the costs of certain City capital projects, to provide other financial assistance to the City to enhance operational productivity, and to defease certain City general obligation bonds, (b) refund other PICA bonds and (c) pay costs of issuance.

The PICA Act authorizes the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the execution of the PICA Agreement, the City reduced the wage, earnings, and net profits taxes on City residents by 1.5% and enacted a new tax of 1.5% on wages, earnings and net profits of City residents (the "PICA Tax"). See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Non-Mayoral-Appointed or Nominated Agencies* – PICA." The PICA Tax, collected by the City's Department of Revenue, as agent of the State Treasurer, 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.

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

The PICA Act establishes a "Bond Payment Account" for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. The State Treasurer is required to pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account. The proceeds of the PICA Tax in excess of amounts required for (i) debt

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

The total amount of PICA Tax remitted by the State Treasurer to PICA (which is net of the costs of the State Treasurer in collecting the PICA Tax), PICA annual debt service and investment expenses, and net PICA tax revenue remitted to the City for each of the Fiscal Years 2011 through 2014 and the budgeted amount and current estimate for Fiscal Year 2015 are set forth below. The Fiscal Year 2014 unaudited figures and the current estimates for Fiscal Year 2015 are from the Quarterly City Manager's Report for the period ending December 31, 2014.

Table 38
Summary of PICA Tax Remitted by the State Treasurer to PICA and Net Taxes Remitted by PICA to the City (Amounts in Millions of USD)

Fiscal Year	PICA Tax	PICA Annual Debt Service and Investment Expenses	Net taxes remitted to the City
2011 (Actual)	358.7	64.9	293.8
2012 (Actual)	357.5	62.3	295.2
2013 (Actual)	376.5	62.5	314.0
2014 (Unaudited)	384.5	65.8	318.7
2015 (Budget)	403.7	65.7	338.0
2015 (Current Estimate)	402.7	65.7	337.0

OTHER FINANCING RELATED MATTERS

Swap Information

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

Table 39
Summary of Swap Information
for General Fund-Supported Bonds
as of February 27, 2015

City Entity	City GO	City Lease PAID 2007A (Stadium)[2]	City Lease PAID 2007B-2,3 (Stadium)[3],[5]	City Lease PAID 2014A (Stadium)[3]	City Lease PAID 2007B-2,3 (Stadium)[3],[6]	City Lease PAID 2014A (Stadium)[3]
Related Bond Series	2009B[1]					
Initial Notional Amount	$313,505,000	$298,485,000	$217,275,000	$87,961,255	$72,400,000	$29,313,745
Current Notional Amount	$100,000,000	$193,520,000	$87,758,745	$87,961,255	$29,246,255	$29,313,745
Termination Date	8/1/2031	10/1/2030	10/1/2030	10/1/2030	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20% plus fixed annuity	SIFMA	70% 1-month LIBOR	SIFMA	70% 1- month LIBOR
Rate Paid by City Entity	3.829%	SIFMA	3.9713%	3.62%	3.9713%	3.632%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	JPMorgan Chase Bank, N.A.	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.	Merrill Lynch Capital Services, Inc.
Fair Value[4]	($23,744,865)	($3,221,208)	($19,982,050)	($19,439,520)	($6,659,595)	($6,512,791)
Additional Termination Events	For Dealer: Rating change below BBB- or Baa3	For Dealer: Rating change below BBB- or Baa3	For Dealer: Rating change below BBB- or Baa3	For Dealer: Rating change below BBB- or Baa3	For Dealer: Rating change below BBB- or Baa3	For Dealer: Rating change below BBB- or Baa3
	For City: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For PAID: Rating change below BBB- or Baa3 upon insurer event.	For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)

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

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

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

(4) Fair values are as of February 27, 2015, and are shown from the City's perspective and include accrued interest.

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

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

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

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, the Water Department, and the Division of Aviation, see the Fiscal Year 2014 CAFR. In addition, PICA has entered into swaps, which are detailed in the Fiscal Year 2014 CAFR.

Swap Policy

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

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

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

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

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

Letter of Credit Agreements

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

Table 40
Summary of Letter of Credit Agreements for General Fund-Supported Bonds as of February 28, 2015

Variable Rate Bond Series	Amount Outstanding	Bond Maturity Date	Provider	Expiration Date	Rating Thresholds [1]
General Obligation Bonds, Series 2009B	$100,000,000	August 1, 2031	Bank of New York Mellon	March 7, 2016	The long-term rating assigned by any one of the rating agencies to any unenhanced long-term parity debt of the City is (i) withdrawn or suspended for credit-related reasons or (ii) reduced below investment grade.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2	72,400,000	October 1, 2030	TD Bank	May 29, 2019	The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-3	44,605,000	October 1, 2030	PNC Bank	May 23, 2017	The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade.

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

Recent and Upcoming Financings

Recent Financings. The following is a list of financings that the City has entered into since January 1, 2014:

- In November 2014, the City issued $130,000,000 of tax and revenue anticipation notes, which mature on June 30, 2015.
- In October 2014, the City, through PAID, issued $57,515,000 in City Service Agreement Bonds for the benefit of the School District and to refund the $27,275,000 in City Service Agreement Bonds that were issued for the benefit of the School District in June 2014.
- In August 2014, the City, together with PGW, authorized its $150,000,000 Gas Works Revenue Notes, CP Series G and its $120,000,000 Gas Works Revenue Capital Project Commercial Paper Notes, which are each secured by a dual-purpose letter of credit for up to $120,000,000.

- In July 2014, the City, through PAID, issued $56,655,000 of Lease Revenue Refunding Bonds, the proceeds of which were used to refund bonds previously issued to finance a portion of the costs of stadiums used by the Phillies and the Eagles.

- In the second quarter of 2014, the City, through PAID, refunded the Series 2007B-1 bonds with direct purchase floating rate notes, indexed to a percentage of 1-month LIBOR, and concurrently re-indexed associated portions of the related swaps to the same LIBOR index.

- In April 2014, the City, through PMA, issued City Service Agreement Bonds in the aggregate principal amount of $65,155,000.

- In February 2014, the City issued General Obligation Refunding Bonds in the amount of $154,275,000.

- In January 2014, the City, together with the Water Department, issued $123,170,000 in Water Bonds.

Upcoming Financings. The following is a list of planned financings for bonds and notes that the City expects to issue in calendar year 2015:

- The City, together with the Water Department, expects to issue Water Bonds to finance capital projects and refund certain outstanding series of such bonds.

- The City, through PRA, expects to issue City Service Agreement Bonds to refund certain outstanding series of such bonds.

- The City, together with PGW, expects to issues its Gas Works Revenue Bonds to refund certain outstanding series of such bonds.

- The City expects to issue General Obligation Bonds to refund certain outstanding series of such bonds and finance certain capital projects.

- The City, through PAID, expects to issue City Service Agreement Bonds to refund certain outstanding series of such bonds.

- The City, together with the Division of Aviation, expects to issue Airport Revenue Bonds to refund certain outstanding series of such bonds

- The City expects to issue $175 million of its tax and revenue anticipation notes to finance certain cash flow needs of the City.

- The City, through PMA, expects to issue City Service Agreement Bonds to finance certain capital projects.

CITY CAPITAL IMPROVEMENT PROGRAM

The City's amended Capital Improvement Program for Fiscal Years 2015-2020, approved by City Council on October 30, 2014 and signed by the Mayor on November 12, 2014, contemplates a total budget of $9,409,806,000, of which $2,611,250,000 is to be provided from federal, Commonwealth, and other sources and the remainder through City funding. The Proposed Capital Improvement Program for Fiscal Years 2016-2021, submitted to City Council on March 5, 2015 and included as part of the Proposed Twenty-Fourth Five-Year Plan, contemplates a total budget of $8,962,447,000. In the Proposed Capital Improvement Program, $3,574,338,000 is expected to be provided from federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects in the Proposed Capital Improvement Program.

Table 41
Proposed Capital Improvement Program for Fiscal Years 2016-2021
(Amounts in Thousands of USD)

	2016	2017	2018	2019	2020	2021	2016-2021
City Funds – Tax Supported							
Carried-Forward Loans	$326,185	$0	$0	$0	$0	$0	**$326,185**
Operating Revenue	24,764	4,014	2,514	2,514	2,514	2,514	**38,834**
New Loans	169,563	142,331	134,592	130,675	127,011	127,201	**831,373**
Pre-financed Loans	9,599	0	0	0	0	0	**9,599**
PICA Pre-financed Loans	7,507	0	0	0	0	0	**7,507**
Tax Supported Subtotal	$537,618	$146,345	$137,106	$133,189	$129,525	$129,715	**$1,213,498**
City Funds – Self Sustaining							
Self-Sustaining Carried-Forward Loans	$811,167	$0	$0	$0	$0	$0	**$811,167**
Self-Sustaining Operating Revenue	150,276	79,297	86,295	81,579	86,502	95,485	**579,434**
Self-Sustaining New Loans	501,750	465,811	449,493	454,736	456,444	440,776	**2,769,010**
Self-Sustaining Subtotal	$1,463,193	$545,108	$535,788	$536,315	542,946	536,261	**$4,159,611**
Other City Funds							
Revolving Funds	$15,000	$0	$0	$0	$0	$0	**$15,000**
Other Than City Funds							
Carried-Forward Other Government	$2,714	$0	$0	$0	$0	$0	**$2,714**
Other Governments Off Budget	2,253	2,429	1,746	1,744	1,684	1,573	**11,429**
Other Governments	7,000	0	0	0	0	0	**7,000**
Carried-Forward State	100,523	0	0	0	0	0	**100,523**
State Off Budget	181,842	207,356	213,810	214,097	214,122	211,865	**1,243,092**
State	35,850	36,126	41,210	43,046	41,259	40,861	**238,352**
Carried-Forward Private	114,046	0	0	0	0	0	**114,046**
Private	183,008	146,978	146,671	151,561	166,688	164,113	**959,019**
Carried-Forward Federal	154,189	0	0	0	0	0	**154,189**
Federal Off Budget	74,565	60,394	47,722	25,382	14,449	0	**222,512**
Federal	110,450	79,749	82,633	77,215	89,618	81,797	**521,462**
Other than City Funds Subtotal	$966,440	$533,032	$533,792	$513,045	$527,820	$500,209	**$3,574,338**
TOTAL – ALL FUNDS	**$2,982,251**	**$1,224,485**	**$1,206,686**	**$1,182,549**	**$1,200,291**	**$1,166,185**	**$8,962,447**

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Division of Aviation, and PGW, which are paid out of their respective funds or revenues and only secondarily out of the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act," (the "Tort Claims Act") establishes a $500,000 aggregate limitation on damages for injury to a person or property arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation on damages has been previously upheld by the Pennsylvania appellate courts, including in the recent decision of the Supreme Court of Pennsylvania in *Zauflik v. Pennsbury School District*, 104 A.3d 1096 (2014). Under Pennsylvania Rule of Civil Procedure 238, delay damages are not subject to the $500,000 limitation. The limit on damages is inapplicable to any suit against the City that does not arise under state tort law, such as claims made against the City under federal civil rights laws.

On February 19, 2014, legislation was introduced in the General Assembly that would increase the $500,000 limitation described in the preceding paragraph. Such legislation would increase the damages limitation to $10 million and has been referred to the Committee on Judiciary. As of the date of this Official Statement, there has been no further action on this legislation in the General Assembly.

General Fund

The following table presents the City's aggregate losses from settlements and judgments paid out of the General Fund for Fiscal Years 2011-2014 and the current estimate for Fiscal Year 2015.

Table 42
Aggregate Losses – General and Special Litigation Claims (General Fund)
Fiscal Years 2011-2013 (Actual) and 2014-2015 (Current Estimate)
(Amounts in Millions of USD)

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Current Estimate 2015
Aggregate Losses	$33.6	$32.6	$30.3	$41.0	$39.7

Source: The City's adopted budgets for Fiscal Years 2012-2015.

Based on the Proposed Twenty-Fourth Five-Year Plan, the current estimate of settlements and judgments from the General Fund for Fiscal Years 2016-2020 is $38.0 million for each such Fiscal Year.

In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each five-year plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses. For Fiscal Year 2013, payments from the General Fund for claims arising from employee disputes totaled $1,147,697 of which $359,280 was paid from the Indemnities account and $788,417 from the operating budgets of the affected departments. For Fiscal Year 2014, payments from the General Fund for these

claims totaled $542,904 of which $522,404 was paid from the Indemnities account, and $20,500 from the operating budgets of the affected departments.

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

Water Fund

Various claims have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The following table presents the Water Department's aggregate losses from settlements and judgments paid out of the Water Fund for Fiscal Years 2011-2014 and the current estimate for Fiscal Year 2015. The Water Fund is the first source of payment for any of the claims against the Water Department.

Table 43
Aggregate Losses – General and Special Litigation Claims (Water Fund)
Fiscal Years 2011-2014 (Actual) and 2015 (Current Estimate)
(Amounts in Millions of USD)

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Current Estimate 2015
Aggregate Losses	$5.4	$3.1	$5.1	$6.1	$6.5

Source: The City's adopted budgets for Fiscal Years 2012-2015.

Aviation Fund

Various claims have been asserted against the Division of Aviation and in some cases lawsuits have been instituted. Many of these Division of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Division of Aviation. The following table presents the Division of Aviation's aggregate losses from settlements and judgments paid out of the Aviation Fund for Fiscal Years 2011-2014 and the current estimate for Fiscal Year 2015. The Aviation Fund is the first source of payment for any of the claims against the Division of Aviation.

Table 44
Aggregate Losses – General and Special Litigation Claims (Aviation Fund)
Fiscal Years 2011-2014 (Actual) and 2015 (Current Estimate)

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Current Estimate 2015
Aggregate Losses	$1.7 million	$1.3 million	$1.4 million	$665,527	$2.5 million

Source: The City's adopted budgets for Fiscal Years 2012-2015.

PGW

Various claims have been asserted against PGW and in some cases lawsuits have been instituted. Many of these PGW claims have been reduced to judgment or otherwise settled in a manner requiring payment by PGW. The following table presents PGW's settlements and judgments paid out of PGW revenues, with accompanying reserve information, in PGW Fiscal Years 2010 through 2014. PGW revenues are the first source of payment for any of the claims against PGW. PGW currently estimates approximately $4.7 million in settlements and judgments for PGW Fiscal Year 2015.

Table 45
Claims and Settlement Activity (PGW)
PGW Fiscal Years 2010-2014
(Amounts in Thousands of USD)[1]

Fiscal Year (ending August 31)	Beginning of Year Reserve	Current Year Claims and Adjustments	Claims Settled	End of Year Reserve	Current Liability Amount
2010	$11,881	$1,237	$(3,252)	$9,866	$5,380
2011	9,866	4,299	(3,468)	10,697	4,141
2012	10,697	3,725	(3,320)	11,102	7,664
2013	11,102	2,616	(3,307)	10,411	4,925
2014	10,411	2,498	(2,965)	9,944	4,728

(1) Source: PGW's audited financial statements.

APPENDIX B

CITY SOCIOECONOMIC INFORMATION

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

INTRODUCTION 1
Geography 1
Strategic Location 2
Challenges 2
POPULATION AND DEMOGRAPHICS 3
ECONOMIC BASE AND EMPLOYMENT 4
The Philadelphia Economy 4
Key Industries 4
Employment 5
Unemployment 7
Principal Private Sector Employers in the City 7
Hospitals and Medical Centers 8
Educational Institutions 10
Median and Average Household Income 11
Cost of Living Index 12
Housing 13
Office Market and New Development 17
Retail Market, Food and Dining 18
Airport System 19
Southeastern Pennsylvania Transportation Authority (SEPTA) 23
Port of Philadelphia 25
ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION 26
City of Philadelphia Economic Development Mission and Goals 26
Economic Development Infrastructure 26
Key Development Achievements 28
TRANSPORTATION 40
KEY CITY-RELATED SERVICES AND BUSINESSES 41
Water and Wastewater 41
Solid Waste Disposal 41
Parks 41
Libraries 41
Streets and Sanitation 41
Sustainability and Green Initiatives 42

[THIS PAGE INTENTIONALLY LEFT BLANK]

INTRODUCTION

The City of Philadelphia (the "City" or "Philadelphia") is the fifth-largest city in the nation, and is at the center of the United States' sixth largest metropolitan statistical area. The Philadelphia MSA (further described below) includes the fifth largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries. Some of the City's top priorities include attracting and retaining knowledge workers, increasing educational attainment among Philadelphians, attracting development, and promoting Philadelphia as a desirable location for business.

According to the 2010 U.S. Census, the City increased its population by 0.6 percent in the ten years from 2000 to 2010 to 1.526 million residents, ending six decades of population decline. Although the increase was modest, it was an indicator of more recent growth and development in Philadelphia. From 2010 to 2013, the City increased its population by 1.8 percent to 1.553 million residents, which exceeded the rate of population growth projected by the Philadelphia City Planning Commission in its 2011 comprehensive plan.

Although facing challenges such as underfunded pension liabilities, high rates of poverty, and the School District of Philadelphia's (the "School District") ongoing fiscal crisis, the City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries.

Geography

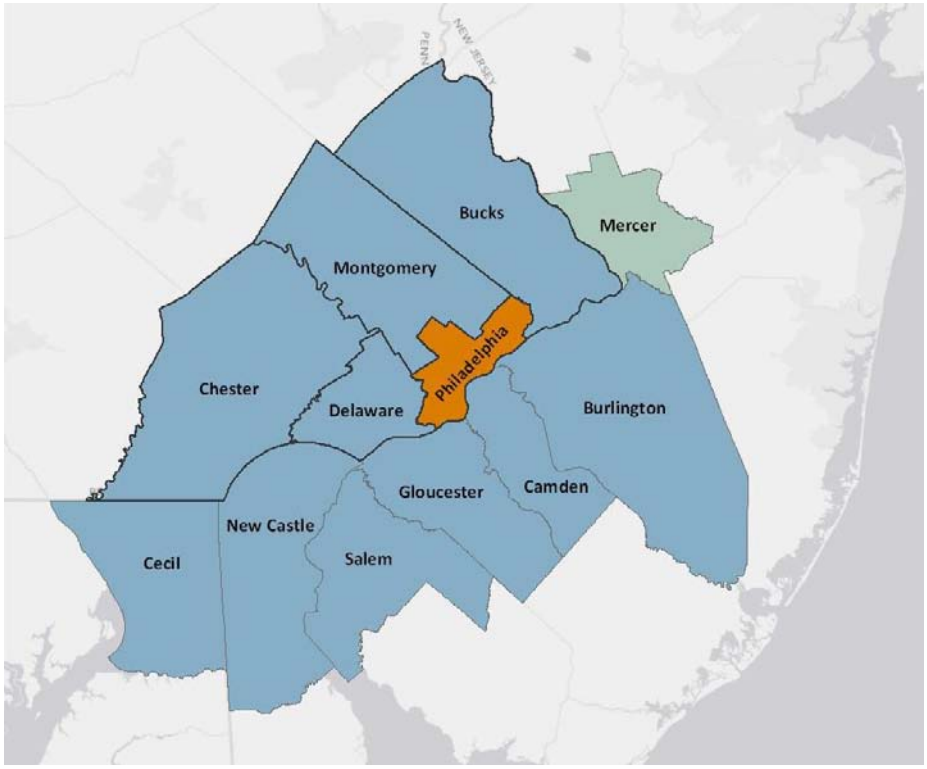
The City has an area of approximately 134 square miles, and is located along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth"), at the confluence of the Delaware and Schuylkill Rivers. The City, highlighted in orange in Figure 1, lies at the geographical and economic center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

Philadelphia Metropolitan Statistical Area (the "MSA"), highlighted in blue in Figure 1, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of approximately 5,118 square miles with approximately 6,034,678 residents.[1]

Philadelphia Primary Metropolitan Statistical Area (the "PMSA"), outlined in grey in Figure 1, is a five-county area that is within the MSA that lies in the Commonwealth and is sometimes called the Philadelphia Metropolitan Division. The counties of Bucks, Chester, Delaware, and Montgomery are referred to as the Suburban PMSA herein.

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

Figure 1
Map of Philadelphia Region, including the MSA, PMSA, and Mercer County, NJ



Source: 2009 TIGER County Shapefiles

Strategic Location

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

Essential to Philadelphia's strategic location is the region's access to public transit. The U.S. Census reports that 26.1 percent of Philadelphians used public transit to commute to work in 2013. SEPTA's regional rail service had record ridership in Fiscal Year 2014, and SEPTA public transit modes collectively had an average annual aggregate ridership increase of 1.9 percent over the last seven years.

Challenges

As evidenced by the City's development and population growth, Philadelphia has made progress transforming itself into a vibrant, attractive city over the past two decades. However, challenges still exist. At 26.3 percent, Philadelphia has the highest poverty rate of the nation's ten largest cities. The School District has experienced persistent budget deficits. The growth in charter school enrollment and state funding issues have exacerbated budget issues and resulted in spending cuts and the closure of 23 district schools in June 2013.

While Philadelphia's cultural amenities and quality of life attract millennials, generally defined as those born between 1980 and 2000, and now comprising the largest demographic group in the City, reports such as "Millennials in Philadelphia, A Promising but Fragile Boom," published by the Pew Charitable Trusts in 2014 (the "2014 Pew Report"), suggest that Philadelphia will struggle to retain these recent transplants unless it can alleviate these challenges. Although 59 percent of millennials said they would recommend the City to a friend as a place to live, only 36 percent of millennials surveyed said they would recommend Philadelphia as a place to raise children, and 56 percent responded they would not recommend the City as a place to raise children.

POPULATION AND DEMOGRAPHICS

Philadelphia is the nation's fifth largest city, with 1.553 million residents, based on 2013 U.S. Census estimates. The City's population gain from 2000 to 2010, while modest, was its first in 60 years. In the three years following the 2010 U.S. Census, the City's population grew by an additional 1.8 percent, adding an additional 27,159 residents, according to 2013 U.S. Census estimates.

From 2006 to 2012, the share of the population represented by citizens age 20 to 34 grew from 20 percent to 26 percent, becoming the largest share of Philadelphia's population. Of the 30 largest cities in the country, Philadelphia had the largest percentage point increase of millennials as a share of overall population from 2006 to 2012, according to the 2014 Pew Report referred to above. This demographic tends to be better educated than the City's and the nation's adult population as a whole. In 2013, 39.8 percent of 25- to 34-year-olds in Philadelphia held a bachelor's degree or higher, while only 32.9 percent of 25 to 34-year-olds in the United States were college graduates. The City's many universities and diverse employment opportunities are likely draws for residents in the 20 to 34 age group. In addition to an increase in the millennial population, the City's immigrant population also grew significantly, with the City's Asian population increasing 126.6 percent and the Hispanic or Latino population growing by 110.3 percent from 1990 to 2010[2].

Table 1
Population
City, MSA, Pennsylvania & Nation

	1990	2000	2010	2013	Percent Change 2000-2010	Percent Change 2010-2013
Philadelphia	**1,585,577**	**1,517,550**	**1,526,006**	**1,553,165**	**0.60%**	**1.77%**
Philadelphia-Camden-Wilmington MSA	5,437,468	5,687,147	5,965,343	6,034,678	4.89%	1.16%
Pennsylvania	11,881,643	12,281,054	12,702,379	12,773,801	3.40%	0.56%
United States	248,709,873	281,421,906	308,745,538	316,128,839	9.70%	2.39%

Source: U.S. Census Bureau, American Community Survey 2013, Census 2010, Census 2000, Census 1990.

Nearly 27 percent of Philadelphia's population is school aged and, in 2013, Philadelphia exceeded most selected peer cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Among the selected peer cities listed in Table 2, four of the six cities with the largest share of students in higher education were located in the Northeast region. Among these cities, while Boston had the highest percentage of its population enrolled in higher education, Philadelphia had 35,543 more students enrolled in higher education than Boston. Philadelphia had the sixth highest percentage of its population enrolled in higher education and the fifth largest university student population.

[2] Source: Pew Charitable Trusts Philadelphia Research Initiative 2011 report, "A City Transformed: the Racial and Ethnic Changes in Philadelphia Over the Last 20 Years."

Table 2
2013 Total Number of Students, as a Percent of Total Population of Selected Cities, Ranked by Total Number of Students Enrolled in Higher Education

City	Total Number of Students Enrolled in Higher Education	Total Number of Students Enrolled in School (all years)	Percent of All Students Enrolled in Higher Education	Percent of Total Population enrolled in Higher Education
Los Angeles, CA	349,769	1,033,797	33.83%	9.44%
Chicago, IL	237,382	718,978	33.02%	9.12%
Houston, TX	154,833	579,104	26.74%	7.50%
San Diego, CA	148,101	375,049	39.49%	11.51%
Philadelphia, PA	**147,779**	**413,283**	**35.76%**	**9.96%**
San Antonio, TX	115,793	402,022	28.80%	8.74%
Boston, MA	112,236	196,283	57.18%	18.19%
Phoenix, AZ	100,507	408,279	24.62%	7.07%
Washington, DC	75,213	160,155	46.96%	12.34%
Baltimore, MD	61,380	163,015	37.65%	10.28%
Milwaukee, WI	58,244	186,848	31.17%	10.19%
Detroit, MI	55,297	198,829	27.81%	8.27%
Memphis, TN	52,001	178,653	29.10%	12.56%
Cleveland, OH	30,009	102,704	29.22%	7.99%
United States	23,718,337	82,819,691	28.64%	7.85%

Source: 2013 American Community Survey, 3-Year Estimates

ECONOMIC BASE AND EMPLOYMENT

The Philadelphia Economy

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

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

Key Industries

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

As shown in Table 3, compared to the nation, Philadelphia County has higher concentrations in eight sectors: educational services; health care and social assistance; management of companies and enterprises; finance and insurance; professional and technical services; arts, entertainment, and recreation;

transportation and warehousing; and other services[3]. Of these eight sectors, the City has a higher concentration of employment than the Commonwealth in six sectors: educational services; health care and social assistance; finance and insurance; professional and technical services; arts, entertainment and recreation; and other services.

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

Industry	Philadelphia County to the US	Pennsylvania to the US
Educational Services	4.26	1.50
Health Care and Social Assistance	1.72	1.21
Management of Companies and Enterprises	1.28	1.47
Finance and Insurance	1.17	1.04
Professional and Technical Services	1.16	0.92
Arts, Entertainment, and Recreation	1.17	1.04
Transportation and Warehousing	1.08	1.15
Other Services	1.09	1.05

Source: Bureau of Labor Statistics: 2013 Location Quotient, Quarterly Census of Employment and Wages Data. Industry Location Quotients are calculated by comparing the industry's share of regional employment with its share of national employment.

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

Employment

Table 4 shows non-farm payroll employment in the City over the last decade by industry sectors. In the past 10 years, the highest levels of growth have occurred in Professional and Business Services, Education and Health Services, and Leisure and Hospitality. These sectors provide stability to the City's overall economy. Government remains the second largest sector by number of employees. See "EXPENDITURES OF THE CITY – Personal Services (Personnel)" in APPENDIX A to this Official Statement.

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

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

Sector	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*	Percent Change 2004-2014	Average Annual Percent Change
Construction & Mining	11.4	12.0	12.4	11.9	12.1	10.1	10.0	10.0	10.2	10.4	11.0	-3.5%	-0.4%
Manufacturing	32.6	31.2	29.9	28.5	27.8	25.7	24.7	23.7	22.9	21.8	21.4	-34.4%	-4.1%
Trade, Transportation, & Utilities	90.9	90.0	88.5	87.8	87.6	85.9	86.6	87.4	88.9	89.5	90.9	0.0%	0.0%
Information	13.6	13.2	12.8	12.6	12.5	12.6	12.2	12.0	12.0	11.5	11.5	-15.4%	-1.7%
Financial Activities	49.0	48.2	47.7	47.1	46.5	44.9	42.6	41.6	41.0	41.1	41.7	-14.9%	-1.6%
Professional & Business Services	80.3	82.4	84.2	85.8	85.3	80.1	81.6	83.0	84.1	86.4	88.3	10.0%	1.0%
Education & Health Services	180.1	182.5	187.7	192.4	196.7	199.2	202.3	206.4	208.1	209.3	212.6	18.0%	1.7%
Leisure & Hospitality	54.6	56.6	58.0	58.0	57.9	56.9	58.4	60.6	63.2	64.8	67.1	22.9%	2.1%
Other Services	28.5	28.5	28.2	28.0	27.8	26.6	26.5	26.4	26.8	27.1	27.4	-3.9%	-0.4%
Private Sector Total	**541.0**	**544.6**	**549.4**	**552.1**	**554.2**	**542.0**	**544.9**	**551.1**	**557.2**	**561.9**	**571.9**	**5.7%**	**0.6%**
Government	116.9	115.7	113.2	110.6	109.2	110.4	112.1	109.0	105.3	103.5	102.2	-12.6%	-1.3%
Total	**657.9**	**660.3**	**662.5**	**662.7**	**663.3**	**652.6**	**657.1**	**660.0**	**662.3**	**665.4**	**674.2**	**2.5%**	**0.2%**

Source: Bureau of Labor Statistics, 2014.
[1] Includes persons employed within the City, without regard to residency.
* 2014 average estimates are calculated using preliminary numbers for December 2014 and are subject to change.

Table 5
Philadelphia Change in Share of Employment Sectors[1]
(Amounts in Thousands)

Sector	Share of Total Employment 2004	Share of Total Employment 2014*	Percent Change 2004 – 2014
Construction & Mining	1.7%	1.6%	-5.8%
Manufacturing	5.0%	3.2%	-35.9%
Trade, Transportation, & Utilities	13.8%	13.5%	-2.4%
Information	2.1%	1.7%	-17.5%
Financial Activities	7.5%	6.2%	-17.0%
Professional & Business Services	12.2%	13.1%	7.3%
Education & Health Services	27.4%	31.5%	15.2%
Leisure & Hospitality	8.3%	10.0%	19.9%
Other Services	4.3%	4.1%	-6.2%
Private Sector Total	**82.2%**	**84.8%**	3.2%
Government	17.8%	15.2%	-14.7%
Total	**100.00%**	**100.0%**	

Source: Bureau of Labor Statistics, 2014.
[1] Includes persons employed within the City, without regard to residency.
*2014 average estimates are calculated using preliminary numbers for December 2014 and are subject to change.

In 2014, the Education and Health Services, Professional and Business Services, Financial Activities, and Leisure and Hospitality sectors collectively represented 60.5 percent of total employment in the City for the year, and 76.6 percent of total private sector wages for the second quarter. Philadelphia has recovered 25,000 private sector jobs since the peak of the recession in 2009.

Unemployment

Throughout the 1990s and as late as 2009, Philadelphia narrowed the gap between its unemployment levels and the national unemployment levels. The effects of the recession on unemployment endured longer in Philadelphia than in many other parts of the country; however, Mayor Nutter has made lowering unemployment a top priority in his second term. To that end, the City has created a Jobs Commission, which in January 2013 released a strategic plan to lower unemployment.

Employment gains in the latter part of 2013 and in 2014 have resulted in a decline in Philadelphia's unemployment rate. According to preliminary data from the Bureau of Labor Statistics, Philadelphia's unemployment rate dropped to 6.2 percent in December 2014, a decline of 2.1 percentage points in 12 months, and is comparable to the City's pre-recession annual unemployment rates of 6.2 percent in 2006 and 6.0 percent in 2007.

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

Table 6
Unemployment Rate in Selected Geographical Areas
(Annual Average 2004-2014)

Geographical Area	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*	Change in Rate 2004-2014
United States	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	**0.7%**
Pennsylvania	5.4%	5.0%	4.5%	4.4%	5.3%	7.9%	8.5%	8.0%	7.9%	7.4%	5.6%	**0.2%**
Philadelphia-Camden-Wilmington MSA	5.1%	4.7%	4.5%	4.3%	5.4%	8.2%	8.9%	8.6%	8.5%	7.8%	6.1%	**1.0%**
Philadelphia	**7.3%**	**6.7%**	**6.2%**	**6.0%**	**7.1%**	**9.6%**	**10.8%**	**10.9%**	**10.8%**	**10.0%**	**7.6%**	**0.3%**

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics
* 2014 average estimates are calculated using preliminary numbers for December 2014 and are subject to change.

Principal Private Sector Employers in the City

Table 7 lists Philadelphia's 15 largest private sector employers, by wage tax revenue. Five are hospitals and providers of other medical services, four are renowned universities, and three are in the finance and insurance industry. Other sectors represented include food services, bio-tech, and broadcasting/cable.

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

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

Employer	Sector	Employees within Philadelphia
University of Pennsylvania	Education	25,287
University of Pennsylvania Health System	Health	15,290
Children's Hospital of Philadelphia	Health	10,294
Temple University Hospital, Inc.	Health	8,804
Temple University	Education	8,204
Thomas Jefferson University Hospitals	Health	7,860
Aramark Corporation	Food Service	6,347
Drexel University	Education	6,096
Albert Einstein Medical	Health	5,752
Thomas Jefferson University	Education	4,243
Independence Blue Cross	Insurance	3,505
PNC Bank N.A.	Finance	2,981
Ace Insurance Company	Insurance	1,568
GlaxoSmithKline LLC	Bio-tech	1,376
Comcast Corporation†	Broadcasting/Cable	
Total		**107,607**

Source: City of Philadelphia Department of Commerce
*As of June 2014
†Employment Data unavailable

Hospitals and Medical Centers

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

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

Table 8 lists the number of licensed and staffed beds in each of the major hospitals and medical centers in the City, as of June 2013, and does not reflect any mergers, consolidations or closures that have occurred since that date.

Table 8
Hospitals and Medical Centers as of June 2013

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

Source: PA Department of Health, Report 1A-1B, 2013.
[1]Aria Health System includes data for all three divisions - Frankford, Torresdale and Bucks County.
[2]St. Joseph's Hospital includes data for Girard Medical Center/Continuing Care Hospital of Philadelphia.
[3]Temple University Hospital includes data for Episcopal Hospital.
[4]Thomas Jefferson University Hospital includes data for the Methodist Hospital Division.

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

The Wistar Institute. The Wistar Institute was founded in 1892 and was the nation's first independent biomedical research facility. The Institute recently completed construction of a $100 million expansion and renovation project that will significantly increase its ability to carry out its mission as an international leader in basic biomedical research and make advancements in the fields of genetics, cancer biology, translational research, immunology and virology.

Educational Institutions

The MSA plus Mercer County, New Jersey, has the second largest concentration of undergraduate and graduate students on the East Coast, with 101 degree granting institutions of higher education and a total enrollment of over 300,000 students, of which approximately 147,779 live within the geographic boundaries of the City. 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.

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

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

Drexel University. Founded in 1891 as the Drexel Institute of Science, Art and Industry, Drexel University ("Drexel") occupies a 74-acre main campus in University City. Drexel's student body has grown considerably in the past two decades, from 4,500 in 1996 to approximately 26,000 students in 2015, resulting in expansion of both curriculum and campus. In September 2011, Drexel opened the doors to its new $69 million science building, the Constantine N. Papadakis Integrated Sciences Building. Drexel recently completed construction of a $92 million facility for its LeBow School of Business and a new mixed use residential and retail project on Chestnut Street. Design is also complete for a $44 million renovation of a 161,000 square foot building housing the College of Media Arts and Design. Most recently, Drexel has drafted a plan to develop more than 12 acres of underutilized land near Philadelphia's 30th Street Station into a transit-oriented live/learn/work neighborhood, called the Innovation Neighborhood. To facilitate redevelopment, Drexel expects to award master development rights for this area in May 2015.

Temple University. Temple University ("Temple") has undergone a significant transformation over the past three decades from a university with a mostly commuter-based enrollment to one in which on- and near-campus housing is now in high demand. To meet the increasingly residential nature of its student population, Temple has invested heavily in the renovation of its various existing student housing inventory as well as, most recently, the development of a new state-of-the art residence facility, Morgan Hall, which opened in summer 2013 and houses approximately 1,275 students. Temple has also actively partnered with private developers in the expansion of on-campus housing alternatives for students. Currently, an estimated 12,000 of Temple's 37,619 students live on or around the Temple campus. The university's Board of Trustees approved a master plan, "Visualize Temple," in December 2014, and the university has already begun $1.2 billion of investment. Planned upgrades include improved green space, a student recreation facility, and academic buildings such as a library and a new science research lab. Temple also purchased the vacant William Penn High School property on North Broad Street, and

received permission from the Planning Commission in February 2015 to tear down the high school building and construct a new facility.

Median and Average Household Income

Table 9 shows median family income, which includes related people living together, and median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Table 10 shows the average household income for the same areas, which is based on a more comprehensive measure of total income. Over the period 2005-2013, median family income for Philadelphia increased by 10.4 percent, while average household income increased by 39.6 percent over the period 2005-2014 as a result of an influx of higher income households.

Table 9
Median Family Income* for Selected Geographical Areas, 2005-2013
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2005	$40.5	$67.8	$55.9	$55.8	72.60%
2006	$43.0	$70.8	$58.1	$58.5	73.56%
2007	$44.1	$73.5	$60.2	$60.4	73.10%
2008	$46.4	$77.0	$63.1	$63.2	73.35%
2009	$45.8	$76.8	$62.8	$62.4	73.48%
2010	$45.1	$76.7	$63.0	$62.1	72.69%
2011	$45.0	$78.1	$64.3	$62.7	71.80%
2012	$44.6	$77.8	$65.1	$63.1	70.71%
2013	$44.7	$78.5	$66.1	$63.8	70.15%
Change 2005-2013	$4.2	$10.7	$10.2	$8.0	

* Includes related people living together.
Source: American Community Survey, Annual and 3-Year Estimates

Given the high percentage of employers in knowledge-based industries in the City, including higher education, healthcare and other professional services, such as law, accounting and finance, the average household income within the City is higher than the median household income. Also contributing to the lower median household income is the fact that Philadelphia has the fifth largest undergraduate and graduate student population among major U.S. cities. These individuals, numbering approximately 147,800 according to the 2013 American Community Survey, or approximately 10 percent of the City's overall population, generally have very low or no income, as they are either unemployed or working only part-time while they complete their education. The City's large student population has also historically led to an overstatement of the City's percentage of residents living at or below the poverty level.

Table 10
Average Household Income for Selected Geographical Areas, 2005-2014
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2005	$78.1	$109.7	$91.1	$93.7	83.35%
2006	$82.3	$117.2	$96.9	$99.5	82.67%
2007	$86.6	$121.3	$101.2	$103.6	83.55%
2008	$93.3	$125.1	$104.0	$106.9	87.29%
2009	$95.1	$123.5	$102.7	$103.8	91.56%
2010	$99.2	$126.1	$105.4	$106.1	93.45%
2011	$103.8	$132.3	$111.0	$111.6	92.97%
2012	$107.1	$137.8	$115.4	$116.2	92.15%
2013	$106.1	$140.5	$117.5	$117.4	90.38%
2014	$109.0	$145.4	$121.9	$121.5	89.72%

Source: iHS Economics

Cost of Living Index

Philadelphia has the second lowest cost of living index among major cities in the Northeast, as shown in Table 11 below. The City markets its relatively low labor costs and cost of living to attract businesses. Additionally, the City's Wage, Earnings, and Net Profits Tax Rates have decreased in Fiscal Years 2014 and 2015, which may further incentivize both business and residents to relocate into the City. See "REVENUES OF THE CITY—Wages, Earnings, and Net Profits Taxes" in APPENDIX A to this Official Statement.

Table 11
2014 Cost of Living Index* of Cities in the Northeastern U.S.

Metropolitan Area	Cost of Living Index
New York (Manhattan)	221.8
Washington-Arlington-Alexandria	141.2
Boston-Cambridge-Quincy	137.3
Philadelphia-Camden-Wilmington	119.1
Baltimore-Towson	109.2

*Data reflects Q1 2014 – Q3 2014
Source: 2014 ACCRA Cost of Living Index

Housing

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

Philadelphia's housing stock is among the oldest of any city in the country, and has suffered from decades of depopulation and abandonment since the late 1940s. Like many U.S. cities, Philadelphia has undergone a significant revitalization in the past 25 years, particularly in and around its downtown core of Center City, which is geographically defined as the approximately four square mile area between Washington and Girard Avenues, and from the Schuylkill to Delaware rivers. Philadelphia's recent population gains are overwhelmingly due to new household growth in the downtown core of Center City and adjacent neighborhoods. These same neighborhoods have undergone significant new construction and investment, leading to increases in the value of Philadelphia's housing stock. Large parts of the rest of the City have not yet benefitted from this real estate price appreciation or revitalization of its housing stock. The following table lists the values of key metrics for the Philadelphia housing market, including their percent changes from one year and five years ago, and the direction of their current trend.

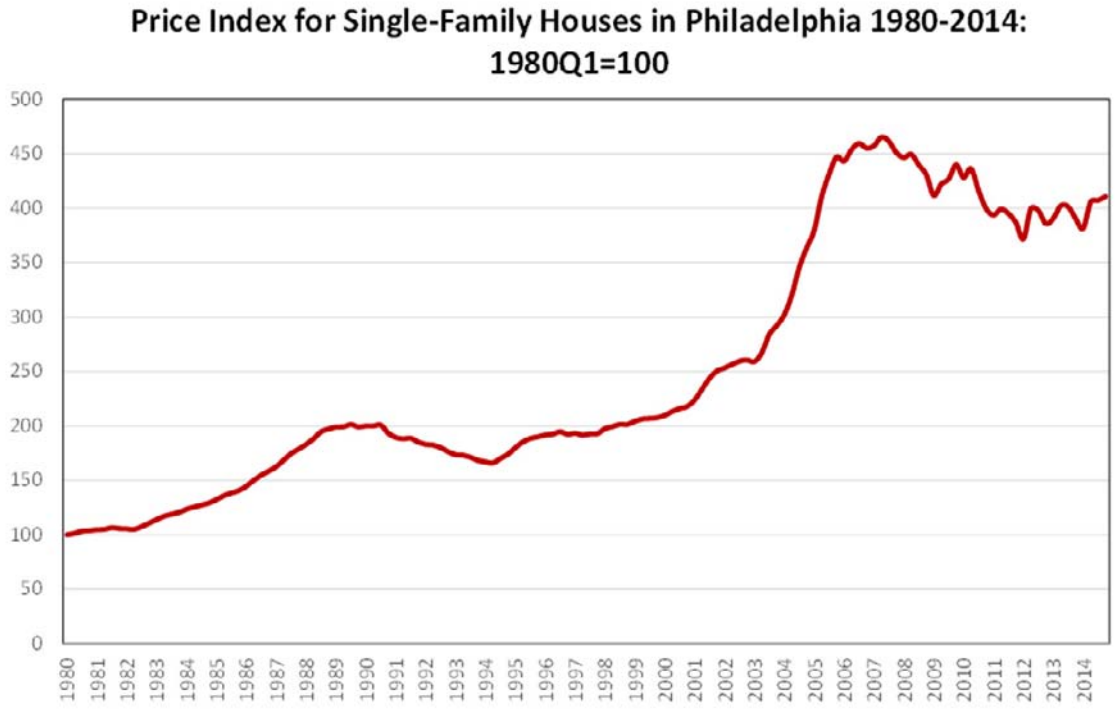
Table 12
Housing Market Metrics

Housing Market Metrics	2014	% Change from 1 Year Ago	% Change from 5 Years Ago	Trend
Total Housing Stock (number of properties)	499,703	0.12%	0.8%	↑
Number of Single-Family Units*	458,632	0.2%	1.3%	↑
Number of Multifamily Units**	94,220	3.0%	3.9%	↑
Median House Price	$125,000	-1.6%	7.5%	↑
Number of House Sales	14,261	6.2%	1.1%	↑
Months' Supply of Inventory	9.5	-18.8%	-37.5%	↓
Avg. Days-on-Market	87	-2.0%	-9.4%	↓
Number of New Units Permitted	3973	41.1%	319.5%	↑
Avg. Housing Rent (Monthly)	$1,194	8.4%	21.5%	↑
Homeownership Rate	52.2%	N/A	-9.7%	↓

* Structures with 1-4 dwelling units.
** Structures with 5 or more dwelling units.

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

Consistent with national trends, the City's housing market experienced both inflation and deflation over the last ten years as a consequence of the mid-2000s housing boom and subsequent bust. The following chart shows an empirically estimated house price index that displays the trajectory and level of average house prices in Philadelphia on a quality- and seasonally-adjusted basis. The index is computed according to a methodology that is very similar to the methodology used in the computation of the Case-Shiller House Price Indices.

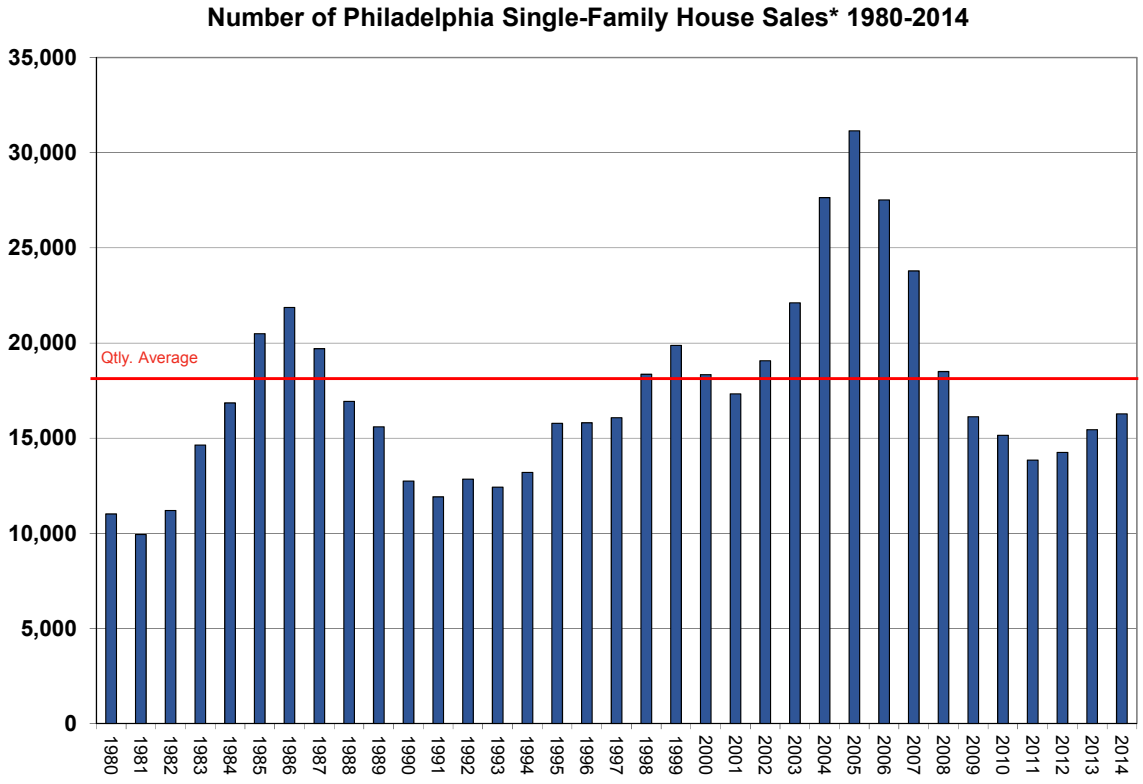


Source: Philadelphia Recorder of Deeds, Computed by Kevin C. Gillen, Ph.D.

The index is normalized to a starting value of 100 in its first period of the first quarter of 1980. The house price index rises steadily through the 1980s to achieve a value of 200 in 1989, indicating that the typical Philadelphia house doubled in value during that period. The index declines during the recession of the early 1990s, and begins to recover in the mid-to-late 1990s. House price appreciation began to proceed at an accelerated rate in the 2000s, with the index obtaining a value of 300 by 2004, thus indicating that Philadelphia house prices in 2004 were three times what their average values were in 1980.

As further indicated by the chart, average house prices rose by 136% during the boom years of the 2000s before peaking in 2007. They declined by 23% since then before hitting bottom in the winter of 2012. They have since recovered only modestly, in an uneven pattern, and are currently 16% below their 2007 peak.

Compared to prices, sales activity has made relatively steadier progress in recovering since the recession. The following chart shows the annual number of single-family house sales in Philadelphia since 1980. The chart depicts only arms-length home sales at market-rate prices.

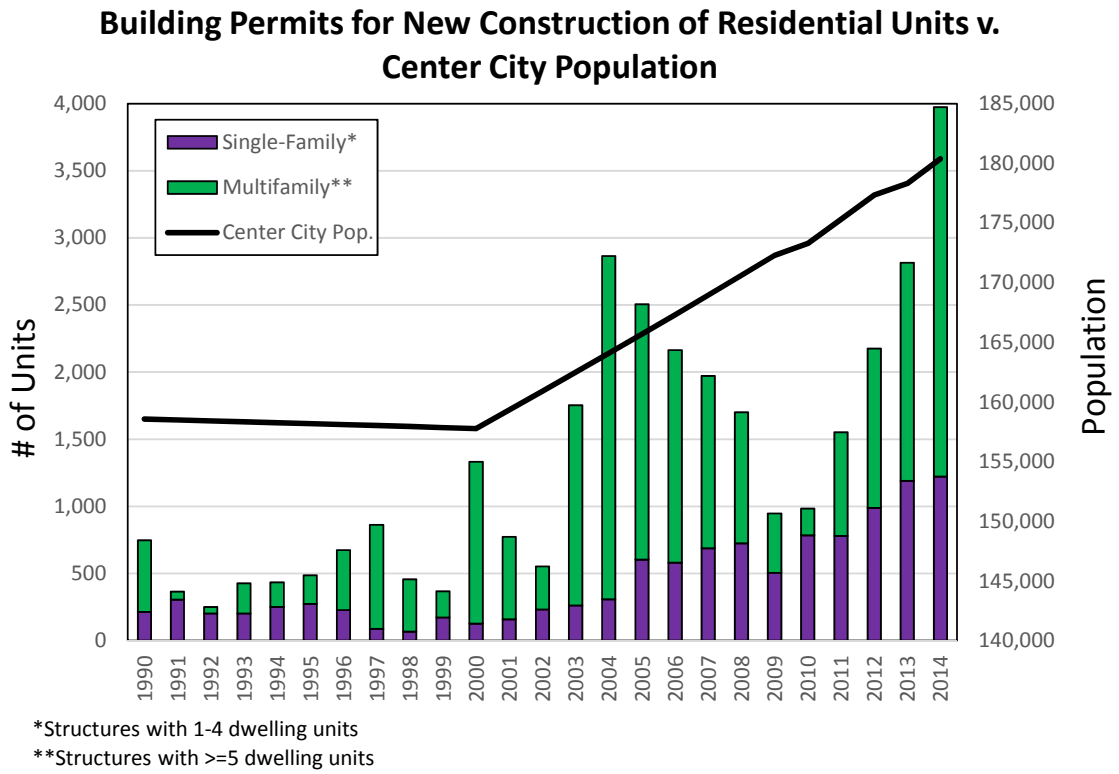


* Structures with 1-4 dwelling units

Source: Philadelphia Recorder of Deeds

Historically, the City has averaged approximately 17,000 transactions of single-family houses per year, but with significant cyclicality around this average. As exhibited in the chart above, sales exhibited increases during the expansionary markets of the mid-1980s and mid-2000s, and decreases during the contractionary markets of the early 1990s and 2008-2011 periods. From a peak of over 31,000 sales in 2005, transactions volume fell nearly 56% to nearly 13,850 sales in 2011. Since then, however, house sales in Philadelphia have steadily grown by 17.5% and are currently trending back to their historic average.

Homebuilding activity in Philadelphia has made significant progress since hitting its recessionary low in 2009. The following chart shows the number of newly constructed units being added to Philadelphia's housing stock, as represented by the number of building permits issued for such units, from 1990 through 2014.



Source: U.S. Census

Between 1990 and 2000, construction of new housing units in Philadelphia was low by both absolute and relative measures, averaging only 400 units per year. Following passage of a ten-year property tax abatement program in 2000, construction began to grow steadily, hitting a peak of nearly 3,000 units in 2004. After declining to 947 units during the recession in 2009, construction activity has recovered steadily, and currently stands well above the boom years of 2003 through 2007. In 2014, permits were issued to approve the construction of nearly 4,000 new housing units in Philadelphia, and the most recent numbers indicate that 2015 is on track to be another robust year.

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

A key fundamental driver of new housing construction is population and/or household growth, since net additions to the housing stock cannot typically be rationalized without net additions to the population that occupies it. However, the growth in Philadelphia's new construction currently exceeds the rate of the City's overall growth in population. Citywide population growth is significantly increasing in some neighborhoods, while still declining in others. As a consequence, new construction can be rationalized in growing neighborhoods if it is offset by demolitions and depreciations in shrinking neighborhoods.

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

Office Market and New Development

Philadelphia currently has approximately 40.9 million square feet of office space in the central business district. According to the Cushman and Wakefield Q4 2014 Office Market Beat, the positive trends of lowered vacancy, rising rents, and positive absorption seen in 2014 will continue into 2015. Year-to-date total net absorption in the fourth quarter of 2014 was positive, at 474,420 square feet, according to the same report.

Cushman and Wakefield also reported a continued increase in direct asking rental rates in Philadelphia's central business district, to $27.47 per square foot in the fourth quarter of 2014. The overall vacancy rate for the Philadelphia central business district continued to decline to 11.0 percent in the fourth quarter of 2014, down from 12.3 percent in the fourth quarter of 2013, according to Cushman and Wakefield data. Vacancy rates in suburban markets were 16.2 percent in the fourth quarter, up from 15.8 percent in the fourth quarter of the previous year, making vacancy rates in Philadelphia much lower than their suburban counterparts, even while rents in the Philadelphia central business district were $1.95 per square foot higher in the same quarter of 2014.

Table 13 shows comparative overall office vacancy rates for selected Office Markets. Due to differences in methodology and scale of analysis, Jones Lang LaSalle's national comparison lists Philadelphia's vacancy rate as 10.8 percent for the fourth quarter of 2014, while Cushman and Wakefield's area-specific analysis lists the Philadelphia central business district's vacancy rate as 11 percent for the same time period.

Table 13
Comparative Overall Office Vacancy Rates, Selected Office Markets
Fourth Quarter 2014

Market	Vacancy Rate
New York (Midtown South)	6.90%
New York (Midtown)	9.70%
Boston	10.30%
New York (Downtown)	10.70%
Philadelphia	**10.80%**
Washington DC	12.00%
United States CBD, All Markets	**12.60%**
Chicago	12.80%
Baltimore	13.40%
Houston	13.50%
San Diego	16.40%
San Antonio	16.80%
Cleveland	17.40%
Detroit	17.50%
Los Angeles	18.70%
Phoenix	23.70%

Source: Jones Lang LaSalle, National CBD Data, Fourth Quarter 2014

Two of the City's top corporate tenants, FMC Corporation and Comcast, continue to grow downtown. In May 2014, Brandywine Realty Trust broke ground on the new 49-story, 861,000 square foot FMC Tower at Cira Center South. FMC will lease 253,000 square feet of the new tower, the University of Pennsylvania will lease 100,000 square feet, and leasing activity is occurring to fill the remaining 248,000 square feet of space. Comcast Corporation broke ground in July 2014 on a 59-story, $1.2 billion Comcast Innovation and Technology Center office tower adjacent to its headquarters building in Center City Philadelphia. The new skyscraper will enable Comcast to consolidate employees currently scattered at several sites (in both Philadelphia and the surrounding suburbs) into a single location. The facility will also create a media center in the heart of the City by becoming home to the operations of local broadcast television stations NBC 10/WCAU and Telemundo 62/WWSI and offer space for local technology startups. When completed in 2017, the tower will also serve as the new home to the Four

Seasons Hotel, which will occupy the tower's top floors with approximately 200 rooms. The mixed-use tower is expected to be the tallest building in the United States outside of New York and Chicago and will be one of the largest private development projects in the history of Pennsylvania. Ultimately, the project is expected to create 1,500 permanent jobs in Philadelphia.

Retail Market, Food and Dining

Philadelphia continues to establish itself as a retail destination. In January 2015, Philadelphia was named the second of 24 "Best Shopping Cities in the World," by Condé Nast Traveler Magazine. In October 2013, Colliers International reported that the fastest rising retail rents in the nation were on Philadelphia's Walnut Street, with 33.8 percent growth since October 2012. Throughout Philadelphia's central business district, the tenant mix continues to move toward national brands that can support growing rents. Recent additions include Stuart Weitzman, Madewell, Theory, Ulta, Intermix, Nordstrom Rack, Calypso St. Barth, Forever 21, Michael Kors, Banana Republic Factory Store and Suit Supply, the European chain's fifth store in the United States. In October 2014, Japanese retailer Uniqlo opened its first Philadelphia location in Center City, the chain's only standalone store in the United States outside of New York City. Van's Off the Wall, Timberland, and Under Armour are also future central business district retailers.

Plans to revitalize East Market Street continue. Previously, in April 2013, Pennsylvania Real Estate Investment Trust acquired 430,000 square feet of retail and commercial space at 907 Market Street, giving a single entity ownership of The Gallery at Market East, a 130-store retail mall complex. In July 2014, Macerich Co, which owns 55 shopping centers across the nation, acquired a 50 percent interest in The Gallery, and has plans to invest $106.8 million to revitalize the shopping center. Within a block of The Gallery, Marshalls opened a 28,000 square foot store in October 2012, also on East Market Street.

Most recently, in October 2014, New York-based department store Century 21 opened its first store outside of New York City, in a 95,000 square foot space that was previously vacant. In March 2014, NREA Development Services announced a mixed-use redevelopment project, called East Market, also located on East Market Street between 11th and 12th Streets. Once completed in 2016, the project will include 325 apartments, and up to 122,000 square feet of retail space. Future tenants of East Market will include Mom's Organics, a Maryland-based grocery chain. Just one block south of Market Street, Brickstone Co. announced in April 2014 that it would build a mixed-use redevelopment project for the 1100 block of Chestnut Street in April 2014. The project, a mix of new construction and historic preservation, is currently under construction and will include up to 115 apartments and 90,000 square feet of retail space. Future tenants of the project include Target Express.

Philadelphia has experienced a revival in restaurant establishments especially in Center City and in the Greater Center City area, indicating an improved quality of life and vibrancy of those neighborhoods. The Center City District's investment in beautification of the area as well as the City's support in making the area more welcoming to visitors and diners sparked a significant increase in the number of indoor/outdoor dining establishments throughout Center City. In 1995, no sidewalk cafes existed in Center City. By 2013, the same area had 327 sidewalk cafes. Additionally, from 1992 to 2010, the number of fine dining establishments within the Center City District increased 322 percent. Rapid development is also reflected in South Philadelphia, where East Passyunk was named a Top Ten Best Foodie Street in America by Food and Wine Magazine in May 2013.

Preliminary data from the Bureau of Labor Statistics shows that about 49,400 people were employed in retail trades in Philadelphia in 2014, the highest employment number in that industry in over 10 years. Food service and drinking establishments employed about 45,400 people in 2014 according to these preliminary data, representing an average annual growth of 1.2 percent since 2004. The number of private retail establishments and private food services and drinking establishments has also recovered from pre-recession levels; retail trade establishments increased by 213 between 2007 and 2013, and food

services and drinking places have increased by 187 in the same time period, according to the Bureau of Labor Statistics' Quarterly Census of Employment Wages.

Table 14 reflects taxable retail sales for the City from Fiscal Years 2007 to 2013.

Table 14
Taxable Retail Sales 2007-2013
(Amounts in Thousands of USD)

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

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

Airport System

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

Philadelphia International Airport ("PHL"). PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0 percent or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked the eighteenth busiest airport in the United States, serving 30.5 million passengers in calendar year 2013 (i.e. total passengers enplaned and deplaned), and was ranked the tenth busiest in the nation based on aircraft operations. PHL consists of approximately 2,394 acres located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles from Center City Philadelphia. PHL's runway system consists of parallel Runways 9L-27R and 9R-27L, crosswind Runway 17-35, commuter Runway 8-26, and interconnecting taxiways.

PHL terminal facilities include approximately 3.3 million square feet, consisting of seven terminal units (A-West, A-East, B, C, D, E and F). Terminal facilities principally include ticketing areas, passenger holdrooms, baggage claim areas and approximately 170 food, retail and service establishments. There are certain other buildings and areas located at PHL, consisting of six active cargo facilities, a U.S. Airways aircraft maintenance hangar, and a former United States Postal Service building located at the western end of PHL.

The outside terminal area consists of a 14-story, 400-room hotel, seven rental car facilities, a 150-vehicle cell-phone lot and two employee parking lots with a total of 4,200 spaces. This area also includes five parking garages and surface lots consisting of a total of 18,940 vehicle spaces, operated by Philadelphia Parking Authority.

Northeast Philadelphia Airport ("PNE"). PNE is located on approximately 1,126 acres situated within the City limits, ten miles northeast of Center City Philadelphia. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service. There are presently 85 T-hangars, nine corporate hangars, and six open hangars for general aviation activities. There are approximately 190 general aviation aircraft based at PNE.

Airport Capital Projects. Since 2000, PHL has constructed more than $1 billion of capital improvements, including construction of new terminals, expansion and renovation of existing terminals, and an extension of one runway. PHL has embarked on a Capacity Enhancement Program ("CEP"), which is a complex, long-term multi-billion dollar effort to expand the capacity, improve efficiency, and modernize the facility of the airport in order to maintain Philadelphia's competitive position in the region.

In September 2011, the Federal Aviation Administration issued a Letter of Intent to contribute $466.5 million toward the CEP over the 12-15 year life of the program. In addition to federal funds, the CEP will be financed by Airport Revenue Bonds and a variety of other funding sources, such as user fees and additional grants. PHL is evaluating the complex projects that are part of the CEP and is in discussions with the airlines regarding the phasing and timing of the projects. In January 2013, PHL and US Airways (which has since merged with American Airlines) agreed upon a two-year extension to the Airport-Airline Use and Lease Agreement (the "Airline Agreement") through June 30, 2015. PHL and American Airlines are in the process of negotiating either an extension to the current Airline Agreement or a new Use and Lease Agreement that would take effect on July 1, 2015. Per the Airline Agreement, capital projects in excess of $500,000 can only be undertaken with airline approval. Table 15 provides a complete list of approved capital projects.

Table 15
Capital Projects Approved under the Airline Agreement

Capital Projects	Current Project Amount (millions $)
Airport Maintenance Facilities	10.00
High Speed Exit - K5	9.00
Taxiway K Extension	23.24
Land Acquisition	87.00
International Terminal Gate Expansion - Planning	1.00
Interior Terminal Signage Upgrade	5.00
New Runway 9R-27L Enabling Projects	156.15
On-Airport Facility Relocation	19.65
Environmental Commitment Start-Up	61.95
Eastside AOA Access	3.50
Terminal Modernization Program	237.10
Eastside Taxiways and Runway 9R-27L Extension	118.10
Airport People Mover Study & Initial Design	31.00
Program Management	15.00
Repair/Rehabilitation Projects	67.10
Consolidated Rental Car Facility	312.09
Total	1,156.88

Source: City of Philadelphia, Division of Aviation.

The following are brief descriptions of selected capital projects:

- **Airfield Improvements –** design and construction of a runway extension, new taxiways and aircraft holding bays/aprons to accommodate larger, long-haul aircraft and allow aircraft to queue more efficiently for departure ($118 million budget – currently, part of this project is being designed and part of it is under construction).

- **Automated People Mover –** initial design for an automated people-mover system between concourses that will make it easier for passengers to connect to other flights ($31 million planning and design budget – currently in the planning phase).

- **Terminal Modernization Program –** a redesigned and enhanced Terminal B/C ticketing area, which will include a new, automated baggage handling and screening system and a new, more spacious, centralized passenger security screening checkpoint to provide for greater efficiency and enhanced passenger flow ($237 million budget – currently in the planning phase).

- **Consolidated Rental Car Facility –** replacement of the current rental car facility surface lots with a new, multi-story consolidated rental car facility ($312 million – currently in the planning phase).

- **Renovation and Rehabilitation Projects –** continued renovation and rehabilitation of existing infrastructure to include: security upgrades, roof and window replacements, escalator upgrades, restroom renovations, roadway improvements, concession program enhancements and flight information display system upgrades ($67 million – project components are currently in various phases).

- **Taxiway K Extension –** this project extends Taxiway K from Taxiway Y to Z, and to parallel Taxiway J, thereby increasing the taxi flow between the terminal complex and runways in both east and west flow operations. The project also provides dual queuing for the deicing facility and serves as a perimeter route for Runway 9R-27L departures in order to avoid crossing Runway 9L-27R during west flow operations. The project was substantially complete in October 2014 at an approximate cost of $23 million.

PHL Passenger Traffic and Cargo. The total number of passengers traveling through PHL has increased 16.6 percent from Fiscal Year 2005 through Fiscal Year 2014. The total passenger traffic for PHL is summarized in the Tables 16 and 17 below. Table 16 shows the total number of passengers enplaned and deplaned at PHL from Fiscal Years 2005-2014. Table 17 shows the total annual passenger traffic segmented into domestic and international passengers for the same period. Table 18 summarizes annual cargo transported through PHL, segmented into mail and freight, from Fiscal Year 2005-2014.

Table 16
PHL Enplanements and Deplanements
Fiscal Year 2005-2014

Fiscal Year	Deplaned	Enplaned	Total	Percent Change over Prior Year
2005	15,583,885	15,490,569	31,074,454	-
2006	15,766,462	15,574,997	31,341,459	0.9%
2007	16,033,642	15,851,691	31,885,333	1.7%
2008	16,234,062	16,052,973	32,287,035	1.3%
2009	15,497,428	15,362,743	30,860,171	-4.4%
2010	15,276,158	15,193,741	30,469,899	-1.3%
2011	15,613,887	15,611,583	31,225,470	2.5%
2012	15,268,024	15,344,126	30,612,150	-2.0%
2013	15,143,020	15,215,885	30,358,905	-0.8%
2014	15,223,377	15,316,053	30,539,430	0.6%

Source: City of Philadelphia, Division of Aviation.

