NEW ISSUE—BOOK-ENTRY ONLY

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

In the opinion of Ballard Spahr LLP and Ahmad Zaffarese LLC, Co-Bond Counsel, interest on the Notes is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax law. Interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Co-Bond Counsel is also of the opinion that the interest on the Notes 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 Notes. See "TAX MATTERS" herein.

$300,000,000
THE CITY OF PHILADELPHIA, PENNSYLVANIA
Tax and Revenue Anticipation Notes, Series A of 2020-2021

Dated: Date of Delivery **Due: June 30, 2021**

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

The Notes. The City of Philadelphia, Pennsylvania (the "City"), a corporation, body politic and city of the first class existing under the laws of the Commonwealth of Pennsylvania, is issuing the above-referenced notes (the "Notes"). The Notes will be issued in registered form in denominations of $5,000 or any integral multiple thereof and will bear interest from the date of issuance to the maturity date at the annual rate set forth on the inside cover page hereof, calculated on the basis of actual days elapsed in a 365-day year.

Purpose. The City is issuing the Notes in anticipation of the receipt of current taxes and current revenues. The proceeds of the Notes will be used: (i) 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 the receipt of income from taxes and other sources of General Fund revenues to be received in the current Fiscal Year and pledged for the repayment of the Notes, and (ii) to pay the costs of issuance of the Notes.

Security. The Notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of Article IX of the Pennsylvania Constitution. The Notes are payable from funds required to be deposited by the City in the Note Fund established under the Loan Authorization and the Trust Agreement. The Notes are equally and ratably secured by a pledge of, security interest in, and a lien and charge on, the taxes and revenues of the City to be received for the account of the General Fund from the issue date of the Notes until the earlier of (i) the payment or provision for payment in full of the principal of and interest on the Notes, and (ii) June 30, 2021. As further security for the repayment of the Notes, the City covenants in the Loan Authorization and the Trust Agreement to make certain irrevocable deposits into the Note Fund, which deposits in the aggregate will equal the entire principal of and interest due on the Notes at maturity.

Payment Date. The principal of and interest on the Notes will be payable on June 30, 2021, at the designated corporate trust office of the Trustee.

Redemption. The Notes are not subject to redemption prior to maturity.

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

Delivery Date. It is expected that the Notes will be available for delivery to DTC on or about September 10, 2020.

This cover page contains certain information for quick reference only. It is not a summary of the Notes 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 Notes.

The Notes are offered when, as and if issued by the City and accepted by the Underwriters and subject to the approval of the legality of the issuance of the Notes by Ballard Spahr LLP, Philadelphia, Pennsylvania, and Ahmad Zaffarese LLC, Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department, and for the Underwriters by their counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania. Hawkins Delafield & Wood LLP and the Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, Co-Disclosure Counsel to the City, will deliver opinions to the City and the Underwriters regarding certain matters.

Wells Fargo Securities **Ramirez & Co., Inc.**

Dated: September 1, 2020

$300,000,000
THE CITY OF PHILADELPHIA, PENNSYLVANIA
Tax and Revenue Anticipation Notes, Series A of 2020-2021

Amount	Rate	Yield	Price	CUSIP†
$300,000,000	4.000%	0.260%	102.995	717813YG8

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

THE CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR

HONORABLE JAMES F. KENNEY

MAYOR'S CHIEF OF STAFF

James Engler

MAYOR'S CABINET

Brian Abernathy*	Managing Director
Rob Dubow	Director of Finance
Marcel S. Pratt	City Solicitor
Nefertiri Sickout	Acting Chief Diversity, Equity & Inclusion Officer
Stephanie Tipton	Chief Administrative Officer
Sylvie Gallier Howard	Acting Director of Commerce
Anne Fadullon	Director of Planning & Development
Otis Hackney	Chief Education Officer
Sheila Hess	City Representative
Sarah Stevenson	Chief Integrity Officer
Alexander F. DeSantis	Inspector General
Richard Lazer	Deputy Mayor for Labor Relations
Cynthia Figueroa	Deputy Mayor for Children and Families
Deborah Mahler	Deputy Mayor for Intergovernmental Affairs

CITY TREASURER

Christian Dunbar

CITY CONTROLLER

Rebecca Rhynhart

* On July 14, 2020, the City announced that Mr. Abernathy will resign from his position as Managing Director effective September 4, 2020. On July 29, 2020, the Mayor announced that Tumar Alexander, currently the First Deputy Managing Director, will succeed Mr. Abernathy, as Acting Managing Director.

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

No Unlawful Offers or Solicitations. 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 Notes by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Notes described herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement among the City, the Underwriters and the purchasers or owners of any offered Notes. 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.munisOS.com. This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such website.

Preparation of this Official Statement. The information set forth herein has been furnished by the City and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Order and Placement of Materials. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the cover page, the inside cover pages 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 Notes is made only by means of this entire Official Statement.

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

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

No Recommendation or Registration. The Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The Notes have not been registered with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, nor has the Trust Agreement been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain statutory exemptions contained in such acts.

Informational Purposes Only; No Incorporation by Reference Unless Expressly Stated Otherwise. References to website addresses presented herein, including the City's Investor Website (as defined herein) or any other website containing information about the City, are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose, including for purposes of Rule 15c2-12 promulgated by the SEC.

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OFFICIAL STATEMENT
OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA

$300,000,000
The City of Philadelphia, Pennsylvania
Tax and Revenue Anticipation Notes,
Series A of 2020-2021

INTRODUCTION

General

This Official Statement, including the cover page, inside cover page, and Appendices hereto, is provided to set forth information with respect to the issuance by The City of Philadelphia, Pennsylvania (the "City") of its Tax and Revenue Anticipation Notes, Series A of 2020-2021 (the "Notes"), in the aggregate principal amount of $300,000,000. This introduction is a brief description of certain matters set forth in this Official Statement and is qualified by reference to the entire Official Statement. Reference should be made to the material under the caption "THE NOTES" for a description of the Notes and to APPENDIX E for a description of the book-entry system of registration applicable thereto.

Certain factors that may affect an investment decision concerning the Notes are described throughout this Official Statement. Persons considering a purchase of the Notes 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 and are believed to be reasonable, but are not to be construed as assurances of actual outcomes. Any estimates of future performance or events constituting forward-looking statements may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from the adopted and proposed budgets of the City, as well as from the City's five-year financial plans. Accordingly, no assurance is given that any projected future results will be achieved. See "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information" in APPENDIX A hereto.

This Official Statement has been prepared by the City under the direction of the Office of the Director of Finance. The fiscal year of the City extends from July 1 to June 30 of the subsequent year (referred to herein as the "Fiscal Year").

Information Regarding The City of Philadelphia

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

Statement and persons considering a purchase of the Notes should rely only on information contained in this Official Statement or incorporated by reference herein.

APPENDIX A provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the relationship with the Pennsylvania Intergovernmental Cooperation Authority ("PICA") and the City's five-year financial plans. APPENDIX B contains the Comprehensive Annual Financial Report of the City for the Fiscal Year ended June 30, 2019 (the "Fiscal Year 2019 CAFR"). Certain information contained herein regarding the City is for periods prior to or subsequent to the Fiscal Year ended June 30, 2019. As a result, certain of the information in APPENDIX B may vary from corresponding information concerning the City in APPENDIX A.

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2019 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 2019 CAFR.

COVID-19 Response

On January 31, 2020, the United States Department of Health and Human Services declared a public health emergency for the United States to aid the nation's health care community in responding to the novel strain of coronavirus ("COVID-19"). On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic, and on March 13, 2020, the President of the United States declared a national state of emergency.

Due to the increase in the number of COVID-19 cases around the country and internationally, federal, state, and local bodies have enacted legislation, and other administrative orders, directives, and guidance to mitigate the impacts of COVID-19 on the general population and the economy. Since March 2020, the Commonwealth of Pennsylvania (the "Commonwealth") has been under a disaster emergency order as issued by the Governor. Such order was followed by stay at home orders for certain counties in Commonwealth, which was extended to the entire Commonwealth on April 1, 2020. In subsequent executive orders, the restrictions of the Governor's stay at home order have been eased throughout the Commonwealth. The Mayor and City Council have also taken various emergency measures and other actions to respond to the spread of COVID-19 in the City. Similar emergency measures have been implemented in neighboring counties in New Jersey and Delaware.

On May 1, 2020, the Governor announced a three-phase plan for easing the social and economic restrictions with restrictions gradually easing on a county by county basis as each county achieves certain benchmarks in managing and containing the spread of the virus. The three phases of the plan are identified as the red phase, during which the strict limitations of the stay at home order remain in place; the yellow phase, during which some restrictions are to be eased; and the green phase, during which most limitations of the stay at home and business closure restrictions would be lifted consistent with public health safeguards. All counties in the Commonwealth are currently in the green phase. The City has adopted a "modified, restricted green phase," which slows certain aspects of the reopening process. The City currently expects to lift restrictions to permit indoor dining, live theatre venues, and movie theatre operations to reopen no earlier than September 8, 2020. No assurances can be given that circumstances will not deteriorate in the future as a result of a subsequent COVID-19 outbreak.

The City continues to closely monitor and assess the effects of the COVID-19 pandemic and its impact on the City's financial position and operations. The complete fiscal impact of COVID-19 on the City is likely to change significantly as the situation further develops and cannot be fully quantified at this time. For more information on the City's response on COVID-19 and the related financial impact on the City, see APPENDIX A – "OVERVIEW – Fiscal Health of the City – COVID-19."

Authorization

The Notes are being issued pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6, approved June 5, 1991, as amended (the "Act"), and a Loan Authorization, adopted September 1, 2020 (the "Loan Authorization") by the Loan Committee of the City, comprised of the Mayor, the City Controller, and the City Solicitor, by at least a majority vote of its members (the "Loan Committee"). See "THE NOTES – Statutory Authorization."

U.S. Bank National Association, having a corporate trust office in Philadelphia, Pennsylvania, will act as registrar, transfer agent, and paying agent for the Notes and as trustee (the "Trustee") under a Trust Agreement between the City and the Trustee, dated September 10, 2020 (the "Trust Agreement").

The Notes are issuable as fully-registered notes and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form in denominations of $5,000 and any integral multiple thereof. Purchasers of Notes will not receive certificates representing their ownership interests in the Notes purchased. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

Purpose

The City is issuing the Notes in anticipation of the receipt of current taxes and current revenues. The proceeds of the Notes will be used to: (i) 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 the receipt of income from taxes and other sources of General Fund revenues to be received in the current Fiscal Year and pledged for the repayment of the Notes, and (ii) pay the costs of issuance of the Notes. The proceeds of the Notes will be deposited initially to the credit of the General Fund in the City's Consolidated Cash Account. See "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – Consolidated Cash."

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THE NOTES

General

The Notes will be issued in the aggregate principal amount of $300,000,000, will be dated the date of original delivery thereof, and will mature on June 30, 2021. The Notes will bear interest, payable at maturity, at the rate per annum set forth on the inside cover page hereof, calculated on the basis of actual days elapsed in a 365-day year.

The Notes will be issued as fully registered notes and, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Purchases of beneficial interests in the Notes will be made in book-entry form (without certificates) in denominations of $5,000 or any integral multiple thereof. So long as the Notes are in book-entry only form, the principal of and interest on the Notes will be payable by check or draft mailed to or by wire transfer of immediately available funds to Cede & Co., as nominee for DTC, the registered owner thereof for redistribution by DTC to the Direct and Indirect Participants and in turn to Beneficial Owners as described in APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

The Loan Authorization, the Trust Agreement, and all provisions thereof are incorporated by reference in the text of the Notes and the Notes provide that each registered owner, Beneficial Owner, and Direct or Indirect Participant of DTC, by acceptance of a Note (including receipt of a book-entry credit evidencing an interest therein), assents to all of such provisions as an explicit and material portion of the consideration running to the City to induce it to adopt the Loan Authorization and issue the Notes. Copies of the Loan Authorization, including the full text of the form of the Notes, and the Trust Agreement are on file at the Philadelphia, Pennsylvania corporate trust office of the Trustee.

Statutory Authorization

The issuance of the Notes is authorized by the Act. Pursuant to the Act, the Loan Committee has established the terms of the Notes in the Loan Authorization, which authorizes the issuance and sale of the Notes and provides for the payment of the Notes. In the Loan Authorization, the Loan Committee has authorized and approved the execution and delivery of the Trust Agreement, provided for the establishment of the Note Fund and appointed the Trustee as agent for the Noteholders (as defined below) for the purpose of enforcing the pledge and security interest granted to Noteholders pursuant to the Act and their rights and remedies under the Act.

Sources of Payment for the Notes; Security

Pursuant to the provisions of the Act, the Loan Authorization, and the Trust Agreement, the Notes are equally and ratably secured by a pledge of, a security interest in, and a lien and charge on, the taxes and revenues of the City to be received for the account of the General Fund from the date of the Notes until the earlier of (i) the payment or provision for payment in full of the principal of and interest on the Notes, and (ii) June 30, 2021.

Pursuant to the provisions of the Act, the Loan Authorization, and the Trust Agreement, the City has established a fund, designated the "Note Fund," to be held in trust by the Trustee for the benefit of the registered owners of the Notes (the "Noteholders" or "registered owners" or "holders of the Notes"). The City has covenanted in the Loan Authorization and in the Trust Agreement to make two irrevocable deposits to the Note Fund: (i) the first on May 26, 2021, in an amount equal to the principal of the Notes;

and (ii) the second on June 25, 2021, in an amount equal to the interest due on the Notes at their stated maturity on June 30, 2021. Each such date and each such amount being a "Note Deposit Requirement Date" and a "Note Deposit Requirement," respectively. See "SECURITY FOR THE NOTES."

As provided in the Act, the Notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of Article IX of the Pennsylvania Constitution. The Notes do not pledge the taxing power of the City nor do they require the City to levy ad valorem taxes for their payment. If the Notes are not paid within the current Fiscal Year, the entire amount unpaid is required to be included by the City in its budget for the Fiscal Year ending June 30, 2022, and will be payable from (but will not be secured by) the taxes and revenues of such Fiscal Year.

No Redemption Prior to Maturity

The Notes are not subject to redemption prior to maturity.

Additional Notes

The Act and the Loan Authorization permit the City to issue additional tax and revenue anticipation notes ("Additional Notes"). Additional Notes, if any, shall not mature before June 30, 2021. Deposits to be made for payment of any Additional Notes into a trust or sinking fund for such Additional Notes shall be made only after each Note Deposit Requirement has been made in full. Any Additional Notes will be equally and ratably secured with the Notes, until paid or until deposits for such payment have been made into a trust or sinking fund for such Additional Notes, by a pledge of, security interest in and a lien and charge on the taxes and revenues of the City to be received for the account of the General Fund from the date of the Additional Notes until the earlier of (i) the payment or provision for payment in full of the principal of and interest on the Additional Notes, provided that the payment or provision of payment in full of the Additional Notes shall not occur until after the payment or provision for payment in full of the Notes has been made, and (ii) June 30, 2021. Owners of Additional Notes will have no claim on or security interest in the Note Fund.

Modification of Loan Authorization and Trust Agreement

The Loan Authorization may be modified with the consent of the Trustee and the registered owners of a majority in principal amount of the outstanding Notes; provided, however, that no such modification which would affect the rights of the registered owners of less than all outstanding Notes or affect the terms of payment of the principal of, or interest on, the Notes may be made without the consent of the registered owners of all the affected Notes.

The Trust Agreement may be amended without the consent of the registered owners of the Notes by a supplemental agreement authorized by the Loan Committee or a majority of the members thereof to: (i) add additional covenants of the City or surrender any right or power of the City conferred by the Trust Agreement; (ii) reflect changes in applicable law or to cure any ambiguity or to cure, correct or supplement any defective or inconsistent provision of the Trust Agreement in a manner which is not inconsistent with the Trust Agreement and does not impair the security of the Trust Agreement or adversely affect the registered owners of the Notes; or (iii) revise the provisions of the Trust Agreement so long as such modifications, amendments or supplements do not adversely affect the rights or security of the registered owners under the Trust Agreement, the Loan Authorization, or the Act.

All other amendments to the Trust Agreement require the consent of the registered owners of at least a majority in principal amount of the Notes then outstanding. However, any amendment with respect to (i) the Note Deposit Requirements, the Note Deposit Requirement Dates, the interest rate of the Notes, the maturity date of the Notes, or (ii) the Article of the Trust Agreement governing amendments, requires the consent of the registered owners of all of the outstanding Notes. Any amendment of the Trust Agreement described in clause (i) of the preceding sentence shall only be effective if the Loan Authorization has been duly amended in the same particulars.

SECURITY FOR THE NOTES

General

The Act provides that all tax and revenue anticipation notes issued in a single Fiscal Year will be equally and ratably secured by a pledge of, a security interest in, and a lien and charge on, the taxes or revenues or both of the City specified in the Loan Authorization to be collected or received during the period when such notes are outstanding. As required by the Act, the Loan Authorization grants such pledge of, security interest in, and lien and charge on the taxes and revenues to be collected or received by the City for the account of the General Fund from the date of the Notes until the earlier of (i) the payment or provision for payment in full of the principal of and interest on the Notes, and (ii) June 30, 2021.

The Act further provides that such pledge, lien, and charge shall be fully perfected as against the City, all creditors of the City, and all third parties from and after the filing of financing statements pursuant to the Pennsylvania Uniform Commercial Code. For the purpose of such filing, the Trustee has been appointed, as permitted by the Act, to file, on behalf of the Noteholders, the financing statements and any continuation or termination statements.

Note Fund

As authorized by the Act, the City has established the Note Fund, to be held in trust for the equal and ratable benefit of the owners of the Notes. In the Trust Agreement, the City grants to the Trustee a pledge of and security interest in the Note Fund and all investments thereof and income thereon for the benefit and security of the Noteholders.

In the Loan Authorization and the Trust Agreement, the City covenants to pay to the Trustee for irrevocable deposit into the Note Fund the following amounts on the following dates:

Note Deposit Requirement Date	Note Deposit Requirement
May 26, 2021	$300,000,000.00 (full principal amount)
June 25, 2021	$9,632,876.71 (all interest due on June 30, 2021)

On each Note Deposit Requirement Date, the Trustee will determine whether the amount on deposit in the Note Fund is equal to the Note Deposit Requirement (as noted above). The Trustee will provide notice to the Treasurer or the Director of Finance of any deficiency in the Note Fund. The Treasurer or the Director of Finance is required to immediately transfer any General Fund Receipts (as defined below) or other moneys of the City legally available for the purpose in an amount equal to the deficiency to the

Trustee for deposit in the Note Fund. Such transfer and deposit is required to be made by 10:00 A.M., Philadelphia time, on the business day immediately succeeding the Note Deposit Requirement Date. Notwithstanding the foregoing, on June 25, 2021, the Trustee will determine no later than 3:00 P.M., Philadelphia time, whether the amount on deposit in the Note Fund equals the entire principal of and interest due on the Notes on June 30, 2021. If the Trustee determines that there is any deficiency in the Note Fund, the City must cure such deficiency by 10:00 A.M., Philadelphia time, on June 28, 2021.

Moneys on deposit in the Note Fund may be invested only in direct obligations of the United States of America, the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America, obligations of certain agencies and instrumentalities of the United States of America, or agreements for the repurchase of such obligations, all as more fully described in the Trust Agreement and Loan Authorization, all such obligations to mature or be subject to redemption at the option of the holder at not less than par or the purchase price therefor on or prior to June 30, 2021. Funds and investments in the Note Fund will be applied solely to the payment of principal of and interest on the Notes at maturity and are not available as security for the holders of any additional notes. Payments from the Note Fund will be applied first to interest due on the Notes, and then to principal.

Pursuant to the Loan Authorization, when payment in full of principal of and interest due on the Notes has been made from the Note Fund, any balance in the Note Fund in excess of such amounts will be paid by the Trustee to the City.

General Fund Receipts Collection and Transfer

Under the Philadelphia Home Rule Charter (the “City Charter”), the Department of Revenue is authorized to collect all real estate, personal property, income and other taxes of the City. The Revenue Commissioner is the head of the Department of Revenue.

General Fund Receipts are defined in the Trust Agreement to mean the taxes and other revenues of the City received from all sources for the account of the General Fund during the period beginning on the date of issue of the Notes and ending June 30, 2021, including, without limitation, general property taxes; wage, earnings and net profits taxes; business privilege taxes; sales and use taxes; and revenue from other governments, including the Commonwealth and PICA; provided, however, that at no time shall General Fund Receipts include (i) any taxes or other revenues collected by the City on behalf of The School District of Philadelphia, Pennsylvania (the “School District”), which taxes and revenues are at all times the sole property of the School District, or (ii) the Pennsylvania Intergovernmental Cooperation Authority Tax, as defined in the Act, collected by the City as agent for the Commonwealth Department of Revenue, which tax is at all times the sole property of PICA.

The City maintains an account (the “Concentration Account”) for the deposit of the daily collection of certain categories of General Fund Receipts and other income of the City received by the Department of Revenue. In addition to the daily deposit of certain General Fund Receipts and other income of the City, the Concentration Account receives, by electronic fund transfer from the Pennsylvania Office of the State Treasurer, payments from the Commonwealth, which accrue to the General Fund. The City’s wage, earnings and net profits taxes are deposited in a separate account at another bank and are transferred by the City to the Concentration Account on a daily basis. As determined by the City, these funds, when in excess of daily liquidity needs, are deposited at other banks or are transferred to a custodian and invested in authorized investments, per the guidelines of the City’s Investment Policy (as described in APPENDIX A). The Concentration Account is currently maintained at Wells Fargo Bank, N.A. (Wells Fargo Bank, N.A. or such other bank designated by the City to hold the Concentration Account, is referred to herein as the "Concentration Account Bank").

In the Trust Agreement, the City covenants to transfer General Fund Receipts to the Trustee for deposit in the Note Fund, or to cause the Concentration Account Bank to transfer General Fund Receipts from the Concentration Account to the Trustee for deposit in the Note Fund, in the amount of the applicable Note Deposit Requirement on each Note Deposit Requirement Date. The City has further covenanted in the Trust Agreement to maintain the Concentration Account until payment in full of the Notes. The Trust Agreement includes an authorization and direction to the Concentration Account Bank, without further action of the City, to transfer General Fund Receipts from the Concentration Account to the Trustee for deposit in the Note Fund in the amount of the applicable Note Deposit Requirement on each Note Deposit Requirement Date, to the extent such deposits are not otherwise made by the City.

The City also maintains accounts at a number of other banking institutions in the City for the direct deposit of its Realty Transfer Tax Receipts, certain other items of General Fund Receipts, Grant Fund funding, and other miscellaneous revenues of other member funds that are pooled in the City's Consolidated Cash Account. The above mentioned Concentration Account is included in the pool of funds that make up the City's Consolidated Cash Account. See "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – Consolidated Cash."

Remedies of Noteholders

Pursuant to the Act and the Loan Authorization, upon the filing of required financing statements, the Trustee will be entitled to exercise on behalf of the Noteholders all rights and remedies available to secured parties under the Pennsylvania Uniform Commercial Code.

The Act further grants the Trustee the right on behalf of the Noteholders to enforce the pledge of, security interest in, and lien and charge on, the pledged taxes and revenues of the City against all governmental agencies in possession of any such taxes and revenues at any time, which taxes and revenues may be collected directly from such agencies upon notice by the Trustee for application to the payment of the Notes as and when due or for deposit in the Note Fund at the times and in the amounts specified in the Notes. The Trust Agreement requires the Trustee to enforce the pledge granted to secure the Notes in the manner described in the preceding sentence without further direction from the Noteholders, in the event the City fails to make any scheduled deposit into the Note Fund at the times prescribed in the Trust Agreement.

In addition, the Act grants to Noteholders the right, if the City fails to pay principal of or interest on the Notes when due, and such failure continues for thirty (30) days, to recover the amount due by action in the Court of Common Pleas. The judgment recovered will have an appropriate priority upon the moneys next coming into the treasury of the City. Pursuant to the Trust Agreement, this right will be enforced on behalf of Noteholders by the Trustee.

The Act also provides the following remedies to holders of the Notes which, pursuant to the Loan Authorization and Trust Agreement, will be exercised by the Trustee on behalf of Noteholders:

(i) By mandamus, suit, action or proceeding at law or in equity, to compel the City, the Loan Committee and the members thereof, and the officers, agents or employees of the City to perform each and every term, provision and covenant contained in the Notes, the Loan Authorization and the Trust Agreement, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed on the City by the Act;

(ii) By proceeding in equity, to obtain an injunction against any acts or things which may be unlawful or the violation of any of the rights of the holders of Notes; and

(iii) To require the City to account as if it were the trustee of an express trust for the holders of the Notes for any pledged taxes or revenues received.

The Trust Agreement provides that the Trustee is not required to exercise any of the foregoing remedies (other than enforcing the pledge of, security interest in, and lien and charge on, the pledged revenues from Commonwealth and local public officers) unless the Trustee receives (i) written direction from the registered owners of at least a majority in principal amount of the Notes then outstanding, and (ii) indemnity satisfactory to it against its fees, costs, expenses, and liabilities. If the Trustee receives such written direction and indemnity and declines to take the action specified within a reasonable period of time, registered owners may proceed to enforce the remedies granted under the Act directly against the City.

Limitation of Remedies

The rights and remedies of Noteholders with respect to the City's obligations under the Notes could be significantly affected by the provisions of Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Chapter 9 permits, under prescribed circumstances (and only after an authorization by the applicable state legislature or by a governmental office or organization empowered by state law to give such authorization), a "municipality" of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature, and it desires to effect a plan to adjust its debt. Chapter 9 defines "municipality" as a "political subdivision or public agency or instrumentality of a State." Thus, for purposes of Chapter 9, except as may be limited by state law, the City would be considered a "municipality."

Notwithstanding the foregoing, the Act prohibits the City from filing a petition for relief under Chapter 9 so long as PICA has outstanding any bonds issued pursuant thereto. As of June 30, 2020, the principal amount of PICA Bonds outstanding was $56,075,000, with a final maturity date of June 15, 2023, which is approximately two years after the maturity date of the Notes.

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

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CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

Because the receipt of revenues into the General Fund generally lags behind expenditures from the General Fund during each Fiscal Year, the City issues notes in anticipation of General Fund revenues, such as the Notes, and makes payments from the Consolidated Cash Account (described below) to finance its on-going operations. From Fiscal Year 1972 through Fiscal Year 2018, the City issued, or PICA issued on behalf of the City, tax and revenue anticipation notes. Each issue was repaid when due, prior to the end of the respective Fiscal Year. The City did not issue tax and revenue anticipation notes in Fiscal Year 2019 or Fiscal Year 2020.

The timing imbalance referred to above results from a number of factors, principally the following: (i) real property taxes, business income and receipts taxes, 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.

Table 1 shows information related to the City's tax and revenue anticipation notes issued in Fiscal Years 2016-2020.

Table 1
City of Philadelphia
Notes Issued in Anticipation of Receipt of Income by General Fund
Fiscal Years 2016-2020
(Amounts in millions)

	2016	2017	2018	2019	2020
Total Authorized Tax and Revenue Anticipation Notes[(1)]	$175.00	$175.00	$125.00	-	-
Maximum Amount Outstanding at any time during Fiscal Year	$175.00	$175.00	$125.00	-	-
Amount Outstanding at end of Fiscal Year	$0.00	$0.00	$0.00	-	-
Maximum Amount Outstanding as a Percentage of General Fund Revenues	4.39%	4.21%	2.74%	-	-

(1) Amount represents General Fund borrowing.

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Consolidated Cash

The Act of the General Assembly of the Commonwealth 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 the Philadelphia Gas Works, the Aviation Fund, the Water Fund, and certain other restricted purpose funds). A separate accounting is maintained to record the equity of each member fund that participates in the Consolidated Cash Account. For more information on the City's management of the Consolidated Cash Account, see APPENDIX A – "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – Consolidated Cash."

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and to make investments that preserve principal while striving to obtain the maximum rate of return. Pursuant to the City Charter, the City Treasurer is the City official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional investment managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to revenue bonds for water and sewer and the airport are directly deposited and held separately in trust. A fiscal agent manages these cash balances in accordance with the applicable bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy (as described below). In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with federal or Commonwealth reporting. Investment guidelines for the City are embodied in § 19-202 of the Philadelphia Code. For more information on the City's investment guidelines and policies, see APPENDIX A – "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – Investment Practices."

Cash Flow Projections

Tables 2-5 set forth the City's projected cash flow results for Fiscal Years 2020 and 2021, which include projections as of June 30, 2020. Tables 2-5 were prepared by the City's Office of the Director of Finance, and for purposes of the projections include adjustments made by that office to take into account revenues anticipated to be received and expenses scheduled to be paid or anticipated to be paid. As such, at any point in time there may be a difference between actual operating cash on deposit and investments and what the tables reflect as "Total Fund Equity." For example, Table 3 shows a projected Total Fund Equity as of June 30, 2020 of $1,381.5 million, while the City's Treasury Operations show a bank balance on June 30, 2020, of approximately $433.8 million and an investment balance of approximately $702.9 million, for an aggregate of approximately $1,136.7 million. In the context of how accurately these numbers reflect the overall financial position of the City, the City does not believe that these differences are material.

For Fiscal Year 2020, the City has revised its cash flow projections in the Quarterly City Manager's Report for the period ending June 30, 2020, which was released on August 17, 2020 (the "FY 2020 Fourth Quarter QCMR"). Cash flow projections in the FY 2020 Fourth Quarter QCMR reflect revenues that were slightly higher and expenditures were slightly lower than expected. Some of those projected results reflect the timing of receipt or processing of certain collections and expenses. Despite such revisions to the cash flow projections, the projected General Fund balance for Fiscal Year 2020 is the same as included in the City's FY 2021-2025 Five Year Financial Plan Per Council Approved Budget, dated June 26, 2020 (the "Twenty-Ninth Five-Year Plan") and the FY 2020 Fourth Quarter QCMR. Tables 2 and 3 are derived from the FY 2020 Fourth Quarter QCMR, while Tables 4 and 5 are derived from the Twenty-Ninth Five-Year Plan. As such, there are slight projected increases to the ending cash position in Tables 2 and 3 at the end of Fiscal Year 2020 that are not reflected in the opening cash position in Tables 4 and 5 at the beginning of Fiscal Year 2021. For more information on the timing of receipts of revenues into the General Fund and expenditures therefrom, see "– General Fund Cash Flow" above.

The City expects to release its Annual Financial Report for Fiscal Year 2020 on or about October 28, 2020, and such report will include the City's unaudited General Fund balance for Fiscal Year 2020. For more information on the City's Annual Financial Reports, see APPENDIX A – "DISCUSSION OF FINANCIAL OPERATIONS – Annual Financial Reports."

For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2020-2025, see APPENDIX A – "OVERVIEW – Fiscal Health of the City" and "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein.

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Table 2
Fiscal Year 2020 Cash Flows – Projections – General Fund

CASH FLOW PROJECTIONS
GENERAL FUND - FY2020

OFFICE OF THE DIRECTOR OF FINANCE

Projection as of June 30, 2020

Amounts in Millions

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	March 31	April 30	May 31	June 30	Total	Accrued	Not Accrued	Estimated Revenues
REVENUES																
Real Estate Tax	8.6	9.3	6.9	7.0	5.2	31.9	64.8	422.6	110.4	15.7	7.9	10.5	700.8	(9.3)		691.5
Total Wage, Earnings, Net Profits	159.2	114.7	127.8	156.6	121.8	126.1	188.7	123.3	146.6	163.1	104.4	104.1	1636.4	3.5		1639.9
Realty Transfer Tax	31.2	30.0	21.2	38.7	27.6	30.1	22.1	20.5	47.4	14.4	15.0	13.1	311.3	2.1		313.5
Sales Tax	28.0	34.8	13.9	13.8	15.5	14.4	12.3	13.2	17.8	13.4	17.7	18.5	213.4	(19.2)		194.2
Business Income & Receipts Tax	10.3	8.7	19.7	19.6	6.1	30.5	17.7	6.8	44.9	69.4	26.9	26.7	287.2	226.8		514.0
Beverage Tax	6.8	6.7	6.8	7.7	5.1	7.0	6.4	5.4	5.6	6.3	4.6	5.1	73.4	(7.6)		65.8
Other Taxes	9.7	10.5	14.1	10.0	10.8	11.1	11.8	10.3	10.0	5.1	2.1	1.4	106.8	(2.9)		103.9
Locally Generated Non-tax	34.2	31.5	27.4	31.5	40.6	32.9	28.1	35.3	27.3	13.6	33.2	25.0	360.6	1.6		362.2
Total Other Governments	9.9	54.7	90.8	52.5	15.4	7.3	5.4	15.1	8.1	8.2	7.8	136.3	411.4	(22.1)		389.3
Total PICA Other Governments	33.0	44.7	32.7	45.8	21.1	57.5	40.9	48.7	10.6	77.1	50.8	23.0	486.0	11.7		497.7
Interfund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.7	22.7		65.8	88.5
Total Current Revenue	330.7	345.6	361.3	383.3	269.3	348.8	398.0	701.1	428.6	386.4	270.4	386.4	4609.9	184.7	65.8	4860.4
Collection of prior year(s) revenue	10.9	2.5	0.0	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.3			
Other fund balance adjustments																
TOTAL CASH RECEIPTS	341.6	348.1	361.3	387.2	269.3	348.8	398.0	701.1	428.6	386.4	270.4	386.4	4627.2			

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	March 31	April 30	May 31	June 30	Total	Vouchers Payable	Encum-brances	Estimated Obligations
EXPENSES AND OBLIGATIONS																
Payroll	77.3	198.1	100.3	143.6	188.6	127.6	106.3	194.9	124.7	207.0	140.6	173.6	1782.6	97.4	4.4	1884.4
Employee Benefits	42.8	51.0	55.7	48.9	45.8	61.5	44.2	57.2	43.0	43.3	54.8	50.1	598.3	20.1	2.0	620.3
Pension	3.5	(0.6)	10.7	81.5	(0.6)	3.2	(0.5)	(0.3)	635.3	(0.6)	(0.5)	(4.6)	726.6	1.5		728.1
Purchase of Services	51.3	50.3	77.0	78.8	57.7	77.5	69.9	68.4	80.3	80.2	88.5	70.4	850.1	36.4	145.5	1032.1
Materials, Equipment	4.3	4.1	4.7	10.8	6.0	6.7	6.7	4.8	5.3	11.2	8.0	10.1	82.7	43.0	40.9	166.6
Contributions, Indemnities	10.6	72.0	4.8	16.2	67.7	6.3	5.1	4.8	66.5	1.4	4.2	73.3	332.9	7.0	1.8	341.7
Debt Service-Short Term	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.4	5.6		6.1
Debt Service-Long Term	106.6	10.4	0.0	0.0	0.8	6.8	34.0	0.3	0.0	0.2	0.0	0.0	159.0	22.4		181.4
Interfund Charges	34.6	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.3	4.8	67.7	40.5		108.2
Advances & Misc. Pmts. / Labor Obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.4		18.4
Current Year Appropriation	330.8	395.3	253.3	379.8	366.2	289.7	265.7	330.1	955.1	342.6	314.0	377.7	4600.2	292.4	194.6	5087.2
Prior Yr. Expenditures against Encumbrances	44.2	30.6	16.5	15.6	5.4	4.4	5.5	3.6	11.4	0.9	1.2	6.7	145.9			
Prior Yr. Salaries & Vouchers Payable	43.2	(64.3)	60.2	89.3	5.0	(26.8)	6.3	(4.2)	(57.5)	73.8	(35.4)	(1.0)	88.7			
TOTAL DISBURSEMENTS	418.2	361.6	329.9	484.7	376.6	267.4	277.5	329.5	909.0	417.3	279.8	383.3	4834.8			
Excess (Def) of Receipts over Disbursements	(76.6)	(13.6)	31.4	(97.5)	(107.3)	81.4	120.5	371.5	(480.4)	(30.9)	(9.3)	3.2				
Opening Balance	966.4	889.8	876.2	907.6	810.1	702.8	784.2	904.7	1276.2	795.8	764.9	755.6				
TRAN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
CLOSING BALANCE	889.8	876.2	907.6	810.1	702.8	784.2	904.7	1276.2	795.8	764.9	755.6	758.8				

Table 3
Fiscal Year 2020 Cash Flows – Projections – Consolidated Cash – All Funds

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE
CONSOLIDATED CASH - ALL FUNDS - FY2020

Projection as of June 30, 2020

Amounts in Millions

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	March 31	April 30	May 31	June 30
General	889.8	876.2	907.6	810.1	702.8	784.2	904.7	1276.2	795.8	764.9	755.6	758.8
Grants Revenue	(17.2)	(0.6)	24.6	14.3	(34.0)	(68.8)	(64.6)	173.8	32.2	354.4	312.7	162.4
Community Development	(2.5)	(1.4)	(1.6)	0.7	(2.8)	(7.8)	(12.4)	(2.1)	(7.8)	5.2	4.5	(8.0)
Vehicle Rental Tax	5.0	5.7	6.4	7.0	7.6	8.1	8.6	9.1	9.5	9.9	10.0	10.2
Hospital Assessment Fund	20.5	20.0	45.8	22.1	21.7	41.0	24.0	23.9	37.1	25.9	61.7	34.5
Housing Trust Fund	58.5	56.4	55.4	62.2	61.4	61.1	61.3	58.4	55.5	56.2	75.3	72.4
Budget Stabilization Fund	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3
Other Funds	10.9	10.1	9.8	9.6	9.3	9.4	9.0	9.1	9.2	9.2	8.9	8.4
TOTAL OPERATING FUNDS	999.2	1000.8	1082.2	960.3	800.2	861.5	965.0	1582.7	965.8	1259.9	1263.1	1072.8
Capital Improvement	102.6	451.0	425.5	409.6	398.9	387.4	375.3	361.6	340.9	331.3	308.4	298.5
Industrial & Commercial Dev.	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.2	10.2	10.2	10.2	10.2
TOTAL CAPITAL FUNDS	112.7	461.0	435.6	419.6	409.0	397.5	385.4	371.8	351.0	341.5	318.6	308.7
TOTAL FUND EQUITY	1111.9	1461.8	1517.8	1380.0	1209.2	1259.0	1350.4	1954.5	1316.9	1601.4	1581.6	1381.5

Table 4
Fiscal Year 2021 Cash Flows – Projections – General Fund

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE
GENERAL FUND - FY2021

Projection — Amounts in Millions

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30	Total	Accrued	Not Accrued	Estimated Revenues
REVENUES																
Real Estate Tax	10.0	9.5	8.1	8.2	7.6	20.1	56.9	146.3	363.0	30.6	15.1	8.9	684.3			684.3
Total Wage, Earnings, Net Profits	126.2	119.3	115.2	135.1	120.7	112.4	158.4	121.1	139.0	158.4	130.3	112.7	1549.0			1549.0
Realty Transfer Tax	20.1	22.7	21.7	25.5	23.1	24.7	25.7	19.0	23.0	28.9	28.2	30.2	292.8			292.8
Sales Tax	20.1	28.3	11.9	11.4	13.3	10.2	12.9	14.2	10.3	11.4	13.2	13.1	170.4	4.1		174.5
Business Income & Receipts Tax	245.6	4.1	15.4	14.8	2.5	8.8	19.1	5.1	50.0	272.3	59.0	8.7	705.3	(241.0)		464.3
Beverage Tax	1.7	3.9	5.3	5.7	5.7	5.5	6.0	5.5	5.3	6.0	6.2	6.3	63.0	4.4		67.4
Other Taxes	4.2	5.7	5.5	5.9	7.2	7.6	7.7	8.0	8.5	11.7	10.2	9.5	91.6	6.1		97.8
Locally Generated Non-tax	27.5	31.5	26.8	29.5	29.2	27.5	33.0	26.9	31.8	31.4	34.9	27.8	357.9			357.9
Total Other Governments	9.9	42.2	90.8	52.5	15.4	7.3	5.4	15.1	13.1	13.1	12.7	9.4	286.8	10.8		297.6
Total PICA Other Governments	30.3	35.6	34.9	30.5	42.2	30.7	43.7	41.6	45.1	49.1	57.9	28.9	470.6			470.6
Interfund Transfers	34.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.5	59.8		65.8	125.6
Total Current Revenue	529.8	303.0	335.6	318.9	266.8	254.7	368.8	402.8	689.3	613.0	367.9	281.1	4731.5	(215.5)	65.8	4581.8
Collection of prior year(s) revenue	36.5	7.7	3.7	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	55.0			
Other fund balance adjustments																
TOTAL CASH RECEIPTS	566.3	310.6	339.3	326.0	266.8	254.7	368.8	402.8	689.3	613.0	367.9	281.1	4786.5			

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30	Total	Vouchers Payable	Encum-brances	Estimated Obligations
EXPENSES AND OBLIGATIONS																
Payroll	88.0	195.5	139.2	134.9	147.9	134.9	194.5	134.2	134.9	134.9	147.9	139.2	1726.0	65.1	4.1	1795.2
Employee Benefits	26.8	70.4	50.5	48.9	53.6	48.9	70.4	48.7	48.9	48.9	53.6	50.5	620.4	16.1	0.5	637.0
Pension	3.5	(0.6)	10.7	81.5	(0.6)	3.2	(0.5)	(0.3)	545.1	(5.2)	(0.3)	(0.3)	636.3	13.9		650.2
Purchase of Services	33.3	38.4	62.3	94.3	43.6	65.5	43.4	42.2	191.1	67.8	65.3	48.2	795.6	25.5	127.5	948.6
Materials, Equipment	4.5	5.4	10.6	9.8	8.2	8.2	7.6	7.4	9.2	7.7	7.8	10.0	96.6	3.0	17.7	117.3
Contributions, Indemnities	23.6	68.6	13.1	11.5	14.5	70.6	7.9	13.5	68.2	7.0	4.6	75.7	378.7			378.7
Debt Service-Short Term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2	5.2			5.2
Debt Service-Long Term	19.7	99.7	0.4	0.2	0.2	0.2	5.4	43.2	0.4	0.2	0.2	10.7	180.5			180.5
Interfund Charges	26.2	5.2	0.0	0.0	0.3	0.2	1.0	3.7	0.0	4.8	0.0	3.9	45.2	22.0		67.2
Advances & Misc. Pmts. / Labor Obligations	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	25.0			25.0
Current Year Appropriation	227.6	484.7	289.0	383.2	269.8	333.8	331.8	294.7	1000.0	268.3	281.3	345.3	4509.5	145.6	149.7	4804.9
Prior Yr. Expenditures against Encumbrances	65.9	40.1	26.4	12.9	9.3	6.0	12.8	8.9	4.0	5.3	2.1	2.4	196.0			
Prior Yr. Salaries & Vouchers Payable	109.4	22.8	0.0	95.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	228.0			
TOTAL DISBURSEMENTS	403.0	547.6	315.4	491.8	279.1	339.8	344.6	303.6	1004.0	273.5	283.3	347.7	4933.5			
Excess (Def) of Receipts over Disbursements	163.3	(236.9)	23.9	(165.9)	(12.3)	(85.1)	24.2	99.1	(314.8)	339.5	84.6	(66.6)				
Opening Balance	651.9	815.3	578.3	902.2	736.4	724.1	639.0	663.2	762.3	447.5	787.0	871.6				
TRAN	0.0	0.0	300.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(300.0)				
CLOSING BALANCE	815.3	578.3	902.2	736.4	724.1	639.0	663.2	762.3	447.5	787.0	871.6	504.9				

Table 5
Fiscal Year 2021 Cash Flows – Projections – Consolidated Cash – All Funds

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE
CONSOLIDATED CASH - ALL FUNDS - FY2021

Projection	Amounts in Millions											
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	815.3	578.3	902.2	736.4	724.1	639.0	663.2	762.3	447.5	787.0	871.6	504.9
Grants Revenue	92.6	150.8	87.0	50.5	(54.8)	(154.8)	(83.3)	(73.0)	(88.7)	(66.3)	(91.4)	(86.9)
Community Development	(7.3)	(8.2)	(6.3)	(4.6)	(4.4)	(5.5)	(7.2)	(5.5)	(3.3)	(0.3)	0.2	(6.5)
Vehicle Rental Tax	5.4	6.0	0.9	1.9	2.4	2.8	3.2	3.6	3.9	4.4	4.8	5.3
Hospital Assessment Fund	13.2	16.0	27.8	13.4	13.2	27.6	14.3	13.3	24.2	14.1	37.8	15.9
Housing Trust Fund	62.0	59.9	57.8	55.7	53.6	51.5	49.4	47.3	45.2	43.1	41.0	38.9
Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Funds	8.7	9.1	8.2	8.1	8.6	8.3	8.4	8.3	8.1	8.1	7.8	7.9
TOTAL OPERATING FUNDS	989.8	811.9	1077.5	861.4	742.6	569.0	648.0	756.2	437.0	790.0	871.9	479.6
Capital Improvement	270.9	255.9	240.9	225.9	210.9	195.9	180.9	165.9	150.9	135.9	120.9	105.9
Industrial & Commercial Dev.	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
TOTAL CAPITAL FUNDS	281.0	266.0	251.0	236.0	221.0	206.0	191.0	176.0	161.0	146.0	131.0	116.0
TOTAL FUND EQUITY	1270.8	1078.0	1328.5	1097.4	963.7	775.0	839.0	932.3	598.0	936.1	1002.9	595.6

TAX MATTERS

Federal Tax Exemption

In the opinion of Ballard Spahr LLP and Ahmad Zaffarese LLC, Co-Bond Counsel, interest on the Notes 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 Notes, assuming the accuracy of the certifications of the City and continuing compliance by the City with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals.

Original Issue Premium. Certain of the Notes may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Note through reductions in the holder's tax basis for the Note for determining taxable gain or loss upon sale or redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

No Other Opinions. Co-Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Notes.

State Tax Exemption

Co-Bond Counsel is also of the opinion that the interest on the Notes 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 Notes. Co-Bond Counsel will express no opinion regarding other state or local tax consequences arising with respect to the Notes, including whether interest on the Notes is exempt from taxation under the laws of any jurisdiction other than the Commonwealth of Pennsylvania.

General

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 issuance and delivery of the Notes, and Co-Bond Counsel will not express any opinion as of any date subsequent thereto or with respect to any proposed or 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 Notes should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

See APPENDIX C hereto for the proposed Form of Approving Opinion of Co-Bond Counsel.

NO LITIGATION

Upon delivery of the Notes, the City of Philadelphia Law Department will furnish an opinion, in form satisfactory to Co-Bond Counsel and to the Underwriters, to the effect, among other things, that, except for litigation which in the opinion of the City of Philadelphia Law Department is without merit and except as disclosed in this Official Statement (including in "LITIGATION" in APPENDIX A hereto and in Note 8 to the Fiscal Year 2019 CAFR, "Contingencies – Primary Government – Claims and Litigation" in

APPENDIX B hereto), (i) there is no litigation or other legal proceeding pending in any court or, to the best of its knowledge, threatened in writing to restrain or enjoin the issuance or delivery of the Notes, the Trust Agreement, or the Loan Authorization, or challenging the validity of the proceedings of the City with respect to the authorization, issuance, sale and provision for payment of the Notes or in any way contesting the validity or enforceability of the Notes, and (ii) there is no litigation or other legal proceeding pending in any court, or to the best of its knowledge, threatened, which can reasonably be anticipated to result in a final unfavorable decision in a magnitude or scope which would materially and adversely affect the financial condition or operations of the City as a whole.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services have assigned the Notes ratings of "MIG 1" and "SP-1+", respectively.

Such credit ratings reflect only the views of such credit rating agencies. An explanation of the significance of any such credit rating may be obtained from the applicable credit rating agency.

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

CERTAIN LEGAL MATTERS

The authorization, issuance, and sale of the Notes are subject to approval as to legality by Ballard Spahr LLP, Philadelphia, Pennsylvania, and Ahmad Zaffarese LLC, Philadelphia, Pennsylvania, Co-Bond Counsel. The proposed form of opinion of Co-Bond Counsel is included herein as APPENDIX C. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department, and for the Underwriters by their counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania. Hawkins Delafield & Wood LLP and the Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, Co-Disclosure Counsel to the City, will deliver opinions to the City and the Underwriters regarding certain matters.

UNDERWRITING

The Notes are being purchased by the Underwriters identified on the cover page hereof. The Underwriters have agreed, subject to certain terms and conditions, to purchase the Notes from the City at an aggregate purchase price of $308,737,291.00, which is equal to the principal amount of the Notes in the amount of $300,00,000.00, plus original issue premium on the Notes of $8,985,000.00, less an Underwriters' discount of $247,709.00.

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 or commercial banking services for the City for which they received or will receive customary fees and expenses.

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

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), the senior underwriter of the Notes, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Notes. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Notes with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Notes. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISORS

PFM Financial Advisors LLC, Philadelphia, Pennsylvania, and Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania, are acting as co-financial advisors (together, the "Financial Advisors") to the City in connection with the issuance of the Notes. 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 Notes. 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 Notes from, or base any investment decisions upon, the fact that the Financial Advisors have advised the City with respect to the Notes. The Financial Advisors' fees for this issue are contingent upon the sale and issuance of the Notes.

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 (i) will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C., as dissemination agent for the benefit of the Registered Owners (as defined in such agreement) of the Notes, to be dated the date of original delivery of and payment for the Notes, the form of which is annexed hereto as APPENDIX D, and (ii) has provided the disclosure in the following paragraphs.

During the last five years, the City has not fully satisfied its obligations to file annual updates to certain tables in APPENDIX A by the deadlines provided in its continuing disclosure agreements (either February 25 or February 28, as applicable). Such annual updates were made through incorporation by reference to the City's offering documents, but, in some instances, were done so after the applicable filing deadline. The City engaged a third-party vendor to monitor its continuing disclosure obligations and was not aware that the annual updates made through incorporation by reference to the City's offering documents were not compliant in all respects. The City is undertaking a comprehensive review of its process for providing annual updates to the tables in APPENDIX A to ensure future compliance. On December 23, 2019, the City filed a failure to file notice describing the foregoing circumstances. Such notice was subsequently amended to provide further clarification.

In connection with the continuing disclosure annual filing for Gas Works Revenue Bonds that was made in February 2016, certain annual financial information that should have been included was not filed until August 2016. The late-filed information was required by a continuing disclosure agreement that had been entered into in connection with Gas Works Revenue Bonds that were issued in August 2015. The information that the City filed in February 2016 satisfied all prior continuing disclosure agreements relating to Gas Works Revenue Bonds. In connection with the continuing disclosure annual filing for certain Gas Works Revenue Bonds that was made in February 2019, the audited financial statements for the Philadelphia Gas Works' fiscal year ended August 31, 2018, were inadvertently not filed until March 2019.