Table 17
PHL Domestic and International Passenger Traffic
Fiscal Year 2005-2014

Fiscal Year	Domestic	International	Total	Percent Change over Prior Year
2005	26,951,432	4,123,022	31,074,454	-
2006	27,327,488	4,013,971	31,341,459	0.9%
2007	27,912,154	3,973,179	31,885,333	1.7%
2008	28,135,663	4,151,372	32,287,035	1.3%
2009	26,870,636	3,989,535	30,860,171	-4.4%
2010	26,339,648	4,130,251	30,469,899	-1.3%
2011	26,852,566	4,372,904	31,225,470	2.5%
2012	26,218,341	4,393,809	30,612,150	-2.0%
2013	25,985,009	4,373,896	30,358,905	-0.8%
2014	26,055,259	4,484,171	30,539,430	0.6%

Source: City of Philadelphia, Division of Aviation.

Table 18
PHL Cargo Tonnage
Fiscal Year 2005 - 2014

Fiscal Year	Air Mail Tons	Air Freight Tons	Total	Percent Change over Prior Year
2005	24,447	599,758	624,205	-
2006	22,408	591,815	614,223	-1.6%
2007	18,131	571,452	589,583	-4.0%
2008	22,181	575,640	597,821	1.4%
2009	24,692	475,365	500,057	-16.4%
2010	20,544	440,495	461,039	-7.8%
2011	23,937	449,683	473,620	2.7%
2012	27,151	416,731	443,882	-6.3%
2013	28,285	388,383	416,668	-6.1%
2014	29,545	395,661	425,206	2.0%

Source: City of Philadelphia, Division of Aviation.

Southeastern Pennsylvania Transportation Authority (SEPTA)

SEPTA was established in 1964 for the purpose of planning, acquiring, holding, constructing, improving, maintaining, and operating a comprehensive public transportation system within the City and the local counties, which include Bucks, Chester, Delaware, and Montgomery. SEPTA operates facilities across this five-county area encompassing approximately 2,200 square miles and serving approximately 4.0 million inhabitants. SEPTA operates service 24 hours a day, seven days a week, 365 days a year. SEPTA's Fiscal Year 2015 operating budget totals $1.327 billion. This is supported by $794 million in federal, state, and local subsidies, as well as $533 million of operating revenue.

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

SEPTA ridership has trended upward over the past ten years with exceptions in Fiscal Years 2006, 2010, 2013, and 2014 (see Table 19). In each of Fiscal Years 2010, 2013, and 2014, the decrease in ridership occurred as the result of a one-time event. In Fiscal Year 2010, transit service was shut down for six days as the result of a Transport Worker's Union work stoppage causing a decline in ridership for the year. In Fiscal Year 2013, Hurricane Sandy caused service stoppages that accounted for the decrease of approximately 2 million rides over the previous year. Finally, in Fiscal Year 2014, SEPTA suspended some of its services during 14 days throughout the winter as a result of severely inclement weather. Demand for public transportation has steadily increased over the past decade in the City, and in Fiscal Year 2012, SEPTA experienced its highest ridership in 25 years. This trend is continuing in Fiscal Year

2015, with ridership increasing by approximately two percent in the first seven months (July – January) over the same period in Fiscal Year 2014.

Table 19
Annual SEPTA Ridership by Division

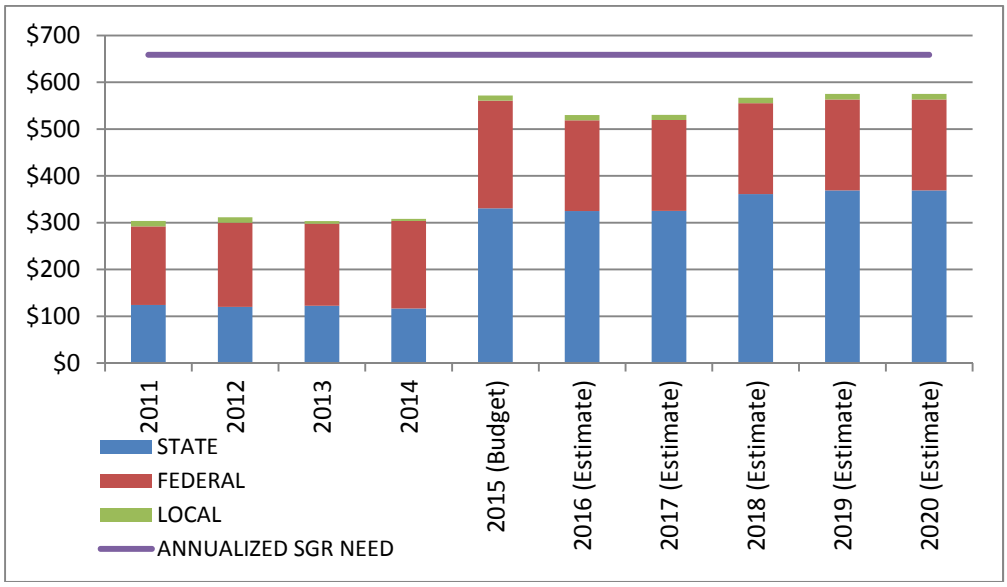
Fiscal Year	City Transit	Regional Rail	Suburban	Total
2005	251,887,150	28,632,676	18,210,677	298,730,503
2006	247,957,108	30,433,631	18,196,551	296,587,290
2007	256,120,000	31,712,000	19,356,000	307,188,000
2008	269,556,000	35,450,000	20,112,000	325,118,000
2009	273,890,000	35,443,000	20,248,000	329,581,000
2010	266,296,000	34,955,000	19,733,000	320,984,000
2011	277,877,000	35,387,000	20,702,000	333,966,000
2012	282,239,000	35,255,000	21,794,000	339,288,000
2013	279,296,000	36,023,000	21,995,000	337,314,000
2014	271,818,000	36,657,000	21,680,000	330,155,000

Source: SEPTA.

Beginning in Fiscal Year 2015, SEPTA's annual capital budget and 12-year capital program have increased significantly. The Fiscal Year 2015 capital budget is $571.8 million, representing an 86 percent increase over the Fiscal Year 2014 budget of $308 million. The Fiscal Year 2015-2026 capital program also increased significantly to $6.8 billion from $3.7 billion in the Fiscal Year 2014-2025 capital program. These increases are largely the result of the passage of Pennsylvania Act 89 in 2013 ("Act 89"), a state transportation funding bill that will result in additional liquid fuels tax payments to the City. By Fiscal Year 2018, the City is estimated to receive an additional $16.5 million in liquid fuels payments over Fiscal Year 2013 levels. Below, Table 20 shows the increase in capital program funding over the previous year, beginning in Fiscal Year 2015.

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

Table 20
Capital Program Spending and Budget, 2011 - 2020



Source: SEPTA.

Port of Philadelphia

The Port of Philadelphia (the "Port") is located on the Delaware River within the City limits. Philadelphia's Port facilities are serviced by three Class I railroads (Canadian Pacific Rail, CSX and Norfolk Southern) and provide service to major eastern Canadian points as well as midwestern, southern and southeastern U.S. destinations. Terminal facilities, encompassing four million square feet of warehousing, are located in close proximity to Interstate 95 and Interstate 76. Over 1,600 local general freight trucking companies operate in the MSA, according to Hoover's Inc.

The Philadelphia Regional Port Authority (the "PRPA") is working to increase the Port's competitiveness with increased capacity. The Port is 60 percent complete in deepening the main navigation channel of the Delaware River from 40 to 45 feet, and the next phase of the project is set to begin in the Spring of 2015. Future plans also include the construction of the Southport facility, a container terminal that will be located at the east end of The Navy Yard. Southport will be the first new terminal in Philadelphia in 50 years. In October 2014, the Port announced it is pursuing public-private partnerships to develop the Southport terminal. The first component of the project is projected to begin operating in 2018.

The PRPA reports approximately 5,970,480 metric tons of cargo moved through the Port in 2014, a 17 percent increase over 2013, and a 65 percent increase over 2010. The Port is in the midst of a $120 million expansion project which will ultimately increase cargo capacity for the entire MSA. The Port is the top ranked port for meat importing in the United States, and is among the nation's leaders for fruit, cocoa, forest products and steel imports. In September 2014, the Port welcomed Brazilian company Fibria Celulose S.A., the world's largest producer of bleached eucalyptus wood pulp, which relocated its Northeastern United States distribution center to the Tioga Marine Terminal from Baltimore. The move is expected to create 228 stevedore and terminal jobs and up to 380 total jobs, including rail workers and truckers.

ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION

City of Philadelphia Economic Development Mission and Goals

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

Economic Development Infrastructure

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

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

Lending, Land Use and Employer-Based Strategies to Expand Business and Investment. As the City's landholding and financing arm for large commercial and industrial properties well-positioned for industrial redevelopment, PIDC manages public and private resources that are used to leverage even greater investments from a diverse range of governmental, for-profit and non-profit clients throughout Philadelphia. Since its founding in 1958, PIDC has placed more than $11.8 billion of PIDC financing and conveyed more than 3,000 acres of land in commercial and industrial projects. These transactions have leveraged $21.7 billion in total project investment and attracted or retained more than 400,000 jobs.

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

The City also utilizes several place-based economic development strategies to spur development in Philadelphia. These strategies include: (i) a 10-year real estate tax abatement on all construction, as well as on improvements to existing properties; (ii) Commonwealth-designated Keystone Opportunity

Zones in which eligible businesses may be exempt from all Commonwealth and local business taxes until a specified date; (iii) Commonwealth-designated Keystone Innovation Zones in which energy, defense, technology, and life-sciences companies may be eligible for saleable tax credits worth $100,000 annually for the first eight years of operations; (iv) tax increment financing; and (v) commercial corridor revitalization through support of Business Development Districts and reimbursement for certain storefront and interior retail improvements.

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

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

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

A new institutional partner in housing development is the newly established Philadelphia Land Bank (the "PLB"). The aim of the PLB is to consolidate many of the land acquisition and disposition processes of the City under one umbrella, making it easier for private individuals and organizations to acquire properties that otherwise contribute to neighborhood disinvestment and turn them into assets for the community in which they are located. The PLB can: acquire tax-delinquent properties through tax foreclosure; clear the title to those properties so that new owners are not burdened by old liens; consolidate properties owned by multiple public agencies into single ownership to speed property transfers to new, private owners; and assist in the assemblage and disposition of land for community, nonprofit and for-profit uses.

Historic Preservation. The City is home to historic resources documenting more than three centuries of local, regional, and national history. The Philadelphia Historical Commission is the City's regulatory agency responsible for ensuring the preservation of that collection of historic resources including buildings, structures, sites, objects, interiors, and districts. The Philadelphia Art Commission is the City's charter-mandated design review board for architecture and public art. The City of Philadelphia

has one of the largest collections of public art of any major city in the world, with more than 4,500 cataloged pieces.

Key Development Achievements

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

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

- **Center City** – a district that has seen a resurgence over the last two decades, Center City is Philadelphia's central business and office region within the City. Center City is the strongest employment center in the City. In addition, the area contains a sizeable residential population and provides ample access to retail, dining, arts and culture, entertainment, and mass transportation services, to both residents and daily commuters. According to the Center City District, one of the City's business improvement districts, 291,251 riders took public transportation into Center City daily in 2014. The professional services and leisure and hospitality sectors play significant roles in the Center City area.

- **Greater Center City** – the areas of greater Center City result from a growing desire for urban living among people who find these areas more affordable than Center City. Like Center City, these areas have experienced increased population, educational attainment, and family income within the last decade. In 2011, 43.3 percent of all jobs in Philadelphia were located in Greater Center City and Center City together.

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

- **The Navy Yard** – deeded to the City by the U.S. Navy in 2000 as a result of the federal Base Realignment and Closure Act, the 1,000-acre Philadelphia Navy Yard represents a successful transition of a former naval property with a 125-year history as an active military base to a growing hub for business. Largely through the work of PIDC, the City invests in infrastructure at the Navy Yard, providing an urban alternative to suburban office parks and a base for the rejuvenation of the industrial sector. The Navy Yard surpassed 11,500 employees in January 2014, making the Navy Yard a growing employment area with close to 2 percent of the City's jobs.

As of February 2015, Philadelphia had 37 major projects under construction concurrently, representing almost $4.2 billion in combined public and private investment. Most significantly, in summer 2014, Comcast Corporation broke ground on a 59-story, $1.2 billion office tower adjacent to its headquarters building in Center City. Commercial developers are currently most actively engaged in project development, with $1.8 billion invested across 13 projects, the majority of which are concentrated in Center City and the Navy Yard, while an additional $990 million across 11 new residential and mixed

use projects are currently under construction across various neighborhoods throughout the City. Projects from higher education and health care institutions in the University City and North Broad neighborhoods represent over $1 billion in investment. Table 21 reflects major real estate developments under construction as of February 2015. From 2013 through the fourth quarter of 2014, 55 projects representing more than a $3 billion investment were completed.

Table 21
Selected Major Development Investments Under Construction
(As of February 2015)

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
Center City		**$1,866.5**	
The Sterling - Redevelopment	Residential	$50.0	Q2 2015
1116-28 Chestnut	Mixed Use	$65.0	Q2 2015
8th and Market Parking Garage	Public	$18.0	Q4 2015
810 Arch Street - Project Home	Residential	$23.5	Q4 2015
Rodin Square, Wholefoods	Commercial	$160.0	Q1 2016
Mormon Temple	Religious	$70.0	Q2 2016
1919 Market	Mixed Use	$100.0	Q2 2016
East Market (formerly Girard Square)	Commercial	$180.0	Q3 2016
Comcast Innovation and Technology Center	Commercial / Hotel	$1,200.0	Q3 2017
University City		**$1,729.2**	
Advanced Care Hospital Pavilion - Penn Presbyterian Medical Center	Health Care	$92.0	Q1 2015
Buerger Center for Advanced Pediatric Care	Health Care	$500.0	Q1 2015
3601 Market - UCSC Apartment Tower	Residential	$110.0	Q2 2015
Lancaster Square	University Residential	$170.0	Q3 2015
New College House at Hill Field	University Residential	$127.0	Q3 2015
3737 Chestnut	Residential	$105.0	Q3 2015
Hub II	Residential	$19.5	Q3 2015
Dornsife Center	University	$15.7	Q4 2015
FMC Tower at Cira Centre South	Mixed Use	$340.0	Q3 2016
4601 Market - Public Safety Services Campus	Public	$250.0	Q2 2018
North Broad		**$18.0**	
Rodeph Shalom Expansion	Religious	$18.0	Q4 2015
Navy Yard*		**$19.4**	
Building 17 - URBN Expansion (Cont.)	Commercial	-	Q2 2015
Commerce 3 (4000 S 26th Street) - EcoSave	Commercial	-	Q2 2015
Central Green (Park)	Public	$9.4	Q2 2015
Center for Building Energy Education & Innovation	Commercial/Education	-	Q2 2015
4701 League Island Blvd	Commercial	-	Q2 2016
Pavilion	Commercial	$10.0	Q2 2017
1200 Intrepid	Commercial	-	Q4 2017
Other Neighborhoods**		**$416.4**	
Belmont Mansion	Non-Profit	$1.4	Q2 2015
Wynnefield Place Senior Apartments	Residential	-	Q3 2015

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
St. Christopher's Hospital Expansion	Health Care	$92.0	Q4 2015
1700 S. Broad - CHOP Family Care Center	Health Care	$30.0	Q4 2015
Dietz & Watson Facility	Commercial	$50.0	Q4 2015
Philadelphia Mills	Commercial	$40.0	Q4 2015
Broad St Armory	Residential	-	Q2 2016
Park Towne Place - Redevelopment	Residential	$177.0	Q4 2016
University of Pennsylvania Pennovation Works	Commercial	$26.0	Q4 2016
Waterfronts		**$125.0**	
SugarHouse Casino Expansion	Commercial	$125.0	Q2 2015
Total		**$4,174.5**	

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

Navy Yard. The Navy Yard is a 1,200 acre mixed-use office, research and industrial park with 11,500 people working on site across 145 companies. The Navy Yard has diverse tenants such as the Aker Philadelphia Shipyard, one of the world's most advanced commercial shipbuilding facilities, the corporate headquarters for retailer Urban Outfitters, a new 205,000 square foot, LEED-certified office building for pharmaceutical company GlaxoSmithKline, and a LEED-Silver certified baking facility for the Tasty Baking Company. More than 6.0 million square feet of space is currently occupied with significant additional capacity available for office, industrial, retail and residential development. In October 2014, restaurateur Marc Vetri opened a 150-seat restaurant, Lo Spiedo, in a 4,700-square-foot former gatehouse.

The Navy Yard is also home to the Consortium for Building Energy Innovation (the "CBEI"), formerly the Energy Efficient Buildings Hub, a consortium of universities, businesses, and economic development groups, working to develop energy efficient building technologies. The CBEI is the recipient of $160 million in Commonwealth and federal funding and part of a U.S. Department of Energy program to create national Energy Innovation Hubs. In 2014, the CBEI relocated to The Center for Building Energy Science (Building 661). The 38,000 square foot building serves as a demonstration laboratory to showcase energy efficiency research. In spring 2015, the CBEI, in collaboration with Pennsylvania State University, plans to open a newly constructed 25,000 square foot educational facility, The Center for Building Energy Education & Innovation.

In February 2013, PIDC released an updated Navy Yard master plan, detailing a comprehensive vision for the Navy Yard. The plan calls for adding over 12 million square feet of new construction and historic renovation supporting office, R&D, industrial and residential development, complemented with commercial retail amenities, open spaces and expanded mass transit. At full build, the Navy Yard will support more than 20,000 employees and over $2 billion in private investment. Seven projects are currently under construction, bringing the Navy Yard closer to its strategic targets. Currently construction projects include: an 80,000 square foot headquarters for Franklin Square Partners, an investment firm; EcoSave, an Australian based energy and water efficiency company, will take 20,000 square feet for their North American headquarters in a new 75,000 square foot flex building; and a new five-acre, $9.4 million park broke ground in summer 2014 and will open in 2015. Current and upcoming construction of these developments is valued over $145 million.

Strategic Business Improvement Districts. Starting in 1990, the City began working with business owners, residents, and non-profit organizations to revitalize commercial corridors through the successful creation of key business improvement districts ("BIDs"). BIDs provide an agreed-upon set of

business services and improvements to businesses within an established boundary in exchange for a mandatory annual assessment based on property taxes from commercial and multi-family properties within the district. BIDs are authorized by City Council. Currently, Philadelphia has twelve BIDs/Special Services Districts and two voluntary services districts in neighborhoods throughout the City. Since their inception, these districts have seen population growth, increased property values and lowered vacancy rates, and are some of the most desirable places to live and work in Philadelphia. The Center City District and the University City District are the largest BIDs in the City and have played a pivotal role in the resurgence of their service areas.

The Center City District was founded in 1990. The district encompasses 120 blocks and more than 4,500 individual properties in an area that extends beyond the central business district, roughly from Vine Street to Spruce Street and 30th Street to 4th Street. Center City District provides security, cleaning and promotional services that supplement, but do not replace, basic services provided by the City and the fundamental responsibilities of property owners. Center City District also makes physical improvements to the downtown, installing and maintaining lighting, signs, banners, trees and landscape elements. The type of improvements managed by the Center City District are often credited with the area's increased desirability as a place to live and work, attracting a population with higher educational attainment and higher household income than national averages. At 36.9 percent of the population, Center City has more than twice the national average of residents ages 25-34, according to the 2013 five-year American Community Survey estimates. In 2013, 76.2 percent of Center City residents 25 and older had a bachelor degree or higher, compared to the national average of 28.8 percent. From 2010 to 2013, household income in Center City increased by 14.7 percent from $56,121 to $64,383.

The University City District, founded in 1997, is Philadelphia's second largest BID by area, population, and employment. There are approximately 72,997 jobs in the 2.2 square mile area, with an economy centered on its universities and hospitals. Like the Center City District, the University City District provides security, cleaning and promotional services. The district serves as an economic development entity through assisting both start-up and established businesses with regulatory compliance and in applying for grants, coordinating technical resources with neighborhood commercial corridors, and providing career networking opportunities for its residents. University City District also works with City agencies in planning and implementing improvements for public spaces and transportation infrastructure.

Convention, Hospitality and Tourism Achievements. Chief among Philadelphia's development achievements is the expansion of the City's hospitality sector since 1993. Beyond driving growth in employment, development of amenities and cultural assets improves the tourist experience as well as quality of life for Philadelphia residents. In January 2015, the *New York Times* ranked Philadelphia third on its listing of "52 Best Places to Visit in 2015," the top listing for a location in the United States.

With Philadelphia's historic assets, the City has natural appeal as a tourist destination. The City continues to invest and work to increase development and employment in the leisure and hospitality sector. In 1993, with support from the Commonwealth, the Pennsylvania Convention Center was completed, providing a total of 624,000 square feet of saleable space across its four exhibit halls, ballroom and banquet spaces. In 2011, a $786 million expansion, across 20 acres of central Philadelphia real estate, increased the facility to 2.3 million square feet. It is the largest single public works project in Pennsylvania history. In January 2014, SMG began managing and operating the Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. In May 2014, SMG implemented new work rules through a customer service agreement signed by the Convention Center and four of six unions. The Convention Center continues to operate with no plans to replace the two unions which did not sign the agreement. Since the customer service agreement was implemented, five major conventions have booked future meetings, which is expected to bring an estimated $91 million in economic activity to the City.

Over three million hotel room nights were sold in Center City in 2013, a 3.1 percent increase over 2012. Contributing to these sales, the Philadelphia Convention and Visitors Bureau (the "PHLCVB")

hosted 453 meetings and conventions in 2013, filling 597,744 hotel room nights across the region, with an estimated economic impact of more than $973 million. The total Convention and Group segment of travelers, which includes smaller conferences and meetings not held in the Convention Center, purchased 35 percent of all hotel rooms booked in Center City in 2013, accounting for 1,010,000 room-nights. In 2014, the Convention Center sold over 484,496 total hotel room nights across the region, having an estimated economic impact of more than $729 million, while the total Convention and Group segment of Philadelphia hotel demand exceeded 1,045,000 hotel nights.

According to the PHLCVB, 2015 and 2016 leisure demand is projected to grow by four percent and two percent respectively, due in part to the City's hosting of high profile events such as the 2015 World Meeting of Families, culminating in a papal visit from Pope Francis, and the 2016 Democratic National Convention.

The number of hotel rooms available in the City in 1993 was 5,613, with annual demand of 1,331,684 hotel rooms, representing 65 percent occupancy. As of March 2014, the City's hotel room inventory was 11,410 rooms, with occupancy in 2013 at 73.8 percent. In October 2013, City Council approved a Tax Increment Financing assistance package for the development of a 755-room hotel, home to both the W and Element brands, which will serve as an anchor to the Convention Center. Additionally, in February 2014, Mayor Nutter announced plans for the adaptive reuse of the City's former Family Division of the Court of Common Pleas building to become a 199-room luxury hotel under the Kimpton name.

Table 22 lists notable hotel developments since 2008, representing $782.4 million dollars in investment.

Table 22
Notable Hotel Developments since 2008, in Millions

Four Points by Sheraton	$14.0 (Estimate)
Le Meridien	61.0 (Estimate)
Kimpton Hotel Palomar	94.0
Homewood Suites University City	43.0
Marriott Courtyard, Navy Yard	31.0
Hotel Monaco by Kimpton	88.0
Hilton Home2 Suites	60.0
Residence Inn by Marriott, Airport	26.0 (Estimate)
W Hotel / Element Hotel (Opening 2017)	280.4
Kimpton Hotel 1801 Vine St (Opening 2017)	85.0
101 N. Broad Hotel (Opening 2016)	-
Four Seasons Hotel in Comcast Tower (Opening 2017)	-
Total	**$782.4 million**

Source: City of Philadelphia Commerce Department and PIDC

Despite a drop during the national recession beginning in 2008, Philadelphia's employment in the leisure and hospitality sector had recovered by 2011, with 60,684 employed in the sector, and exceeded pre-recession levels in 2014 with 65,000 employed. The Bureau of Labor Statistics reports that employment in this sector grew 19 percent from 2004 to 2014, as illustrated in Table 4.

Beyond working to increase convention business, the City and its regional partners work to increase the number of leisure travelers as well. According to a 2013 report by Visit Philadelphia, the region's leisure tourism and marketing corporation, since 1997, the number of overnight leisure hotel stays has grown 80 percent. This can be attributed to a number of factors, notably, an increased supply of hotel rooms and marketing of the region. The City, through Visit Philadelphia, supports domestic marketing efforts.

The City supports international marketing efforts through the PHLCVB. The U.S. Office of Travel and Tourism Industries reported that international visitors to Philadelphia in 2013 numbered more than 673,000, an increase of 13 percent over 2012. Table 23 shows the Greater Philadelphia Region's visitation growth from 1997 to 2013.

Table 23
Greater Philadelphia† Visitation Growth, 1997-2013
(in millions)

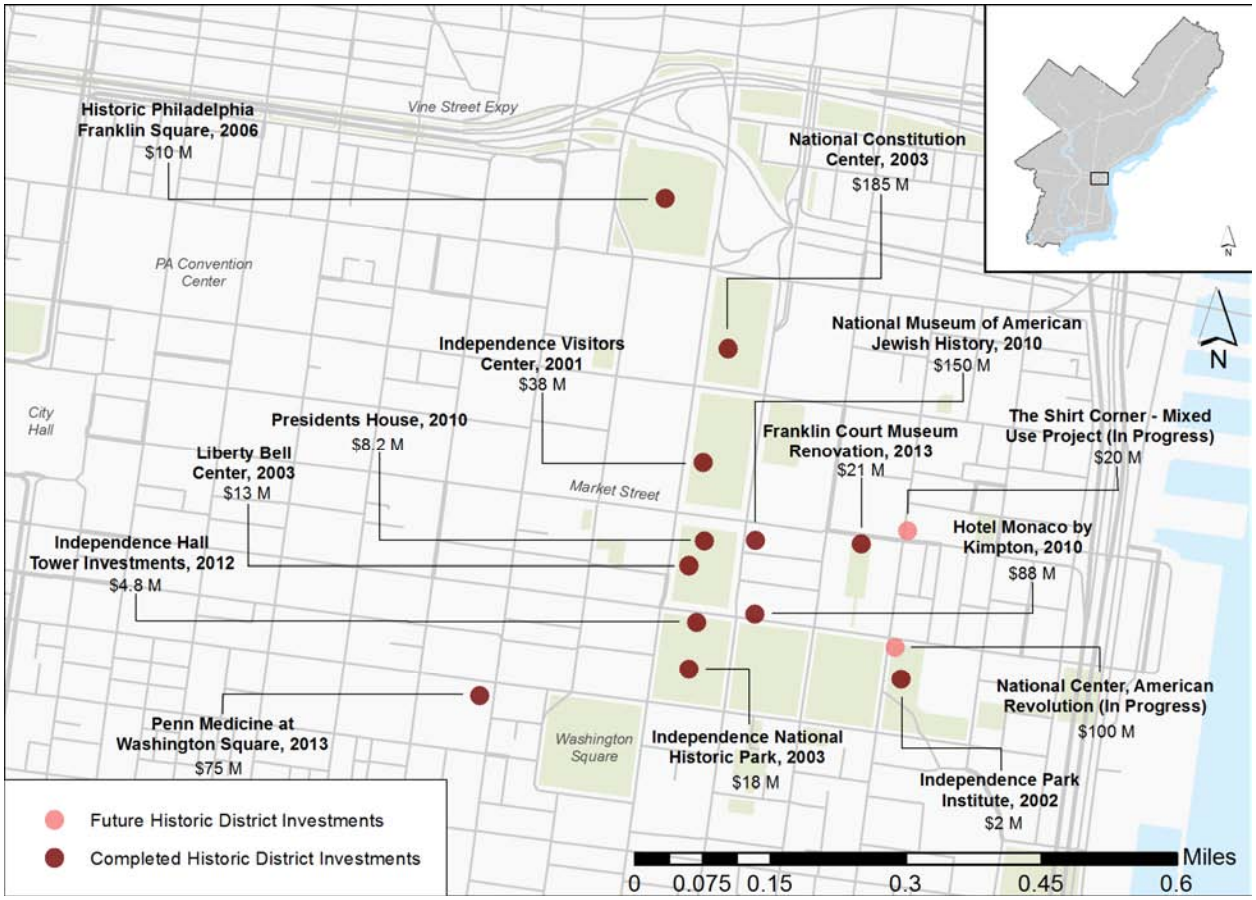
	1997	2013	Net Change	Percent Growth
Total Visitation	26.7	39.0	12.3	46%
Day - Leisure	15.5	20.9	5.4	35%
Overnight - Leisure	7.3	13.4	6.1	84%
Day - Business	2.5	2.6	0.1	4%
Overnight - Business	1.4	2.1	0.7	50%

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

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

Organizations like the Philadelphia Museum of Art, the Kimmel Center, FringeArts, and the more than 400 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors. The Greater Philadelphia Cultural Alliance reported in 2012 that cultural institutions in the PMSA contributed an estimated $1.4 billion in household income in 2011, with $490.3 million in Philadelphia County alone. Part of the wider economic impact generated by this revenue is demonstrated in the over 48,900 creative jobs that the sector supports within Philadelphia.

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

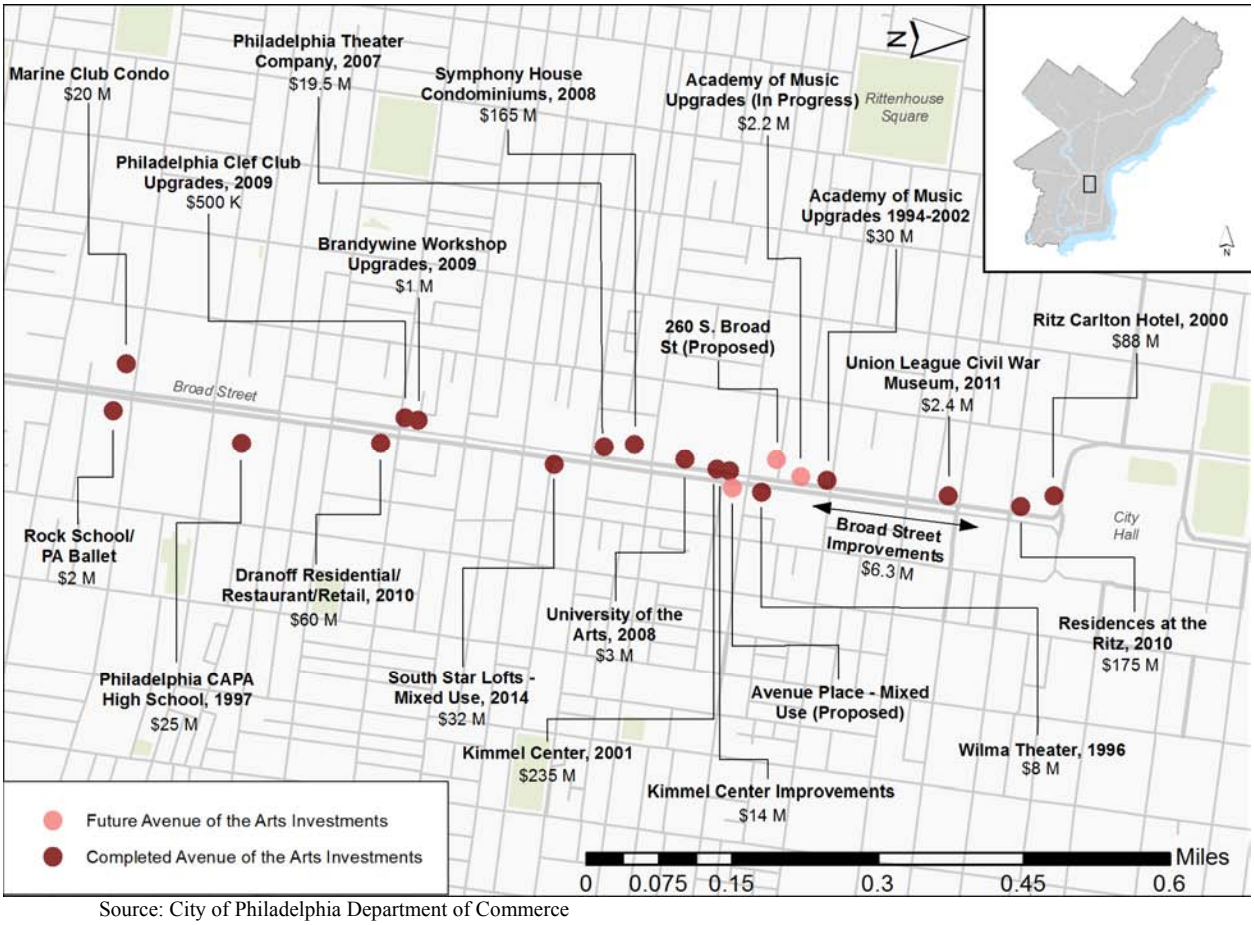


Source: City of Philadelphia Department of Commerce

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

Since 2001, $613 million of improvements have been made in Philadelphia's historic district, with an additional $120 million either under construction or planned over the next three years. Figure 2 shows select investments which have complemented the City's notable existing historic assets. Coupled with proposed developments, public and private, this district is expected to remain competitive in the national and international tourism markets for years to come.

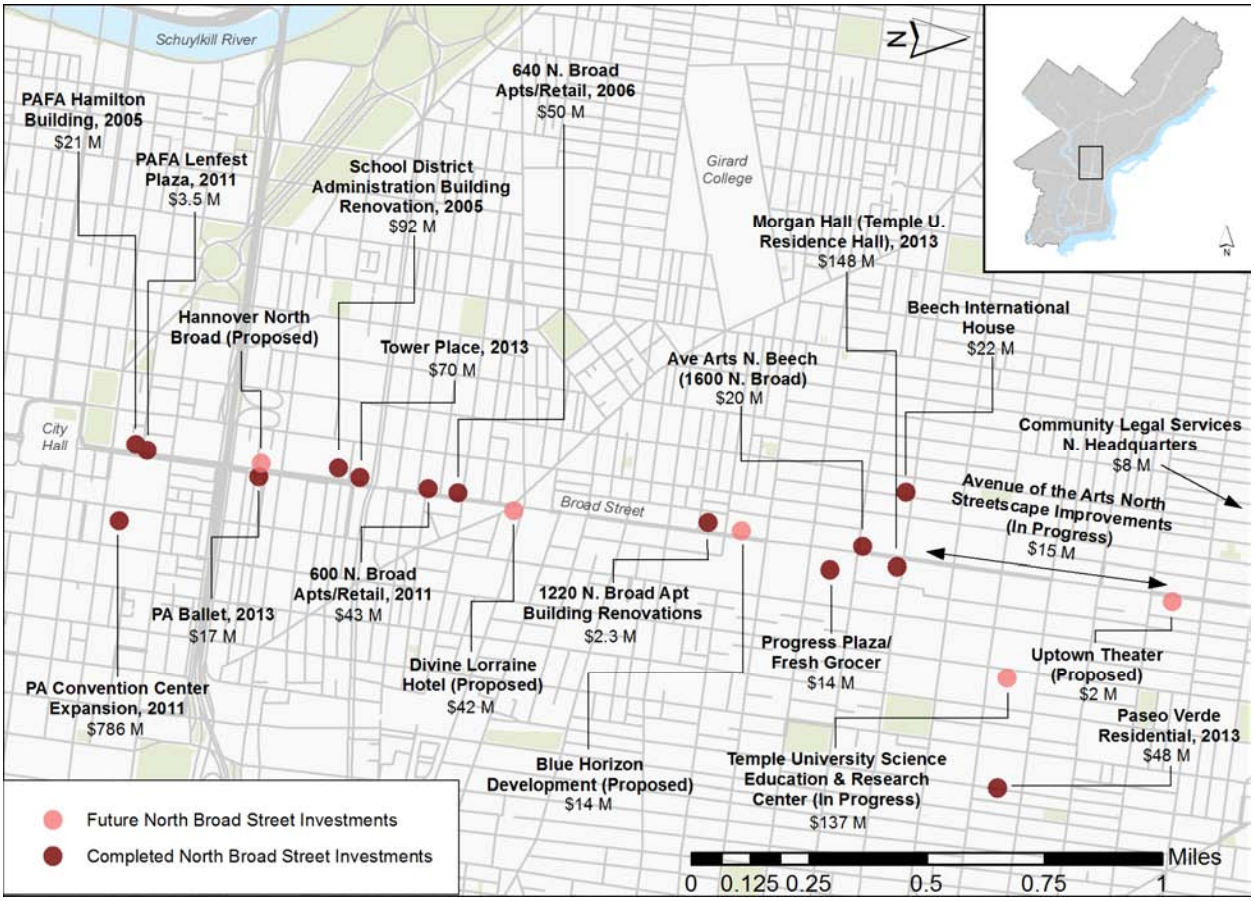
Figure 3
Map of Selected Avenue of the Arts (South Broad Street) Development Projects Representing $888.9 Million in Selected Completed and Future Investments



Source: City of Philadelphia Department of Commerce

Avenue of the Arts (South Broad Street) Investments. The Avenue of the Arts is located along a mile-long section of South Broad Street between City Hall and Washington Avenue, in the heart of Philadelphia's Center City. Reinventing South Broad Street as the Avenue of the Arts, a world class cultural destination, has been a civic goal in Philadelphia for nearly two decades. Cultural institutions, the William Penn Foundation, local property owners and civic leaders advanced the idea of a performing arts district on South Broad Street anchored by the Academy of Music and modeled after successful performing arts districts around the country. The Avenue of the Arts became a key element of the City's strategy to strengthen Center City as the region's premier cultural destination and an important element in the City's bid to expand its convention and tourism industries. Figure 3 provides an overview of investment to date in this district.

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



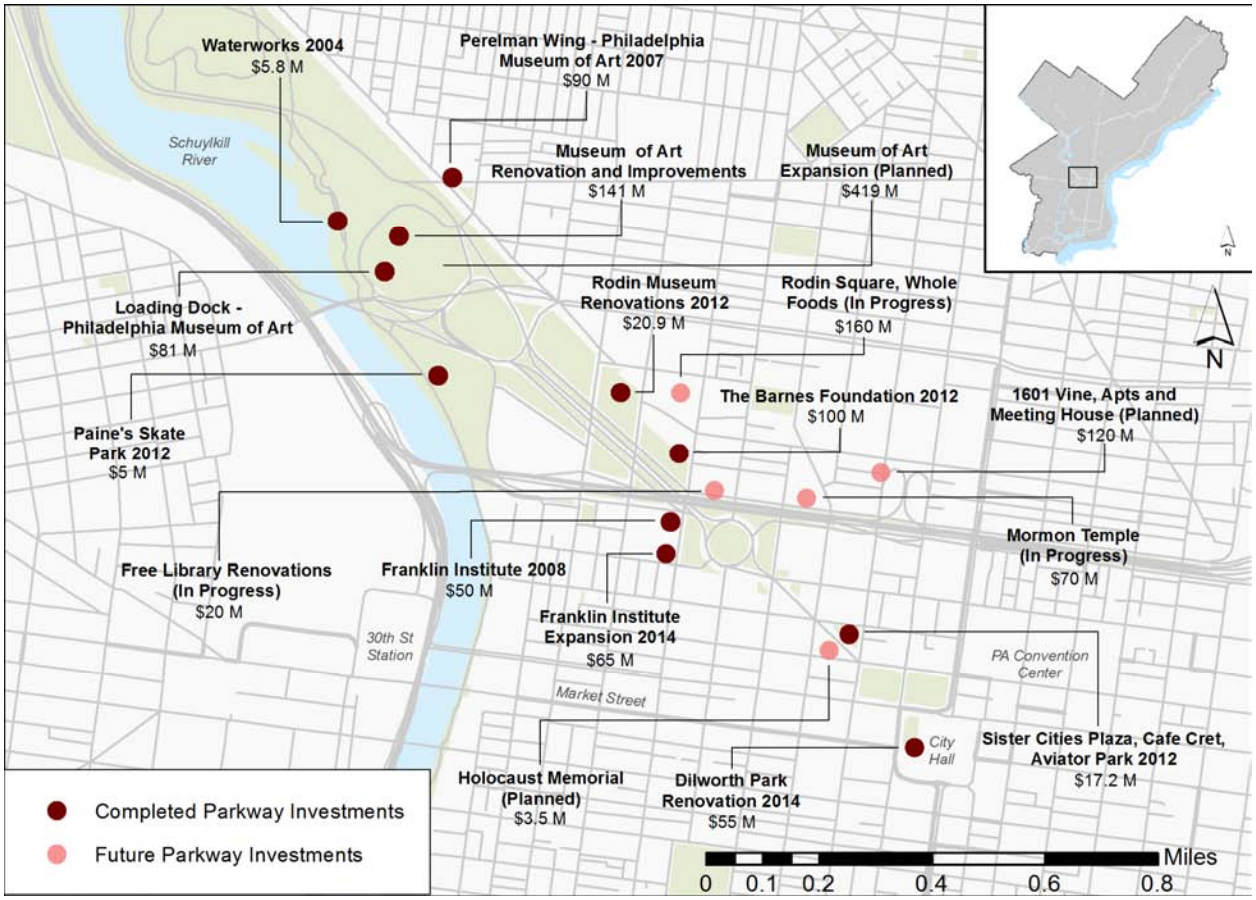
Source: City of Philadelphia Department of Commerce

North Broad Street Investments. The 2011 expansion of the Pennsylvania Convention Center reignited development efforts along the key corridor of North Broad Street. Improvements include Lenfest Plaza, which is adjacent to the Pennsylvania Academy of Fine Arts and across from the Pennsylvania Convention Center expansion's entrance. Lenfest Plaza is also home to Paint Torch, a sculpture by world-renowned American artist Claes Oldenburg.

At Spring Garden Street, the former State office building was redeveloped into 204 rental units and the former headquarters of the Philadelphia Inquirer and Philadelphia Daily News has been sold and is slated for housing and commercial development. Just north of Spring Garden, previously closed commercial businesses have been redeveloped to include 101 new residential lofts, new restaurants and a catering facility. The redevelopment of this block was initiated with the conversion of an empty building into a mixed use development with 250 fully-leased apartments. As discussed on page B-10, Temple University's $1.2 billion capital plans contribute to the revitalization of North Broad Street.

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

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



Source: City of Philadelphia Department of Commerce

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

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

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

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

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

- **Delaware River Waterfront Corporation**. The Delaware River has historically been a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The City adopted a Master Plan for the Central Delaware in 2011. The Delaware River Waterfront Corporation (the "DRWC"), in partnership with the City, is a nonprofit corporation that works to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities. Successful park projects include Race Street Pier in 2011 and Washington Avenue Green in 2014. Both parks are adaptive reuse projects built on former pier structures. Another project, Pier 68 is currently under construction, with an anticipated opening in summer 2015. In April 2014, the DRWC published a feasibility study for redevelopment of Penn's Landing, a major public space along the Delaware River waterfront. The Master Plan calls for a combination of public and private investment for the two million square foot development program.

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

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

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

- **SugarHouse Casino**. Legislation enacted by the Pennsylvania General Assembly authorized two stand-alone casino licenses for the City. Philadelphia's first casino, SugarHouse, opened in September 2010. SugarHouse Casino sits on the Delaware River waterfront offering an array of slot machines, table games and dining options. In May 2013, SugarHouse received approval from the Pennsylvania Gaming Control Board to expand its operations, including additional parking and a larger gaming floor. The $155 million expansion, which commenced in July 2014 with completion anticipated by September 2015, is expected to add 500

additional employees to the casino. After a period of significant gains from 2010 through 2012, SugarHouse revenue has leveled off. Until the casino's expansion is complete, current revenue levels are expected to remain relatively unchanged. In 2013, the casino's total revenue was $265,558,237, a decrease of 3.1 percent from 2012, and it employed 1,128 people, up from 1,098 in 2012.

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

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

Average paid home season attendance for the Eagles in Lincoln Financial Field has exceeded 100 percent of actual seating, since its opening in 2003. In the 2009 through 2012 seasons, the Phillies had a paid home season attendance in excess of 100 percent of actual seating at Citizen's Bank Park. In 2010, the Phillies had the second highest attendance of any team in Major League Baseball and in both 2011 and 2012 the Phillies registered the highest home attendance of any team in Major League Baseball. The Phillies attendance rate declined in 2013, but remained in the top ten of Major League Baseball teams. However, 2014 team performance contributed to a significant decline in overall attendance, dropping the Phillies attendance ranking to 16 out of 30 teams.

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

In November 2014, the Pennsylvania Gaming Control Board awarded the City's remaining casino license to Live! Hotel & Casino, a joint venture between Cordish Cos. and Greenwood Gaming and Entertainment Inc. Once complete in January 2018, the $425 million, 200,000-square-foot casino, will also include a 240-room hotel, 2,000 slots and 125 table games. It will also have a spa and conference center built in and around an existing Holiday Inn at the South Philadelphia Sports Complex.

TRANSPORTATION

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to PHL and to the surrounding counties. For more information on SEPTA, see "ECONOMIC BASE AND EMPLOYMENT – Southeastern Pennsylvania Transportation Authority (SEPTA)" and APPENDIX A – "EXPENDITURES OF THE CITY – City Payments to SEPTA."

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

An important addition to the area's transportation system was the opening of the airport high speed line between Center City and PHL in 1985. The line places PHL less than 25 minutes from the City's central business district and connects directly with the commuter rail network and the Pennsylvania Convention Center. The opening of the commuter rail tunnel in 1984 provided a unified City transportation system linking the commuter rail system, the SEPTA bus, trolley, and subway lines, the high speed line to New Jersey, and the airport high speed line.

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

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to other major cities and markets in the United States. According to Amtrak, Philadelphia's 30th Street Station is the third busiest station in the United States. Structural improvements of $30 million were recently completed to the station, and an additional $60 million restoration project is awaiting federal approval.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of Interstate 95 ("I-95"); the Vine Street Expressway (Interstate 676), running east-to-west through the Central Business District between Interstate 76 ("I-76") and I-95; and the "Blue Route" (Interstate 476) in suburban Delaware and Montgomery Counties, which connects the Pennsylvania Turnpike and I-95 and connects to the Schuylkill Expressway (I-76), which runs to Center City Philadelphia. In addition, more than 100 truck lines serve the Philadelphia area.

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

Philadelphia is launching its first bike share system, Indego, in the Spring of 2015. The system will launch with 600 bicycles and 60 bicycle kiosks from Temple University to the Navy Yard and from the Delaware River to University City. The system's title sponsor is Independence Blue Cross and it is the first bike share system in the United States to allow for cash payment, in addition to credit card, to access the system. In 2016, Indego plans to increase in size and scope by adding 60 additional bike share kiosks.

KEY CITY-RELATED SERVICES AND BUSINESSES

Water and Wastewater

The water and wastewater systems of the City are owned by the City and operated by the City's Water Department. The water system provides water to the City (134 square mile service area), to Aqua Pennsylvania, Inc., formerly Philadelphia Suburban Water Company, and to the Bucks County Water and Sewer Authority. The City obtains approximately 58 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 483,955 retail customers through 3,172 miles of mains, 3 water treatment plants, 15 pumping stations and provides fire protection through 25,321 fire hydrants. The water treatment plants continue to meet and/or exceed their Safe Drinking Water Act as well as partnership for Safe Water standards.

The wastewater system services a total of 364 square miles of which 134 square miles are within the City and 230 square miles are in suburban areas. The total number of retail customer accounts is approximately 528,938, including approximately 49,993 storm water only accounts. The wastewater and storm water systems contain three water pollution control plants, a biosolids processing facility, 19 pumping stations, and approximately 3,719 miles of sewers. The wastewater treatment plants continue to meet and/or exceed their National Pollutant Discharge Elimination System permit limits.

Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,300 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits.

Parks

The City was originally designed by William Penn and Thomas Holme around five urban parks, each of which remains in Center City to this day. The City's parklands total over 10,300 acres, and include Fairmount Park, the world's largest landscaped urban park at 9,200 acres, Pennypack Park, and the Philadelphia Zoo, the country's first zoo. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell.

Libraries

The Free Library of Philadelphia, the City's public library system, comprises 54 branches and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department (the "Streets Department") and the divisions within it are responsible for the City's large network of streets and roadways. The City's pavement condition is considered to be a "Fair" pavement condition. In order for the City to maintain its pavement in a state of good repair, local streets should be repaved once every 20 years and arterials should be repaved once every 10 years. This requires approximately 131 miles of paving every year. The pavement program has accumulated a backlog of approximately 1,100 miles since 1996. As a result of the new funding under Act 89, the Streets Department has funds to address long standing state of good repair needs without an additional allocation from the General Fund. During Fiscal Years 2014-2017, the Streets Department will invest in critical equipment replacements and begin to implement a strategy to address recurring state of good repair needs. This includes critical equipment replacement, street paving and pothole repair, and replacement of traffic control equipment.

The Streets Department is also responsible for the ongoing collection and disposal of residential trash and recyclables, as well as the construction, cleanliness and maintenance of the street system. The streets system in Philadelphia totals 2,575 miles - 2,180 miles of City streets, 35 miles of Fairmount Park roads and 360 miles of state highways. The Highway Unit and Sanitation Division annually collects and disposes of approximately 600,000 tons of rubbish and 125,000 tons of recycling, completes over 48,000 miles of mechanical street cleaning, clears 1,800 major illegal dump sites, and removes over 155,000 abandoned tires.

Sustainability and Green Initiatives

Mayor Nutter has stated one of his top priorities is to make Philadelphia the greenest and most sustainable city in America. To aid in achieving this goal, the newly created Philadelphia Energy Authority has been tasked with improving energy sustainability and affordability in the City and with educating consumers on their energy choices. The City is investing in and evaluating additional options and investing in green infrastructure to better manage storm water reclamation and reduce pollution of the City's public waters. There has been extensive investment in creating more and better public green spaces, such as Love Park in Center City as well as green spaces along both the Delaware and Schuylkill Rivers. Finally, the City has been taking steps to further reduce automobile traffic, congestion and pollution by making Philadelphia's streets increasingly friendly to bicyclists. Philadelphia is on-track to introduce its new bicycle sharing system in 2015. Bicycle share programs have been successfully implemented in other cities worldwide. The new program will have over 600 new bicycles in its first phase and up to 2,000 bicycles once fully implemented.

APPENDIX C

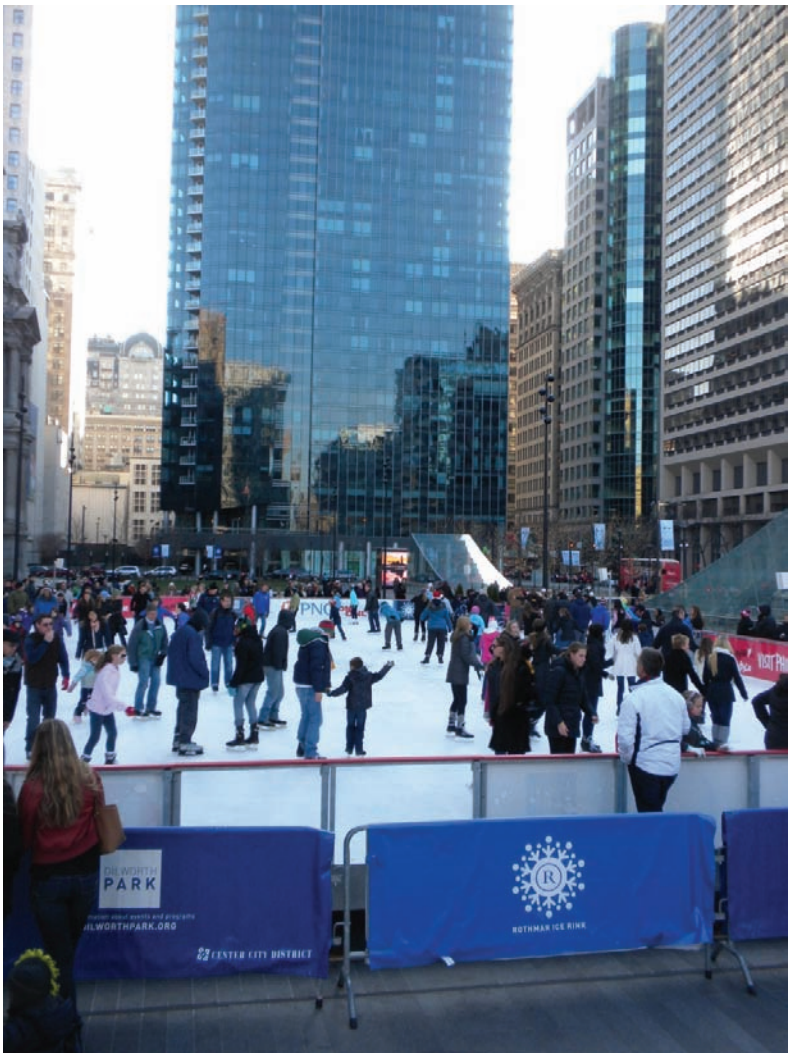
COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2014

[THIS PAGE INTENTIONALLY LEFT BLANK]

City of Philadelphia

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

Founded 1682



Rothman Ice Rink

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

City of Philadelphia

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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Josefine Arevalo
Accounting Director

Accounting Office

Carl Coin	Meiting Lu	Richard Sensenbrenner
Haroon Bashir	Eugene McCauley	Girgis Shehata
Jamika Baucom	Rowaida Mohamed	Tanya Shirer
Bill Bradley	Hemali Patel	Shante Thompson
Nana Boateng	Jacqueline Pittel	Shantae Thorpe
Randy Boucher	Jenny Raj	Jeannette Williams
Sharon Donaldson	Shenika Ruff	Shauntise Wise

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

Table of Contents

Introductory Section

Letter of Transmittal 1
GFOA Certificate of Achievement 5
Organizational Chart 6
List of Elected and Appointed Officials 7

Financial Section

Independent Auditor's Report 9

Management's Discussion and Analysis 13

Basic Financial Statements
Government Wide Financial Statements
Exhibit I Statement of Net Position 28
Exhibit II Statement of Activities 29

Fund Financial Statements
Governmental Funds Financial Statements
Exhibit III Balance Sheet 30
Exhibit IV Statement of Revenues, Expenditures and Changes in Fund Balances 31
Exhibit V Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 32
Proprietary Funds Financial Statements
Exhibit VI Statement of Fund Net Position 33
Exhibit VII Statement of Revenues, Expenses and Changes in Fund Net Position 34
Exhibit VIII Statement of Cash Flows 35
Fiduciary Funds Financial Statements
Exhibit IX Statement of Net Position 36
Exhibit X Statement of Changes in Net Position 37
Component Units Financial Statements
Exhibit XI Statement of Net Position 38
Exhibit XII Statement of Activities 39

Exhibit XIII **Notes to the Financial Statements** 41

Required Supplementary Information Other than Management's Discussion and Analysis

Budgetary Comparison Schedules-Major Funds
Exhibit XIV General Fund 126
Exhibit XV HealthChoices Behavioral Health Fund 127
Exhibit XVI Grants Revenue Fund 128

Exhibit XVII Pension Plans and Other Post Employment Benefits – Schedule of Funding Progress 129
Exhibit XVIII Notes to Required Supplementary Information 130

Financial Section (Continued)

Other Supplementary Information

Schedule I Combining Balance Sheet - Non-Major Governmental Funds 134
Schedule II Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds 136
Schedule III Combining Statement of Fiduciary Net Position – Pension Trust Funds 138
Schedule IV Combining Statement of Changes in Fiduciary Net Position–Pension Trust Funds 139
Schedule V Combining Statement of Fiduciary Net Position - Agency Funds 140
Schedule VI Statement of Changes in Fiduciary Net Position - Agency Funds 141
Schedule VII City Related Schedule of Bonded Debt Outstanding 142
Schedule VIII Budgetary Comparison Schedule - Water Operating Fund 144
Schedule IX Budgetary Comparison Schedule - Water Residual Fund 145
Schedule X Budgetary Comparison Schedule - County Liquid Fuels Tax Fund 146
Schedule XI Budgetary Comparison Schedule - Special Gasoline Tax Fund 147
Schedule XII Budgetary Comparison Schedule - Hotel Room Rental Tax Fund 148
Schedule XIII Budgetary Comparison Schedule - Aviation Operating Fund 149
Schedule XIV Budgetary Comparison Schedule - Community Development Fund 150
Schedule XV Budgetary Comparison Schedule - Car Rental Tax Fund 151
Schedule XVI Budgetary Comparison Schedule - Housing Trust Fund 152
Schedule XVII Budgetary Comparison Schedule - General Capital Improvement Funds 153
Schedule XVIII Budgetary Comparison Schedule - Acute Care Hospital Assessment Fund 154
Schedule XIX Schedule of Budgetary Actual and Estimated Revenues and Obligations – General Fund 155
Schedule XX Schedule of Budgetary Actual and Estimated Revenues and Obligations – Water Operating Fund 158
Schedule XXI Schedule of Budgetary Actual and Estimated Revenues and Obligations – Aviation Operating Fund. 159

Statistical Section

Table 1 Net Position by Component 162
Table 2 Changes in Net Positions 163
Table 3 Fund Balances-Governmental Funds 165
Table 4 Changes in Fund Balances-Governmental Funds 166
Table 5 Comparative Schedule of Operations-Municipal Pension Fund 167
Table 6 Wage and Earnings Tax Taxable Income 168
Table 7 Direct and Overlapping Tax Rates 169
Table 8 Principal Wage and Earnings Tax Remitters 171
Table 9 Assessed Value and Estimated Value of Taxable Property 172
Table 10 Principal Property Tax Payers 173
Table 11 Real Property Taxes Levied and Collected 174
Table 12 Ratios of Outstanding Debt by Type 175
Table 13 Ratios of General Bonded Debt Outstanding 176
Table 14 Direct and Overlapping Governmental Activities Debt 177
Table 15 Legal Debt Margin Information 178
Table 16 Pledged Revenue Coverage 179
Table 17 Demographic and Economic Statistics 180
Table 18 Principal Employers 181
Table 19 Full Time Employees by Function 182
Table 20 Operating Indicators by Function 183
Table 21 Capital Assets Statistics by Function 184

Cover photo courtesy of Charlie Jones, Sinking Fund Commission

City of Philadelphia
OFFICE OF THE DIRECTOR OF FINANCE
1401 John F. Kennedy Blvd.
Suite 1330, Municipal Services Bldg.
Philadelphia, Pennsylvania 19102-1693

ROB DUBOW
Director of Finance

February 23, 2015

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, 2014, is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The Philadelphia Home Rule Charter (Charter) requires an annual audit of all City accounts by the City Controller, an independently elected official. The Charter further requires that the City Controller appoint a Certified Public Accountant in charge of auditing. These requirements have been complied with and the audit done in accordance with Generally Accepted Governmental Auditing Standards (GAGAS).

Management has provided a narrative to accompany the basic financial statements. This narrative is known as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 135 square miles along the Delaware River, serves a population in excess of 1.5 million and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in southeast Pennsylvania. The City is governed largely under the Home Rule Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951, and became effective on the first Monday of January, 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania. The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten from districts and seven from the City at-large, elected every four years. Minority representation is assured by the requirement that no more than five candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms.

This report includes all the funds of the City as well as its component units. The Philadelphia Municipal Authority's and the Pennsylvania Intergovernmental Cooperation Authority's statements are blended with the City's statements. The Philadelphia Gas Works', the Philadelphia Redevelopment Authority's, the Philadelphia Parking Authority's, the School District of Philadelphia's, the Community College of Philadelphia's, Community Behavioral Health, Inc.'s, the Delaware River Waterfront Corporation's, and the Philadelphia Authority for Industrial Development's statements are presented discretely. A component unit is considered to be part of the City's reporting entity when it is concluded that there is a financial benefit, or burden, to the City or that the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services, as well as the activities of the previously mentioned public agencies and authorities. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport, which handles an excess of 15 million passengers annually, as well as cargo and Northeast Philadelphia Airport' which handles private aircraft and some cargo.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. The City has experienced new investment in many of its neighborhoods spurred by the relative affordability of housing and the City's extensive array of cultural amenities. In addition, as shown in the following chart, the city's population, and income, have shown

increases in each of the four previous calendar years. Calendar year 2013 marked the seventh year in a row that Philadelphia has seen an increase in population, after decades of decline. Furthermore, personal income and per capita personal income have each increased by 21% since calendar year 2009. Still, significant challenges remain. The City's tax base is under pressure as personal income levels remain relatively low in comparison to the region and the city's poverty rate remains elevated relative to the region.

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
		(thousands - USD)	(USD)	
2009	1,547,297	54,061,223	34,939	9.6%
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%

As is the case with municipalities across the country, the City experienced significant tax revenue declines during the deep world-wide recession of 2007-2009. The economic recovery has been slow, and while revenue from most taxes have rebounded somewhat, some tax receipts have not yet returned to their pre-recession levels. While the City took significant budget balancing actions during the Great Recession, it has begun to see the benefits of the slow recovery. As a result, the City has been able to resume wage and business tax reductions, reach collective bargaining agreements with its four largest unions and increase investment in infrastructure and key programs. The fiscal 2013 fund balance (on a legally enacted basis) was $256.9 million and decreased to $202.1 million in fiscal 2014. Due in large part to the settlement of union contracts, which included a significant fire union back pay component, the City's fund balance decreased by $54.8 million in fiscal 2014. The City's current projection for the fund balance level at the end of fiscal 2015 is $146.1 million ($56 million lower than fiscal 2014).

While the recession officially ended in June 2009, unemployment at the end of 2014 remains slightly above pre-recession levels and many economists anticipate that the recovery will continue to be slow. This is particularly relevant to state and local governments, whose tax revenues generally lag economic conditions.

Long-Term Financial Planning

As discussed above, the City made significant changes to its budget and five-year plan to compensate for projected deficits during the Great Recession. While overall tax revenues continue to improve, the City faces uncertainty regarding the pace of economic growth. As a result, the City will continue to monitor its fiscal position and make adjustments as necessary.

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. In fiscal 2014, employee benefits (14%) and pensions (17%) combined, comprised 31% of the total budgeted expenditures and encumbrances.

In order to address the challenges these long term structural costs present, the City achieved key reforms in labor contracts with its four major unions in the areas of health and pension benefits. The City has already made changes in the City-administered benefits programs to reduce the cost to the City, implement efficiency savings and increase employee health benefit contributions.

In the area of pensions, the City has sought to reduce its costs, reduce its risk and increase employee contributions. Each of the City's unions that has entered into collective bargaining agreements or received arbitration awards has seen pension modifications.

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, 2013. This was the thirty fourth consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Office of the Director of Finance as well as various City departments and component units. Each has my sincere appreciation for their valuable contributions.