The Philadelphia Parking Authority (the "PPA"), as the issuer, and the City, as an obligated person, entered into separate continuing disclosure agreements relating to the PPA's Parking System Revenue Bonds, Series 1999A (the "1999A PPA Bonds"). For the City's continuing disclosure agreement relating to such bonds, it is required to file (i) its CAFR and (ii) annual updates to certain financial information and operating data of the type included in APPENDIX A. During the previous five years, the City's CAFRs were properly filed for the 1999A PPA Bonds when due. However, the annual updates to certain financial information and operating data of the type included in APPENDIX A, which are made through incorporation by reference to the City's offering documents, were not properly linked to the 1999A PPA Bonds. Such error has been corrected.

The City has reviewed and updated its disclosure policies and procedures to assist the City in complying with its continuing disclosure undertakings in the future.

MISCELLANEOUS

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

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

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

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

THE CITY OF PHILADELPHIA

By: /s/ Rob Dubow
Name: Rob Dubow
Title: Director of Finance

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APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION

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OVERVIEW

The City of Philadelphia (the "City" or "Philadelphia"), located along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth" or "Pennsylvania"), is the largest city in the Commonwealth and the sixth largest city in the United States with approximately 1.584 million residents (based on 2018 estimates). According to the 2010 U.S. Census, the City increased its population in the ten years from 2000 to 2010, reflecting the City's first population gain in 60 years. From 2010 to 2018, the City increased its population by 3.6%. The City is also the center of the United States' eighth largest metropolitan statistical area, which is an 11-county area encompassing the City, Camden, NJ, and Wilmington, DE and represents approximately 6.1 million residents (based on 2018 estimates).

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. 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, healthcare, higher education, utilities, and the arts. In addition, 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.

The cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas in the northeast United States. The City, as one of the country's education centers, offers its business community a large and diverse labor pool that draws from major universities including, within the geographical boundaries of the City, the University of Pennsylvania ("Penn"), Temple University, Drexel University, St. Joseph's University, and LaSalle University, among others.

Fiscal Health of the City

The City has implemented several strategies to address significant fiscal challenges, including the novel coronavirus ("COVID-19") pandemic, for Fiscal Year 2020 and over the course of Fiscal Years 2021-2025, which are described in the Fiscal Year 2021 Adopted Budget (as defined herein) and the Twenty-Ninth Five-Year Plan (as defined herein), respectively.

COVID-19: Due to the increase in the number of cases of COVID-19 around the country and internationally, federal, state, and local governmental bodies have enacted legislation, regulations, and administrative orders, directives, and guidance to mitigate the impacts of COVID-19 on the general population and the economy. In March 2020, the Governor of Pennsylvania declared a disaster emergency in the Commonwealth, which was followed by stay at home orders for an increasing number of counties in Commonwealth (extended to the entire Commonwealth on April 1, 2020). In subsequent executive orders, the restrictions of the Governor's stay at home order have been eased throughout the Commonwealth. The Mayor and City Council have also taken various emergency measures and other actions to respond to the spread of COVID-19 in the City. Similar emergency measures have been implemented in neighboring counties in New Jersey and Delaware.

Plans for Reopening Pennsylvania. The Governor has announced plans for a measured reopening of the Commonwealth and the gradual easing of public health and safety restrictions, to strategically reopen the economy, while minimizing public health risks. Such plans include a three-phase matrix to determine when counties and/or regions would be ready to begin easing some restrictions on work, congregate settings, and social interactions. Each phase is applied on a region-by-region basis and the shift from one phase to another is based upon the incidence rate of COVID-19 cases per capita, regional health care testing capabilities, contact tracing, and an evaluation of the region's high-risk settings.

- **Red Phase**. The red phase is designed to minimize the spread of COVID-19 through strict social distancing, closures of non-life sustaining businesses and schools, and building safety protocols. No counties in the Commonwealth are currently in the red phase.

- **Yellow Phase**. The yellow phase is expected to ease some restrictions on returning to work and social interaction while others, such as closures of schools, gyms, entertainment venues, and other indoor recreation centers, as well as limitations around large gatherings, would remain in place. Retail locations are able to open with safety precautions in place relating to worker and building safety. This phase is designed to reopen the economy while continuing to closely monitor public health data to ensure the spread of COVID-19 remains contained to the greatest extent possible.

- **Green Phase**. The green phase eases most restrictions by lifting the stay at home and business closure orders to allow the economy to strategically reopen while continuing to prioritize public health. In this phase, public health indicators continue to be monitored and orders and restrictions are adjusted as necessary to ensure the spread of COVID-19 remains at a minimum. All counties in the Commonwealth are currently in the green phase.

As of the date hereof, the City is in the green phase with its related restrictions, as described above. However, the City has adopted a "modified, restricted green phase," which slows certain aspects of the reopening process. The City currently expects to lift restrictions to permit indoor dining, live theatre venues, and movie theatre operations to reopen no earlier than September 8, 2020. No assurances can be given that circumstances will not deteriorate in the future as a result of a subsequent COVID-19 outbreak.

For more information on the City's response to COVID-19, see the forepart of this Official Statement and "INTRODUCTION – COVID-19 Response."

Fiscal Impact. The City continues to closely monitor and assess the effects of the COVID-19 pandemic and its economic, operating, financial, and budgetary impact on the City. Such impact is expected to be significant, but cannot be fully quantified at this time. As a result of revenue losses and increases in expenses relating to COVID-19 and the ensuing economic downturn, the City identified a $749 million budgetary gap for Fiscal Year 2021 to be addressed in the Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan through reductions to planned spending, reduced reserve levels, and increased tax rates. For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2020-2025, see "– Fiscal Health of the City – General Fund Reserves" and "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein.

The Fiscal Year 2021 Adopted Budget, the Twenty-Ninth Five-Year Plan, and the FY 2020 Fourth Quarter QCMR (as defined herein), as applicable, reflect the sudden, dramatic changes in service demands, unanticipated costs, and economic conditions as a result of the COVID-19 global pandemic and the City's associated response.

Revenues. With all but essential City services and businesses ceasing operations and with schools closed and City workers focused on preventing the spread of COVID-19 and treating those affected, the City has seen an immediate impact on certain revenue sources, resulting in projected revenues of $4.58 billion in Fiscal Year 2021, a $278.6 million (5.7%) decrease compared to the current estimate for Fiscal Year 2020. For Fiscal Year 2021, the City is currently projecting a decline in various components of its tax base, including decreases in Wage and Earnings Taxes, Real Estate Taxes, Real Property Transfer Taxes, Sales and Use Taxes, and Business Income and Receipts Taxes ("BIRT"), resulting in projected tax collections of $3.33 billion in Fiscal Year 2021, a $192.7 million (5.5%) decrease compared to the current estimate for Fiscal Year 2020.

The impact on Wage and Earnings Taxes is compounded because commuters account for about 40% for all Wage and Earnings Taxes and such tax is not due when those commuters are required to work from home outside the City. If there are more long-term or permanent shifts to work from home, changes in consumer preferences, and population shifts, then there may be a greater and lasting negative impact on City finances.

The City is also projecting reductions in amusement and hotel taxes, among other tax base impacts. The City is currently estimating that total tax collections in Fiscal Year 2021 will be less than in Fiscal Year 2020. As of the date hereof, no federal funds have been approved to offset revenue losses. The City is evaluating measures to maximize reimbursements from the Federal Emergency Management Agency ("FEMA") and other federal and Commonwealth sources and working to identify and leverage all federal stimulus funding entitlements available to the City. For information on the current estimates for tax revenues for Fiscal Year 2020 and budgeted amounts for Fiscal Year 2021, see "– Fiscal Health of the City – Tax Revenues" and "REVENUES OF THE CITY" and Table 3 herein.

Expenses. The City is projecting higher costs for essential services and increased fixed costs, including overtime and other added labor costs and higher pension payments. With tax filing and payment deadlines delayed, the City also expects lower near-term collections and plans to issue tax and revenue anticipation notes in Fiscal Year 2021 to maintain cash flow (see "OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings – *Upcoming Financings*").

The City has incurred in Fiscal Year 2020 and projects for Fiscal Year 2021 significant new expenses for healthcare to reduce the spread of COVID-19 and treat those affected, including labor costs and expenses for testing sites and supplies, quarantine locations and services, surge hospital capacity, medical vehicles, personal protective equipment, disinfectant/cleaning supplies, morgue capacity, and business supports.

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provided the City with certain federal stimulus funding for COVID-19-related expenses. The City received $276 million in such federal funds in April 2020. The Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan include CARES Act funding for Fiscal Years 2020 and 2021 in the amounts of $100 million in the General Fund and $176 million in the Grants Revenue Fund, respectively. The Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan do not include potential federal stimulus funding entitlements, reimbursements from FEMA, or funds from other federal or Commonwealth sources that may be received.

Budget Measures. The projected revenue losses and increases in expenses described above are expected to be addressed with reductions to planned spending, reduced reserve levels, and new revenue sources.

Even with budgetary spending pressures, the City expects to increase its annual contribution to the School District of Philadelphia (the "School District") by $30.1 million from $222.5 million in Fiscal Year 2020 to $252.6 million in Fiscal Year 2021. For more information on the School District, see "– Fiscal Health of the City – Increased Funding for the School District," "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – Mayoral-Appointed or Nominated Agencies

– The School District," Table 6 – Real Estate Tax Rates and Allocations, and "EXPENDITURES OF THE CITY – City Payments to School District" and Table 21 herein.

With respect to cuts to expenses, the City expects to reduce spending with a hiring freeze, layoffs for temporary, seasonal, and part-time workforce, pay cuts, and containing labor costs with the City's unions. The City also expects to implement targeted cost saving initiatives to reduce certain overtime expenses and eliminate vacant positions, among others.

The City is projecting that Fiscal Year 2021 will end with a cumulative adjusted year end General Fund balance of $51.4 million. For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2020-2025, see "– Fiscal Health of the City – General Fund Reserves" and "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein.

The Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan include budgeted reserves for specific costs or scenarios in the future. Over the course of the Twenty-Ninth Five-Year Plan, the City has reduced the projected overall reserve allocations to make a portion of those funds available for the delivery of services, while maintaining a minimal level of reserve balances to guard against greater than expected revenue losses or new spending pressures. For information on budgeted reserves, see "– Fiscal Health of the City – Budgeted Reserves" and "DISCUSSION OF FINANCIAL OPERATIONS," Table 1, footnotes 12, 13, 14, 15, and 16, and Table 2, footnotes 7, 8, 9, 10, and 11 herein.

The City also expects to draw down on the funds set aside in the Budget Stabilization Reserve. For information on the Budget Stabilization Reserve, see "– Fiscal Health of the City – Budget Stabilization Reserve" and "DISCUSSION OF FINANCIAL OPERATIONS – Budget Stabilization Reserve" herein.

The Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan include certain revenue enhancements, totaling $40.6 million in Fiscal Year 2021. Such revenue enhancements include (i) freezing the BIRT rate at the Fiscal Year 2020 level for the next three Fiscal Years; (ii) freezing the resident rate for Wage and Earnings Taxes and Net Profits Taxes at the Fiscal Year 2020 level for the next three Fiscal Years; (iii) raising the non-resident rate for Wage and Earnings Taxes and Net Profits Taxes for one year; (iv) raising the parking tax rate for one year; (v) eliminating the discount for early payment of Real Estate Taxes; (vi) adjusting license and permit fees; and (vii) raising the commercial refuse fee.

The City continues to closely monitor and assess the effects of the COVID-19 pandemic and its impact on the City's financial position and operations. The full fiscal impact of COVID-19 on the City is likely to change significantly as the situation further develops and is expected to impact various economic sectors throughout the City, including higher education, healthcare, travel, leisure and hospitality, and professional services, among others. It is not possible at present to project with any reasonable degree of certainty the impact on City revenues, expenditures, reserves, budgets, or financial position. Such overall impact will depend heavily on future events and actions by the federal and Commonwealth governments, as well as other nations around the world. No assurance can be given regarding future events or impacts because many actions and events are unpredictable, unknowable at this time, and outside the control of the City.

The information provided by the City in this Official Statement and previous filings by the City on EMMA was provided as of the respective dates and for the periods specified therein and is subject to change without notice. In particular, the dates as of and periods for which information was provided in this Official Statement and previous filings by the City on EMMA may have occurred before the COVID-19 pandemic and before realizing the economic impact of measures instituted to slow the spread of COVID-19. Accordingly, such information may not be indicative of future results or performance due to these and other factors.

General Fund Reserves: In the Fiscal Year 2020 Adopted Budget (as defined herein), the City projected that Fiscal Year 2019 would end with a cumulative adjusted year end General Fund balance of $209.9 million. Based on the actual results included in the City's CAFR for Fiscal Year 2019 (the "Fiscal Year 2019 CAFR"), the City reported that Fiscal Year 2019 ended with a cumulative adjusted year end General Fund balance of $438.7 million. Such number has been included as part of the current estimate for Fiscal Year 2020 in the FY 2020 Fourth Quarter QCMR. As such, the City's current estimate is that Fiscal Year 2020 will end with a cumulative adjusted year end General Fund balance of $254.9 million, below the Mayor's target for the General Fund balance of 6-8% of expenditures.

Over the course of the Twenty-Ninth Five-Year Plan, the City's projected General Fund balance averages approximately $117.8 million per Fiscal Year (as defined herein), with a low of $50.8 million in Fiscal Year 2022. After including the current estimate of the General Fund balance for Fiscal Year 2020, as included in the FY 2020 Fourth Quarter QCMR, the average fund balance over this same period would be $140.8 million (assuming no other changes). These projected General Fund balances incorporate budgeted amounts for certain budgeted reserves and expected contributions to the Budget Stabilization Reserve in Fiscal Year 2025 (each as described below).

The City's General Fund balance still remains below recommended levels. The Government Finance Officers Association ("GFOA") recommends fund balances of approximately 17% of revenues or expenditures and the City's General Fund balances over the course of the Twenty-Ninth Five-Year Plan are projected to be below the City's internal 6-8% goal. The projected Fiscal Year 2021 General Fund balance of $51.4 million, as noted above, is approximately 1.1% of planned expenditures for such Fiscal Year.

For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2020-2025, see "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein.

Budget Stabilization Reserve: To provide the City with a financial cushion should unexpected costs arise, the City made a deposit of $34.3 million to the Budget Stabilization Reserve (as defined herein), pursuant to the Fiscal Year 2020 Adopted Budget. The Fiscal Year 2021 Adopted Budget includes a draw down on such funds and redirects them to spending. The Twenty-Ninth Five-Year Plan does not include any additional payments to the Budget Stabilization Reserve in Fiscal Years 2021-2024, but such payments are projected to resume in Fiscal Year 2025, in the amount of $39.9 million. For more information on the Budget Stabilization Reserve, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Stabilization Reserve" herein.

Budgeted Reserves: The Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan include budgeted reserves, certain of which are described below.

Labor Reserve. The City's unions are covered by bargaining agreements through June 30, 2021. The Twenty-Ninth Five-Year Plan includes a labor reserve for potential future labor cost increases once such agreements expire (the "Labor Reserve").

Reopening and Recession Reserve. To mitigate against the fiscal impact of the national and local economic recession and the costs of reopening efforts related to COVID-19, the Twenty-Ninth Five-Year

Plan includes a reopening and recession reserve to address related expenses (the "Reopening and Recession Reserve").

For Fiscal Year 2020, information related to the foregoing reserves can be found in Tables 1 and 2 in the rows entitled "Advances & Miscellaneous Payments" or "Payments to Other Funds," as applicable. See "DISCUSSION OF FINANCIAL OPERATIONS," Table 1, footnotes 12, 14, 15, and 16, and Table 2, footnotes 7, 9, 10, and 11.

In the Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan, as applicable, the City projects that the Labor Reserve and the Reopening and Recession Reserve will total approximately (i) $25.0 million in Fiscal Year 2021 (as budgeted), (ii) $80.0 million in Fiscal Year 2022, (iii) $75.0 million in Fiscal Year 2023, (iv) $90.0 million in Fiscal Year 2024, and (v) $90.0 million in Fiscal Year 2025.

For the budgeted reserves, any portion of such reserves that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

Tax Revenues: Approximately three-quarters of the City's revenues come from local taxes and more than 85% of tax revenues come from just four taxes: Wage and Earnings Taxes, Real Estate Taxes, BIRT, and Real Property Transfer Taxes. The largest portion of these tax revenues, more than 40%, comes from the Wage and Earnings Tax (see Table 3 and "REVENUES OF THE CITY – Wage, Earnings, and Net Profits Taxes" herein). Approximately 40% of the Wage and Earnings Tax is paid by non-resident workers. Additionally, the City remains unique among the nation's largest cities in that it imposes a tax on both corporate profits and revenue through the BIRT, which is projected to generate 13.9% of the City's local tax revenue in Fiscal Year 2021 (based on the Fiscal Year 2021 Adopted Budget). See "REVENUES OF THE CITY" and Table 3 herein.

High Fixed Costs: The City's high fixed costs consume a significant portion of the City's budget. The largest of such costs is the City's payment to the Municipal Pension Fund. Based on the current estimate in the Twenty-Ninth Five-Year Plan, pension costs are expected to consume approximately 13.5% of expenditures in Fiscal Year 2021, with a City pension cost of approximately $650.2 million (from the General Fund). Even with such payments, the Municipal Pension Fund is under 50% funded. See "PENSION SYSTEM" herein.

Increased Funding for the School District: In the Fiscal Year 2021 Adopted Budget, the City's direct contribution to the School District from the General Fund is $252.6 million in Fiscal Year 2021, an amount $30.1 million higher than the current estimate for Fiscal Year 2020 ($222.5 million). The School District is an independent governmental entity.

For more information on the School District, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – Mayoral-Appointed or Nominated Agencies – The School District." For more information on the City's historical contributions to the School District, see "EXPENDITURES OF THE CITY – City Payments to School District" and Table 21 herein.

In addition to the fiscal challenges and related strategic planning described above, the City faces several near-term fiscal uncertainties, such as (i) continued expenditures related to COVID-19, (ii) the severity of the economic downturn and length of the recession, (iii) continued increases in pension costs, (iv) uncertainties related to how amendments to the federal tax code may impact the City's economy (such as the limits placed on the state and local tax deduction, among others), (v) possible decreases in federal and state spending, (vi) potential increases in labor costs under future labor agreements, and (vii) continued increases in City contributions to the School District.

This "OVERVIEW" is intended to highlight the strategies implemented by the City to address its principal anticipated fiscal challenges. The reader is cautioned to review with care the more detailed information presented in this APPENDIX A.

THE GOVERNMENT OF THE CITY OF PHILADELPHIA

Introduction

As noted above, the City is the largest city in the Commonwealth, the sixth largest city in the United States, and the center of the United States' eighth largest metropolitan statistical area. The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries.

As one of the country's education centers, the City offers the business community a large and diverse labor pool. Penn, Temple University, Drexel University, St. Joseph's University, La Salle University, and Community College of Philadelphia are certain of the well-known institutions of higher education located in the City. There are also a number of other well-known colleges and universities located near the City, notably including Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University, among others.

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

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

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 pursuant to the First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17, and adopted by the voters of the City (as amended and supplemented, 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 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 distinct principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and responsibility for all public primary and secondary education.

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

Elected and Appointed Officials

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

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

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

Under the City Charter, the principal officers of the City's government are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), the City Solicitor (the "City Solicitor"), the Director of Commerce (the "Director of Commerce"), the City

Representative (the “City Representative”), and the Director of Planning and Development (the “Director of Planning and Development”). Under the City Charter, the Mayor appoints the Managing Director, the Director of Finance, the Director of Commerce, the City Representative, and the Director of Planning and Development. The Mayor, with the advice and consent of a majority of City Council, also appoints the City Solicitor.

The Managing Director, in coordination with the senior officials of City departments and agencies, is responsible for supervising the operating departments and agencies of the City that render the City’s various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry. The City Representative is the Ceremonial Representative of the City and especially of the Mayor. The City Representative is charged with the responsibility of giving wide publicity to any items of interest reflecting the activities of the City and its inhabitants, and for the marketing and promotion of the image of the City. Under the City Charter, the Director of Planning and Development oversees the Department of Planning and Development, which includes three divisions: (i) the Division of Development Services; (ii) the Division of Planning and Zoning; and (iii) the Division of Housing and Community Development. Such divisions represent five budgetary programs/fiscal divisions, including Executive Administration, Planning & Zoning, Development Services, Community Development, and Housing Development.

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

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

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

James F. Kenney, Mayor. On November 3, 2015, James F. Kenney was elected as the City’s 99th Mayor and was sworn into office on January 4, 2016. Mayor Kenney was reelected to a second term on November 5, 2019 and was sworn into office on January 6, 2020. Mayor Kenney is a lifelong resident of the City and a graduate of La Salle University. In 1991, Mayor Kenney was elected to serve as a Democratic City Councilman At-Large and was a member of City Council for 23 years.

James Engler, Chief of Staff. Mr. Engler was appointed Chief of Staff effective August 10, 2018. Prior to that, Mr. Engler served as Deputy Mayor for Policy and Legislation since January 2016.

In that role, Mr. Engler served as a senior liaison between the Mayor's Office and City Council and was responsible for developing administration policy priorities and working with stakeholders inside and outside of government to advance those goals.

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

Christian Dunbar, City Treasurer. Mr. Dunbar was appointed City Treasurer in July 2019. Prior to his appointment, Mr. Dunbar served as Deputy City Treasurer. As City Treasurer, Mr. Dunbar oversees the issuance of all notes and bonds on behalf of the City's General Fund and Enterprise Funds used to finance capital projects. Prior to joining the City, Mr. Dunbar was a wealth manager with Wells Fargo Advisors.

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 owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate PGW for the benefit of the City. For more information on PGW, see "PGW PENSION PLAN," "PGW OTHER POST-EMPLOYMENT BENEFITS," "EXPENDITURES OF THE CITY – PGW Annual Payments," and "LITIGATION – PGW."

Local Government Agencies

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

Mayoral-Appointed or Nominated Agencies

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

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

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

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

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

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

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. SEPTA is not a department or agency of the City. For more information on SEPTA, see "EXPENDITURES OF THE CITY – City Payments to SEPTA."

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

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

The School District. The School District was established, pursuant to the First Class City Home Rule Education Act, by the Educational Supplement to the City Charter as a separate and independent home rule school district to provide free public education to the City's residents. Under the City Charter, the School District is governed by the Board of Education of the School District of Philadelphia (the "Board of Education"), which is appointed by the Mayor.

Effective December 2001, the School District was declared distressed by the Secretary of Education of the Commonwealth (the "Secretary of Education") pursuant to the Public School Code of 1949, as amended (the "School Code"). During such a period of distress, the powers and duties of the Board of Education are vested in a School Reform Commission (the "School Reform Commission") created pursuant to the School Code. In December 2017, the Secretary of Education approved a resolution adopted by the School Reform Commission recommending the dissolution of the School Reform Commission and rescission of the declaration of distressed school district status effective June 30, 2018. In April 2018, the Mayor appointed nine members to serve on the Board of Education and such individuals assumed their duties on July 1, 2018. As of such date, the Board of Education governs the School District.

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

The School District is part of the Commonwealth system of public education. In a number of matters, including the incurrence of short-term and long-term debt, the School District is governed by the separate statutes 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.

In the Fiscal Year 2019 CAFR, the City reported that its direct contribution to the School District from the General Fund was $180.9 million in Fiscal Year 2019. In the Fiscal Year 2020 Adopted Budget, the City's direct contribution to the School District from the General Fund is $222.5 million in Fiscal Year 2020, which amount is unchanged as the current estimate in the FY 2020 Fourth Quarter QCMR. In the Fiscal Year 2021 Adopted Budget, the City's direct contribution to the School District from the General Fund is $252.6 million in Fiscal Year 2021. Such amounts do not include funding from taxes levied by the School District and authorized by City Council. For more information on the City's historical contributions to the School District, see "EXPENDITURES OF THE CITY – City Payments to School District" and Table 21.

Non-Mayoral-Appointed or Nominated Agencies

PICA. PICA was created by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act") in 1991 to provide financial assistance to cities of the first class, and it continues in existence for a period not exceeding one year after all of its liabilities, including the PICA Bonds (as defined herein), have been fully paid and discharged. The City is the only city of the first class in the Commonwealth. The Governor, the President pro tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives, and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member of PICA's board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA's board with no voting rights.

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

Under the PICA Act and for so long as any PICA Bonds are outstanding, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports, each as further described below under "DISCUSSION OF FINANCIAL OPERATIONS – Five-Year Plans of the City" and "– Quarterly Reporting to PICA." Under the PICA Act, at such time when no PICA Bonds are outstanding, the City will no longer be required to prepare such annual financial plans or quarterly reports. As of June 30, 2020, the principal amount of PICA Bonds outstanding was $56,075,000. For more information on PICA Bonds, see "DEBT OF THE CITY – PICA Bonds."

The PICA Act and the PICA Agreement provide PICA with certain financial and oversight functions. PICA has the power to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve the five-year financial plans prepared by the City, and to certify non-compliance by the City with the then-existing five-year plan. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place or if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements, and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under "DEBT OF THE CITY – PICA Bonds" below, otherwise payable to the City). Such withheld funds are held in escrow by the Commonwealth or in the applicable City account until such non-compliance is cured. A majority vote of PICA will determine when the conditions that caused the City to be certified as non-compliant have ceased to exist. Following such vote, PICA notifies the Secretary of the Budget and the withheld funds are released (together with all interest and income earned thereon during the period held in escrow).

Philadelphia Parking Authority. The Philadelphia Parking Authority (the "PPA") is responsible for: (i) the construction and operation of parking facilities in the City and at Philadelphia International Airport ("PHL"); and (ii) enforcement of on-street parking regulations. The members of the PPA's board are appointed by the Governor, with certain nominations from the General Assembly. PPA is not a department or agency of the City. For more information on the PPA, see "REVENUES OF THE CITY – Philadelphia Parking Authority Revenues."

Cybersecurity

The City relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private, and sensitive information, the City and its departments and offices face multiple cyber threats including, but not limited to, hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems.

The City's Office of Innovation and Technology works to protect the City from cyber threats by adopting new technology and ensuring City systems and citizen data are protected. The Office of Innovation and Technology follows industry best practices, develops City-wide security policies, provides regular security training to all City employee users, and uses security tools to mitigate, prevent, deter, and respond to incidents if and when they occur. Additionally, to identify potential vulnerabilities and proactively mitigate them, the City organizes periodic (i) vulnerability scanning of critical systems, (ii) penetration tests of the information security environment, and (iii) regular internal testing of systems and users. These tests are performed by both the Office of Innovation and Technology and third parties.

The Office of Innovation and Technology is working to establish relationships with federal and state government, and commercial, academic, and law enforcement security experts. It is the City's expectation that such relationships will enable the City to stay informed of threats and continuing improvements to security systems.

No assurances can be given that the City's security and operational control measures will be successful in guarding against future cyber threats and attacks. The results of any attack on the City's computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial.

Climate Change

The City's Office of Sustainability ("OOS") works with partners around the City, both public and private, to educate and prepare the City for climate change, among other things. OOS is responsible for implementing Greenworks Philadelphia, the City's comprehensive sustainability plan, which consists of a variety of initiatives to prepare the City for future climate–related challenges.

Planning for the potential impact of climate change in the City is challenging. The City's climate is variable and projections of future conditions range significantly. Potential climate change impacts include rising temperatures (heat waves); air quality issues; increased heavy precipitation events (rain or snow); rising sea levels (two feet by 2050 and four feet by 2100); and storm surges from more intense hurricanes and tropical storms.

Under the mid-century (2050) and end-of-century (2100) analyses, the City projects that it will experience a greater frequency of heavy and extremely heavy precipitation events, with the largest increase occurring in precipitation that falls during winter months. Heavy precipitation and flooding can be caused by a variety of weather systems, including tropical storms and hurricanes, thunderstorms, and frontal activity. When these heavy precipitation events fall as rain, they often exceed the capacity of the

City's storm sewer infrastructure; when they fall as snow, they require many City resources to manage. Some of these projections are already becoming a reality, as the City has experienced an increase in the intensity and frequency of storm events over the last decade, which has on occasion resulted in significant flooding.

The sea level rising is a particularly important risk for the City, as rising seas affect water levels in the Delaware and Schuylkill Rivers bordering the City. Higher sea levels will increase the depth and extent of flooding in and around the City from storm surges. Low-lying areas already experience localized flooding during heavy storm events, and both municipal infrastructure and private development exist along the two rivers. Because of the City's topography and its location next to tidal rivers, many City facilities and other properties are vulnerable to sea level rise, even under conservative sea level rise scenarios. For example, PHL and at least a dozen other City facilities would be exposed to flooding with two feet of sea level rise, a scenario that is likely to occur by mid-century. Under the mid-century sea level rise scenario (indicating two feet of sea level rise), only one City facility is highly vulnerable to flooding, but under the end-of-century sea level rise scenario (four feet of sea level rise), 19 facilities are highly vulnerable and another 12 City facilities are moderately vulnerable. Hundreds of additional facilities (both City and private) are highly vulnerable to both riverine flooding and the combination of sea level rise and storm surge.

Financial Impact. While the financial effects of climate change are difficult to quantify, the City has developed some cost estimates related to its future fiscal impact. Climate change will increase both the risk of expensive extreme events and the regular, recurring costs of doing business, along with equally important but less quantifiable costs to quality of life in the City. Proactive planning for climate change can help to reduce many of these costs, both public and private.

Climate change is increasing the intensity of extreme storms, and just one severe hurricane could cause more than $2 billion in damages across the City. The City expects to see more frequent extreme storms with higher winds and more flooding, due in part to sea level rise combined with heavy rains. Depending on severity, each of these storms could cause between $20 million and $900 million in damages in the City.

In addition to increasing disaster costs, higher heat and more precipitation will increase the everyday cost of doing business for the City's government, businesses, and residents. Increased operating costs from climate change across all sectors would result in a significant economic impact in the City. Much of these costs will be borne by City departments in combination with Commonwealth and federal government; others will fall directly on the private sector.

As the effects of climate change take shape in the City, annual costs related thereto are expected to include a variety of increases ranging from energy and maintenance costs to the increasing costs of continuing to provide services. For example, the City expects climate change to (i) increase annual electricity costs by up to $1 million due to increased demand for air conditioning; (ii) create an additional $2 to $4 million in roadway maintenance costs from precipitation, freeze-thaw cycles, and high temperatures; and (iii) increase the annual cost of running heat emergency helplines to advise callers about how to avoid heat stress and refer those in need of help to emergency services.

The City also expects to face a variety of other increased costs due to climate change, such as (i) costs associated with a variety of respiratory diseases caused by higher levels of ozone (with costs for medical treatment and lost productivity associated with these diseases approaching $20 million by 2050), and (ii) increased regional transportation expenses (increased operational costs and damages from climate change could rise by almost $2 million per year).

In 2016, OOS, along with a cross-departmental Climate Adaptation Working Group, issued *Growing Stronger: Toward a Climate-Ready Philadelphia* to (i) assess vulnerabilities and preparation opportunities for municipal government; (ii) identify low-barrier and high-impact internal actions that can be taken to reduce risks and decrease stressors on City infrastructure services; and (iii) guide proactive projects with benefits beyond municipal operations. City-wide climate adaptation planning efforts are now also underway.

In addition to participating in planning efforts, City departments are taking action and implementing projects that aim to increase resilience on a broad array of climate issues. The Department of Public Property ensures that emergency generators in City-maintained facilities are well maintained and fueled, which is intended to allow other City departments to continue providing services during emergency situations. During heat emergencies, the Department of Public Health ensures communication among City agencies and deploys environmental health teams into the community. Philadelphia Parks and Recreation works with citizen scientists to identify forest restoration practices suitable for the City's changing climate. Regarding broader development across the City, the Philadelphia City Planning Commission (the "Planning Commission") requires new facilities located in flood zones to be raised 18 inches above FEMA base flood elevation, and the Philadelphia Water Department (the "Water Department") promotes green storm water infrastructure as a source control measure to minimize flooding impacts.

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 2019 CAFR and notes therein. The Fiscal Year 2019 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 and audited by the City Controller under Generally Accepted Auditing Standards.

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, 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, including those received by the City's Department of Human Services ("DHS"). The resources are restricted to accomplishing the various objectives of the grantor agencies.

The City also reports on permanent funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of the 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 PGW Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its pension plan. For more information on the PGW Pension Plan (as defined herein), see "PGW PENSION PLAN."

- The Escrow Fund accounts for funds held in escrow for various purposes.

- The Employees Health & Welfare Fund accounts for funds deducted from employees' salaries for payment to various organizations.

- The Departmental Custodial Accounts account for funds held in custody by various departments of the City.

The City reports on the following major proprietary funds:

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Water Fund are charges for water and sewer service. The principal operating revenues of the Aviation

Fund are charges for the use of the City's airports, PHL and Northeast Philadelphia 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.

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 information. For bonds issued in calendar year 2015 and thereafter, the annual filing deadline is February 28; for bonds issued prior to calendar year 2015, the annual filing deadline is 240 days after the end of the respective Fiscal Year, being February 25. The Fiscal Year 2019 CAFR was filed with the MSRB on February 25, 2020, through the MSRB's Electronic Municipal Market Access ("EMMA") system. The Fiscal Year 2019 CAFR is attached hereto as APPENDIX B.

A wide variety of information concerning the City is available from publications and websites of the City and others, including the City's investor information website at http://www.phila.gov/investor (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.

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 2019 CAFR. The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the basic financial statements of the City in the Fiscal Year 2019 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, eleven (11) 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, Housing Trust, Acute Care Hospital Assessment, Budget Stabilization, and Water Residual Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: (i) personal services; (ii) purchase of services; (iii) materials and supplies; (iv) equipment; (v) contributions, indemnities, and taxes; (vi) debt service; (vii) payments to other funds; and (viii) advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have City Council approval. Appropriations that are not expended or encumbered at year-end are lapsed.

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

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

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.

<u>Governmental Funds</u>. 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 Fiscal Year 2019 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 2019 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 2021 operating budget ordinance was presented to City Council on March 5, 2020, revised and resubmitted to City Council on May 1, 2020, approved by City Council on June 25, 2020, and signed by the Mayor on June 26, 2020. There is no practical consequence to adopting the budget ordinances after the deadline in the City Charter, but before the end of the Fiscal Year.

The capital program is prepared annually by the Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. The Capital Program ordinance for Fiscal Years 2021-2026 (the "Fiscal Year 2021-2026 Adopted Capital Program") was approved by City Council on June 25, 2020, and signed by the Mayor on June 26, 2020 (see Table 48).

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

For information on the City's Fiscal Year 2020 Adopted Budget, see "– Current Financial Information – Fiscal Year 2020 Adopted Budget and Twenty-Eighth Five-Year Plan" herein. For information on the Fiscal Year 2021 Adopted Budget and Twenty-Ninth Five-Year Plan, see "– Current Financial Information – Fiscal Year 2021 Adopted Budget and Twenty-Ninth Five-Year Plan" herein. For information on the City's capital program, see "CITY CAPITAL PROGRAM" herein.

Budget Stabilization Reserve

In April 2011, the City adopted an amendment to the City Charter that established the "Budget Stabilization Reserve." The City Charter provides that the annual operating budget ordinance is required to provide for appropriations to a Budget Stabilization Reserve, to be created and maintained by the Director of Finance as a separate fund, which may not be commingled with any other funds of the City. Appropriations to the Budget Stabilization Reserve are required to be made each Fiscal Year if the projected General Fund balance for the upcoming Fiscal Year equals or exceeds three percent of General Fund appropriations for such Fiscal Year. City Council can appropriate additional amounts to the Budget Stabilization Reserve by ordinance, no later than at the time of passage of the annual operating budget ordinance and only upon recommendation of the Mayor. Total appropriations to the Budget Stabilization Reserve are subject to a limit of five percent of General Fund appropriations. Amounts in the Budget Stabilization Reserve from the prior Fiscal Years, including any investment earnings certified by the Director of Finance, are to remain on deposit therein. The City has made a deposit of $34.3 million to the Budget Stabilization Reserve, pursuant to the Fiscal Year 2020 Adopted Budget.

Withdrawals from the Budget Stabilization Reserve are permitted only upon (i) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve and only for the purposes set forth in such transfer ordinance and (ii) either (1) a certification by the Director of Finance that General Fund revenues actually received by the City during the prior Fiscal Year were at least one percent less than the General Fund revenues set forth in the Mayor's estimate of receipts, or (2) a certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents, and that it would be fiscally imprudent to seek emergency appropriations pursuant to the City Charter. Any such certification must be approved either by a resolution adopted by two-thirds of all of the members of City Council or an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City.

For information on the planned withdrawal from the Budget Stabilization Reserve for Fiscal Year 2021, see "OVERVIEW – Fiscal Health of the City – Budget Stabilization Reserve."

Annual Financial Reports

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

Reports are also presented. Historically, the results for General Fund balance have not materially changed between the Annual Financial Reports and the CAFRs.

The Annual Financial Report for Fiscal Year 2019 was released on October 28, 2019. As noted herein, the Fiscal Year 2019 CAFR was filed with the MSRB on February 25, 2020, through the EMMA system. See "CITY FINANCES AND FINANCIAL PROCEDURES – Current City Disclosure Practices."

Five-Year Plans of the City

The PICA Act requires the City to annually prepare a financial plan that includes projected revenues and expenditures of the principal operating funds of the City for five Fiscal Years consisting of the current Fiscal Year and the subsequent four Fiscal Years. Each five-year plan, which must be approved by PICA, is required to, among other things, eliminate any projected deficits, balance the Fiscal Year budgets and provide procedures to avoid fiscal emergencies. For information on the Twenty-Eighth Five-Year Plan, see "– Current Financial Information – Fiscal Year 2020 Adopted Budget and Twenty-Eighth Five-Year Plan" herein. For information on the Twenty-Ninth Five-Year Plan, see "– Current Financial Information – Fiscal Year 2021 Adopted Budget and Twenty-Ninth Five-Year Plan" herein.

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. Such variance was cured by the City pursuant to a revised five-year plan for Fiscal Years 2010-2014 and the Commonwealth's authorization of an increase in the City Sales Tax (as defined herein). See "REVENUES OF THE CITY – Sales and Use Tax" herein. 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. The most recent Quarterly City Manager's Report is the report for the period ending June 30, 2020, which was released on August 17, 2020 (the "FY 2020 Fourth Quarter QCMR"). The next Quarterly City Manager's Report is the report for the period ending September 30, 2020, and it is expected to be released on or about November 16, 2020.

Summary of Operations

The following table presents the summary of operations for the General Fund for Fiscal Years 2017-2019, budgeted amounts and current estimates for Fiscal Year 2020, and budgeted amounts for Fiscal Year 2021. 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 (except as otherwise indicated) to the most recently revised estimates for Fiscal Year 2020, which were released by the City on August 17, 2020, as part of the FY 2020 Fourth Quarter QCMR.

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Table 1
General Fund
Summary of Operations (Legal Basis)
Fiscal Years 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)
(Amounts in Millions of USD)[(1), (2)]

	Actual 2017	Actual 2018	Actual 2019	Adopted Budget 2020 (June 18, 2019)	Current Estimate 2020 (August 17, 2020)	Adopted Budget 2021 (June 26, 2020)
Revenues						
Real Property Taxes	$587.1	$650.4	$696.6	$690.9	$691.5	$684.5
Wage and Earnings Tax	1,448.9	1,542.3	1,581.9	1,633.7	1,603.3	1,519.1
Net Profits Tax	22.3	32.3	35.8	38.2	36.6	29.9
Business Income and Receipts Tax	417.5	446.1	540.9	497.3	514.0	464.3
Sales Tax[(3)]	188.4	198.4	224.2	227.9	194.2	174.5
Other Taxes[(4)]	367.7	454.9	458.6	472.6	417.4	390.4
Philadelphia Beverage Tax[(5)]	39.5	77.4	76.9	75.9	65.8	67.4
Total Taxes	3,071.4	3,401.8	3,614.8	3,636.5	3,522.8	3,330.1
Locally Generated Non-Tax Revenue	309.5	320.6	349.1	353.3	362.2	357.9
Revenue from Other Governments						
Net PICA Taxes Remitted to the City[(6)]	409.5	454.2	493.6	499.3	497.7	470.6
Other Revenue from Other Governments[(7)]	307.7	323.9	311.1	347.9	389.3	297.6
Total Revenue from Other Governments	717.2	778.2	804.7	847.2	887.0	768.2
Receipts from Other City Funds	60.1	55.4	51.7	81.0	88.5	125.6
Total Revenue	4,158.2	4,556.1	4,820.3	4,918.0	4,860.4	4,581.8
Obligations/Appropriations						
Personal Services	1,589.0	1,690.1	1,749.8	1,820.1	1,884.4	1,795.2
Purchase of Services[(8)]	851.4	891.1	915.5	1,001.3	1,032.1	948.6
Materials, Supplies and Equipment	94.4	102.2	113.3	123.7	166.6	117.3
Employee Benefits	1,241.0[(11)]	1,314.0[(11)]	1,371.1[(11)]	1,412.0[(11)]	1,348.4[(11)]	1,287.2[(11)]
Indemnities, Contributions, and Refunds[(9)]	186.6	195.2	279.8	322.4	341.7	378.7
City Debt Service[(10)]	140.9	148.8	159.8	187.5	187.5	185.7
Payments to Other City Funds	36.5	61.5	183.2[(12)]	68.9	73.9	67.2
Advances & Miscellaneous Payments[(13)]	0.0	0.0	0.0	55.1[(14)]	18.4[(15)]	25.0[(16)]
Payment to Budget Stabilization Reserve	0.0	0.0	0.0	34.3	34.3	0.0
Total Obligations/Appropriations	4,139.8	4,402.9	4,772.4	5,025.3	5,087.2	4,804.9
Operating Surplus (Deficit) for the Year	18.4	153.2	47.9	(107.3)	(226.8)	(223.1)
Net Adjustments – Prior Year	22.5	26.3	22.0	19.5	43.0	19.5
Cumulative Fund Balance Prior Year	148.3	189.2	368.8	297.7[(17)]	438.7[(17)]	254.9
Cumulative Adjusted Year End Fund Balance (Deficit)	$189.2	$368.8	$438.7[(17)]	$209.9	$254.9	$51.4

(1) Sources: For Fiscal Years 2017-2019, the City's CAFRs for such Fiscal Years. For Fiscal Year 2020 (Adopted Budget), the Fiscal Year 2020 Adopted Budget. For Fiscal Year 2020 (Current Estimate), the FY 2020 Fourth Quarter QCMR. For Fiscal Year 2021 (Adopted Budget), the Fiscal Year 2021 Adopted Budget and Twenty-Ninth Five-Year Plan, as applicable.

(2) Figures may not sum due to rounding.

(3) For more information on the City Sales Tax, see "REVENUES OF THE CITY – Sales and Use Tax."

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

(5) The Philadelphia Beverage Tax (as defined herein) taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

(6) For a detailed breakdown of "Net PICA Taxes Remitted to the City," see Table 43. Such figures reflect revenues received by the City from the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA Bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds."

(7) For a detailed breakdown of "Other Revenue from Other Governments," see Table 12. "Other Revenue from Other Governments" includes state gaming revenues.

(8) Includes debt service on lease and service agreement financings.

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

(10) Includes debt service on General Obligation Debt (as defined herein) and tax and revenue anticipation notes; excludes debt service on PICA Bonds and lease and service agreement financings.

(11) For Fiscal Year 2017, includes $19.2 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2018, includes $24.2 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2019, includes $52.1 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2020 (Adopted Budget), assumes $53.9 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2020 (Current Estimate), assumes $37.1 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2021 (Adopted Budget)), assumes $27.3 million from such tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

(12) Includes $20.0 million for recession-related expenses.

(13) Advances & Miscellaneous Payments includes certain budgeted reserves for a given Fiscal Year. Any portion of such reserves that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

(14) Includes $55.1 million in the Federal and State Funding and Recession Reserves.

(15) Includes $18.4 million in the Reopening and Recession Reserve.

(16) Includes $25.0 million in the Reopening and Recession Reserve.

(17) In its Fiscal Year 2020 Adopted Budget, the City projected that Fiscal Year 2019 would end with a General Fund balance of $297.9 million. In the Fiscal Year 2019 CAFR, the City reported that Fiscal Year 2019 ended with a General Fund balance of $438.7 million. Such number has been included as the "Cumulative Fund Balance Prior Year" in the FY 2020 Fourth Quarter QCMR.

Current Financial Information

Table 2 below shows General Fund balances for Fiscal Year 2019, budgeted amounts and current estimates for Fiscal Year 2020, and budgeted amounts for Fiscal Year 2021.

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

	Fiscal Year 2019 Actual[2] (June 30, 2019)	Fiscal Year 2020 Adopted Budget[2] (June 18, 2019)	Fiscal Year 2020 Current Estimate[2] (August 17, 2020)	Fiscal Year 2021 Adopted Budget[2] (June 26, 2020)
REVENUES				
Taxes	$3,614,840[3]	$3,636,492[3]	$3,522,792[3]	$3,330,098[3]
Locally Generated Non – Tax Revenues	349,062	353,328	362,177	357,890
Revenue from Other Governments	804,698	847,172	886,989	768,197
Revenues from Other Funds of City	51,677	81,011	88,476	125,608
Total Revenue	**$4,820,277**	**$4,918,003**	**$4,860,434**	**$4,581,793**
OBLIGATIONS / APPROPRIATIONS				
Personal Services	$1,749,789	$1,820,084	$1,884,357	$1,795,159
Personal Services – Employee Benefits	1,371,066[4]	1,411,963[4]	1,348,375[4]	1,287,159[4]
Purchase of Services[5]	915,529	1,001,325	1,032,110	948,562
Materials, Supplies, and Equipment	113,267	123,682	166,576	117,304
Contributions, Indemnities, and Taxes	279,769	322,432	341,732	378,737
Debt Service[6]	159,787	187,483	187,483	185,714
Payments to Other Funds	183,182[7]	68,913	73,913	67,216
Advances & Miscellaneous Payments[8]	0	55,108[9]	18,403[10]	25,000[11]
Payment to Budget Stabilization Reserve	0	34,276	34,276	0
Total Obligations / Appropriations	**$4,772,389**	**$5,025,266**	**$5,087,225**	**$4,804,851**
Operating Surplus (Deficit)	**47,888**	**(107,263)**	**(226,791)**	**(223,058)**
OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS				
Net Adjustments – Prior Years	22,009	19,500	43,019	19,500
Operating Surplus/(Deficit) & Prior Year Adj.	69,897	(87,763)	(183,772)	(203,558)
Prior Year Fund Balance	368,783	297,666[12]	438,680[12]	254,908
Year End Fund Balance	**$438,680**[12]	**$209,903**	**$254,908**	**$51,350**

(1) Figures may not sum due to rounding.
(2) Sources: For Fiscal Year 2019, the Fiscal Year 2019 CAFR. For Fiscal Year 2020 Adopted Budget, the Fiscal Year 2020 Adopted Budget. For Fiscal Year 2020 Current Estimate, the FY 2020 Fourth Quarter QCMR. For Fiscal Year 2021 Adopted Budget, Fiscal Year 2021 Adopted Budget and Twenty-Ninth Five-Year Plan, as applicable.
(3) For Fiscal Year 2019, includes $76.9 million in revenue from the Philadelphia Beverage Tax. For Fiscal Year 2020 Adopted Budget, assumes $75.9 million in revenue from such tax. For Fiscal Year 2020 Current Estimate, assumes $65.8 million in revenue from such tax. For Fiscal Year 2021 Adopted Budget, assumes $ 67.4 million in revenue from such tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.
(4) For Fiscal Year 2019, includes $52.1 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2020 (Adopted Budget), assumes $53.9 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2020 (Current Estimate), assumes $37.1 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2021 (Adopted Budget), assumes $27.3 million from such tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(5) Includes debt service on lease and service agreement financings.
(6) Includes debt service on General Obligation Debt (as defined herein) and tax and revenue anticipation notes; excludes debt service on PICA Bonds and lease and service agreement financings.
(7) Includes $20.0 million for recession-related expenses.
(8) Advances & Miscellaneous Payments includes certain budgeted reserves for a given Fiscal Year. Any portion of such reserves that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.
(9) Includes $55.1 million in the Federal and State Funding and Recession Reserves.
(10) Includes $18.4 million in the Reopening and Recession Reserve.
(11) Includes $25.0 million in the Reopening and Recession Reserve.
(12) In its Fiscal Year 2020 Adopted Budget, the City projected that Fiscal Year 2019 would end with a General Fund balance of $297.666 million. In the Fiscal Year 2019 CAFR, the City reported that Fiscal Year 2019 ended with a General Fund balance of $438.680 million. Such number has been included as the "Prior Year Fund Balance" in the FY 2020 Fourth Quarter QCMR.

The following discussion of the Fiscal Year 2020 Adopted Budget, the Twenty-Eighth Five-Year Plan, the FY 2020 Fourth Quarter QCMR, the Fiscal Year 2021 Adopted Budget, and the Twenty-Ninth Five-Year Plan, as applicable, is based, in part, on projections and forward-looking statements related to Fiscal Years 2020 and 2021. No assurance can be given that the applicable budget estimates and forward-looking statements will be realized. The accuracy of such budget estimates and forward-looking statements cannot be verified until after the close of the applicable Fiscal Year and the completion of the related audit.

Fiscal Year 2020 Adopted Budget and Twenty-Eighth Five-Year Plan. The City's proposed Fiscal Year 2020 operating budget was submitted by the Mayor to City Council on March 7, 2019, along with the City's proposed five-year plan for Fiscal Years 2020-2024. On June 13, 2019, City Council approved the Fiscal Year 2020 operating budget ordinance, which was signed by the Mayor on June 18, 2019 (the "Fiscal Year 2020 Adopted Budget"). On June 18, 2019, the City submitted to PICA its FY 2020-2024 Five Year Financial Plan Per Council Approved Budget and PICA approved such plan on July 16, 2019 (the "Twenty-Eighth Five-Year Plan").

Fiscal Year 2020 Current Estimate. The current estimate for Fiscal Year 2020 is derived from information included in the FY 2020 Fourth Quarter QCMR. In the FY 2020 Fourth Quarter QCMR, the City estimates that it will end Fiscal Year 2020 with a General Fund balance (on the legally enacted basis) of approximately $254.9 million.

Fiscal Year 2021 Adopted Budget and Twenty-Ninth Five-Year Plan. The City's proposed Fiscal Year 2021 operating budget was submitted by the Mayor to City Council on March 5, 2020, along with the City's proposed five-year plan for Fiscal Years 2021-2025. Each of those documents was revised and resubmitted on May 1, 2020 to include the City's current assessment of the impact of the COVID-19 pandemic on the City's financial position and operations. On June 25, 2020, City Council approved the Fiscal Year 2021 operating budget ordinance, which was signed by the Mayor on June 26, 2020 (the "Fiscal Year 2021 Adopted Budget").