Sincerely,

ROB DUBOW
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

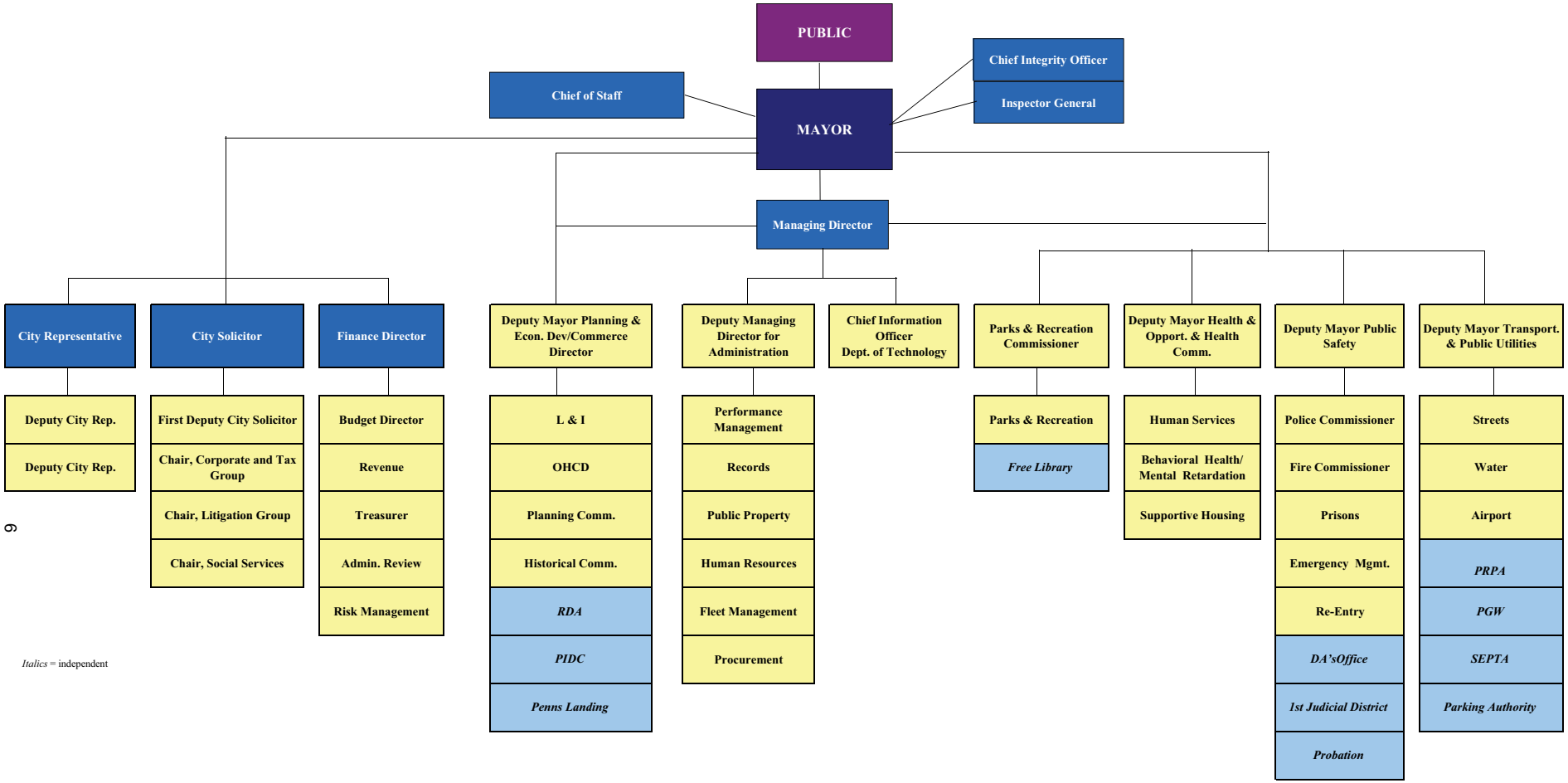
City of Philadelpia

Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



Italics = independent

Elected Officials

Mayor ..... Michael A. Nutter

City Council
President, 5th District ..... Darrell L. Clarke

1st District ..... Mark Squilla
2nd District ..... Kenyatta Johnson
3rd District ..... Jannie L. Blackwell
4th District ..... Curtis Jones, Jr.
6th District ..... Bobby Henon
7th District ..... Maria D. Quinones-Sanchez
8th District ..... Cindy Bass
9th District ..... Marian B. Tasco
10th District ..... Brian J. O'Neill
At-Large ..... Blondell Reynolds Brown
At-Large ..... W. Wilson Goode, Jr.
At-Large ..... William K. Greenlee
At-Large ..... David Oh
At-Large ..... Vacant
At-Large ..... Ed Neilson
At-Large ..... Dennis O'Brien

District Attorney ..... Seth Williams

City Controller ..... Alan Butkovitz

City Commissioners
Chairman ..... Anthony Clark
Commissioner ..... Al Schmidt
Commissioner ..... Stephanie Singer

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

Sheriff ..... Jewell Williams

First Judicial District of Pennsylvania
President Judge, Court of Common Pleas ..... Pamela P. Dembe
President Judge, Municipal Court ..... Marsha H. Neifield
President Judge, Traffic Court ..... Vacant

Appointed Officials

Managing Director	Richard Negrin
Director of Finance	Rob Dubow
City Solicitor	Shelley R. Smith
City Representative	Desiree Peterkin-Bell
Chief of Staff	Everett A. Gillison
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	James W. Buehler M.D.
Deputy Mayor for Planning & Economic Development/Commerce Director	Alan Greenberger
Deputy Mayor for Transportation and Utilities	Rina Cutler
Chief Integrity Officer	Hope Caldwell
Inspector General	Amy L. Kurland
Chief Education Advisor to the Mayor	Lori A. Shorr, Ph.D.
Chief Innovation Officer	Adel W. Ebeid
City Treasurer	Nancy Winkler
Revenue Commissioner	Clarena Tolson
Procurement Commissioner	Mary Stitt
Police Commissioner	Charles Ramsey
Prisons Commissioner	Louis Giorla
Streets Commissioner	David J. Perri
Fire Commissioner	Derrick Sawyer
Commissioner of Parks and Recreation	Michael DiBerardinis
Public Property Commissioner	Bridget Collins-Greenwald
Director of the Office of Behavioral Health	Arthur C. Evans, MD
Department of Human Services Commissioner	Vanessa Garrett-Harley
Licenses and Inspections Commissioner	Carlton Williams
Water Commissioner	Howard Neukrug
Records Commissioner	Joan T. Decker
Human Resources Director	Albert L. D'Attilio
Executive Director of the Board of Pensions & Retirement	Francis X. Bielli
Executive Director of the Sinking Fund Commission	Charles Jones
Chief Executive Officer of PHL	Mark Gale
Director of the Office of Labor Relations	Monica Marchetti-Brock

CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Honorable Members
of the Council of the City of Philadelphia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. With the exception of the School District, we did not audit the financial statements of the blended component units and the discretely presented component units listed in Note 1.1, as well as the Municipal Pension Fund, the Gas Works Retirement Reserve Fund, and the Parks and Recreation Departmental and Permanent Funds which collectively represent 33%, 46%, and 18% of the total assets, net position/fund balances, and revenues, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those component units and funds, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans and other post employment benefits - schedule of funding progress, and the related notes to required supplementary information, on pages 126 through 130 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the above required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit for the year ended June 30, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements. The accompanying Other Supplementary Information for the year ended June 30, 2014, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2014, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2014.

The other information, which includes the Introductory Section and Statistical Section as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Philadelphia, Pennsylvania as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated February 24, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The 2013 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The 2013 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations have been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

GERALD V. MICCIULLA, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 23, 2015

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2014 has been prepared by the city's management. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the city's financial statements immediately following this discussion and analysis.

Financial Highlights

- At the end of the current fiscal year, the liabilities of the City of Philadelphia exceeded its assets and deferred outflows by $71.0 million. Its *unrestricted net position* showed a deficit of $2,571.1 million. This deficiency will have to be funded from resources generated in future years.

- During the current fiscal year the city's total net position decreased by $86.2 million. The governmental activities of the city experienced a decrease of $195.2 million, while the business type activities had an increase of $108.9 million.

- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of $572.5 million, a decrease of $10.0 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of $258.1 million, a decrease of $123.8 million from last year.

- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned* and *unassigned* components of the fund balance) for the general fund was $126.1 million, of which, $23.0 million was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* decreased by $67.0 million in comparison with the prior year.

- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a surplus fund balance of $202.1 million, as compared to a $256.9 million surplus last year. The decrease of $54.8 million was due to an increase in expenditures that resulted in an operating deficit of $80.9 million offset by some cancelations of prior year obligations.

Overview of the Financial Statements

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

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

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

The *statement of net position* which includes all of the city's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position are an indicator of whether the city's financial position is improving or deteriorating.

The *statement of activities* presents revenues and expenses and their effect on the change in the city's net position during the current fiscal year. These changes in net position are recorded as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

The government-wide financial statements of the city are reflected in three distinct categories:

▪*Governmental activities* are primarily supported by taxes and state and federal grants. The governmental activities include general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; streets, highways and sanitation; and the financing activities of the city's two blended component units - the Pennsylvania Intergovernmental Cooperation Authority and Philadelphia Municipal Authority.

▪*Business-type activities* are supported by user fees and charges which are intended to recover all or a significant portion of their costs. The city's water and waste water systems, airport and industrial land bank are all included as business type activities.

These two activities comprise the primary government of Philadelphia.

▪*Component units* are legally separate entities for which the City of Philadelphia is financially accountable or has oversight responsibility. Financial information for these component units is reported separately from the financial information presented for the primary government. The city's government-wide financial statements contain eight distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, Gas Works, Parking Authority, Delaware River Waterfront Corporation, Philadelphia Authority for Industrial Development and the Redevelopment Authority.

Fund financial statements. The fund financial statements provide detailed information about the city's most significant funds, not the city as a whole. Funds are groupings of activities that enable the city to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City of Philadelphia can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

• ***Governmental funds.*** The governmental funds are used to account for the financial activity of the city's basic services, similar to those described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements which provide a long-term focus of the city, the fund financial statements focus on a short term view of the inflows and outflows of expendable resources, as well as on the balances of expendable resources available at the end of the fiscal year. The financial information presented for the governmental funds are useful in evaluating the city's short term financing requirements.

To help the readers of the financial statements better understand the relationships and differences between the long term view of the government-wide financial statements from the short term view of the fund financial statements, reconciliations are presented between the fund financial statements and the government-wide statements.

The city maintains twenty-two individual governmental funds. Financial information is presented separately for the general fund, grants revenue fund and health choices behavioral health fund, which are considered to be major funds. Data for the remaining nineteen are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

• ***Proprietary funds.*** The proprietary funds are used to account for the financial activity of the city's operations for which customers are charged a user fee; they provide both a long and short term view of financial information. The city maintains three enterprise funds which are a type of proprietary funds - the airport, water and waste water operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.

• ***Fiduciary funds.*** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate *statements of fiduciary net assets* and *changes in fiduciary net assets.* They are not reflected in the government-wide financial statements because the assets are not available to support the city's operations.

The following chart summarizes the various components of the city's government-wide and fund financial statements, including the portion of the city government they cover, and the type of information they contain.

Summary of the City of Philadelphia's Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire city government (except fiduciary funds) and city's component units	Activities of the city that are not proprietary or fiduciary in nature, such as fire, police, refuse collection	Activities the city operates similar to private businesses. Airports, water/waste water system & the land bank.	Activities for which the city is trustee for someone else's assets, such as the employees' pension plan
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis/ measurement focus	Accrual accounting Economic resources	Modified accrual accounting Current financial resources	Accrual accounting Economic resources	Accrual accounting Economic resources
Type of asset, liability and deferred inflow/outflow of resources	All assets, liabilities, deferred inflow/outflow of resources, financial and capital, short and long term	Only assets expected to be used up and liabilities and deferred inflows of resources that come due during the current year or soon thereafter; no capital assets are included	All assets, liabilities, deferred inflow/outflow of resources, financial and capital, short and long term	All assets and liabilities, both short and long term; there are currently no capital assets, although there could be in the future
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Only revenues for which cash is received during the year or soon after the end of the year; only expenditures when goods or services are received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents additional information in three separate sections: *required supplementary information, supplementary information and statistical information.*

• ***Required supplementary information.*** Certain information regarding pension plan funding progress for the city and its component units, as well as budgeted and actual revenues, expenditures and encumbrances for the city's major governmental funds is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.

• ***Supplementary information.*** Combining statements for non-major governmental and fiduciary funds, as well as additional budgetary schedules for the city's governmental and proprietary funds are presented in this section. This supplementary information can be found immediately following the required supplementary information.

• ***Statistical information.*** Long term trend tables of financial, economic, demographic and operating data are presented in the statistical section. This information is located immediately after the supplementary information.

Government-wide Financial Analysis

Net position. As noted earlier, net positions are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities exceeded its assets & deferred outflows by $71.0 million.

Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net position, $1,184.2 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.

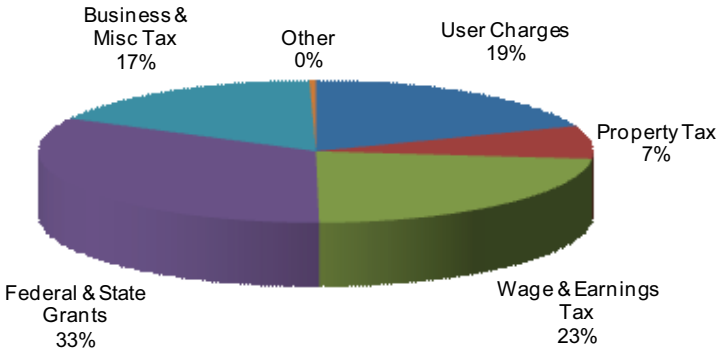
A portion of the city's net position, $1,315.9 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of $2,571.1 million. The governmental activities reported negative *unrestricted net position* of $2,771.8 million. The business type activities reported an unrestricted net assets surplus of $200.7 million. Any deficits will have to be funded from future revenues.

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

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

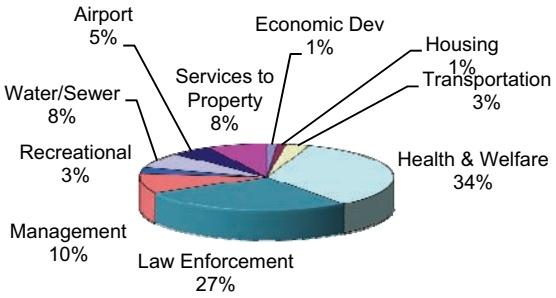
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2014	2013	Change	2014	2013	Change	2014	2013	Change
Current and other assets	2,246.2	1,956.1	14.83%	1,442.5	1,320.3	9.26%	3,688.7	3,276.4	12.58%
Capital assets	2,242.4	2,249.3	-0.31%	3,882.8	3,824.4	1.53%	6,125.2	6,073.7	0.85%
Total assets	**4,488.6**	**4,205.4**	6.73%	**5,325.3**	**5,144.7**	3.51%	**9,813.9**	**9,350.1**	4.96%
Deferred Outflows	136.6	121.2		93.3	105.8		229.9	227.0	
Long-term liabilities	5,475.6	5,205.4	5.19%	3,322.1	3,253.0	2.12%	8,797.7	8,458.4	4.01%
Other liabilities	1,114.2	890.7	25.09%	202.9	212.8	-4.65%	1,317.1	1,103.5	19.36%
Total liabilities	**6,589.8**	**6,096.1**	8.10%	**3,525.0**	**3,465.8**	1.71%	**10,114.8**	**9,561.9**	5.78%
Deferred Inflows	-	-		-	-		-	-	
Net Position:									
Net Investment in capital assets	176.8	232.5	-23.96%	1,007.4	982.5	2.53%	1,184.2	1,215.0	-2.53%
Restricted	630.4	586.9	7.41%	685.5	628.8	9.02%	1,315.9	1,215.7	8.24%
Unrestricted	(2,771.8)	(2,588.9)	-7.06%	200.7	173.4	15.74%	(2,571.1)	(2,415.5)	-6.44%
Total Net Position	**(1,964.6)**	**(1,769.5)**	-11.03%	**1,893.6**	**1,784.7**	6.10%	**(71.0)**	**15.2**	-567.11%

Changes in net position. The city's total revenues this year, $7,096.7 million, fell short of total costs of $7,182.9 million by $86.2 million. Approximately 47% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 33%, and the remaining 19% 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 69% are related to the health, welfare and safety of the general public.



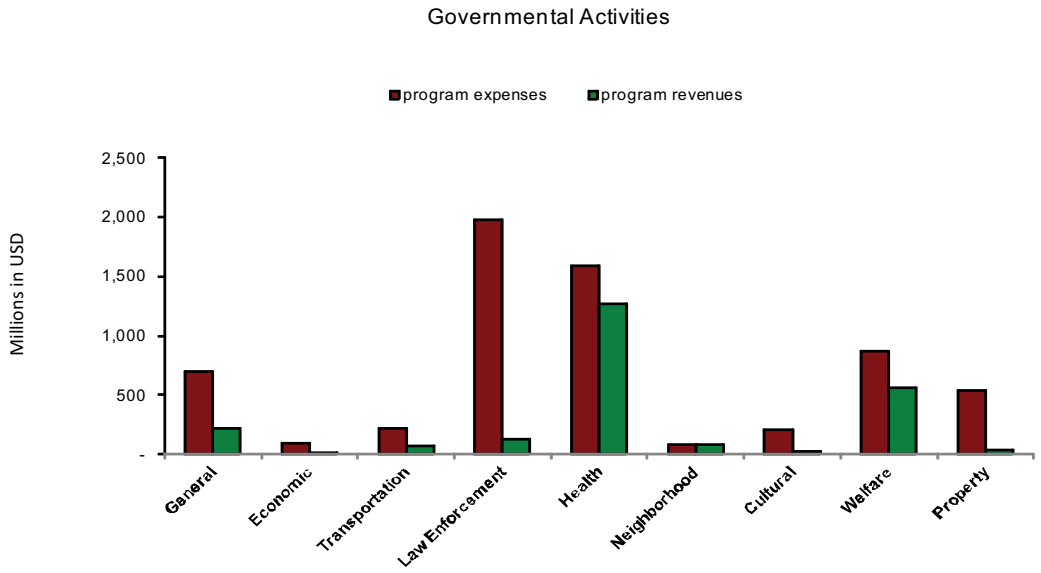
Overall, net position for the city decreased by $86.2 million. Total revenues increased by $157.5 million, total expenses increased by $382.8 million over last year. This resulted in the Change in Net Position being $225.6 million lower than in the previous year. Net positions were decreased by $20.0 million from Operating Grants and Contributions, $23.6 million from Property Taxes, and $3.7 million from Unrestricted Interest; and, increased by $92.7 million from Charges for Services, $41.1 million for Wage and Earning Taxes, $21.8 million from Capital Grants and Contributions, $46.5 million from Other Taxes and $2.4 million from Unrestricted Grants and Contributions.

Expense increased by $382.8 million with increases of $224.2 million for Judiciary and Law Enforcement, $110.6 million in Improvement of the General Welfare, $106.1 million in Services to Taxpayer Property, $73.9 million in Conservation of Health, $32.1 million in Transportation, $30.0 million in Water and Waste Water, $17.6 million in Airport, $18.8 million in Cultural & Recreational and $0.9 million in Economic Development; and, decreases of $208.2 million in General Management, $22.6 million in Housing and Neighborhood Development, and, $0.6 in Industrial Land Bank.



Governmental Activities

The governmental activities of the City resulted in a $195.2 million decrease in net position. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



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

(millions of USD)	Program Costs		%	Program Revenues		%	Net Cost		%
	2014	2013	Change	2014	2013	Change	2014	2013	Change
General Welfare	868.3	757.7	14.6%	561.7	569.7	-1.4%	306.6	188.0	63.1%
Judiciary & Law Enforcement	1,972.4	1,748.2	12.8%	125.6	138.4	-9.2%	1,846.8	1,609.8	14.7%
Public Health	1,588.4	1,514.5	4.9%	1,271.3	1,284.6	-1.0%	317.1	229.9	37.9%
General Governmental	697.0	905.2	-23.0%	224.3	174.0	28.9%	472.7	731.2	-35.4%
Services to Property	539.6	433.5	24.5%	40.6	21.4	89.7%	499.0	412.1	21.1%
Housing, Economic & Cultural	597.2	568.0	5.1%	189.7	219.1	-13.4%	407.5	348.9	16.8%
	6,262.9	**5,927.1**	5.7%	**2,413.2**	**2,407.2**	0.2%	**3,849.7**	**3,519.9**	9.4%

The cost of all governmental activities this year was $6,263.0 million; the amount that taxpayers paid for these programs through tax payments was $3,375.0 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,002.6 million while those who benefited from the programs paid $410.7 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of $279.5 million. The difference of $195.2 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:

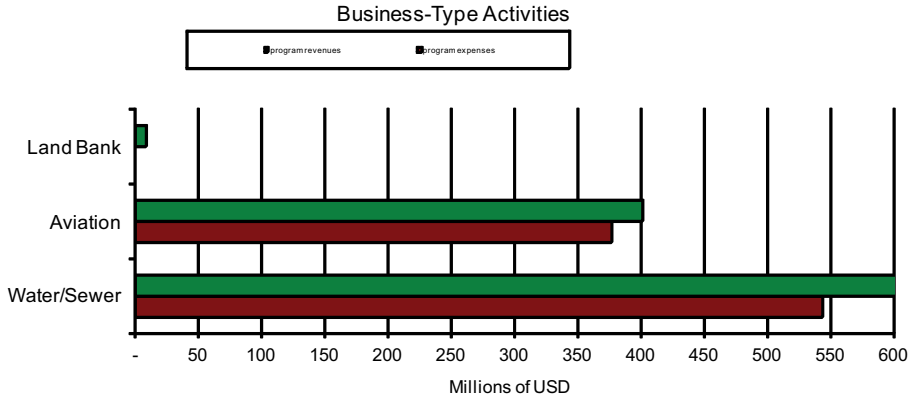
City of Philadelphia-Net Position

(millions of USD)	Governmental Activities		Business-type Activities		Total		%
	2014	2013	2014	2013	2014	2013	Change
Revenues:							
Program revenues:							
Charges for services	410.7	371.9	954.4	900.5	1,365.1	1,272.4	7.3%
Operating grants and contributions	1,967.3	1,986.4	1.4	2.3	1,968.7	1,988.7	-1.0%
Capital grants and contributions	35.3	48.9	93.6	58.2	128.9	107.1	20.4%
General revenues:							
Wage and earnings taxes	1,639.8	1,598.7	-	-	1,639.8	1,598.7	2.6%
Property taxes	530.2	553.8	-	-	530.2	553.8	-4.3%
Other taxes	1,205.1	1,158.4	-	-	1,205.1	1,158.4	4.0%
Unrestricted grants and contributions	229.5	187.4	2.5	42.2	232.0	229.6	1.1%
Unrestricted Interest	21.7	17.9	5.3	12.7	26.9	30.6	-12.0%
Total revenues	**6,039.5**	**5,923.3**	**1,057.2**	**1,015.9**	**7,096.7**	**6,939.2**	2.3%
Expenses:							
Economic development	95.1	94.2	-	-	95.1	94.2	1.0%
Transportation	216.0	183.9	-	-	216.0	183.9	17.5%
Judiciary & law enforcement	1,972.4	1,748.2	-	-	1,972.4	1,748.2	12.8%
Conservation of health	1,588.5	1,514.5	-	-	1,588.5	1,514.5	4.9%
Housing & neighborhood development	80.3	102.9	-	-	80.3	102.9	-22.0%
Cultural & recreational	205.8	187.0	-	-	205.8	187.0	10.1%
Improvement of the general welfare	868.3	757.7	-	-	868.3	757.7	14.6%
Services to taxpayer property	539.6	433.5	-	-	539.6	433.5	24.5%
General management	538.0	743.4	-	-	538.0	743.4	-27.6%
Interest on long term debt	159.0	161.8	-	-	159.0	161.8	-1.7%
Water & waste water	-	-	543.4	513.4	543.4	513.4	5.8%
Airport	-	-	376.5	358.9	376.5	358.9	4.9%
Industrial land bank	-	-	-	0.6	-	0.6	0.0%
Total expenses	**6,263.0**	**5,927.1**	**919.9**	**872.9**	**7,182.9**	**6,800.0**	5.6%
Increase (decrease) in net assets before transfers & special items	(223.5)	(3.8)	137.3	143.0	(86.2)	139.2	
Transfers	28.3	21.4	(28.3)	(21.4)	-	-	
Increase (decrease) in Net Position	**(195.2)**	**17.6**	**108.9**	**121.6**	**(86.2)**	**139.2**	
Net Position - Beginning	(1,769.5)	(1,772.5)	1,784.7	1,737.5	15.2	(35.0)	-143.4%
Adjustment	0.0	(14.6)	-	(74.4)	0.0	(89.0)	
Net Position - End	**(1,964.6)**	**(1,769.5)**	**1,893.6**	**1,784.7**	**(71.0)**	**15.2**	-565.7%

Business-type Activities

Business-type activities caused the city's net position to increase by $108.9 million. This increase was comprised of an increase in net position for water/wastewater of $72.4 million, an increase to aviation of $28.0 million, and an increase for industrial & commercial development operations of $8.5 million. Some of the key reasons for these changes are:

- Increased airport rental concession income, Passenger Facility Charges and grants capital contribution, in the Aviation Fund.
- Increased user related charges and decreased debt service interest in the Water Fund.
- Increased capital contribution in the Industrial & Commercial Development Fund.

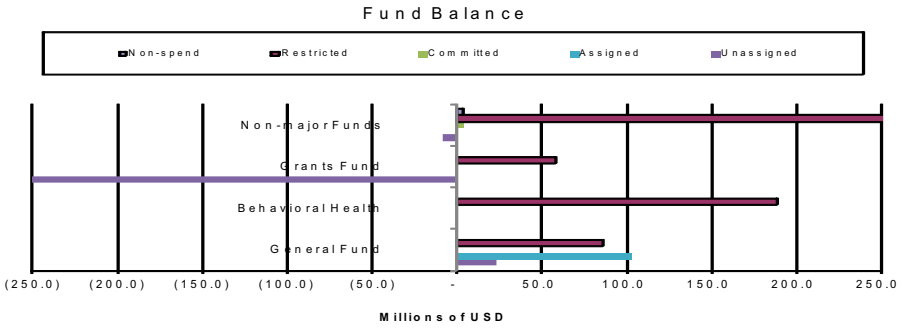


Financial Analysis of the Government's Funds

Governmental funds. The purpose of the city's governmental funds is to provide financial information on the *short term inflow, outflow and balance* of resources. This information is useful in assessing the city's ability to meet its near-term financing requirements. *Unassigned fund balance* serves as a useful measure of the city's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year the city's governmental funds reported a *combined fund balance* of $572.5 million, a decrease of $10.0 million over last year. Of the total fund balance, $3.2 million represents *nonspendable fund balance* for amounts that cannot be spent. In addition, $719.9 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, to: revitalize neighborhoods ($30.6 million); pay debt service ($83.1 million); support programs funded by independent agencies ($33.9 million); fund a portion of the city's managed care programs ($188.5 million); fund a portion of new sports stadiums ($11.1 million); fund the 9-1-1 emergency phone system ($27.5 million); fund a portion of the central library renovation project ($2.0 million), pay for a portion of the cultural and commercial corridor project ($11.6 million), pay pension obligation bonds interest ($68.2); and trusts ($11.8 million); fund economic development programs ($6.8 million); improve streets and highways ($26.2 million); fund housing and neighborhood development ($16.5 million); provide health services ($10.0 million); preserve parks, libraries and museums ($0.5 million); and support capital projects ($191.6 million). The fund balance is further broken down as to *committed fund balance* for Prisons $3.5 million and Parks and Recreation $0.8 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of $258.1 million which constitutes *unassigned fund balance,* this deficit must be funded by future budgets.

The general fund, the primary operating fund of the city, reported *assigned fund balance* of $103.1 million and *unassigned fund balance* of $23.0 million at the end of the fiscal year.



Overall, the total fund balance of the general fund decreased by $72.6 million during the current fiscal year. This decrease was due to an excess of expenditures over revenues and other financing uses for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- An increase of $60 million in tax revenue due to increased collections of $82 million for Wage & Earnings Tax, Business Income & Receipts Tax, and Real Property Transfer Tax and a decrease of $22 million for Real Property Tax.
- An increase resulting from sale of the Love Park Garage for $28 million.

Expenditures:

- Expenditures for the year increased $312.8 million, an increase of 9.16%.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $188.6 million, the entire amount million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance decreased during the fiscal year by $45.2 million.

The Grants Revenue fund has a total fund balance deficit of $215.2 million which is comprised of a positive restricted fund balance of $58 million (earmarked for neighborhood revitalization for $30.5 million and emergency telephone system programs for $27.5 million) and a deficit unassigned fund balance of $273.3 million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unassigned fund balance. The overall fund balance of the grants revenue fund experienced a decrease of $56.7 million during the current fiscal year due primarily to the Act 148 program being included in this fund beginning with fiscal year 2012.

Proprietary funds. The city's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net position* of the proprietary funds increased by $108.9 million during the current fiscal year. This increase is attributable to the water/wastewater system which had an increase of $72.4 million, airport operations which experienced an increase of $28.0 million, and industrial & commercial development operations which also experienced an increase of $8.5 million.

The proprietary funds reported an *unrestricted net position* surplus of $200.6 million, comprised of $126.8 million for the water and waste water operations, $45.7 million for the airport and $28.1 million for the industrial & commercial development activities. These unrestricted net position represent an overall increase of $27.3 million over the previous year, comprised of an increase of $52.2 million for the water and waste water operations, an increase of $8.5 million for the Land Bank; and, a decrease of $33.4 million for the airport.

General Fund Budgetary Highlights

The following table shows the General Fund's year end fund balance for the five most recent years:

(millions of USD)

General Fund at June 30….	Fund Balance Available for Appropriation	Increase (Decrease)
2014	202.1	(54.8)
2013	256.9	110.1
2012	146.8	146.7
2011	0.1	114.1
2010	(114.0)	23.2

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

- $8.4 million for Office of the Director of Finance - Indemnities
- $49.3 million for Office of the Director of Finance for Employee Benefits
- $47.5 million for Fire personal services
- $4.7 million for Prisons personal services
- $3.0 million for Licenses & Inspections personal services

The general fund's budgetary fund balance surplus of $202.1 million differs from the general fund's fund financial statement unassigned fund balance of $23.0 million by $179.1 million, which represents the unearned portion of the business income & receipts tax of $179.1 million. Business income & receipts tax is received prior to being earned but have no effect on budgeted cash receipts.

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to $6.1 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. Major capital asset events for which capital expenditures have been incurred during the current fiscal year include the following:

- Water and Wastewater Improvements of $116.0 million
- Infrastructure improvements for Streets, Highways and Bridges $46.8 million
- Airport terminal and airfield improvements in the amount of $86.3 million.
- City Hall and Municipal Buildings renovations in the amount of $6.2 million.
- Park system, Museum & Recreational Facility improvements $18.6 million
- Commuter and Transit System improvements $2.2 million
- Computers, Servers, Software and IT Infrastructure in the amount of $15.1 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
	2014	2013	(Dec)	2014	2013	(Dec)	2014	2013	(Dec)
Land	800.0	787.1	12.9	153.0	152.2	0.8	953.0	939.3	13.7
Fine Arts	4.0	1.0	3.0	0.0	0.0	-	4.0	1.0	3.0
Buildings	743.2	772.1	(28.9)	1,425.0	1,469.0	(44.0)	2,168.2	2,241.1	(72.9)
Improvements other than buildings	92.1	94.0	(1.9)	123.0	121.0	2.0	215.1	215.0	0.1
Machinery & equipment	90.0	70.0	20.0	21.0	24.0	(3.0)	111.0	94.0	17.0
Infrastructure	422.1	424.1	(2.0)	1,391.0	1,353.2	37.8	1,813.1	1,777.3	35.8
Construction in progress	23.0	29.0	(6.0)	763.8	698.0	65.8	786.8	727.0	59.8
Transit	68.0	72.0	(4.0)	0.0	0.0	-	68.0	72.0	(4.0)
Intangible Assets	0.0	0.0	-	6.0	7.0	(1.0)	6.0	7.0	(1.0)
Total	**2,242.4**	**2,249.3**	**(6.9)**	**3,882.8**	**3,824.4**	**58.4**	**6,125.2**	**6,073.7**	**51.5**

The city's governmental activities experienced an overall decrease in capital assets of $6.9 million (net of accumulated depreciation) during the current fiscal year. During the fiscal year there were increases in: land ($12.9 million); equipment (20.0 million); and, fine arts ($3.0 million) that were offset by decreases in buildings ($28.9 million); transit ($4.0 million), other improvements ($1.9 million); construction in progress ($6.0 million)); and, infrastructure ($2.0 million).

More detailed information about the city's capital assets can be found in notes I.6 & III.5 to the financial statements.

Long-term debt. At year end the city had $8.8 billion in long term debt outstanding. Of this amount, $5.4 billion represents bonds outstanding (comprised of $2.2 billion of debt backed by the full faith and credit of the city, and $3.2 billion of debt secured solely by specific revenue sources) while $3.4 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)	2014	2013	2014	2013	2014	2013
Bonds Outstanding:						
General obligation bonds	2,155.4	1,986.2	-	-	2,155.4	1,986.2
Revenue bonds	-	-	3,227.0	3,185.8	3,227.0	3,185.8
Total Bonds Outstanding	**2,155.4**	**1,986.2**	**3,227.0**	**3,185.8**	**5,382.4**	**5,172.0**
Other Long Term Obligations:						
Service agreements	2,121.7	2,293.7	-	-	2,121.7	2,293.7
Employee related obligations	1,115.6	833.2	89.2	62.1	1,204.8	895.3
Indemnities	66.0	63.4	4.7	4.8	70.7	68.2
Leases	16.9	28.9	-	-	16.9	28.9
Other	-	-	0.3	0.3	0.3	0.3
Total Other Long Term Obligations	**3,320.2**	**3,219.2**	**94.2**	**67.2**	**3,414.4**	**3,286.4**
Total Long Term Debt Outstanding	**5,475.6**	**5,205.4**	**3,321.2**	**3,253.0**	**8,796.8**	**8,458.4**

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 $100.0 million in Tax and Revenue Anticipation Notes by June 2014 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In July 2013, the City issued $208.4 million of General Obligation Bonds Series 2013A of which $201.4 million would be used to provide funds for the City's capital program and $7 million would be used to currently refund the $6.8 million of the outstanding GO Series 2003A bonds.

- In February 2014, the City issued $154.3 million of General Obligation Series 2014A bonds to advance refund $142.9 million of outstanding Series 2008B bonds to lower interest rates.

- In August 2013, the City issued $170.0 million of Water and Wastewater Revenue Refunding Bonds, Series 2013A to fund capital improvements to the City's water and wastewater systems, pay the costs of issuance relating to the bonds, and to make a deposit of $8.5 million into the Water Sinking Fund Reserve.

- In January 2014, the City issued $123.2 million of Water and Wastewater Revenue Bonds Series 2014A of which $30 million would be used to provide funds for capital improvements to the City's Water and Wastewater systems, and $93.2 million would be used to advance refund $98.1 million of outstanding series 2005A water revenue bonds.

- In October 2013, the Philadelphia Municipal Authority (PMA) issued $85.05 million of City Service Agreement Revenue Refunding bonds Series 2013A to currently refund $89.7 million of PMA's Series 2003B to lower interest rates.

- In April 2014, the Philadelphia Municipal Authority (PMA) issued 4.1 million (federally taxable) and $61.1 million (tax-exempt) of City Service Agreement revenue bonds Series 2014A to convert the building at 4601 Market Street into a Public Safety Services campus, which will include the headquarters for the City of Philadelphia Police department, and to pay the costs of issuance for the series 2014 bonds.

- In May 2014, the Philadelphia Authority for Industrial Development (PAID) issued $117.3 million of Lease Revenue Refunding Bonds Series 2014A. The proceeds were used to refund all of the outstanding Series 2007B-1 Stadium bonds. At the same time, the two swaps associated with the 2007B-1 bonds were amended, and the fixed interest rates that are paid to our counterparties were reduced from 3.9713% to 3.621332%.

- In June 2014, the Philadelphia Authority for Industrial Development (PAID) issued $27.3 million of federally taxable City Service Agreement Revenue Bonds Series 2014A to provide additional operating funds to the School District of Philadelphia and to pay other costs of issuance fees.

- July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2014, PENNVEST reimbursements totaled $23.6 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years.

Currently the city's bonds as rated by Moody's, Standard & Poor's and Fitch are as follows:

Bond Type	Moody's Investor Service	Standard & Poor's Corporation	Fitch Ratings, Inc.
General Obligation Bonds	A2	A+	A-
Water Revenue Bonds	A1	A	A+
Aviation Revenue Bonds	A2	A+	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13% of the average assessed valuations of properties over the past ten years. As of June 30, 2014 the legal debt limit was $3,011.1 million. There is $1,673.4 million of outstanding tax supported debt leaving a legal debt margin of $1,337.7 million.

More detailed information about the city's debt activity can be found in note III.7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors have been considered in preparing the City of Philadelphia's budget for the 2015 fiscal year:

- Philadelphia entered FY15 with a fund balance of $202.1 million. For FY 2015 Wage and Earnings Tax revenue are projected to grow 4.8%, Sales Tax revenue are projected to grow by 0.3%, and Real Estate transfer tax is projected to grow by 20%, while the Business Income and Receipts tax is projected to grow by 3.0%.

- The current five year plan (FY 2015 to 2019) includes a continuation of wage tax cuts resumed in FY 2014 after being suspended during the Great Recession.

- Union contracts for District Council 33, District Council 47 and the International Association of fire Fighters have been resolved and funds are set aside in the FY 15 budget for this purpose.

- To control rising pension plan costs the city introduced a new hybrid pension plan that contains both defined benefit and voluntary defined contribution components. Police, Fire and Municipal employees not electing to participate in the hybrid plan must increase their pension contribution percentage if they choose to stay in the traditional pension plan, and new employees opting out of the hybrid option plan must make an additional contribution beyond what existing employees now pay. Register of Wills employees hired after January 1, 2012 and newly hired correction officers must enter the hybrid plan.

- The country entered its most recent recession in December 2007-2009. It was the longest recession in the post-WWII period.

- Recovery from the current recession has been slow. Philadelphia's recovery, like that of other local governments, is expected to take longer than the nation due to high urban unemployment and lagging tax revenue collections.

Requests for information

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

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

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia
Statement of Net Position
June 30, 2014

Exhibit I

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	81,530	30	81,560	334,321
Equity in Pooled Cash and Investments	-	-	-	27,492
Equity in Treasurer's Account	879,743	133,475	1,013,218	-
Investments	137,842	-	137,842	56,062
Due from Component Units	49,233	-	49,233	-
Due from Primary Government	-	-	-	52,313
Amounts Held by Fiscal Agent	106,262	-	106,262	99,275
Notes Receivable - Net	-	-	-	26,869
Accounts Receivable - Net	377,798	175,960	553,758	297,018
Interest and Dividends Receivable	569	-	569	23,886
Due from Other Governments - Net	492,391	3,376	495,767	137,781
Inventories	16,606	38,474	55,080	109,032
Other Assets	104,171	-	104,171	161,462
Restricted Assets:				
Cash and Cash Equivalents	-	798,552	798,552	197,347
Other Assets	-	292,599	292,599	154,143
Capital Assets:				
Land and Other Non-Depreciated Assets	827,728	915,566	1,743,294	252,692
Other Capital Assets (Net of Depreciation)	1,414,679	2,967,284	4,381,963	3,184,171
Total Capital Assets, Net	2,242,407	3,882,850	6,125,257	3,436,863
Total Assets	4,488,552	5,325,316	9,813,868	5,113,864
Deferred Outflows of Resources	136,579	93,332	229,911	140,846
Liabilities				
Notes Payable	101,500	39,700	141,200	100,354
Vouchers Payable	80,048	11,967	92,015	72,003
Accounts Payable	247,411	73,105	320,516	129,055
Salaries and Wages Payable	63,938	6,648	70,586	74,850
Accrued Expenses	43,769	31,196	74,965	278,840
Due to Agency Funds	699	-	699	-
Due to Primary Government	-	-	-	36,191
Due to Component Units	64,936	3,607	68,543	-
Funds Held in Escrow	38,450	1,868	40,318	12,921
Due to Other Governments	-	-	-	31,055
Unearned Revenue	283,411	11,089	294,500	162,932
Overpayment of Taxes	119,672	-	119,672	16,761
Other Current Liabilities	-	-	-	85,527
Derivative Instrument Liability	70,326	24,684	95,010	23,114
Non-Current Liabilities:				
Due within one year	281,210	187,650	468,860	342,365
Due in more than one year	5,194,399	3,133,533	8,327,932	4,782,052
Total Liabilities	6,589,769	3,525,047	10,114,816	6,148,020
Deferred Inflows of Resources	-	-	-	641
Net Position				
Net Investment in Capital Assets	176,788	1,007,442	1,184,230	41,022
Restricted For:				
Capital Projects	131,133	199,698	330,831	5,356
Debt Service	82,221	301,005	383,226	218,147
Pension Oblig Bond Refunding Reserve	68,238	-	68,238	-
Behavioral Health	188,557	-	188,557	-
Neighborhood Revitalization	30,574	-	30,574	-
Stadium Financing	3,804	-	3,804	-
Central Library Project	2,028	-	2,028	-
Cultural & Commercial Corridor Project	11,569	-	11,569	-
Grant Programs	56,261	-	56,261	31,455
Rate Stabilization	-	184,796	184,796	-
Libraries & Parks:				
Expendable	2,444	-	2,444	-
Non-Expendable	3,042	-	3,042	-
Educational Programs	-	-	-	14,407
Other	50,455	-	50,455	18,641
Unrestricted(Deficit)	(2,771,752)	200,660	(2,571,092)	(1,222,979)
Total Net Position	(1,964,638)	1,893,601	(71,037)	(893,951)

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, 2014

Exhibit II

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
Economic Development	95,086	99	4,649	3,932	(86,406)		(86,406)	
Transportation:								
Streets & Highways	143,925	5,195	39,026	28,062	(71,642)		(71,642)	
Mass Transit	72,070	1,842	83	-	(70,145)		(70,145)	
Judiciary and Law Enforcement:								
Police	1,262,744	4,535	11,384	-	(1,246,825)		(1,246,825)	
Prisons	371,179	398	17	-	(370,764)		(370,764)	
Courts	338,517	50,343	58,944	-	(229,230)		(229,230)	
Conservation of Health:								
Emergency Medical Services	69,342	36,313	7,699	-	(25,330)		(25,330)	
Health Services	1,519,089	18,882	1,208,441	-	(291,766)		(291,766)	
Housing and Neighborhood Development	80,298	16,715	63,824	-	241		241	
Cultural and Recreational:								
Recreation	113,124	2,787	8,952	1,471	(99,914)		(99,914)	
Parks	8,170	2,165	-	1,089	(4,916)		(4,916)	
Libraries and Museums	84,484	2,000	7,824	-	(74,660)		(74,660)	
Improvements to General Welfare:								
Social Services	657,536	5,576	506,034	-	(145,926)		(145,926)	
Education	167,459	-	-	-	(167,459)		(167,459)	
Inspections and Demolitions	43,303	50,145	(34)	-	6,808		6,808	
Service to Property:								
Sanitation	153,075	35,520	1,667	-	(115,888)		(115,888)	
Fire	386,556	271	3,127	-	(383,158)		(383,158)	
General Management and Support	538,040	177,710	45,637	760	(313,933)		(313,933)	
Interest on Long Term Debt	158,989	204	-	-	(158,785)		(158,785)	
Total Governmental Activities	6,262,986	410,700	1,967,274	35,314	(3,849,698)		(3,849,698)	
Business Type Activities:								
Water and Sewer	543,453	638,575	1,399	-	-	96,521	96,521	
Aviation	376,491	315,414	-	85,557	-	24,480	24,480	
Industrial and Commercial Development	-	446	-	8,011	-	8,457	8,457	
Total Business Type Activities	919,944	954,435	1,399	93,568	-	129,458	129,458	
Total Primary Government	7,182,930	1,365,135	1,968,673	128,882	(3,849,698)	129,458	(3,720,240)	
Component Units:								
Gas Operations	713,385	744,455	18,278	-				49,348
Housing	34,786	920	35,746	-				1,880
Parking	227,775	233,708	-	-				5,933
Education	3,062,346	43,975	921,642	-				(2,096,729)
Health	802,862	-	802,803	-				(59)
Economic Development	191,686	11,340	145,879	28,032				(6,435)
Total Component Units	5,032,840	1,034,398	1,924,348	28,032				(2,046,062)

General Revenues:				
Taxes:				
Property Taxes	530,204	-	530,204	661,263
Wage & Earnings Taxes	1,639,758	-	1,639,758	-
Business Taxes	469,249	-	469,249	-
Other Taxes	735,827	-	735,827	238,127
Grants & Contributions Not Restricted to Specific Programs	229,515	2,484	231,999	1,158,556
Unrestricted Interest & Investment Earnings	21,654	5,289	26,943	5,280
Miscellaneous	-	-	-	1,416
Special Items	-	-	-	2,215
Transfers	28,333	(28,333)	-	-
Total General Revenues, Special Items and Transfers	3,654,540	(20,560)	3,633,980	2,066,857
Change in Net Position	(195,158)	108,898	(86,260)	20,795
Net Position - July 1, 2013	(1,769,506)	1,784,703	15,197	(880,782)
Adjustment	26	-	26	(33,964)
Net Position Adjusted - July 1, 2013	(1,769,480)	1,784,703	15,223	(914,746)
Net Position - June 30, 2014	(1,964,638)	1,893,601	(71,037)	(893,951)

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit III

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	10,972	-	97	70,461	81,530
Equity in Treasurer's Account	434,692	192,130	-	252,921	879,743
Investments	-	-	-	134,741	134,741
Due from Other Funds	36,890	-	-	5,495	42,385
Due from Component Units	49,233	-	-	-	49,233
Amounts Held by Fiscal Agent	85,638	-	20,624	-	106,262
Taxes Receivable	590,754	-	-	6,277	597,031
Accounts Receivable	336,610	-	4,239	7,743	348,592
Due from Other Governmental Units	55,961	65,051	309,745	61,634	492,391
Allowance for Doubtful Accounts	(566,769)	-	-	(1,056)	(567,825)
Interest and Dividends Receivable	402	132	-	35	569
Other Assets	-	-	-	78	78
Total Assets	1,034,383	257,313	334,705	538,329	2,164,730
Liabilities					
Vouchers Payable	37,298	591	27,129	15,030	80,048
Accounts Payable	76,322	4,400	113,030	53,648	247,400
Salaries and Wages Payable	59,301	-	4,329	308	63,938
Payroll Taxes Payable	-	-	-	11	11
Due to Other Funds	699	-	24,338	18,047	43,084
Due to Component Units	16	63,765	1,005	150	64,936
Funds Held in Escrow	35,316	-	-	3,134	38,450
Unearned Revenue	184,657	-	94,440	4,314	283,411
Overpayment of Taxes	119,672	-	-	-	119,672
Total Liabilities	513,281	68,756	264,271	94,642	940,950
Deferred Inflows of Resources	309,384	-	285,628	56,318	651,330
Fund Balances					
Nonspendable	-	-	-	3,242	3,242
Restricted	85,639	188,557	58,075	387,692	719,963
Committed	-	-	-	4,320	4,320
Assigned	103,063	-	-	-	103,063
Unassigned	23,016	-	(273,269)	(7,885)	(258,138)
Total Fund Balances	211,718	188,557	(215,194)	387,369	572,450
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,034,383	257,313	334,705	538,329	

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

a. Capital Assets used in governmental activities are not reported in the funds	2,242,407
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	651,330
c. Long Term Liabilities, including bonds payable are not reported in the funds	(5,475,609)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	66,253
e. Other	(21,469)
Net Position of Governmental Activities	(1,964,638)

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, 2014

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,783,401	-	-	587,354	3,370,755
Locally Generated Non-Tax Revenue	303,748	594	56,531	26,214	387,087
Revenue from Other Governments	347,056	799,470	931,534	90,973	2,169,033
Other Revenues	16,971	-	-	3,257	20,228
Total Revenues	3,451,176	800,064	988,065	707,798	5,947,103
Expenditures					
Current Operating:					
Economic Development	25,086	-	5,457	53,141	83,684
Transportation:					
Streets & Highways	64,745	-	4,860	28,486	98,091
Mass Transit	67,389	-	83	-	67,472
Judiciary and Law Enforcement:					
Police	1,156,603	-	8,259	-	1,164,862
Prisons	343,936	-	-	2,394	346,330
Courts	271,276	-	46,601	-	317,877
Conservation of Health:					
Emergency Medical Services	58,058	-	7,699	-	65,757
Health Services	149,957	845,231	362,870	152,203	1,510,261
Housing and Neighborhood Development	3,277	-	23,181	53,846	80,304
Cultural and Recreational:					
Recreation	89,889	-	8,699	-	98,588
Parks	4	-	-	1,203	1,207
Libraries and Museums	67,322	-	7,414	153	74,889
Improvements to General Welfare:					
Social Services	147,000	-	508,305	-	655,305
Education	167,459	-	-	-	167,459
Inspections and Demolitions	38,278	-	2,515	-	40,793
Service to Property:					
Sanitation	142,936	-	1,882	-	144,818
Fire	341,095	-	3,127	-	344,222
General Management and Support	579,936	-	18,682	48,080	646,698
Capital Outlay	-	-	-	140,116	140,116
Debt Service:					
Principal	-	-	-	120,299	120,299
Interest	11,505	-	-	106,479	117,984
Bond Issuance Cost	275	-	-	4,759	5,034
Total Expenditures	3,726,026	845,231	1,009,634	711,159	6,292,050
Excess (Deficiency) of Revenues Over (Under) Expenditures	(274,850)	(45,167)	(21,569)	(3,361)	(344,947)
Other Financing Sources (Uses)					
Issuance of Debt	27,275	-	-	266,515	293,790
Issuance of Refunding Debt	117,275	-	-	246,325	363,600
Bond Issuance Premium	-	-	-	31,410	31,410
Payment to Refunded Bonds Escrow Agent	(117,275)	-	-	(264,970)	(382,245)
Transfers In	343,984	-	51	272,226	616,261
Transfers Out	(169,049)	-	(35,230)	(383,649)	(587,928)
Total Other Financing Sources (Uses)	202,210	-	(35,179)	167,857	334,888
Net Change in Fund Balance	(72,640)	(45,167)	(56,748)	164,496	(10,059)
Fund Balance - July 1, 2013	284,358	233,724	(158,446)	222,847	582,483
Adjustment	-	-	-	26	26
Fund Balance Adjusted - July 1, 2013	284,358	233,724	(158,446)	222,873	582,509
Fund Balance - June 30, 2014	211,718	188,557	(215,194)	387,369	572,450

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

City of Philadelphia **Exhibit V**

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, 2014

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds.....	(10,059)
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 (130,493) exceeded capital outlay (128,492) in the current period.....	(2,001)
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	88,949
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (664,319) exceeded proceeds (596,715).....	67,604
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.....	(223,649)
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.....	(116,002)
Change in Net Position of governmental activities.....	(195,158)

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

City of Philadelphia **Exhibit VI**
Statement of Fund Net Position
Proprietary Funds
June 30, 2014

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Total
Assets				
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	71,136	58,260	4,079	133,475
Due from Other Governments	176	1,228	1,972	3,376
Accounts Receivable	164,042	31,646	-	195,688
Allowance for Doubtful Accounts	(18,629)	(1,099)	-	(19,728)
Inventories	13,423	2,953	22,098	38,474
Total Current Assets	230,178	92,988	28,149	351,315
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	470,740	327,812	-	798,552
Amounts Held by Fiscal Agent	-	341	-	341
Sinking Funds and Reserves	219,013	50,748	-	269,761
Grants for Capital Purposes	-	12,210	-	12,210
Receivables	995	9,292	-	10,287
Total Restricted Assets	690,748	400,403	-	1,091,151
Capital Assets:				
Land	5,919	146,996	-	152,915
Infrastructure	2,269,015	928,331	-	3,197,346
Construction in Progress	361,592	401,059	-	762,651
Buildings and Equipment	1,623,520	1,870,205	-	3,493,725
Less: Accumulated Depreciation	(2,189,554)	(1,534,233)	-	(3,723,787)
Total Capital Assets, Net	2,070,492	1,812,358	-	3,882,850
Total Non-Current Assets	2,761,240	2,212,761	-	4,974,001
Total Assets	2,991,418	2,305,749	28,149	5,325,316
Deferred Outflows of Resources	66,586	26,746	-	93,332
Liabilities				
Current Liabilities:				
Vouchers Payable	8,230	3,737	-	11,967
Accounts Payable	11,664	11,373	-	23,037
Salaries and Wages Payable	4,819	1,829	-	6,648
Construction Contracts Payable	22,783	27,285	-	50,068
Due to Component Units	3,607	-	-	3,607
Accrued Expenses	27,477	3,719	-	31,196
Funds Held in Escrow	1,868	-	-	1,868
Unearned Revenue	8,923	2,166	-	11,089
Commercial Paper Notes	-	39,700	-	39,700
Bonds Payable-Current	125,300	62,350	-	187,650
Total Current Liabilities	214,671	152,159	-	366,830
Derivative Instrument Liability	5,711	18,973	-	24,684
Net Pension Liability	26,673	23,079	-	49,752
Non-Current Liabilities:				
Bonds Payable	1,809,952	1,229,398	-	3,039,350
Other Non-Current Liabilities	30,514	13,917	-	44,431
Total Non-Current Liabilities	1,840,466	1,243,315	-	3,083,781
Total Liabilities	2,087,521	1,437,526	-	3,525,047
Net Position				
Net Investment in Capital Assets	336,980	670,462	-	1,007,442
Restricted For:				
Capital Projects	102,860	96,838	-	199,698
Debt Service	219,013	81,992	-	301,005
Rate Stabilization	184,796	-	-	184,796
Unrestricted	126,834	45,677	28,149	200,660
Total Net Position	970,483	894,969	28,149	1,893,601

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

City of Philadelphia **Exhibit VII**

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

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	630,429	110,782	-	741,211
Rentals and Concessions	-	200,192	-	200,192
Operating Grants	1,399	-	-	1,399
Miscellaneous Operating Revenues	8,146	4,440	446	13,032
Total Operating Revenues	639,974	315,414	446	955,834
Operating Expenses:				
Personal Services	112,820	65,636	-	178,456
Purchase of Services	90,611	94,404	-	185,015
Materials and Supplies	43,453	8,927	-	52,380
Employee Benefits	102,623	56,859	-	159,482
Indemnities and Taxes	5,179	1,109	-	6,288
Depreciation	90,523	99,708	-	190,231
Total Operating Expenses	445,209	326,643	-	771,852
Operating Income (Loss)	194,765	(11,229)	446	183,982
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	-	2,484	-	2,484
Passenger and Customer Facility Charges	-	65,511	-	65,511
Interest Income	4,207	1,076	6	5,289
Net Pension Obligation	(17,712)	(8,806)	-	(26,518)
Debt Service - Interest	(77,561)	(40,966)	-	(118,527)
Other Revenue (Expenses)	(2,971)	(76)	-	(3,047)
Total Non-Operating Revenues (Expenses)	(94,037)	19,223	6	(74,808)
Income (Loss) Before Contributions & Transfers	100,728	7,994	452	109,174
Transfers In/(Out)	(28,333)	-	-	(28,333)
Capital Contributions	-	20,046	8,011	28,057
Change in Net Position	72,395	28,040	8,463	108,898
Net Position - July 1, 2013	898,088	866,929	19,686	1,784,703
Net Position - June 30, 2014	970,483	894,969	28,149	1,893,601

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

City of Philadelphia **Exhibit VIII**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

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	640,819	284,199	-	925,018
Payments to Suppliers	(130,852)	(99,779)	-	(230,631)
Payments to Employees	(216,574)	(118,082)	-	(334,656)
Internal Activity-Payments to Other Funds	-	(6,685)	-	(6,685)
Claims Paid	(5,179)	-	-	(5,179)
Other Receipts (Payments)	-	984	446	1,430
Net Cash Provided (Used)	288,214	60,637	446	349,297
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	1,650	2,120	-	3,770
Operating Subsidies and Transfers from Other Funds	(31,323)	-	-	(31,323)
Net Cash Provided (Used)	(29,673)	2,120	-	(27,553)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	229,204	132,000	-	361,204
Capital Grants & Contributions Received	-	37,434	-	37,434
Acquisition and Construction of Capital Assets	(142,039)	(73,851)	-	(215,890)
Interest Paid on Debt Instruments	(74,701)	(71,674)	-	(146,375)
Principal Paid on Debt Instruments	(127,009)	(191,090)	-	(318,099)
Passenger Facility Charges	-	62,168	-	62,168
Net Cash Provided (Used)	(114,545)	(105,013)	-	(219,558)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	1,598	-	1,598
Interest and Dividends on Investments	1,459	787	6	2,252
Net Cash Provided (Used)	1,459	2,385	6	3,850
Net Increase (Decrease) in Cash and Cash Equivalents	145,455	(39,871)	452	106,036
Cash and Cash Equivalents, July 1 (including $313.9 mil for Water & Sewer and $332.7 mil for Aviation reported in restricted accounts)	396,451	426,284	3,627	826,362
Cash and Cash Equivalents, June 30 (including $470.7 mil for Water & Sewer and $328.1 mil for Aviation reported in restricted accounts)	541,906	386,413	4,079	932,398
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	194,765	(11,229)	446	183,982
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	90,523	99,708	-	190,231
Bad Debts, Net of Recoveries		29		29
Changes in Assets and Liabilities:				
Receivables, Net	(547)	(17,238)	-	(17,785)
Unearned Revenue	1,392	(13,042)	-	(11,650)
Inventories	376	254	-	630
Accounts and Other Payables	3,396	2,155	-	5,551
Accrued Expenses	(1,691)	-	-	(1,691)
Net Cash Provided by Operating Activities	288,214	60,637	446	349,297
Schedule of non-cash capital activities:				
Contributions of capital assets	-	-	8,011	8,011

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

City of Philadelphia **Exhibit IX**

Statement of Net Position

Fiduciary Funds

June 30, 2014

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	-	120,223
Equity in Treasurer's Account	5,510,332	44,314
Investments	-	5,713
Securities Lending Collective Investment Pool	524,813	-
Accounts Receivable	1,317	-
Due from Brokers for Securities Sold	135,202	-
Interest and Dividends Receivable	1,380	-
Due from Other Governmental Units	3,303	-
Due from Other Funds	-	699
Total Assets	6,176,347	170,949
Liabilities		
Vouchers Payable	60	404
Accounts Payable	542	-
Salaries and Wages Payable	54	-
Payroll Taxes Payable	-	3,889
Funds Held in Escrow	9	166,656
Due on Return of Securities Loaned	525,137	-
Due to Brokers for Securities Purchased	210,862	-
Accrued Expenses	9,318	-
Other Liabilities	515	-
Total Liabilities	746,497	170,949
Net Position Held in Trust for Pension Benefits	5,429,850	-

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

City of Philadelphia **Exhibit X**

Statement of Changes in Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	578,113
Employees' Contributions	53,960
Total Contributions	632,073
Investment Income:	
Interest and Dividends	113,925
Net Gain in Fair Value of Investments	651,006
(Less) Investments Expenses	(12,247)
Securities Lending Revenue	4,202
(Less) Securities Lending Expenses	(630)
Net Investment Gain	756,256
Miscellaneous Operating Revenues	517
Total Additions	1,388,846
Deductions	
Personal Services	3,373
Purchase of Services	1,621
Materials and Supplies	59
Employee Benefits	3,076
Pension Benefits	845,470
Refunds of Members' Contributions	6,040
Administrative Expenses Paid	731
Other Operating Expenses	164
Total Deductions	860,534
Change in Net Position	528,312
Net Position - July 1, 2013	4,901,538
Net Position - June 30, 2014	5,429,850

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

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2014

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Assets									
Cash on Deposit and on Hand	115,734	67,483	66,418	196	10,729	36,544	4,794	32,423	334,321
Equity in Pooled Cash and Investments		-	-	27,492	-	-	-	-	27,492
Investments	-	-	15,639	-	39,673	-	750	-	56,062
Due from Primary Government	-	4,672	-	-	-	47,641	-	-	52,313
Amounts Held by Fiscal Agent	-	-	-	99,275	-	-	-	-	99,275
Notes Receivable	-	26,869	-	-	-	-	-	-	26,869
Taxes Receivable	-	-	-	175,651	-	-	-	-	175,651
Accounts Receivable-Net	101,457	1,354	712	11,332	5,922	99	2,415	(1,924)	121,367
Interest and Dividends Receivable	-	23,030	207	601	48	-	-	-	23,886
Due from Other Governments	-	162	-	58,676	2,651	-	-	76,292	137,781
Inventories	69,989	35,992	-	3,051	-	-	-	-	109,032
Other Assets	126,815	4,193	113	7,832	-	5,028	104	17,377	161,462
Restricted Assets:									
Cash and Cash Equivalents	-	8,971	94,468	78,664	-	-	-	15,244	197,347
Other Assets	111,729	22,750	-	18,375	1,289	-	-	-	154,143
Capital Assets:									
Land and Other Non-Depreciated Assets	62,801	-	15,255	137,648	30,112	-	1,850	5,026	252,692
Other Capital Assets (Net of Depreciation)	1,130,751	529	155,740	1,672,889	149,381	2,925	7,405	64,551	3,184,171
Total Capital Assets	1,193,552	529	170,995	1,810,537	179,493	2,925	9,255	69,577	3,436,863
Total Assets	1,719,276	196,005	348,552	2,291,682	239,805	92,237	17,318	208,989	5,113,864
Deferred Outflows of Resources	-	-	-	140,846	-	-	-	-	140,846
Liabilities									
Notes Payable	-	20,851	2,022	-	77,481	-	-	-	100,354
Vouchers Payable	58,889	-	-	-	13,114	-	-	-	72,003
Accounts Payable	-	5,396	17,035	99,128	-	2,043	1,305	4,148	129,055
Salaries and Wages Payable	3,970	-	-	61,679	2,675	6,526	-	-	74,850
Accrued Expenses	199,148	1,801	681	-	1,149	75,668	393	-	278,840
Funds Held in Escrow	-	10,885	-	-	461	-	-	1,575	12,921
Due to Other Governments	-	-	12,580	3,290	3,025	-	-	12,160	31,055
Due to Primary Government	-	1,500	31,179	-	-	-	-	3,512	36,191
Unearned Revenue	15,359	29,871	-	12,447	3,629	-	4,875	96,751	162,932
Overpayment of Taxes	-	-	-	16,761	-	-	-	-	16,761
Other Current Liabilities	-	-	-	77,527	-	8,000	-	-	85,527
Derivative Instrument Liability	-	-	-	23,114	-	-	-	-	23,114
Non-Current Liabilities:				-					
Due within one year	50,975	3,355	11,425	274,701	1,909	-	-	-	342,365
Due in more than one year	983,000	32,307	155,670	3,526,332	53,467	-	2,699	28,577	4,782,052
Total Liabilities	1,311,341	105,966	230,592	4,094,979	156,910	92,237	9,272	146,723	6,148,020
Deferred Inflows of Resources	-	-	641		-	-	-	-	641
Net Position									
Net Investment in Capital Assets	159,576	359	61,413	(313,151)	93,771	-	9,255	29,799	41,022
Restricted For:									
Capital Projects	-	-	-	-	5,356	-	-	-	5,356
Debt Service	111,729	10,471	2,456	93,491	-	-	-	-	218,147
Educational Programs	-	-	-	6,294	8,113	-	-	-	14,407
Grant Programs	-	-	-	-	-	-	-	31,455	31,455
Other	-	-	-	18,641	-	-	-	-	18,641
Unrestricted	136,630	79,209	53,450	(1,467,726)	(24,345)	-	(1,209)	1,012	(1,222,979)
Total Net Position	407,935	90,039	117,319	(1,662,451)	82,895	-	8,046	62,266	(893,951)

*** The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2014. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2013. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2014.**

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, 2014

Exhibit XII

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Position								
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations													
Gas Works	713,385	744,455	18,278	-	49,348								49,348
Housing													
Redevelopment Authority	34,786	920	35,746	-		1,880							1,880
Parking													
Parking Authority	227,775	233,708	-	-			5,933						5,933
Education													
School District	2,889,498	6,966	852,805	-				(2,029,727)					(2,029,727)
Community College	172,848	37,009	68,837	-					(67,002)				(67,002)
Total	3,062,346	43,975	921,642	-									
Health													
Community Behavioral Health	802,862	-	802,803	-						(59)			(59)
Economic Development													
Delaware River Waterfront Corp.	14,318	7,368	6,598	-							(352)		(352)
Authority for Ind. Development	177,368	3,972	139,281	28,032								(6,083)	(6,083)
Total	191,686	11,340	145,879	28,032									
Total Component Units	5,032,840	1,034,398	1,924,348	28,032									(2,046,062)
General Revenues:													
Property Taxes					-	-	-	661,263	-	-	-	-	661,263
Other Taxes					-	-	-	238,127	-	-	-	-	238,127
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,098,062	60,494	-	-	-	1,158,556
Unrestricted Interest & Investment Earnings					-	1,650	1,126	837	1,524	59	84	-	5,280
Miscellaneous					-	-	-	-	1,153	-	-	263	1,416
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	-	-	-	2,215	2,215
Total General Revenue ,Special items and Transfers					-	1,650	1,126	1,998,289	63,171	59	84	2,478	2,066,857
Change in Net Position					49,348	3,530	7,059	(31,438)	(3,831)	-	(268)	(3,605)	20,795
Net Position - July 1, 2013					358,587	86,509	112,446	(1,600,944)	88,435	-	8,314	65,871	(880,782)
Adjustment					-	-	(2,186)	(30,069)	(1,709)		-	-	(33,964)
Net Position Adjusted - July 1, 2013					358,587	86,509	110,260	(1,631,013)	86,726	-	8,314	65,871	(914,746)
Net Position - June 30, 2014					407,935	90,039	117,319	(1,662,451)	82,895	-	8,046	62,266	(893,951)

*** The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2014. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2012. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2014.**

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 06/30/2014

Table of Contents

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 42

1. Reporting Entity 42
2. Government-Wide and Fund Financial Statements 44
3. Basis of Accounting, Measurement Focus and Financial Statements 44
4. Deposits and Investments 46
5. Inventories 46
6. Capital Assets 46
7. Bonds and Related Premiums, Discounts and Issuance Costs 47
8. Insurance 47
9. Receivables and Payables 47
10. Deferred Outflows/Inflows of Resources and Net Position 48
11. Compensated Absences 48
12. Claims and Judgments 49
13. Unearned Revenue 49
14. Recently Issued Accounting Standards 49

II. LEGAL COMPLIANCE 49

1. Budgetary Information 49

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS 50

1. Deposits and Investments 50
2. Securities Lending 58
3. Amounts Held by Fiscal Agent 58
4. Interfund Receivables and Payables 59
5. Capital Asset Activity 60
6. Notes Payable 63
7. Debt Payable 65
8. Lease Commitments and Leased Assets 85
9. Deferred Compensation Plans 87
10. Fund Balance Policies 87
11. Interfund Transactions 89
12. Reconciliation of Government-Wide and Fund Financial Statements 89
13. Prior Period Adjustments and Cumulative Effect of Change in Accounting Principle 90
14. Net Position Restricted by Enabling Legislation 91
15. Fund Deficits 91

IV. OTHER INFORMATION 92

1. Pension Plans 92
2. Accumulated Unpaid Sick Leave 100
3. Other Post Employment Benefits (OPEB) 100
4. Pennsylvania Intergovernmental Cooperation Authority 107
5. Related Party Transactions 107
6. Risk Management 108
7. Commitments 109
8. Contingencies 110
9. Subsequent Events 122

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Philadelphia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. REPORTING ENTITY

The City of Philadelphia was founded in 1682 and was merged with the county in 1854. Since 1951 the City has been governed largely under the Philadelphia Home Rule Charter. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania.

As required by GAAP, the financial statements of the City of Philadelphia include those of the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The financial statements of these component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. The criteria to determine an entity as a component unit is established by Governmental Accounting Standards Board Statement (GASBS) No. 14 which has been amended by GASB Statements No. 39 and No. 61. Certain other organizations also did meet the criteria for inclusion, however they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. **Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.**

As used both on the face of the financial statements and in the footnotes, the term "Primary Government" includes both City funds and Blended Component Units while the term "Component Units" includes only Discretely Presented Component Units. A Related Organization is an entity which the City appoints board members but for which the city has no significant financial responsibility.

A. BLENDED COMPONENT UNITS

Pennsylvania Intergovernmental Cooperation Authority (PICA) – 1500 Walnut St., Philadelphia, PA 19102
PICA was established by act of the Commonwealth of Pennsylvania to provide financial assistance to cities of the first class and is governed by a five member board appointed by the Commonwealth. Currently, the City of Philadelphia is the only city of the first class. The activities of PICA are reflected in two of the governmental fund types (Special Revenue and Debt Service).

Philadelphia Municipal Authority (PMA) – 1515 Arch St., Philadelphia, PA 19102
PMA is governed by a five member board appointed by the City and was established to issue tax exempt bonds for the acquisition and use of certain equipment and facilities for the City. The activities of PMA are reflected in three of the governmental fund types (Special Revenue, Debt Service and Capital Improvement).

B. DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the applicable combined financial statements include the combined financial data for the organizations discussed below. They are reported in a separate column to emphasize that they are legally separate from the City. However, in order to retain their identity, applicable combining statements have been included as part of this report.

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

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

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

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

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

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

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

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

C. RELATED ORGANIZATIONS

Philadelphia Housing Authority (PHA) – 12 South 23RD Street, Philadelphia, PA 19103
PHA was established to provide low cost housing and other social services to the residents of the City. It is governed by a nine member board with all members appointed by the City. PHA provides significant services to the City's residents.

Philadelphia Housing Development Corporation – 1234 Market Street, Philadelphia, PA 19107
PHDC was established to provide affordable housing and home repair to low income residents. The City appoints a voting majority of PHDC's governing board. PHDC services the residents of Philadelphia through various home preservation programs.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's *government wide* financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* which are normally supported by taxes and intergovernmental revenues are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Interfund activity and balances have been eliminated from the statements to avoid duplication.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include: (1) charges to customers or applicants who purchase, use or directly benefit from services or privileges provided by a given program and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate *fund* financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the *government wide* financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the *fund* financial statements.

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The *government wide* financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (except agency funds which only report assets and liabilities and cannot be said to have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business income and receipts, and net profits and earnings taxes are recognized when the underlying exchange transaction has taken place. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports on the following fiduciary funds:

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

The City reports the following major proprietary funds:

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

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

B. COMPONENT UNITS

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

The financial statements of the **CCP** have been prepared in accordance with GASBS No. 35 - Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities. The remaining component units prepare their financial statements in a manner similar to that of proprietary funds.

4. DEPOSITS AND INVESTMENTS

The City utilizes a pooled Cash and Investments Account to provide efficient management of the cash of most City funds. In addition, separate cash accounts are maintained by various funds due to either legal requirements or operational needs. For Proprietary and Permanent Funds, all highly liquid investments (except for Repurchase Agreements) with a maturity of three months or less when purchased are considered to be cash equivalents.

The City reports investments at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments which do not have an established market are reported at estimated fair value.

Statutes authorize the City to invest in obligations of the Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. The Pension Trust Fund is also authorized to invest in corporate bonds rated AA or better by Moody's Bond Ratings, common stocks and real estate.

From February to early June, deposits of the City significantly exceeded the amounts reported at calendar year end. This was due to cyclical tax collections (billings for taxes are mailed in December and payable in March).

5. INVENTORIES

A. PRIMARY GOVERNMENT

Supplies of governmental funds are recorded as expenditures when purchased rather than capitalized as inventory. Accordingly, inventories for governmental funds are shown on the Statement of Net Position but not on the Governmental Funds Balance Sheet. Inventories of proprietary funds are valued at moving average cost except for the following:

- **Industrial and Commercial Development Fund** inventory represents real estate held for resale and is valued at cost.

B. COMPONENT UNITS

All inventories are valued at moving average cost except for the following:

- **PGW** inventory consists primarily of fuel stock and gases which are stated at average cost.
- The **SDP** Food Services Fund inventories include food donated by the Federal Government which was valued at government cost or estimated value. All other food or supply inventories were valued at last unit cost and will be expensed when used.
- **PRA** inventory represents real estate held for resale and is recorded based on the estimated appraisal of values and cost basis of land inventories acquired.

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. bridges, curbs and gutters, streets and sidewalks and lighting systems), are reported in the applicable governmental or business-type activities columns in the *government wide* financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years (except for the Aviation Fund which uses $10,000 for personal property and $100,000 for fixed assets). Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their fair market value at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

The City transfers Construction In Process to one or more of the major asset classes: (1) when project expenditures are equal to or have exceeded 90% of the estimated cost on new facilities (except for the Avia-

tion Fund which uses "substantially complete" as their determining basis for transferring construction in process to one or more of the major asset classes), (2) when the expenditures are for existing facilities or (3) when they relate to specific identifiable items completed during the year which were part of a larger project.

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In FY13 GASB Statement No. 65 was implemented resulting in bond issuance costs being recognized as an expense and reported in the period incurred.

In *governmental fund* financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory workers' compensation and unemployment benefits to its employees. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police and its city-administered health plan.

9. RECEIVABLE AND PAYABLES

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

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 25.11% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes, levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. Current real estate rates are $1.34 on each $100 assessment; $.7382 for the **SDP** and $.6018 for the City. Delinquent charges are assessed at 1.5% per month on all unpaid balances

as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION

Beginning with the fiscal year ended June 30, 2013 the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This new GASB Statement replaces the term Net Assets with Net Position. Net Position is the residual of (a) assets and deferred outflows, less (b) liabilities and deferred inflows. The new deferred classifications take into consideration the fact that governments enter into transactions that are applicable to future periods.

Also, beginning with the fiscal year ended June 30, 2013 the city chose to early implement GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities*. The objective of Statement No. 65 is to either properly classify or recognize, certain items that were previously reported as assets and liabilities as outflows of resources (expenses/expenditures) or inflows of resources (revenues).

Deferred Outflows of resources represents consumption of net position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time. On the full accrual basis of accounting, the City has two items that qualify for reporting in this category. Derivative instruments are reported for the changes in fair value. Deferred Refunding results from the difference in the refunding of debt and its reacquisition price. One component unit (**SDP**) only has one item that qualifies in this category, which is deferred charge of refunding. These items have been reported as deferred outflows on the City's and the **SDP**'s Statement of Net Position.

(Amounts in Thousands of USD)

	Governmental Activities	Business Type Activities	Component Unit
Deferred Outflows of Resources			
Derivative Instrument	63,938	24,684	-
Deferred Charge of Refunding	72,641	68,648	140,846
Total:	136,579	93,332	140,846

Deferred Inflows of resources represents an acquisition of net position that applies to future period(s) and will not be recognized as revenue until that time. On the modified accrual statements, the City has three items that are reported in the Governmental Balance Sheet as deferred inflows: Unavailable Tax revenue, Unavailable Agency revenue and Unavailable Governmental revenue.

(Amounts in Thousands of USD)

	General Fund	Grants Revenue Fund	Other Governmental Funds
Deferred Inflows of Resources			
Unavailable Tax Revenue	173,344	-	191
Unavailable Agency Revenue	43,978	-	-
Unavailable Government Revenue	92,062	285,628	56,127
Total:	309,384	285,628	56,318

11. COMPENSATED ABSENCES

It is the City's policy to allow employees to accumulate earned but unused vacation benefits. Vacation pay is accrued when earned in the *government-wide* financial statements and in the proprietary and fiduciary-*fund* financial statements. Sick leave balances are not accrued in the financial statements because sick leave rights are non-vesting.

12. CLAIMS AND JUDGMENTS

Pending claims and judgments are recorded as expenses in the *government wide* financial statements and in the proprietary and fiduciary fund financial statements when the City solicitor has deemed that a probable loss to the City has occurred. Claims and judgments are recorded as expenditures in the government fund financial statements when paid or when judgments have been rendered against the City.

13. UNEARNED REVENUE

GASB Statement No.65 prohibits the usage of the term "deferred" on any line items other than deferred inflows or outflows. Therefore, the term "Deferred Revenue" has been replaced by "Unearned Revenue". Unearned Revenue as reported in all the City's fund financial statements represents revenue received in advance with the exception of the General Fund. The General Fund reports two types of unearned revenue, Revenue Received in Advance ($5.5 million) and Business Income and Receipts Tax (BIRT) ($179.1 million).

14. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* an accounting standard related to the accounting and reporting of defined pension plan obligations. One of the objectives of this accounting standard is to require governmental agencies to recognize the difference between the actuarial total pension liability and the fair value of the legally restricted plan assets as the net pension liability on the statement of net position. In addition to the benefits earned each year, the annual pension expense will also include interest on the total pension liability and the impacts of changes in benefit terms, projected investment earnings and other plan net position changes. This accounting standard, which is effective for the year ending June 30, 2015, will have a material impact on recorded pension liabilities compared to the application of current standards. The City's reported Net Pension Obligation (Governmental and Business Type Activities combined) was $454.5 million at June 30, 2014. The separately issued audited financial statements of the Municipal Pension Fund, which reflect the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* , disclosed a Net Pension Liability of $5.5 billion at June 30, 2014.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

The City Capital Improvement Fund budget is adopted annually by the City Council. The Capital Improvement budget is appropriated by project for each department. All transfers between projects 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 $925.8 million and $925.8 million respectively. All of the collateralized securities were held in the City's name except for $106 million which was collateralized but held in the pledging institutions name.

Investments

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

As of June 30, 2014 the City's Investments including Pension Trust Funds consisted of:

(amount in thousands of USD)

Classifications	Fair Value	% of Total
Corporate Equities	2,757,559	38.72%
Miscellaneous - Limited Partnership	1,169,044	16.41%
U.S. Government Securities	915,616	12.86%
Corporate Bonds	499,040	7.01%
Short-Term Investment Pools	434,960	6.11%
Mutual Funds	341,922	4.80%
Other Bonds and Investments	228,697	3.21%
U.S. Government Agency Securities	341,190	4.79%
Commercial Paper	299,945	4.21%
Collateralized Mortgage Obligations	62,049	0.87%
Financial Agreement	67,000	0.94%
Certificate of Deposit	5,000	0.07%
Grand Total	7,122,022	100.00%

Credit Risk: The City's policy to limit credit risks is to invest in US Government securities (12.86%) or US Government Agency obligations (4.80%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (4.21%) 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, 9.94% had a Standard & Poor's rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). Short Term Investment Pools are rated AAA by Standard & Poor's Corp and Aaa by Moody's In-

vestor Services. The Short Term Investment Pools' Fair Value is the same as the value of the pool shares. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has assets of not less than $100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the City did not have any investments of that nature.

City Excluding Pension Trust Funds

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

(amount in thousands of USD)

Classifications	Less than 1 Year	1 - 3 Years	More than 3 Years
U.S. Government Securities	377,875	398,561	2,839
Corporate Bonds	90,190	63,830	
U.S. Government Agency Securities	126,551	123,895	29,826
Commerical Papers	299,945		
Total	894,561	586,286	32,665

Municipal Pension Fund

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund's rated debt investments as of June 30, 2014 were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale:

2014 (in thousands)	Total Fair Value	AAA	AA	A	BBB	BB	B	CCC	D	NR
Asset Backed Securities	3,265	-	-	-	1,865	-	988	-	-	412
CMO/REMIC	1,111	-	-	-	-	-	89	596	426	-
Commercial Mortgage Backed Securities	2,878	1,662	-	1,216	-	-	-	-	-	-
Corporate Bonds	262,357	716	7,208	29,343	50,305	46,526	59,350	21,701	-	47,208
Government Bonds	276,587	15,554	151,680	45,000	41,794	15,064	-	-	-	7,494
Mortgage Backed Securities	58,060	-	58,060	-	-	-	-	-	-	-
Municipal Bonds	3,222	-	1,170	2,052	-	-	-	-	-	-
Total Credit Risk of Debt Securities	607,480	17,932	218,118	77,611	93,964	61,590	60,427	22,297	426	55,114

Custodial Credit Risk: In the event of counter-party failure, the Fund may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department, are uninsured and are not registered in the name of the Fund. The Fund requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Fund. Certain investments may be held by the managers in the Fund's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2014, the Fund has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

Municipal Pension Fund

Assets subject to foreign currency risk:

(thousands of USD)

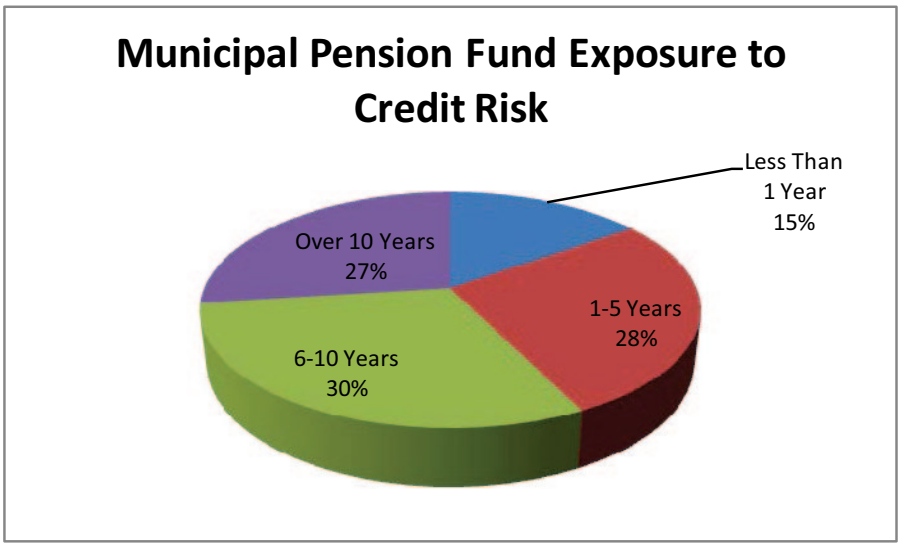
Currency	Cash	Fixed Income	Equities	Private Equity	Mutual Funds	Total
Euro	2,285	23,340	246,589	31,358	6,125	309,697
British Pound Sterling	733	12,026	160,555	-	-	173,314
Japanese Yen	595	-	99,667	-	-	100,262
Swiss Franc	445	-	84,430	-	-	84,875
Hong Kong Dollar	293	-	65,460	-	-	65,753
South Korean Won	-	9,435	47,395	-	-	56,830
Australian Dollar	84	21,624	25,751	-	-	47,459
Mexican Peso	520	30,916	10,710	-	-	42,146
Canadian Dollar	104	-	36,126	-	-	36,230
Brazilian Real	9	9,875	22,469	-	-	32,352
South African Rand	2	7,192	15,885	-	-	23,080
Swedish Krona	49	-	16,539	-	-	16,587
Polish Zloty	9	9,632	3,718	-	-	13,359
Indonesian Rupiah	84	7,476	5,674	-	-	13,234
Malaysian Ringgit	1	4,291	8,449	-	-	12,741
Singapore Dollar	153	-	9,061	-	-	9,214
Hungarian Forint	-	8,059	355	-	-	8,414
Danish Krone	73	-	7,985	-	-	8,058
New Zealand Dollar	2	6,642	468	-	-	7,112
Turkish Lira	-	2,984	3,820	-	-	6,804
Thai Baht	27	-	5,456	-	-	5,483
All Others	2,981	-	17,294	-	-	20,274
	8,449	153,492	893,856	31,358	6,125	1,093,278

Interest Rate Risk

Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes.

Duration is a measure of the approximate sensitivity of a bond's value to interest rate changes. The higher the duration, the greater the changes in fair value when interest rates change. The Fund measures interest rate risk using option-adjusted duration, which recognizes the fact that yield changes may change the expected cash flows due to embedded options.

This chart details the exposure to interest rate changes based on maturity dates of the fixed income securities:



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 7.33% of all investments and is primarily invested in equity securities (67.56%). 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:

(amounts in thousands of USD)	Maturity Length				
Investment Type	Less than 1 Year	1-3 yrs	3-5 yrs	5-10 yrs	more than 10 yrs
Short Term Investment Pools	15,892				
U.S. Government Agency Securities	707	10,746	3,526	678	11,196
U.S. Government Securities	8,557	11,376	6,780	14,084	1,243
MTG Pass Thrus	459				
Collateralized Mortgage Obligations	1,044				
Municipal Securities			1,790	3,208	1,427
Asset Backed Securities			2,106	4,343	17,069
Corporate Bonds	2,472	4,423	11,958	23,801	10,452
	29,131	26,544	26,160	46,115	41,388

Blended Component Units

A. PICA

The Authority may deposit funds in any bank that is insured by federal deposit insurance. To the extent that the deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodian) obligations of the US Government, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Investments must be made in accordance with a trust indenture that restricts investments to obligations of the City of Philadelphia, government obligations, repurchase agreements collateralized by direct obligations of or obligations the payments of principal and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America, money market mutual fund shares issued by a fund having assets not less than $100,000,000 or guaranteed investment contracts (GIC) with a bank insurance company or other financial institution that is rated in one of the three highest rating categories by the rating agencies and which GICs are either insured by municipal bond insurance or fully collateralized at all times.

At June 30, 2014 the carrying amount of **PICA**'s deposits with financial institutions (including certificates of deposit and shares in US government money market funds) and other short-term investments was $121.3 million. Statement balances were insured or collateralized as follows:

	(thousands of USD)
Insured	4,165
Uninsured and uncollateralized	117,168
Total:	121,333

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds.

Investment Derivative Instruments

As of June 30, 2014, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

(amounts in thousands of USD)

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Caps	Investment Revenue	95	Investment	3,101	289,220

a. PICA Series of 2003 and 1999 Basis Cap Agreements

PICA entered into two basis cap transactions with JPMorgan Chase Bank, one in June 2003 related to the 2003 swap and one in April 2004 related to the 1999 swaption. For the 2003 basis cap transaction, beginning June 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by one-month LIBOR less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of the agreement equals the notional amount and term of the 2003 interest rate swap noted above.

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

Fair value: As of June 30, 2014, the 2003 Basis Cap had a positive fair value of $828,400. This means that **PICA** would receive this amount to terminate the 2003 basis cap. As of June 30, 2014, the 1999 Basis Cap had a positive fair value of $2,272,973. This means that **PICA** would receive this amount to terminate the 1999 basis cap.

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

B. PHILADELPHIA MUNICIPAL AUTHORITY

The authority does not have a formally adopted investment policy; however, the terms of their bond indentures limit the investments in which the trustee can deposit funds. These limited investments include US government obligations, repurchase agreements for government obligations, certificates of deposits and other time deposit arrangements with financial institutions. Investments at June 30 are summarized as follows:

	(thousands of USD)	
	Fair Value	**Cost**
Money Market Funds	16,168	16,168
U.S. Treasury & Agency obligation	24,992	24,998
U.S. Treasury bonds & notes	15,083	15,094
Certificates of Deposit	100	100
Corporate bond & debts	11,997	11,996
	68,340	68,356

All investments were uninsured and collateralized with securities held by the pledging financial institution's trust department or by the Federal Reserve Bank of Philadelphia at June 30, 2014.

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, 2014 the Authority's investments in U.S. Government Securities were rated AAA, and investments in corporate bonds and debt obligations were rated AA+ or AAA, by Standard & Poor's. Investments in money market funds and certificates of deposit were not rated. Depository cash accounts consisted of $327,582 on deposit with two local banks. Amounts are insured by the FDIC up to $250,000 per bank. Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Discretely Presented Component Units

a. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2014, **PAID's** basis swap did not meet the criteria for effectiveness as a hedging instrument. Therefore, it is reported as an investment derivative instrument.

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Loss	(469)	Investment	(6,388)	193,520

Objective: **PAID** entered into a basis swap that became effective on July 1, 2004, that provides **PAID** with ten equal payments of $1.2 million with the first payment due on July 1, 2004. **PAID** executed the basis swap to create a benefit similar to entering into a synthetic refunding, using a swap based on a percentage of LIBOR, without having to issue bonds or eliminate future advance refunding opportunities. In July 2006, a portion of the existing basis swap was restructured such that the variable rate received by **PAID** was converted from a percentage of one month LIBOR to a percentage of the five year LIBOR swap rate, on a forward starting basis. This was intended to provide for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio. The restructured portion of the swap was terminated in December 2009 at a benefit.

Terms: The original swap was executed with Merrill Lynch Capital Service Inc. ("MLCS") with payments based on an amortization schedule and an initial notional amount of $298.5 million. The swap commenced on July 1, 2004 and matures on October 1, 2030. Under the swap, **PAID** pays a variable rate equal to the SIFMA Municipal Swap Index and receives a variable rate computed as 67% of one-month LIBOR + 20 basis points. **PAID,** also receives ten equal payments of $1.2 million from MLCS starting on July 1, 2004.

A portion of the original transaction in the amount of $105 million was amended such that the variable payments received by **PAID** were computed as 62.89% of five year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amendment effective date was October 1, 2006, with variable payments to be made (as described above) through October 1, 2020. On December 1, 2009, **PAID** terminated that portion of the swap that was subject to the amendment and received a termination payment of $3,049,000.

As of June 30, 2014, the notional amount on the portion of the swap that was not amended was $193.5 million.

Fair Value: As of June 30, 2014, the swap had a negative fair value of ($6.39 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2014, **PAID** is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by **PAID** if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes **PAID** to basis risk, the risk that the relationship between one month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one month LIBOR plus 20 basis points, the anticipated savings of the swap will be reduced and may not materialize.

b. School District of Philadelphia Basis Swaps

Issued and Adopted Accounting Principles: In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. All derivatives are to be reported on the statement of net position at fair value. For swaps deemed to be investment instruments under GASB 53, such as the School District's basis swaps, the changes in fair value are reported in the statement of activities as investment revenue or loss.

Objective, Terms, Fair Value and Accounting of Derivative Instruments: The School District engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, and evaluation of the swaps for compliance with GASB 53. Fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The swaps where the School District pays and receives floating rates--basis swaps--are deemed investment instruments under GASB 53 and are accounted for as investment instruments.

The table below displays the objectives, terms, and fair values of the School District's derivative instruments outstanding as of June 30, 2014 along with the counterparties and their credit ratings.

Associated Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate received	Fair Value	Bank Counterparty	Counterparty Ratings
Series 2003 School Lease Revenue Bonds	150,000,000	150,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	($6,934,062)	Wells Fargo Bank N.A.	Aa3/AA-/AA-
Series 2003 School Lease Revenue Bonds	350,000,000	350,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	($16,179,477)	JP Morgan Chase Bank N.A.	Aa3/A+/A+
							($23,113,539)		

Basis Risk/Interest rate risk - The primary objective of the basis swaps was for the School District to reduce interest cost from the expected benefit resulting from short term tax-exempt rates reflecting prevailing income tax rates throughout the life of the swap. The School District receives a percentage of 1-Month LIBOR plus a spread of 0.2788% and pays the SIFMA tax-exempt rate, with the expectation of a 0.2788% net benefit over the life of the swap as long as tax rates remain the same. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus SIFMA Swap Rates (short-term tax-exempt rates), a direct function of income tax rates, is approximately 67%. Therefore, there needs to be a spread payable to the School District in exchange for 67% of LIBOR over the long term and this is the value of the benefit, the risk being tax rates change over the life of the basis swap. This additional receipt of 0.2788% to the School District is the expected benefit and reduction to interest cost on the associated bonds for the life of the basis swap transaction. From the date of execution of the two basis swaps through June 30, 2014, the net benefit to the School District has been $11,417,796.

The value of such a swap is determined by the prevailing level of taxable interest rates received versus the level of tax-exempt interest rates paid.

Credit risk - This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the total fair value of swaps netting, or aggregating under a contract between the School District and each counterparty. The School District would be exposed to credit risk on derivative instruments under a netting agreement that would total to an asset position. As of June 30, 2014, the School District has no credit risk exposure on the two basis swap contracts because the swaps under each netting agreement with each counterparty have negative fair values, meaning the counterparties are exposed to the School District in the amount of the derivatives' fair values. However, should interest rates change and the fair values of the basis swaps become positive, the School District would be exposed to credit risk.

The basis swap agreements contain varying collateral agreements with the counterparties. The basis swaps require collateralization of the fair value of the basis swap should the counterparty's credit rating fall below the applicable thresholds.

Termination risk - Only the School District may terminate the two exiting basis swaps if the counterparty fails to perform under the terms of the respective contracts. If at the time of termination the swaps have a negative fair value, the School District would be liable to the counterparty for a payment equal to the basis swap's fair value.

2. SECURITIES LENDING

The Board of Directors of the Municipal Pension Fund (Pension Fund) and the Sinking Fund Commission (on behalf of the Philadelphia Gas Works Retirement Reserve Fund (PGWRR)) have each authorized management of the respective funds to participate in securities lending transactions. Each fund has entered into a Securities Lending Agreement with its custodian bank to lend its securities to broker-dealers**.**

- **The Pension Fund** lends US Government and US Government Agency securities, domestic and international equity securities and international fixed income securities and receives cash and securities issued or guaranteed by the federal government as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be at least 100% of the market value of the loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced $.3 million in unrealized loss from securities transactions during the year and had no credit risk exposure at June 30.

- The **PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral is generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

3. AMOUNTS HELD BY FISCAL AGENT

Two of the City's component units (**PAID** and **PRA**) have issued debt that, in accordance with GASB Interpretation #2, is considered conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds is shown on their respective financial statements. However, since the City, through various agreements is responsible for the debt, the proceeds of the issuance are shown as assets of the City.

A. GOVERNMENTAL FUNDS

General Fund - Consists of cash and investment balances related to the net proceeds of **PAID**'s Central Library Project Financing Lease Revenue Bonds Series 2005, **PAID**'s Cultural and Commercial Corridor Lease Revenue Bonds Series 2006, **PAID** City Service Agreement Refunding Revenue Bonds Series 2012, **PAID'**s Sports Stadium Financing Lease Revenue Bonds, Series A & B of 2007 and Series 2014A and **PAID'**s City Service Agreement Series 2014A for the Philadelphia School District.

Grants Revenue Fund - Consists of cash and investment balances related to the net proceeds of the **PRA's** City of Philadelphia Neighborhood Transformation Initiative Bonds.

B. PROPRIETARY FUNDS

Aviation Fund consists of cash and investment balances related to the net proceeds of **PAID**'s Airport Revenue Bonds, Series 1998A and 2001A. The proceeds are held by a fiscal agent and disbursed at the City's direction to pay for airport related capital improvements.

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

Interfund receivable and payable balances among Primary Government funds at year-end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All balances are expected to be settled during the subsequent year. Interfund receivable and payable balances within the Primary Government at year-end are as follows:

(Amounts in Thousands of USD)	Interfund Receivables Due to:				
		Non major Governmental			
	General	Special Revenue	Debt Service	Other Funds	Total
Interfund Payables Due From:					
General		-	-	699	699
Grants Revenue Fund	24,338	-	-	-	24,338
Non major Special Revenue Funds	12,552	5,495	-	-	18,047
Total	36,890	5,495	-	699	43,084

B. COMPONENT UNITS

Interfund receivables and payables between the Primary Government and its Component Units at year-end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All interfund balances are expected to be settled during the subsequent year. Interfund receivable and payable balances among the Primary Government and Component Units at year-end are as follows:

(Amounts in Thousands of USD)	Receivables Due to:						
	General	Aviation	CBH	PRA	PAID	Timing Difference	Total
Payables Due From:							
General Fund	-	-	-	16	-	-	16
Behavioral Health	-	-	63,765	-	-	-	63,765
Grants Revenue	-	-	169	806	30	-	1,005
Non-major Funds	-	-	-	150	-	-	150
PPA	8,103	22,449	-	-	-	627	31,179
PAID	38,629	-	-	-	-	(35,116)	3,513
PRA	1,500	-	-	-	-	-	1,500
PGW	-	-	-	-	-	-	-
School District of Phila	2,500	-	-	-	-	(2,500)	-
Water Fund	-	-	-	1,823	1,784	-	3,607
Timing Difference	(1,500)	(22,449)	(16,294)	1,893	(1,814)	-	(40,164)
Total	49,232	-	47,640	4,672	-	(36,989)	64,555

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

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

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	787	13	-	800
Fine Arts	1	3	-	4
Construction In Process	10	17	(4)	23
Total capital assets not being depreciated	798	33	(4)	827
Capital assets being depreciated:				
Buildings	2,039	29	-	2,068
Other Improvements	320	7	-	327
Equipment	481	25	(14)	492
Infrastructure	1,475	38	-	1,513
Transit	292	-	-	292
Total capital assets being depreciated	4,607	99	(14)	4,692
Less accumulated depreciation for:				
Buildings	(1,263)	(62)	-	(1,325)
Other Improvements	(226)	(9)	-	(235)
Equipment	(396)	(20)	14	(402)
Infrastructure	(1,051)	(40)	-	(1,091)
Transit	(220)	(4)	-	(224)
Total accumulated depreciation	(3,156)	(135)	14	(3,277)
Total capital assets being depreciated, net	1,451	(36)	-	1,415
Governmental activities capital assets, net	2,249	(3)	(4)	2,242

(Amounts In Millions of USD)

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	152	1	-	153
Construction In Process	698	248	(182)	764
Total capital assets not being depreciated	850	249	(182)	917
Capital assets being depreciated:				
Buildings	3,058	49	(10)	3,097
Other Improvements	257	15	-	272
Equipment	127	20	(23)	124
Intangible Assets	13	-	-	13
Infrastructure	3,074	116	(6)	3,184
Total capital assets being depreciated	6,529	200	(39)	6,690
Less accumulated depreciation for:				
Buildings	(1,589)	(90)	7	(1,672)
Other Improvements	(136)	(13)	-	(149)
Equipment	(103)	(6)	6	(103)
Intangible Assets	(6)	(1)	-	(7)
Infrastructure	(1,721)	(79)	7	(1,793)
Total accumulated depreciation	(3,555)	(189)	20	(3,724)
Total capital assets being depreciated, net	2,974	11	(19)	2,966
Business-type activities capital assets, net	3,824	260	(201)	3,883

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

	(Amounts in Millions of USD)
Governmental Activities:	
Economic Development	3
Transportation:	
Streets & Highways	40
Mass Transit	4
Judiciary and Law Enforcement:	
Police	9
Prisons	6
Courts	1
Conservation of Health:	
Health Services	3
Cultural and Recreational:	
Recreation	11
Parks	11
Libraries and Museums	9
Improvements to General Welfare:	
Social Services	1
Service to Property:	
Fire	5
General Management & Support	32
Total Governmental Activities	135
Business-Type Activities:	
Water and Sewer	90
Aviation	100
Total Business Type Activities	190

B. DISCRETELY PRESENTED COMPONENT UNITS

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the year ended June 30.

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	132	-	(1)	131
(1) Construction In Process	27	3	(23)	7
(2) Art	-	-	-	-
Total capital assets not being depreciated	159	3	(24)	138
Capital assets being depreciated:				
Buildings	1,798	3	(18)	1,783
Other Improvements	1,230	14	(1)	1,243
Intangible Assets	46	3	-	49
(3) Equipment	240	9	(19)	230
Total capital assets being depreciated	3,314	29	(38)	3,305
Less accumulated depreciation for:				
Buildings	(642)	(32)	17	(656)
Other Improvements	(728)	(55)	15	(768)
Intangible Property	(37)	(2)	-	(39)
Equipment	(164)	(23)	17	(171)
Total accumulated depreciation	(1,571)	(112)	49	(1,634)
Total capital assets being depreciated, net	1,743	(83)	11	1,671
Capital assets, net	1,902	(80)	(13)	1,809

(1) The beginning balance of WIP was adjusted to reflect a $1.4 million prior period adjustment to remove items not deemed capitalizable.

(2) The beginning balance for Artwork was adjusted to reflect an $8.1 million prior period adjustment to remove the replacement value of artwork. The determination has been made that the **SDP**'s Artwork will no longer be reported on the financial statements for the following reasons:

a. The historical cost/value of the **SDP**'s artwork cannot be determined and replacement value is inappropriate for use as the carrying value.
b. The replacement value of artwork accounts for 0.3% of total assets for Government Activities and is deemed immaterial.
c. Per GASB 34, Par. 27, the **SDP**'s artwork is considered a collection and therefore should not be reported on the financial statements.

(3) The value, as well as depreciation, of Print Shop assets have been consolidated in the Equipment line item and will no longer be shown separately.

(Amounts In Millions of USD)

Business-type Activities:				
Capital assets not being depreciated:				
Land	40	-	-	40
Fine Arts	(9)	-	-	(9)
Construction In Process	57	88	(78)	67
Total capital assets not being depreciated	88	88	(78)	98
Capital assets being depreciated:				
Buildings	679	9	(1)	687
Other Improvements	25	-	-	25
Equipment	452	16	(4)	464
Infrastructure	1,564	66	(5)	1,625
Total capital assets being depreciated	2,720	91	(10)	2,801
Less accumulated depreciation for:				
Buildings	(289)	(11)	-	(300)
Other Improvements	(30)	(8)	-	(38)
Equipment	(174)	(20)	3	(191)
Infrastructure	(715)	(36)	4	(747)
Total accumulated depreciation	(1,208)	(75)	7	(1,276)
Total capital assets being depreciated, net	1,512	16	(3)	1,525
Capital assets, net	1,600	104	(81)	1,623

6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which closed on January 1, 2013, in the amount of $350 million to provide funding for capital projects currently approved by the airlines. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia International Airport's CP Program will enable projects to be financed on an as-needed basis; lower the Airport's cost of borrowing, as amounts drawn can be closely matched to our capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper. There were $39.7 million notes outstanding at June 30, 2014.

Pursuant to a contract between the City and the United States Department of Housing and Urban Development (HUD), the City borrows funds through the HUD Section 108 loan program for the purpose of establishing loan pools to finance qualifying businesses and specific development projects. These funds are placed in custodial accounts established by the Philadelphia Industrial Development Corporation (PIDC), as designee of the City, and are being administered on behalf of the City by PIDC. While the City is the primary borrower, PIDC, acting as the City's designee, makes the repayments on the City's HUD Section 108 Notes Payable. Loan repayments and investment proceeds from un-loaned funds are used to repay the Notes Payable. If there is a deficiency in these resources, the City authorizes PIDC to use Community Development Block Grant (CDBG) program income funds on hand at PIDC to repay the Notes Payable. From fiscal year 2006 through 2014, $11.6 million of CDBG program income funds had been used to repay the debt. Collateral for repayment of the HUD Section 108 loans includes future CDBG entitlements due to the City from HUD.

Through the end of the fiscal year, HUD had disbursed $262.1 million in loans to PIDC. As of June 30, 2014, there was $101.55 million in outstanding HUD Section 108 Notes Payable. In connection with this Notes Payable, a corresponding receivable due from PIDC has been recorded under Other Assets on the Governmental Activities Statement of Net Position. Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2014 are as follows:

Calendar Year		Amount
2014	$	10,047,000
2015		13,645,000
2016		10,175,000
2017		10,820,000
2018		11,535,000
Thereafter		45,328,000
Total	$	101,550,000

PGW, pursuant to the provisions of certain ordinances and resolutions, may sell short-term notes in a principal amount which, together with the interest thereon, will not exceed $150 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the **PGW**'s revenues. There were no notes outstanding at year-end (August 31, 2014).

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 $77 million. The loans have interest rates ranging from 1.198% to 6.25%, mature through 2028 and will be used for various capital projects, the upgrading of network infrastructures and various deferred maintenance cost.

The combined principal balance outstanding at year-end is as follows:

Period		Amount
2015	$	6,157,176
2016		6,170,886
2017		6,145,316
2018		5,950,163
2019		5,329,480
2020-2024		27,688,101
2025-2028		20,040,000
Total	$	77,481,122

PPA, in prior years, borrowed a total of $34 million in the form of bank notes ranging in maturity from 5-15 years and in interest rates from 4.06% to 6.5%. The proceeds of these loans were used to finance various capital projects, the acquisition of capital assets, building improvements, installation of Multi-Space parking meters and the development of a records department.

The total outstanding principal balance of these notes at March 31, 2014 was $2,021,914 subject to the following repayment schedule:

Fiscal Year	Amount
2015	$ 484,569
2016	504,512
2017	525,583
2018	507,250
Total	$ 2,021,914

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, 2014 the statutory limit for the City is $3.0 billion, the General Obligation Debt net of deductions authorized by law is $1.7 billion, leaving a legal debt borrowing capacity of $1.3 billion. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims, Net Pension Obligation and OPEB are typically paid by the General Fund.

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

(Amounts In Millions of USD)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Bonds Payable					
Term Bonds	907.4	150.2	(300.4)	757.2	75.6
Refunding Bonds	805.0	161.2	(55.2)	911.0	42.7
Serial Bonds	201.9	201.3	(5.4)	397.8	15.3
Add: Bond Premium	97.4	31.3	(19.7)	109.0	-
Less: Deferred Amounts					
Unamortized Insurance Expenses	(22.0)	-	4.3	(17.7)	-
Unamortized Discount	(3.5)	-	1.6	(1.9)	-
Total Bonds Payable	1,986.2	544.0	(374.8)	2,155.4	133.6
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,171.4	46.3	(96.2)	1,121.5	101.2
Neighborhood Transformation	220.0	-	(7.5)	212.5	7.9
One Parkway	41.4	-	(2.1)	39.3	2.3
Sports Stadium	314.1	117.3	(129.3)	302.1	12.4
Library	7.7	-	(0.5)	7.2	0.5
Cultural Corridor Bonds	115.8	-	(3.8)	112.0	4.0
City Service Agreement	423.3	-	(123.5)	299.8	-
PAID School District	-	27.3	-	27.3	-
Indemnity Claims	63.4	105.4	(102.8)	66.0	10.0
Worker's Compensation Claims	266.5	48.9	(57.6)	257.8	-
Termination Compensation Payable	219.3	23.2	(17.9)	224.6	5.3
Net Pension Obligation	181.1	223.6	-	404.7	-
OPEB Obligation	166.3	135.7	(73.5)	228.5	-
Leases	28.9	-	(12.0)	16.9	4.0
Governmental Activity Long-term Liabilities	5,205.4	1,271.7	(1,001.5)	5,475.6	281.2

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	1.250	%	to	6.500	%	1,439.6	Fiscal	2015	to	2042
PMA	1.250	%	to	7.500	%	262.8	Fiscal	2015	to	2044
PICA	4.000	%	to	5.000	%	363.6	Fiscal	2015	to	2023
						2,066.0				

- In July 2013, the City issued $208.4 million of General Obligation Bonds Series 2013A. Serial bonds were issued with interest rates ranging from 1% to 5.25%. The 2013 Bonds were issued to provide funds for a portion of the city's capital program, refunding the City's outstanding Series 2003 A General Obligation Bonds and for the cost relating to the issuance of the 2013 Bonds. The aggregate difference in debt service between the refunding debt and the refunded debt is $0.15 million. This funding transaction resulted in a net economic gain of $.13 million.

- In October 2013, **PMA** issued $85.05 million of its City Agreement Revenue Refunding Bonds, 2013 Series A. The proceeds of the 2013 Bonds were used to finance the current refunding of a portion of the Authority's outstanding Lease Revenue Refunding Bonds, 2003 Series B and payment of the costs of issuance for the 2013 Bonds. The serial bonds have interest rates ranging from 1.25% to 5% and mature in 2018. The Refunded Bonds include all the 2003 Series Bonds maturing on and after November 15, 2014. The aggregate difference in debt service between the refunding debt and the refunded debt is $8.7 million. This funding transaction resulted in a net economic gain of $8.4 million.

- In February 2014, the City issued General Obligation Refunding Bonds, Series 2014A in the amount of $154.3 million. Serial Bonds were issued in the amount of $112 million with interest rates ranging from 3.0% to 5.25% and mature July 15, 2034. Term Bonds were issued in the amount of $42.3 million with an interest rate of 5.0% and mature July 15, 2038. The 2014 Bonds were issued to refund certain maturities of the City's outstanding General Obligation Bonds, Series 2008B and for the payment of the cost relating to the issuance of the Bonds. The aggregate difference in debt service between the refunding debt and the refunded debt is $34.5 million. This funding transaction resulted in a net economic gain of $21.6 million.

- In April 2014, **PMA** issued $65.2 million of City Service Agreement Revenue Bonds, Series 2014 for the 2014 4601 Market Street Project. The bonds consist of $4.06 million of Federally Taxable Bonds, Series 2014 A with interest rates ranging from 2.0% to 2.82% and $61.10 million of Tax Exempt Bonds, Series 2014 B with interest rates ranging from 3.25% to 5%. The Series 2014 A Bonds will mature January 15, 2020 and the Series 2014 B Bonds will mature January 15, 2040. Proceeds will be used to finance the acquisition, selective demolition, remediation, renovation and equipping the facility located at 4601 Market Street as the Public Safety Campus for the City of Philadelphia. This includes the headquarters of the Philadelphia Police Department, certain other safety and health related uses and construction of parking accommodations, other capital improvements and payment of the costs of issuance for 2014 Bonds.

The City has General Obligation Bonds authorized and un-issued at year-end of $284.1 *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
2015	59.8	70.7	26.0	12.2	47.7	18.1
2016	59.2	68.4	19.7	12.0	49.9	15.7
2017	62.1	65.4	20.6	11.0	52.1	13.3
2018	65.1	62.1	28.0	9.8	45.4	10.7
2019	68.4	58.8	13.4	8.8	38.8	8.4
2020-2024	344.5	243.3	24.6	39.6	129.7	14.8
2025-2029	367.0	151.0	31.0	32.1	-	-
2030-2034	299.2	65.4	35.1	23.3	-	-
2035-2039	87.0	21.5	46.3	12.2	-	-
2040-2044	27.3	2.7	18.1	2.3	-	-
Totals	1,439.6	809.3	262.8	163.3	363.6	81.0

The debt service through maturity for Lease and Service Agreements is as follows:

(Amounts In Millions of USD)

	Lease & Service Agreements							
Fiscal	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	96.2	34.8	7.9	10.6	2.3	1.8	12.4	13.1
2016	93.4	41.3	8.3	10.2	2.4	1.7	13.0	12.3
2017	87.5	47.2	8.7	9.8	2.5	1.6	13.6	11.6
2018	82.0	52.7	9.2	9.3	2.6	1.5	14.1	10.8
2019	76.7	58.0	9.7	8.9	2.7	1.4	14.7	10.0
2020-2024	197.2	267.0	55.9	36.7	15.6	4.9	83.7	40.0
2025-2029	488.5	146.5	75.7	21.2	11.2	1.1	103.0	20.8
2030-2034	-	-	37.1	2.8	-	-	47.6	2.0
Totals	1,121.5	647.5	212.5	109.5	39.3	14.0	302.1	120.6

Fiscal	Central Library		Cultural Corridors		City Service Ageement		PAID School District	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	0.5	0.3	4.0	5.3	-	11.7	-	0.2
2016	0.6	0.3	4.2	5.1	-	11.7	6.6	0.1
2017	0.6	0.2	4.4	4.9	-	11.8	6.7	0.1
2018	0.6	0.2	4.6	4.6	-	11.8	6.9	-
2019	0.6	0.2	4.8	4.4	-	11.8	7.1	-
2020-2024	3.5	0.7	28.1	18.0	169.0	52.3	-	-
2025-2029	0.8	-	36.0	10.1	130.8	7.8	-	-
2030-2034	-	-	25.9	1.7	-	-	-	-
Totals	7.2	1.9	112.0	54.1	299.8	118.9	27.3	0.4

(2) Business Type Debt Payable

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

(Amounts In Millions of USD)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activity					
Bonds Payable					
Revenue Bonds	3,075.2	316.7	(284.2)	3,107.7	187.7
Add: Bond Premium	110.6	28.3	(19.6)	119.3	-
Total Bonds Payable	3,185.8	345.0	(303.8)	3,227.0	187.7
Indemnity Claims	4.8	7.1	(7.2)	4.7	-
Worker's Compensation Claims	21.3	5.7	(4.6)	22.4	-
Termination Compensation Payable	17.6	3.0	(2.7)	17.9	-
Net Pension Obligation	23.2	26.6	-	49.8	-
Arbitrage	0.3	-	-	0.3	-
Business-type Activity Long-term Liabilities	3,253.0	387.4	(318.3)	3,322.1	187.7

The Enterprise Funds have no debt that is classified on their respective balance sheets as General Obligation debt payable as of June 30, 2014.

Also, the City has General Obligation Bonds authorized and un-issued at year end of $303.6 million. This includes $211.6 million for the Enterprise Funds and $92 million for **PGW**.

The City's Enterprise Funds have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	Interest Rates					Principal	Due Dates			
Water Fund	0.050	%	to	5.750	%	1,851.4	Fiscal	2015	to	2044
Aviation Fund	2.000	%	to	5.375	%	1,256.3	Fiscal	2015	to	2040
Total Revenue Debt Payable						3,107.7				

- In August 2013, the City issued Water and Wastewater Revenue Bonds Series 2013 A in the amount of $170 million. Serial Bonds were issued in the amount of $120 million with interest rates ranging from 3% to 5% and have a maturity date of 2023. Term Bonds were issued in the amount of $50 million with an interest rate of 5.125% and mature in 2043. The proceeds of the bonds together with other available funds of the City's Water Department will be used to finance capital improvements to the City's Water and Wastewater systems, a deposit to the Debt Reserve account of the Sinking Fund and the cost of issuance relating to the Bonds.

- In January 2014, the City issued Water and Wastewater Revenue Bonds Series 2014A in the amount of $123.2 million. Serial Bonds were issued for $93.2 million with interest rates ranging from 3.0% to 5.0% maturing July 1, 2027. Term bonds were issued in the amount of $30 million with a 5.0% interest rate maturing July 1, 2043. The purpose of the bonds is to provide funds that will be used for the advance refunding of a portion of the City's outstanding Water and Wastewater Revenue Bonds, Series 2005A, capital improvements to the City's Water and Wastewater System, a deposit to the Debt Reserve Sinking Fund and the cost of issuance relating to the bonds. The aggregate difference in debt service between the refunding debt and the refunded debt is $8.8 million. This funding transaction resulted in a net economic gain of $6.8 million.

- In July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2014, PENNVEST drawdowns totaled $23.6 million, which represents an increase in bond issuances. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

Date	Series	Maximum Loan Amount	Estimated Project Costs	Amt Requested thru 6/30/2014	Amt Rec'd Yes/No	Purpose
Oct. 2009	2009B	42,886,030	42,339,199	28,790,697	Yes	Water Plant Improvements
Oct. 2009	2009C	57,268,193	56,264,382	41,771,895	Yes	Water Main Replacements
Mar. 2010	2009D	84,759,263	84,404,754	71,703,769	Yes	Sewer Projects
Jul. 2010	2010B	30,000,000	31,376,846	27,741,841	Yes	Green Infrastructure Project
	Totals:	214,913,486	214,385,181	170,008,202		

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
2015	125.3	79.6	62.4	62.0
2016	136.7	75.4	60.2	58.6
2017	124.8	68.4	63.6	55.4
2018	131.6	63.5	65.9	52.2
2019	86.8	59.1	59.9	48.7
2020-2024	381.5	241.7	348.2	196.1
2025-2029	292.1	172.3	317.5	111.2
2030-2034	279.7	106.4	143.8	55.2
2035-2039	161.0	52.5	117.0	20.0
2040-2044	131.9	16.6	17.8	0.9
Totals	1,851.4	935.5	1,256.3	660.3

(3) Defeased Debt

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

(Amounts In Millions of USD)

Governmental Funds:	
General Obligation Bonds	142.9
Enterprise Funds:	
Water Fund Revenue Bonds	138.5
	281.4

(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 $100 million in Tax Revenue Anticipation Notes by June 2014 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, 2013	-
Additions	100.0
Deletions	(100.0)
Balance June 30, 2014	-

(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, 2014, the Aviation Fund had recorded liabilities of $0.3 million.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivatives are as follows:

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(1,150)	Debt	(16,948)	100,000
	Deferred Outflow	15,215	Debt	(19,822)	129,314
	Deferred Outflow	(15,396)	Debt	(15,396)	87,961
	Deferred Outflow	5,069	Debt	(6,606)	43,086
	Deferred Outflow	(5,166)	Debt	(5,166)	29,314
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	3,843	Debt	(18,973)	140,200
	Deferred Outflow	2,854	Debt	(5,711)	67,175

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2014, along with the credit rating of the associated counterparty.

(amounts in thousands)

Agency	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
City GO (a)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2009 Series B bonds	100,000	12/20/2007	8/1/2031	City pays 3.829%; receives SIFMA Municipal Swap Index	Aa3/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	129,314	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Aa3/A+
City Lease PAID (e)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	87,961	5/14/2014	10/1/2030	City pays 3.62%; receives 70% 1 Month LIBOR	Aa3/A+
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	43,086	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Baa2/A-
City Lease PAID (e)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	29,314	5/14/2014	10/1/2030	City pays 3.632%; receives 70% 1 Month LIBOR	Baa2/A-
Airport (c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	140,200	6/15/2005	6/15/2025	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index	Aa3/A+
Water (d)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series bonds	67,175	5/4/2005	8/1/2018	City pays 4.53%; receives bond rate/68.5% 1 Month LIBOR	Baa2/A-

a. City of Philadelphia 2009B General Obligation Bond Swap

Objective: In December 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure. On July 28, 2009, the City terminated approximately $213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as, the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of $15.5 million to RBC.

Terms: The swap was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of $313.5 million). The swap confirmation was amended and restated effective August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2014, the swap had a notional amount of $100 million and the associated variable rate bonds had a $100 million principal amount. The bonds mature in August 2031.

Fair Value: As of June 30, 2014, the swap had a negative fair value of ($16.95 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2014, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the rating of RBC falls below Baa3 or BBB- or by RBC if the rating of the City falls below Baa3 or BBB-.

There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corp. (formerly FSA), no termination event based on the City's ratings can occur as long as Assured is rated at least A3 and A-.

As of June 30, 2014 the rates were:

	Terms	Rates	
Interest Rate Swap			
Fixed payment to RBC under swap	Fixed	3.82900	%
Variable rate payment from RBC under swap	SIFMA	(0.06000)	%
Net interest rate swap payments		3.76900	%
Variable Rate bond coupon payments	Weekly reset	0.05000	%
Synthetic interest rate on bonds		3.81900	%

Swap payments and associated debt: As of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2015	$ -	$ 50,000	$ 3,769,000	$ 3,819,000
2016	-	50,000	3,769,000	3,819,000
2017	-	50,000	3,769,000	3,819,000
2018	-	50,000	3,769,000	3,819,000
2019	-	50,000	3,769,000	3,819,000
2020-2024	-	250,000	18,845,000	19,095,000
2025-2029	46,875,000	234,733	17,694,136	17,928,869
2030-2032	53,125,000	53,828	4,057,517	4,111,345
Total:	$ 100,000,000	$ 788,561	$ 59,441,653	$ 60,230,214

b. Philadelphia Authority for Industrial Development (PAID) 2007B Swaps

Objective: In October 2007, **PAID** entered into two swaps to synthetically refund **PAID**'s outstanding Series 2001B bonds. The swap structure was used as a means to increase **PAID's** savings when compared with fixed-rate bonds at the time of issuance. The intention of the swaps was to create a synthetic fixed-rate structure.

Terms: The total original notional amount of the two swaps was $289.7 million which matched the principal amount of the 2007B bonds issued. One swap, with a notional amount of $217.3 million, was executed with JP Morgan Chase Bank. The other swap, with a notional amount of $72.4 million was executed with Merrill Lynch Capital Services, Inc. Both swaps commenced on October 25, 2007 and will terminate on October 1, 2030. Under the swaps, **PAID** pays a fixed rate of 3.9713% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule.

In May 2014, PAID fully refunded the 2007B-1 bonds with the 2014A bonds, a directly purchased note. The 2014As pay interest on a LIBOR-linked index. Concurrently, the two swaps were amended such that the floating rate index on the portions allocable to the 2007B-1 bonds was converted from SIFMA to the same LIBOR-based index as the 2014A bonds. One of the LIBOR-based swaps, with a notional amount of $87.96 million, was documented under a separate trade confirmation with JP Morgan Chase Bank. The other LIBOR-based swap, with a notional amount of $29.31 million, was documented under a separate trade confirmation with Merrill Lynch Capital Services, Inc. Under the LIBOR-based swaps, PAID pays a fixed rate of 3.62% and 3.632% (to JPMor-

gan and Merrill Lynch, respectively), and receives 70% of 1-month LIBOR. The payments are based on an amortizing notional schedule.

As of June 30, 2014, the swaps together had a notional amount of $289.7 million which matched the principal amount of the associated variable rate bond deals. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2014, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of ($19.82 million), the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of ($6.61 million), the LIBOR-based swap with JP Morgan Chase Bank had a negative fair value of ($15.40 million) and the LIBOR-based swap with Merrill Lynch Capital Services had a negative fair value of ($5.17 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2014, **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, 2014, the rates for the JP Morgan SIFMA-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JP Morgan under Swap	Fixed	3.97130 %
Variable rate payment from JP Morgan under Swap	SIFMA	(0.06000) %
Net interest rate swap payments		3.91130 %
Variable Rate bond coupon payments	Weighted Average weekly resets	0.55131 %
Synthetic interest rate on bonds		4.46261 %

As of June 30, 2014, the rates for the Merrill Lynch SIFMA-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Merrill Lynch under Swap	Fixed	3.97130 %
Variable rate payment from Merrill Lynch under Swap	SIFMA	(0.06000) %
Net interest rate swap payments		3.91130 %
Variable Rate bond coupon payments	Weighted Average weekly resets	0.55110 %
Synthetic interest rate on bonds		4.46240 %

As of June 30, 2014, the rates for the JP Morgan Libor-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JP Morgan under Swap	Fixed	3.62000 %
Variable rate payment from JP Morgan under swap	70% of 1-month Libor	(0.10864) %
Net interest rate swap payments		3.51136 %
Variable Rate bond coupon payments	70% of 1-month Libor + fixed spread	0.10864 %*
Synthetic interest rate on bonds		3.62000 %

As of June 30, 2014, the rates for the Merrill Lynch Libor-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Merrill Lynch under Swap	Fixed	3.63200 %
Variable rate payment from Merrill Lynch under Swap	70% of 1-month Libor	(0.10864) %
Net interest rate swap payments		3.52336 %
Variable Rate bond coupon payments	70% of 1-month Libor + fixed spread	0.10864 %*
Synthetic interest rate on bonds		3.63200 %

** Excludes fixed spread, which is similar to the City's expected Letter of Credit costs on a comparable variable rate bond*

Swap payments and associated debt: As of June 30, 2014, 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
2015	$ -	$ 951,636	$ 10,864,546	$ 11,816,182
2016	12,990,000	951,636	10,864,546	11,816,182
2017	13,550,000	742,497	10,356,468	11,098,965
2018	14,125,000	524,342	9,826,487	10,350,829
2019	14,730,000	296,930	9,274,016	9,570,946
2020-2024	83,620,000	258,008	37,539,722	37,797,730
2025-2029	103,035,000	141,859	20,635,893	20,777,752
2030-2031	47,625,000	18,361	2,670,715	2,689,076
Total:	$ 289,675,000	$ 3,885,269	$ 112,032,393	$ 115,917,662

c. Philadelphia Airport Swap

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Division (the Philadelphia Airport) with an up-front payment of $6.5 million. As a synthetic refunding of its 1995 Bonds, this payment approximated the present-value savings as of April 2002, of refunding on June 15, 2005, based upon interest rates in effect at the time. The swaption gave JP Morgan Chase Bank the option to enter into an interest rate swap with the Airport whereby JP Morgan would receive fixed amounts and pay variable amounts.

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005, and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The payments are based on an amortizing notional schedule (with an initial notional amount of $189.5 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into. The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2014, the swap had a notional amount of $140.2 million and the associated variable-rate bonds had a $140.2 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, 2014, the swap had a negative fair value of ($18.97 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, 2014, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2014, the rates were:

	Terms	Rates	
Interest Rate Swap			
Fixed payment to JP Morgan under swap	Fixed-declining	4.72645	%
Variable rate payment from JP Morgan under swap	SIFMA	(0.06000)	%
Net interest rate swap payments		4.66645	%
Variable Rate bond coupon payments	Weekly resets	0.05000	%
Synthetic interest rate on bonds		4.71645	%

Swap payments and associated debt: As of June 30, 2014, 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
2015	$ 9,000,000	$ 70,100	$ 6,542,356	$ 6,612,456
2016	9,800,000	65,600	5,779,656	5,845,256
2017	10,700,000	60,700	4,921,020	4,981,720
2018	11,400,000	55,350	4,262,830	4,318,180
2019	12,200,000	49,650	3,512,436	3,562,086
2020-2024	71,300,000	149,450	8,072,684	8,222,134
2025	15,800,000	7,900	251,810	259,710
Total:	$ 140,200,000	$ 458,750	$ 33,342,792	$ 33,801,542

d. City of Philadelphia, 2005 Water & Sewer Swap

Objective: In December 2002, the City entered into a swaption that provided the City with an up-front payment of $4.0 million. As a synthetic refunding of all or a portion of its 1995 Bonds, this payment approximated the present value savings, as of December 2002, of a refunding on May 4, 2005. The swaption gave Citigroup (formerly of Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: Citigroup exercised its option to enter into a swap May 4, 2005, and the swap commenced on that date. Under the terms of the swap, the City pays a fixed rate of 4.53% and receives a variable payment computed as the actual bond rate or alternatively, 68.5% of one month LIBOR, in the event the average rate on the Bonds as a percentage of the average of one month LIBOR has exceeded 68.5% for a period of more than 180 days. Citigroup is currently paying 68.5% of one month LIBOR under the swap. The payments are based on an amortizing notional schedule (with an initial notional amount of $86.1 million), and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into.

In May 2013, the City and Water Department converted the original variable rate bonds associated with the swap to an index-based rate, terminating the existing letter of credit in the process.

As of June 30, 2014, the swap had a notional amount of $67.175 million and the associated variable-rate bond had an $67.175 million principal amount. The bonds' variable-rate coupons are based on the same index as the receipt on the swap. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 30, 2014, the swap had a negative fair value of ($5.71 million). This means that the Water Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2014 the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one month LIBOR, and paying 68.5% of one month LIBOR plus a fixed spread, the City is no longer exposed to basis risk or tax risk. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of Citigroup or its Credit Support Provider fall below A3 and A-, or by Citigroup if the rating of the City's water and wastewater revenue bonds falls below A3 or A-.There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation (formerly FSA), no termination event based on the City's water and wastewater revenue bond ratings can occur as long as Assured is rated at least A or A2.

As of June 30, 2014, the rates were:

	Terms	Rates	
Interest Rate Swap			
Fixed payment to Citi under swap	Fixed	4.53000 %	
Variable rate payment from Citi under swap	68.5% of 1-month LIBOR	(0.10631) %	
Net interest rate swap payments		4.42369 %	
Variable Rate bond coupon payments	68.5% of 1-month LIBOR + fixed spread	0.10631 %	*
Synthetic interest rate on bonds		4.53000 %	

**Excludes fixed spread, which is similar to the City's expected Letter of Credit costs on a comparable variable rate bond*

Swap payments and associated debt: As of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2015	$ 15,535,000	$ 71,415	$ 2,971,612	$ 3,043,027
2016	16,315,000	54,900	2,284,392	2,339,292
2017	17,145,000	37,555	1,562,668	1,600,223
2018	18,015,000	19,328	804,226	823,554
2019	165,000	175	7,299	7,474
Total:	$ 67,175,000	$ 183,373	$ 7,630,197	$ 7,813,570

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued $1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The net proceeds of the bond sale of $1.3 billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments. The fiscal year 2014 Pension Funding Bonds liability of $1,121.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

(8) Neighborhood Transformation Initiative Service Agreement

In March 2005, **PRA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of $25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of $ 44.0 million, with interest rates ranging from 4.75% through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for $81.3 million and mature through 2031.

In Fiscal 2012, **PRA** issued $91.3 million City of Philadelphia Neighborhood Transformation Initiative (NTI) Revenue Refunding Series 2012 Bonds. These bonds were issued to refund the City of Philadelphia Revenue Bonds, Series 2002A, originally issued in the aggregate principal amount of $124 million. The bonds will be initially issued in the name of Cede & Co., as nominee for The Depository Trust Company (DTC), which will act as securities depository. The bonds are subject to optional redemption prior to maturity. Interest on the series bonds range from 2% to 5% and is payable on April 15 and October 15 each year until maturity in 2026. The fiscal year 2014 NTI Service Agreement liability of $212.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

(9) Sports Stadium Financing Agreement

In FY 2002, **PAID** issued $346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of **PAID**. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In October 2007, **PAID** issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In May 2014, **PAID** issued Lease Revenue Refunding Bonds, 2014 Series A in the amount of $117.3 million. The proceeds from the bonds were used to refund the Series 2007 Series B-1 Stadium Bonds. The bonds have an interest rate of 3.62% and mature in 2030. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal year 2014, the Sports Stadium Financing Agreement liability of $302.1 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December 2006, **PAID** issued $135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. In fiscal year 2014, the liability of $112.0 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) City Service Agreement

In December 2012, **PAID** issued City Service Agreement Refunding Revenue Bonds, Series 2012 in the amount of $299.8 million. The bonds were issued as term Bonds with interest rates of 3.664% ($42.2 million) and 3.964% ($257.6 million). The term bonds have a maturity date of April 15, 2026. The bonds were issued to refund outstanding Pension Funding Bonds Series 1999B, fund interest on the Bonds through April 15, 2020, make a deposit to the City Retirement System and pay the cost of issuance of the Bonds. The bond is payable as set forth in the Service Agreement solely from revenues of the City. The debt service payments begin in 2021. The reacquisition price exceeded the net carrying value of the old debt by $23.1 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The portion of the Series 1999B Bonds that were refunded are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. In fiscal year 2014, the liability of $299.8 million is reflected in the City's financial statements as Other Long Term Liabilities.

(12) School District

In June 2014, **PAID** issued City Service Agreement Revenue Bonds, Series 2014A in the amount of $27.3 million. The bonds shall bear interest at the LIBOR Interest Rate. The Calculation Agent will determine the LIBOR interest rate on each computation date and will become effective on the Libor index reset date next succeeding the computation date and will accrue each date during the rate period. The LIBOR interest rate will be rounded if necessary to the nearest one hundred-thousandth of a percentage point. The bonds were issued to provide additional operating funds for the School District of Philadelphia and pay the costs of issuance. The bonds have a maturity date of August 15, 2018. In fiscal year 2014, **PAID** School District liability of $27.3 million is reflected in the City's financial statements as Other Long Term Liabilities.

(13) Forward Purchase Agreements

On June 6, 2000 PICA entered into a debt service reserve forward delivery agreement, which would begin on June 15, 2010 and expires on June 15, 2023. **PICA** received a premium of $1,970,000 on June 6, 2000 for the debt service reserve fund in exchange for future earnings from the debt service reserve fund investments. The premium amounts were deferred and are being recognized ratably as revenue over the term of respective agreements.

(14) Net Pension Liability

Net Pension Liabilities at June 30, 2013 was $181.1 million and $23.2 million for the Governmental and Business Type Activities, respectively. The increase in the Governmental Activities' Net Pension Obligations (NPO) during fiscal year 2014 of $223.6 million resulted in Net Pension Liabilities of $404.7 million. During FY 2014, the Business Type Activities' NPO increased by $26.6 million resulting in a Net Pension Liability of $49.8 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total $3,178 million in principal, with interest rates from 2.0% to 6.765% and have due dates from 2015 to 2040. The following schedule reflects the changes in long-term liabilities for the **SDP**:

(Amounts in Millions of USD)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	3,295.0	-	(117.4)	3,177.6	119.0
Add: Bond Premium	128.9	-	(9.7)	119.2	9.7
Less: Bond Discounts	(9.8)	-	0.5	(9.3)	(0.5)
Total Bonds Payable	3,414.1	-	(126.6)	3,287.5	128.2
Termination Compensation Payable	205.3	7.8	(10.6)	202.5	35.7
Severance Payable	132.5	1.6	(8.7)	125.4	17.4
Interfund Loan	4.1	-	(4.1)	-	-
Other Liabilities	132.5	40.8	(47.4)	125.9	36.4
Incurred But Not Reported (IBNR) Payable	12.5	-	(3.1)	9.4	9.4
Deferred Reimbursement	45.3	-	-	45.3	45.3
DHS Liability	3.5	-	(1.0)	2.5	1.5
OPEB Liability	0.4	0.4	-	0.8	-
Arbitrage Liability	0.3	-	-	0.3	0.3
NFS Federal Liability	2.4	-	(0.8)	1.6	0.7
Total	3,952.9	50.6	(202.3)	3,801.2	274.9

The beginning balance of General Obligation Bonds changed due to the implementation of GASB Statement No. 65 which reclassified bond refunding losses as deferred outflows of resources.

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
2015	119.0	146.4
2016	125.9	140.9
2017	130.1	135.4
2018	132.0	129.4
2019	136.4	123.5
2020-2024	729.5	524.2
2025-2029	802.6	369.9
2030-2034	799.9	179.1
2035-2039	187.9	34.2
2040	14.3	1.0
Totals	3,177.6	1,784.0

(2) Business Type Debt Payable

Several of the City's Proprietary Type Component Units have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	Interest Rates				Principal	Due Dates			
PGW	2.00 %	to	5.38 %		1,015.9	Fiscal	2015	to	2040
PPA	3.00 %	to	5.25 %		156.1	Fiscal	2015	to	2030
PRA	4.55 %	to	4.75 %		10.9	Fiscal	2017	to	2028
Total Revenue Debt Payable					1,182.9				

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

(Amounts in Millions of USD)

Fiscal	Philadelphia Gas Works †		Philadelphia Parking Authority		Philadelphia Redevelopment Authority	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2015	50.9	46.8	11.4	7.5	-	0.5
2016	49.2	44.1	11.9	7.0	0.1	0.5
2017	49.9	41.7	12.6	6.4	0.5	0.5
2018	49.4	39.2	13.2	5.7	0.9	0.5
2019	50.2	37.0	13.5	5.1	-	0.4
2020-2024	266.2	148.7	69.3	15.2	-	2.2
2025-2029	241.0	89.4	22.1	3.1	9.4	1.3
2030-2034	139.8	44.1	2.1	0.1	-	-
2035-2039	109.9	13.8	-	-	-	-
2040-2041	9.4	0.5	-	-	-	-
Totals	1,015.9	505.3	156.1	50.1	10.9	5.9

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2014

(3) Defeased Debt

At year end, defeased bonds are outstanding from the following Component Units of the City as shown below:

(Amounts In Millions of USD)

Philadelphia Gas Works †	28.8
School District of Philadelphia	17.9
Total	46.7

† - Gas Works amounts are presented as of August 31, 2014

The investments held by the trustee and the defeased bonds are not recognized on **PGW**'s balance sheets in accordance with the terms of the Indentures of Defeasance. The investments pledged for the redemption of the defeased debt have maturities and interest payments scheduled to coincide with the trustee cash requirements for debt service.