On June 26, 2020, the City submitted to PICA its FY 2021-2025 Five Year Financial Plan Per Council Approved Budget (the "Twenty-Ninth Five-Year Plan"). PICA recommended approval of such plan on July 21, 2020, on the condition that the City provides monthly updates on obligations and revenues to protect against any significant deviation from projected revenues, obligations or fund balance, which could appropriately be deemed a variance by PICA and require a revision to the Twenty-Ninth Five-Year Plan in accordance with the PICA Act and the PICA Agreement. PICA staff, in recommending that PICA approve the Twenty-Ninth Five-Year Plan, noted that the revenue and expenditure projections presented in the Twenty-Ninth Five-Year Plan were [quoting from the PICA Act] "based on reasonable and appropriate assumptions and methods of estimation . . . consistently applied." The PICA staff report concluded that "[a]lthough PICA is confident that the [Twenty-Ninth Five-Year Plan] is based on reasonable and appropriate assumptions, and year end fund balances are positive throughout the life of the [Twenty-Ninth Five-Year Plan], certain factors were identified that might present risks to the [Twenty-Ninth Five-Year Plan]." The PICA report identified such factors as: (i) the length and uncertainty of the COVID-19 global pandemic; (ii) the possibility of slower than projected economic growth over the period covered by the plan; (iii) the projected growth of BIRT collections; (iv) low General Fund balance levels; and (v) increasing overtime and pension costs. The PICA staff report also highlighted certain other financial concerns that could impact the City's financial condition, including, among others (a) future labor, overtime, and employee health benefit costs; (b) funding of the now locally controlled School District; (c) speculative revenues from sources such as locally generated non-tax revenue, revenue from other governments, and revenue from other funds; and (d) the use of the Budget Stabilization Reserve in Fiscal Year 2021 and the lack of near-term plans to fund such reserve (not projected to occur until Fiscal Year 2025).

As part of the Twenty-Ninth Five-Year Plan, the City has also included certain contingency measures that may be implemented if actual revenue collections are lower than expected. Such contingency measures include (i) recognizing known underspending of funds in Fiscal Year 2020, (ii) utilizing the Reopening and Recession Reserve and the Labor Reserve, and (iii) delaying or reducing new initiatives that have not commenced, among others. If implemented, such contingency measures are expected to allow the City to achieve a balanced plan and positive annual General Fund balances in each year of the plan even if revenues are weaker than projected.

For Fiscal Years 2021-2025, the Twenty-Ninth Five-Year Plan projects that the City will end such Fiscal Years with General Fund balances (on the legally enacted basis) of approximately (i) $51.4 million (Fiscal Year 2021), (ii) $50.8 million (Fiscal Year 2022), (iii) $141.3 million (Fiscal Year 2023), (iv) $117.1 million (Fiscal Year 2024), and (v) $229.2 million (Fiscal Year 2025).

For information on the current assessment of the fiscal impact of COVID-19 on the City, see "OVERVIEW – Fiscal Health of the City – COVID-19."

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," above.

REVENUES OF THE CITY

General

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

Major Revenue Sources

The City currently 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 2017-2019, budgeted amounts and current estimates for Fiscal Year 2020, and budgeted amounts for Fiscal Year 2021. 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 2017 through 2019 are contained in the Fiscal Year 2019 CAFR.

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

Table 3

General Fund Tax Revenues

Fiscal Years 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)

(Amounts in Millions of USD) (1), (2), (3)

	Actual 2017	Actual 2018	Actual 2019	Adopted Budget 2020 (June 18, 2019)	Current Estimate 2020 (August 17, 2020)	Adopted Budget 2021 (June 26, 2020)
Real Property Taxes						
Current	$542.9	$611.3	$658.2	$653.4	$653.9	$647.5
Prior	44.2	39.1	38.4	37.6	37.6	36.8
Total	$587.1	$650.4	$696.6	$690.9	$691.5	$684.3
Wage and Earnings Tax[4]						
Current	$1,440.6	$1,536.9	$1,577.5	$1,628.3	$1,597.9	$1,513.7
Prior	8.3	5.4	4.4	5.4	5.4	5.4
Total	$1,448.9	$1,542.3	$1,581.9	$1,633.7	$1,603.3	$1,519.1
Business Taxes						
Business Income and Receipts Tax Current & Prior	$417.5	$446.1	$540.9	$497.3	$514.0	$464.3
Net Profits Tax						
Current	$25.3	$27.6	$29.5	$33.5	$31.9	$25.2
Prior	(3.0)	4.7	6.4	4.7	4.7	4.7
Subtotal Net Profits Tax	$22.3	$32.3	$35.8	$38.2	$36.6	$29.9
Total Business and Net Profits Taxes	$439.8	$478.4	$576.7	$535.6	$550.6	$494.2
Other Taxes						
Sales and Use Tax[5]	$188.4	$198.4	$224.2	$227.9	$194.2	$174.5
Amusement Tax	20.6	23.0	26.4	28.9	18.5	16.6
Real Property Transfer Tax	247.3	331.5	328.4	339.3	313.5	292.9
Parking Taxes	96.1	96.5	99.3	100.2	80.7	76.7
Other Taxes	3.8	4.0	4.4	4.2	4.7	4.4
Subtotal Other Taxes	$556.1	$653.3	$682.7	$700.5	$611.6	$565.1
Philadelphia Beverage Tax[6]	39.5	77.4	76.9	75.9	65.8	67.4
TOTAL TAXES	**$3,071.4**	**$3,401.8**	**$3,614.8**	**$3,636.5**	**$3,522.8**	**$3,330.1**

(1) Sources: For Fiscal Years 2017-2019, the City's CAFRs for such Fiscal Years. For Fiscal Year 2020 (Adopted Budget), the Fiscal Year 2020 Adopted Budget. For Fiscal Year 2020 (Current Estimate), the FY 2020 Fourth Quarter QCMR. For Fiscal Year 2021 (Adopted Budget), the Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan, as applicable.

(2) See Table 7 in the Fiscal Year 2019 CAFR for tax rates.

(3) Figures may not sum due to rounding.

(4) 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.

(5) For more information on the City Sales Tax, see "– Sales and Use Tax" and Table 11.

(6) The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

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Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising more than 43% of all tax revenues in Fiscal Year 2019) 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 2017-2021, the annual wage, earnings and net profits tax receipts in Fiscal Years 2017-2019, the budgeted amount and current estimate of such receipts for Fiscal Year 2020, and the budgeted amount of such receipts for Fiscal Year 2021.

Table 4
Summary of Wage, Earnings and Net Profits Tax Rates and Receipts
Fiscal Years 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)[(1)]

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates[(2)]	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD)[(3)]
2017	3.9004%	3.4741%	$1,940.4 (Actual)
2018	3.8907%	3.4654%	$2,071.5 (Actual)
2019	3.8809%	3.4567%	$2,146.4 (Actual)
2020	3.8712%	3.4481%	$2,218.0 (Adopted Budget)
			$2,184.5 (Current Estimate)
2021	3.8712%	3.5019%	$2,056.8 (Adopted Budget)

(1) See Table 7 in the Fiscal Year 2019 CAFR for tax rates for Fiscal Years 2017-2019. See the Twenty-Ninth Five-Year Plan for tax rates for Fiscal Years 2020 and 2021.
(2) Includes PICA Tax. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.
(3) Sources: For Fiscal Years 2017-2019, the City's CAFRs for the City's annual wage, earnings, and net profits tax receipts and the City's Quarterly City Manager's Reports for gross PICA Tax (see first column in Table 43). For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the FY 2020 Fourth Quarter QCMR. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget.

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 $86.3 million in Fiscal Years 2017-2019. For Fiscal Year 2020, the budgeted amount and current estimate of gaming revenues is $86.3 million. For Fiscal Year 2021, the budgeted amount of gaming revenues is $86.3 million.

See "– Other Tax Rate Changes" herein, for information regarding wage and earnings tax rate reductions under the Twenty-Ninth Five-Year Plan.

In a 2015 decision by the Supreme Court of the United States (*Comptroller of the Treasury of Maryland v. Wynne*, 135 S. Ct. 1787 (2015)), a state's failure to provide certain credits against its personal income tax was held to have violated the dormant Commerce Clause of the United States Constitution. Such personal income tax was applied to income earned outside of the state of residency, and residents were not given a credit for income taxes paid to the state where such income was earned, resulting, in the circumstances presented, in taxing income earned interstate at a rate higher than income earned intrastate. The City provides a credit to resident taxpayers against their respective wage, earnings, and net profits tax liabilities for similar taxes paid to another locality, but does not provide a credit for similar taxes paid to another state. Taxpayers have challenged the City's refusal to grant a credit for taxes paid to other states and have appealed to the Commonwealth Court on such matters. To date, the City's position has been upheld by both the Tax Review Board and the Court of Common Pleas. The City estimates the cost of current appeals to be approximately $10 million.

Business Income and Receipts Tax

Pursuant to The First Class City Business Tax Reform Act of 1984, City Council imposed a business tax measured by gross receipts, net income or the combination of the two. The same year, City Council by ordinance repealed the Mercantile License Tax and the General Business Tax and imposed the Business Privilege Tax. As of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax (or BIRT). The BIRT allows for particular allocations and tax computations for regulated industries, public utilities, manufacturers, wholesalers, and retailers. 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. 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. The following table provides a summary of BIRT rates for tax years 2012-2024. Future BIRT rates remain subject to amendment by action of City Council and the Mayor.

Table 5
Summary of Business Income and Receipts Tax Rates

Tax Year	Gross Receipts	Net Income
2012	1.415 mills	6.45%
2013	1.415 mills	6.45%
2014	1.415 mills	6.43%
2015	1.415 mills	6.41%
2016	1.415 mills	6.39%
2017	1.415 mills	6.35%
2018	1.415 mills	6.30%
2019	1.415 mills	6.25%
2020	1.415 mills	6.20%
2021	1.415 mills	6.20%
2022	1.415 mills	6.20%
2023	1.415 mills	6.20%
2024	1.415 mills	6.15%

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 provided 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.

By Fiscal Year 2024, the net income (profits) portion of the business tax is projected to reach 6.15%. In addition, legislation was enacted, effective for tax year 2019, to (i) eliminate the requirement for new businesses to make an estimated business tax payment when filing a return for their first tax year of business operations and (ii) allow such estimated payments in the second year to be made in quarterly installments.

Real Property Taxes

Assessment and Collection. Taxes are levied on the assessed value of all taxable residential and commercial real property located within the City's boundaries for the City and for the School District (each, a "Real Estate Tax") as assessed by the Office of Property Assessment ("OPA") and collected by the Department of Revenue for both the City and the School District. Real Estate Taxes are authorized by Commonwealth law with the millage split between the City Real Estate Tax and the School District Real Estate Tax changing over the years. Currently, the City Real Estate Tax is equal to 45% of the total authorized millage and the School District Real Estate Tax is equal to 55% of the total authorized millage. Real Estate Taxes are levied on a calendar year basis. By separate ordinances, City Council authorizes and levies the rate of the City Real Estate Tax and authorizes the rate of the School District Real Estate Tax. The Board of Education levies all School District taxes, including the School District Real Estate Tax. Bills are sent in December for the following year and payments are due March 31.

For tax year 2014, all properties in Philadelphia were reassessed at their actual market value by OPA under the Actual Value Initiative ("AVI") in order to replace outdated values and inequities within the system. Under AVI, the total assessed value of all properties more accurately reflected the market in the City and the total assessment grew substantially. As a result, the Mayor and City Council significantly reduced the Real Estate Tax rate to ensure that, in its first year, the reassessment resulted in the collection of approximately the same amount of Real Estate Taxes as the prior year (tax year 2013).

In order to mitigate any hardship that could be created by the substantial increases in assessed value, the ordinance imposing the new Real Estate Tax rates included a homestead exemption of $30,000 for all primary residential owner-occupants, which was subsequently increased to $40,000 of assessed value in Fiscal Year 2019. In the Fiscal Year 2020 Adopted Budget, the homestead exemption was increased from $40,000 to $45,000 of assessed value. In addition to the homestead exemption, the City has also instituted several other property tax relief programs for taxpayers.

In December 2019, City Council also passed legislation to modify the existing 10-year property tax abatement for new construction of residential properties. Effective for exemption applications beginning January 1, 2021, the program will be adjusted to exempt 100% of the improvement value in the first year with graduated 10% annual reductions in the exemption percentage each subsequent year. No changes were made to the existing property tax abatement programs for commercial buildings or substantial rehabilitation of residential structures.

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The Real Estate Tax rates for tax years 2016-2020 are set forth in Table 6 below:

Table 6
Real Estate Tax Rates and Allocations

Tax Year	City	School District	Total
2016	0.6317%	0.7681%	1.3998%
2017	0.6317%	0.7681%	1.3998%
2018	0.6317%	0.7681%	1.3998%
2019	0.6317%	0.7681%	1.3998%
2020	0.6317%	0.7681%	1.3998%

For Fiscal Year 2019, the actual amount of Real Estate Tax revenue for the City was $658.2 million (excluding delinquent collections). For Fiscal Year 2020, the budgeted amount of Real Estate Tax revenue for the City is $653.4 million (excluding delinquent collections). For Fiscal Year 2020, the current estimate of Real Estate Tax revenue for the City is $653.9 million (excluding delinquent collections). For Fiscal Year 2021, the budgeted amount of Real Estate Tax revenue for the City is $647.5 million (excluding delinquent collections). See Table 3 above. For information on the process for appealing a property tax assessment, see the text before and after Table 7 below.

Table 7 shows the assessed values of properties used for tax years 2020 and 2021 Real Estate Taxes.

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Table 7
Certified Property Values for Tax Years 2020 and 2021

Tax Year 2020

Category	Market Value(1)	Taxable Assessed Value	Exempt Assessed Value	Homestead	# of Properties
Single Family Residential	$79,112,006,350	$63,891,731,827	$6,964,128,995	$8,256,145,52	457,631
Multi-Family Residential (Apartments)(2)	29,341,610,800	21,276,976,823	7,771,704,222	292,929,755	42,064
Non-Residential(3)	55,275,284,866	28,285,867,793	26,948,588,073	40,829,000	36,908
Vacant Land	4,534,177,300	2,121,913,727	2,409,942,273	2,321,300	44,722
Total	**$168,263,079,316**	**$115,576,490,170**	**$44,094,363,563**	**$8,592,225,583**	**581,325**

[1] Assessment data current as of March 31, 2019.
[2] Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.
[3] Includes commercial, industrial, store with dwelling, hotels, and motels.

Tax Year 2021

Category	Market Value(1)	Taxable Assessed Value	Exempt Assessed Value	Homestead	# of Properties
Single Family Residential	$79,889,823,850	$63,697,212,563	$6,844,885,434	$9,347,725,853	457,751
Multi-Family Residential (Apartments)(2)	30,080,351,000	21,561,546,044	8,201,312,244	317,492,712	42,331
Non-Residential(3)	55,443,377,866	28,471,130,722	26,926,216,544	46,030,600	36,763
Vacant Land	4,541,666,800	2,154,649,414	2,384,398,986	2,618,400	44,611
Total	**$169,955,219,516**	**$115,884,538,743**	**$44,356,813,208**	**$9,713,867,565**	**581,456**

[1] Assessment data current as of December 31, 2019.
[2] Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.
[3] Includes commercial, industrial, store with dwelling, hotels, and motels.

Assessment and Appeals. OPA is responsible for property assessments, while the Board of Revision of Taxes ("BRT"), an independent, seven-member board appointed by the Board of Judges of the Philadelphia Common Pleas Court, is the property assessment appeals board.

OPA certifies the market values by March 31 of the prior year (i.e., for tax year 2021, OPA certified the market values on March 31, 2020). Taxpayers base their appeals on the certified market values, and therefore, the assessed values are adjusted as the appeals are finalized. In some circumstances and for certain tax years, taxpayers are permitted, during the appeals process, to pay their property tax bills based on the certified market value of their properties from the prior assessment. For budgetary purposes, OPA provides updated assessment data to the Office of the Director of Finance by February of each year, from which Real Estate Tax projections are made. Certified values can vary substantially from the amounts included in such data and, as such, Real Estate Tax collections can also vary from the amounts included in the City's proposed annual operating budget.

Under AVI, OPA set up a new process called a first level review ("FLR"), where a taxpayer could request an administrative review of its assessment notice prior to launching a formal appeal with the BRT. The BRT has the authority, following a formal appeal, to either increase, decrease, or leave unchanged the property assessment. Some appeals are not resolved before bills are sent to taxpayers. As such, some property assessments are modified after taxpayers receive bills.

For tax year 2018, OPA revised the assessed values of over 60,000 parcels (which included properties of all categories, including commercial and residential parcels) throughout the City as part of its reassessment. In September 2017, the owners of multiple commercial properties in the City filed a lawsuit against the City in the Court of Common Pleas. The plaintiffs in such matter alleged, based on a July 2017 Pennsylvania Supreme Court decision, that OPA violated the uniformity clause of the Pennsylvania Constitution in reassessing commercial properties and not residential properties for tax year 2018. The plaintiffs sought declaratory relief, a permanent injunction, and an order directing OPA to recertify their properties at tax year 2017 values. Subsequently, ten additional cases were filed, asserting virtually the same claims. All of the cases, which encompass approximately 600 plaintiffs and approximately 700 properties, were consolidated for management purposes. In a ruling handed down on July 18, 2019, the Common Pleas Court found that plaintiffs were owed refunds for overpayments equal to the difference between the plaintiffs' Real Estate Taxes for tax year 2017 and tax year 2018. The Common Pleas Court calculated the total amount of these refunds against the City and the School District at more than $50 million. The City and School District appealed the ruling on October 22, 2019. As noted below, City-wide reassessments were conducted for tax years 2019 and 2020. As such, the City does not expect the Real Estate Taxes for such tax years to be impacted by the final judgment on this matter. For more general information on judgments and settlements on claims against the City, see "LITIGATION."

For tax year 2019, OPA revised the assessed values of over 515,000 parcels throughout the City as part of its reassessment. As of December 11, 2019, OPA has received 20,757 FLRs, with approximately 200 that have yet to be decided. As of July 7, 2020, BRT has received approximately 10,200 formal appeals, with approximately 200 that have yet to be decided.

For tax year 2020, OPA revised the assessed values of over 503,000 parcels throughout the City as part of its reassessment. As of December 11, 2019, OPA has received 11,706 FLRs, with approximately 4,650 that have yet to be decided. As of July 7, 2020, BRT has received approximately 7,400 appeals, with approximately 5,000 that have yet to be decided.

For tax year 2021, OPA had planned to conduct a second year of trending for assessments, but initial results showed certain anomalies that would result in assessed values that were not acceptable to the City's standards. As such, the City carried forward the assessed values from tax year 2020, with the exception of properties that had new construction, expiring abatements, renovations, subdivisions, consolidations, or errors in prior year assessments. As described below in "Review of Assessment Methodology," OPA will continue implementing procedures to ensure greater accuracy in future assessments.

Review of Assessment Methodology. OPA continues to review its assessment methodology in order to improve the transparency and accuracy of its assessment activities and the quality of assessments. Such efforts include (i) implementing the new computer-assisted mass appraisal system program, (ii) contracting with an outside vendor to improve the quality of OPA's data, (iii) strengthening OPA's modeling team, and (iv) providing more training to the sales validation team, which was created in 2019, to help ensure improved data.

Collection Initiatives. Since 2010, the City has pursued a number of initiatives to improve the collection of Real Estate Taxes, including (i) prompt correspondence with taxpayers with overdue Real Estate Taxes, (ii) using outside collection firms to collect overdue Real Estate Taxes, (iii) sequestration of delinquent properties occupied by commercial tenants, and (iv) tax lien sales.

As a result of economic disruptions from the COVID-19 pandemic, the City's regular collection strategies have been modified. At this time, the Department of Revenue continues to send bills and notifications and its outreach efforts, but some legal action, enforcement projects, and placements with collection agencies have been suspended. The City continues to evaluate and pursue long-time delinquent accounts and place liens on properties for property-based taxes and fees. Along with existing flexible payment agreements for property tax and water fees, the City has also launched new payment agreements for all business taxes in an effort to bring businesses affected by COVID-19 closures into compliance.

Real Estate Tax Tables. See Table 8 below for data with respect to Real Estate Taxes levied from 2015 to 2019 and collected by the City from January 1, 2015 to June 30, 2019. See Table 9 for the assessed property values of the City's principal taxable assessed parcels in 2020. See Table 10 for the 2020 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.

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Table 8
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2015-2019
(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[(6)]	Percentage Collected in the Calendar Year of Levy	Collections in Subsequent Years[(5), (6)]	Total Collections to Date: All Years[(6)]	Percentage Collected to Date: All Years[(6)]
2015	$547.4	$516.7	$489.1	94.7%	$25.9	$515.0	99.7%
2016	$569.9	$548.8	$525.2	95.7%	$19.5	$544.7	99.3%
2017	$580.5	$564.7	$542.9	96.1%	$16.5	$559.4	99.1%
2018	$658.1	$629.2	$604.4	96.1%	$8.7	$613.2	97.5%
2019	$709.4	$690.8	$636.5	N/A	N/A	$636.5	N/A

(1) Source: Fiscal Year 2019 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 more information on the reassessment appeal process, see "– Real Property Taxes – Assessment and Appeals."
(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) For calendar year 2019, the data shown reflects collections through June 30, 2019. For earlier calendar years, the data shown reflects collections through December 31 of the respective year.

Table 9
Principal Taxable Assessed Parcels – 2021
(Amounts in Millions of USD)[(1)]

Taxpayer	2021 Assessment[(2)]	2021 Percentage of Total Assessments
Kim Sub Cira Square LP	$370.6	0.29%
Liberty Property Phila[(3)]	359.0	0.29
EQC Nine Penn Center Prop	352.1	0.28
NG 1500 Market St LLC	349.9	0.28
Phila Liberty Place LP	315.0	0.25
Park Towne Place Assoc	276.9	0.22
Commerce Square Partners	266.4	0.21
Phila Plaza Phaze II	252.7	0.20
Philadelphia Market Street	250.3	0.20
Brandywine Operating	236.4	0.19
Total	$3,029.3	2.41%
Total Taxable Assessments[(4)]	$125,867.6	

Source: City of Philadelphia, Office of Property Assessment.

(1) Figures may not sum due to rounding.
(2) 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.
(3) Acquired by Prologis, Inc. in the first quarter of calendar year 2020.
(4) Total 2021 Taxable Assessment as of December 31, 2019.

Table 10
Ten Largest Certified Market and Assessment Values of Tax-Abated Properties
Certified Values for 2021
(Amounts in Millions of USD)[(1), (2)]

Location	2020 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Through Tax Year
1001-99 N Delaware Ave	$307.4	$307.4	$49.7	$257.7	2026
1800 Arch St	$278.8	$278.8	$27.9	$250.9	2027
401 N Broad St	$245.8	$245.8	$223.1	$22.7	2026
1801 John F Kennedy	$200.3	$200.3	$134.0	$66.3	2024
170 S Independence W Mall	$162.1	$162.1	$141.3	20.9	2028
1601 Vine St	$154.1	$154.1	$13.8	$140.3	2028
2402-14 Market St	$148.0	$148.0	$32.3	115.7	2028
450 N 18th St	$146.3	$146.3	$14.6	$131.7	2027
2116 Chestnut St	$144.0	$144.0	$14.4	$129.6	2023
500 N 21st St	$133.4	$133.4	$13.3	$120.1	2026

Source: City of Philadelphia, Office of Property Assessment.

(1) Figures may not sum due to rounding.
(2) Certified Values as of 12/31/2019.

Sales and Use Tax

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

The City's budgets for Fiscal Years 2010-2014 provided for an increase in the City Sales Tax rate to 2%, as authorized by the Commonwealth effective October 8, 2009, through June 30, 2014. In July 2013, the Commonwealth authorized the implementation of a new, permanent 1% increase in the City Sales Tax rate effective July 1, 2014, which was adopted by the City on June 12, 2014 and became effective on July 1, 2014. Under the reauthorized City Sales Tax, the first $120 million collected from such additional 1% is distributed to the School District. For Fiscal Years 2015-2018, the General Assembly 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 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.

The following table sets forth the City Sales Taxes collected in Fiscal Years 2017-2019, the budgeted amount and current estimate for Fiscal Year 2020, and the budgeted amount for Fiscal Year 2021.

Table 11
Summary of City Sales Tax Collections
Fiscal Years 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)
(Amounts in Millions of USD)[(1)]

Fiscal Year	City Sales Tax Collections
2017 (Actual)	\$188.4[(2)]
2018 (Actual)	\$198.4[(2)]
2019 (Actual)	\$224.2[(3)]
2020 (Adopted Budget)	\$227.9[(3)]
2020 (Current Estimate)	\$194.2[(3)]
2021 (Adopted Budget)	\$174.5[(3)]

(1) Sources: For Fiscal Years 2017-2019, the City's CAFRs for such Fiscal Years. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the FY 2020 Fourth Quarter QCMR, as applicable. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget.

(2) Net collections estimated to be distributed to the City (i) from the first 1% City Sales Tax, (ii) following the distribution of \$120 million of revenues from the second 1% City Sales Tax to the School District, and (iii) following the payment of debt service on obligations issued by the City for the benefit of the School District, as described above.

(3) 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.

Real Property Transfer Tax

Real Property Transfer Taxes are collected in connection with the sale of real property in the City. The Real Property Transfer Tax rate in the City is 4.278%, 3.278% of which is imposed by the City and 1% of which is charged by the Commonwealth. Revenues from this tax fell during the 2008 recession but have grown since such recession ended. In the Fiscal Year 2019 CAFR, the City reported that it collected approximately \$328.4 million in revenues from the Real Property Transfer Tax in Fiscal Year 2019.