The assets pledged, primarily noncallable U.S. Government securities, had a market value of $30.3 million at August 31, 2014, bearing interest on face value from 0.0% to 5.89%.

As of June 30, 2014, $17.9 million of bonds outstanding for the **SDP** are considered to be partially defeased and the liability has been removed from long-term liabilities. This includes:

- The QZAB bond Series 2004E of $19.3 million, issued September 2004, and due September 1, 2018 is considered partially defeased in substance for accounting and financial reporting purposes. The **SDP** irrevocably places $1.4 million in trust with its fiscal agent each September 1st. These amounts are invested in a forward purchase agreement to be used solely for satisfying scheduled payments of the defeased debt. As of June 30, 2014, $12.4 million is considered partially defeased in substance for accounting and financial reporting purposes.

- The QZABs bond Series 2007C and 2007D of $13.5 and $28.2 million, respectively, were issued December 28, 2008, and due December 28, 2022 which are considered partially defeased in substance for accounting and financial reporting purposes. The **SDP** irrevocably places $0.9 million in trust with its fiscal agent each December 15th for Series 2007C. These amounts are invested in a forward purchase agreement to be used solely for satisfying scheduled payments of the defeased debt. As of June 30, 2014, $5.4 million is considered partially defeased in substance for accounting and financial reporting purposes.

(4) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2014, the arbitrage rebate calculation indicates a liability totaling $265,706 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. The School District will continue to perform an annual audit rebate calculation until all funds have been expended. The actual amount payable may be less than the amount recorded as a liability as of June 30, 2014.

The **SDP** has reserved $265,706 under the fund balance of the Capital Projects Fund. In addition, a contingent liability for this amount has been accounted for in the governmental activities column of the government-wide statement of net position.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

In January 2006, the City entered into a fixed rate payer, floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The interest rate swap was used to hedge interest rate risk.

The swaps have a maturity date of August 1, 2031 and require the City to pay a fixed rate of 3.6745% and receive a variable rate equal to 70.0% of one month LIBOR until maturity.

In August 2009, the City terminated approximately $54.8 million of the notional amount of the swap, issued fixed rate refunding bonds related to that portion and kept the remaining portion of the swap to hedge the Eight Series variable rate refunding bonds backed with letters of credit. The Company paid a swap termination payment of $3.8 million to the counterparty to partially terminate the swap.

The original swap confirmation was amended and restated on August 12, 2009 to reflect the principal amount of the Eighth Series B Bonds, with all other terms remaining the same. The remainder of the notional amount was divided among separate trade confirmations with the same terms as the original swap that was executed with the counterparty for the Eighth Series C Bonds through the Eighth Series E Bonds.

In September 2011, the underlying variable rate bonds were remarketed with new letters of credit. During the remarketing, PGW partially redeemed portions of the three longest maturities of the bonds, and reallocated remaining principal amongst the bond subseries. At the same time, the City terminated an aggregate notional amount of $29.5 million of the swaps, keeping the remaining portion of the swap to hedge the remaining variable rate bonds backed with letters of credit. The partial termination was competitively bid, with the winning swap counterparty providing the lowest cost of termination/assignment. PGW paid a swap termination payment of $7.0 million to partially terminate the swaps. The remaining notional amounts of each of the swaps were adjusted to match the reallocation of the underlying bonds.

In April 2013, each of the swaps was amended to include additional language specifying the exact process to be used to calculate a termination amount in the event of an optional termination at the request of the City on or before April 1, 2015.

In August 2013, two subseries of the underlying variable rate bonds (8th Series C and 8th Series D) were remarketed with new letters of credit. The letters of credit for the remaining two subseries (8th Series B and 8th Series E) were extended with the existing providers.

As of August 31, 2014, the swaps had a notional amount of $225.5 million and the associated variable rate debt had a $225.5 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of $50.3 million and the associated variable rate bonds had a $50.3 million principal amount. The interest rate at August 31, 2014 for the underlying bonds is approximately 0.04%.
- The Series C swap had a notional amount of $50.0 million and the associated variable rate bonds had a $50.0 million principal amount. The interest rate at August 31, 2014 for the underlying bonds is approximately 0.04%.
- The Series D swap had a notional amount of $75.0 million and the associated variable rate bonds had a $75.0 million principal amount. The interest rate at August 31, 2014 for the underlying bonds is approximately 0.04%.
- The Series E swap had a notional amount of $50.2 million and the associated variable rate bonds had a $50.2 million principal amount. The interest rate at August 31, 2014 for the underlying bonds is approximately 0.04%.

The final maturity date for all swaps is on August 1, 2028.

As of August 31, 2014, the swaps had a combined negative fair value of approximately $38.8 million. The fair values of the interest rate swaps were estimated using the zero coupon method. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps.

As of August 31, 2014, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard ISDA master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A – (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on **PGW**'s bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at A2/AA – (Moody's/S&P).

The City is exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month LIBOR received on the swap.

The impact of the interest rate swaps on the financial statements for the year ended August 31, 2014 and 2013 is as follows (thousands of U.S. dollars):

		Interest rate swap liability	Deferred outflow of resources
Balance, August 31, 2013	$	33,363	12,059
Change in fair value through August 31, 2014		5,399	6,820
Balance, August 31, 2014	$	38,762	18,879

		Interest rate swap liability	Deferred outflow of resources
Balance, August 31, 2012	$	57,435	34,712
Change in fair value through August 31, 2013		(24,072)	(22,653)
Balance, August 31, 2013	$	33,363	12,059

The interest rate swap liability is included in other non-current liabilities on the balance sheet.

There are no collateral posting requirements associated with the swap agreements.

b. School District of Philadelphia Swap Agreements

The School District adopted, in Fiscal Year 2010, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows (amounts in thousands; debit (credit)):

	Change in Fair Value		Fair Value at June 30, 2014		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment derivatives:					
Pays-variable Interest rate swaps	Investment Revenue	$ 837	Investment	$(23,114)	$ 500,000
				$(23,114)	

As of June 30, 2014, the School District determined that the pay variable interest rate swaps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. It is therefore reported within the investment revenue classification.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	7,318	28,437	3,993
Additional Rentals	-	163,776	190
Sublease	11,000	-	2,266
Total Rental Income	18,318	192,213	6,449

Future minimum rentals receivable under non-cancelable operating leases are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2015	3,615	13,994	5,306
2016	3,631	7,097	4,944
2017	3,570	6,528	4,650
2018	3,618	6,552	6,928
2019	3,666	6,559	1,632
2020-2024	19,072	22,614	5,257
2025-2029	20,343	15,563	1,939
2030-2034	21,503	9,103	596
2035-2039	22,986	5,736	596
2040-2044	-	-	596
2045-2049	-	-	596
2050-2054	-	-	596
2055-2059	-	-	596
2060-2064	-	-	596
2065-2069	-	-	596
2070-2074	-	-	596
2075-2079	-	-	596
2080-2084	-	-	567
2085-2089	-	-	510
Total	102,004	93,746	37,693

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	181,659	46,185	14,060
Additional	-	-	73
Sublease	-	-	2,266
Total Rental Expense	181,659	46,185	16,399

At year end, the future minimum rental commitments for operating leases having an initial or remaining non-cancelable lease term in excess of one year are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2015	34,594	663	11,038
2016	28,390	624	9,988
2017	25,983	635	7,495
2018	24,013	172	7,204
2019	16,933	-	8,164
2020-2024	61,967	-	23,145
2025-2029	14,974	-	9,557
2030-2034	1,576	-	10,476
2035-2039	-	-	9,043
Total	208,430	2,094	96,110

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
2015	2,118
2016	1,725
2017	1,432
2018	1,055
2019	625
2020-2023	1,745
Future Minimum Rental Payments	8,700
Interest Portion of Payments	(721)
Obligation Under Capital Leases	7,979

9. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2014, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Service Code Section 457. The Plan, available to all **PGW** employees with at least 30 days of service, permits them to defer a portion of their salary until future years. **PGW** provides an annual 10.0% matching contribution of applicable wages that immediately vest to the employee. **PGW** contributed $0.4 million in FY2014.

10. FUND BALANCE POLICIES

Fund Balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. GASB 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Non-Spendable Fund Balance — Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The Departmental Funds ($.2 million) and Permanent Funds ($3.0 million) were non-spendable.

- Restricted Fund Balance — Includes amounts for which constraints have been placed on the use of resources which are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The General Fund had a restricted fund balance of $85.6 million at June 30, 2014. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health ($188.6 million); Grants Revenue ($58.1 million); County Liquid Fuels ($2.5 million); Special Gasoline Tax ($23.7 million); Hotel Room Rental Tax ($6.8 million); Car Rental Tax ($7.3 million); Housing Trust ($16.6 million); Acute Care Hospital Assessment ($10.1 million); Departmental ($9 million); Municipal Authority Administrative ($.3 million); PICA Administrative ($34 million). The entire fund balances of the Debt Service ($82.8 million) and Capital Improvement ($191.6 million) funds were restricted. The Permanent Fund had a restricted fund balance of $3.3 million at June 30, 2014.

- Committed Fund Balance – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by an ordinance passed by Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the ordinance that was employed when the funds were initially committed. The fund balances in the following Special Revenue Funds were committed: Philadelphia Prisons ($3.5 million) and Departmental ($.7 million). The Permanent Fund had a committed fund balance of $.1 million at June 30, 2014.

- Assigned Fund Balance — Includes amounts that are constrained by government's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Budget Director, other authorized department heads or their designees to which the Finance Director has granted the authority to assign amounts to be used for specific purposes. There is no prescriptive action to be taken by the authorized officials in removing or modifying the constraints imposed on the use of the assigned amounts. The General fund reported an assigned fund balance of $103.1 million at June 30, 2014 which represents the encumbrance balance at the end of the reporting period.

- Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed or restricted or nonspendable. The General Fund had a $23 million unassigned fund balance at June 30, 2014. Within the Special Revenue Funds the Grants Revenue fund had a negative fund balance of $273.3 million and the Community Development fund had a negative fund balance of $7.9 million at June 30, 2014.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the non-spendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding non-spendable. To the extent that funds are available for expenditure in these other categories, except for the non-spendable fund balance, the order of use shall be: committed balances, assigned amounts, and lastly, unassigned amounts.

Table below presents a more detailed breakdown of the City's fund balances at June 30, 2014:

(Amounts In Thousands of USD)	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund (Principal)	-	-	-	3,242	3,242
Subtotal Nonspendable:	-	-	-	3,242	3,242
Restricted for:					
Neighborhood Revitalization	-	-	30,574	-	30,574
Economic Development	-	-	-	6,765	6,765
Public Safety Emergency Phone System	-	-	27,501	-	27,501
Streets & Highways	-	-	-	26,178	26,178
Housing & Neighborhood Dev	-	-	-	16,556	16,556
Health Services	-	-	-	10,067	10,067
Behavioral Health	-	188,557	-	-	188,557
Parks & Recreation	-	-	-	389	389
Libraries & Museums	-	-	-	71	71
Intergovernmental Financing (PICA)	-	-	-	33,960	33,960
Intergovernmentally Financed Programs	-	-	-	-	-
Central Library Project	2,028	-	-	-	2,028
Stadium Financing	3,804	-	-	7,255	11,059
Cultural & Commercial Corridor Project	11,569	-	-	-	11,569
Capitalized Interest	68,238	-	-	-	68,238
Debt Service Reserve	-	-	-	83,107	83,107
Capital Projects	-	-	-	191,559	191,559
Trust Purposes	-	-	-	11,785	11,785
Subtotal Restricted	85,639	188,557	58,075	387,692	719,963
Committed, reported in:					
Social Services	-	-	-	30	30
Prisons	-	-	-	3,511	3,511
Parks & Recreation	-	-	-	779	779
Subtotal Committed	-	-	-	4,320	4,320
Assigned, reported in:					
General Fund	103,063	-	-	-	103,063
Subtotal Assigned:	103,063	-	-	-	103,063
Unassigned Fund Balance:	23,016	-	(273,269)	(7,885)	(258,138)
Total Fund Balances	211,718	188,557	(215,194)	387,369	572,450

11. INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds. These transactions are recorded as operating transfers and are reported as other financial sources (uses) in the Governmental Funds and as transfers in the Proprietary Funds. Some of the more significant transfers are: the PICA administrative fund collects a portion of the wage tax paid by City residents and transfers funds that are not needed for debt service and administrative costs to the general fund. Also, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

(Amounts in Thousands of USD)	Governmental	*Transfers To:* Non major Governmental				
Transfers From:	**General**	**Grants**	**Special Revenue**	**Debt Service**	**Capital Improvement**	**Total**
General	-	51	9,942	155,642	3,414	169,049
Grants	24,631	-	962	5,050	4,587	35,230
Non major Special Revenue Funds	318,953	-	-	63,173	1,523	383,649
Water Fund	400	-	27,932	-	-	28,332
Total	343,984	51	38,836	223,865	9,524	616,260

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet (Exhibit III) includes reconciliation to the Net Position of Governmental Activities. One element of that reconciliation states that "Long Term Liabilities, including bonds payable, are not reported in the funds". The details of this difference are as follows:

	(Amounts in Millions of USD)
Bonds Payable	2,155.4
Service Agreements	2,121.7
Employee Related Obligations	710.9
Indemnities	66.0
Arbitrage	-
Leases	16.9
Net Pension Obligation	404.7
Total Adjustment	5,475.6

13. PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

A. COMPONENT UNIT

- **SDP** net position decreased by $9.4 million for capital assets adjustments that involved: (1) an increase to Land of $40,050 which was previously not recorded, (2) the removal of Construction of Progress of $1.4 million for items deemed non capitalizable, and (3) the removal of $8.1 million for Artwork no longer capitalized per GASBS 34. See Note III.5.B.

- During FY14 the **SDP, CCP, PPA, PAID,** and **DWRC** implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). As a result of the adoption of GASB 65, debt issuance costs are recognized as expense in the period incurred rather than as an asset. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. **PAID** and **DRWC** reclassified certain amounts to conform to the presentation requirements however, the adoption of GASB 65 caused no change in the net position of the prior fiscal year.

  The **SDP**'s net position as of July 1, 2013 was decreased by $20.65 million in Governmental Activities. Prior unamortized costs were retroactively written off as reflected in the effect of restating prior periods.

  The implementation of GASB 65 impacted **CCP** and **PPA** as follows:

(Amounts in Thousands of USD)	As previously reported	As restated
CCP		
Statement of net position		
Short-term unamortized bond issuance costs	$ 154	$ -
Long-term unamortized bond issuance costs	1,278	-
Short-term unamortized bond premium	(33)	(51)
Long-term unamortized bond premium	(210)	(469)
Net investment in capital assets	(91,369)	(89,660)
Statement of revenues, expenses and changes net position		
Interest on capital asset-related debt service	4,856	4,689
Net position, beginning	(83,142)	(81,266)

PPA	As previously reported	As restated
Parking facilities	$ 295,234	$ 293,774
Land	15,980	15,255
Net position as of April 1, 2012	(104,712)	(102,457)
Depreciation and Amortization	16,294	16,224

14. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports $1,315.8 million of restricted net position, of which $66.8 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	330,830	-
Debt Service	383,226	-
Pension Oblig Bond Refunding Reserve	68,238	-
Behavioral Health	188,557	-
Neighborhood Revitalization	30,574	-
Stadium Financing	3,804	-
Central Library Project	2,028	-
CCC Project	11,569	-
Grant Programs	56,261	16,556
Rate Stabilization	184,796	-
Libraries & Parks:		
Expendable	2,444	-
Non-Expendable	3,042	-
Other	50,455	50,265
Total	1,315,824	66,821

15. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year end of $215.2 million. The deficit was primarily caused due to the recording of reimbursed costs and corresponding revenues for services provided by the Department of Human Services to the grants fund, and the delay of billing and receiving reimbursements from the state.

- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year end of $7.9 million.

IV. OTHER INFORMATION

1. PENSION PLANS

Effective with fiscal year 2014, the city implemented GASB Statement No. 67, *Financial Reporting for Pension Plans.* The new GASB required the City to re-evaluate its status as a single, multi, or employer defined benefit pension plan. The new statement defines a single employer as the primary government and its component units. However, the City's pension plan includes an entity, the Philadelphia Housing Development Corporation **(PHDC)**, that is not a component unit. Therefore, beginning with fiscal year 2014, the City's pension plan meets the definition of a multi-employer plan. The City also maintains one single-employer defined pension plan **PGW.**

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures.* The statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring a participating employer's pension liability. In most respects, the requirements for pension plan financial statements remain unchanged from the prior standards; however, the statement does require additional note disclosures including new schedules of required supplementary information.

The note disclosures and Required Supplementary Information required by GASB Statement No. 67 are presented in separately issued 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.

The Pension Plans' financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Fund.

A. MULTI-EMPLOYER PLAN

(1) City Plan

a. Plan administration

The Philadelphia Board of Pensions and Retirement administers the City of Philadelphia Public Employees Retirement System-a multiple employer defined benefit pension plan with a small but increasing defined contribution component, which provides pensions for all officers and employees of the City, as well as those of three quasi governmental agencies (per applicable enabling legislation and contractual agreements). The Board was established by section 2-308 of the 1952 Philadelphia Home Rule Charter. Its actions in administering the Retirement System are governed by Title 22 of the Philadelphia Code.

Plan Membership

At July 1, 2013, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives	26,788
Terminated Vested	1,281
Disabled	4,152
Retirees	21,696
Beneficiaries	8,614
DROP	2,427
Total City Members	64,958
Annual Salaries	$1,429,723,436
Average Salary Per Active Member	$53,372
Annual Retirement Allowances	$676,634,789
Average Retirement Allowance	$19,634

Contributions

Per Title 22 of the Philadelphia Code, members contribute to the System at various rates based on bargaining unit, uniform status, and entry date into the System. As of July 1, 2013 uniform employees will be contributing either 5.00%, 5.50%, or 6.00% of pensionable earnings; non-uniform employees will be contributing either 1.93%, 2.03%, 2.55%, or 6.00% of pensionable earnings; and elected employees will be contributing either 8.16% or 9.60% of pensionable earnings.

Employer contributions are made by the City throughout each fiscal year (which ends June 30) and by three (3) quasi-governmental agencies on a quarterly basis. These contributions, determined by an annual actuarial valuation report (AVR), when combined with plan member contributions, are expected to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Within the AVR, two contribution amounts are determined based upon two different sets of rules for determining the way the unfunded actuarial liability is funded.

The first method is defined in accordance with Act 205 and defines the Minimum Municipal Obligation (MMO), which is the City's minimum required contribution under Pennsylvania state law.

The second method is in accordance with the City's Funding Policy which predates the Act 205 rules and calls for contributions that are greater than the MMO until the initial unfunded liability determined in 1984 is fully funded.

Under both funding methods there are two components: the normal cost and the amortized unfunded actuarial liability. The actuarial unfunded liability is the amount of the unfunded actuarial liability that is paid each year based upon the given or defined amortization periods. The amortization periods are different under the MMO and City's Funding Policy.

b. Funding Policy

The initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 year ending June 30, 2019 with payments increasing at 3.3% per year, the assumed payroll growth. Other charges in the actuarial liability are amortized in level-dollar payments follows:

*Actuarial gains and losses – 20 years beginning July 1, 2009. Prior gains and losses were amortized over 15 years.

*Assumptions changes – 15 years beginning July 1, 2010. Prior changes were amortized over 20 years.

*Plan changes for active members – 10 years.

*Plan changes for inactive members – 1 year.

*Plan changes mandated by the State – 20 years.

In fiscal year 2014, the City and other employers' contributions of $553.2 million was less than the actuarially determined employer contribution (ADEC) of $823.9 million. In the event that the City contributes less than the funding policy, an experience loss will be created that will be amortized in accordance with funding policy over 20 years.

MMO

For the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL. All future amortization periods will follow the City's Funding Policies as outlined above. In fiscal year 2014, the City and other employers' contributions of $553.2 million exceeded the Minimum Municipal Obligation of $523.4 million.

Benefits

The Public Employees Retirement System provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and minimum retirement ages, that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

Non-uniform employees may retire at either age 55 with up to 80% of average final compensation (AFC) or may retire at either age 60 with up to 100% or 25% of AFC, depending on entry date into the System. Uniform employees may retire at either age 45 with up to 100% of AFC or age 50 with up to either 100% or 35% of AFC, depending on entry date into the System. Survivorship selections may result in an actuarial reduction to the calculated benefit.

Members may qualify for service-connected disability benefits regardless of length of service. Service-connected disability benefits are equal to 70% of a member's final rate of pay, and are payable immediately without an actuarial reduction. These applications require approval by the Board.

Eligibility to apply for non-service-connected disability benefits varies by bargaining unit and uniform/non-uniform status. Non-service-connected disability benefits are determined in the same manner as retirement benefits, and are payable immediately.

Service-connected death benefits are payable to:

1) surviving spouse/life partner at 60% of final rate of pay plus up to 2 children under age 18 at 10% each of final rate of pay (maximum payout: 80%);

2) if no surviving spouse/life partner, up to 3 children under age 18 at 25% each of final rate of pay (maximum payout 75%); or

3) if no surviving spouse/life partner or children under age 18, up to 2 surviving parents at 15% each of final rate of pay (maximum payout 30%).

Non-service-connected deaths are payable as a lump sum payment, unless the deceased was either vested or had reached minimum retirement age for their plan, in which case the beneficiary(s) may instead select a lifetime monthly benefit, payable immediately with an actuarial reduction.

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year within sixty days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost-of-living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. As of July 1, 2013, the date of the most recent actuarial valuation, there was $1,096,608 in the PAF and the Board voted to make distributions of $0 during the fiscal year ended June 30, 2014.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2014 is $216.9 million.

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
2012	719.6	77.22%	243.9
2013	729.1	105.43%	204.3
2014	816.3	69.35%	454.5

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2013. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a ten-year smoothed market value method for valuing investments
- an annual investment rate of return of 7.85%
- projected annual salary increases based on new age based scale
- payroll growth rate is 3.3%
- no post-retirement benefit increases

Administrative costs of the Plan are paid out of the Plan's assets.

c. Funding Status

The following schedule shows the funding status based on the latest actuary report. The schedule of funding progress, which presents multiyear trend information about whether the actuarial value of plan assets is decreasing over time relative to the actuarial accrued liability for benefits, can be found in the Required Supplementary Information section immediately following the Notes to the Financial Statements.

(Amounts in Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
07/01/2011	4,489.1	9,487.5	4,998.4	47.32%	1,371.3	364.50%
07/01/2012	4,486.8	9,799.9	5,313.1	45.78%	1,372.2	387.20%
07/01/2013	4,799.3	10,126.2	5,326.9	47.39%	1,429.7	372.59%

d. Net Pension Obligation

The City and other employers' annual pension cost and net pension obligation (NPO) for the Municipal Pension Plan for the current year were as follows:

(Amounts in Thousands of USD)

Annual Required Contribution (ARC)	823,885
Interest on Net Pension Obligation (NPO)	16,242
Adjustment to ARC	(23,784)
Annual Pension Cost	816,343
Contributions Made	(566,179)
Increase in NPO	250,164
NPO at beginning of year	204,302
NPO at end of year	454,466
Interest Rate	7.95%
15 Year amortization Factor (EOY)	8.59%

e. Derivative Instruments

In 2010 the City of Philadelphia adopted GASB Statement No. 53 which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments such as swaps, options, futures and forwards are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities.

The City of Philadelphia Municipal Pension Fund (Pension Fund) enters into a variety of financial contracts which include options, futures, forwards and swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMO's); other forward contracts, and U.S. Treasury strips. The contracts are used primarily to enhance performance and reduce volatility of the portfolio. The Pension Fund is exposed to credit risk in the event of non performance by counterparties to financial instruments. The Pension Fund generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The Pension Fund is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by Board approved guidelines, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Pension Fund's involvement in the various types and uses of derivative financial instruments and do not measure the Pension Fund's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

The following table summarizes the aggregate notional or contractual amounts for the Pension Fund's derivative financial instruments at June 30, 2014:

List of Derivatives Aggregated by Investment Type

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	Amount	Classification	Amount	Notional
Investment Derivatives					
Forward Currency Contracts	Net appreciation/(depreciation) in investments	$ (1,981,432)	Accrued expenses and other liabilities	$ (238,578)	$ 150,909,330
Futures	Net appreciation/(depreciation) in investments	24,249	Accrued expenses and other liabilities	(3,524)	101
Grand Totals		$ (1,957,183)		$ (242,102)	$150,909,431

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the City of Philadelphia Municipal Pension Fund. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings available from nationally recognized rating institutions such as Moody, Fitch, and S&P. The details of other risks and financial instruments in which the Fund involves are described below:

***Credit Risk*:** The Pension Fund is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Pension Fund's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Fitch Ratings and Standard & Poor's or Aa as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The city has never failed to access collateral when required.

It is the Pension Fund's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Swap Agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. During the year ended June 30, 2012 the Fund entered into interest rate swaps. Under the receive fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were not any total receive fixed interest Swaps this year. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Fund's net payment on the swap increases.

Future Contracts are types of contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Fund has the right to access individual pledged securities, it must maintain the

amount pledged by substituting other securities for those accessed. The realized gain from Future contracts was $749,289.

Forward contracts The Fund is exposed to basis risk on its forward contract because the expected funds purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle. The realized loss from Forward contracts was $(1,913,361).

Termination risk: The Fund or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Fund is exposed to termination risk on its receive-fixed interest rate swap. The Fund is exposed to termination risk on its rate cap because the counterparty has the option to terminate the contract if the SIFMA swap index exceeds 12 percent. If at the time of termination, a hedging derivative instrument is in a liability position, the city would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover Risk: The Fund is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

f. Summary of Significant Accounting Policies

Financial statements of the Fund are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Fund. Investments are valued as described in Footnote III.1.

B. SINGLE EMPLOYER PLAN

(1) Gas Works Plan

a. Plan Description

The City 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 60.0% of the highest annual earnings during the last 10 years of credited service, applicable to all participants; or

- 2.0% 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 prior to March 24, 1967.

Final-average earnings is the employees' average pay, over the highest 5 years of the last 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Employees with 30 years of service may retire without penalty for reduced age.

At September 1, 2014 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	2,343
Current Employees	1,391
Total Members	3,734

b. Funding Policy

Covered employees are not required to contribute to the Pension Plan. **PGW** is required by statute to contribute the amounts necessary to fund the Pension Plan. Benefit and contribution provisions are established by City Ordinance and may be amended only as allowed by City Ordinance.

The funding policy of the **PGW** Plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of employer contribution rates are based on the actuarial accrued liability as determined by using the Projected Unit Credit actuarial funding method. The actuarial asset value is equal to the value of fund assets. The unfunded actuarial accrued liability is being amortized using the open method. Contributions of $24.5 million (approximately 23.6% of covered payroll) were made to the PGW Plan during the year.

Beneficiary payments of $43.2 million were made in FY 2014. Withdrawals from the pension assets of $21.8 million were utilized to meet these beneficiary payments. Additionally, $0.8 million was due to **PGW** from the pension fund at the end of FY 2014.

In December 2011, the Pension Plan sponsored by the City was amended by Ordinance and a new deferred compensation plan was authorized by Ordinance as well. Newly hired employees will have an irrevocable option to join either a new deferred compensation plan created in accordance with Internal Revenue Code Section 401 or the existing defined benefit plan. The deferred compensation plan provides for an employer contribution equal to 5.5% of applicable wages. The defined benefit plan provides for a newly hired employee contribution equal to 6.0% of applicable wages. The Ordinance did not affect the retirement benefits of active employees, current retirees and beneficiaries, or terminated employees entitled to benefits but not yet receiving them.

c. Funding Status

The funded status of the **PGW** plan as of September 1, 2013 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
09/01/2013	$462,691	$623,612	$160,921	74.2%	$104,123	154.5%
09/01/2012	$437,780	$585,632	$147,852	74.8%	$106,000	139.5%
09/01/2011	$421,949	$572,190	$150,241	73.7%	$106,308	141.3%

The analysis of pension funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Amortization Method	Level percent open
Remaining Amortization Period	20 years

d. Annual Pension Cost

PGW's annual pension cost for the current year of $24.5 million is equal to its required contribution. The annual required contribution for the current year was determined based on an actuarial study or updates thereto, using the projected unit credit method. Significant actuarial assumptions used include an annual rate of return on investments of 7.95% per year, compounded annually, with salary increases assumed to reach 4.5% per year; and retirements assumed to occur prior to age 62, at a rate of 10.0% at ages 55 to 61 and 100.0% 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
2014	24.5	100%
2013	23.6	100%
2012	24.0	100%

e. Summary of Significant Accounting Policies

The financial statements of the Plan are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Plan investments are reported at fair value based on quoted market price for those similar investments.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. **SDP** employees have an unlimited maximum accumulation, and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

***Plan description*:** The City of Philadelphia self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. Certain union represented employees may defer their coverage until a later date, but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to $7,500 coverage and all other employees receive $6,000 in coverage. The plan does not issue stand alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

Funding Policy: The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self insured for non-union employees. For fiscal year 2014, the City paid $67.1 million for retiree healthcare.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation:

	(Amounts in Thousands of USD)
Annual required contribution	128,619
Interest on net OPEB obligation	7,068
Adjustment to ARC	(6,369)
Annual OPEB cost	129,318
Payments made	(67,100)
Increase/(Decrease) in net OPEB Obligation	62,218
Net OPEB obligation - beginning of year	166,315
Net OPEB obligation - end of year	228,533

The City of Philadelphia's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 was as follows:

(Amounts in thousands USD)

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2014	$	129,318	52%	$	228,533
6/30/2013	$	114,392	50%	$	166,314
6/30/2012	$	105,369	72%	$	109,019

Funded Status and Funding Progress: As of July 1, 2013, the most recent actuarial valuation date, the City is funding OPEB on a pay as you go basis and accordingly, the unfunded actuarial accrued liability for benefits was $1.7 billion. The covered annual payroll was $1.417 billion and the ratio of the UAAL to the covered payroll was 120.2%.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projections of future benefit payments for an ongoing plan obligation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the obligation and the contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of costs for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point.

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. The city uses a level percent open approach as its method of amortization. Unfunded liabilities are funded over a 30 year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4.25% per year. The actuarial assumption included a 7.95% compound annual interest rate on the City's general investments. The current plan incorporates the following assumptions: no post-retirement benefit increases since last year; a 7.85% Investment Rate of Return, a 3.30% Rate of Salary increases; and, a 4% Ultimate Rate of Medical Inflation.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occur, rather than in the future when they will be paid. In adopting the requirements of GASB Statement No. 45, the **SDP** recognizes the costs of postemployment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the **SDP**'s future cash flows. Recognition of the liability accumulated from prior years is amortized over no more than 30 years.

Plan Description:

The **SDP** provides up to $2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for ten years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the life insurance benefit plan can be obtained by writing to The **SDP**, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The number of eligible participants enrolled to receive such benefits as of June 30, 2014, the effective date of the most recent biennial OPEB valuation, is below. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of Employees	Average Age
Active:		
Represented	12,213	46.0
Non-represented	787	48.5
Retirees	10,357	76.8
Disabled	91	59.4
Total	23,448	59.4

Annual OPEB Cost and Net OPEB Obligation:

The **SDP**'s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, a contribution is determined that consists of the normal cost and the unfunded actuarial liability payment. The normal cost for each employee is derived as a level contribution from entry age to assumed retirement age. The accumulation of normal costs for service already completed is the actuarial accrued liability (AAL), which under GASB Statement No. 45 may be amortized over no more than 30 years. The **SDP** has elected to amortize the OPEB obligation as an open amortization period, which is recalculated at each biennial actuarial valuation date, amortized over a 30 year period for the valuation period ending June 30, 2014. There was a change in actuarial assumptions since the last biennial actuarial valuation. The payroll growth assumptions was eliminated as the **SDP** is now using level dollar amortization of the unfunded liability.

Normal Cost	$	82,021
Amortization of Unfunded Liability		
Accrued Liability (UAAL)		916,182
Annual Required Contribution (ARC)		998,203
Interest on Net OPEB Obligation		12,624
Adjustment to the ARC		(20,463)
Increase/(Decrease) in net OPEB Obligation	$	990,364
Net OPEB Obligation as of June 30, 2013	$	388,430
Annual OPEB Cost		990,364
Employer Contributions		(567,888)
Increase/(Decrease) in net OPEB Obligation	$	422,476
Net OPEB Obligation as of June 30, 2014	$	810,906

The **SDP**'s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending June 30, 2014 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2012	$810,749	83.9%	$130,344
2013	810,749	68.2%	388,430
2014	990,364	57.3%	810,906

Basis of Accounting:

As defined by GASB Statement No. 45, if the amount of expenditures recognized during the current year is not equal to the annual OPEB cost, the difference is added or subtracted to the net obligation. The **SDP**'s policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement No. 45.

Funded Status and Funding Progress:

As of June 30, 2014, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of $18.0 million and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $18.0 million.

Active	$3,280,989
Inactive	$14,675,072
Total	$17,956,061

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2014 OPEB actuarial valuations are those specific to the OPEB valuations. Actuarial valuations involve estimates of the values of reported amounts, assumptions about the probability of events far into the future, and are subject to continual revision. Actuarial calculations reflect a long-term perspective.

- Discount Rate: 3.25% per year, compounded annually.
- Mortality: Pre-termination and post-termination healthy annuitant rates are projected on a generational basis using Scale AA. As generational tables, they reflect mortality improvements both before and after the measurement date.

  Pre-termination: RP-2000 Employee Mortality Table for Males and Females.

  Post-termination Healthy Lives: RP-2000 Healthy Annuitant mortality table for males and females.

  Post-termination Disabled Lives: RP-2000 Disabled Annuitant mortality table for males and females. No provision was made for future mortality improvements for disabled lives.
- Termination: Rates which vary by age and years of services were used. Sample rates are shown below:

If less than 5 years of Service		If 5 or more Years of Service	
Years of Service	Rate	Age	Rate
Less than one year	24.49%	25	24.75%
1 - 2	25.23%	30	18.01%
2 - 3	16.54%	35	10.98%
3 - 4	14.07%	40	7.91%
4 - 5	10.88%	45	6.71%
		50	4.03%
		55	3.81%
		60	6.40%

- Retirement: Retirement rates are the rates utilized in the June 30, 2013 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Sample rates are shown below.

Sample Early Retirement Rates

Age	Male	Female
55	15%	15%
60	12	15

Sample Superannuation Retirement Rates

Age	Male	Female
55	30%	30%
60	28	30
65	20	25
74	100	100

- Disability: Disability rates are the rates utilized in the June 30, 2013 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age and gender. In addition, no disabilities are assumed to occur at age 60 or later. Sample rates are shown below

Attained	Percentage Disability Incidence	
Age	Male	Female
25	0.024%	0.030%
30	0.024%	0.040%
35	0.100%	0.060%
40	0.180%	0.100%
45	0.180%	0.150%
50	0.280%	0.200%
55	0.430%	0.380%

- Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death.
- Life Insurance Coverage while Disabled: The maximum amount of life insurance of $45,000 for non-represented employees or $25,000 for represented employees was assumed to be in effect for future disabled retirees prior to age 65. Actual amounts were used for current disabled retirees prior to age 65.
- Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of June 30, 2014 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.
- Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.

Philadelphia Gas Works (PGW) OPEB

Plan Description: PGW sponsors a single employer defined benefit healthcare plan and provided postemployment healthcare and life insurance benefits to approximately 2,053 participating retirees and their beneficiaries and dependents in FY 2014, in accordance with their retiree medical program. The annual covered payroll (which was substantially equal to total payroll) was $115.2 million at August 31, 2014.

PGW pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided a choice of three plans at **PGW**'s expense and can elect to pay toward a more expensive plan. Retirees may also contribute toward enhanced dental plan and life insurance coverage. **PGW** pays 100% of the cost for the prescription drug plan after drug co-pays. Union employees hired on or after May 21, 2011 and Non-Union employees hired on or after December 21, 2011 are entitled to receive post-retirement medical, prescription, and dental benefits for five years only. Currently, **PGW** provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go basis.

Total expense incurred for healthcare and life insurance related to retirees amounted to $25.9 million in FY 2014. In addition, **PGW** expensed $18.5 million of funding for the OPEB Trust. Retirees contributed $0.4 million towards their healthcare in FY 2014. These contributions represent the additional cost of healthcare plans chosen by retirees above the basic plan offered by **PGW**. Total premiums for group life insurance were $2.2 million in FY 2014 which included $1.8 million for retirees. Retirees contributed $0.1 million towards their life insurance in FY 2014.

Annual Postemployment Benefit Cost, Contributions Required, and Contributions Made*:* The amount paid by **PGW** for retiree benefits in FY 2014 was $44.4 million, consisting of $24.3 million of healthcare expenses, $1.6 million of life insurance expenses, and $18.5 million contributed to the OPEB trust. The difference between the AOC and **PGW's** contributions resulted in an decrease in the OPEB obligation of $7.3 million in FY 2014, which was recorded to other non-current liabilities and expensed. The actuarial accrued liability for benefits at August 31, 2014 was $450.3 million. The ratio of the unfunded actuarial accrued liability to the covered payroll was 312.1% as of August 31, 2014.

The assumptions used to determine the AOC for the current year and the funded status of the plan include:

Actuarial cost method	Projected unit credit
Method(s) used to determine the actuarial value of assets	Fair value of plan assets held in the OPEB trust
Investment return assumption (discount rate)	7.95%, which represents the long-term expected investment return on OPEB trust assets
Mortality	2014 Static Annuitant and Non-Annuitant Mortality Table
Amortization method	Level dollar amount
Amortization period	Open period of 30 years

Healthcare cost trend rates are as follows:

	Healthcare cost trend rates			
Year	**Medical (pre-65)**	**Medical (post-65)**	**Prescription**	**Dental**
2014	9.0%	7.0%	7.0%	4.5%
2015	8.0	6.0	6.0	4.5
2016	7.0	5.0	5.0	4.5
2017	6.5	4.5	4.5	4.5
2018	6.0	4.5	4.5	4.5
2019	5.5	4.5	4.5	4.5
2020	5.0	4.5	4.5	4.5
2021+	4.5	4.5	4.5	4.5

The following table shows the calculation of **PGW's** OPEB liability for FY 2014. The difference between annual OPEB cost (AOC) and contributions made results as an increase or decrease to the net OPEB obligation which is recorded in other non-current liabilities and expensed.

	(Amounts in Thousands)
Annual required contribution	38,062
Interest on net OPEB obligation	8,670
Adj to annual required contribution	(9,642)
Annual OPEB cost	37,090
Payments made	(44,362)
Increase/(Decrease) in net OPEB obligation	(7,272)
Net OPEB obligation - beginning of year	109,060
Net OPEB obligation - end of year	101,788

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2014 and the preceding years is as follows:

(Amounts in Thousands of USD)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
8/31/2014	$ 37,090	119.60%	$ 101,788
8/31/2013	40,235	105.00%	109,060
8/31/2012	46,105	96.50%	111,067

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non voting members. The Governor of Pennsylvania, the President Pro Tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member to the Board.

The Act provides that, upon **PICA's** approval of a request of the City to **PICA** for financial assistance, **PICA** shall have certain financial and oversight functions. First, **PICA** shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, **PICA** also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City and to certify noncompliance by the City with its current five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth of Pennsylvania to cause certain Commonwealth payments due to the City to be withheld).

PICA bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. **PICA** returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2014 this transfer amounted to $319 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 $66.02 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled $97.1 million during the year) to the following organizations:

- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund For Philadelphia Incorporated
- Philadelphia Housing Authority

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Workers' Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police and its city-administered health plan.

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 $349.3 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, 2012 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2012	353.5	102.1	(99.8)	355.8
Fiscal 2013	355.8	101.6	(101.3)	356.1
Fiscal 2014	356.1	244.0	(250.8)	349.3

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 $62.2 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $280.2 million discounted at 3.5%. On an undiscounted basis, these liabilities total $367.5 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 $251.7 million (discounted) and $330.9 million (undiscounted).

During the last five (5) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

B. COMPONENT UNITS

The City's Component Units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The **SDP** has self-Insured Medical Benefits and Workers' Compensation coverage which is funded by a pro-rata charge to the various funds while both the **SDP** and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage. **SDP** does purchase certain other insurance. Most Component Units are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, 2014 the combined amount of these liabilities totaled $175.2 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, 2014 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2013	199.8	250.4	(254.3)	195.9
Fiscal 2014	195.9	210.9	(231.6)	175.2

The **SDP** is exposed to various risks related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. As previously noted, the SDP is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness) and employee medical benefits.

The **SDP** maintains additional property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of $1.0 million and a limit of $250.0 million. Also, certain insurance coverages including employee performance bonds and fire insurance are obtained.

7. COMMITMENTS

COMPONENT UNITS

- The **SDP's** outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled $24.5 million.

- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances, and efficiency of vehicle utilization.

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 $340.9 million. Of this amount, $27.1 million is charged to current operations of the Enterprise Funds. The remaining $313.8 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City for which an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimates of the loss which could result if unfavorable legal determinations were rendered against the City with respect to those lawsuits is approximately $77.2 million to the General Fund and $9.0 million to the Enterprise Funds.

Significant cases included in the current litigation against the City are as follows:

- **Ernest Bock & Sons, Inc("Bock") vs. City**

Each of the matters described below relates to a City contract with Ernest Bock & Sons for work performed as part of the Terminal D&E expansion and modernization project at the Philadelphia International Airport. While the possible loss from each suit, on its face, may not meet the materiality threshold used to determine what matters are to be disclosed, were the City to lose both matters, the potential liability would, in the aggregate, exceed the threshold.

- **Bock vs. City of Philadelphia, CCP Phila.**

After competitive bidding, Bock was awarded and entered into a contract with City to perform general construction work on the Airport's Terminal D & E expansion and modernization project – package IB. During the course of contract performance, Bock commenced a civil action for damages against City. Bock seeks to recover for unpaid extra work performed, unpaid retainage and acceleration costs. Bock also seeks to recover attorneys' fees and penalty interest under the Prompt Pay Act for untimely payments. Out of precaution, City attorneys disclose this case because they cannot at this stage, based on available information, conclude that probable or reasonably possible loss (from an adverse adjustment) will not exceed threshold.

The City filed an answer, New Matter and Counterclaim. The City alleged that Bock failed to complete contract work, coordinate the prime contractors and failed to meet MWBE commitments in material breach of the contract. The City seeks to recover $5 million for deficient, incomplete and untimely work.

The City settled its claims against Bock for alleged breach of its MWBE commitments and failure to perform twenty percent of the work with its own forces in a settlement dated October 17, 2014. By the pertinent terms of that settlement, the City resolved the dispute/counterclaim about Bock's failure to comply with MWBE and twenty percent self-performance requirements in the three contracts to which Bock is a party relating to the Terminal D&E expansion and the modernization project in exchange for a payment from Bock to City of $650,000.

Discovery ended in June 2013. The City filed a Motion for Summary Judgment seeking to dismiss Bock's delay claim based on the lack of a scheduling expert opinion supporting the claim. The Court denied that

Motion without prejudice but allowed the City to take additional discovery and submit an expert report concerning such damages. Discovery and expert reporting has been done.

The City demanded that Bock's Sureties correct the defective work. The Sureties have denied that request. The City has issued an emergency bid for roofing related to the defective work installed by Bock. The remediation work began in December 2013 and the work completed in October 2014. The City will seek to recover the costs of that work in this action.

The Court scheduled a settlement conference in this matter for April 30, 2014. The Conference did not result in a resolution of the case but the judge pro tempore recommended that the parties participate in a modified settlement master program where the judge pro tempore would review each claim and make a recommendation which could either be accepted or challenged by one or both parties before the Judge. The City agreed to the procedure but Bock did not.

On May 19, 2014, the Court ordered that the parties submit to the procedure proposed by the judge pro tempore, although the parties could select another special settlement master within thirty days of the order. The parties selected and the Court approved a mediator. The parties are still negotiating the mediation protocol.

The City intends to mount vigorous defenses to defeat the claims and to pursue its counterclaims. The City's lawyers reasonably believe that the plaintiff will not likely succeed on their claims or for the amount of damages sought and that the City's defenses and counterclaims have merit.

- **Bock vs City of Philadelphia, CCP Phila**

After competitive bidding, Bock was awarded a contract for general construction on Package 2 of the Terminal D/E expansion and renovation project. In February 2014, Bock commenced civil action against the City in connection with its claims for work performed as the general construction contractor on Package 2. Based on allegations of complaint and other assertions/computations presented by Bock (or its counsel), Bock seeks to recover nearly $8 million in delay "damages", for unpaid additional work, for unpaid retainage, unpaid contract balances, and potential pass-through subcontractor claims. Bock also seeks to recover attorney fees and penalty interest under the Procurement Code for untimely payment or nonpayment. Again, out of precaution, City attorneys disclose this case because they cannot at this stage, based on available information, conclude that probable or reasonably possible loss (from adverse judgment) will not exceed the threshold.

The City denied liability for the delay and the additional work alleged by Bock. To the extent Bock was delayed, City contends such delay resulted from Bock's "defective or deficient" work under the Baggage Handling Contract. On that Contract, the City terminated Bock for cause after Bock failed to deliver a safe and contractually compliant system. The City asserted counterclaims for breach of contract and under the City's False Claims Act for violations of the City's procurement requirements and misrepresentations made by Bock in connection with the City's Anti-Discrimination Policy.

The City settled its claims against Bock for alleged breach of its MWBE commitments and failure to perform twenty percent of the work with its own forces in a settlement dated October 17, 2014. By the pertinent terms of that settlement, the City resolved the dispute/counterclaim about Bock's failure to comply with the MWBE and twenty percent self-performance requirements in the three contracts to which Bock is a party relating to Terminal D&E expansion and modernization project (includes this contract) in exchange for a payment from Bock to City of $650,000. The settlement does not impair or resolve claims (counterclaims) by City for breach of contract against Bock for delays or deficient/defective performance of work. The City also contends that Bock owes credits of more than $3.8 million for work included in the contract but not provided.

The Court-ordered settlement conference (on BHS case) resulted in a tentative settlement of this case that the City must approve. Under the tentative settlement, in material part, the City will pay an amount to Bock that is less than the threshold (and less than half of the amount claimed).

If settlement is not approved, and the matter proceeds through further litigation and trial, the City intends to mount vigorous defenses to defeat Bock's claims. The City's lawyers reasonably believe that the plaintiff will not likely succeed on its claims or for the amount of damages sought and that the City's defenses and counterclaims have merit.

- **Thea at the Waterworks, LLC vs. City**

In September 2005, the City entered into a concession agreement with Thea at the Waterworks, LLC, to operate a restaurant at the Philadelphia Water Works Engine House. Since commencing operations, Thea has committed numerous events of default, including certain payment and performance defaults (approximately $1 million owed to the City), which it has failed to cure.

In January 2014, after numerous attempts to bring Thea into compliance with the terms of the concession agreement, the City issued a notice to terminate the agreement. In response, Thea petitioned the court to preliminarily enjoin the City from terminating the agreement. A hearing on the petition for preliminary injunctive relief is scheduled for October 21, 2014.

Thea also filed a complaint against the City in which Thea alleged that the City breached the concession agreement and improperly evicted Thea from a small number of parking spaces that Thea was authorized to use in connection with the concession agreement.

In its complaint, Thea claims damages in excess of $43.5 million, but does not provide any basis or support for this amount. This amount seems to be well in excess of any reasonable claim for damages based on the allegations set forth in the complaint. Moreover, the City has strong and credible defenses to Theas claims.

- **City vs. Keystone**

Keystone seeks a refund of approximately $6 million in overpaid Business Income and Receipts Taxes (BIRT). Keystone filed its refund request after the expiration of the statute of limitations, but claims an equitable exception to the statute based on a re-statement of their income issued by the IRS after the expiration of the City's statute of limitations. The TRB disagreed, finding no exception to the statute of limitation for refunds, but instead granted them a credit, though in an indeterminate amount. Both Common Pleas and Commonwealth Court affirmed the denial of the refund and the grant of the credit, and the Pennsylvania Supreme Court has granted allowance of appeal to both parties. Briefing is underway in the Supreme Court. With interest, total exposure to the City could exceed $8,000,000.

- **Condemnation of Tract of Land k/a Parcel C (within Eastwick Urban Renewal Area)**

In November 2003, the City filed a declaration of taking condemning certain property known as Parcel C within the Eastwick Urban Renewal Area Plan of 1958 for the benefit of Philadelphia International Airport. The Philadelphia Redevelopment Authority ("PRA") (formerly known as the "Redevelopment Authority of the City of Philadelphia" or "RDA") was the record title holder of the property. The City deposited in Court in April 2006 estimated just compensation in the amount of $7,714,000.

In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation (collectively "Eastwick Development") petitioned the Court for appointment of a Board of View and the Court appointed a Board of View to ascertain and award just compensation. Eastwick Development alleged they owned or held equitable interests in and certain development rights to the condemned property and had not received just compensation.

After a view of the premises and a hearing in July 2009, the Board of View filed a report with the Court in October 2009. The Board made an award of just compensation for the property of $13,500,500 (including attorney fee), subject to credit for the $7,714,000 already paid and distributed. In addition, the Board awarded delay damages from the date of taking (11/18/03) until July 31, 2009 in the amount of $3,298,200, and accruing thereafter until payment.

The City filed its appeal to the Court of Common Pleas in November 2009, requesting a jury trial de novo. The City objected, among other things, to the award of any compensation amount beyond the amount already paid into court, to evidentiary, procedural and substantive errors in the Board of View proceeding and award, and to the delay damage computation and award. Eastwick Development filed a separate appeal from the Board of View Report to the Court of Common Pleas in November 2009. Eastwick Development sought a jury trial de novo and objected to the sufficiency of the amount of compensation awarded.

The parties completed extensive discovery. At a final pretrial conference, the Court issued an order consolidating the two separate appeals from the Board of View report and scheduled the case for trial. Subsequently, at the request of the parties, on the basis of a settlement in principle, the Court adjourned the start of trial.

The parties thereafter signed a binding settlement term sheet. The settlement term sheet provided for, among other things, discontinuance of the lawsuit, payment by City of $9.6 million, an amended redevelopment agreement, and release or transfer of property interests to City, all upon certain terms and conditions, and to take effect or occur before an Effective Date. If the conditions precedent and Effective Date do not occur, the settlement will expire and the parties will be restored to their previous litigation positions (with some modification to any accrual of delay damages). The Court ordered the case to remain in deferred status to allow for implementation of the settlement.

The parties have agreed on several occasions to extend the potential Effective Date of the settlement. Currently, they have agreed to extend the date to June 30, 2015. The case was marked settled by the Court. Should the settlement not be consummated on account of a failure of condition, the case may be restored to trial list, on the request of either party, as if the case had not been marked settled.

The City will vigorously contest the award if the settlement is not consummated. At this time, the City's attorneys are unable in their professional judgment to evaluate the likelihood of an unfavorable outcome in terms of probability and the range or amount of any loss assuming an unfavorable outcome. Any ultimate judgment would be paid from the Aviation Fund.

- **G&T Conveyor Co., Inc. vs. Ernest Bock & Sons, Inc, et al vs. City et al**

G&T Conveyor Co., Inc (G&T) commenced a civil action for declaratory and monetary relief against Bock, Liberty Mutual Insurance Company ("Liberty") and Fidelity and Deposit Company of Maryland ("Fidelity"), issuers of a payment bond on behalf of Bock. G&T sued Bock for, among other things, about $1.3 million in damages for work performed but unpaid by Bock; and for nearly $7 million in additional costs incurred as a result of construction delays G&T attributed to Bock.

Bock had successfully bid to perform general contractor work on the Airport's Terminal D&E expansion and modernization project for Baggage Handling System (BHS). G&T subcontracted with Bock to supply all necessary labor, supervision, material and equipment to furnish the baggage handling equipment. Bock's Purchase Order (subcontract) with G&T required that G&T perform and complete work in strict accordance with the Plans and Specifications, and eleven addenda and other terms and conditions prepared by Daroff Design Inc. (“DDI”), and in compliance with certain milestones and deadlines. G&T alleged that, by early 2010, the project was over 660 days behind schedule and its attempts to address and resolve delay and other problems with Bock had failed.

Bock answered the Complaint, denying responsibility, asserting affirmative defenses and counterclaiming against G&T for damages caused by G&T's alleged breach of its contract obligations. Bock also filed a "third party" complaint against City and others, particularly Chisom Electrical (reportedly a defunct entity).

Bock contended City was solely liable or liable with Bock to G&T on the "delay damages" claims made by G&T, pursuant to common law theories of indemnification and contribution. Bock also claimed City was liable to Bock for damages caused by City's material breaches of its contract with Bock. Bock alleges that these damages are approximately $1.7 million in addition to the G&T damages for which Bock seeks recovery from City.

City filed preliminary objections to the third party complaint, challenging its propriety and sufficiency but the Court overruled the objections and ordered the filing of an Answer. The City filed an Answer to Bock's third party complaint, asserting its defenses, counterclaims against Bock for indemnity and breach of contract and the bonding companies for indemnity, and added a fourth party claim against the designer of the project, DDI. The City thereafter made a tolling agreement with DDI. The Court dismissed Daroff from the case pursuant to a voluntary discontinuance of claims against Daroff.

The parties have completed the initially scheduled discovery and submitted expert reports. The Court denied City’s petition to dismiss the claims against it for lack of subject matter jurisdiction (City claimed in essence the absence of a justiciable controversy due to the incomplete status of the project and the absence of required inspection, testing and approval of the system). City filed a motion to amend its Answer to add a more specific defense of release. The Court granted that motion and City filed an Amended Answer. In addition, the City has asserted a liquidated damages claim against Bock, on account of the incomplete work, and has received delay claims from two other contractors, due to the unfinished work on the BHS project.

The federal Transportation Security Administration (“TSA”) conducted an integrated site acceptance test (“ISAT”) on the BHS in May 2012. The BHS did not pass the test because major deficiencies were found. The City issued a Notice of Contract Violation on June 12, 2012.

TSA conducted another round of ISAT in August 2012. On September 5, 2012, the TSA issued a quick look report ("QLR") which noted that the BHS had failed ISAT. On September 7, 2012, the City issued a Notice of Default to Bock based on the QLR.

The judge agreed with the City and Bock that the case cannot be tried until at least the baggage handling system has successfully completed ISAT. Both the City and Bock filed Motions for Extraordinary Relief requesting that the Court reopen discovery and move the trial date to a later date, based primarily on the fact that the system had not passed ISAT. On August 28, 2012, after an on-the-record conference, the judge granted the Motions for Extraordinary Relief over G&T's opposition. As a result, the judge reopened discovery and rescheduled trial.

Subsequently, G&T filed a Motion asking the Court to declare that TSA conducted the ISAT according to the wrong standards and that future ISAT testing should be conducted differently. The City responded to that Motion with affidavits from TSA's testing agent, Battelle Memorial Institute, and from the City's security consultant noting that they had personally witnessed the testing and that the testing conformed to the applicable standards and that ISAT demonstrated that the BHS fails to meet the contract standards. The Court denied this Motion without prejudice.

On January 17, 2013, the City issued a Notice of termination to Bock for cause based on the failure of Bock to provide a working BHS that could pass ISAT. Bock brought a Motion for Special Injunction to enjoin the Notice of Termination. On January 23, 2013, the Court stayed the "legal effect" of the Notice on Bock only, and not Bock's surety, until January 28, 2013 to allow the Judge to hear the matter. On January 28, 2013, Bock withdrew the Motion for Special Injunction, and the Termination became effective as to Bock on January 28. Bock has also issued a Notice of Termination to G&T on January 28 for failure to perform.

After termination, the Court ordered that G&T assist in the copying of all software and source code on the BHS and provide copies of all pass words and passcodes for the BHS and place all the information in escrow. As part of that order, the Court required that the BHS not be modified pending further order of the Court. G&T failed to comply with portions of the Order concerning copying and escrow. The City moved for contempt of the Order, and the Court held G&T in contempt.

Bock and G&T also moved to have the Court order testing to determine the status of the BHS at testing. The Court ordered that Alliant, a company previously under contract with both Bock and G&T, would perform the status quo testing. To the extent G&T requested testing different than G&T's requested testing, the Judge denied G&T's request. Testing concluded on March 27, 2013 with Alliant determining that the BHS was not ready for ISAT and further demonstrating the basis for termination. As part of the testing order, the Court maintained requirement that the BHS not be modified pending further order of the Court.

On April 4, 2013, the Court transferred all of the Bock and City cases to another Judge. The City moved to remove the limitation on modification of the BHS. The Court held argument on the City's Motion to Lift the Stay on June 6, 2013. During this time, G&T had appealed to the Superior Court the Judge's denial of G&T's testing plan to the extent it was different than Bock's testing plan. On July 8, 2013, the Superior Court granted the City's Motion to squash G&T's appeal. That same day, the City's Motion was granted to Lift the Stay.

Subsequently, G&T moved for permission to retest the BHS. On September 10, 2013, the Court granted G&T the opportunity to retest provided it met a number of requirements including securing TSA's approval and beginning testing by October 7, 2013. Testing did not begin by October 7 and TSA denied G&T's request to test. Testing was to conclude by November 11, 2013. On November 13, 2013, the Court issued an order which denied G&T's supplemental request to extend the time to test, held the time for testing had expired and stated that the Court's prior order allowing repairs to go forward remained in effect. Repair efforts have proceeded, with repairs and confirmatory testing scheduled to be completed in the first quarter of 2015.

At the urging of the Court, the parties conducted non-binding mediations before the Pennsylvania Supreme Court on June 10, 2014 and on December 18, 2014.Those mediations were unsuccessful. The Court then ordered a settlement conference that culminated in a tentative settlement that the City must approve. Under the tentative settlement, in material part, the City will not pay any amount to Bock (or G&T) on this project except for post-settlement work that is duly authorized by approved change order.

If the settlement is not approved, and the matter proceeds through further litigation and trial, the City intends to mount vigorous defenses to defeat Bock's claims (both Bock's delay claims and the G&T pass-through claims). The City's lawyers reasonably believe that the third party plaintiff (Bock) will not likely succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

- **Lower Darby Creek Area Superfund Site**

In 2001, the U.S. Environmental Protection Agency (EPA) added the Lower Darby Creek Area (Site) to the National Priority List, EPA's list of the most serious uncontrolled or abandoned hazardous waste sites. The Site includes two former municipal landfills: the Folcroft Landfill and the Clearview Landfill. In 2002, EPA sent the City a letter alleging that the City is a Potentially Responsible Party (PRP) at the Clearview Landfill site. Designation as a PRP means the City may be jointly and severally liable with other PRPs for the site's clean-up costs. EPA has concluded that the City owns the Recreational Property and streets adjacent to the Clearview Landfill and alleges that there is a reasonable basis to believe there may be or has been a release or threat of release of hazardous substances at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at the Clearview Landfill. The City received and responded to two separate requests from EPA for additional information. EPA completed the Remedial Investigation for the Clearview Landfill in May 2011 and a Feasibility Study of remedial options in October 2012. In August 2013, EPA issued a proposed plan identifying its preferred remedy and proposed cleanup plan. The comment period on the proposed plan expired in September 2013, and the final plan and Record of Decision (ROD) were issued September 2014. EPA has chosen its preferred option of a capping remedy that is estimated to cost approximately $24 million, and has preliminarily identified approximately $11 million dollars in past costs. On January 16, 2015, EPA sent a letter to the City and 22 other PRPs indicating whether EPA will not use its Special Notice authority to force the PRPs to begin a cleanup. Instead, EPA has decided that EPA will implement the cleanup/remedial action plan. EPA is also beginning a groundwater study that is likely to result in a recommendation for additional cleanup related to groundwater. Because of the broad liability scheme under the federal Superfund law, Superfund litigation generally focuses not on avoiding a finding of liability, but rather on ensuring that the remediation is cost-effective and the allocation of costs among all parties identified as bearing some degree of liability is fair and reasonable. The total cost of removal and remedial actions for which EPA may assert cost recovery claims are estimated to be in the range of approximately $40 million to $60 million. Insufficient information is available to the City at this time to determine the exact amount of those costs that will be allocated to the City, but based on existing information the City's allocated share may exceed 20% of the total cleanup costs or approximately $8 million to $12 million

- **Appeals related to the State Tax Equalization Board Assessment of Real Estate**

In July 2011 the State Tax Equalization Board (STEB) published a Common Level Ratio (CLR) of 18.1% for Philadelphia, significantly lower than the City's Established Predetermined Ratio (EPR) of 32% used to calculate assessed values for real estate tax purposes. If the CLR varies from the EPR by more than 15% (i.e., if it is not between 27.2% and 36.8%), then in any assessment appeals, the Board of Revision of Taxes (BRT) is directed by statute to calculate the assessed value using the CLR rather than the EPR as a percentage of the property's market value. In April 2012, in response to informal objections filed by the City and the Philadelphia School District, STEB raised the CLR to 25.2; that is not enough to avoid the use of CLR in calculating assessed value for real estate tax purposes, but it effectively halves the City's potential losses. The appeal period from STEB's increase to the CLR passed without any appeal being filed, so that number is now final.

For tax year 2012, about 2,000 taxpayers with property collectively valued at about $2 billion filed assessment appeals with the BRT. The School District filed cross-appeals seeking higher market values in all of those cases. Roughly 1,500 of those cases now have been resolved at a total estimated cost of $7 million. We believe a prudent yet reasonable (as opposed to worst case) estimate for the loss on the remaining 500 cases would be around $7.3 million for both the City and the School District.

- **Reach Communications Specialists, Inc (Reach) vs. Jewell Williams, Sheriff, et al**

Reach, for itself and t/a RCS Searchers, Inc., commenced an action by writ of summons in Court of Common Pleas of Philadelphia County in January 2013 against, among others, Sheriff Williams in his official capacity, the City of Philadelphia, Alan Butkovitz, Controller in his official and individual capacity and Barbara Deeley, former Acting Sheriff, in her individual and official capacity ("collectively City Defendants"). Reach thereafter filed a complaint. Reach pleaded federal law and state claims for damages against the City Defendants.

Based on the Complaint, Reach made these material allegations against the City Defendants. Acting Sheriff Deeley, in January 2011, immediately after her appointment as Acting Sheriff and following the retirement of former Sheriff Green effective December 2010, "unlawfully" terminated cettain alleged contracts ("Alleged Contracts") made between former Sheriff Green and Reach/RCS. The Alleged Contracts concerned

advertising and printing services, settlement services, title insurance distribution policies, computer systems and website technical support and services, relating to the official functions of the Office of the Sheriff in connection with judicial sales of real property. Reach further alleged that it had provided (and expected to continue to render), such services or distribution policies pursuant to those Alleged Contracts (a series of oral and written agreements and amendments with former Sheriff Green or his staff).

Reach asserted that it has been a minority-owned and controlled corporation, with mostly black employees, and has acquired an imputed racial identity as a "black corporation". Reach also asserted that it actively and publicly supported and assisted Sheriff Green's efforts to: help homeowners stave off foreclosure sales and; to maintain the power and office of Sheriff from its alleged dissolution.

Reach alluded to certain official actions taken, statements made, familial connections and employment relationships by the former Sheriff, her daughter and Controller Butkovitz or by and between then-Chief Deputy Sheriff Vignola and Lexington officials, in connection with: the Controller's audit of Sheriff Office operations (and Auditor's Report Critical of Sheriff's Office); the engagement of Lexington Technology Auditing, Inc. ("Lexington") to assist in that audit and the information Lexington purportedly obtained about Reach; and then-President Judge of the Court of Common Pleas' involvement in the termination of Reach and First Judicial District's hiring of Lexington. Reach contended that these relationships, actions and statements established improper motivation and conspiratorial conduct to terminate the Alleged Contracts unlawfully and take over the functions, powers and monies of Sheriff's Office. Additionally, Reach contended that the termination of Reach's Alleged Contracts fits into a pattern and practice of racial discrimination engaged in by Acting Sheriff Deeley and results from her retaliatory animus or conspiratorial activity.

Reach made claims for damages (compensatory and punitive), interest, attorneys fees and costs under 42 U.S.C. §§1983 and 1985(3) arising out of former Sheriff Deeley's termination of the Alleged Contracts and her (and current Sheriff Williams') refusal to continue the relationships. In summary, Reach alleged: deprivation of property without due process by former Sheriff Deeley and Sheriff Williams; retaliation by City and City Official Defendants for protected First Amendment conduct in violation of the First Amendment; racial discrimination by Controller Butkovitz, former Sheriff Deeley and Sheriff Williams in violation of 42 U.S.C. § 1981; and conspiracies by all in violation of Section 1983 and 42 U.S.C. § 1985(3).

Reach also made claims for compensatory damages, prejudgment interest and costs against Sheriff Williams, in his official capacity, for breach of contract, or alternatively promissory estoppel or unjust enrichment, and against City for breach of contract or alternatively unjust enrichment. Reach asserted in substance that Sheriff Williams (or City) refused to be bound by the Alleged Contracts, alleged promises of Green or implied restitutionary obligations and refused to pay post-termination any alleged unpaid balances due and owing for services rendered. Reach contended such actions resulted in breach of those Alleged Contracts (or alternatively) necessitated enforcement of Green's promises to pay to avoid injustice or justified creation of implied contracts (at law) to avoid unjust enrichment.

The City Defendants, with the consent of other co-Defendant Lexington Technology Auditing, Inc. ("Lexington"), removed the action to federal court, specifically the Eastern District of Pennsylvania. The case was assigned to a Federal Judge.