In the Twenty-Ninth Five-Year Plan (and for Fiscal Year 2020, the FY 2020 Fourth Quarter QCMR), the City currently estimates for Fiscal Years 2020-2025 that it will collect approximately (i) \$313.5 million (Fiscal Year 2020), (ii) \$292.8 million (Fiscal Year 2021, as budgeted), (iii) \$301.3 million (Fiscal Year 2022), (iv) \$313.8 million (Fiscal Year 2023), (v) \$325.5 million (Fiscal Year 2024), and (vi) \$337.7 million (Fiscal Year 2025) in revenues from the Real Property Transfer Tax in such Fiscal Years.

After significant growth through Fiscal Year 2018, changes in the real estate market in the City were projected to return to a more moderate level, with a reduction in Real Property Transfer Tax revenue in Fiscal Year 2019, with relatively slow growth projected annually thereafter, mostly due to a "normalized" level for the commercial property market.

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Other Taxes

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

In June 2016, City Council passed the Philadelphia Beverage Tax (Chapter 19-4100 of the Philadelphia Code) (the "Philadelphia Beverage Tax"). On October 31, 2016, the Department of Revenue adopted regulations for the Philadelphia Beverage Tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

The Philadelphia Beverage Tax is deposited into the General Fund, and with the additional revenue, the City has budgeted for pre-Kindergarten, community schools, and debt service for improvements to parks, playgrounds, recreation centers, and libraries, as contemplated by the City's Rebuild program. In the Fiscal Year 2019 CAFR, the City reported that it collected approximately $76.9 million in revenues from the Philadelphia Beverage Tax for Fiscal Year 2019.

In the Twenty-Ninth Five-Year Plan (and for Fiscal Year 2020, the FY 2020 Fourth Quarter QCMR), the City currently estimates that for Fiscal Years 2020-2025 that it will collect approximately (i) $65.8 million (Fiscal Year 2020), (ii) $67.4 million (Fiscal Year 2021, as budgeted), (iii) $68.0 million (Fiscal Year 2022), (iv) $67.4 million (Fiscal Year 2023), (v) $66.9 million (Fiscal Year 2024), and (vi) $66.4 million (Fiscal Year 2025) in revenues from the Philadelphia Beverage Tax in such Fiscal Years.

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 has completed two projects – one to implement technology solutions for its cashiering and payments processing systems and another to develop an integrated data warehouse and case management system. These initiatives improve operational efficiencies and drive compliance efforts by providing tools previously 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 2017-2019, the budgeted amount and current estimate for Fiscal Year 2020, the budgeted amount for Fiscal Year 2021, 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 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)
(Dollar Amounts in Millions of USD)[(1), (2), (3)]

Fiscal Year	Commonwealth[(4)]	Federal Government	Other Governments[(5)]	Total	Percentage of General Fund Revenues
2017 (Actual)	$214.7	$37.6	$55.4	$307.7	7.4%
2018 (Actual)	$224.5	$31.3	$68.2	$323.9	7.1%
2019 (Actual)	$214.2	$21.9	$75.1	$311.1	6.5%
2020 (Adopted Budget)	$235.7	$45.8	$66.4	$347.9	7.1%
2020 (Current Estimate)	$217.5	$119.2	$52.6	$389.3	8.0%
2021 (Adopted Budget)	$222.8	$23.0	$51.8	$297.6	6.5%

(1) Sources: For Fiscal Years 2017-2019, the City's CAFRs for such Fiscal Years. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the Twenty-Ninth Five-Year Plan, as applicable. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget.
(2) Figures may not sum due to rounding.
(3) Does not include the PICA Tax.
(4) Such revenues are for health, welfare, court, and various other specified purposes.
(5) Such revenues primarily consist of payments from PGW, parking fines and fees from PPA, and other authorized adjustments.

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 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.

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The following table shows the amounts transferred from the Water Fund to the General Fund for Fiscal Years 2017-2019, the budgeted amount and current estimate for Fiscal Year 2020, and the budgeted amount for Fiscal Year 2021.

Table 13
Transfers from Water Fund to General Fund (Excess Interest on Sinking Fund Reserve)
Fiscal Years 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)[(1), (2)]

Fiscal Year	Amount Transferred
2017 (Actual)	$1,866,455
2018 (Actual)	$1,627,838
2019 (Actual)	$4,094,824
2020 (Adopted Budget and Current Estimate)	$1,500,000
2021 (Adopted Budget)	$1,500,000

(1) Sources: For Fiscal Years 2017-2019, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the Twenty-Ninth Five-Year Plan, as applicable. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget.

(2) The Water Department's budgeted amount for such transfers is typically greater than the figure included in the City's operating budget.

The City also budgets for certain transfers from the Water Fund to the General Fund related to services performed and costs borne by the General Fund. For Fiscal Year 2019, the amount of such transfers was approximately $7.1 million. For Fiscal Year 2020, the budgeted amount for such transfers is approximately $12.7 million, while the current estimate for such transfers is approximately $8.6 million. For Fiscal Year 2021, the budgeted amount for such transfers is approximately $9.0 million.

PGW. The revenues of PGW are required to be segregated from other funds of the City. Payments for debt service on PGW bonds are made directly by PGW. PGW is required to make an annual payment of $18 million to the General Fund. The Fiscal Year 2021 Adopted Budget includes such $18 million annual payment to the General Fund from PGW for such Fiscal Year. For more information on PGW, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services."

Philadelphia Parking Authority Revenues

The PPA was established by City ordinance pursuant to the Pennsylvania Parking Authority Law (P.L. 458, No. 208 (June 5, 1947)). Various statutes, ordinances, and contracts authorize the 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.

The 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 expenses, debt service on the PPA's bonds issued to finance improvements at PHL, and reimbursement to the PPA for capital expenditures and prior year operating deficits relating to its operations at PHL, if any.

The PPA's administrative costs are a component of its operating expenses. In 1999, at the request of the FAA, the PPA and the City entered into a letter agreement (the "FAA Letter Agreement"), which contained a formula for calculating the PPA's administrative costs and capped such costs at 28% of the PPA's total administrative costs for all of its cost centers. The PPA owns and/or operates parking facilities at a number of locations in the City in addition to those at PHL. The PPA parking facilities at PHL are cost centers for purposes of the FAA Letter Agreement.

On-street parking revenues are administered and collected, on behalf of the City, by the PPA. Pursuant to Pennsylvania law, the PPA transmits 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. If such net revenues exceed a designated threshold, then any excess above that threshold is to be transmitted to the School District. The current threshold is $35 million and includes a mandatory escalator to take into account increases in revenues.

The following table presents payments received by the City from PPA for on-street parking for Fiscal Years 2017-2019, the budgeted amount and current estimate for Fiscal Year 2020, and the budgeted amount for Fiscal Year 2021.

Table 14
PPA On-Street Parking Payments to the City
Fiscal Years 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)[(1), (2)]
(Amounts in Millions of USD)

Fiscal Year	Payments to the City
2017 (Actual)	$39.9
2018 (Actual)	$41.3
2019 (Actual)	$39.1
2020 (Adopted Budget)	$45.8
2020 (Current Estimate)	$32.0
2021 (Adopted Budget)	$31.2

(1) Sources: For Fiscal Years 2017-2019, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the FY 2020 Fourth Quarter QCMR, as applicable. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget.
(2) Table 14 shows City revenues; none of such payments is transferred to the School District.

Other Tax Rate Changes

The Twenty-Ninth Five-Year Plan includes changes to both the resident and non-resident wage and earnings tax. The following table details rates under the Twenty-Ninth Five-Year Plan.

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

	Twenty-Ninth Five-Year Plan	
Fiscal Year	Resident Wage and Earnings Tax Rates[(2)]	Non-Resident Wage and Earnings Tax Rates
2020	3.8712%	3.4481%
2021	3.8712%	3.5019%
2022	3.8712%	3.4481%
2023	3.8712%	3.4481%
2024	3.8616%	3.4395%
2025	3.8519%	3.4309%

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

Under the Twenty-Ninth Five-Year Plan, receipts from the Wage and Earnings Tax are estimated to grow at a rate of (i) 2.26% in Fiscal Year 2020, (ii) 8.97% in Fiscal Year 2022, (iii) 7.02% in Fiscal Year 2023, (iv) 4.17% in Fiscal Year 2024, and (v) 3.63% in Fiscal Year 2025. Such receipts are expected to contract at a rate of 4.57% in Fiscal Year 2021.

EXPENDITURES OF THE CITY

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

Personal Services (Personnel)

As of June 30, 2020, the City employed 28,339 full-time employees, representing approximately 4.7% of employees in Philadelphia (approximately 608,945 employees, according to preliminary, non-seasonally adjusted data from the Bureau of Labor Statistics). Of the 28,339 full-time employees, the salaries of 22,422 were paid from the General Fund. Additional sources of funding for full-time City employees include the Grants Revenue Fund, the Water Fund, and the Aviation Fund, as well as grants and contributions from other governments. Activities funded through such grants and contributions are not undertaken if funding is not received. The following table sets forth the number of filled, full-time positions of the City as of the dates indicated.

Table 16
Filled, Full-Time Positions[(1), (2)]

	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
General Fund					
Police	6,942	6,986	7,172	7,241	7,175
Fire	2,316	2,281	2,511	2,530	2,628
Courts	1,839	1,856	1,867	1,842	1,825
Prisons	2,289	2,277	2,177	2,130	1,975
Streets	1,676	1,702	1,738	1,736	1,925
Public Health	653	687	711	752	739
Human Services[(3)]	449	385	517	396	437
All Other	5,263	5,436	5,533	5,583	5,718
Total – General Fund	21,427	21,610	22,226	22,210	22,422
Other Funds	5,615	5,849	5,641	5,873	5,917
Total – All Funds	27,042	27,459	27,867	28,083	28,339

(1) Source: Table P-1 in the City's Quarterly City Manager's Reports.
(2) Table 16 does not include seasonal or temporary employees.
(3) Positions have been transferred to the Grants Revenue Fund. Non-reimbursed expenditures will be transferred to the General Fund during the fiscal year.

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Overview of City Employees

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

As of March 31, 2020, the City had over 23,000 unionized employees, representing approximately 80% of the City's employees. Such 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"). The foregoing unions were previously covered by bargaining agreements through June 30, 2020. In light of the COVID-19 global pandemic, the City and all of its unions reached one-year agreements to extend contract terms through June 30, 2021, as described in more detail in Table 18 below.

On March 29, 2020, the City and FOP Lodge No. 5 (Police Department) reached a one-year extension agreement, which resulted in a 2.5% wage increase, a one-time lump sum bonus for members, and a lump sum payment to the retiree health fund. The cost of the bonus will be funded by a one-month City contribution holiday to the health fund. This contract resulted in a projected aggregate cost to the City of approximately $19.11 million during Fiscal Years 2020 and 2021.

On March 29, 2020, the City reached a one-year agreement with the FOP Lodge No. 5 (Philadelphia Sheriff's Office and Register of Wills), reflecting annual wage increases of 2.0% for Register of Wills employees and 2.25% for Sheriff's Office employees. The contract resulted in a projected aggregate cost to the City of approximately $729,198 during Fiscal Years 2020 and 2021.

On April 7, 2020, the City and the American Federation of State, County, and Municipal Employees (AFSCME) District Council 47 Locals 2186, 2187, and 810 reached one-year agreements, reflecting a 2.0% wage increase for employees and a one-time lump sum bonus for members. The cost of the bonus will be funded by a City contribution holiday to the health and welfare fund. The agreement results in a projected aggregate cost to the City of approximately $3.83 million during Fiscal Years 2020 and 2021.

On April 16, 2020, the City and the International Association of Fire Fighters (IAFF) Local 22 reached a one-year extension agreement, which resulted in a 2.5% wage increase and a lump sum payment to the retiree health fund. The contract resulted in a projected aggregate cost to the City of approximately $8.30 million during Fiscal Years 2020 and 2021.

On May 4, 2020, the City and AFSCME District Council 33 reached a one-year extension agreement, which resulted in a 2.0% wage increase and a one-time lump sum bonus for members. The cost of the bonus will be funded by a one-month City contribution holiday to the health fund. The contract resulted in a projected aggregate cost to the City of approximately $4.83 million during Fiscal Years 2020 and 2021.

On May 6, 2020, the City and AFSCME District Council 33 Local 159 reached a one-year extension agreement, which resulted in a 2.25% wage increase and a one-time lump sum bonus for members. The cost of the bonus will be funded by a one-month City contribution holiday to the health fund. The contract resulted in a projected aggregate cost to the City of approximately $2.76 million during Fiscal Years 2020 and 2021.

The costs of the agreements discussed above have been included in the City's five-year plans, as applicable. See "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information" herein).

For more information on the current status of the interest arbitration awards that have been issued for, and contract settlements reached with, the City's major labor organizations, as well as changes that have been made for non-represented employees, see Table 18.

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 2017 through 2021 are shown in the following table.

Table 17
General Fund Employee Benefit Expenditures
Fiscal Years 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)
(Amounts in Millions of USD)[(1)]

	Actual 2017	Actual 2018	Actual 2019	Adopted Budget 2020	Current Estimate 2020	Adopted Budget 2021
Pension Costs[(2)]	$665.2[(5)]	$742.2[(6)]	$752.5[(7)]	$749.1[(8)]	$728.1[(9)]	650.2[(10)]
Health						
Payments under City-administered plan	83.8	81.6	77.7	90.0	94.2	92.0
Payments under union-administered plans	345.3	336.6	379.3	400.0	365.8	367.3
Total Health	429.1	418.2	457.0	490.0	460.0	459.3
Federal Insurance Contributions Act (FICA) Taxes[(3)]	75.1	80.4	81.8	84.5	80.7	84.3
Other[(4)]	71.5	72.9	79.8	88.4	79.6	93.4
Total	$1,241.0	$1,314.0	$1,371.1	$1,412.0	$1,348.4	$1,287.2

(1) Sources: The City's five-year financial plans, the City's Quarterly City Manager's Reports, and other City records. "Payments under City-administered plan" and "Payments under union-administered plans" were provided by the City, Department of Human Resources and the Office of Budget and Program Evaluation. Figures may not sum due to rounding.
(2) Includes debt service on Pension Bonds (as defined herein) and the Commonwealth contributions to the Municipal Pension Fund. See Tables 29 and 30.
(3) Includes payments of social security and Medicare taxes.
(4) Includes payments for unemployment compensation, employee disability, group life, group legal, tool allowance, and flex cash payments.
(5) Includes $19.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(6) Includes $24.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(7) Includes $52.1 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(8) Assumes $53.9 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(9) Assumes $37.1 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(10) Assumes $27.3 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

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's healthcare plan, receive health benefits through a plan sponsored and administered by the City. Each of the plans provides different benefits determined by the plan sponsor or through collective bargaining. To provide health care coverage, the City pays a negotiated monthly premium for employees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible employees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City's unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services, and administrative expenses. In addition, employees who satisfy certain eligibility criteria receive five years of health benefits after their retirement. See "OTHER POST-EMPLOYMENT BENEFITS" below. Such 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, as well as City policies and Civil Service Regulations. Employees also participate in the Municipal Pension Plan. See "PENSION SYSTEM" below.

Overview of Current Labor Situation

Table 18 summarizes the current status of the contract settlements reached with the City's major labor organizations, as well as changes that have been made for non-represented employees. It also provides a brief summary of pension reforms that have occurred since 2016, as part of previous labor contract settlements.

Table 18
Status of Arbitration Awards and Labor Contract Settlements

Organization	Authorized Number of Full-Time Citywide Employees Represented[1]	Status of Arbitration Award or Contract Settlement	Wage Increases	Pension Reforms[2]
FOP Lodge No. 5 (Police Department)	6,552	One-year contract extension effective July 1, 2020 through June 30, 2021	• 2.5% pay increase effective May 4, 2020	• Current employees in Plan 87 or Plan 10 will pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect, varies by plan membership • Employees hired on or after 7/1/17 will be required to pay an additional 2.5% of salary
FOP Lodge No. 5 (Sheriff's Office and Register of Wills)	391	One-year contract extension effective July 1, 2020 through June 30, 2021	Sheriff's Office employees: • 2.25% increase effective May 4, 2020 Register of Wills employees: • 2.0% increase effective May 4, 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 • Plan 10 closed to new enrollment for members of Lodge 5 but remains unchanged for other employee groups • Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan • DROP (as defined below) interest rate decreases from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll
IAFF Local 22	2,525	One-year contract extension effective July 1, 2020 through June 30, 2021	• 2.5% pay increase effective May 4, 2020	• Current employees in Plan 87 or Plan 10 will pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect; varies by plan membership • Employees hired on or after 7/1/17 will be required to pay an additional 2.5% of salary
AFSCME DC 33	8,196	One-year contract term effective July 1, 2020 through June 30, 2021	• 2.0% pay increase effective May 4, 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 • Plan 10 closed to new enrollment for members of DC33 but remains unchanged for other employee groups • Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan • DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll

(1) From data provided by the Mayor's Office of Labor Relations on March 31, 2020.
(2) "Plan 87," "Plan 10," and "Plan 16" referenced in this column are described in Table 19.

Organization	Authorized Number of Full-Time Citywide Employees Represented[(1)]	Status of Arbitration Award or Contract Settlement	Wage Increases	Pension Reforms[(2)]
AFSCME DC 33, Local 159 Correctional Officers	1,978	One-year contract effective July 1, 2020 through June 30, 2021	• 2.25% pay increase effective May 4, 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 • Plan 10 closed to new enrollment for members of DC33 but remains unchanged for other employee groups • Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan • DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll
AFSCME DC 47	3,760	One-year contract extension effective July 1, 2020 through June 30, 2021	• 2.0% pay increase effective May 1, 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 (effective January 1, 2019) • Plan 10 closed to new enrollment for members of DC47 (effective January 1, 2019) • Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan
AFSCME DC 47 Local 810 Court Employees	488	One-year contract extension effective July 1, 2020 through June 30, 2021	• 2.0% pay increase effective May 1, 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 (effective January 1, 2019) • Plan 10 closed to new enrollment for members of DC47 (effective January 1, 2019) • Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan
Non-Represented Employees	1,157	Changes for non-represented employees	• 3.0% pay increase for Fiscal Year 2018 • 2.5% pay increase for Fiscal Year 2019	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 (effective January 1, 2019) • Previous 2011 reforms to DROP program remain in place; interest rate was decreased from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll and eligibility age remains increased by two years

(1) From data provided by the Mayor's Office of Labor Relations on March 31, 2020.
(2) "Plan 87," "Plan 10," and "Plan 16" referenced in this column are described in Table 19.

Certain features of the 1987 Plan ("Plan 87"), the 2010 Plan ("Plan 10"), and the 2016 Plan ("Plan 16") are summarized below. Plan 87 is solely a defined benefit plan. Plan 10 and Plan 16 are "hybrid" plans that include both defined benefit and defined contribution components. A more comprehensive summary of each plan is included as Appendix D of the July 1, 2019 Valuation (as defined herein). See "PENSION SYSTEM" below.

Table 19
Summary of Key Aspects of Plan 87, Plan 10, and Plan 16

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

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

Plan 16	Normal Retirement Eligibility	Average Final Compensation ("AFC")	Defined Benefit – Retirement Benefits Multiplier
Municipal	Age 60 and 10 years of credited service	Lesser of (i) AFC under Plan Y (of Plan 87) (which is the average of three highest calendar or anniversary years) or (ii) $65,000	• (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC - **Defined Contribution** • Employees may voluntarily participate in the defined contribution portion; employee contributions vest immediately. • For employees with annual salaries above the cap, the City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year (only if employee is contributing); the City's matching contributions vest after five years of credited service. • The maximum annual employee contribution is $19,500, excluding the City's matching contributions.

(1) Five years of credited service for those who make additional contributions. See "PENSION SYSTEM – Pension System; Pension Board – Membership."
(2) The lesser of two full terms or eight years of credited service for those elected officials who make additional contributions. See "PENSION SYSTEM – Pension System; Pension Board – Membership."
(3) Under Plan 10 (Municipal), pension contributions freeze after 20 years. At such time and for each subsequent year, the employee's pension payments remain fixed and the employee may no longer make pension contributions.

Purchase of Services

The following table shows the City's major purchase of services, which represents one of the major classes of expenditures from the General Fund. Table 20 shows contracted costs of the City for Fiscal Years 2017-2019, the budgeted amounts and current estimates for Fiscal Year 2020, and the budgeted amounts for Fiscal Year 2021.

Table 20
Purchase of Services in the General Fund
Fiscal Years 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)
(Amounts in Millions of USD)[(1), (7)]

	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Adopted Budget 2020	Current Estimate 2020	Adopted Budget 2021
Human Services[(2)]	$75.3	$75.7	$76.3	$82.8	$89.2	$89.2	$129.3
Public Health	64.9	70.7	72.7	72.9	90.2	83.5	90.5
Public Property[(3)]	155.0	158.5	157.4	163.9	172.5	176.9	166.2
Streets[(4)]	51.9	46.2	49.2	53.5	58.8	54.8	59.5
First Judicial District	17.7	12.1	13.5	10.3	8.5	8.5	8.5
Licenses & Inspections	10.4	12.0	11.6	13.5	14.4	12.4	13.5
Homeless Services[(5)]	37.1	38.0	39.2	47.3	50.0	50.9	36.0
Prisons	104.9	105.3	102.2	92.5	92.8	106.5	88.4
All Other[(6)]	305.0	332.9	369.0	378.8	424.7	449.4	357.2
Total	**$822.2**	**$851.4**	**$891.1**	**$915.5**	**$1,001.3**	**$1,032.1**	**$948.6**

(1) For Fiscal Years 2017-2019, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget, the Twenty-Ninth Five-Year Plan, and the FY 2020 Fourth Quarter QCMR, as applicable. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget.
(2) Includes payments for care of dependent and delinquent children.
(3) Includes payments for SEPTA, space rentals, and utilities.
(4) Includes solid waste disposal costs.
(5) Includes homeless shelter and boarding home payments.
(6) Includes the Convention Center subsidy, payments for vehicle leasing, and debt service on lease and service agreement financings, among other things.
(7) Figures may not sum due to rounding.

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City Payments to School District

The following table presents the City's payments to the School District from the General Fund for Fiscal Years 2017-2019, the budgeted amount and current estimate for Fiscal Year 2020, and the budgeted amount for Fiscal Year 2021.

Table 21
City Payments to School District
Fiscal Years 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)
(Amounts in Millions of USD)[1]

	Actual 2017	Actual 2018	Actual 2019	Adopted Budget and Current Estimate 2020	Adopted Budget 2021
City Payments to School District	$104.3	$104.3	$180.9	$222.5	$252.6

(1) Sources: For Fiscal Years 2017-2019, the City's CAFRs for such Fiscal Years. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the FY 2020 Fourth Quarter QCMR, as applicable. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget.

Beginning with the City's adopted budget for Fiscal Year 2016, the City implemented a $25 million property tax increase and a $10 million parking tax increase to benefit the School District. The figures in Table 21 reflect such increases.

For more discussion of the School District, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Mayoral-Appointed or Nominated Agencies* – The School District," above. For a discussion of 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 and how such transition affects funding for the School District, see "REVENUES OF THE CITY – Real Property Taxes."

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 2017-2019, the budgeted amount and current estimate for Fiscal Year 2020, and the budgeted amount for Fiscal Year 2021.

Table 22
City Payments to SEPTA
Fiscal Years 2017-2019 (Actual), 2020 (Adopted Budget and Current Estimate), and 2021 (Adopted Budget)
(Amounts in Millions of USD)[1]

	Actual 2017	Actual 2018	Actual 2019	Adopted Budget 2020	Current Estimate 2020	Adopted Budget 2021
City Payment to SEPTA	$79.7	$81.9	$84.6	$87.6	$86.4	$84.6

(1) Sources: For Fiscal Years 2017-2019, the City's CAFRs for such Fiscal Years. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the FY 2020 Fourth Quarter QCMR, as applicable. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget.

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 is 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 Twenty-Ninth Five-Year Plan projects annual operating subsidy payments to SEPTA from the City will increase to $101.5 million by Fiscal Year 2025.

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 subsidy 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.

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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 are relevant as of their respective dates, and are subject to changes, any of which could cause a significant change in the unfunded actuarial liability.

Each year, an actuarial valuation report of the City's pension system is published in late March or early April. Such report includes, as of July 1 of a given Fiscal Year, an examination of the current financial condition of the pension system, key historical trends, and the projected financial outlook of the pension system, among other information. In addition, an annual report on the audited financial statements of the City's pension system is published in late December or early January. The information included under the caption "PENSION SYSTEM" is derived from the actuarial valuation reports or the annual reports on the audited financial statements of the City's pension system, unless otherwise noted herein.

Overview

The City faces significant ongoing financial challenges in meeting its pension obligations, including an unfunded actuarial liability ("UAL") of approximately $5.9 billion as of July 1, 2019. In Fiscal Year 2019, the City's contribution to the Municipal Pension Fund was approximately $797.8 million, of which the General Fund's share (including the Commonwealth contribution) was $642.5 million. See Table 29. The City's aggregate pension costs (consisting of payments to the Municipal Pension Fund and debt service on the Pension Bonds (as defined herein)) have increased from approximately 7.87% of the City's General Fund budget to approximately 14.20% of the General Fund budget from Fiscal Years 2010 to 2019. See Table 31. The funded ratio of the Municipal Pension Plan was 76.7% on July 1, 1999 (at which time the UAL was approximately $1.4 billion), and was 49.7% on July 1, 2019.