Lexington and City Defendants filed motions to dismiss the Complaint and Reach responded. The Court denied the motions by Order of August 12, 2013. Essentially, the Court concluded only that, giving the benefit of doubt in favor of Reach as it must under the federal standard of review Rule 12(b)(6) motions, and at this very early (pre-discovery) stage, Reach had pleaded enough facts sufficient to set forth claims that survive the motions to dismiss.

The Court scheduled a Rule 16 conference. As a result of the conference, based on the Court's determination that continued litigation may interfere with an ongoing criminal investigation, the Court issued an order placing the case in suspense (deferred status). The case remains in deferred status.

If and when the Court removes the case from suspense status and litigation resumes, The City (and City Defendants in their official capacities) intend vigorously to pursue defenses and potentially counterclaims to defeat/minimize Reach's claims. At this very early stage of the action, and based on filed papers and matters of record, the City's lawyers reasonably believe that Reach will not likely succeed on their claims or for the amount of damages sought and that the City's defenses/counterclaims have merit.*

**Based on the allegations of the Complaint, the demands for and specification of any monetary damages sought, the prejudgment interest claims, the number of counts that do not claim any specific sum but demand more than $50,000, and the federal counts under civil rights laws that seek to recover unliquidated at-*

torney's fees, costs, punitive damages and interest, out of the precaution, City attorneys have disclosed this case under the disclosure criteria.

- **Sheriff's Excess Proceeds Litigation (a consolidation of two cases: Pingatore vs. John Green and O'Hara, et al. vs. City, et al.)**

  John O'Hara and Finn Land Corporation filed a now consolidated putative class action on behalf of classes of former property owners whose property was subject to a sheriff's sale. They claim for themselves and the class an entitlement to excess funds from Sheriff's sales of their properties.

  In the consolidated action, Plaintiffs allege that they are owed excess proceeds of approximately $9,000 and $10,000 respectively from the sheriff's sale of two properties that were not paid to them. They asserts claims in unjust enrichment, equitable conversion, fraudulent concealment, violation of Pennsylvania Constitution, mandamus relief, an award of damages to plaintiffs and the class of the excess proceeds due them, interest, attorney's fees and costs and all such other relief that the Court deems proper.

  The Court granted the Treasurer's request to intervene in the consolidated lawsuit and subsequently denied plaintiffs' motion for class certification. Commonwealth Court affirmed the denial of class certification, and plaintiffs have filed a petition for allocatur with the Pennsylvania Supreme Court.

  If the class were to be certified, it is unclear the number of class members entitled to relief, whether the plaintiffs will succeed on the merits and whether plaintiffs will recover from City monetary damages in excess of $8,000,000.

- **Grubel et al. vs. City of Philadelphia**

  This case is a class action lawsuit in the Court of Common Pleas by a class of Election Day workers who worked in one or more elections in Philadelphia from November 2005 to the present. They claim they should have been paid at least the "minimum wage" per the Philadelphia 21st Century Minimum Wage Standard, Chapter 17-1300 of the Philadelphia Code. The Ordinance requires covered employers to pay each employee an hourly wage of at least 150% of the federal minimum wage. Plaintiffs contend that they are "covered employees" of the City for purposes of the Ordinance. Employers who violate the Ordinance are liable for back pay plus attorneys' fees and costs.

  The City Commissioners Office, which runs elections, does not consider these election workers to be employees of the City and has always paid them, in compliance with the State Election Code, on a per diem rather than hourly basis. Judges of Election (one at each polling place) were paid at $100 per day; the remaining election workers received $95 per day. If the plaintiffs are covered employees and entitled to 150% of the federal minimum wage, they should have been paid at least $152.25 per day (or $137.55 per day for the earlier elections, based on the prior minimum wage). Thus, they are seeking the difference between what they were paid on a per diem basis and what they would have received if paid hourly at the Philadelphia minimum wage level.

  Because there are two elections each year, and approximately 8,000 election workers who serve in each election, paying the minimum wage would increase the City's cost for payment of the election workers by approximately $492,918 per election. There have been 17 elections since the minimum wage ordinance became effective, so the total potential exposure in excess of $8 million, plus attorneys' fees. The City Commissioners requested and received waiver of the minimum wage requirements as of May 21, 2013. Such a waiver is specifically permitted under the Ordinance and should foreclose any claims for prospective relief.

  The Philadelphia Court of Common Pleas granted summary judgment to the City on July 24, 2014. Plaintiffs appealed to Commonwealth Court and we are waiting for a briefing schedule from that Court.

- **Narcotics Field Unit – District Attorney's Letter Re: Not Prosecuting Cases**

  The highly publicized letter from District Attorney's Office calls into question approximately 350 arrests by a group of five narcotics officers. So far, approximately 125 cases have been filed in Federal Court in the Eastern District of Pennsylvania. The Complaints allege that narcotics officer(s) falsified information obtained through confidential informants and planted evidence. Six narcotics officers have been arrested and are facing federal charges in relation to these complaints. While the investigation is ongoing, the Law Department is working in conjunction with the Police Department and the District Attorney's Office to gather available information in preparation for the lawsuits. At this time, the Public Defender's Office has filed ap-

proximately 500 Petitions questioning the validity of the information resulting in their clients' incarcerations. If the allegations are substantiated, CRU anticipates between 150 and 200 lawsuits to be filed. The number of lawsuits could easily surpass the number of cases brought as a result of the 39th District scandal. The 39th District scandal cost the City approximately $5 million. The former officers' criminal cases are scheduled to be heard in April 2015. During the criminal case, the Judge has stayed discovery in the civil matter. The outcome of the criminal cases against the former officers will have an impact on the possible exposure of the City in the civil cases. If liability is found against the City, the exposure could surpass $8 million.

- **Williams et al. vs. City – Prison Overcrowding (Triple Cell Litigation)**

This class action Prison litigation was initiated in 2008, where it was alleged that the conditions at the Philadelphia Prison (specifically placing 3 inmates in a cell) were/are unconstitutional. As a result of prior related litigation, we believe that the Prisons are in a good posture for this litigation. There has been protracted discovery and monitoring of daily triple cell reports in this matter. Also, there are allegations that the prison facilities are in need of repairs that include capital improvements. In addition to litigation costs associated with outside housing contracts with several institutions, additional staffing costs (including overtime) and physical plan improvements, which could result in expenditures in excess of $8 million. Despite the exposure issues, we believe that there are valid defenses to the allegations in this matter.

2) Guaranteed Debt

During fiscal year 2014, the City implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 had no significant effect on the City's financial statements. The City has guaranteed certain debt payments of one component unit (PPA). Under a contract with PPA authorized by City Council Ordinance, the City agreed to annually pay such amounts as are necessary to restore any deficiency in the debt service reserve fund for the PPA's Parking System Revenue Bonds Series of 1999A. Through fiscal year 2014, the City has provided approximately $11.4 million in its role as guarantor of these bonds. The 1999A Indenture provides for the PPA to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the related parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of $13.65 million at June 30.

3) Single Audit

The City receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements, and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2014, which account for $507.5 million for all open programs as of December 10, 2014. Of this amount, $502.9 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2014 and prior. The remaining $4.6 million represents questioned costs related to specific compliance requirements for fiscal years ending June 30, 2013 and prior, which have yet to be resolved.

4) HUD Section 108 Loans

As detailed in Note III.6., collateral for repayment of the City's HUD Section 108 loans includes future Community Development Block Grant entitlements due to the City from HUD.

5) Act 148 Children and Youth Program Activities Moved to Grants Revenue Fund

In previous fiscal years the Act 148 Children and Youth Program, reimbursed by the Commonwealth of Pennsylvania, was accounted for in the General Fund. Starting in fiscal year 2012, the reimbursable portion of this program was accounted for in the Grants Revenue fund, and the non-reimbursable portion continues to be accounted for in the General Fund. At June 30, 2013 the Grants Revenue Fund had a $153 million receivable for the Children and Youth program. In FY2014 the Grants Revenue fund had expenditures totaling $464.6 million and revenue totaling $416.4 million. At June 30, 2014 the Grants Revenue Fund had a $201.2 million receivable for the Children and Youth Program. Due to the nature of the program's billing policies, the city has 24 months after the current fiscal yearend date to submit a final reimbursement request. If

receivables for program costs submitted for reimbursement are subsequently deemed as ineligible, such non-reimbursable costs will be charged to the General Fund.

B. COMPONENT UNITS

1) Claims and Litigation

Special Education and Civil Rights Claims – There are three hundred sixty-eight (368) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $4.3 million.

Of those, three hundred fifty (350) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, two hundred and ten (210) unfavorable outcomes are deemed probable and one hundred and five (105) are considered reasonably possible, in the aggregate of $1.5 million and $0.4 million respectively.

There are six (6) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately $1.3 million and $0.4 million respectively.

There are twelve (12) suits in federal court by parents of special education students for reimbursement for attorneys' fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable in the aggregate amounts of approximately $0.4 million.

Other Matters - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of $24.7 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of $0.3 million and $9.0 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of $2.1 million and $1.5 million, respectively, arising from personal injury and property damage claims and lawsuits.

Education Audits - In the early 1990s, the School District received basic education subsidies from the Commonwealth of Pennsylvania based primarily on student average daily membership ("ADM"). In July of 1995, the Department of Education notified the School District that an audit conducted by the Auditor General for fiscal years ending in 1991, 1992 and 1993 indicated over-reporting of student enrollment in fiscal year 1991, the year established by the Commonwealth as the base year calculation for all subsidies through fiscal year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately $40 million through fiscal year 1999, and subsequently reduced by half, to approximately $20 million, as a result of additional reviews of School District documentation. In May 1999, the School District appealed the adverse determination to the Secretary of Education, as provided by law. The Secretary was to appoint a hearing officer to consider the matter further. During the pendency of the dispute over the adequacy of documentation to support 1991 student enrollment figures, an audit of reported enrollment in school years 1994-95 through 1996-97 was also undertaken. The Department of Education asserted a claim for an additional $20 million for the alleged over-reporting of enrollment during those periods. The School District has denied this additional claim and has produced supporting documentation to the Secretary of Education. As part of an agreement with the School District, the Commonwealth postponed all potential collection actions in this category while both matters remain pending. Discussions with Commonwealth representatives regarding relief from this potential liability are ongoing. Because no final determination of forgiveness has been made, however, there remains a possible loss in this category in the amount of $40 million.

Federal Audit - The U.S. Department of Education Office of the Inspector General ("OIG") conducted an audit of the School District's controls over Federal expenditures for the period commencing July 1, 2005 through June 30, 2006. A preliminary draft audit report was issued by the OIG in May, 2009. In accordance with applicable audit standards, the School District responded to the draft audit findings in August, 2009, supporting the vast majority of the expenditures questioned. On January 15, 2010, the OIG issued an audit report, assessing the School District's management of federal grant funds during the 2006 fiscal year. The report identified $138.8 million in findings resulting from the audit of controls over federal expenditures, of which $121.1 million were considered inadequately supported and $17.7 million were considered unallowable costs. The report included five findings, the largest of which related to undocumented salary and benefits charged to federal programs in the amount of $123 million.

As of June 30, 2014 and continuing until the date of this letter, in the opinion of outside counsel, the School District has potential material liability related to the OIG audit issued in January 2010. The OIG issued an audit report to the School District assessing the School District's management of federal grant funds during the 2006 fiscal year.

To date, the U.S. Department of Education (DOE) has issued two program determination letters (PDLs) related to the 2010 audit report seeking a recovery of funds. The PDLs were issued to the Pennsylvania Department of Education (PDE) and appeals of both are pending. DOE issued two additional PDLs on the remaining findings that required corrective actions, but did not result in monetary exposure. All of the corrective actions have already been implemented as part of the corrective action plan agreed upon with the PDE and DOE.

The first PDL demanded a recovery of $9.9 million and was appealed to the Office of Administrative Law Judge. Of that amount, DOE's counsel stipulated to approximately $2.8 million as barred by the statute of limitations, leaving a balance of $7.2 million. PDE raised two primary arguments against the recovery of the remaining liability: (1) the statute of limitations bars an additional $5.3 million in costs; and (2) equitable offset extinguishes the remaining liability. The administrative law judge (ALJ) issued a decision on February 28, 2014 rejecting these arguments and sustaining the full amount of disputed liabilities. On March 31, 2014, PDE and the School District appealed the initial decision to the Secretary. On May 5, 2014, the Secretary provided notice that a decision will be forthcoming based on his review of the ALJ decision. On December 29, 2014, the Secretary issued a decision affirming the liability in the ALJ decision, although he did not adopt ALJ's propose standard for denying equitable offset. The Secretary's final decision may be appealed to the U.S. Court of Appeals for the Third Circuit by February 27, 2015. In the opinion of the School District, the liability of $7.2 million is reasonably possible.

The second PDL demanded a recovery of $2.5 million. That PDL was not timely appealed by PDE. However, the PDL invited the State to present evidence to DOE of the amount barred by the statute of limitations. PDE and the School District have assembled documentation demonstrating the application of the statute of limitations. DOE will then review the documentation and indicate what costs DOE agrees are barred by the statute of limitations.

With regard to the March PDL, the case involves new and novel interpretations of law so it is not possible to predict with any reliability the likelihood of a recovery in the amount of $7.2 million. Although DOE has applied a differing statute of limitations analysis, the September PDL liability arguably falls within the standard statute of limitations defense as well as the DOE's new analysis; therefore in the opinion of the School District, the recovery by the DOE in the amount of $2.5 million is remote. Because of the long appeal process, no assurance can be given by outside counsel at this time as to final the resolution of the OIG audit findings, or the amounts, if any, which may be required to be repaid by the School District or whether such repayments could have a material adverse effect on the financial condition of the School District. Of the $9.7 remaining exposure from the $138.8 million of findings, the School District is optimistic that the liability included on the PDLs will be reduced based on the application of the statute of limitations and equitable offset.

The School District of Philadelphia 403(b) Plan and 457(b) Deferred Compensation Plan

Pursuant to resolutions approved by the School Reform Commission, the School District implemented The School District of Philadelphia 403(b) Plan ("403(b) Plan") and The School District of Philadelphia 457(b) Deferred Compensation Plan (the "457(b) Plan")(collectively, the 403(b) Plan and the 457(b) Plan shall be known as the "Plans") in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District, after withholding all applicable payroll taxes, (i) would pay termination pay owed to a resigning or retiring employee in cash or, (ii) at the direction of the employee, would deposit such termination pay into the retiring or resigning employ-

ee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees retiring or resigning during or after the calendar year in which they attain age 55, after July 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans. Based on the advice of legal counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld FICA taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. By letter dated October 16, 2012, the IRS stated that the School District is following the School District's revised policy concerning the treatment of termination pay under the 403(b) Plan, and thus no federal employment tax liability exists. By letter dated November 18, 2013, the Department of Revenue of the City of Philadelphia determined that the contributions of termination pay to the 403(b) Plan are employer contributions, and, as such, are not subject to City Wage Taxes at the time of contribution, and the School District is not required to withhold City Wage Tax from such contributions. The School District management believes that if it were finally determined that any liability for State taxes (including interest and penalties) relating to these plans existed at June 30, 2014, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2014.

Administrative Appeals in Pennsylvania Department of Education

The School District received several subsidy withholding requests filed with the Pennsylvania Department of Education (PDE) by charter schools that have enrolled resident students from the School District. These withholding requests address whether the PDE's charter school funding form (PDE-363) used to calculate charter school tuition contains an allowance for improper deductions in the calculation of the regular education expenditure. The issue is whether the form itself is flawed, in that PDE has authorized federal funding to be deducted from the expenditure calculation in violation of the law. This is an issue in more than 200 subsidy withholding requests were submitted to PDE seeking subsidy from many school districts in Pennsylvania.

Because there are over 200 appeals pending, PDE elected to select four cases involving Pittsburgh School District and charter schools as example cases on the legal issues involved. PDE had assigned a Hearing Officer to hear these administrative appeals and to make a recommendation to the Secretary of Education. However, prior to the hearing, the dispute between Pittsburgh School District and the charter schools was settled.

It is expected that PDE will select a different representative case to decide the legal question involved. However, no hearing is currently scheduled. The School District of Philadelphia intends to file a Petition to intervene in the chosen example case, so that the School District's interests can be adequately presented. It is not yet known when the Petition will be filed or if the School District will be permitted to intervene. The direct cases against the School District are stayed pending the outcome of the example case.

The School District intends to vigorously defend its position in this matter, both as an intervenor and as a party, if the direct cases against the School District ever move forward. It is the belief of the School District – and of PDE according to their own form and guidance documents – that federal funding is not appropriately included in the calculation of charter school funding due to the nature of the funding itself and the fact that charter schools are equally eligible for the same federal funding as school districts. Although it is impossible to determine with any degree of certainty, based upon our evaluation of the case and the legal claims, in the opinion of the School District's outside counsel, the likelihood of an unfavorable outcome is reasonably possible in the amount of approximately $5.7 million for the pending withholding requests of which we are aware, assuming the charter schools successfully argue that they are entitled to a portion of the School District's federal funding. The exposure if the PDE-363 form is invalidated and all charter schools are permitted, going forward, to receive a portion of the School District's federal funding on an annual basis, is estimated to be upwards of $100 million each year.

9. SUBSEQUENT EVENTS-

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2014 through and including February 23, 2015. The following events are described below:

A. PRIMARY GOVERNMENT

1) In August 2014, the City reached a tentative seven-year contract with District Council 33. The contract agreement term is July 1, 2009 thru June 30, 2016 and includes critical reform to overtime and pension contributions, wage increases, Health and Welfare benefits and work rule changes. The agreement will add approximately $127 million in costs to the City's Five Year Plan.

2) In November 2014, the City issued $130 million of Tax and Revenue Anticipation Notes (TRAN), Series A of 2014-2015 to provide cash to supplement the receipts of the City in the General Fund for the purpose of paying the general expenses of the city prior to receipt of taxes and other revenues to be received in the current fiscal year and pay the costs of issuance of the Notes. The proceeds will be invested and repaid by June 30, 2015.

3) Through December 2014, drawdowns totaling $0.4 million represent new loans from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for Green Infrastructure.

4) The City moved to a self insurance arrangement with District Council 47 Health and Welfare and the Firefighter's Union Local 22 Health and Welfare effective January 1, 2015 and February 1, 2015, respectively. The City will pay only the cost of benefits and administration for District Council 47. The Firefighter's Union Local 22 Health and Welfare will be responsible for the first $15 million in expenses after February 1, 2015. Thereafter, the City pays the cost of the benefits and administration. The agreement will help control the City's health costs in the future.

B. COMPONENT UNITS

1) On July 3, 2014 the **SDP** issued its annual tax and revenue anticipation notes for cyclical cash flow purposes in the aggregate principal amount of $300.0 million (the "FY 2015 Notes"). The notes will be paid off by June 30, 2015.

2) On July 21, 2014, Moody's Investor Service ("Moody's") downgraded its rating of "Aa2" to "Aa3" on the Commonwealth of Pennsylvania's ("Commonwealth") outstanding general obligation bonds. At the same time Moody also downgraded all ratings based on the intercept provisions of the Pennsylvania Public School code of 1949, as amended. The specific rating changes which affect the above-referenced general obligation bonds and lease rental debt ("Bonds") issued by or on behalf of The School District of Philadelphia, Pennsylvania (**SDP**), based on the intercept provisions were announced on July 22, 2014. The ratings assigned to Bonds based on what Moody's describes as the Pennsylvania School District Fiscal Agent Agreement Intercept Program (Sec. 633) and the State Public School Building Authority Lease Revenue Intercept Program have been downgraded from "Aa3" to "A1" with a stable outlook.

   On August 15, 2014, Moody downgraded the **SDP** underlying credit from "Ba2" to "Ba3".

   On September 23, 2014 Fitch Ratings ("Fitch") downgraded from "AA" to "AA-" its rating on the Commonwealth of Pennsylvania's ("Commonwealth") outstanding general obligation bonds. At the same time Fitch also downgraded all ratings assigned to the general obligation bonds, revenue bonds and lease rental debt ("Bonds") issued by or on behalf of the **SDP** based on what Fitch describes as the Pennsylvania School Credit Enhancement Intercept Program and the Pennsylvania School Credit Enhancement Direct-Pay Intercept Program from "AA-" to "A+" with a stable outlook.

   On October 02, 2014 Fitch downgraded the **SDP** underlying bond rating to "BB-".

3) In July 2014, **PAID** issued Lease Revenue Refunding Bonds, 2014 Series B in the amount of $56.7 million. The purpose for the issuance was to refund the Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-4 presently outstanding in the principal amount of $55.4 million, the payment of certain

cost of terminating a portion of certain swap agreements entered in connection with the 2007B-4 bonds and paying the costs of issuing the 2014B Bonds. The 2014 Series B bonds have fixed interest rates ranging from 2.0% to 5.0% and have maturity dates through 2018.

4) In October 2014, **PAID** issued City Service Agreement Revenue Bonds, 2014B in the amount of $57.5 million. The purpose of this issuance to finance $30 million of additional operating funds for the School District of Philadelphia for fiscal year 2015 only, refinance **PAID's** $27.3 million City Service Agreement Revenue Bonds, Series 2014A and pay costs of issuance of the 2014B Bonds. The 2014B bonds have a 1.78% interest rate and maturity dates through 2018.

5) On March 4, 2014, following a competitive bidding process, the City entered into agreement with **PGW** to UIL Holdings Corporation, subject to authorization by City Council and the Public Utility Commission. On December 4, 2014, UIL exercised its option to withdraw from the agreement after no authorizing ordinance was introduced by City Council.

6) Between September 5, 2014 and January 9, 2015, **SDP** sold three **SDP** properties for a net of $17.8 million. Of this amount, $13 million will be used during Fiscal Year 2015 for operating purposes while the remaining will be used for defeasance costs of approximately $2.7 million and for future capital projects of approximately $2.1 million.

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

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, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	2,762,598	2,788,749	2,795,884	7,135
Locally Generated Non-Tax Revenue	265,168	307,441	301,755	(5,686)
Revenue from Other Governments	628,570	674,786	666,009	(8,777)
Revenue from Other Funds	67,249	67,486	42,001	(25,485)
Total Revenues	3,723,585	3,838,462	3,805,649	(32,813)
Expenditures and Encumbrances				
Personal Services	1,401,330	1,470,366	1,450,615	19,751
Pension Contributions	667,520	660,020	646,393	13,627
Other Employee Benefits	509,785	561,306	547,698	13,608
Sub-Total Employee Compensation	2,578,635	2,691,692	2,644,706	46,986
Purchase of Services	790,552	803,333	787,615	15,718
Materials and Supplies	67,513	72,306	70,687	1,619
Equipment	21,113	23,727	18,127	5,600
Contributions, Indemnities and Taxes	141,708	208,839	208,587	252
Debt Service	129,530	122,481	122,481	-
Payments to Other Funds	31,644	34,608	34,361	247
Advances, Subsidies, Miscellaneous	84,708	37,219	-	37,219
Total Expenditures and Encumbrances	3,845,403	3,994,205	3,886,564	107,641
Operating Surplus (Deficit) for the Year	(121,818)	(155,743)	(80,915)	74,828
Fund Balance Available for Appropriation, July 1, 2013	188,942	256,902	256,902	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,500	24,500	25,257	757
Funding for Future Obligations	-	-	891	891
Other Adjustments	(5,112)	(5,112)	-	5,112
Adjusted Fund Balance, July 1, 2013	208,330	276,290	283,050	6,760
Fund Balance Available for Appropriation, June 30, 2014	86,512	120,547	202,135	81,588

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XV**

Required Supplementary Information
Budgetary Comparison Schedule
HealthChoices Behavioral Health Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	2,500	1,500	594	(906)
Revenue from Other Governments	842,995	829,789	799,470	(30,319)
Total Revenues	845,495	831,289	800,064	(31,225)
Other Sources				
Increase in Unreimbursed Committments	-	-	45,826	45,826
Decrease in Financed Reserves	-	-	64,691	64,691
Total Revenues and Other Sources	845,495	831,289	910,581	79,292
Expenditures and Encumbrances				
Purchase of Services	901,900	901,713	895,973	5,740
Equipment	100	100	-	100
Payments to Other Funds	1,500	1,687	1,687	-
Total Expenditures and Encumbrances	903,500	903,500	897,660	5,840
Operating Surplus (Deficit) for the Year	(58,005)	(72,211)	12,921	85,132
Fund Balance Available for Appropriation, July 1, 2013	-	7,480	7,480	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	6,603	6,603
Other Adjustments	58,005	42,520	-	(42,520)
Adjusted Fund Balance, July 1, 2013	58,005	50,000	14,083	(35,917)
Fund Balance Available for Appropriation, June 30, 2014	-	(22,211)	27,004	49,215

* 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, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	99,801	95,342	55,693	(39,649)
Revenue from Other Governments	1,293,473	1,160,850	863,021	(297,829)
Total Revenues	1,393,274	1,256,192	918,714	(337,478)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(8,313)	(8,313)
Decrease in Financed Reserves	-	-	617	617
Total Revenues and Other Sources	1,393,274	1,256,192	911,018	(345,174)
Expenditures and Encumbrances				
Personal Services	175,218	180,605	143,028	37,577
Pension Contributions	26,844	31,074	29,969	1,105
Other Employee Benefits	32,224	32,126	29,793	2,333
Sub-Total Employee Compensation	234,286	243,805	202,790	41,015
Purchase of Services	955,923	956,938	768,630	188,308
Materials and Supplies	46,471	21,909	15,344	6,565
Equipment	-	19,677	6,092	13,585
Contributions, Indemnities and Taxes	-	119	118	1
Payments to Other Funds	56,593	60,399	31,656	28,743
Advances, Subsidies, Miscellaneous	100,001	35,929	-	35,929
Total Expenditures and Encumbrances	1,393,274	1,338,776	1,024,630	314,146
Operating Surplus (Deficit) for the Year	-	(82,584)	(113,612)	(31,028)
Fund Balance Available for Appropriation, July 1, 2013	-	(175,082)	(217,139)	(42,057)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	57,734	57,734
Revenue Adjustments - Net	-	-	(252)	(252)
Prior Period Adjustments	-	175,082	-	(175,082)
Adjusted Fund Balance, July 1, 2013	-	-	(159,657)	(159,657)
Fund Balance Available for Appropriation, June 30, 2014	-	(82,584)	(273,269)	(190,685)

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XVII**

Required Supplementary Information

Pension Plans and Other Post Employment Benefits - Schedule of Funding Progress *Amounts in millions of USD*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
City of Philadelphia Municipal Pension Plan						
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
07/01/2010	4,230.9	9,317.0	5,086.1	45.41%	1,421.2	357.87%
07/01/2011	4,489.1	9,487.5	4,998.4	47.32%	1,371.3	364.50%
07/01/2012	4,486.8	9,799.9	5,313.1	45.78%	1,372.2	387.20%
07/01/2013	4,799.3	10,126.2	5,326.9	47.39%	1,429.7	372.59%
City of Philadelphia Other Post Employment Benefits						
07/01/2008	-	1,156.0	1,156.0	0.00%	1,456.5	79.37%
07/01/2009	-	1,119.6	1,119.6	0.00%	1,461.7	76.60%
07/01/2010	-	1,169.5	1,169.5	0.00%	1,419.5	82.39%
07/01/2011	-	1,212.5	1,212.5	0.00%	1,469.2	82.53%
07/01/2012	-	1,511.9	1,511.9	0.00%	1,371.6	110.23%
07/01/2013	-	1,703.6	1,703.6	0.00%	1,416.9	120.23%
Philadelphia Gas Works Pension Plan						
09/01/2008	430.4	495.2	64.8	86.92%	107.9	60.01%
09/01/2009	355.5	519.8	164.3	68.39%	106.0	155.00%
09/01/2010	382.0	533.7	151.7	71.58%	106.1	142.98%
09/01/2011	421.9	572.2	150.2	73.73%	106.3	141.30%
09/01/2012	437.8	585.6	147.9	74.76%	106.0	139.53%
09/01/2013	462.7	623.6	160.9	74.20%	104.1	154.56%

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	3,805,649	800,064	918,714
Transfers	(343,984)	-	-
Program Income	-	-	69,654
Adjustments applicable to Prior Years Activity	-	-	-
Change in Amount Held by Fiscal Agent	1,709	-	-
Change in BPT Adjustment	(12,198)	-	-
Return of Loan	-	-	-
Other	-	-	(303)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,451,176	800,064	988,065
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,886,564	897,660	1,024,630
Transfers	(169,049)	-	(35,230)
Bond Issuance Costs	275	-	-
Expenditures applicable to Prior Years Budgets	48,348	(487)	23,674
Program Income	-	-	69,654
Other	(891)	-	-
Change in Amount Held by Fiscal Agent	12,415	-	-
Current Year Encumbrances	(78,636)	(51,942)	(73,094)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,699,026	845,231	1,009,634

City of Philadelphia
PENNSYLVANIA

Other Supplementary Information

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

ACUTE CARE HOSPITAL ASSESSMENT - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

RIVERVIEW RESIDENTS - Established to maintain a commissary and provide other benefits for the residents.

PHILADELPHIA PRISONS - Established to operate a workshop and to provide benefits for the prison inmates.

ARBITRATION APPEALS - Established to account for certain court fees and provide funds for the arbitration board.

DEPARTMENTAL - Established to account for various activities of the Free Library and Parks and Recreation.

MUNICIPAL AUTHORITY ADMINISTRATIVE - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE - Established to account for PICA revenues from taxes and deficit financing transactions.

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

CITY - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

MUNICIPAL AUTHORITY - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE - Established to account for the debt service activities related to the deficit financing provided by PICA.

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets .

CITY - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

MUNICIPAL AUTHORITY - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

PERMANENT FUNDS

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

LIBRARIES & PARKS - Established to account for trust of the Free Library and Parks and Recreation.

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

Schedule I

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets														
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	-	7,218	328	23,404	30,950
Equity in Treasurer's Account	2,523	26,048	6,978	-	6,721	17,750	24,615	30	4,130	-	2,264	-	-	91,059
Investments	-	-	-	-	-	-	-	-	-	-	1,567	100	10,760	12,427
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	10	-	5,485	5,495
Taxes Receivable	-	-	5,742	-	535	-	-	-	-	-	-	-	-	6,277
Accounts Receivable	-	-	-	2,567	-	-	1,241	-	-	-	-	3,935	-	7,743
Due from Other Governmental Units	-	-	-	8,639	-	-	-	-	-	-	-	-	-	8,639
Allowance for Doubtful Accounts	-	-	(717)	-	(3)	-	(336)	-	-	-	-	-	-	(1,056)
Interest and Dividends Receivable	-	-	-	-	5	-	-	-	-	-	-	-	-	5
Other Assets	-	-	-	-	-	-	-	-	-	-	56	-	20	76
Total Assets	2,523	26,048	12,003	11,206	7,258	17,750	25,520	30	4,130	-	11,115	4,363	39,669	161,615
Liabilities														
Vouchers Payable	6	898	-	601	-	148	51	-	116	-	116	-	-	1,936
Accounts Payable	-	1,489	5,050	3,576	-	1,046	15,303	-	56	-	328	4,077	93	31,018
Salaries and Wages Payable	-	-	-	87	-	-	99	-	-	-	-	-	-	186
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	-	11	11
Due to Other Funds	-	-	-	6,947	-	-	-	-	-	-	9	-	5,605	12,561
Due to Component Units	-	-	-	150	-	-	-	-	-	-	-	-	-	150
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	-	809	-	-	1,256
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	6	2,387	5,050	11,361	-	1,194	15,453	-	619	-	1,262	4,077	5,709	47,118
Deferred Inflows of Resources	-	-	188	7,730	3	-	-	-	-	-	-	-	-	7,921
Fund Balances														
Nonspendable	-	-	-	-	-	-	-	-	-	-	200	-	-	200
Restricted	2,517	23,661	6,765	-	7,255	16,556	10,067	-	-	-	8,986	286	33,960	110,053
Committed	-	-	-	-	-	-	-	30	3,511	-	667	-	-	4,208
Unassigned	-	-	-	(7,885)	-	-	-	-	-	-	-	-	-	(7,885)
Total Fund Balances	2,517	23,661	6,765	(7,885)	7,255	16,556	10,067	30	3,511	-	9,853	286	33,960	106,576
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	2,523	26,048	12,003	11,206	7,258	17,750	25,520	30	4,130	-	11,115	4,363	39,669	161,615

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2014

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	-	-	39,255	39,255	-	-	-	256	70,461
Equity in Treasurer's Account	1,125	-	-	1,125	160,737	-	160,737	-	252,921
Investments	-	11	47,914	47,925	-	68,230	68,230	6,159	134,741
Due from Other Funds	-	-	-	-	-	-	-	-	5,495
Taxes Receivable	-	-	-	-	-	-	-	-	6,277
Accounts Receivable	-	-	-	-	-	-	-	-	7,743
Due from Other Governmental Units	-	-	-	-	52,995	-	52,995	-	61,634
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(1,056)
Interest and Dividends Receivable	-	-	1	1	16	13	29	-	35
Other Assets	-	-	-	-	-	-	-	2	78
Total Assets	1,125	11	87,170	88,306	213,748	68,243	281,991	6,417	538,329
Liabilities									
Vouchers Payable	-	-	-	-	13,094	-	13,094	-	15,030
Accounts Payable	-	-	-	-	22,389	238	22,627	3	53,648
Salaries and Wages Payable	-	-	-	-	122	-	122	-	308
Payroll Taxes Payable	-	-	-	-	-	-	-	-	11
Due to Other Funds	-	-	5,485	5,485	-	-	-	1	18,047
Due to Component Units	-	-	-	-	-	-	-	-	150
Funds Held in Escrow	-	-	-	-	1,878	-	1,878	-	3,134
Unearned Revenue	-	-	-	-	4,314	-	4,314	-	4,314
Total Liabilities	-	-	5,485	5,485	41,797	238	42,035	4	94,642
Deferred Inflows of Resources	-	-	-	-	48,397	-	48,397	-	56,318
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	3,042	3,242
Restricted	1,125	11	81,685	82,821	123,554	68,005	191,559	3,259	387,692
Committed	-	-	-	-	-	-	-	112	4,320
Unassigned	-	-	-	-	-	-	-	-	(7,885)
Total Fund Balances	1,125	11	81,685	82,821	123,554	68,005	191,559	6,413	387,369
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,125	11	87,170	88,306	213,748	68,243	281,991	6,417	538,329

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2014

Schedule II

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues														
Tax Revenue	-	-	52,756	-	5,425	-	148,574	-	-	-	-	-	380,599	587,354
Locally Generated Non-Tax Revenue	-	1	-	1,860	8	11,014	-	-	2,540	316	4,838	49	279	20,905
Revenue from Other Governments	4,701	26,058	-	41,792	-	-	-	-	-	-	-	-	-	72,551
Other Revenues	-	-	-	-	-	-	-	-	-	-	34	-	3,208	3,242
Total Revenues	4,701	26,059	52,756	43,652	5,433	11,014	148,574	-	2,540	316	4,872	49	384,086	684,052
Expenditures														
Current Operating:														
Economic Development	-	-	53,141	-	-	-	-	-	-	-	-	-	-	53,141
Transportation:														
Streets & Highways	4,772	23,714	-	-	-	-	-	-	-	-	-	-	-	28,486
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	2,394	-	-	-	-	2,394
Conservation of Health:														
Health Services	-	-	-	-	-	-	152,203	-	-	-	-	-	-	152,203
Housing and Neighborhood Development	-	-	-	44,346	-	9,500	-	-	-	-	-	-	-	53,846
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	1,118	-	-	1,118
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	153	-	-	153
General Management and Support	-	-	-	-	5,000	-	-	4	1,036	316	2,087	37,755	1,857	48,055
Capital Outlay	-	-	-	-	-	-	-	-	-	.	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,772	23,714	53,141	44,346	5,000	9,500	152,203	4	3,430	316	3,358	37,755	1,857	339,396
Excess (Deficiency) of Revenues Over (Under) Expenditures	(71)	2,345	(385)	(694)	433	1,514	(3,629)	(4)	(890)	-	1,514	(37,706)	382,229	344,656
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	1,150	37,687	-	38,837
Transfers Out	-	-	-	-	-	-	(1,500)	-	-	-	-	-	(382,149)	(383,649)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(1,500)	-	-	-	1,150	37,687	(382,149)	(344,812)
Net Change in Fund Balances	(71)	2,345	(385)	(694)	433	1,514	(5,129)	(4)	(890)	-	2,664	(19)	80	(156)
Fund Balance - July 1, 2013	2,588	21,316	7,150	(7,191)	6,822	15,042	15,196	34	4,401	-	7,163	305	33,880	106,706
Adjustment	-	-	-	-	-	-	-	-	-	-	26	-	-	26
Fund Balance Adjusted - July 1, 2013	2,588	21,316	7,150	(7,191)	6,822	15,042	15,196	34	4,401	-	7,189	305	33,880	106,732
Fund Balance - June 30, 2014	2,517	23,661	6,765	(7,885)	7,255	16,556	10,067	30	3,511	-	9,853	286	33,960	106,576

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, 2014

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	587,354
Locally Generated Non-Tax Revenue	5	-	4,548	4,553	-	-	-	756	26,214
Revenue from Other Governments	-	-	-	-	18,422	-	18,422	-	90,973
Other Revenues	-	-	-	-	15	-	15	-	3,257
Total Revenues	5	-	4,548	4,553	18,437	-	18,437	756	707,798
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	53,141
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	28,486
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	2,394
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	152,203
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	53,846
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	85	1,203
Libraries and Museums	-	-	-	-	-	-	-	-	153
General Management and Support	-	-	-	-	-	25	25	-	48,080
Capital Outlay	-	-	-	-	127,868	12,248	140,116	-	140,116
Debt Service:									
Principal	50,905	23,754	45,640	120,299	-	-	-	-	120,299
Interest	70,350	15,755	20,374	106,479	-	-	-	-	106,479
Bond Issuance Cost	1,252	635		1,887	1,574	1,298	2,872	-	4,759
Total Expenditures	122,507	40,144	66,014	228,665	129,442	13,571	143,013	85	711,159
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,502)	(40,144)	(61,466)	(224,112)	(111,005)	(13,571)	(124,576)	671	(3,361)
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	201,360	65,155	266,515	-	266,515
Issuance of Refunding Bonds	161,275	85,050	-	246,325	-	-	-	-	246,325
Bond Issuance Premium	12,863	7,681	-	20,544	9,807	1,059	10,866	-	31,410
Payment to Refunded Bonds Escrow Agent	(172,885)	(92,085)	-	(264,970)	-	-	-	-	(264,970)
Transfers In	121,194	39,498	63,173	223,865	9,524	-	9,524	-	272,226
Transfers Out	-	-	-	-	-	-	-	-	(383,649)
Total Other Financing Sources (Uses)	122,447	40,144	63,173	225,764	220,691	66,214	286,905	-	167,857
Net Change in Fund Balances	(55)	-	1,707	1,652	109,686	52,643	162,329	671	164,496
Fund Balance - July 1, 2013	1,180	11	79,978	81,169	13,868	15,362	29,230	5,742	222,847
Adjustment	-	-	-	-	-	-	-	-	26
Fund Balance Adjusted - July 1, 2013	1,180	11	79,978	81,169	13,868	15,362	29,230	5,742	222,873
Fund Balance - June 30, 2014	1,125	11	81,685	82,821	123,554	68,005	191,559	6,413	387,369

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2014

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	522,151	4,988,181	5,510,332
Securities Lending Collective Investment Pool	466	524,347	524,813
Accounts Receivable	-	1,317	1,317
Due from Brokers for Securities Sold	6,405	128,797	135,202
Interest and Dividends Receivable	1,380	-	1,380
Due from Other Governmental Units	-	3,303	3,303
Total Assets	530,402	5,645,945	6,176,347
Liabilities			
Vouchers Payable	-	60	60
Accounts Payable	486	56	542
Salaries and Wages Payable	-	54	54
Funds Held in Escrow	-	9	9
Due on Return of Securities Loaned	466	524,671	525,137
Due to Brokers for Securities Purchased	11,002	199,860	210,862
Accrued Expenses	5,303	4,015	9,318
Other Liabilities	-	515	515
Total Liabilities	17,257	729,240	746,497
Net Position Held in Trust for Pension Benefits	513,145	4,916,705	5,429,850

City of Philadelphia **Schedule IV**

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	24,934	553,179	578,113
Employees' Contributions	238	53,722	53,960
Total Contributions	25,172	606,901	632,073
Investment Income:			
Interest and Dividends	11,760	102,165	113,925
Net Gain in Fair Value of Investments	65,600	585,406	651,006
(Less) Investments Expenses	(2,057)	(10,190)	(12,247)
Securities Lending Revenue	-	4,202	4,202
(Less) Securities Lending Expenses	-	(630)	(630)
Net Investment Gain	75,303	680,953	756,256
Miscellaneous Operating Revenues	-	517	517
Total Additions	100,475	1,288,371	1,388,846
Deductions			
Personal Services	-	3,373	3,373
Purchase of Services	-	1,621	1,621
Materials and Supplies	-	59	59
Employee Benefits	-	3,076	3,076
Pension Benefits	42,913	802,557	845,470
Refunds of Members' Contributions	-	6,040	6,040
Administrative Expenses Paid	731	-	731
Other Operating Expenses	-	164	164
Total Deductions	43,644	816,890	860,534
Change in Net Position	56,831	471,481	528,312
Net Position - July 1, 2013	456,314	4,445,224	4,901,538
Net Position - June 30, 2014	513,145	4,916,705	5,429,850

City of Philadelphia **Schedule V**

Combining Statement of Fiduciary Net Position

Agency Funds

June 30, 2014

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	120,223	120,223
Equity in Treasurer's Account	29,018	15,296	-	44,314
Investments	-	-	5,713	5,713
Due from Other Funds	-	-	699	699
Total Assets	29,018	15,296	126,635	170,949
Liabilities				
Vouchers Payable	8	396	-	404
Payroll Taxes Payable	-	3,889	-	3,889
Funds Held in Escrow	29,010	11,011	126,635	166,656
Total Liabilities	29,018	15,296	126,635	170,949
Net Position	-	-	-	-

City of Philadelphia **Schedule VI**

Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Balance 7-1-2013	Additions	Deductions	Balance 6-30-2014
Escrow Fund				
Assets				
Equity in Treasurer's Account	27,453	395,792	394,227	29,018
Liabilities				
Funds Held in Escrow	27,447	395,780	394,217	29,010
Vouchers Payable	6	9,678	9,676	8
Total Liabilities	27,453	405,458	403,893	29,018
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	25,703	933,314	943,721	15,296
Liabilities				
Vouchers Payable	25	9,195	8,824	396
Payroll Taxes Payable	15,262	839,392	850,765	3,889
Funds Held in Escrow	10,416	93,922	93,327	11,011
Total Liabilities	25,703	942,509	952,916	15,296
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	100,861	163,674	144,312	120,223
Investments	6,145	-	432	5,713
Due from Other Funds	699	-	-	699
Total Assets	107,705	163,674	144,744	126,635
Liabilities				
Funds Held in Escrow	107,705	163,674	144,744	126,635
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	100,861	163,674	144,312	120,223
Equity in Treasurer's Account	53,156	1,329,106	1,337,948	44,314
Investments	6,145	-	432	5,713
Due from Other Funds	699	-	-	699
Total Assets	160,861	1,492,780	1,482,692	170,949
Liabilities				
Vouchers Payable	31	18,873	18,500	404
Payroll Taxes Payable	15,262	839,392	850,765	3,889
Funds Held in Escrow	145,568	653,376	632,288	166,656
Total Liabilities	160,861	1,511,641	1,501,553	170,949

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2014

Schedule VII

Amounts in USD

	Date of Issuance		Issued	Fiscal 2014 Outstanding	Maturities	Interest Rates	FY 2015 Debt Service Requirements Interest	Principal
Governmental Activities								
General Obligation Bonds:								
Series 2006	7/27/2006		217,590,000	180,845,000	8/2014 to 8/2031	4.75 to 5.00	8,823,662	6,365,000
Series 2007A (Refunding)	12/20/2007		188,910,000	138,445,000	8/2014 to 8/2019	5.00 to 5.25	6,442,962	24,135,000
Series 2008A (Refunding)	5/1/2008		195,170,000	192,415,000	12/2014 to 12/2032	5.00 to 5.25	9,863,737	5,520,000
Series 2008B	1/6/2009		165,000,000	11,140,000	7/2014 to 7/2017	5.00 to 5.75	538,794	2,565,000
Series 2009A (Refunding)	8/13/2009		237,025,000	237,025,000	8/2019 to 8/2031	4.25 to 5.50	12,030,260	-
Series 2009B (Refunding)	8/13/2009	1	100,000,000	100,000,000	8/2027 to 8/2031	3.829	3,829,000	-
Series 2011	4/19/2011		139,150,000	135,190,000	8/2014 to 8/2041	4.25 to 6.50	7,908,675	2,110,000
Series 2011 (Refunding)	4/19/2011		114,570,000	67,560,000	8/2014 to 8/2020	3.00 to 5.25	2,989,973	10,400,000
Series 2012A (Refunding)	5/8/2012		21,295,000	21,295,000	9/2014 to 9/2021	5.00	1,030,500	1,370,000
Series 2013A	7/30/2013		201,360,000	201,360,000	7/2014 to 7/2033	1.25 to 5.25	10,011,400	6,100,000
Series 2014A (Refunding)	2/6/2014		154,275,000	154,275,000	7/2014 to 7/2038	3.00 to 5.25	7,283,364	1,285,000
Total New Money Bonds			723,100,000	528,535,000			27,282,531	17,140,000
Total Refunding Bonds			1,011,245,000	911,015,000			43,469,796	42,710,000
Total General Obligation Bonds			1,734,345,000	1,439,550,000			70,752,327	59,850,000
Business Type Activities								
Revenue Bonds								
Water and Sewer Revenue Bonds:								
Series 1997B	11/25/1997	2	100,000,000	63,800,000	8/2014 to 8/2027	variable	30,387	3,400,000
Series 1998 (Refunding)	12/15/1998		135,185,000	38,025,000	12/15/2014	5.25	998,156	38,025,000
Series 1999	4/22/1999		6,700,000	410,108	7/2014 to 4/2019	2.729	10,190	80,475
Series 2005A	5/4/2005		250,000,000	117,250,000	7/2014 to 7/2035	5.00	5,724,125	5,535,000
Series 2005B (Refunding)	5/4/2005	1	86,105,000	67,175,000	8/2014 to 8/2018	4.53	2,691,160	15,535,000
Series 2007A (Refunding)	5/9/2007		191,440,000	137,010,000	8/2017 to 8/2027	4.50 to 5.00	6,551,200	-
Series 2007B (Refunding)	5/9/2007		153,595,000	152,220,000	11/2015 to 11/2031	4.00 to 5.00	6,923,075	245,000
Series 2009A	5/21/2009		140,000,000	140,000,000	1/2017 to 1/2036	4.00 to 5.75	7,294,038	-
Series 2009B	10/14/2009		28,790,697	25,090,064	7/2014 to 6/2033	1.193 to 2.107	287,740	2,123,601
Series 2009C	10/14/2009		41,771,895	36,230,899	7/2014 to 6/2033	1.193 to 2.107	416,941	2,803,062
Series 2009D	3/31/2010		71,703,769	64,520,996	7/2014 to 6/2033	1.193 to 2.107	747,015	4,164,261
Series 2010B	6/17/2010		27,741,841	27,133,255	7/2014 to 6/2033	1.193 to 2.107	316,095	1,393,773
Series 2010A (Refunding)	4/15/2010		396,460,000	251,830,000	6/2015 to 6/2019	3.00 to 5.00	12,022,735	49,275,000
Series 2010C	8/5/2010		185,000,000	185,000,000	8/2016 to 8/2040	3.00 to 5.00	9,022,250	-
Series 2011A	11/16/2011		135,000,000	135,000,000	1/2033 to 1/2041	4.50 to 5.00	6,737,000	-
Series 2011B (Refunding)	11/16/2011		49,855,000	49,855,000	11/2016 to 11/2026	4.00 to 5.00	2,460,500	-
Series 2012 (Refunding)	11/1/2012		70,370,000	67,725,000	11/2014 to 11/2028	4.00 to 5.00	3,304,650	2,720,000
Series 2013A	8/22/2013		170,000,000	170,000,000	1/2017 to 1/2043	3.00 to 5.125	8,471,700	-
Series 2014 (Refunding)	1/23/2014		93,170,000	93,170,000	7/2016 to 7/2027	3.00 to 5.00	4,219,132	-

City of Philadelphia **Schedule VII**

City Related Schedule of Bonded Debt Outstanding

June 30, 2014 *Amounts in USD*

	Date of Issuance	Issued	Fiscal 2014 Outstanding	Maturities	Interest Rates	FY 2015 Debt Service Requirements Interest	Principal
Series 2014	1/23/2014	30,000,000	30,000,000	7/2041 to 7/2043	5.00	1,408,333	-
Total New Money Bonds		1,186,708,202	994,435,322			40,465,814	19,500,172
Total Refunding Bonds		1,176,180,000	857,010,000			39,170,608	105,800,000
Total Water Revenue Bonds		2,362,888,202	1,851,445,322			79,636,422	125,300,172
Aviation Revenue Bonds:							
Series 1998B	7/15/1998	443,700,000	5,000	7/1/2028	5.125	256	-
Series 2005C (Refunding)	6/2/2005	[1] 189,500,000	140,200,000	6/2015 to 6/2025	variable	6,626,476	9,000,000
Series 2005A	8/4/2005	124,985,000	109,075,000	6/2015 to 6/2035	4.20 to 5.00	5,184,205	3,130,000
Series 2007A	8/16/2007	172,470,000	158,870,000	6/2015 to 6/2037	5.00	7,943,500	3,835,000
Series 2007B (Refunding)	8/16/2007	82,915,000	59,290,000	6/2015 to 6/2027	5.00	2,964,500	3,965,000
Series 2009A (Refunding)	4/14/2009	45,715,000	38,790,000	6/2015 to 6/2029	4.00 to 5.375	1,882,354	1,865,000
Series 2010A	11/15/2010	273,065,000	267,980,000	6/2015 to 6/2040	4.00 to 5.25	13,353,112	5,315,000
Series 2010B (Refunding)	11/15/2010	24,395,000	5,305,000	6/15/2015	5.00	265,250	5,305,000
Series 2010C (Refunding)	11/15/2010	54,730,000	33,495,000	6/2015 to 6/2018	5.00	1,674,750	7,775,000
Series 2010D (Refunding)	11/15/2010	272,475,000	231,600,000	6/2015 to 6/2028	4.00 to 5.25	11,844,450	14,545,000
Series 2011A (Refunding)	12/14/2011	199,040,000	181,185,000	6/2015 to 6/30/2028	4.625 to 5.00	9,003,656	6,315,000
Series 2011B (Refunding)	12/14/2011	34,790,000	30,470,000	6/2015 to 6/2031	2.00 to 5.00	1,293,019	1,300,000
Total New Money Bonds		1,014,220,000	535,930,000			26,481,073	12,280,000
Total Refunding Bonds		903,560,000	720,335,000			35,554,455	50,070,000
Total Aviation Revenue Bonds		1,917,780,000	1,256,265,000			62,035,528	62,350,000
Total Revenue Bonds		4,280,668,202	3,107,710,322			141,671,950	187,650,172
Total All Bonds		6,015,013,202	4,547,260,322			212,424,277	247,500,172

NOTES:

[1] Assumes interest rate to be fixed swap rate on hedged variable rate bonds

[2] Based on latest available estimated rates at June 30, 2014

City of Philadelphia **Schedule VIII**

Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	606,789	603,747	607,107	3,360
Revenue from Other Governments	1,350	850	1,946	1,096
Revenue from Other Funds	79,941	52,752	33,966	(18,786)
Total Revenues	688,080	657,349	643,019	(14,330)
Expenditures and Encumbrances				
Personal Services	116,125	116,065	108,957	7,108
Pension Contributions	59,200	61,486	60,756	730
Other Employee Benefits	43,330	41,044	41,044	-
Sub-Total Employee Compensation	218,655	218,595	210,757	7,838
Purchase of Services	157,164	157,224	133,942	23,282
Materials and Supplies	48,887	48,881	45,945	2,936
Equipment	5,079	5,085	3,468	1,617
Contributions, Indemnities and Taxes	6,602	6,602	6,036	566
Debt Service	205,355	205,355	204,646	709
Payments to Other Funds	58,456	58,456	75,661	(17,205)
Advances, Subsidies, Miscellaneous	9,882	9,882	-	9,882
Total Expenditures and Encumbrances	710,080	710,080	680,455	29,625
Operating Surplus (Deficit) for the Year	(22,000)	(52,731)	(37,436)	15,295
Fund Balance Available for Appropriation, July 1, 2013	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	22,000	22,000	37,436	15,436
Adjusted Fund Balance, July 1, 2013	22,000	22,000	37,436	15,436
Fund Balance Available for Appropriation, June 30, 2014	-	(30,731)	-	30,731

City of Philadelphia **Schedule IX**

Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	1,240	1,163	(10)	(1,173)
Revenue from Other Funds	25,313	24,428	25,229	801
Total Revenues	26,553	25,591	25,219	(372)
Expenditures and Encumbrances				
Payments to Other Funds	20,740	20,740	854	19,886
Total Expenditures and Encumbrances	20,740	20,740	854	19,886
Operating Surplus (Deficit) for the Year	5,813	4,851	24,365	19,514
Fund Balance Available for Appropriation, July 1, 2013	885	847	847	-
Fund Balance Available for Appropriation, June 30, 2014	6,698	5,698	25,212	19,514

City of Philadelphia **Schedule X**

Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Revenue from Other Governments	4,950	4,950	4,701	(249)
Total Revenues	4,950	4,950	4,701	(249)
Expenditures and Encumbrances				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	861	856	5
Materials and Supplies	336	336	168	168
Equipment	-	-	102	(102)
Payments to Other Funds	19	19	18	1
Total Expenditures and Encumbrances	4,950	4,950	4,878	72
Operating Surplus (Deficit) for the Year	-	-	(177)	(177)
Fund Balance Available for Appropriation, July 1, 2013	2,377	2,388	2,388	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	25	25	200	175
Adjusted Fund Balance, July 1, 2013	2,402	2,413	2,588	175
Fund Balance Available for Appropriation, June 30, 2014	2,402	2,413	2,411	(2)

City of Philadelphia **Schedule XI**

Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	3	1	1	-
Revenue from Other Governments	23,925	26,400	26,058	(342)
Total Revenues	23,928	26,401	26,059	(342)
Expenditures and Encumbrances				
Personal Services	4,000	4,000	4,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	5,000	5,000	5,000	-
Purchase of Services	15,459	15,459	13,251	2,208
Materials and Supplies	5,990	5,990	5,788	202
Payments to Other Funds	20	20	20	-
Total Expenditures and Encumbrances	26,469	26,469	24,059	2,410
Operating Surplus (Deficit) for the Year	(2,541)	(68)	2,000	2,068
Fund Balance Available for Appropriation, July 1, 2013	15,954	19,407	19,407	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	500	500	779	279
Adjusted Fund Balance, July 1, 2013	16,454	19,907	20,186	279
Fund Balance Available for Appropriation, June 30, 2014	13,913	19,839	22,186	2,347

City of Philadelphia **Schedule XII**

Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	56,319	56,319	52,756	(3,563)
Locally Generated Non-Tax Revenue	2	-	-	-
Total Revenues	56,321	56,319	52,756	(3,563)
Expenditures and Encumbrances				
Contributions, Indemnities and Taxes	56,321	56,321	56,321	-
Total Expenditures and Encumbrances	56,321	56,321	56,321	-
Operating Surplus (Deficit) for the Year	-	(2)	(3,565)	(3,563)
Fund Balance Available for Appropriation, July 1, 2013	7,352	6,852	6,852	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	298	298
Adjusted Fund Balance, July 1, 2013	7,352	6,852	7,150	298
Fund Balance Available for Appropriation, June 30, 2014	7,352	6,850	3,585	(3,265)

City of Philadelphia **Schedule XIII**

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	408,350	373,345	320,623	(52,722)
Revenue from Other Governments	3,500	4,650	2,120	(2,530)
Revenue from Other Funds	2,675	2,400	1,098	(1,302)
Total Revenues	414,525	380,395	323,841	(56,554)
Expenditures and Encumbrances				
Personal Services	65,602	66,709	63,619	3,090
Pension Contributions	30,250	33,703	33,703	-
Other Employee Benefits	18,564	21,105	21,104	1
Sub-Total Employee Compensation	114,416	121,517	118,426	3,091
Purchase of Services	122,386	122,386	106,628	15,758
Materials and Supplies	9,639	9,893	9,069	824
Equipment	8,230	7,976	1,980	5,996
Contributions, Indemnities and Taxes	8,217	8,217	1,109	7,108
Debt Service	135,849	129,764	125,407	4,357
Payments to Other Funds	21,973	21,973	7,187	14,786
Advances, Subsidies, Miscellaneous	5,003	3,987	-	3,987
Total Expenditures and Encumbrances	425,713	425,713	369,806	55,907
Operating Surplus (Deficit) for the Year	(11,188)	(45,318)	(45,965)	(647)
Fund Balance Available for Appropriation, July 1, 2013	41,028	46,908	46,908	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	15,000	22,000	15,392	(6,608)
Adjusted Fund Balance, July 1, 2013	56,028	68,908	62,300	(6,608)
Fund Balance Available for Appropriation, June 30, 2014	44,840	23,590	16,335	(7,255)

City of Philadelphia **Schedule XIV**

Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	250	250	1,860	1,610
Revenue from Other Governments	83,345	63,345	38,023	(25,322)
Total Revenues	83,595	63,595	39,883	(23,712)
Other Sources				
Decrease in Financed Reserves	-	-	9,906	9,906
Total Revenues and Other Sources	83,595	63,595	49,789	(13,806)
Expenditures and Encumbrances				
Personal Services	6,501	6,501	3,982	2,519
Pension Contributions	2,209	2,380	2,030	350
Other Employee Benefits	2,017	1,846	1,227	619
Sub-Total Employee Compensation	10,727	10,727	7,239	3,488
Purchase of Services	52,555	59,505	47,251	12,254
Materials and Supplies	206	252	131	121
Equipment	77	81	1	80
Payments to Other Funds	30	30	20	10
Advances, Subsidies, Miscellaneous	20,000	13,000	-	13,000
Total Expenditures and Encumbrances	83,595	83,595	54,642	28,953
Operating Surplus (Deficit) for the Year	-	(20,000)	(4,853)	15,147
Fund Balance Available for Appropriation, July 1, 2013	-	(7,191)	(7,191)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	4,159	4,159
Prior Period Adjustments	-	7,191		(7,191)
Adjusted Fund Balance, July 1, 2013	-	-	(3,032)	(3,032)
Fund Balance Available for Appropriation, June 30, 2014	-	(20,000)	(7,885)	12,115

City of Philadelphia **Schedule XV**

Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	5,450	5,450	5,425	(25)
Locally Generated Non-Tax Revenue	3	1	8	7
Total Revenues	5,453	5,451	5,433	(18)
Expenditures and Encumbrances				
Purchase of Services	5,000	5,000	5,000	-
Total Expenditures and Encumbrances	5,000	5,000	5,000	-
Operating Surplus (Deficit) for the Year	453	451	433	(18)
Fund Balance Available for Appropriation, July 1, 2013	6,769	6,822	6,822	-
Fund Balance Available for Appropriation, June 30, 2014	7,222	7,273	7,255	(18)

City of Philadelphia **Schedule XVI**

Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	12,020	12,010	11,014	(996)
Total Revenues	12,020	12,010	11,014	(996)
Expenditures and Encumbrances				
Personal Services	950	950	950	-
Purchase of Services	20,550	20,550	20,550	-
Total Expenditures and Encumbrances	21,500	21,500	21,500	-
Operating Surplus (Deficit) for the Year	(9,480)	(9,490)	(10,486)	(996)
Fund Balance Available for Appropriation, July 1, 2013	1,199	5,593	5,593	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	8,500	6,500	6,350	(150)
Prior Period Adjustments	-	-	(838)	(838)
Adjusted Fund Balance, July 1, 2013	9,699	12,093	11,105	(988)
Fund Balance Available for Appropriation, June 30, 2014	219	2,603	619	(1,984)

City of Philadelphia **Schedule XVII**

Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	470,193	469,915	15	(469,900)
Revenue from Other Governments	345,596	345,871	18,445	(327,426)
Revenue from Other Funds	29,855	29,858	9,501	(20,357)
Total Revenues	845,644	845,644	27,961	(817,683)
Other Sources (Uses)				
Increase in Unreimbursed Committments	-	-	10,175	10,175
Proceeds from Bond Sales	-	-	211,167	211,167
Total Revenues and Other Sources	845,644	845,644	249,303	(596,341)
Expenditures and Encumbrances				
Capital Outlay	845,644	845,644	165,925	679,719
Operating Surplus (Deficit) for the Year	-	-	83,378	83,378
Fund Balance Available for Appropriation, July 1, 2013	-	-	(59,184)	(59,184)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	1,562	1,562
Prior Period Adjustments	-	-	(39)	(39)
Adjusted Fund Balance, July 1, 2013	-	-	(57,661)	(57,661)
Fund Balance Available for Appropriation, June 30, 2014	-	-	25,717	25,717

City of Philadelphia **Schedule XVIII**

Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2014

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Tax Revenue	157,000	157,000	148,574	(8,426)
Total Revenues	157,000	157,000	148,574	(8,426)
Other Sources				
Increase in Unreimbursed Committments	-	-	3,788	3,788
Total Revenues and Other Sources	157,000	157,000	152,362	(4,638)
Expenditures and Encumbrances				
Personal Services	5,877	5,877	3,325	2,552
Pension Contributions	42	27	27	-
Other Employee Benefits	216	231	231	-
Sub-Total Employee Compensation	6,135	6,135	3,583	2,552
Purchase of Services	153,274	153,274	152,404	870
Materials and Supplies	26	26	4	22
Equipment	-	-	1	(1)
Payments to Other Funds	1,500	1,500	1,500	-
Total Expenditures and Encumbrances	160,935	160,935	157,492	3,443
Operating Surplus (Deficit) for the Year	(3,935)	(3,935)	(5,130)	(1,195)
Fund Balance Available for Appropriation, July 1, 2013	7,692	15,196	15,196	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	1	1
Adjusted Fund Balance, July 1, 2013	7,692	15,196	15,197	1
Fund Balance Available for Appropriation, June 30, 2014	3,757	11,261	10,067	(1,194)

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund *Amounts in thousands of USD*

For the Fiscal Year Ended June 30, 2014 (with comparative actual amounts for the Fiscal Year Ended June 30, 2013)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2014 Actual	Positive (Negative)	FY 2013 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	492,363	488,938	483,955	(4,983)	504,207	(20,252)
Prior Years	44,234	44,234	42,469	(1,765)	36,324	6,145
Total Real Property Tax	536,597	533,172	526,424	(6,748)	540,531	(14,107)
Wage and Earnings Taxes:						
Current	1,269,883	1,246,249	1,255,871	9,622	1,219,500	36,371
Prior Years	4,250	4,250	5,717	1,467	2,006	3,711
Total Wage and Earnings Taxes	1,274,133	1,250,499	1,261,588	11,089	1,221,506	40,082
Business Taxes:						
Business Income & Receipts Taxes:						
Current	375,005	420,917	421,066	149	411,731	9,335
Prior Years	35,000	40,355	40,589	234	39,180	1,409
Total Business Income & Receipts Taxes	410,005	461,272	461,655	383	450,911	10,744
Net Profits Tax:						
Current	10,261	16,946	13,179	(3,767)	17,230	(4,051)
Prior Years	2,500	2,500	3,083	583	1,934	1,149
Total Net Profits Tax	12,761	19,446	16,262	(3,184)	19,164	(2,902)
Total Business Taxes	422,766	480,718	477,917	(2,801)	470,075	7,842
Other Taxes:						
Sales Tax	272,577	264,920	263,050	(1,870)	257,550	5,500
Amusement Tax	20,465	20,465	19,974	(491)	19,081	893
Real Property Transfer Tax	157,630	160,545	168,068	7,523	147,968	20,100
Parking Lot Tax	74,991	74,991	75,152	161	73,261	1,891
Smokeless Tobacco	634	634	698	64	728	(30)
Miscellaneous Taxes	2,805	2,805	3,013	208	2,756	257
Total Other Taxes	529,102	524,360	529,955	5,595	501,344	28,611
Total Taxes	2,762,598	2,788,749	2,795,884	7,135	2,733,456	62,428
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	5,390	5,835	5,590	(245)	5,933	(343)
Licenses and Permits	47,554	49,494	52,996	3,502	55,253	(2,257)
Fines, Forfeits, Penalties, Confiscated Money and Property	20,498	18,474	17,943	(531)	19,020	(1,077)
Interest Income	3,144	1,369	1,697	328	1,843	(146)
Service Charges and Fees	133,761	145,663	136,819	(8,844)	126,685	10,134
Other	54,821	86,606	86,710	104	57,440	29,270
Total Locally Generated Non-Tax Revenue	265,168	307,441	301,755	(5,686)	266,174	35,581
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	32,122	32,238	31,001	(1,237)	39,706	(8,705)
Commonwealth of Pennsylvania:						
Grants and Other Payments	210,422	258,697	255,326	(3,371)	233,634	21,692
Other Governmental Units	386,026	383,851	379,682	(4,169)	378,199	1,483
Total Revenue from Other Governments	628,570	674,786	666,009	(8,777)	651,539	14,470
Revenue from Other Funds	67,249	67,486	42,001	(25,485)	46,821	(4,820)
Total Revenues	3,723,585	3,838,462	3,805,649	(32,813)	3,697,990	107,659

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund *Amounts in thousands of USD*