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

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

- A reduction in the assumed rate of return, from 8.75% in 2009 to 7.55% effective July 1, 2019 (i.e., Fiscal Year 2020). Although the gradual reductions in the assumed rates of return reflected in Table 24 are considered a prudent response to experience studies, by reducing the assumed return in the measurement of the actuarial liabilities, it serves to increase the UAL from what it otherwise would have been.

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

- The Municipal Pension Plan is a mature system, which means the number of members making contributions to the Municipal Pension Plan is less than the number of retirees and other beneficiaries receiving payments from the Municipal Pension Plan, by approximately 9,100. As a result, the aggregate of member contributions and the City's contributions are less than the amount of benefits and refunds payable in most years, with the result that in such years investment income must be relied upon to meet such difference before such income can contribute to an increase in the Municipal Pension System's assets growth. See Table 26 (which reflects that in Fiscal Years 2018-2019, however, the aggregate of member contributions and the City's contribution exceeded the amount of benefits and refunds payable in such Fiscal Years).

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

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

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

- Reducing the assumed rate of return on a gradual and consistent basis, which results in the City making larger annual contributions. See Table 24 below.

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

- In conjunction with the revisions to the amortization periods that occurred in Fiscal Year 2009, changing from a level percent of pay amortization schedule to a level dollar amortization 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 authorized deferrals for Fiscal Years 2010 and 2011 described below). See Table 29.

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

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

- Adopting a Revenue Recognition Policy (defined and described below), by which sources of anticipated additional revenue that will be received by the System are specifically dedicated toward paying down the unfunded pension liability and not to reducing future costs of the City. The additional revenue is tracked and accumulated in a notional account, which is then deducted from the Actuarial Asset Value to determine the contribution under the Revenue Recognition Policy. As a result, such contribution is higher than the MMO.

- Changing the investment strategy to increase the use of passive investment vehicles, which has resulted in increased returns and decreased fees.

This "Overview" is intended to highlight certain of the principal factors that led to the pension system's current funded status, and significant steps the City and the Pension Board (as defined herein) 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 single 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 20 separate benefit structures, the funding for which is accounted for on a consolidated basis by the Municipal Pension Fund. Such 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 net investment assets that totaled approximately $5.7 billion as of June 30, 2019. The Municipal Pension Plan has approximately 28,600 members who make contributions to the plan, and provides benefits to approximately 37,700 retirees and other beneficiaries.

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

Contributions are made by the City to the Municipal Pension Fund from: (i) the City's General Fund; (ii) funds that are received by the City from the Commonwealth for deposit into the Municipal Pension Fund; and (iii) various City inter-fund transfers, representing amounts contributed, or reimbursed, to the City's General Fund for pensions from the City's Water Fund, Aviation Fund, and certain other City funds or agencies. See Table 29. In addition to such City (employer) contribution, the other principal additions to the Municipal Pension Fund are: (i) member (employee) contributions; (ii) interest and dividend income; (iii) net appreciation in asset values; and (iv) net realized gains on the sale of investments. See Table 26 below. An additional source of funding is 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 budgeted staff of 73 personnel, administers the day-to-day activities of the retirement system, providing services to approximately 66,300 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. The following table shows the membership totals for the Municipal Pension Plan, as of July 1, 2019 and as compared to July 1, 2018.

Table 23
Municipal Pension Plan – Membership Totals

	July 1, 2019	July 1, 2018	% Change
Actives	28,596	28,845	-0.9%
Terminated Vesteds	965	1,074	-10.1%
Disabled	3,883	3,890	-0.2%
Retirees	22,241	22,275	-0.2%
Beneficiaries	8,574	8,547	0.3%
Deferred Retirement Option Plan ("DROP")	2,069	1,944	6.4%
Total City Members	66,328	66,575	-0.4%
Annual Salaries	$1,842,554,883	$1,805,400,096	2.1%
Average Salary per Active Member	$64,434	$62,590	2.9%
Annual Retirement Allowances	$774,067,324	$761,946,574	1.6%
Average Retirement Allowance	$22,309	$21,951	1.6%

Source: July 1, 2019 Valuation.

As shown in Table 23, total membership in the Municipal Pension Plan decreased by 0.4%, or from 66,575 to 66,328 members, from July 1, 2018 to July 1, 2019, including a decrease of 0.9% in active members from 28,845 to 28,596 (who were contributing to the Municipal Pension Fund). Of the 66,328 members, 37,732 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 become vested after five years of service if hired after January 13, 1999 or seven years of service if hired after January 1, 2019, 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, 2019 Actuarial Valuation Report (the "July 1, 2019 Valuation") and includes as of July 1, 2019, 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. (*Dombrowski 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. Beginning in Fiscal Year 2018, the City is contributing under the Revenue Recognition Policy (defined below), which requires higher contribution amounts than under the MMO. Payment of the MMO is a condition for receipt of the Commonwealth contribution to the Municipal Pension Fund. See Table 29.

Act 205 was amended in 2009 by Pa. P.L. 396, No. 44 ("Act 44") to authorize the City to: (i) "fresh start" the amortization of the UAL as of July 1, 2009 by a level annual dollar amount over 30 years ending June 30, 2039; and (ii) revise the amortization periods for actuarial gains and losses and assumption changes in accordance with Act 44, as described below under "UAL and its Calculation – Actuarial Valuations." In addition, Act 44 authorized the City to defer, and the City did defer, $150 million of the MMO otherwise payable in Fiscal Year 2010, and $80 million of the MMO otherwise payable in Fiscal Year 2011, subject to repayment of the deferred amounts by June 30, 2014. The City repaid the aggregate deferred amount of $230 million, together with interest at the then-assumed interest rate of 8.25%, in Fiscal Year 2013. See Table 29. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 20-year schedule.

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

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

Revenue Recognition Policy. The City follows a policy (the "Revenue Recognition Policy") to contribute each year to the Municipal Pension Fund an amount in excess of the MMO. Aspects of such policy are mandated by City ordinance or labor agreements, as applicable. The determination for such additional funding is based on not including (i) the portion of the amounts generated by the increase in the Sales Tax rate that became effective on July 1, 2014 and are required by Act 205 to be deposited to the Municipal Pension Fund (see "REVENUES OF THE CITY – Sales and Use Tax"), (ii) contributions to be made by City employees that are under Plan 16 (described above in the text that immediately follows Table 19), and (iii) additional member contributions for current and future members in Plan 87 Police, Plan 87 Fire, and all Municipal Plans in the actuarial asset value when determining the annual contribution obligation.

The amounts projected by the City in the Twenty-Ninth Five-Year Plan (and for Fiscal Year 2020, the FY 2020 Fourth Quarter QCMR) to be deposited from Sales Tax revenue into the Municipal Pension Fund, for the six Fiscal Years 2020-2025, respectively, are as follows: $37.1 million; $27.3 million; $39.3 million; $47.2 million; $52.9 million; and $58.6 million.

UAL and its Calculation

According to the July 1, 2019 Valuation, the funded ratio (the valuation of assets available for benefits to total actuarial liability) of the Municipal Pension Fund as of July 1, 2019 was 49.7% and the Municipal Pension Fund had an unfunded actuarial liability ("UAL") of $5.931 billion. The UAL is the difference between total actuarial liability ($11.783 billion as of July 1, 2019) and the actuarial value of assets ($5.852 billion as of July 1, 2019).

Key Actuarial Assumptions. In accordance with Act 205, the actuarial assumptions must be, in the judgment of both Cheiron (the independent consulting actuary for the Municipal Pension Fund) and the City, "the best available estimate of future occurrences in the case of each assumption." The assumed investment return rate used in the July 1, 2019 Valuation was 7.55% 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 7.60%. See Table 24 for the assumed rates of return for Fiscal Years 2010 to 2019. The 7.60% was used to establish the MMO payment for Fiscal Year 2019; 7.55% will be used to establish the MMO payment for Fiscal Year 2020; 7.55% will be used to establish the MMO payment for Fiscal Year 2021.

Other key actuarial assumptions in the July 1, 2019 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 (as described below), 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 in the 1967 Plan), (v) for municipal and elected members, 65% of all disabilities are ordinary and 35% are service-connected, and (vi) for police and fire members, 25% of all disabilities are ordinary and 75% 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 of 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, 2019, was approximately 102.9% of the market value of the assets, as compared to 101.1% as of July 1, 2018.

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

Act 205 further requires that an experience study be conducted at least every four years, and cover the five-year period ending as of the end of the plan year preceding the plan year for which the actuarial valuation report is filed. The most recent Experience Study was prepared by Cheiron in March 2018 for the period July 1, 2012 – June 30, 2017. The actuarial and demographic assumptions that were adopted by the Pension Board in response to such Experience Study continue to be employed for the July 1, 2019 Valuation (which is used to determine the June 30, 2021 fiscal year end MMO, City Funding

Policy, and Revenue Recognition Policy contributions). 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 for the period covering July 1, 2012 – June 30, 2017,* available at the Investor Information section of the City's Investor 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.

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, 2019, there were no "excess earnings" as defined to be credited to the PAF. The Pension Board transfers to the PAF the full amount calculated by the actuary as being available in any year for transfer within six months of the Pension Board designating the amount to be transferred.

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

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

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

Rates of Return. The following table sets forth for the Fiscal Years 2010-2019 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, 2019, were 4.81% and 8.25%, respectively, on a market value basis.

Table 24
Municipal Pension Fund
Annual Rates of Return

Year Ending June 30,	Market Value	Actuarial Value[1]	Assumed Rate of Return
2010	13.8%	12.9%	8.25%
2011	19.4%	9.9%	8.15%
2012	0.2%	2.4%	8.10%
2013	10.9%	5.1%	7.95%
2014	15.7%	4.8%	7.85%
2015	0.3%	5.8%	7.80%
2016	-3.2%	4.5%	7.75%
2017	13.1%	4.4%	7.70%
2018	9.0%	5.1%	7.65%
2019	5.7%	7.6%	7.60%

Source: July 1, 2019 Valuation.

(1) Net of PAF. See "Pension Adjustment Fund" above. The actuarial values reflect a ten-year smoothing.

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Asset Values. The following table sets forth, as of the July 1 actuarial valuation date for the years 2010-2019, the actuarial and market values of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

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

Actuarial Valuation Date (July 1)	Actuarial Value of Assets(1)	Market Value of Net Assets(1)	Actuarial Value as a Percentage of Market Value
2010(2)	$4,380.9	$3,650.7	120.0%
2011(2)	$4,719.1	$4,259.2	110.8%
2012(2)	$4,716.8	$4,151.8	113.6%
2013	$4,799.3	$4,444.1	108.0%
2014	$4,814.9	$4,854.3	99.2%
2015	$4,863.4	$4,636.1	104.9%
2016	$4,936.0	$4,350.8	113.5%
2017	$5,108.6	$4,873.0	104.8%
2018	$5,397.4	$5,340.1	101.1%
2019	$5,852.5	$5,687.2	102.9%

Source: July 1, 2019 Valuation for Actuarial Value of Assets; 2010-2019 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, 2019 equaled $1.225 million. The Actuarial Value of Assets excludes that portion of the Municipal Pension Fund that is allocated to the PAF. The actuarial values reflect a ten-year smoothing.

(2) The July 1, 2010 actuarial and market values of assets include the $150 million deferred contribution from Fiscal Year 2010, and the July 1, 2011 and July 1, 2012 actuarial and market values of assets include the total deferred contribution of $230 million. See Table 29 below.

Changes in Plan Net Position. The following table sets forth, for the Fiscal Years 2015-2019, 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 – *Annual Debt Service Payments on the Pension Bonds*") are made from the City's General Fund, Water Operating Fund, and Aviation Operating Fund, but are not made from the Municipal Pension Fund, and therefore are not included in Table 26. In those years in which the investment income is less than anticipated, the Municipal Pension Fund may experience negative changes (total deductions greater than total additions), which, as the table reflects, did occur in Fiscal Years 2015 and 2016. Furthermore, if unrealized gains are excluded from Table 26, resulting in a comparison of cash actually received against actual cash outlays, it results in a negative cash flow in Fiscal Years 2015-2017, which is typical of a mature retirement system. In Fiscal Years 2018-2019, there was a positive cash flow.

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

Employee (member) contribution amounts reflect contribution rates as a percent of pay, which for the plan year beginning July 1, 2019, vary from 6.00% to 8.50% for police and fire employees, and from 2.37% to 7.00% for municipal employees excluding elected officials. These rates include the increases for police employees effective July 1, 2017 resulting from the FOP Lodge No. 5 and IAFF Local No. 22 Labor Contracts. Such contracts increased member contributions for current police officers in Plan 87 and Plan 10 by 0.92% effective July 1, 2017 and an additional 0.92% effective July 1, 2018. For new police officers and fire fighters hired or rehired on or after July 1, 2017, the member contribution rate is increased by 2.5% over the rate which would otherwise be in effect as of July 1, 2017. The rates also include the increases in contributions for certain municipal employees and elected officials currently in Plans 67, 87 and 87 Prime and elected officials as required by legislation. This legislation called for employees in these groups to pay an additional 0.5% of compensation from January 1, 2015 to December 31, 2015 and an additional 1.0% from January 1, 2016 onwards. New employees in these groups entering Plan 87 Municipal Prime will pay an additional 1.0% of compensation which is included in the table below. Finally, these rates do not include the additional tiered contributions paid by current and future municipal employees based on their level of compensation.

Table 26
Changes in Net Position of the Municipal Pension Fund
Fiscal Years 2015-2019
(Amounts in Thousands of USD)

	2015	2016	2017	2018	2019
Beginning Net Assets (Market Value)[1]	$4,916,705	$4,674,252	$4,357,975	$4,874,075	$5,341,286
Additions					
- Member Contributions	58,658	67,055	73,607	83,289	99,180
- City Contributions[2]	577,195	660,247	706,237	781,984	797,806
- Investment Income[3]	11,790	(147,424)	563,372	438,515	301,749
- Miscellaneous Income[4]	2,049	1,742	3,253	1,812	1,987
Total	$649,692	$581,620	$1,346,469	$1,305,600	$1,200,721
Deductions					
- Benefits and Refunds	(881,666)	(889,343)	(821,495)	(828,266)	(842,469)
- Administration	(10,479)	(8,554)	(8,874)	(10,123)	(11,155)
Total	$(892,145)	$(897,897)	$(830,369)	$(838,389)	$(853,624)
Ending Net Assets (Market Value)	$4,674,252	$4,357,975	$4,874,075	$5,341,286	$5,688,383

Source: Municipal Pension Fund's audited financial statements.

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

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

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

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

Funded Status of the Municipal Pension Fund

The following two tables set forth, as of the July 1 actuarial valuation date for the years 2010-2019, the asset value, the actuarial liability, the UAL, the funded ratio, covered payroll and UAL, as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively.

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

Actuarial Valuation Date (July 1)	Actuarial Value of Assets[1] (a)	Actuarial Liability (b)	UAL (Actuarial Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2010	$4,380.9	$9,317.0	$4,936.1	47.0%	$1,421.2	347.3%
2011	$4,719.1[2]	$9,487.5	$4,768.4	49.7%	$1,371.3	347.7%
2012	$4,716.8[2]	$9,799.9	$5,083.1	48.1%	$1,372.2	370.4%
2013	$4,799.3	$10,126.2	$5,326.9	47.4%	$1,429.7	372.6%
2014	$4,814.9	$10,521.8	$5,706.9	45.8%	$1,495.4	381.6%
2015	$4,863.4	$10,800.4	$5,937.0	45.0%	$1,597.8	371.6%
2016	$4,936.0	$11,024.8	$6,088.8	44.8%	$1,676.5	363.2%
2017	$5,108.6	$11,275.7	$6,167.1	45.3%	$1,744.7	353.5%
2018	$5,397.4	$11,521.0	$6,123.5	46.8%	$1,805.4	339.2%
2019	$5,852.5	$11,783.1	$5,930.6	49.7%	$1,842.6	321.9%

Source: July 1, 2019 Valuation.

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

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

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

Actuarial Valuation Date (July 1)	Market Value of Net Assets[1] (a)	Actuarial Liability (b)	UAL (Market Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2010	$3,650.7	$9,317.0	$5,666.3	39.2%	$1,421.2	398.7%
2011	$4,259.2	$9,487.5	$5,228.3	44.9%	$1,371.3	381.3%
2012	$4,151.8	$9,799.9	$5,648.1	42.4%	$1,372.2	411.6%
2013	$4,444.1	$10,126.2	$5,682.1	43.9%	$1,429.7	397.4%
2014	$4,854.3	$10,521.8	$5,667.6	46.1%	$1,495.4	379.0%
2015	$4,636.1[2]	$10,800.4	$6,164.3	42.9%	$1,597.8	385.8%
2016	$4,350.8[2]	$11,024.8	$6,674.0	39.5%	$1,676.5	398.1%
2017	$4,873.0[2]	$11,275.7	$6,402.7	43.2%	$1,744.7	367.0%
2018	$5,340.1[2]	$11,521.0	$6,180.9	46.4%	$1,805.4	342.4%
2019	$5,687.2[2]	$11,783.1	$6,095.9	48.3%	$1,842.6	330.8%

Source: 2010-2019 Actuarial Valuation Reports.

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

(2) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2015 equaled $38,198,762; as of June 30, 2016 equaled $7,223,000; as of June 30, 2017 equaled $1,097,499; as of June 30, 2018 equaled $1,160,247; and as of June 30, 2019 equaled $1,225,114.

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Annual Contributions

Annual Municipal Pension Contributions

Table 29 shows the components of the City's annual pension contributions to the Municipal Pension Fund for the Fiscal Years 2010-2019.

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

Fiscal Year	General Fund Contribution (A)	Commonwealth Contribution (B)	Aggregate General Fund Contribution (A+B)	Water Fund Contribution	Aviation Fund Contribution	Grants Funding and Other Funds Contribution(1)	Contributions from Quasi-governmental Agencies	Pension Bond Proceeds	Total Contribution (C)	MMO (D)	MMO (Deferred) Makeup Payments	% of MMO Contributed (C/D)
2010	$190.8(2)	$59.2	$250.0	$25.1	$11.6	$10.8	$15.1	$0.0	$312.6(2)	$447.4	$(150.0)(3)	100.0%(4)
2011	$325.8(2)	$61.8	$387.6	$37.7	$17.1	$13.6	$14.2	$0.0	$470.2(2)	$511.0	$(80.0)(3)	100.0%(4)
2012	$352.7	$95.0	$447.7	$43.8	$20.6	$27.4	$16.2	$0.0	$555.7	$507.0	-	109.7%
2013	$356.5	$65.7	$422.2	$41.4	$20.3	$27.2	$18.1	$252.6(3)	$781.8	$492.0	$230.0(3)	100.0%(4)
2014	$365.8	$69.6	$435.4	$45.5	$22.5	$30.0	$19.8	$0.0	$553.2	$523.4	-	105.7%
2015	$388.5	$62.0	$450.5	$48.3	$23.9	$33.4	$21.1	$0.0	$577.2	$556.0	-	103.8%
2016	$449.6	$62.6	$512.2	$55.1	$27.1	$34.8	$31.0	$0.0	$660.2	$595.0	-	110.0%
2017	$487.0	$68.7	$555.7	$61.0	$28.8	$33.3	$27.4	$0.0	$706.2	$629.6	-	112.2%
2018	$559.7	$72.4	$632.1	$62.7	$28.8	$32.5	$25.9	$0.0	$782.0	$661.3	-	118.3%
2019	$567.7	$74.8	$642.5	$64.7	$31.6	$33.8	$25.2	$0.0	$797.8	$668.3	-	119.4%

(1) Other Funds Contributions represents contributions to the Municipal Pension Fund from the City's Special Gasoline Tax Fund, Community Development Block Grant Fund, Municipal Pension Fund, and Parks and Recreation Programs and Facilities Fund.

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

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

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

Annual Debt Service Payments on the Pension Bonds

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

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

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

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

Table 30 shows the components of the City's annual debt service payments on the Pension Bonds for the Fiscal Years 2010-2019.

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

Fiscal Year	General Fund Payment	Water Fund Payment	Aviation Fund Payment	Other Funds Payment[1]	Grants Funding	Total Payment
2010	$96.7	$7.6	$3.4	$0.6	$1.5	$109.8
2011	$97.7	$10.3	$4.6	$0.8	$1.5	$114.9
2012	$100.1	$10.7	$4.8	$0.7	$3.4	$119.7
2013[2]	$196.6	$21.5	$10.1	$1.3	$3.8	$233.3
2014[2]	$211.0	$23.6	$11.2	$1.4	$3.7	$250.9
2015	$107.7	$12.6	$5.9	$0.8	$4.0	$131.0
2016	$109.9	$13.7	$6.4	$0.9	$3.8	$134.7
2017	$109.5	$14.5	$6.6	$0.9	$3.3	$134.8
2018	$110.1	$14.3	$6.3	$0.9	$3.1	$134.7
2019	$109.8	$14.2	$6.6	$1.1	$3.0	$134.7

(1) Other Funds Payments represents the allocable portion of debt service payments on the City's Pension Bonds from the City's Community Development Block Grant Fund and Municipal Pension Fund.

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

Annual Pension Costs of the General Fund

Table 31 shows the annual pension costs of the General Fund for the Fiscal Years 2010-2019, being the sum of the General Fund Contribution to the Municipal Pension Fund (column (A) in Table 29 above) and the General Fund debt service payments on Pension Bonds (Table 30 above).

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

Fiscal Year	General Fund Pension Fund Contribution (A)[1]	General Fund Pension Bond Debt Service Payment (B)	Annual Pension Costs (A+B)	Total General Fund Expenditures (C)	General Fund portion of Annual Pension Costs as % of Total General Fund Expenditures (A+B) / C
2010	$190.8	$96.7	$287.5	$3,653.73	7.87%
2011	$325.8	$97.7	$423.5	$3,785.29	11.19%
2012	$352.7	$100.1	$452.8	$3,484.88	12.99%
2013	$356.5	$196.6	$553.1	$3,613.27	15.31%
2014	$365.8	$211.0	$576.8	$3,886.56	14.84%
2015	$388.5	$107.7	$496.2	$3,831.51	12.95%
2016	$449.6	$109.9	$559.5	$4,015.80	13.93%
2017	$487.0	$109.5	$596.5	$4,139.80	14.41%
2018	$559.7	$110.1	$669.8	$4,402.85	15.21%
2019	$567.7	$109.8	$677.5	$4,772.39	14.20%

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

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

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

Fiscal Year	Annual City Contribution	Fiscal Year Covered Employee Payroll(1)	ACC as % of Payroll
2010	$312,556	$1,421,151	21.99%
2011	$470,155	$1,371,274	34.29%
2012	$555,690	$1,372,174	40.50%
2013	$781,823	$1,429,723	54.68%
2014	$553,179	$1,495,421	36.99%
2015	$577,195	$1,597,849	36.12%
2016	$660,247	$1,676,549	39.38%
2017	$706,237	$1,744,728	40.48%
2018	$781,984	$1,805,400	43.31%
2019	$797,806	$1,842,555	43.30%

Source: Municipal Pension Fund Financial Statements, June 30, 2019.

(1) The definition of "covered-employee payroll" in GASB 68 differs slightly from the "covered payroll" definition in GASB 27. See "PENSION SYSTEM – Funding Requirements; Funding Standards – *GASB; City Funding Policy*."

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Actuarial Projections of Funded Status

Cautionary Note. The information under this subheading, "Actuarial Projections of Funded Status," was prepared by Cheiron. The table below shows a five-year projection of Revenue Recognition Policy ("RRP") payments, Actuarial Value of Assets, Actuarial Liability, UAL, and Funded Ratio. The charts below show projections of funded ratios and City contributions based on the RRP through Fiscal Year 2039. 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 on assumptions which may not be fully realized in the future and are subject to change, including changes based on the future experience of the City's Municipal Pension Fund and Municipal Pension Plan.**

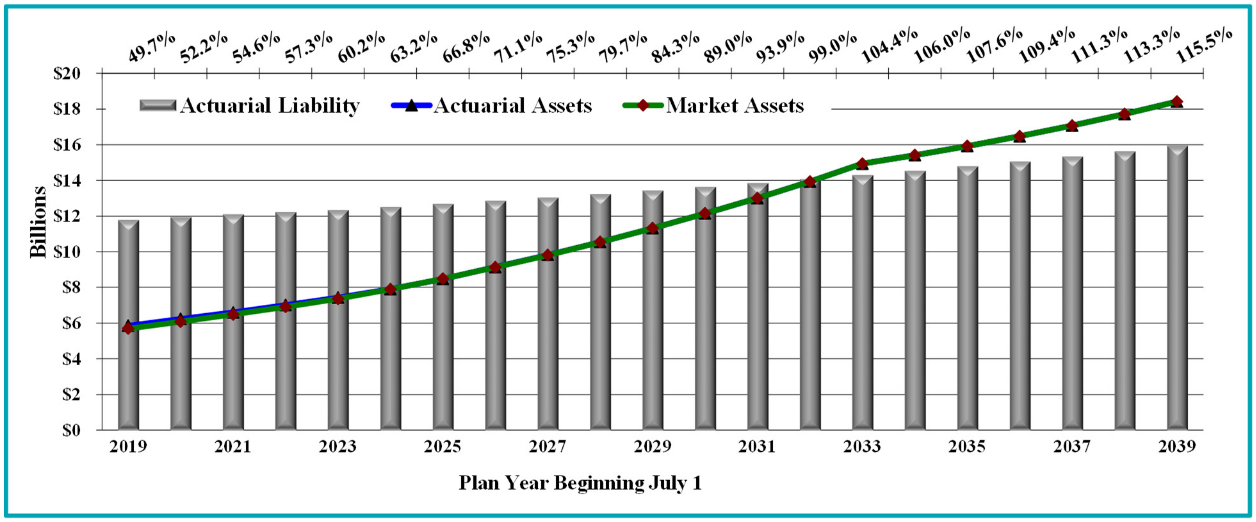
The projections are on the basis that all assumptions as reflected in the July 1, 2019 Valuation are exactly realized and the City makes all future RRP payments on schedule as required by the funding policy adopted by the Pension Board, and must be understood in the context of the assumptions, methods and benefits in effect as described in the July 1, 2019 Valuation. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.55% annually, (ii) RRP contributions will be made each year, (iii) the provisions of Act 205 as amended by Act 44 will remain in force during the projection period, and (iv) the future population changes of the participants in the pension plan will follow the demographic actuarial assumptions with the active population remaining constant in the future. The July 1, 2019 Valuation includes charts reflecting the contributions based on MMO (Baseline projection set 1), and charts reflecting the additional contributions in accordance with the RRP (Baseline projection set 2). The charts provided below reflect the RRP contributions, which are higher than the MMO required under Pennsylvania law. Using the RRP, the System is projected to be 80% funded by 2029 and 100% funded by 2033, three years earlier than under the MMO projections. By the end of the projection period, the System is expected to be funded at 115.5% compared to 103.9% when MMO contributions are made. See the July 1, 2019 Valuation for further discussion of the assumptions and methodologies used by the Actuary in preparing the July 1, 2019 Valuation and the following projections, all of which should be carefully considered in reviewing the projections. The July 1, 2019 Valuation is available for review on the website of the City's Board of Pensions. The table and charts below separately set forth 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 at the time of the valuation and differ from the current estimates or budgeted amounts of such revenues as included in the FY 2020 Fourth Quarter QCMR, the Twenty-Ninth Five-Year Plan or the Fiscal Year 2021 Adopted Budget, as applicable. 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." Each of the tables and graphs that follow are part of the July 1, 2019 Valuation and such report should be referenced regarding the underlying benefits, methods, and assumptions utilized in the production of these values.