For the Fiscal Year Ended June 30, 2014 (with comparative actual amounts for the Fiscal Year Ended June 30, 2013)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2014 Actual	Positive (Negative)	FY 2013 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	15,815	16,220	14,474	1,746	13,468	1,006
Mayor's Office:						
Mayor's Office	5,192	5,381	5,057	324	3,729	1,328
Scholarships	200	200	200	-	318	(118)
Mural Arts Program	1,401	1,590	1,586	4	947	639
Labor Relations	553	553	479	74	543	(64)
MDO Office of Technology	84,994	84,995	64,078	20,917	63,234	844
Office of Property Assessment	13,326	13,333	10,875	2,458	11,564	(689)
Transportation	789	789	709	80	604	105
Law	12,822	13,993	13,950	43	14,827	(877)
Board of Ethics	1,000	1,000	768	232	713	55
Youth Commission	140	140	83	57	57	26
Inspector General	1,462	1,462	1,401	61	1,259	142
City Planning Commission	2,273	2,302	2,302	-	2,252	50
Commission on Human Relations	2,014	2,014	1,784	230	1,688	96
Arts & Culture	2,671	2,671	2,562	109	2,596	(34)
Board of Revision of Taxes	1,051	1,358	1,053	305	1,056	(3)
Total General Government	145,703	148,001	121,361	26,640	118,855	2,506
Operation of Service Departments						
Housing	3,020	4,060	4,060	-	2,840	1,220
Managing Director	74,017	75,252	74,990	262	73,276	1,714
Police	595,593	614,790	607,074	7,716	585,104	21,970
Streets	115,561	137,957	137,957	-	118,695	19,262
Fire	197,181	247,993	247,993	-	200,457	47,536
Public Health	114,483	114,620	109,947	4,673	109,077	870
Office-Behavioral Health/Mental Retardation	13,833	13,933	13,668	265	14,145	(477)
Parks and Recreation	51,314	54,367	54,367	-	52,468	1,899
Atwater Kent Museum	271	276	277	(1)	270	7
Public Property	173,905	192,697	190,956	1,741	172,472	18,484
Department of Human Services	98,339	100,240	100,242	(2)	90,871	9,371
Philadelphia Prisons	238,805	245,815	245,814	1	242,659	3,155
Office of Supportive Housing	43,617	45,156	45,156	-	42,112	3,044
Office of Fleet Management	56,445	62,541	62,611	(70)	60,810	1,801
Licenses and Inspections	22,588	25,880	25,698	182	21,649	4,049
Board of L & I Review	162	162	134	28	127	7
Board of Building Standards	71	71	62	9	57	5
Zoning Board of Adjustment	357	357	357	-	361	(4)
Records	4,026	4,546	4,340	206	3,933	407
Philadelphia Historical Commission	397	397	350	47	352	(2)
Art Museum	2,550	2,550	2,550	-	2,400	150
Philadelphia Free Library	35,258	35,742	35,736	6	33,591	2,145
Total Operations of Service Departments	1,841,793	1,979,402	1,964,339	15,063	1,827,726	136,613
Financial Management						
Office of Director of Finance	5,262	13,751	16,077	(2,326)	14,216	1,861
Department of Revenue	20,561	20,851	20,211	640	18,661	1,550
Sinking Fund Commission	226,259	215,851	215,932	(81)	209,845	6,087
Procurement	4,643	4,643	4,809	(166)	4,564	245
City Treasurer	899	899	894	5	884	10
Audit of City Operations	7,696	7,696	7,461	235	7,027	434
Total Financial Management	265,320	263,691	265,384	(1,693)	255,197	10,187

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund *Amounts in thousands of USD*

For the Fiscal Year Ended June 30, 2014 (with comparative actual amounts for the Fiscal Year Ended June 30, 2013)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2014 Actual	Positive (Negative)	FY 2013 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,177,305	1,221,324	1,194,091	27,233	1,119,075	75,016
Community College of Philadelphia	26,409	26,409	26,409	-	25,409	1,000
Hero Award	25	25	18	7	21	(3)
Refunds	250	250	100	150	-	100
Indemnities	41,512	2,354	118	2,236	295	(177)
Office of Risk Management	3,074	3,152	3,131	21	2,916	215
Witness Fees	172	108	101	7	132	(31)
Contribution to School District	69,050	114,050	114,050	-	68,990	45,060
Total City-Wide Under Director of Finance	1,317,797	1,367,672	1,338,018	29,654	1,216,838	121,180
Promotion and Public Relations						
City Representative	1,006	1,006	970	36	960	10
Commerce	19,005	19,005	18,992	13	18,839	153
Total Promotion and Public Relations	20,011	20,011	19,962	49	19,799	163
Personnel						
Civic Service Commission	84,876	37,397	176	37,221	171	5
Personnel Director	5,886	5,887	5,496	391	5,301	195
Total Personnel	90,762	43,284	5,672	37,612	5,472	200
Administration of Justice						
Register of Wills	3,403	3,403	3,290	113	3,269	21
District Attorney	32,082	32,808	32,808	-	31,450	1,358
Sheriff	14,670	18,323	18,323	-	15,146	3,177
First Judicial District	103,431	107,196	107,195	1	109,394	(2,199)
Total Administration of Justice	153,586	161,730	161,616	114	159,259	2,357
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,542	1,521	1,521	-	1,437	84
Conduct of Elections						
City Commissioners	8,889	8,893	8,691	202	8,683	8
Total Obligations	3,845,403	3,994,205	3,886,564	107,641	3,613,266	273,298
Operating Surplus (Deficit) for the Year	(121,818)	(155,743)	(80,915)	74,828	84,724	(165,639)

City of Philadelphia **Schedule XX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Water Operating Fund *Amounts in thousands of USD*

For the Fiscal Year Ended June 30, 2014 (with comparative actual amounts for the Fiscal Year Ended June 30, 2013)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2014 Actual	Positive (Negative)	FY 2013 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	504,280	505,677	523,674	17,997	489,134	34,540
Sales and Charges - Prior Years	50,140	45,531	34,756	(10,775)	33,511	1,245
Fire Service Connections	2,252	2,186	2,236	50	2,026	210
Surcharges	6,000	5,761	4,252	(1,509)	5,656	(1,404)
Fines and Penalties	1,059	1,159	873	(286)	1,026	(153)
Miscellaneous Charges	2,012	2,312	1,609	(703)	1,446	163
Charges to Other Municipalities	32,800	31,700	31,642	(58)	29,512	2,130
Licenses and Permits	2,480	2,890	3,347	457	3,184	163
Interest Income	1,000	1,000	422	(578)	551	(129)
Fleet Management - Sale of Vehicles & Equipment	175	175	109	(66)	125	(16)
Contributions from Sinking Fund Reserve	-	-	-	-	1,707	(1,707)
Reimbursement of Expenditures	241	241	458	217	569	(111)
Repair Loan Program	3,400	4,165	2,807	(1,358)	2,802	5
Other	950	950	922	(28)	768	154
Total Locally Generated Non-Tax Revenue	606,789	603,747	607,107	3,360	572,017	35,090
Revenue from Other Governments						
State	350	350	1,310	960	163	1,147
Federal	1,000	500	636	136	2,564	(1,928)
Total Revenue from Other Governments	1,350	850	1,946	1,096	2,727	(781)
Revenue from Other Funds	79,941	52,752	33,966	(18,786)	37,212	(3,246)
Total Revenues	688,080	657,349	643,019	(14,330)	611,956	31,063
Obligations						
Mayor's Office of Information Services	17,621	17,621	15,133	2,488	14,046	1,087
Public Property	3,786	3,786	3,786	-	3,739	47
Office of Fleet Management	8,510	8,510	8,186	324	7,219	967
Water Department	336,271	342,307	329,230	13,077	302,494	26,736
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	59,200	61,486	60,755	731	55,959	4,796
Other Employee Benefits	43,330	41,044	41,044	-	40,369	675
Contributions, Indemnities and Taxes	6,500	464	-	464	-	-
Advances, Subsidies, Miscellaneous	9,882	9,882	-	9,882	-	-
Department of Revenue	16,079	16,079	14,524	1,555	14,602	(78)
Sinking Fund Commission	205,355	205,355	204,646	709	201,576	3,070
Procurement Department	69	69	63	6	69	(6)
Law	3,167	3,167	2,880	287	2,861	19
Mayor's Office of Transportation	310	310	208	102	170	38
Total Obligations	710,080	710,080	680,455	29,625	643,104	37,351
Operating Surplus (Deficit) for the Year	(22,000)	(52,731)	(37,436)	15,295	(31,148)	(6,288)

City of Philadelphia **Schedule XXI**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Aviation Operating Fund *Amounts in thousands of USD*

For the Fiscal Year Ended June 30, 2014 (with comparative actual amounts for the Fiscal Year Ended June 30, 2013)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2014 Actual	Positive (Negative)	FY 2013 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	36,000	36,000	36,487	487	34,123	2,364
Space Rentals	160,000	150,000	112,452	(37,548)	105,207	7,245
Landing Fees	76,000	65,000	64,956	(44)	60,025	4,931
Parking	25,000	25,000	24,999	(1)	24,041	958
Car Rentals	22,000	22,500	19,256	(3,244)	19,711	(455)
Interest Earnings	1,000	2,000	383	(1,617)	333	50
Sale of Utilities	4,500	4,000	4,954	954	3,227	1,727
Passenger Facility Charge	32,800	32,800	31,168	(1,632)	31,160	8
Overseas Terminal Facility Charges	-	-	4	4	11	(7)
International Terminal Charge	33,000	22,000	23,009	1,009	19,744	3,265
Other	18,050	14,045	2,955	(11,090)	3,517	(562)
Total Locally Generated Non-Tax Revenue	408,350	373,345	320,623	(52,722)	301,099	19,524
Revenue from Other Governments						
State	500	500	-	(500)	-	-
Federal	3,000	4,150	2,120	(2,030)	2,528	(408)
Total Revenue from Other Governments	3,500	4,650	2,120	(2,530)	2,528	(408)
Revenue from Other Funds	2,675	2,400	1,098	(1,302)	989	109
Total Revenue	414,525	380,395	323,841	(56,554)	304,616	19,225
Obligations						
Mayor's Office of Information Services	7,269	7,269	5,987	1,282	5,966	21
Police	14,632	14,723	14,723	-	14,050	673
Fire	6,203	7,219	6,863	356	5,645	1,218
Public Property	26,900	26,900	23,075	3,825	21,930	1,145
Office of Fleet Management	8,109	8,109	3,442	4,667	3,552	(110)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	30,250	33,703	33,703	-	30,365	3,338
Other Employee Benefits	18,564	21,104	21,104	-	19,564	1,540
Purchase of Services	4,146	4,146	2,674	1,472	2,574	100
Contributions, Indemnities and Taxes	2,512	1,847	-	1,847	-	-
Advances, Subsidies, Miscellaneous	5,003	3,987	-	3,987	-	-
Sinking Fund Commission	135,849	129,764	125,407	4,357	109,521	15,886
Commerce	164,075	164,741	130,832	33,909	124,249	6,583
Law	1,971	1,971	1,825	146	1,709	116
Mayor's Office of Transportation	230	230	171	59	187	(16)
Total Obligations	425,713	425,713	369,806	55,907	339,312	30,494
Operating Surplus (Deficit) for the Year	(11,188)	(45,318)	(45,965)	(647)	(34,696)	(11,269)

SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA
MANETO

Statistical Section

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Table 1 Net Position by Component 162
Table 2 Changes in Net Positions 163
Table 3 Fund Balances-Governmental Funds 165
Table 4 Changes in Fund Balances-Governmental Funds 166
Table 5 Comparative Schedule of Operations-Municipal Pension Fund 167

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the wage and earnings tax. Property tax information is also presented.

Table 6 Wage and Earnings Tax Taxable Income 168
Table 7 Direct and Overlapping Tax Rates 169
Table 8 Principal Wage and Earnings Tax Remitters 171
Table 9 Assessed Value and Estimated Value of Taxable Property 172
Table 10 Principal Property Tax Payers 173
Table 11 Real Property Taxes Levied and Collected 174

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

Table 12 Ratios of Outstanding Debt by Type 175
Table 13 Ratios of General Bonded Debt Outstanding 176
Table 14 Direct and Overlapping Governmental Activities Debt 177
Table 15 Legal Debt Margin Information 178
Table 16 Pledged Revenue Coverage 179

Demographic & Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Table 17 Demographic and Economic Statistics 180
Table 18 Principal Employers 181

Operating Information

These tables contain service and infrastructure information data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

Table 19 Full Time Employees by Function 182
Table 20 Operating Indicators by Function 183
Table 21 Capital Assets Statistics by Function 184

City of Philadelphia
Net Position by Component
For the Fiscal Years 2005 Through 2014

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net Investment in Capital Assets	241.3	248.6	161.4	206.4	(5.8)	(59.3)	(47.5)	83.9	232.5	248.6
Restricted	516.5	471.5	689.7	641.0	833.8	705.1	789.5	621.8	586.8	630.3
Unrestricted	(1,028.6)	(1,010.9)	(1,220.5)	(1,567.1)	(2,120.6)	(2,421.9)	(2,495.5)	(2,478.2)	(2,588.9)	(2,843.5)
Total Governmental Activities Net Position	(270.8)	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,776.1)	(1,753.5)	(1,772.5)	(1,769.6)	(1,964.6)
Business-Type Activities										
Net Investment in Capital Assets	548.4	537.4	544.0	591.8	750.6	831.8	845.1	887.8	982.5	1,007.4
Restricted	472.0	551.9	635.1	644.1	511.2	489.3	550.6	591.8	628.9	685.5
Unrestricted	269.7	273.9	257.3	266.2	269.8	257.3	234.3	257.9	173.4	200.7
Total Business-Type Activities Net Position	1,290.1	1,363.2	1,436.4	1,502.1	1,531.6	1,578.4	1,630.0	1,737.5	1,784.8	1,893.6
Primary Government										
Net Investment in Capital Assets	789.7	786.0	705.4	798.2	744.8	772.5	797.6	971.7	1,215.0	1,256.0
Restricted	988.5	1,023.4	1,324.8	1,285.1	1,345.0	1,194.4	1,340.1	1,213.6	1,215.7	1,315.8
Unrestricted	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(2,164.6)	(2,261.2)	(2,220.3)	(2,415.5)	(2,642.8)
Total Primary Government Net Position	1,019.3	1,072.4	1,067.0	782.4	239.0	(197.7)	(123.5)	(35.0)	15.2	(71.0)

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2005 Through 2014

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
Economic Development	89.5	89.8	92.6	116.4	116.0	145.0	92.2	96.5	94.2	95.1
Transportation:										
Streets & Highways	119.0	116.0	116.6	117.7	119.1	129.4	136.3	115.6	112.9	143.9
Mass Transit	84.9	84.5	85.1	88.3	90.5	82.7	75.2	74.0	71.0	72.1
Judiciary and Law Enforcement:										
Police	817.1	836.0	921.4	1,002.9	985.6	990.5	1,048.1	1,094.2	1,087.9	1,262.7
Prisons	250.2	268.7	293.2	311.4	339.1	343.8	340.4	336.7	342.2	371.2
Courts	284.9	287.1	304.1	321.6	318.7	312.0	315.0	326.2	318.1	338.5
Conservation of Health:										
Emergency Medical Services	34.2	35.6	36.0	37.2	36.9	47.8	53.3	48.4	49.7	69.3
Health Services	1,275.0	1,411.9	1,442.6	1,572.6	1,701.5	1,446.7	1,524.6	1,500.1	1,464.9	1,519.1
Housing and Neighborhood Development	123.0	149.5	111.2	142.1	149.1	131.3	126.1	137.7	102.9	80.3
Cultural and Recreational										
Recreation	68.3	73.3	73.4	86.2	77.3	77.0	98.7	97.3	102.3	113.1
Parks	30.2	28.9	32.6	36.6	37.7	37.9	14.0	9.0	8.6	8.2
Libraries and Museums	80.7	68.6	90.3	87.0	92.8	79.0	75.7	80.8	76.1	84.5
Improvements to General Welfare:										
Social Services	697.6	702.0	765.5	794.1	756.3	718.8	718.4	675.5	625.3	657.5
Education	61.6	59.9	64.0	65.5	67.2	65.4	64.0	74.3	94.4	167.5
Inspections and Demolitions	79.0	55.3	64.3	47.3	27.8	23.4	30.1	26.5	38.0	43.3
Service to Property:										
Sanitation	126.0	128.8	134.4	138.0	137.8	142.7	143.0	153.2	136.7	153.1
Fire	229.6	236.1	285.3	284.8	278.6	266.0	285.9	292.2	296.8	386.6
General Management and Support	519.9	574.8	568.7	636.9	684.1	683.3	561.0	678.4	743.4	538.0
Interest on Long Term Debt	138.2	136.9	149.5	95.1	214.6	174.9	136.3	112.1	161.8	159.0
Total Governmental Activities Expenses	5,108.9	5,343.7	5,630.8	5,981.7	6,230.7	5,897.6	5,838.3	5,928.7	5,927.2	6,263.0
Business-Type Activities:										
Water and Sewer	442.3	455.4	476.2	504.3	530.8	502.5	520.2	490.8	513.4	543.5
Aviation	269.5	303.1	314.3	323.1	326.2	330.1	336.0	343.1	358.9	376.5
Industrial and Commercial Development	4.7	2.1	3.7	2.1	3.0	0.1	1.9	-	0.6	-
Total Business-Type Activities Expenses	716.5	760.6	794.2	829.5	860.0	832.7	858.1	833.9	872.9	920.0
Total Primary Government Expenses	5,825.4	6,104.3	6,425.0	6,811.2	7,090.7	6,730.3	6,696.4	6,762.6	6,800.1	7,183.0
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	0.1	-	-	-	0.3	0.1	-	1.1	2.6	0.1
Transportation:										
Streets & Highways	1.9	2.2	3.5	3.9	2.8	4.4	5.1	5.2	5.3	5.2
Mass Transit	0.5	0.6	0.6	0.5	0.4	0.5	0.6	1.3	1.9	1.9
Judiciary and Law Enforcement:										
Police	2.2	7.2	1.7	4.3	5.0	3.3	3.5	5.5	6.3	4.5
Prisons	0.4	0.4	0.3	0.3	0.4	0.5	0.5	0.9	0.7	0.4
Courts	48.4	51.5	51.5	52.7	51.8	53.4	45.6	60.6	59.9	50.3
Conservation of Health:										
Emergency Medical Services	23.1	25.0	27.7	27.6	37.5	36.8	34.7	27.5	33.3	36.3
Health Services	13.5	14.0	12.6	15.3	14.4	16.2	16.7	14.8	16.7	18.9
Housing and Neighborhood Development	10.0	22.3	45.2	25.2	31.3	20.8	23.1	28.6	23.5	16.7
Cultural and Recreational:										
Recreation	0.8	0.4	0.2	0.3	3.2	(0.1)	2.8	2.2	3.8	2.8
Parks	0.9	0.4	0.5	1.5	0.6	0.9	5.0	4.8	3.3	2.2
Libraries and Museums	0.5	0.9	0.9	0.8	1.3	0.9	1.8	1.2	1.0	2.0

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2005 Through 2014

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Improvements to General Welfare:										
Social Services	7.6	7.4	7.3	6.4	7.6	14.4	6.8	5.2	8.3	5.6
Education	-	-	-	-	1.1	-	-	-	0.1	-
Inspections and Demolitions	0.7	0.7	44.4	44.9	40.3	43.9	45.5	50.0	53.9	50.1
Service to Property:										
Sanitation	2.1	1.8	-	3.1	2.9	2.0	11.6	15.9	16.2	35.5
Fire	0.5	0.4	0.7	0.2	0.7	0.3	0.5	0.3	0.9	0.3
General Management and Support	130.8	179.1	107.5	110.6	131.9	127.9	136.6	139.7	134.2	177.7
Interest on Long Term Debt	-	-	-	-	-	-	9.2	0.3	-	0.2
Operating Grants and Contributions	2,067.2	2,142.1	2,204.9	2,339.9	2,438.1	2,050.4	2,223.5	2,102.1	1,986.4	1,967.3
Capital Grants and Contributions	9.1	21.4	15.8	10.0	35.0	46.9	32.1	43.2	48.9	35.3
Total Governmental Activities Program Revenues	2,320.3	2,477.8	2,525.3	2,647.5	2,806.6	2,423.5	2,605.2	2,510.4	2,407.2	2,413.3
Business-Type Activities:										
Charges for Services:										
Water and Sewer	450.6	470.8	493.6	503.3	499.7	552.4	558.5	598.3	608.7	638.6
Aviation	278.4	295.0	309.2	303.2	251.7	240.0	258.1	263.2	291.4	315.4
Industrial and Commercial Development	1.1	1.2	1.5	1.5	0.5	0.3	0.5	0.4	0.4	0.4
Operating Grants and Contributions	2.0	2.5	2.8	5.4	2.6	6.1	4.8	3.5	2.3	1.4
Capital Grants and Contributions	20.7	25.3	22.4	36.6	109.4	90.5	105.9	91.6	58.2	93.6
Total Business-Type Activities Program Revenues	752.8	794.8	829.5	850.0	863.9	889.3	927.8	957.0	961.0	1,049.4
Total Primary Government Revenues	3,073.1	3,272.6	3,354.8	3,497.5	3,670.5	3,312.8	3,533.0	3,467.4	3,368.2	3,462.7
Net (Expense)/Revenue										
Governmental Activities	(2,788.6)	(2,865.9)	(3,105.5)	(3,334.2)	(3,424.1)	(3,474.1)	(3,233.1)	(3,418.3)	(3,520.0)	(3,850)
Business-Type Activities	36.3	34.2	35.3	20.5	3.9	56.6	69.7	123.1	88.1	129.4
Total Primary Government Net Expense	(2,752.3)	(2,831.7)	(3,070.2)	(3,313.7)	(3,420.2)	(3,417.5)	(3,163.4)	(3,295.2)	(3,431.9)	(3,720)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	381.8	386.3	399.2	401.3	409.2	400.8	506.6	500.8	553.8	530.2
Wage & Earnings Taxes	1,373.0	1,424.9	1,498.5	1,524.5	1,465.5	1,448.5	1,504.6	1,551.7	1,598.7	1,639.8
Business Taxes	367.9	430.2	453.7	414.5	407.6	385.2	364.2	399.2	452.4	469.2
Other Taxes	406.4	457.7	460.3	457.0	435.0	578.3	645.8	663.6	706.0	735.8
Unrestricted Grants & Contributions	84.3	81.7	104.1	104.7	107.8	171.4	173.8	223.2	187.4	229.5
Interest & Investment Earnings	32.9	60.2	81.8	65.3	46.1	25.5	35.8	33.3	17.9	21.7
Special Items	-	-	-	-	-	-	-	-	-	-
Transfers	4.4	5.0	4.9	4.9	4.2	28.3	24.9	27.5	21.4	28.3
Total Governmental Activities	2,650.7	2,846.0	3,002.5	2,972.2	2,875.4	3,038.0	3,255.7	3,399.3	3,537.6	3,654.5
Business-Type Activities:										
Interest & Investment Earnings	15.8	43.8	45.7	48.7	22.9	7.7	6.9	9.0	12.7	5.3
Unrestricted Grants & Contributions	-	-	-	-	-	-	-	2.9	42.2	2.5
Transfers	(4.4)	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)	(24.9)	(27.5)	(21.4)	(28.3)
Total Business-Type Activities	11.4	38.9	40.8	43.8	18.7	(20.6)	(18.0)	(15.6)	33.5	(20.5)
Total Primary Government	2,662.1	2,884.9	3,043.3	3,016.0	2,894.1	3,017.4	3,237.7	3,383.7	3,571.1	3,634.0
Change in Net Position										
Governmental Activities	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)	(436.1)	22.6	(19.0)	17.6	(195.2)
Business-Type Activities	47.7	73.1	76.1	64.3	22.6	36.0	51.7	107.5	121.6	108.9
Total Primary Government	(90.2)	53.2	(26.9)	(297.7)	(526.1)	(400.1)	74.3	88.5	139.2	(86.3)

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2005 Through 2014

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	-	10.0	4.8	4.9	4.7	2.3	2.3	2.3	2.3	2.0
Stadium Financing	4.3	6.0	6.4	0.1	1.7	0.6	0.3	0.5	2.1	3.8
Cultural & Commercial Corridor Project	-	-	143.3	122.5	89.8	30.8	19.2	15.3	12.2	11.6
Long Term Loan	45.0	45.0	45.0	22.5	-	-	-	-	79.7	68.2
Committed to:										
Encumbrances	141.5	132.4	135.6	108.8	102.8	-	-	-	-	-
General Fund	-	-	-	-	-	87.9	-	-	-	-
Assigned to:	-	-	-	-	-	-	-	70.5	98.0	103.1
Unassigned:	(36.4)	111.2	152.7	(24.3)	(274.6)	(251.8)	(45.7)	-	90.0	23.0
Total General Fund:	154.3	304.5	487.8	234.4	(75.6)	(130.2)	(23.9)	88.6	284.4	211.7
All Other Governmental Funds										
Non-spendable:										
Permanent Fund (Principal)	-	-	-	-	-	-	2.6	2.6	2.8	3.2
Restricted for:										
Behavioral Health	61.5	196.0	192.9	177.8	188.7	171.0	250.1	230.7	233.7	188.6
Neighborhood Revitalization	173.6	130.1	99.9	77.8	74.6	73.1	61.3	51.6	34.2	30.6
Public Safety Emergency Phone System	6.8	16.7	21.7	28.7	38.8	40.4	36.9	29.6	24.5	27.5
Economic Development	-	-	-	-	-	-	6.6	10.3	7.2	6.8
Intergovernmental Financing	31.7	26.8	24.5	18.6	12.1	7.9	21.1	21.7	33.9	34.0
Intergovernmentally Financed Pgms							24.5	18.9	-	-
Streets & Highways	2.8	4.0	7.5	12.8	16.8	16.8	18.3	23.2	23.9	26.2
Housing & Neighborhood Development	-	-	-	-	-	-	10.5	10.5	15.0	16.6
Health Services	-	-	-	-	4.0	10.8	8.8	9.5	15.2	10.1
Debt Service	88.1	84.3	92.3	80.9	79.1	76.6	82.8	82.4	81.5	83.1
Capital Improvements	-	-	103.0	21.0	196.1	152.2	267.7	128.5	29.2	191.6
Trust Purposes	7.4	7.8	8.9	8.3	6.4	4.7	8.1	8.3	8.9	11.8
Parks & Recreation	-	-	-	-	-	-	0.3	0.4	0.4	0.4
Libraries & Museums	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Stadium Financing	-	-	-	-	-	-	6.3	6.4	6.8	7.3
Committed to:										
Capital Improvements	76.5	76.0	56.7	61.7	62.5	37.9	-	-	-	-
Economic Development	-	-	-	-	-	6.5	-	-	-	-
Housing & Neighborhood Development	-	9.6	15.9	17.4	18.6	15.2	-	-	-	-
Debt Service	6.5	4.9	5.2	5.7	5.6	7.9	-	-	-	-
Trust Purposes	5.6	6.9	9.2	9.1	8.0	7.7	-	-	-	-
Intergovernmental Financing	43.6	50.1	53.3	52.2	62.6	36.2	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-
Prisons	-	-	-	-	-	-	3.6	4.2	4.4	3.5
Parks & Recreation	-	-	-	-	-	-	0.5	0.9	0.7	0.8
Assigned to:										
Behavioral Health	134.7	-	28.4	40.5	-	42.5	-	-	-	-
PICA Rebate Fund	5.7	6.5	7.0	7.4	8.0	7.5	-	-	-	-
PMA	0.2	0.2	0.2	0.2	0.2	0.2	-	-	-	-
Unassigned:										
Community Behavioral Health	-	(24.8)	-	-	(5.4)	-	-	-	-	-
Housing & Neighborhood Dev	(8.0)	(5.5)	(3.9)	(3.2)	(5.0)	(4.0)	(4.0)	(6.5)	(7.2)	(7.9)
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Grants Revenue Fund	(43.3)	(51.2)	(26.2)	(23.0)	(36.7)	(39.0)	(34.3)	(175.1)	(217.1)	(273.3)
Capital Improvement	(6.3)	(67.1)	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	587.1	471.3	696.3	594.2	734.9	672.1	771.7	458.1	298.1	360.7

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability.
A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occured.

City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2005 Through 2014

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Tax Revenue	2,535.2	2,535.2	2,805.1	2,781.8	2,705.2	2,812.3	2,995.0	3,112.5	3,304.4	3,370.8
Locally Generated Non-Tax Revenue	265.2	265.2	381.7	349.7	349.3	302.7	370.6	336.5	348.6	387.1
Revenue from Other Governments	2,242.0	2,242.0	2,376.6	2,468.4	2,564.9	2,323.4	2,366.4	2,226.1	2,212.0	2,169.0
Other Revenues	16.7	16.7	17.1	17.9	49.6	33.1	25.8	27.5	27.9	20.2
Total Revenues	5,059.1	5,059.1	5,580.5	5,617.8	5,669.0	5,471.5	5,757.8	5,702.6	5,892.9	5,947.1
Expenditures										
Current Operating:										
Economic Development	92.7	92.7	85.5	112.3	107.0	135.1	82.6	88.9	85.9	83.7
Transportation:										
Streets & Highways	77.7	77.7	89.2	89.7	89.9	91.1	87.4	75.6	81.6	98.1
Mass Transit	56.6	56.6	58.1	61.7	63.7	65.2	67.1	67.7	66.5	67.5
Judiciary and Law Enforcement										
Police	770.9	770.9	860.2	951.9	933.9	882.7	955.9	1,020.0	1,089.4	1,164.9
Prisons	241.3	241.3	278.1	298.2	326.9	315.2	315.9	318.2	338.7	346.3
Courts	276.9	276.9	292.3	311.1	310.5	288.1	294.9	312.3	309.2	317.9
Conservation of Health:										
Emergency Medical Services	33.3	33.3	34.9	36.0	36.2	45.0	50.7	46.7	50.0	65.8
Health Services	1,271.1	1,271.1	1,436.8	1,567.6	1,695.0	1,436.5	1,514.8	1,492.7	1,464.6	1,510.3
Housing and Neighborhood Development	122.9	122.9	109.2	141.9	148.4	131.2	126.1	133.8	102.8	80.3
Cultural and Recreational										
Recreation	58.3	58.3	62.2	74.3	65.1	58.4	82.9	85.9	90.3	98.6
Parks	23.7	23.7	26.3	28.9	31.8	26.9	5.8	6.1	3.9	1.2
Libraries and Museums	68.2	68.2	83.2	84.2	81.0	68.8	68.7	71.9	72.0	74.9
Improvements to General Welfare:										
Social Services	689.1	689.1	756.7	778.2	743.1	699.7	701.8	674.3	624.3	655.3
Education	61.5	61.5	64.0	65.5	67.2	65.4	64.0	74.3	94.4	167.5
Inspections and Demolitions	81.2	81.2	63.0	46.3	33.1	27.3	34.8	32.2	45.8	40.8
Service to Property:										
Sanitation	122.0	122.0	129.5	132.9	134.6	130.6	133.9	146.2	137.2	144.8
Fire	217.8	217.8	267.6	276.4	266.9	237.6	258.1	267.8	295.9	344.2
General Management and Support	477.1	477.1	563.7	618.4	693.8	615.0	568.5	619.1	622.8	646.7
Capital Outlay	103.1	103.1	92.3	105.8	126.9	148.9	134.9	202.0	161.1	140.1
Debt Service:										
Principal	95.8	95.8	91.5	94.1	87.6	89.7	91.4	103.2	114.1	120.3
Interest	101.0	101.0	103.4	100.0	105.7	96.7	105.6	105.2	112.2	118.0
Bond Issuance Cost	3.9	3.9	5.0	24.2	8.5	23.5	2.2	1.6	4.4	5.0
Total Expenditures	5,046.1	5,046.1	5,552.7	5,999.6	6,156.8	5,678.6	5,748.0	5,945.7	5,967.1	6,292.2
Excess of Revenues Over (Under) Expenditures	13.0	13.0	27.8	(381.8)	(487.8)	(207.1)	9.8	(243.1)	(74.2)	(345.1)
Other Financing Sources (Uses)										
Issuance of Debt	157.3	157.3	353.1	1,303.8	262.9	207.0	139.1	12.6	299.8	293.8
Issuance of Refunding Debt	-	-	-	-	354.9	337.0	114.6	112.6	231.2	363.6
Bond Issuance Premium	-	-	13.8	31.1	26.7	24.3	5.0	16.6	0.8	31.4
Proceeds from Lease & Service Agreements	-	-	-	-	(3.1)	(1.0)	28.1	-	(252.7)	-
Payment to Refunded Bonds Escrow Agent	-	-	-	(1,313.7)	(326.9)	(504.0)	(117.6)	(127.3)	(190.5)	(382.2)
Transfers In	581.4	581.4	460.1	465.2	574.5	558.1	583.1	600.8	613.1	616.3
Transfers Out	(577.0)	(577.0)	(455.1)	(460.2)	(570.3)	(529.7)	(558.1)	(573.3)	(591.7)	(587.9)
Total Other Financing Sources (Uses)	161.7	161.7	371.9	26.2	318.7	91.7	194.2	42.0	110.0	335.0
Net Change in Fund Balances	174.7	174.7	399.7	(355.6)	(169.1)	(115.4)	204.0	(201.1)	35.8	(10.1)
Debt Service as a Percentage of Non-capital Expenditures	4.0%	4.0%	3.6%	3.3%	3.2%	3.4%	3.5%	3.6%	3.9%	3.9%

[1.0] Effective April 15, 2003, the City implemented a change to the basis on which the Business Income and Receipts Tax is collected requiring an estimated payment applicable to the next year's tax liability. $166.9 million of these estimated tax payments were deferred in the general fund in FY2013 because the underlying events had not occured.

City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2005 through 2014

Table 5

Amounts in millions of USD

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Additions:										
Contributions:										
Employee Contributions	49.3	48.9	49.2	51.7	54.0	51.6	52.7	50.0	49.6	53.7
Employer's:										
City of Philadelphia	290.6	321.3	419.2	412.4	440.0	297.4	455.8	539.8	763.7	533.4
Quasi-Governmental Agencies	8.6	10.4	13.1	14.5	15.4	15.1	14.2	16.2	18.1	19.8
Total Employer's Contributions	299.2	331.7	432.3	426.9	455.4	312.5	470.1	556.0	781.8	553.2
Total Contributions	348.5	380.6	481.5	478.6	509.4	364.1	522.8	606.0	831.4	606.9
Interest & Dividends	74.6	65.1	80.3	97.1	75.6	70.5	79.5	86.2	122.9	102.2
Net Gain (Decline) in Fair Value of Investments	306.2	386.4	684.7	(322.0)	(945.6)	381.2	618.5	(57.7)	213.9	585.4
(Less) Investment Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(13.3)	(12.2)	(10.2)
Net Securities Lending Revenue	0.9	0.7	1.1	7.4	5.7	1.9	1.5	2.1	3.0	4.2
Securities Lending Unrealized Loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	118.0	0.0
(Less) Securities Lending Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)	(0.3)	(0.6)
Net Investment Income (Loss)	381.7	452.2	766.1	(217.5)	(864.3)	453.6	699.5	14.5	445.3	681.0
Miscellaneous Operating Revenue	0.4	2.1	2.1	1.1	1.0	0.7	1.4	0.0	0.5	0.5
Total Additions	730.6	834.9	1,249.7	262.2	(353.9)	818.4	1,223.7	620.5	1,277.2	1,288.4
Deductions:										
Pension Benefits	590.6	608.6	655.8	725.7	681.1	680.1	681.9	706.2	740.7	802.6
Refunds to Members	4.6	4.8	4.5	4.2	4.8	4.5	5.1	6.5	5.7	6.0
Administrative Costs	6.8	6.7	6.7	7.6	8.4	8.1	8.0	0.0	8.2	8.3
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.2	0.2	0.0
Total Deductions	602.0	620.1	667.0	737.5	694.3	692.7	695.0	727.9	754.8	816.9
Net Increase (Decrease)	128.6	214.8	582.7	(475.3)	(1,048.2)	125.7	528.7	(107.4)	522.4	471.5
Net Assets: Adjusted Opening	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2	3,922.8	4,445.2
Closing	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2	3,922.8	4,445.2	4,916.7
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%	1432.56%	1623.45%	1687.24%	1682.60%
Closing Net Assets	14.40%	14.10%	13.39%	16.40%	20.18%	19.42%	16.92%	18.00%	16.66%	16.32%
Coverage of Additions over Deductions	121.36%	134.64%	187.36%	35.55%	-50.97%	118.15%	176.07%	85.25%	169.21%	157.72%
Investment Earnings as % of Pension Benefits	64.63%	74.30%	116.82%	-29.97%	-126.90%	66.70%	102.58%	2.05%	60.12%	84.85%

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 2004 Through 2013

Table 6

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1,2]	Taxable Income	% of Total	Direct Rate [1, 2]	Total Taxable Income	Total Direct Rate
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	21,051.3	57.33%	4.26000%	15,670.2	42.67%	3.75570%	36,721.5	4.04480%
2008	22,013.7	57.19%	4.09950%	16,479.4	42.81%	3.63170%	38,493.1	3.89923%
2009	21,805.5	57.38%	3.92980%	16,197.3	42.62%	3.49985%	38,002.8	3.74655%
2010	22,170.8	57.02%	3.92880%	16,713.5	42.98%	3.49910%	38,884.3	3.74410%
2011	22,726.3	57.06%	3.92800%	17,102.2	42.94%	3.49850%	39,828.5	3.74357%
2012	23,360.6	56.99%	3.92800%	17,627.0	43.01%	3.49850%	40,987.6	3.74329%
2013	24,705.9	58.46%	3.92400%	17,557.7	41.54%	3.49500%	42,263.6	3.74578%

Note:
The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

[1] For the years 2000 through 2003 the rate changed on July 1st. For those years the direct rate is an average of the two rates involved during the calendar year.

[2] In 2008 and 2009, the rate changed on January 1st and July 1st. The direct rate is an average of the two rates involved during that calendar year.

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 2005 through 2014

Tax Classification	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Wage and Earnings Tax:										
[a] City Residents	4.3310%	4.3010% [b]	4.2600% [b]	4.2190% [b]	3.9300% [b]	3.9296% [b]	3.9280% [b]	3.9280% [b]	3.9280% [b]	3.9240%
Non-City Residents	3.8197%	3.7716% [b]	3.7557% [b]	3.7242% [b]	3.5000% [b]	3.4997% [b]	3.4985% [b]	3.4985% [b]	3.4985% [b]	3.4950%
	Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax									
[d] **Real Property: (% on Assessed Valuation)**										
City	3.474%	3.474%	3.474%	3.305%	3.305%	3.305%	4.123%	4.123%	4.462%	0.602%
School District of Philadelphia	4.790%	4.790%	4.790%	4.959%	4.959%	4.959%	4.959%	5.309%	5.309%	0.738%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	9.082%	9.432%	9.771%	1.340%
[e] Assessment Ratio	29.69%	29.24%	29.22%	28.86%	28.46%	26.73%	28.05%	28.87%	28.68%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.454%	2.416%	2.415%	2.385%	2.352%	2.209%	2.548%	2.723%	2.802%	NA
	The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest If you pay your bill on or before the last day of February, you receive a 1% discount.									
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate Certain long term leases are also subject to this tax.									
[c] **Business Income and Receipts Taxes**										
(% on Gross Receipts)	0.2100%	0.1900%	0.1665%	0.1540%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%
[f] (% on Net Income)	6.5000%	6.5000%	6.5000%	6.5000%	6.4500%	6.4500%	6.4500%	6.4500%	6.4500%	6.4300%
	Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BIRT Return									
[c] **Net Profits Tax:**										
[a] City Residents	4.6250%	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%	3.9280%	3.9280%	3.9280%	3.9240%
Non-City Residents	3.8801%	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%	3.4985%	3.4985%	3.4985%	3.4950%
	Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.									

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 2005 through 2014

Tax Classification	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	7.0%	7.0%	7.0%	7.0%	7.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged									
Parking Lot Tax	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
	Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City									
Hotel Room Rental Tax	6.0%	6.0%	6.0%	6.0%	6.0%	7.2%	8.2%	8.2%	8.2%	8.5%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	7.0%	7.0%	7.0%	7.0%	7.0%	8.2%	9.2%	9.2%	9.2%	9.5%
	Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other buildin located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.									
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration									

[a] Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

[b] Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 2011, from July 1 through December 31, 2010 the rates were 3.928 % and 3.4985%.

[c] Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

[d] Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

[e] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[f] 60% of the Net Income portion of the Business Income and Receipts Tax is allowed to be credited against the Net Profits Tax.

City of Philadelphia **Table 8**

Principal Wage and Earnings Tax Remitters [1]

Current Calendar Year and Nine Years Ago

Amounts in millions of USD

	2013			2004		
Remittance Range	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater then $10 million	16	$408.2	25.78%	14	$320.1	24.00%
Between $1 million & $10 million	161	387.7	24.49%	139	332.1	24.90%
Between $100,000 & $1 million	1,661	425.5	26.88%	1,383	354.1	26.55%
Between $10,000 & $100,000	9,136	269.2	17.00%	8,259	244.0	18.30%
Less then $10,000	40,097	92.5	5.85%	36,197	83.2	6.25%
Total	51,071	$1,583.1	100.00%	45,992	$1,333.5	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia

Assessed Value and Estimated Value of Taxable Property

For the Calendar Years 2005 through 2014

Table 9

Amounts in millions of USD

Calendar Year of Levy [1]	Assessed Value on Certification Date [3]	Less: Tax-Exempt Property [2, 3]	Less: Homestead Exemption [7]	Total Taxable Assessed Value [2, 3]	Less: Adjustments between Certification Date and Billing Date [3]	Total Taxable Assessed Value on Billing Date	Total Direct Tax Rate [4]	STEB Ratio [5]	Estimated Actual Taxable Value (STEB)	Sales Ratio [6]	Estimated Actual Taxable Value (Sales)
2005	15,072	4,040		11,032		11,032	3.474%	29.69%	37,157	24.21%	45,568
2006	15,803	4,372		11,431		11,431	3.474%	29.24%	39,094	23.73%	48,171
2007	16,243	4,628		11,615		11,615	3.474%	29.22%	39,750	17.42%	66,676
2008	16,974	4,799		12,175		12,175	3.305%	28.86%	42,186	17.94%	67,865
2009	17,352	5,146		12,206		12,206	3.305%	28.46%	42,888	16.44%	74,246
2010	17,615	5,339		12,276		12,276	3.305%	26.73%	45,926	24.64%	49,821
2011	17,940	5,593		12,347		12,347	4.123%	28.05%	44,018	13.35%	92,487
2012	18,022	5,685		12,337		12,337	4.123%	28.87%	42,733	13.13%	93,960
2013	18,181	5,765		12,416		12,416	4.462%	28.68%	43,291	11.88%	104,512
2014	137,404	37,462	5,429	94,513	2,590	91,923	0.602%	NA	NA	NA	NA

[1] Real property tax bills are normally sent out in December and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

[3] Source: Office of Property Assessment. Beginning in 2014:

a) the Assessed Value Certification Date was moved up to 3/31/2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in November)

b) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

[4] Total Direct Tax Rate is City portion only and excludes the School District portion (see statistical table #7 for breakdown).

[5] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

[6] This ratio is compiled by the Office of Property Assessment based on sales of property during the year.

[7] Starting in 2014, the City provided for a $30,000 Homestead Exemption (amount subject to change) to all homeowners.

City of Philadelphia **Table 10**

Principal Property Tax Payers

Current Year and Nine Years Ago

Amounts in millions of USD

	2014			2005		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
HUB Properties Trust	265.7	1	0.28	51.2	4	0.46
Nine Penn Center Associates	232.6	2	0.25	54.1	2	0.49
Phila Liberty Pla E Lp	207.7	3	0.22	57.6	1	0.52
Philadelphia Market Street	203.7	4	0.22			-
Tenet Healthsystem Hahnem	192.1	5	0.20			-
Commerce Square Partners	178.2	6	0.19	30.5	9	0.28
Maguire/Thomas	170.1	7	0.18	32.0	8	0.30
Franklin Mills Associates	163.2	8	0.17	48.4	5	0.44
Brandywine Operating Part (Bell Atlantic)	159.4	9	0.17	44.2	6	0.40
NNN 1818 Market St. 37	146.8	10	0.16			-
Two Liberty Place				53.1	3	0.48
PRU 1901 Market LLC				32.9	7	0.30
Phila Shipyard Development Corp				30.3	10	0.27
	1,919.5		2.03	434.3		3.94
Taxable Assessments (before Homestead) [2]	99,942.0		100.00	11,031.8		100.00
Less Homestead Exemption [2]	5,429.0			0.0		
Total Taxable Assessments	94,513.0			11,031.8		

[1] Source: Office of Property Assessment.

a) 2014 Assessment as of March 2013.

b) 2005 Assessment as of November 2004.

[2] In calendar year 2014,

a) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

b) the City initiated a new $30,000 Homestead Exemption to all homeowners.

City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2005 through 2014
General Fund

Table 11

Amounts in millions of USD

Calendar Year	Taxes Levied for the Year **1	Taxes Levied Based on Adjusted Assessment **2	Collected in the Calendar Year of Levy **3	Percentage Collected in the Calendar Year of Levy	Collected in Subsequent Years **4	Total Collected to Date: All Years	Percentage Collected to Date: All Years
2005	373.5	NA	350.3	93.8%	23.0	373.3	99.9%
2006	385.6	NA	339.6	88.1%	24.6	364.2	94.5%
2007	391.7	NA	347.5	88.7%	26.0	373.5	95.4%
2008	390.2	NA	346.4	88.8%	27.5	373.9	95.8%
2009	396.5	NA	315.4	79.5%	47.0	362.4	91.4%
2010	405.8	NA	353.7	87.2%	41.8	395.5	97.5%
2011	509.1	NA	440.9	86.6%	44.8	485.7	95.4%
2012	508.6	492.2	459.2	93.3%	13.9	473.1	96.1%
2013	554.0	538.0	505.6	94.0%	8.3	513.9	95.5%
2014	553.2	535.8	470.1	87.7%	N/A	470.1	87.7%

**1 Taxes are levied on a calendar year basis, this column represents the initial bill. They are due on March 31st.

**2 Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid.
For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.

**3 For 2014, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections thru the end of June 2014.

**4 Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount that remains unpaid at that time.

Note that all amounts in this table pertain to the General Fund only and do not include amounts levied and collected for the school district.
The collection percentages for the school district are the same as for the General Fund.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2005 through 2014

Table 12

Amounts in millions of USD (except per capita)

	Governmental Activities										Business-Type Activities						
Fiscal Year	General Obligation Bonds	Pension Service Agreement	City Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	PAID School District	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	% of Personal Income [1]	Per Capita
2005	1,950.8	1,429.7	-	285.3	52.2	341.1	-	-		4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	0.2	4,597.1
2006	1,863.8	1,439.2	-	279.8	50.9	339.6	10.1	-		3,983.4	7.0	1,747.3	1,168.8	2,923.1	6,906.5	0.2	4,549.7
2007	1,993.7	1,444.9	-	273.9	49.6	334.0	9.7	139.6		4,245.4	5.8	1,674.3	1,141.0	2,821.1	7,066.5	0.1	4,649.0
2008	1,899.1	1,446.6	-	267.8	47.7	328.8	9.3	136.6		4,135.9	4.6	1,590.0	1,282.2	2,876.8	7,012.7	0.1	4,583.5
2009	2,093.8	1,443.8	-	261.5	46.3	323.6	8.9	133.3		4,311.2	3.4	1,648.7	1,250.4	2,902.5	7,213.7	0.1	4,684.2
2010	2,085.1	1,428.3	-	254.8	44.9	319.6	8.5	129.9		4,271.1	2.2	1,574.9	1,213.9	2,791.0	7,062.1	0.1	4,565.0
2011	2,135.0	1,407.3	-	247.8	43.4	314.9	8.1	126.4		4,282.9	1.0	1,738.2	1,450.8	3,190.0	7,472.9	0.1	4,897.1
2012	2,041.1	1,379.3	-	240.3	41.9	310.0	7.7	122.8		4,143.1	-	1,819.9	1,383.1	3,203.0	7,346.1	0.1	4,782.6
2013 [2]	1,968.7	1,171.3	423.3	234.1	41.8	313.0	7.7	119.9		4,279.8	-	1,830.4	1,355.4	3,185.8	7,465.6	0.1	4,822.7
2014	2,139.7	1,121.4	299.8	225.5	39.6	300.6	7.2	116.0	27.3	4,277.1	-	1,935.3	1,291.7	3,227.0	7,504.1	0.1	4,832.0

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1 See Table 17 for Personal Income and Population Amounts
2 FY 2013 amounts reflect the implementation of GASB Statement No. 65

City of Philadelphia **Table 13**

Ratios of General Bonded Debt Outstanding

For the Fiscal Years 2005 through 2014

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]
2005	1,950.8	11,031.8	29.69%	37,156.6	5.25%	1,285.43
2006	1,863.8	11,430.6	29.24%	39,092.3	4.77%	1,225.98
2007	1,993.7	11,615.0	29.22%	39,750.2	5.02%	1,303.05
2008	1,899.1	12,175.2	28.86%	42,187.1	4.50%	1,232.90
2009	2,093.8	12,205.6	28.46%	42,886.9	4.88%	1,353.20
2010	2,085.1	12,276.3	26.73%	45,927.0	4.54%	1,366.38
2011	2,135.0	12,347.1	28.05%	44,018.2	4.85%	1,387.65
2012	2,041.1	12,337.0	28.87%	42,732.9	4.78%	1,318.87
2013	1,968.7	12,416.0	28.68%	43,291.5	4.55%	1,267.54
2014	2,139.7	94,513.0	NA	NA	NA	NA

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Office of Property Assessment

[2] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[3] See Table 17 for Population Amounts

City of Philadelphia

Table 14

Direct and Overlapping Governmental Activities Debt
June 30, 2014

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	3,073.7	100.00%	3,073.7
[1] **City Direct Debt**			4,277.1
Total Direct and Overlapping Debt			7,350.8

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

[1] Refer to Table 12

City of Philadelphia
Legal Debt Margin Information
For the Fiscal Years 2005 through 2014

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2014

Assessed Value	22,304.9
Debt Limit	3,011.1
[1] Debt Applicable to Limit:	
Tax Supported General Obligation Debt:	
Issued & Outstanding	1,438.4
Authorized but Unissued	235.0
Total	1,673.4
Less: Amount set aside for repayment of general obligation debt	-
Total Net Debt Applicable to Limit	1,673.4
Legal Debt Margin	1,337.7

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit (notes 2, 3, 4, and 5)	1,304.8	1,335.6	1,374.7	1,418.0	1,469.4	1,523.4	1,571.9	1,622.3	1,670.0	3,011.1
Total Net Debt Applicable to Limit	1,205.5	1,185.8	1,293.4	1,329.3	1,352.3	1,407.0	1,474.6	1,542.5	1,617.9	1,673.4
Legal Debt Margin	99.3	149.8	81.3	88.7	117.1	116.4	97.3	79.8	52.1	1,337.7
Total Net Debt Applicable to the Limit as a Percent of Total Debt	92.39%	88.78%	94.09%	93.74%	92.03%	92.36%	93.81%	95.08%	96.88%	55.57%

[1] Refer to Purdon's Statutes 53 P.S. Section 15721

[2] The legal limit is based on the Pennsylvania Constittution article IX Section 12.

[3] Tax Years 2004-2012 assessed values were provided by OPA via The Department of Revenue..

[4] Calendar Year 2013/Tax Year 2014 assessed values were provided by OPA. The higher amount was due to the implementation of the AVI (Actual Value Initiative) in 2013.

[5] Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the proceeding 10 year average; prior to this change, the Tax Year assessed values was used.

Calendar Year of assessment	Tax Year of assessment	R.E. Assessments
2004	2005	11,430,376,225
2005	2006	11,949,243,041
2006	2007	12,268,019,348
2007	2008	12,901,810,390
2008	2009	13,307,070,680
2009	2010	13,102,186,291
2010	2011	13,522,847,116
2011	2012	13,602,484,741
2012	2013	13,755,670,566
2013	2014	107,209,023,547
	Ten Year average	22,304,873,194.5
	Limit per art. 9	13.50%
	Legal Debt Limit	3,011,157,881

City of Philadelphia **Table 16**

Pledged Revenue Coverage

For the Fiscal Years 2005 through 2014

Amounts in millions of USD

No.		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	463.5	504.0	536.2	597.8	527.5	566.7	589.7	613.3	638.4	680.4
2	Net Operating Expenses	277.7	284.2	303.2	334.7	342.6	334.0	357.7	375.1	399.3	410.8
3	Transfer To (From) Rate Stabilization Fund	(0.6)	21.6	26.0	(9.8)	(34.7)	(2.7)	10.9	8.5	(4.7)	22.9
4	Net Revenues	186.4	198.2	207.0	272.9	219.6	235.4	221.1	229.7	243.8	246.7
	Debt Service:										
5	Revenue Bonds Outstanding	155.4	165.2	172.7	173.8	183.0	195.7	184.3	191.4	201.0	201.7
6	General Obligation Bonds Outstanding	-	-	-	-	-					
7	Pennvest Loan	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.0	-	-
8	Total Debt Service	156.6	166.4	173.9	175.0	184.2	196.9	185.5	192.4	201.0	201.7
9	Net Revenue after Debt Service	29.8	31.8	33.1	97.9	35.4	38.5	35.6	37.3	42.8	45.0
10	Transfer to General Fund	4.4	5.0	5.0	5.0	4.2	2.3	-	1.1	0.6	-
11	Transfer to Capital Fund	16.7	16.9	16.9	16.9	17.1	17.3	18.1	18.9	19.4	20.2
12	Transfer to Residual Fund	8.7	9.9	11.2	76.0	14.1	18.9	17.5	17.3	22.8	24.8
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.57	1.20	1.20	1.20	1.20	1.21	1.22
	Coverage B (Line 4/(Line 8 + Line 11))	1.08	1.08	1.08	1.42	1.09	1.10	1.09	1.09	1.11	1.11
	Airport Revenue Bonds										
1	Fund Balance	-	-	10.2	42.6	61.4	55.1	77.6	65.9	69.3	66.5
2	Project Revenues	185.1	200.8	211.3	250.5	255.3	246.9	260.8	269.6	291.8	316.9
3	Passenger Facility Charges	32.9	32.6	32.9	32.9	32.9	33.1	32.4	31.6	31.2	31.2
4	Total Fund Balance and Revenue	218.0	233.4	254.4	326.0	349.6	335.1	370.8	367.1	392.3	414.6
5	Net Operating Expenses	71.3	77.2	87.1	99.8	99.5	102.9	98.1	99.0	110.7	117.3
6	Interdepartmental Charges	57.6	57.9	70.6	89.1	89.0	80.7	88.6	92.7	101.9	103.9
7	Total Expenses	128.9	135.1	157.7	188.9	188.5	183.6	186.7	191.7	212.6	221.2
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	146.7	156.2	167.3	226.2	250.1	232.2	272.7	268.1	281.6	297.3
9	All Bonds (Line 4-Line 7)	89.1	98.3	96.7	137.1	161.1	151.5	184.1	175.4	179.7	193.4
	Debt Service:										
10	Revenue Bonds	88.1	88.1	85.5	84.4	95.6	94.3	102.4	103.0	109.8	125.4
11	General Obligation Bonds	1.1	-	-	-	-	-	-	-	-	-
12	Total Debt Service	89.2	88.1	85.5	84.4	95.6	94.3	102.4	103.0	109.8	125.4
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.67	1.77	1.96	2.68	2.62	2.46	2.66	2.60	2.56	2.37
	Total Debt Service - Test "B" (Line 9/Line 12)	1.00	1.12	1.13	1.62	1.69	1.61	1.80	1.70	1.64	1.54

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 2004 through 2013

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2004	1,514,658	43,463,015	28,695	7.3%
2005	1,517,628	44,944,207	29,615	6.7%
2006	1,520,251	47,566,075	31,288	6.2%
2007	1,530,031	50,672,227	33,118	6.0%
2008	1,540,351	54,262,716	35,228	7.1%
2009	1,547,297	54,061,223	34,939	9.6%
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%

[1] US Census Bureau

[2] US Department of Commerce, Bureau of Economic Analysis

[3] US Department of Labor, Bureau of Labor Statistics

City of Philadelphia

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2013	2004
Albert Einstein Medical	Albert Einstein Medical
Children's Hospital of Philadelphia	Children's Hospital of Philadelphia
City of Philadelphia	City of Philadelphia
Comcast Corporation	Hospital of the University of Pennsylvania
Hospital of the University of Pennsylvania	School District of Philadelphia
School District of Philadelphia	SEPTA
SEPTA	Temple University
Temple University	Thomas Jefferson University Hospitals
Thomas Jefferson University Hospitals	United States Postal Service
University Of Pennsylvania	University Of Pennsylvania

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2005 through 2014

Table 19

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Economic Development	6	6	9	6	23	25	27	28	31	29
Transportation:										
Streets & Highways	564	579	667	584	568	515	499	524	517	525
Mass Transit	1	1	1	1	8	7	9	13	15	15
Judiciary and Law Enforcement:										
Police	7,578	7,522	8,036	7,754	7,685	7,503	7,439	7,292	7,270	7,177
Prisons	2,227	2,228	1,991	2,153	2,309	2,268	2,173	2,150	2,245	2,257
Courts	3,450	3,403	3,500	3,386	3,310	3,215	3,225	3,249	3,260	3,234
Conservation of Health:										
Emergency Medical Services	289	255	311	237	256	329	341	338	375	494
Health Services	1,163	1,133	1,236	1,140	1,163	1,135	1,139	1,143	1,117	1,097
Housing and Neighborhood Development	105	97	120	108	99	96	94	83	75	72
Cultural and Recreational:										
Recreation	511	495	589	483	462	453	601	605	596	587
Parks	182	158	217	156	152	158	1	-	-	
Libraries and Museums	726	812	829	808	723	687	682	658	651	637
Improvements to General Welfare:										
Social Services	2,196	2,140	2,218	2,232	2,107	2,079	1,989	1,924	1,832	1,809
Inspections and Demolitions	380	248	450	246	221	223	214	230	286	288
Service to Property:										
Sanitation	1,233	1,272	1,338	1,239	1,169	1,157	1,185	1,154	1,152	1,158
Fire	1,925	1,974	2,121	2,052	2,019	1,820	1,838	1,700	1,705	1,643
General Management and Support	2,253	2,347	2,494	2,414	2,393	2,276	2,225	2,454	2,384	2,456
Total Governmental Activities	24,789	24,670	26,127	24,999	24,667	23,946	23,681	23,545	23,511	23,478
Business Type Activities:										
Water and Sewer	2,326	2,239	2,415	2,291	2,256	2,196	2,116	2,228	2,218	2,302
Aviation	967	1,004	915	1,057	1,033	1,001	1,010	1,021	1,057	1,040
Total Business-Type Activities	3,293	3,243	3,330	3,348	3,289	3,197	3,126	3,249	3,275	3,342
Fiduciary Activities:										
Pension Trust	64	65	62	59	69	66	65	61	53	50
Total Primary Government	28,146	27,978	29,519	28,406	28,025	27,209	26,872	26,855	26,839	26,870

City of Philadelphia **Table 20**

Operating Indicators by Function
For the Fiscal Years 2005 through 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	105	102	107	74	119	69	36	37	51	34
Potholes Repaired	20,862	18,203	12,721	12,326	11,976	23,049	24,406	14,451	12,093	45,077
Judiciary and Law Enforcement:										
Police										
Arrests	67,795	69,166	73,606	75,805	68,922	64,465	73,310	70,971	71,109	71,650
Calls to 911	3,270,114	3,321,896	3,398,985	3,164,454	3,084,261	3,064,973	2,949,231	3,118,648	2,979,990	2,879,620
Prisons										
Average Inmate Population	8,141	8,613	8,796	9,133	9,554	8,806	7,935	8,240	8,987	8,759
Inmate Beds (city owned)	8,405	8,605	8,443	9,005	9,137	9,137	8,200	8,417	8,417	8,417
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	NA	209,654	216,606	215,305	217,505	222,882	227,147	273,557	280,877	239,403
First Responder Runs	NA	69,740	68,203	60,756	53,610	54,960	66,763	60,972	57,047	60,296
Health										
Patient Visits	337,770	324,014	323,121	334,139	349,078	350,695	339,032	348,472	341,305	309,911
Children Screened for Lead Poisoning	38,013	43,038	43,501	41,590	50,525	47,713	45,844	28,244	32,271	-
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	NA	2,878	2,227	1,389	1,420	1,388	2,714	1,978	2,442	873
Libraries										
Items borrowed	6,294,315	6,188,637	6,328,706	7,037,694	7,419,466	6,530,662	7,210,217	7,503,031	6,579,054	6,502,087
Visitors to all libraries	5,517,569	6,103,354	6,422,857	6,648,998	6,396,633	5,615,201	6,103,528	6,020,321	6,116,762	5,563,015
Visitors to library website	2,044,518	2,594,527	3,285,380	4,912,405	4,613,496	5,256,928	6,131,726	6,886,339	7,301,311	8,194,626
Improvements to General Welfare:										
Social Services										
Children Receiving Services	28,926	28,086	28,898	25,893	35,685	31,416	28,572	28,939	27,391	17,761
Children in Placement	8,548	7,999	8,070	7,739	7,993	8,792	7,122	7,839	8,509	8,548
Emergency Shelter Beds (average)	2,539	2,781	2,677	2,747	2,689	2,617	2,520	2,987	2,116	2,544
Transitional Housing Units (new placements)	597	448	543	435	476	487	510	558	539	509
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	3,008	3,006	2,922	2,798	2,532	2,412	2,254	2,299	2,179	2,132
Recyclables Collected (tons per day)	157	155	179	197	288	381	441	461	470	490
Fire										
Fires Handled	NA	9,523	8,080	7,444	6,850	4,927	7,945	7,319	6,365	6,120
Fire Marshall Investigations	NA	2,734	3,153	3,097	3,031	2,726	2,711	2,387	2,135	1,943
Business Type Activities:										
Water and Sewer										
New Connections	137	207	125	295	281	704	121	125	147	133
Water Main Breaks	706	660	825	687	802	646	954	557	823	969
Avg. Daily Treated Water Delivered (x 1000 gallons)	174,100	175,800	169,400	167,000	163,660	242,900	250,000	239,200	245,500	239,500
Peak Daily Treated Water Delivered (x 1000 gallons)	210,000	207,400	179,100	170,500	167,090	272,200	282,000	254,500	270,200	265,300
Avg. Daily Water Sewage Treatment (x 1000 gallons)	478,670	430,170	463,080	411,830	417,330	468,200	410,000	443,500	388,400	432,800
[1] **Aviation**										
Passengers Handled (PIA)	31,074,454	31,341,459	31,885,333	32,287,035	30,819,348	30,469,899	31,225,470	30,612,150	30,358,905	30,539,430
Air Cargo Tons (PIA)	599,758	591,815	571,452	575,640	475,365	440,495	449,683	416,731	388,383	395,661
Aircraft Movements (PIA and NPA)	629,885	625,692	614,720	593,757	551,191	543,462	458,832	517,842	506,261	493,272

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

City of Philadelphia
Capital Assets Statistics by Function
For the Fiscal Years 2005 through 2014

Table 21

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Transportation:										
Streets & Highways										
[1] Total Miles of Streets	2,400	2,400	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575
Streetlights	102,000	102,219	102,840	102,949	103,982	104,219	104,219	104,600	105,151	105,151
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	33	33	34	36	35	35	31	32	37	39
Prisons										
Major Correctional Facilities	6	6	6	6	6	6	6	6	6	6
Conservation of Health:										
Health Services										
Health Care Centers	9	9	9	9	9	9	9	9	9	9
Cultural and Recreational:										
Recreation										
Recreation Centers	165	165	171	171	171	171	153	184	185	184
[2] Athletic Venues	1,121	1,117	1,117	919	915	914	1,148	1,102	1,101	1,107
[4] Neighborhood Parks and Squares	232	232	232	79	79	79	-	-	-	-
Parks										
Parks	62	62	63	63	63	63	150	177	175	177
Baseball/Softball Fields	106	106	109	77	79	79	407	404	404	403
Libraries										
Branch & Regional Libraries	53	54	54	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	63	64	64	64	63	63	63	68	68	68
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,169	3,169	3,133	3,137	3,145	3,236	3,164	3,172	3,174	3,176
Fire Hydrants	26,080	26,080	25,195	25,181	25,208	25,234	25,353	25,321	25,355	25,364
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,400	1,065,400	1,065,400	1,065,400	1,065,400
Sanitary Sewers (miles)	596	596	768	750	749	751	758	759	762	762
Stormwater Conduits (miles)	623	623	784	713	720	721	731	734	738	737
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,065,400	1,044,000
[3] **Aviation**										
Passenger Gates (PIA)	120	120	120	120	120	120	126	126	126	126
Terminal Buildings (square footage) (PIA)	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	3,144,000	3,144,000	3,144,000	3,144,000	3,254,354
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	43,500	43,500	43,500	43,500	43,500	43,500

[1] Street System-83% city streets, 2% park streets, 15% state highways

[2] Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

[3] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.

[4] FPC and Recreation Dept were merged in FY2011, hence the category of Neighborhood Parks and Squares was eliminated.

Office of the Director of Finance • 1330 MSB • Philadelphia, PA 19102
Report can be found @ http://www.phila.gov/finance/reports-Comprehensive.html

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT

The following sets forth the definitions of certain terms used in the Indenture and Service Agreement and elsewhere in this Official Statement, and a summary of certain provisions of the Indenture and the Service Agreement. Reference should be made to the full texts of the Indenture and the Service Agreement for a complete statement of all of these provisions and other provisions. Copies of the Indenture and the Service Agreement may be obtained from the Trustee. Reference is made to the Act and the Ordinances, copies of which are available from the Office of the Director of Finance, 1300 Municipal Services Building, 1401 J.F. Kennedy Boulevard, Philadelphia, Pennsylvania 19102, for complete terms and provisions thereof. Capitalized terms used but not defined herein shall have the meanings set forth in the forepart of this Official Statement.

DEFINITIONS OF CERTAIN TERMS

"Account" shall mean any account authorized to be established by the Indenture.

"Additional Bonds" shall mean Bonds issued under the Indenture other than the 2005A Bonds, the 2005B Bonds, the 2012 Bonds and the 2015 Bonds.

"Administrative Expenses" shall mean the reasonable fees and expenses of the Authority (including the Authority's initial fee) and the Trustee and any paying agent, remarketing agent or other fiduciary or agent appointed under the Indenture, including reasonable legal fees and expenses, in connection with the funding and administration of the Program, the issuance of any Bonds, the administration of the Indenture, the performance of the Authority's obligations under the Service Agreement, or in connection with inquiring into, or enforcing the performance of, the City's obligations under the Service Agreement or the Indenture. Administrative Expenses shall not include Costs of the Program.

"Annual Debt Service Requirement" shall mean, with respect to each Fiscal Year: (a) the sum of the amounts required to be paid by the Authority in such Fiscal Year for (i) the payment of principal or mandatory Redemption Price of and interest on the Bonds and (ii) the payment of any Credit Facility Payment Obligations or Swap Payment Obligations; less (b) an amount equal to earnings on the debt service reserve fund, if any is established under the Indenture, in such Fiscal Year.

"Approved Budget" shall mean the annual Program Statement and Budget of the Authority approved in accordance with the procedures set forth in the 2002 Ordinance.

"Bondholder" or **"holder"** (when used with respect to Bonds) shall mean the Person in whose name any Bond is registered pursuant to Article II of the Indenture. A Credit Issuer which owns Bonds by purchase or which is subrogated to the rights of Bondholders is a Bondholder for purposes of the Indenture.

"Bond" or **"Bonds"** shall mean the 2005A Bonds, the 2005B Bonds, the 2012 Bonds, the 2015 Bonds and all Additional Bonds issued by the Authority under the Indenture to finance the Program, including bonds issued to refund Bonds in accordance with the Act and the Service Agreement.

"Bond Payment Obligation" shall mean the Authority's obligation to pay the principal or Redemption Price of and interest on the Bonds, including Bonds held by Credit Issuers.

"Certified Resolution" shall mean one or more resolutions of the governing body of the Authority, certified by the Secretary or Assistant Secretary of the Authority, under its seal, to have been duly adopted or enacted and to be in full force and effect as of the date of certification.

"Code" or **"Internal Revenue Code"** shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations thereunder, as the same may be amended from time to time. References to any specific provision of the Code shall be deemed to refer to any successor provision of the Code.

"Compound Accreted Value" when used with respect to the Bonds of any series all or a portion of the interest on which is not paid on a current basis but is payable only at maturity, shall have the meaning specified in the applicable Supplemental Indenture.

"Cost" or **"Costs"** shall mean all costs of the Program which the City or the Authority or either of them is authorized to incur under applicable law (including the Act, the Pennsylvania Redevelopment Cooperation Law and the 2002 Ordinance).

"Counsel" shall mean an attorney at law or law firm (which may include counsel to the Authority or the City).

"Credit Facility" shall mean any letter of credit, surety bond, insurance policy, standby bond purchase agreement, line of credit or other credit facility or liquidity facility (other than a Swap) issued or entered into for the benefit of the holders of Bonds of any series or any portion thereof to further secure payment of the principal or Redemption Price or purchase price of and interest on such Bonds.

"Credit Facility Payment Obligations" shall mean all payment and reimbursement obligations of the Authority to a Credit Issuer in connection with any Credit Facility securing all or a portion of any series of Bonds. The Authority's obligations to pay the principal or Redemption Price of and interest on Bonds held by a Credit Issuer (whether by purchase, subrogation, foreclosure of a pledge of such Bonds or otherwise) shall be Bond Payment Obligations and shall not be Credit Facility Payment Obligations.

"Credit Issuer" shall mean each provider of a Credit Facility.

"Director of Finance" shall mean the Director of Finance of the City.

"Event of Default" shall mean any of the events described below under "The Indenture - Events of Default and Remedies."

"Fiscal Year" shall mean the period of twelve (12) months beginning on July 1 and ending on June 30 of the following calendar year.

"Fund" shall mean any fund authorized to be established by the Indenture.

"Government Obligations" shall mean direct obligations of, or obligations the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by, the United States of America.

"Indenture" shall mean the Indenture as amended or supplemented by all Supplemental Indentures in effect at the time in question.

"Independent Certified Public Accountant" shall mean an independent accounting firm which is appointed by the Authority for the purpose of examining and reporting on or passing on questions relating to the financial statements of the Authority, has all certifications necessary for the performance of such services and has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors.

"Investment Securities" shall mean:

(1) Government Obligations.

(2) Any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, the Student Loan Marketing Association and Export-Import Bank of the United States.

(3) Any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by any other Federal agency and backed by the full faith and credit of the United States of America.

(4) Deposits in interest-bearing time or demand deposits, or certificates of deposit, fully insured by the Federal Deposit Insurance Corporation, or its successors, or fully secured by any of the obligations described above to the extent not so insured.

(5) Repurchase agreements relating to, or investment agreements secured by or providing for the acquisition of and, if applicable, resale of obligations described in paragraphs (1) or (2) above, with: (i) banks or trust companies (which may include any banking entity or depository); (ii) brokers or broker-dealers registered under the Securities Exchange Act of 1934 which are members of the Securities Investors' Protection Corporation and which are acceptable to the Authority; or (iii) insurance companies rated A+ or better by Best's having a net capital and surplus of at least $25,000,000; provided that any such repurchase agreement or investment agreement shall meet the following requirements: (A) the repurchase or investment agreement must be secured in the principal amount thereof by securities listed in subsections (1) or (2) above having at all times a fair market value of at least 100% of such agreement and deposited with the Trustee or its agents as collateral therefor, (B) the Trustee shall have a perfected first security interest in such collateral securities, and (C) the collateral securities shall be owned by the pledgor free and clear of any liens or security interests other than that of the Trustee.

(6) Certificates of deposit with such banks or trust companies as described in paragraph (5)(i) above fully secured as to principal and accrued interest by obligations described in paragraphs (1) through (4) deposited with or subject to the control of the Authority or the Trustee.

(7) Money market deposit accounts of banks or trust companies having a net capital and surplus of at least $25,000,000 (which may include the Trustee or any affiliate thereof).

The authorized investments set forth in paragraphs (5), (6) and (7) shall only be made if the agreements referenced therein provide for the repayment of the principal amount invested at an amount not less than that so invested. Whenever security is required as set forth in paragraphs (4) through (7), such security shall be deposited with the Trustee or other agent of the Trustee satisfactory to the Trustee and the Authority.

(8) Direct and general obligations of any state of the United States, for which the full faith and credit of such state is pledged, if at the time of their purchase such obligations are rated in any of the two highest rating categories by either S&P or Moody's, upon the discontinuance of either or both of such services, such other nationally recognized rating service or services, as the case may be, as shall be determined in a certified resolution of the Authority;

(9) Shares of open-end, diversified investment companies (i) registered under the Investment Company Act of 1940, (ii) investing exclusively in Investment Securities of the types set forth in paragraphs (1) or (2) above, (iii) maintaining a constant net asset value per share in accordance with regulations of the Securities and Exchange Commission, and (iv) individually having aggregate net assets of not less than $10,000,000 on the date of purchase; provided that the purchase of shares of any particular investment company shall be limited to an aggregate amount of not more than 5% of the aggregate net assets of that investment company on the date of purchase;

(10) Commercial paper rated in the highest category by S&P and Moody's; and

(11) Investment agreements with, or which are guaranteed by, a financial institution or financial services company which has an unsecured, uninsured and unguaranteed obligation rated, at the time such agreement is entered into, in one of the three highest rating categories by Moody's or S&P, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, or is an insurance company or insurance holding company with a claims paying ability rated in one of the three highest categories, provided (i) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with interest Payment Dates, (ii) moneys invested thereunder may be withdrawn without any penalty, premium or charge upon not more than seven days' notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); except with regard to an investment agreement relating to capitalized interest held in the Debt Service Fund, which may provide that moneys may be withdrawn only on the Interest Payment Dates on which such capitalized interest is to be paid, (iii) the agreement is not subordinated to any other obligations of such financial institution or bank, (iv) the same guaranteed interest rate will be paid on any future deposits permitted to be made under such investment agreement, and (v) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such financial institution.

"Moody's" shall mean Moody's Investors Service, Inc., and any successor thereto.

"Outstanding" shall mean, with respect to the Bonds, all Bonds authenticated and delivered under the Indenture and any Supplemental Indenture as of the time in question, except: (a) all Bonds theretofore cancelled or required to be cancelled under the Indenture; (b) Bonds for the payment or redemption of which provision has been made in accordance with the Indenture; 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.

"Parity Swap Payment Obligations" shall mean Swap Payment Obligations exclusive of all Swap Termination Payments except Swap Termination Payments which (i) are payable by the Authority with respect to Swap Agreements pursuant to which the Swap Provider will have all of the payment obligations prior to any payment obligations of the Authority thereunder; and (ii) are payable only after all of the Swap Provider's payments are due.

"Paying Agent" or **"Co-Paying Agent"** means any national banking association, bank, bank and trust company or trust company appointed by the Authority pursuant to the Indenture.

"Payment Date" shall mean a date on which a payment of principal or Redemption Price or interest with respect to any Bonds or payment of any Swap Payment Obligations or Credit Facility Payment Obligations shall be due and payable.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a limited liability company, a trust, an unincorporated organization, a governmental unit or an agency, political subdivision or instrumentality thereof, or any other group or organization of individuals.

"Program" shall mean the NTI Program as further described in the forepart of this Official Statement.

"Redemption Price" shall mean the principal amount of any Bond to be redeemed pursuant to the Indenture, plus the applicable premium, if any, payable upon redemption.

"Reserved Rights" shall mean the rights of the Authority to receive payments of Administrative Expenses and certain indemnities and immunities provided to it under the Service Agreement.

"Revenues" shall mean (i) the Service Fee and all other amounts payable to the Authority by the City under the Service Agreement, and all rights to receive the same (except for payments with respect to the Reserved Rights), (ii) all Swap Revenues, (iii) all interest earnings and gains on sales of Investment Securities on deposit in the Funds and Accounts established under the Indenture and (iv) any other amounts appropriated by the City and paid by the City to the Authority or the Trustee and pledged by the Authority as security for the payment of Bond Payment Obligations, Swap Payment Obligations and Credit Facility Payment Obligations or received from any other source by the Authority or the Trustee and pledged by the Authority as security for the payment of Bond Payment Obligations, Swap Payment Obligations and Credit Facility Payment Obligations.

"S&P" shall mean Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and any successor thereto.

"Service Fee" shall mean the service fee payable by the City to the Authority pursuant to the Service Agreement, and assigned to the Trustee.

"Subordinated Swap Payment Obligations" shall mean all Swap Payment Obligations payable by the Authority except Parity Swap Payment Obligations.

"Supplemental Indenture" shall mean any indenture amending or supplementing the Indenture which may be entered into in accordance with the provisions of the Indenture.

"Swap Agreement" or **"Swap"** shall mean any agreement between the Authority and a Swap Provider confirming a transaction which is a rate swap transaction, basis swap, forward rate transaction, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, corridor transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of these transactions.

"Swap Payment Obligations" shall mean, for any period of time and with respect to any Bonds to which a Swap relates, all net amounts payable by the Authority (including Swap Termination Payments payable by the Authority) under any Swap in respect of such Bonds.

"Swap Provider" shall mean the Authority's counterparty under a Swap Agreement.

"Swap Revenues" shall mean all amounts received by the Authority or the Trustee pursuant to any Swap Agreement, including, without limitation, any Swap Termination Payment.

"Swap Termination Payment" shall mean, with respect to any Swap Agreement, any settlement amount payable by the applicable Swap Provider or the Authority by reason or on account of the early termination of such Swap Agreement. The term "Swap Termination Payment" shall not include net unpaid amounts up to the Swap termination date which would have been payable by the Swap Provider or the Authority pursuant to the terms of the applicable Swap Agreement irrespective of the early termination of such Swap Agreement.

THE INDENTURE

Pledge of the Trust Estate

To secure all Bonds issued and Outstanding in accordance with the terms and conditions of the Indenture and each Supplemental Indenture, the payment of the Bond Payment Obligations and to the extent and in the manner provided herein, the payment of amounts owed to any Credit Issuer and any Swap Provider, the rights of the Bondholders (and, to the extent provided in the Indenture, the Credit Issuers and Swap Providers) and the performance and observance of all of the covenants contained in said Bonds, in the Indenture and in each Supplemental Indenture, the Authority in the Indenture sells, assigns, transfers, sets over and pledges unto the Trustee, its successors in the trust and its assigns forever, and grants to said Trustee, its successors in trust and its assigns forever a security interest in all of the right, title and interest of the Authority in and to the Trust Estate (as further described in the forepart of this Official Statement); provided, that while the security interest granted and the pledge of the Trust Estate and assignment made in the Indenture shall also secure the Swap Payment Obligations and the Credit Facility Payment Obligations, such pledge and security interest granted to secure the Credit Facility Payment Obligations and the Subordinated Swap Payment Obligations shall be subject and subordinate to the pledge and security interest granted to secure the Bond Payment Obligations and Parity Swap Payment Obligations.

Any series of Bonds may be further secured as may be provided in the Supplemental Indenture pertaining thereto.

Issue of Bonds

At the request of the City, the Authority may issue a series of Bonds under the Indenture to pay the Costs of the Program (including the refunding of Bonds previously issued under the Indenture) and costs of issuance of such Bonds, upon execution of a Supplemental Indenture authorizing such series of Bonds and delivery to the Trustee of the following:

(a) An opinion or opinions of Counsel addressed to the Trustee to the effect that (i) the Bonds have been duly issued for a permitted purpose under the Indenture, (ii) all consents and approvals of the Director of Finance and City Council required to be obtained for the issuance of the Bonds pursuant to the Service Agreement have been obtained, (iii) the issuance of the Bonds and execution and delivery of related documents will not constitute a breach or default on the part of the Authority under the Act, its By-Laws, or any applicable laws, or regulations, (iv) the Bonds of such series and all documents delivered by the Authority in connection with the issuance of such Bonds have been duly and validly authorized, executed and delivered and such execution and delivery and all other actions taken by the Authority in connection with the issuance of such Bonds have been duly authorized by all necessary

corporate actions, and (v) all conditions precedent to the issuance of such Bonds pursuant to the Service Agreement, the Indenture and any Supplemental Indenture have been satisfied.

(b) A Certified Resolution of the Authority authorizing the Bonds.

(c) An amendment or supplement to the Service Agreement, acknowledging the issuance of such series of Bonds and confirming the obligations of the City to pay the Service Fee in amounts sufficient to pay the Bond Payment Obligations with respect to the Bonds, including the Bonds of the series then proposed to be issued.

(d) In the case of any Bonds issued for the purpose of a refunding, the following additional documents: (i) executed counterparts of such documents as are necessary or appropriate for the purposes of the refunding, including, if appropriate, an escrow deposit agreement providing for the deposit and application of funds for the refunding and irrevocable instructions with respect to any required redemption of refunded Bonds; (ii) a certified resolution of the Authority authorizing the refunding and the taking of all necessary actions in connection therewith; and (iii) unless all refunded Bonds are to be redeemed or otherwise retired on the date of settlement for the refunding Bonds, such schedules, verified as to mathematical accuracy by an Independent Certified Public Accountant, as are necessary to demonstrate the adequacy of funds deposited for the refunding and the income thereon for the purpose of paying, when due, the principal or redemption price of and interest on the refunded Bonds.

Establishment of Program Fund; Accounts within Fund

The Trustee shall establish under the Indenture, a Program Fund for the payment of Costs of the Program and costs of issuance of Bonds and shall deposit into the Program Fund the specified Bond proceeds and Revenues in accordance with the Indenture. All amounts deposited into the Program Fund (in addition to the Costs of Issuance Account) shall be held for the security of all Outstanding Bonds. One or more separate accounts within the Program Fund shall be maintained by the Trustee at the written direction of the Authority if the Authority determines that such separate account is desirable with respect to designated portions of the Program.

Payments from Program Fund

Payments from the Program Fund established under the Indenture (including the Costs of Issuance Account) shall be made in respect of Costs of the Program (including costs of issuance) upon compliance with the following:

a) On or after the date on which any Bond proceeds are deposited into the Program Fund, the Trustee shall pay such Costs of the Program and costs of issuance as are authorized by a closing statement signed by an authorized representative of the Authority and by an authorized representative of the City, and delivered at settlement for such Bonds.

b) Except as provided above, all payments from the Program Fund shall be made only upon receipt by the Trustee of a requisition signed by an authorized representative of the Authority and an authorized representative of the City.

Revenues to be Paid over to Trustee

The Revenues and all moneys, securities and funds held or set aside or to be held or set aside pursuant to the Indenture by the Trustee or in any Fund or Account created by the Indenture and all other pledged property comprising the Trust Estate under the Indenture are pledged and a security interest is

therein granted, to secure the payment of the Bond Payment Obligations, Swap Payment Obligations and Credit Facility Payment Obligations; provided, however, that the pledge and security interest granted to Secure the Authority's obligation to pay Subordinate Swap Payment Obligations and Credit Facility Payment Obligations shall be subject and subordinate to the pledge and security interest granted to secure Bond Payment Obligations and Parity Swap Payment Obligations. The pledge of the Trust Estate under the Indenture as security for the performance of all obligations of the Authority under the Indenture shall be valid and binding from the time such pledge is made. The Trust Estate shall immediately be subject to the lien of the Indenture without any physical delivery thereof or further act. The Authority shall pay or cause to be paid the Revenues directly to the Trustee. Upon receipt of any Revenues, or other amounts forming a part of the Trust Estate under the Indenture, the Trustee shall deposit the same in the appropriate Fund or Funds established under the Indenture. Except as otherwise provided in the Indenture and in any Supplemental Indenture, the Trust Estate under the Indenture shall be collected, held and applied for the equal and ratable benefit and security of all Bondholders.

Revenue Fund; Application Thereof

The Trustee shall establish a Revenue Fund, into which it shall deposit all Revenues received by it. Amounts on deposit in the Revenue Fund shall be deposited, on each Payment Date, first to the Debt Service Fund, to the extent (if any) needed to increase the amount in the Debt Service Account so that it equals the Bond Payment Obligations then due and the amount of Parity Swap Payment Obligations, if any, due on such Payment Date, second, into the Subordinated Payment Obligations Fund, the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations due on such Payment Date, and third, at the written direction of the Authority, to the Program Fund; provided, however, that the Service Fee shall be deposited only into the Debt Service Fund.

Debt Service Fund; Application Thereof

The Trustee shall establish and maintain a Debt Service Fund. The Trustee shall deposit into the Debt Service Fund proceeds of Bonds in an amount equal to accrued interest and capitalized interest, if any, in accordance with the Indenture and the applicable Supplemental Indenture. Moneys on deposit in the Debt Service Fund shall be applied on each Payment Date as follows:

a) to the payment of interest, when due, on all Outstanding Bonds, including any accrued interest due in connection with purchases or redemptions of Bonds pursuant to the Indenture;

b) to the payment, when due, of each Parity Swap Payment Obligation due on each such Payment Date, such amount to be paid to the applicable Swap Provider;

c) to the payment, when due, of the principal or Redemption Price of Bonds then payable at maturity or upon mandatory redemption (but, except as otherwise provided in the Indenture, only upon surrender of such Bonds), subject to reduction by the principal amount of Bonds of the same series and maturity purchased by the Authority and surrendered to the Trustee for cancellation or purchased for cancellation by the Trustee pursuant to subsection (d) below; and

d) during the 12-month period preceding each principal maturity or mandatory redemption date, the Trustee shall, at the request of the Authority, purchase Bonds of the series and maturity becoming due on such principal maturity or mandatory redemption date from funds in the Debt Service Fund; provided, however, that no such purchase shall be made unless (i) the purchase price does not exceed 100% of the principal amount of the Bonds so to be purchased plus accrued interest, and (ii) in the case of any purchase of Bonds which are subject to mandatory redemption, the Authority certifies to the

Trustee that firm commitments for the purchase of such Bonds have been accepted by the Authority prior to the giving of notice of such redemption by the Trustee.

Payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of each Bond and Parity Swap Payment Obligation without preference of one Bond or Parity Swap Payment Obligation over another.

Subordinated Payment Obligations Fund; Application Thereof

The Trustee shall establish a Subordinated Payment Obligations Fund into which the Trustee shall deposit for each series of Bonds amounts required to be deposited therein with respect to any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations. The Trustee shall withdraw from the Subordinated Payment Obligations Fund on or before each Payment Date the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations due on such date and shall cause the same to be paid to the applicable Swap Provider or Credit Issuer. Payments from the Subordinated Payment Obligations Fund shall be made ratably by the Trustee according to the amounts due in respect of each Subordinated Swap Payment Obligation and Credit Facility Payment Obligation without priority or preference of one Subordinated Swap Payment Obligation or Credit Facility Payment Obligation over another.

Rebate Fund

The Trustee shall establish and thereafter hold and maintain so long as the Bonds are Outstanding, and for sixty (60) days thereafter, a Rebate Fund for the purpose of paying to the United States Treasury the amount required to be rebated pursuant to Section 148(f) of the Code, which Rebate Fund shall be held by the Trustee separate and apart from all other funds and accounts established under the Indenture and from all other moneys of the Trustee. All amounts in the Rebate Fund, including income earned from investment of amounts in the Rebate Fund, shall be held by the Trustee free and clear of the lien of the Indenture. Upon the direction of the Authority, the Trustee shall deposit amounts into or withdraw amounts from the Rebate Fund in order to pay any rebatable earnings to the United States Treasury when due.

Procedure When Funds Are Sufficient to Pay All Bonds

If at any time the amounts held by the Trustee in the Funds established under the Indenture are sufficient to pay principal or Redemption Price of and interest on all Bonds then Outstanding to maturity or prior redemption, together with any amounts due the Trustee, the Trustee shall so notify the Authority and the City and, if so directed by the City, the Trustee shall apply the amounts in the Funds to the payment of the aforesaid obligations to effect a defeasance of the Bonds.

Moneys to Be Held for All Bondholders, With Certain Exceptions

Moneys and investments held in all Funds and Accounts established and held under the lien of the Indenture shall be held in trust for the benefit of the holders of all Outstanding Bonds, each Credit Issuer and Swap Provider, except that: (a) on and after the date on which the interest on or principal or Redemption Price of any particular Bond or Bonds is due and payable from the Debt Service Fund, the unexpended balance of the amount deposited or reserved in such Fund for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Bondholder or Bondholders entitled thereto; (b) any special redemption fund established in connection with the issuance of any series of Bonds for a refunding shall be held for the benefit of the holders of Bonds being refunded; (c) the rights of any Bondholders with respect to principal or interest payments extended beyond their due dates, as

described under "The Indenture - Covenants of Authority – Extension of Time for Payment" below, shall be subordinate to the rights of Bondholders with respect to payments not so extended; (d) the Rebate Fund shall not be held as part of the Trust Estate under the Indenture; and (e) any debt service reserve fund established pursuant to a Supplemental Indenture shall be held solely for the benefit of the holders of the Bonds for which such debt service reserve fund was established.

Investment or Deposit of Funds

All moneys received by the Trustee under the Indenture for deposit in any Fund or Account established under the Indenture shall be considered trust funds, shall not be subject to lien or attachment and shall, except as hereinafter provided, be deposited in the trust department of the Trustee, until or unless invested or deposited as provided below. All deposits in the trust department of the Trustee shall be secured as provided by law for such trust deposits. If at any time the trust department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may at the direction of the Authority with the approval of the City, deposit such moneys with any other depository which is authorized to receive them provided that such are fully insured by the Federal Deposit Insurance Corporation, or its successors. All deposits in any depository in excess of the amount covered by such insurance shall, to the extent permitted by law, be fully secured as to both principal and interest by Government Obligations in such manner as may be required or permitted under applicable law in order to grant to the Trustee a perfected security interest in such Government Obligations, free and clear of the claims of third parties. If the deposit of the Government Obligations with the Trustee or a depository acting on its behalf is required for such purpose under applicable law, the deposit shall be made with a Federal Reserve Bank for the account of the Trustee, with the trust department of the Trustee, or with a bank or trust company (other than the obligor) which is acting solely as agent for the Trustee and has a combined net capital and surplus of not less than $50,000,000.

Moneys on deposit in the Funds established pursuant to the Indenture shall be invested and reinvested by the Trustee at the direction of an authorized representative of the City as follows: (a) all investments shall constitute Investment Securities and shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates on which the amounts invested are reasonably expected to be needed; (b) the principal of the Investment Securities and the earnings thereon, including interest, income and net profits received in respect thereof, shall be applied upon receipt as follows: (i) except as otherwise provided in a Supplemental Indenture, earnings on Program Fund (including the Costs of Issuance Account) and the Debt Service Fund shall in each case be retained in such Fund or Account; and (ii) whenever any other transfer or payment is required to be made from any particular Fund, such transfer or payment shall be made from such combination of maturing principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Authority deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund in question, the reinvestment opportunities for maturing principal, the current yield on any Investment Securities to be redeemed, withdrawn or sold, and any penalties, gains or losses to be realized upon any such redemption, withdrawal or sale; and (c) the Trustee shall not be accountable for any depreciation in the value of the Investment Securities or any losses incurred upon any authorized disposition thereof.

Covenants of Authority

The covenants of the Authority under the Indenture include:

Payment of Principal and Interest on Bonds. The Authority shall promptly pay the interest on and the principal or Redemption Price of Bonds, but only out of the Trust Estate.

Corporate Existence and Maintenance of Properties. The Authority shall (a) maintain its corporate existence, (b) maintain its power to perform its obligations under the Indenture, and (c) maintain the Service Agreement in full force and effect.

Compliance with Service Agreement. The Authority covenants and agrees that (i) it shall comply with all applicable provisions of the Service Agreement, as if contained in the Indenture; (ii) it shall enforce against the City the obligations of the City under the Service Agreement, including, without limitation, the obligation to pay the Service Fee when due; (iii) it shall cause a copy of the Service Agreement certified by an Authorized Officer of the Authority to be filed with the Trustee, and a copy of any amendment to the Service Agreement certified by an Authorized Officer of the Authority to be filed with the Trustee; and (iv) it shall furnish to the Trustee such documents, certificates and reports as it may be required under the terms of the Service Agreement to deliver to the City from time to time.

Extension of Time for Payment. The Authority shall not directly or indirectly extend or assent to the extension of the time for payment of the principal of or interest on any Bonds and shall not directly or indirectly be a party to or approve any arrangement therefor. Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available under the Indenture for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Further Assurances; Additional Revenues. The Authority covenants that it will not enter into any contract or take any action by which the rights of the Trustee or the Bondholders or Credit Issuers may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture and each Supplemental Indenture and for the better assuring, transferring, conveying, pledging, assigning, and confirming unto the Trustee the Trust Estate. If at any time the Authority receives any Revenues which are not assigned to the Trustee, the Authority covenants to promptly pay the same to the Trustee for deposit in the Revenue Fund and, at the request of the Trustee, covenants to execute and deliver an assignment of its right, title and interest in and to future income or payments of the same type to the Trustee to be held as part of Revenues and to file or record such assignment as may be appropriate to perfect the security interest created thereby and by the Indenture.

Compliance with Internal Revenue Code. The Authority covenants that it will make no investment or other use of the proceeds of any series of Bonds which would cause such series of Bonds to be "arbitrage bonds" as that term is defined in Section 148(a) of the Code and that it will comply with the requirements thereof throughout the term of such series of Bonds. The Authority covenants that it will not take any action or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or circumstances would adversely affect the validity of the Bonds or cause the interest paid by the Authority on the Bonds not to be excluded from gross income for Federal income tax purposes in the hands of the holders thereof.

Swap Agreements and Credit Facilities. The Authority shall maintain in full force and effect, and duly and punctually perform its obligations under, any Swap Agreements, or any agreement entered into by it in connection with the issuance of any Credit Facility, including the payment when due, but solely from the Trust Estate, of all Swap Payment Obligations and Credit Facility Payment Obligations; provided, however, that nothing in the Indenture shall be construed to limit in any way any right of the Authority to terminate a Swap Agreement or Credit Facility in accordance with the terms thereof.

Obligation to Enforce Swap Agreements and Credit Facility. Whether or not an Event of Default shall have occurred or be continuing, the Authority and the Trustee shall take any and all action necessary

or appropriate to enforce, on behalf of the Authority and for the benefit of the Bondholders, the rights of the Authority under any Swap Agreement or Credit Facility to which the Authority or the Trustee is a party. In the event of the transfer, assignment or other conveyance of any Swap Agreement in accordance with its terms by the Swap Provider to any new Swap Provider, the Trustee shall promptly notify the Authority, S&P, Moody's and any other firm or agency then rating the Bonds of the name and address of the new Swap Provider and any modifications, amendments or supplements to the terms of the existing Swap Agreement, to the extent the Trustee has knowledge of such information.

Creation of Liens. The Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of a similar nature, other than the Bonds and other than Swap Payment Obligations and Credit Facility Payment Obligations, payable out of or secured by a pledge or assignment of the Trust Estate and shall not create or cause to be created any lien or charge on the Trust Estate.

Events of Default and Remedies

Events of Default. Each of the following shall be an Event of Default under the Indenture:

(i) if payment of any installment of interest on the Bonds is not made when it becomes due and payable;

(ii) if payment of the principal or Redemption Price of any Bond is not made when it becomes due and payable at maturity or upon call for redemption;

(iii) if the Authority shall fail to pay when due any Parity Swap Payment Obligation;

(iv) 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 sixty (60) days after written notice requiring the same to be remedied shall have been given to the Authority and the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of any Credit Issuer or the holders of not less than 25% in principal amount of 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 sixty (60) day period, no Event of Default shall be deemed to have occurred or exist if and so long as the Authority or the City shall commence such performance within such sixty (60) day period and shall diligently and continuously prosecute the same to completion;

(v) if the City fails to pay the Service Fee at the times and in the amounts required under the Service Agreement and any grace period with respect to such failure under the Service Agreement shall have lapsed; or

(vi) if any other event or condition occurs which has been specified to be an Event of Default in a Supplemental Indenture.

Acceleration and Annulment Thereof. If any Event of Default under (i), (ii), (iii), or (v) above has occurred and is continuing, the Trustee may, and at the written direction of the holders of 50% in principal amount of the Bonds then Outstanding the Trustee shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Bonds to the contrary notwithstanding; provided, however, that no such declaration shall be made, if the Authority or the City cures such Event of Default prior to the date of the declaration.

If after the principal of the Bonds has been so declared to be due and payable, all arrears of interest upon the Bonds and all arrears of payments due with respect to Parity Swap Payment Obligations are paid by the Authority, and the Authority also performs all other things in respect to which the Authority may have been in default under the Indenture and pays the reasonable charges of the Trustee and the Bondholders, including reasonable attorney's fees, then, and in every such case, the Trustee may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all holders of 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.

Legal Proceedings by Trustee. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the holders of 50% in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction shall, in its own name: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders including the right to require the Authority to enforce collection of all amounts due and payable under the Service Agreement (other than with respect to the Reserved Rights) and to require the Authority to carry out any other agreements with, or for the benefit of the Bondholders and the Credit Issuers and to perform its duties under the Act; (b) bring suit upon the Bonds; (c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Bondholders; and (d) by action or suit in equity enjoin any acts or things which maybe unlawful or in violation of the rights of the Bondholders and the Credit Issuers.

Discontinuance of Proceedings by Trustee. If any proceeding taken by the Trustee on account of any default is discontinued or is determined adversely to the Trustee, then the Authority, the Trustee, the Credit Issuers and the Bondholders shall be restored to their former positions and rights under the Indenture as though no such proceeding had been taken.

Bondholders May Direct Proceedings. The holders of a majority in principal amount of the Bonds then Outstanding under the Indenture shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided such directions shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitations on Actions by Bondholders. 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) the holders of at least 50% in principal amount of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove described or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity and security satisfactory to it against fees, costs, expenses and liabilities, including reasonable attorneys' fees, and (d) the Trustee shall have failed to comply with such request within a reasonable time.

Remedies Not Exclusive. Except for the limitations described under "The Indenture – Limitations on Recourse" below, no remedy conferred by the Indenture is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Application of Moneys in Event of Default. Any moneys on deposit in any Fund or Account, except the Rebate Fund, established under the Indenture and any moneys received by the Trustee under the Indenture shall be applied after the occurrence of an Event of Default under the Indenture,

FIRST: To the payment of the costs of the Trustee, including counsel fees, any disbursements of the Trustee with interest thereon and its reasonable compensation;

SECOND: Subject to the provisions described under "The Indenture – Covenants of Authority – Extension of Time for Payment," to the payment of all interest then due on Outstanding Bonds and all Parity Swap Payment Obligations then due or, if the amount available is insufficient for such purpose, to the payment of interest and Parity Swap Obligations ratably in accordance with the amount due in respect of each Bond and Parity Swap Payment Obligation;

THIRD: Subject to the provisions described under "The Indenture – Covenants of Authority – Extension of Time for Payment," to the payment of the outstanding principal amount of all Bonds or, if the amount available for the payment of principal is insufficient for such purpose, to the payment of principal ratably in accordance with the amount due in respect of each Bond; and

FOURTH: To the payment to any Credit Issuer of any Credit Facility Payment Obligation then due and to any Swap Provider of any Subordinated Swap Payment Obligation then due or, if the amount available is insufficient for such purpose, to the payment of Credit Facility Payment Obligations and Subordinated Swap Payment Obligations ratably in accordance with the amount due in respect of each Credit Facility Payment Obligation and Subordinated Swap Payment Obligations.

The surplus, if any, shall be paid to the City or the person lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Trustee's Right to Receiver; Compliance with Act. As provided by the Act, the Trustee shall be entitled as of right to the appointment of a receiver if an Event of Default under the Indenture shall have occurred and be continuing; and the Trustee, the Credit Issuers, the Swap Providers, the Bondholders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act.

Trustee and Bondholders Entitled to All Remedies Under Act. Should any remedy under the Indenture be held unlawful, the Trustee, and the Bondholders shall nevertheless be entitled to every other remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of the Indenture shall apply to and be binding upon the trustee or receiver appointed under the Act.

Direction of Remedies by Credit Issuer

Except as otherwise specifically provided in the Indenture, each Credit Issuer shall have the same right to direct the Trustee in the exercise of remedies under the Indenture as though it were the holder of all Bonds Outstanding that are entitled to the benefit of the Credit Facility issued by it. No Credit Issuer shall be entitled to direct the exercise of remedies under the Indenture if it shall then be in default of its payment obligations under the Credit Facility issued by it or if the Credit Facility issued by it is no longer in full force and effect.

The Trustee

Notice of Default; Right to Investigate. The Trustee shall give written notice to all Bondholders, any Swap Provider and to each Credit Issuer by first class mail of each Event of Default known to the Trustee within 90 days (30 days in the case of notices to the Credit Issuers) after the Trustee obtains actual knowledge of such Event of Default; provided that, except in the case of a default in payment of principal, interest or Redemption Price, the Trustee may withhold such notice to the Bondholders (but not

to any Swap Provider or the Credit Issuers) so long as it in good faith determines that such withholding is in the interest of the Bondholders. The Trustee shall not be deemed to have notice of any Event of Default unless it has actual knowledge of such Event of Default or it has been notified in writing of such Event of Default by the Authority or by the holders of at least 50% in principal amount of the Bonds then Outstanding, any Swap Provider or any Credit Issuer. The Trustee may, however, 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 or cause to be made, at the expense of the Authority, an investigation into the affairs of the Authority related to the Indenture.

Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Secretary of the Authority not less than sixty (60) days before the date when such resignation is intended to take effect; provided that notice of any such resignation shall be mailed by the resigning Trustee to the holders of all Outstanding Bonds at their registered addresses and each Credit Issuer not less than 30 days prior to the intended effective date of the resignation, and that no resignation shall take effect until a successor Trustee has been appointed and has accepted such appointment. In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the retiring Trustee or any Bondholder may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. Such court may thereupon (after such notice, if any, as it may deem proper and prescribe), appoint a successor Trustee.

Removal of Trustee. Any Trustee may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed by the holders of a majority in principal amount of the Bonds then Outstanding and filed with the Trustee, the Authority and each Credit Issuer. Any such removal shall be effective on the date on which a successor Trustee has been appointed and has accepted such appointment. Notice of any such removal shall be mailed promptly by the Authority to the holders of all Outstanding Bonds at their registered addresses.

Appointment of Successor Trustee. If the Trustee or any successor Trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, the Authority shall appoint a successor and shall mail or cause to be mailed notice of such appointment. If the Authority fails to make such appointment within 30 days, the appointment may be made by the holders of a majority in principal amount of the Bonds then Outstanding. Notice of any such appointment shall be mailed promptly by the successor Trustee to the holders of all Outstanding Bonds at their registered addresses.

Qualification of Successor. A successor Trustee shall be a national bank with trust powers, a banking association with trust powers, or a bank and trust company or a trust company organized under the laws of the Commonwealth, in each case having a combined net capital and surplus of at least $50,000,000 (or the obligations and liabilities of which are irrevocably and unconditionally guaranteed by an affiliated company having a combined net capital and surplus of at least $50,000,000).

Amendments and Supplements Without Bondholders' Consent

The Indenture may be amended or supplemented from time to time, without the consent of the Bondholders, but with the consent of the City by a Supplemental Indenture authorized by a certified resolution of the Authority filed with the Trustee, for one or more of the following purposes: (a) to set forth such matters not inconsistent with the provisions of the Indenture as may be necessary or appropriate in connection with the issuance of any series of Bonds; (b) to add additional covenants of the Authority or to surrender any right or power conferred upon the Authority; (c) to cure any ambiguity or to

cure any defect in such manner as shall not be inconsistent with the provisions of the Indenture; (d) to modify, supplement, alter or amend the provisions of the Indenture in such manner as may be requested by a securities rating service in order to obtain a securities rating or ratings for any Bonds or to maintain or improve any such rating or ratings previously obtained; (e) to modify, supplement, alter or amend the provisions of the Indenture in such manner as may be necessary or appropriate to conform the provisions of the Indenture to the provisions of the Service Agreement as it may be amended from time to time; or (f) to make such other changes as the Authority and the Trustee deem appropriate; provided that the foregoing clause (f) shall not permit amendments or supplements to be made which materially adversely affect the security or the rights of Bondholders under the Indenture.

Amendments with Bondholders' Consent

The Indenture may be amended from time to time, with the consent of the City, by a Supplemental Indenture approved by the holders of at least 51% in aggregate principal amount of the Bonds then Outstanding; provided, that (a) no amendment shall be made which adversely affects the rights of some but less than all series of Bonds without the consent of the holders of at least 51 % of the then Outstanding Bonds so affected, and (b) no amendment which alters the interest rates on or principal amounts of any Bonds, the maturities, interest Payment Dates, sinking fund payment dates or redemption provisions of any Bonds or the Indenture may be made without the consent of the holders of all Outstanding Bonds adversely affected thereby.

Unless otherwise provided in an applicable Supplemental Indenture, a Credit Issuer of a Credit Facility securing a series of Bonds shall have the right to consent to amendments on behalf of and in lieu of the Owners of the Bonds of such Series (except with respect to the matters referred to in the proviso of the immediately preceding paragraph), so long as such Credit Issuer shall not be in default of its obligations under such Credit Facility.

Amendments to Service Agreement

The Authority may amend or supplement the Service Agreement, to make such changes therein as may be deemed appropriate by the Authority and the City; provided, however, that the approval by the holders of at least 51% in aggregate principal amount of the Bonds then Outstanding shall be required for any amendment or supplement to the Service Agreement that would materially adversely affect the security of the Service Agreement or of the Indenture or the rights of Bondholders under the Indenture; and provided further, that the Authority shall not amend or supplement the Service Agreement in any manner which would adversely affect the validity or enforceability of the Service Agreement or the tax-exempt status of the interest on any Bonds issued under the Indenture.

Unless otherwise provided in an applicable Supplemental Indenture, a Credit Issuer of a Credit Facility securing a series of Bonds shall have the right to consent to amendments on behalf of and in lieu of the Owners of the Bonds of such Series (except with respect to the matters referred to in the proviso of the immediately preceding paragraph), so long as such Credit Issuer shall not be in default of its obligations under such Credit Facility.

Amendments to Indenture Requiring Consent of Swap Providers

Notwithstanding any provision to the contrary and whether or not an Event of Default shall have occurred or be continuing under the Indenture, no provision of the Indenture which affects the rights of Swap Providers may be amended without the prior written consent of each affected Swap Provider.

Defeasance

When all interest on, and principal or Redemption Price (as the case may be) of, all Bonds issued under the Indenture have been paid, or there shall have been deposited with the Trustee an amount, evidenced by moneys or "escrowed obligations" (as defined below) the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Bonds at the maturity date or date fixed for redemption thereof, as well as all other sums payable under the Indenture by the Authority, the right, title and interest of the Trustee shall thereupon cease and the Trustee, on demand of the Authority, shall release the Indenture and all Supplemental Indentures and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such person, body or authority as may be entitled to receive the same all balances remaining in any funds under the Indenture. For the purposes of the Indenture, "escrowed obligations" shall mean the following, but only to the extent they are Investment Securities at the time of delivery to the Trustee: (a) Government Obligations; (b) rights to receive the principal of or the interest on Government Obligations through (i) direct ownership, as evidenced by physical possession of such Government Obligations or unmatured interest coupons thereof or by registration as to ownership thereof on the books of the issuer or its duly authorized paying agent or transfer agent, or (ii) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on Government Obligations; (c) debt obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that (i) the principal or redemption price of and interest on such obligations are secured by and payable from amounts received (without reinvestment) in respect of the principal of and interest on non-callable Government Obligations, (ii) such debt obligations are rated "AAA" by S&P, if S&P has assigned a rating to the Bonds, and "Aaa" by Moody's, if Moody's has assigned a rating to the Bonds (or, upon the discontinuation of both of the foregoing rating services, by such other nationally recognized rating service or services as may be acceptable to the Trustee); and (d) with respect to the Bonds of any series such other Investment Securities as shall be specified as "escrowed obligations" in the Supplemental Indenture applicable thereto.

In the event the Authority deposits "escrowed obligations" with the Trustee as provided in the Indenture, the lien of the Indenture shall not be defeased unless the Trustee shall have received a report of an independent Certified Public Accountant verifying the sufficiency of such escrowed obligations.

The Authority may provide in a Supplemental Indenture for additional conditions to be satisfied in order to accomplish the defeasance of the lien of the Indenture.

Deposit of Funds for Payment of Bonds

If the Authority deposits with the Trustee moneys or "escrowed obligations" the principal of and interest on which, when due, are sufficient to pay the principal or Redemption Price of any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on the Bond or Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such Bond or Bonds shall likewise cease, except as provided below; provided that if such Bonds are to be redeemed prior to maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice. Thereafter such Bond or Bonds shall be deemed not to be Outstanding under the Indenture and the holder or holders of such Bond or Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bond or Bonds, and the Trustee shall hold such funds in trust for such holder or holders.

Moneys deposited with the Trustee which remain unclaimed six (6) years after the date payment thereof becomes due shall, at the direction of the Authority, if the Authority is not at the time to the knowledge of the Trustee in default with respect to any covenant in the Indenture or the Bonds contained, be paid to the Authority for and on account of the City; and the holders of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Authority; provided, however, that before making any such payment to the Authority, the Trustee shall, at the expense of the Authority, give notice to holders of such Bonds by first class mail stating that moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be paid to the Authority.

Limitations on Recourse

No personal recourse shall be had for any claim based on the Indenture or the Bonds or any Credit Facility or Swap Agreement against any member, officer or employee, past, present or future, of the Authority or of any successor body as such, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise. The Bonds, the Credit Facility Payment Obligations and the Swap Payment Obligations are payable solely from the Trust Estate held under the Indenture for such purpose. There shall be no other recourse under the Bonds, the Indenture, any Credit Facility, any Swap Agreement or otherwise against the Authority or any other property now or hereafter owned by it and, upon entry of any judgment, the judgment creditor or creditors shall request the Prothonotary (or any successor official) to mark the judgment index accordingly.

Payments on Saturdays, Sundays and Holidays

Whenever the date fixed for the payment of the principal or redemption price of or the interest on any Bonds falls on a Saturday, Sunday, legal holiday or other day on which the Trustee or any Paying Agent is authorized by law to close, then the payment of principal, Redemption Price or interest need not be made on such date, but shall be made on the next succeeding regular business day with the same force and effect as if made on the date fixed, and no interest shall accrue on such payment to the date payment is made.

References to the Credit Issuer

References to any Credit Issuer in the Indenture or in any Supplemental Indenture shall be deemed inapplicable at any time that (A)(i) no Credit Facility issued by such Credit Issuer is in effect with respect to Bonds and (ii) no amount is owing to such Credit Issuer by the Authority or (B) such Credit Issuer is in default of its payment obligations under the Credit Facility issued by it.

THE SERVICE AGREEMENT

The Program

Under the Service Agreement, the City and the Authority have agreed to undertake the Program. Subject to the 2002 Ordinance, the determination of which portions of the Program are to be implemented from time to time, and the method of funding such portions (including the expenditure of proceeds of Bonds to pay Costs of the Program) shall be made by the City. Portions of the Program may be implemented directly by the Authority or by the City or by their respective contractors and subcontractors. The City may act on behalf of the Authority in connection with the implementation of portions of the Program.

Appointment of Authority as Agent

Under the Service Agreement, the City appoints and designates the Authority as the City's agent within the Authority's field of operation to administer the Program and to perform any element thereof in accordance with the terms of the Service Agreement, and the Authority accepts the foregoing appointment and designation and, in consideration of the Service Fee, agrees to administer the Program and implement such elements thereof as the City shall from time to time direct.

Additional Bonds

In connection with the issuance of Additional Bonds, the Authority and the City shall enter into a supplement to the Service Agreement providing for an increase in the Service Fee payable thereunder to pay the amounts required for principal or Redemption Price of and interest on such Additional Bonds, subject to the provisions of the 2002 Ordinance or any ordinance subsequently enacted by City Council relating to the financing of the Program.

Service Fee

In consideration of the undertakings by the Authority under the Service Agreement with respect to the Program, the City agrees to pay as a Service Fee in each Fiscal Year directly to the Trustee, as the assignee of the Authority, the following sums:

a) The Annual Debt Service Requirement for such Fiscal Year, payable as follows:

(i) On or before the second Business Day prior to the date such amount is required to be paid to the holders of the Bonds, the amount which is equal to the principal or mandatory Redemption Price of the Bonds becoming due on the immediately succeeding principal maturity or mandatory redemption date, subject to credit for other available funds in the manner provided in the Indenture.

(ii) On or before the second Business Day prior to the date such amount is required to be paid to the holders of the Bonds, the amount which is equal to interest on the Bonds becoming due on the immediately succeeding Interest Payment Date, subject to credit for other available funds in the manner provided in the Indenture.

(iii) On or before the dates specified in any Credit Facility or Swap Agreement, the amounts which are equal to any Credit Facility Payment Obligations or Swap Payment Obligations becoming due on such dates, subject to credit for other available funds in the manner provided in the Indenture.

(iv) Notwithstanding any other provision of the Service Agreement, an acceleration of the Authority's payment obligations with respect to the Bonds and any Additional Bonds issued pursuant to the Indenture shall not cause an acceleration of the payment of the Service Fee or with respect to any Credit Facility Payment Obligation or Swap Payment Obligation thereunder.

b) On or before the dates required by the Indenture, the amounts which are necessary to restore any deficiency in the debt service reserve fund, if any, established under the Indenture.

In lieu of the portion of the payments due under subsection (a)(i) above, the City, or at its written direction, the Trustee, may purchase for cancellation Bonds of the Series and term next becoming due at maturity or upon mandatory redemption, subject to the applicable requirements set forth in the Indenture.

In no event shall the portion of the Service Fee payable with respect to the Annual Debt Service Requirement in accordance with subsection (a) above in any Fiscal Year exceed $20,000,000 for any Bonds issued by the Authority for the Program unless a higher Annual Debt Service Requirement shall have been approved by an ordinance of the City in accordance with the terms of the Service Agreement.

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

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Service Fee payments due and payable under the Service Fee in each of the City's Fiscal Years.

No Set-Off

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

City to Perform Certain Covenants Under Indenture

The City acknowledges that it has received an executed copy of the Indenture, and that it is familiar with its provisions, and agrees to be bound to the fullest extent permitted by law to all provisions thereof directly or indirectly relating to it, and that, in consideration of the service of the Authority rendered to the City under the Service Agreement, it will take all such actions as are required of it under the Indenture to preserve and protect the rights of the Trustee, the Bondholders, the Credit Issuers and the Swap Providers thereunder and that it will not take or effect any action which would cause a default thereunder or impair such rights. Under the Service Agreement, the City assumes and agrees to perform all of the covenants and other obligations of the Authority under the Indenture, excepting only any approvals or consents required to be given by the Authority, and those covenants contained in the Indenture which are not within the control of the City.

Compliance with the Internal Revenue Code

Each of the City and the Authority covenants that it will neither make nor instruct the Trustee to make any investment or other use of the proceeds of the Bonds, the interest on which is intended to be excludable from gross income of the holders thereof, which would cause such Bonds to be "arbitrage bonds" as that term is defined in Section 148(a) of the Code; that it will comply with the requirements of the Code throughout the term of such Bonds so that the interest on such Bonds shall be excluded from gross income for federal income tax purposes; and that it will not apply the proceeds of such Bonds in such a manner as would result in the loss of the exclusion of interest on such Bonds from gross income of the owners for federal tax purposes.

No Personal Recourse Against Authority; Assumption of Financial Responsibility

In the exercise of the power of the Authority and its members, officers, employees and agents under the Service Agreement or the Indenture including, the application of moneys and the investment of funds, neither the Authority nor its members, officers, employees or agents shall be accountable to the City for any action taken or omitted by it or them except actions constituting bad faith, willful misconduct, negligence, fraud or deceit of the Authority or of any member, officer, employee or agent. The Authority and such other persons shall be protected in its or their acting upon any paper or document believed by it or them to be genuine, and it or they may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the City for any claims against any member, officer, employee or agent of the Authority alleging personal liability on the part of such person based on the Service Agreement or on the Indenture or based on the Authority's participation in the Program.

Events of Default

Each of the following shall constitute an Event of Default under the Service Agreement: (a) the failure of the City to make any payment to the Trustee of the Service Fee due pursuant to the Service Agreement; (b) the failure of the City to make any other payment or to perform any other covenant, condition or agreement in the Service Agreement on its part to be performed; and (c) if the City proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the City or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, state or federal, by or against the City and if such is not vacated, dismissed or stayed on appeal within sixty (60) days (provided that any such assignment, agreement, appointment or proceeding commenced under the First Class City Revenue Bond Act or the Municipal Utility Inventory and Receivables Act, and/or any acceleration of the payment obligations in respect of any bonds, notes or other evidence of indebtedness issued under either aforementioned Act, shall not be an Event of Default under the Service Agreement).

Notice of Defaults; Opportunity to Cure Such Defaults

No default under paragraph (a) of the previous section shall constitute an Event of Default if the City's failure to make any payment due under the Service Agreement is cured within two (2) Business Days after the due date of the payment; provided, however, that in no event shall such cure period extend beyond the date and time the payment is due to the Bondholders or any Credit Issuer or Swap Provider.

No default under paragraph (b) of the previous section shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the City by the Authority or the Trustee and the City shall have had 30 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, if the default cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the City within the period and diligently pursued until the default is corrected.

Remedies

If any Event of Default shall occur and be continuing, the Authority (or the Trustee as assignee of the Authority) may at its option exercise any one or more of the following remedies: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the City to perform its duties and obligations under the Service Agreement; (b) by action or suit in equity require

the City to account as if it were the trustee of an express trust for the Authority; or (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

In no event (including an acceleration of the Authority's payment obligations under the Bonds or any Additional Bonds issued under the Indenture or with respect to any Credit Facility Payment Obligation or Swap Payment Obligation) shall the due dates for payments of the Service Fee be accelerated.

Termination

The Service Agreement shall terminate on such date as the principal or redemption price of and interest on all Bonds and all other amounts required under the Indenture to be paid and all other expenses payable by the City under the Service Agreement shall have been paid (or provision for such payment shall have been made as provided in the Indenture) and all other conditions of the Service Agreement and the Indenture shall have been fully satisfied.

Amendments and Supplements

If the Authority issues Additional Bonds as contemplated by the Indenture, the Authority and the City shall execute an appropriate supplement or amendment to the Service Agreement. In addition, the parties from time to time may enter into any written amendments (which thereafter shall form a part of the Service Agreement) as shall not adversely affect the rights of or the security of the holders of the Bonds, only for the following purposes: (a) to cure any ambiguity, defect, or inconsistency or omission in the Service Agreement or in any amendment; (b) to grant to or confer upon the Authority or the Trustee any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon the Authority or the Trustee; (c) to reflect a change in applicable law; (d) to modify the Program; or (e) to provide terms not inconsistent with the Indenture or the Service Agreement; provided, however, that the Service Agreement as so amended or supplemented shall provide at least the same security for holders of Bonds issued under the Indenture as the Service Agreement in its current form.

All other amendments must be approved by the Trustee and, to the extent required by the Indenture, by the Bondholders also, in the same manner and to the same extent as is set forth in the Indenture.

Any amendment or supplement to the Service Agreement (other than an amendment or supplement relating to a series of Additional Bonds which does not cause the Annual Debt Service Requirement to exceed $20,000,000) shall be approved by ordinance of the City Council of the City and a copy of any such amendment or supplement, together with a copy of such ordinance, certified by the Clerk of the City Council, shall be filed with the Trustee.

APPENDIX E

PROPOSED FORM OF APPROVING OPINION OF CO-BOND COUNSEL

_____, 2015

Re: Philadelphia Redevelopment Authority $_____ City Service Agreement Revenue Refunding Bonds, Series 2015A

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Philadelphia Redevelopment Authority (the "Authority") in connection with the issuance by the Authority of $_____ aggregate principal amount of its City Service Agreement Revenue Refunding Bonds, Series 2015A (the "Bonds"). The Bonds are issued under and pursuant to the laws of the Commonwealth of Pennsylvania, including particularly the Pennsylvania Urban Redevelopment Law, Act No. 385 of the General Assembly of the Commonwealth approved May 24, 1945 (P.L. 991), as amended and supplemented (the "Act"), and a Trust Indenture dated as of April 15, 2002, as amended and supplemented, including by the Fifth Supplemental Indenture dated as of April 1, 2015 (as so amended and supplemented, the "Indenture"), between the Authority and TD Bank, N.A., as successor trustee to Commerce Bank/Pennsylvania, National Association (the "Trustee").

The Authority is issuing the Bonds at the request of The City of Philadelphia, Pennsylvania (the "City") to provide funds to be used to currently refund the Redevelopment Authority of the City of Philadelphia Revenue Bonds, Series 2005C (City of Philadelphia Neighborhood Transformation Initiative), originally issued in the principal amount of $81,305,000, and to pay the costs of issuance of the Bonds.

The Authority and the City have entered into a Service Agreement dated as of April 15, 2002, as amended and supplemented, including by the Fourth Supplemental Service Agreement dated as of April 1, 2015 (as so amended and supplemented, the "Service Agreement"), pursuant to which the Authority and the City have agreed to undertake the Program (as defined therein) and the City has agreed to pay to the Authority in each year, but only from current revenues of the City, a Service Fee in consideration of the Authority's agreement to undertake the Program, which Service Fee is required to be in an amount sufficient to pay the principal or redemption price of and interest on the Bonds as the same become due. In the Indenture, the Authority has assigned to the Trustee as security for the Bonds the Authority's right to receive the Service Fee payments payable to the Authority under the Service Agreement.

The City has covenanted in the Service Agreement that it will comply with the requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), which provides for the rebate of certain arbitrage profits to the United States.

Each of the City and the Authority has covenanted in the Service Agreement, and the Authority has further covenanted in the Indenture, that it will neither make, nor instruct the Trustee to make, any investments or other use of the proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" as that term is defined in Section 148(a) of the Code; that it will comply with the requirements of the Code throughout the term of the Bonds so that the interest on such Bonds shall be excluded from gross income for federal income tax purposes; and that it will not apply the proceeds of the Bonds in such a manner as would result in the loss of the exclusion of interest on the Bonds from gross income of the owners for federal income tax purposes.

The Authority has further covenanted in the Indenture that it will not take any action or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or circumstances would adversely affect the validity of the Bonds or cause the interest paid by the Authority on the Bonds not to be excluded from gross income of the owners for federal income tax purposes.

The Authority is filing or causing to be filed with the Internal Revenue Service a report of the issuance of the Bonds as required by Section 149(e) of the Code as a condition of the exclusion from gross income of the interest on the Bonds for federal income tax purposes. In addition, an officer of the Authority responsible for issuing the Bonds has executed a certificate stating the reasonable expectations of the Authority on the date of issue of the Bonds as to future events that are material for the purposes of Section 148 of the Code pertaining to arbitrage bonds.

In our capacity as Co-Bond Counsel, we have examined such statutes, proceedings, documents, records and other instruments as we deemed necessary to enable us to express the opinions set forth below, including, inter alia, the Act, the Pennsylvania Redevelopment Cooperation Law, Act No. 383 of the General Assembly of the Commonwealth approved May 24, 1945 (P.L. 982), as amended and supplemented, resolutions of the Authority, Ordinance of the City (Bill No. 020036) adopted February 28, 2002, and approved by the Mayor of the City on March 13, 2002 and Ordinance of the City (Bill No. 110733), adopted December 8, 2011, and approved by the Mayor of the City on December 21, 2011 (together, the "Ordinances"), legal opinions as to various matters delivered by the General Counsel of the Authority and the City Solicitor, and original counterparts or certified copies of the Indenture, the Service Agreement and the other documents listed in the closing memorandum in respect of the Bonds filed with the Trustee. We have also examined an executed Bond of each series, authenticated by the Trustee and assume that all other Bonds have been similarly executed and authenticated. For the purposes of the opinions set forth below, we have assumed that the Authority and the City will comply with their covenants set forth in the Indenture and the Service Agreement relating to the tax exempt status of the Bonds.

We have relied upon the opinion of the City Solicitor with respect to the matters set forth in paragraph 4 below.

Based on the foregoing, it is our opinion that:

1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth of Pennsylvania, with full power and authority to undertake the Program, to execute and deliver the Indenture and the Service Agreement and to issue and sell the Bonds.

2. The Indenture and the Service Agreement have been duly authorized, executed and delivered by the Authority and the covenants of the Authority therein are valid and binding legal obligations of the Authority enforceable in accordance with their terms, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws or legal or equitable principles affecting the enforcement of creditors' rights.

3. The issuance and sale of the Bonds have been duly authorized by the Authority and, on the assumption as to execution and authentication stated above, such Bonds have been duly executed and delivered by the Authority and authenticated by the Trustee, and are valid and binding obligations of the Authority entitled to the benefit and security of the Indenture, except as the rights created thereunder and the enforcement thereof may be limited as described in paragraph 2 above.

4. The City has full power and authority to execute and deliver the Service Agreement; the Service Agreement has been duly authorized, executed and delivered by the City pursuant to the Ordinances; and the covenants of the City therein are valid and binding legal obligations of the City enforceable in accordance with their terms, except as the rights created thereunder and the enforcement thereof may be limited as described in paragraph 2 above.

5. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

6. Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date hereof, assuming the accuracy of the certifications of the Authority and the City and continuing compliance by the Authority and the City with the requirements of the Code. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax, but interest on the Bonds held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

We express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds. We express no opinion herein with respect to the accuracy or completeness of the preliminary or final Official Statement prepared or used or statements made in connection with the offering of the Bonds or as to any other matter not set forth herein.

We call your attention to the fact that the Bonds are special limited obligations of the Authority, payable only out of certain revenues of the Authority and certain other moneys available therefor as provided in the Indenture, and that the Bonds do not pledge the credit or taxing power of the Authority, the City, the Commonwealth of Pennsylvania or any political subdivision, agency or instrumentality thereof. The Authority has no taxing power.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of April __, 2015, 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 Redevelopment Authority (the "Authority") of $73,495,000* aggregate principal amount of its City Service Agreement Revenue Refunding Bonds, Series 2015A (the "Bonds"). The Bonds are being issued pursuant to the Act and a resolution of the Authority adopted on March 11, 2015. Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified above or in Article IV hereof.

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement is being executed and delivered by the City solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) Commencing with the Fiscal Year ending June 30, 2015, the Disclosure Representative shall deliver to the Dissemination Agent no later than February 28, 2016, and no later than each succeeding February 28 thereafter, Annual Financial Information with respect to each Fiscal Year of the City. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with EMMA (as defined herein).

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) hereof.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Disclosure Representative shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file such Audited Financial Statements with EMMA.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Disclosure Representative shall provide through the Dissemination Agent, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to EMMA.

(b) Any notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the City including the Bonds, such Notice Event notice need only include the CUSIP number of the City.

---

* Preliminary, subject to change.

(d) The Dissemination Agent shall promptly advise the City whenever, in the course of performing its duties as Dissemination Agent under this Agreement, the Dissemination Agent has actual notice of an occurrence which, if material, would require the City to provide notice of a Notice Event hereunder; provided, however, that the failure of the Dissemination Agent so to advise the City shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities under this Agreement.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the City chooses to do so, the City shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the City under such laws.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agent. The City has designated the Dissemination Agent as its agent to act on its behalf in providing or filing notices, documents and information as required of the City under this Agreement. The City may revoke or modify such designation. Upon any revocation of such designation, the City shall comply with its obligation to provide or file notices, documents and information as required under this Agreement or may designate another agent to act on its behalf.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access ("EMMA") system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided on EMMA shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The City's current Fiscal Year begins July 1 and ends June 30, and the City shall promptly file a notification on EMMA, through the Dissemination Agent, of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The City's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the same effect as set forth in clause (2) above, (4) either (i) the City shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the City (such as bond counsel or the Dissemination Agent), addressed to the City and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to the Indenture as in effect at the time of the amendment, and (5) the Disclosure Representative shall have delivered copies of such opinion(s) and amendment to the Dissemination Agent. The items provided in clause (5) shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that performance by the City and the Dissemination Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. The items provided in clause (3) shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the City shall have

delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. The items provided in clause (2) shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the City in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the City to comply with the provisions of this Agreement shall be enforceable by any holder of Outstanding Bonds. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the City or the Dissemination Agent to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Act" means the Pennsylvania Urban Redevelopment Law, Act No. 385 of the General Assembly of the Commonwealth of Pennsylvania approved May 24, 1945 (P.L. 991), as amended and supplemented.

(2) "Annual Financial Information" means, collectively, (i) the financial information or operating data with respect to the City, substantially similar to the type set forth in the Official Statement, delivered at least annually pursuant to Section 1.2(a) hereof and in accordance with the Rule and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

In connection with Section 4.1.(2)(i), it is the City's intention to satisfy such obligations by submitting to EMMA (A) its "Annual Report of Bonded Indebtedness and Other Long Term Obligations" in substantially the same format as such report for the Fiscal Year ended June 30, 2014, and (B) the annual audited financial statements of the Municipal Pension Fund.

The descriptions contained in Section 4.1(2)(i) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(3) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by Commonwealth law or the Indenture. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the City may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or Commonwealth law a regulation describing such accounting principles, or other description thereof.

(4) "Commonwealth" means the Commonwealth of Pennsylvania.

(5) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(6) "Disclosure Representative" means the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

(7) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(8) "Indenture" means the Trust Indenture, dated as of April 15, 2002, between the Authority and the Trustee, as supplemented from time to time, including by that certain Fifth Supplemental Indenture dated as of April 1, 2015 between the Authority and the Trustee.

(9) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(10) "Notice Event" means any of the following events with respect to the Bonds, whether relating to the City or otherwise:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(11) "Official Statement" means the Official Statement dated April __, 2015 of the City relating to the Bonds.

(12) "Registered Owner" or "Registered Owners" means the person or persons in whose name a Bond is registered on the books of the Authority 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" also means and includes, for the purposes of this Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Agreement.

(13) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(14) "SEC" means the United States Securities and Exchange Commission.

(15) "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.

(16) "Trustee" means TD Bank, N.A., as successor trustee under the Indenture.

(17) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(18) "Underwriters" means the financial institutions named on the cover of the Official Statement.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct in the performance of its duties hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its authorized officers, all as of the day and year first above written.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

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

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By:_____
Name:
Title:

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

General

The information set forth herein concerning The Depository Trust Company, New York, New York ("DTC") and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority, the City, the Trustee or the Underwriters. The websites referenced below are included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

DTC will act as securities depository for the 2015 Bonds under a book-entry system with no physical distribution of the 2015 Bonds made to the public. The 2015 Bonds will initially be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the 2015 Bonds in the aggregate principal amount of the 2015 Bonds, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 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 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 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 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2015 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of 2015 Bonds may wish to ascertain that the nominee holding the 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity of the 2015 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and redemption price of, and interest on, the 2015 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 Authority or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC (or its nominee), the Authority, the City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption price of, and interest on, the 2015 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

THE AUTHORITY, THE CITY, THE TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2015 BONDS (A) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2015 BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2015 BONDS, OR (C) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE CITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2015 BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS OR OWNERS OF THE 2015 BONDS; (E) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF 2015 BONDS; OR (F) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2015 BONDS.

Discontinuation of Book-Entry Only System

DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2015 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2015 Bond certificates will be printed and delivered.

[THIS PAGE INTENTIONALLY LEFT BLANK]

PHILADELPHIA REDEVELOPMENT AUTHORITY • CITY SERVICE AGREEMENT REVENUE REFUNDING BONDS, SERIES 2015A

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com