Five-Year Projection. The following chart provides dollar amounts in millions of USD.

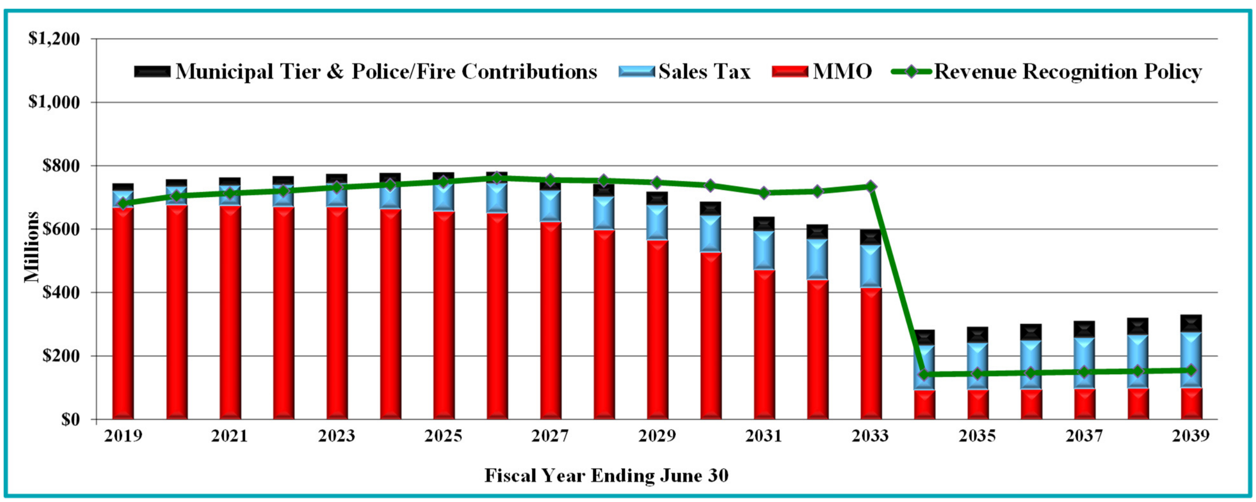
Fiscal Year End	RRP	Sales Tax Contribution	Value of Assets	Actuarial Liability	UAL	Funded Ratio
2020	$ 704.6	$ 58.1	$ 5,852.5	$ 11,783.1	$ 5,930.6	49.7%
2021	713.0	63.7	6,238.1	11,945.8	5,707.7	52.2%
2022	720.5	69.7	6,599.2	12,094.2	5,495.0	54.6%
2023	731.7	75.7	7,010.9	12,226.8	5,216.0	57.3%
2024	740.1	82.2	7,432.3	12,342.6	4,910.4	60.2%
2025	749.4	89.4	7,908.6	12,508.0	4,599.4	63.2%

Twenty-Year Projections.

Funded Ratio Chart based on the RRP:



Expected City Contribution Chart based on the RRP:



OTHER POST-EMPLOYMENT BENEFITS

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

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

The annual payments made by the City for OPEB for Fiscal Years 2015-2019 are shown in Table 33 below.

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

Fiscal Year ended June 30,	Annual OPEB Payment
2015	$95,300
2016	$107,200
2017	$114,800
2018	$96,400
2019	$96,900

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

For financial reporting purposes, although the City funds OPEB on a pay-as-you-go basis, it is required to include in its financial statements (in accordance with GASB Statement No. 75) a calculation similar to that performed to calculate its pension liability. Pursuant to GASB 75, 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 June 30, 2018, the date of the most recent actuarial valuation, the UAL for the City's OPEB was $1.824 billion, the covered annual payroll was $1.805 billion, and the ratio of UAL to the covered payroll was 101.02%. See Note IV.3 to the City's audited Financial Statements for the Fiscal Year ended June 30, 2019.

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 Pennsylvania Public Utility 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 certain current and former PGW employees and other eligible class employees of PFMC and the Gas Commission. As plan sponsor, the City, through its General Fund, could be responsible for plan liabilities if the PGW Pension Plan does not satisfy its payment obligations to PGW retirees. At June 30, 2019, the PGW Pension Plan membership total was 3,729, comprised of: (i) 2,516 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them; and (ii) 1,213 participants, of which 961 were vested and 252 were nonvested.

PGW Pension Plan

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

PGW is required by statute to contribute the amounts necessary to fund the PGW Pension Plan. The PGW Pension Plan is being funded with contributions by PGW to the Sinking Fund Commission of the City, together with investment earnings and employee contributions required for new hires after December 2011 who elect to participate in the PGW Pension Plan. Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. The pension payments are treated as an operating expense of PGW and are included as a component of PGW's base rate. The PUC approves all items that are to be included in PGW's base rates.

Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund. Prior to October 2015, payments to beneficiaries of the PGW Pension

Plan were made by PGW through its payroll system. The financial statements for the PGW Pension Plan for the fiscal year ended June 30, 2019, show an amount due to PGW of approximately $0.1 million, which represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of PGW's required annual contribution and reimbursements received from the PGW Pension Plan.

Pension Costs and Funding

PGW pays an annual amount that is projected to be sufficient to cover its normal cost and an amortization of the PGW Pension Plan's UAL. The following table shows the normal cost, the amortization payment, and the resulting annual required contribution as of the last five actuarial valuation dates for the PGW Pension Plan. Prior to fiscal year 2016, PGW had been using a 20-year open amortization period (and the payments in Table 34 are on the basis of a 20-year open amortization). Commencing in PGW's fiscal year 2016, PGW calculated an annual required contribution on the basis of both a 20-year open amortization period and a 30-year closed amortization period, and contributed the higher of the two amounts. An open amortization period is one that begins again or is recalculated at each actuarial valuation date. With a closed amortization period, the unfunded liability is amortized over a specific number of years to produce a level annual payment. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 30-year schedule. Commencing in PGW's fiscal year 2020, PGW's annual contribution is anticipated to be $29,227,000. The contribution amount exceeds the suggested level of funding in the actuarial report that was presented to the Sinking Fund Commission for review and is consistent with the contribution amount in PGW's base rates.

Table 34
PGW Pension – Annual Required Contributions
(Dollar Amounts in Thousands of USD)

Calculation of ARC for the 12-month period ended:	Normal Cost[(1)] (A)	Amortization Payment[(1)] (B)	ARC[(1), (2)] (A + B)	Payments to Beneficiaries[(3)]
7/1/2015	$7,859	$18,063	$25,922	$46,917
7/1/2016	$7,992	$20,238	$28,230	$50,447
7/1/2017	$7,717	$19,678	$27,395	$51,376
7/1/2018	$7,760	$20,022	$27,782	$52,627
7/1/2019	$7,282	$18,617	$25,899	$53,893

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2019 – June 30, 2020 for the PGW Pension Plan.

(2) As described above, until October 2015, PGW did not make a net cash contribution to the PGW Pension Plan, but rather paid beneficiaries through its payroll system, and then was reimbursed by the Plan. Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund. Each ARC is the sum reflected in this table, but the "Calculated Mid-Year Contribution" in Tables 36 and 37 more closely approximates the actual pension contributions made by PGW.

(3) Sources: For 2015, PGW's CAFR for the fiscal year ended August 31, 2015. For 2016, the audited financial statements for PGW for the fiscal years ended August 31, 2016 and 2015. For 2017, the audited financial statements for PGW for the fiscal years ended August 31, 2017 and 2016. For 2018, the audited financial statements for PGW for the fiscal years ended August 31, 2018 and 2017. For 2019, the audited financial statements for PGW for the fiscal years ended August 31, 2019 and 2018.

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

Table 35
Schedule of Pension Funding Progress
(Dollar Amounts in Thousands of USD)[(1)]

Actuarial Valuation Date	Market Value of Assets	Actuarial Liability	UAL (Market Value)	Funded Ratio
7/1/2015	$510,719	$706,704	$195,985	72.27%
7/1/2016	$483,259	$736,078	$252,819	65.65%
7/1/2017	$521,526	$739,872	$218,346	70.49%
7/1/2018	$543,246	$758,069	$214,823	71.66%
7/1/2019	$553,240	$755,782	$202,542	73.20%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2019 – June 30, 2020 for the PGW Pension Plan.

The current significant actuarial assumptions for the PGW Pension Plan are: (i) investment return rate of 7.30% compounded annually; (ii) salary increases assumed to reach 4.5% per year; and (iii) retirements that are assumed to occur, for those with 30 or more years of service, at a rate of 15% at ages 55 to 60, 30% at age 61, 50% at ages 62-69, and 100% at age 70 and older.

PGW uses a September 1 – August 31 fiscal year, while the PGW Pension Plan uses a July 1 – June 30 fiscal year (the same as the City's fiscal year). The last five actuarial valuation reports for the PGW Pension Plan utilized a plan year of July 1 to June 30. This is reflected in Table 35 above.

The PGW Pension Plan actuary prepared a separate actuarial valuation report ("GASB 67 Report") for the fiscal year ending June 30, 2019, for purposes of plan reporting information under Governmental Accounting Standards Board Statement No. 67, "Financial Reporting for Pension Plans." The GASB 67 Report shows for the fiscal year ending June 30, 2019, an unfunded liability of approximately $247.2 million (rather than the approximately $202.5 million reflected in Table 35), which results in a funded ratio of 69.11%. In addition, that report provides an interest rate sensitivity, which shows that were the investment rate to be 6.30% (1% lower than the assumed investment rate of 7.30%), the unfunded liability would be approximately $338.4 million.

Projections of Funded Status

The information under this subheading, "Projections of Funded Status," is extracted from tables prepared by Aon Hewitt, as actuary to the PGW Pension Plan, which were included in their "Actuarial Valuation Report (Funding) for the Plan Year July 1, 2019 – June 30, 2020," dated October 10, 2019. The charts show 10-year projections, using both the current amortization method (20-year, open) and the alternative amortization method (30-year, fixed). See "– Pension Costs and Funding" above. Projections are subject to actual experience deviating from the underlying assumptions and methods. **Projections and actuarial assessments are "forward looking" statements and are based upon assumptions that may not be fully realized in the future and are subject to change, including changes based upon the future experience of the PGW Pension Plan.**

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

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Accrued Liability	UAL (Actuarial Value)	Calculated Mid-Year Contribution(1), (2)	Funded Ratio
2019	$548,997	$755,782	$206,785	$29,227	72.64%
2020	561,303	765,294	203,991	26,472	73.34%
2021	577,462	773,638	196,176	25,601	74.64%
2022	587,183	780,981	193,798	25,263	75.19%
2023	594,998	787,203	192,205	24,911	75.58%
2024	603,173	792,179	189,006	24,347	76.14%
2025	610,629	796,040	185,412	23,905	76.71%
2026	617,480	799,478	181,998	23,558	77.24%
2027	623,944	802,474	178,530	23,001	77.75%
2028	629,894	804,699	174,805	22,486	78.28%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2019 – June 30, 2020 for the PGW Pension Plan.

(2) PGW makes monthly contributions to the PGW Retirement Reserve Fund. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

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

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Accrued Liability	UAL (Actuarial Value)	Calculated Mid-Year Contribution(1), (2)	Funded Ratio
2019	$548,997	$755,782	$206,785	$29,227	72.64%
2020	561,303	765,294	203,991	24,809	73.34%
2021	575,738	773,638	197,900	24,428	74.42%
2022	584,117	780,981	196,864	24,492	74.79%
2023	590,910	787,203	196,293	24,528	75.06%
2024	598,389	792,179	193,790	24,370	75.54%
2025	605,520	796,040	190,521	24,333	76.07%
2026	612,442	799,478	187,037	24,381	76.61%
2027	619,391	802,474	183,083	24,214	77.19%
2028	626,266	804,699	178,433	24,087	77.83%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2019 – June 30, 2020 for the PGW Pension Plan.

(2) PGW makes monthly contributions to the PGW Retirement Reserve Fund. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

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 2019 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 (the "OPEB Surcharge"), PGW established the trust in July 2010, and began funding the trust in accordance with the Rate Settlement in September 2010. The Rate Settlement provided that PGW was to deposit $15.0 million annually for an initial five-year period towards the ARC, and an additional $3.5 million annually, which represented a 30-year amortization of the OPEB liability at August 31, 2010. These deposits were funded primarily through increased rates of $16.0 million granted in the Rate Settlement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period of 30 years. In PGW's 2015-2016 Gas Cost Rate ("GCR") proceeding, PGW proposed to continue its OPEB Surcharge. The parties to the GCR proceeding submitted a settlement agreement continuing the OPEB Surcharge at the same level of revenue ($16.0 million annually) and funding ($18.5 million annually). Such settlement agreement was approved by the PUC.

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Table 38 provides detail of actual PGW OPEB payments for the last five PGW Fiscal Years and projected PGW OPEB payments for PGW Fiscal Years 2020-2024. Table 39 is the schedule of PGW OPEB funding progress.

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

	Calculation of OPEB Payment for the 12-month period ended:	Healthcare	Life Insurance	OPEB Trust	Total
Actual[(1)]					
	8/31/2015	$28,598	$1,749	$18,500	$48,847
	8/31/2016	$29,251	$1,800	$18,500	$49,551
	8/31/2017	$27,788	$1,777	$18,500	$48,065
	8/31/2018	$26,953	$1,661	$18,500	$47,114
	8/31/2019	$27,419	$1,629	$18,500	$47,548
Projections[(2)]					
	12/31/2020	$30,592	$1,700	$18,500	$50,792
	12/31/2021	$32,121	$1,700	$18,500	$52,321
	12/31/2022	$33,445	$1,700	$18,500	$53,645
	12/31/2023	$34,909	$1,700	$18,500	$55,109
	12/31/2024	$35,782	$1,700	$18,500	$55,982

(1) Source: PGW records.

(2) The Actuarial Valuation Report for the PGW Health and Life Insurance Plan for Retired Employees GASB 75 Financial Disclosure Report for the Fiscal Year Ended August 31, 2019.

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

Actuarial valuation date	Actuarial value of assets	Actuarial liability	Unfunded actuarial liability	Funded ratio
8/31/2014[(1)]	$90,838	$450,289	$359,451	20.2%
12/31/2015[(1)]	$110,443	$512,527	$402,083	21.6%
12/31/2016[(1)]	$139,624	$489,979	$350,356	28.5%
12/31/2017[(1)]	$180,743	$559,631	$378,888	32.3%
12/31/2018[(1)]	$184,455	$520,533	$336,078	35.4%
12/31/2019[(2)]	$245,361	$493,570	$248,209	49.7%

(1) The Actuarial Valuation Report for the PGW Health and Life Insurance Plan for Retired Employees GASB 75 Financial Disclosure Report for the Fiscal Year Ended August 31, 2019.

(2) The Actuarial Valuation Report for the PGW Health and Life Insurance Plan for Retired Employees December 31, 2019 GASB 74 Actuarial Valuation.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

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

The timing imbalance referred to above results from a number of factors, principally the following: (i) Real Estate Taxes, BIRT, and Net Profits 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.

From time to time, the City issues, or PICA has issued on behalf of the City, tax and revenue anticipation notes. Each issue was repaid when due, prior to the end of the particular Fiscal Year. The City did not issue any tax and revenue anticipation notes in Fiscal Year 2019 or Fiscal Year 2020.

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

Consolidated Cash

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

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

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

The City, in addition to maintaining an ongoing cash reconciliation process, is reviewing and reconciling certain unidentified variances in the Consolidated Cash Account. The reconciliation process, in short, reconciles the account balance and activity shown on the records of the bank at which the cash balance of the Consolidated Cash Account is maintained to that shown on the City's records. The City's records were not consistently reconciled for the period of July 1, 2014 – June 30, 2017. The balance in the Consolidated Cash Account on the City's records was higher than the account balance on the bank's records by approximately $40 million, which is attributable principally to unidentified historic variances. The City engaged the services of an auditing firm to undertake a complete reconciliation and resolve the unidentified variances. In January 2019, a final audit report was delivered. The final reported variance was $528,606 and the City has written-off such amount, which completes the reconciliation efforts for the period of July 1, 2014 – June 30, 2017.

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

Investment Practices

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

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

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

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

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

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

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

DEBT OF THE CITY

General

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

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

For purposes of this Official Statement, Tax-Supported Debt and Self-Supporting Debt are referred to collectively as "General Obligation Debt." The term "General Fund-Supported Debt" is comprised of: (i) General Obligation Debt; and (ii) PAID, PMA, PPA, and PRA bonds, which are secured by agreements with the City to appropriate and pay amounts sufficient to pay principal, interest, or redemption price when due on the bonds.

Using the methodology described above, as of June 30, 2020, the Constitutional debt limitation for Tax-Supported Debt was approximately $11,052,153,000. The total amount of authorized debt applicable to the debt limit was $2,591,357,000, including $867,427,000 of authorized but unissued debt, leaving a legal debt margin of $8,823,319,000. Based on the foregoing figures, the calculation of the legal debt margin is as follows:

Table 40
General Obligation Debt Limit
As of June 30, 2020
(Amounts in Thousands of USD)

Authorized, issued and outstanding	$1,723,930
Authorized and unissued	867,427
Total	$2,591,357
Less: Self-Supporting Debt	($352,838)
Less: Serial bonds maturing within a year	(9,685)
Total amount of authorized debt applicable to debt limit	2,228,834
Legal debt limit	11,052,153
Legal debt margin	$8,823,319

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." The $11.052 billion Constitutional debt limit calculation includes seven years of property values certified under the City's AVI program, and three years of property values under the City's former property valuation process. Assuming no increase or decrease in property values used to calculate the Constitutional debt limit in Table 40, the Constitutional debt limit is estimated to be $16.950 billion by 2028.

The City is also empowered by statute to issue revenue bonds and, as of June 30, 2020, had outstanding $2,149,469,340 aggregate principal amount of Water and Wastewater Revenue Bonds ("Water and Wastewater Bonds"), $939,940,000 aggregate principal amount of Gas Works Revenue Bonds, and $1,469,785,000 aggregate principal amount of Airport Revenue Bonds. The City has also enacted ordinances authorizing the issuance of (i) up to $350 million aggregate principal amount in Airport Revenue Commercial Paper Notes for the Division of Aviation, (ii) up to $400 million of Airport Revenue Bonds to finance capital projects for the Division of Aviation, (iii) up to $270 million of Gas Works Revenue Notes to finance working capital and capital projects for PGW, (iv) up to $460 million of Gas Works Revenue Bonds to finance capital projects for PGW, and (v) up to $800 million of Water and Wastewater Revenue Bonds for the Philadelphia Water Department, of which approximately $250.7 million has been issued. For information on recent and upcoming financings, see "OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings."

As of June 30, 2020, the principal amount of PICA Bonds outstanding was $56,075,000. For more information on PICA Bonds, see "– PICA Bonds" below.

Short-Term Debt

As provided in the PICA Act, the City's tax and revenue anticipation notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of the Constitutional debt limit. The City does not have any tax and revenue anticipation notes outstanding. The City did not issue any tax and revenue anticipation notes in Fiscal Year 2019 or Fiscal Year 2020. See "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – General Fund Cash Flow."

Long-Term Debt

The following table presents a synopsis of the bonded debt of the City and its component units as of the date indicated. Of the total balance of the City's general obligation bonds issued and outstanding as of June 30, 2020, approximately 28% is scheduled to mature within five Fiscal Years and approximately 59% is scheduled to mature within ten Fiscal Years. When PICA's outstanding bonds are included with the City's general obligation bonds, approximately 61% is scheduled to mature within ten Fiscal Years.

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Table 41
Bonded Debt
as of June 30, 2020
(Amounts in Thousands of USD)[1], [2]

General Obligation Debt and PICA Bonds				
General Obligation Bonds		$1,723,930		
PICA Bonds		56,075		
Subtotal: General Obligation Debt and PICA Bonds			**$1,780,005**	
Other General Fund-Supported Debt[3]				
Philadelphia Municipal Authority				
Juvenile Justice Center	$79,385			
Public Safety Campus	61,095			
Energy Conservation	7,625			
		$148,105		
Philadelphia Authority for Industrial Development				
Pension capital appreciation bonds	$225,111			
Pension fixed rate bonds	761,655			
Stadiums	215,270			
Library	3,670			
Cultural and Commercial Corridor	76,115			
One Parkway	22,225			
Affordable Housing	49,325			
400 N. Broad[4]	240,024			
Art Museum	9,580			
Rebuild	76,635			
		$1,679,610		
Philadelphia Parking Authority		9,350		
Philadelphia Redevelopment Authority		185,150		
Subtotal: Other General Fund-Supported Debt			**$2,022,215**	
Revenue Bonds				
Water Fund		$2,149,469		
Aviation Fund[5]		1,469,785		
Gas Works[5]		939,940		
Subtotal: Revenue Bonds			**$4,559,194**	
Grand Total				**$8,361,414**

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(1) Unaudited; figures may not sum due to rounding.

(2) For tables setting forth a ten-year historical summary of Tax-Supported Debt of the City and the School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2018, see the Fiscal Year 2019 CAFR.

(3) The principal amount outstanding relating to the PAID 1999 Pension Obligation Bonds, Series B (capital appreciation bonds) is reflected as the accreted value thereon as of June 30, 2020.

(4) Includes (i) sublease payments of approximately $15.2 million annually for the police headquarters renovation; and (ii) an assumption that the City issues approximately $200 million in bonds in 2026 to acquire the project at an assumed interest rate of 5% over the next 20 years.

(5) Does not include any outstanding commercial paper or short-term note issuances for the Division of Aviation or PGW, as applicable.

Table 42
Annual Debt Service on General Fund-Supported Debt
(as of June 30, 2020)
(Amounts in Millions of USD)[1]

	General Obligation Debt[2]			Other General Fund-Supported Debt[4], [5]			Aggregate General Fund-Supported Debt		
Fiscal Year	Principal	Interest[3]	Total	Principal	Interest[5]	Total	Principal	Interest	Total
2021	$88.11	$79.81	$167.92	$91.74	$142.54	$234.28	$179.85	$222.35	$402.20
2022	92.16	75.40	167.56	90.36	144.18	234.54	182.51	219.58	402.10
2023	97.59	70.85	168.44	128.39	106.13	234.51	225.98	176.98	402.96
2024	102.06	66.19	168.25	127.77	105.48	233.25	229.83	171.67	401.51
2025	106.79	61.22	168.01	132.95	100.31	233.25	239.74	161.53	401.27
2026	104.42	56.12	160.54	149.28	83.15	232.42	253.70	139.27	392.97
2027	109.36	50.89	160.25	170.42	58.04	228.47	279.78	108.93	388.72
2028	115.16	45.48	160.64	180.05	51.32	231.37	295.21	96.80	392.01
2029	90.98	40.76	131.74	281.74	33.55	315.28	372.71	74.31	447.02
2030	107.66	36.29	143.94	69.60	23.34	92.94	177.25	59.63	236.88
2031	113.45	31.26	144.71	73.00	19.92	92.92	186.45	51.18	237.63
2032	118.83	25.96	144.78	33.21	16.93	50.14	152.03	42.89	194.92
2033	87.01	21.26	108.27	26.22	15.50	41.72	113.23	36.76	149.99
2034	76.43	17.52	93.94	27.51	14.20	41.71	103.93	31.72	135.65
2035	64.91	14.20	79.10	28.87	12.84	41.71	93.77	27.04	120.81
2036	68.07	11.03	79.09	30.30	11.42	41.71	98.36	22.44	120.80
2037	56.21	8.02	64.23	31.80	9.92	41.71	88.01	17.94	105.94
2038	59.15	5.16	64.31	33.37	8.34	41.71	92.52	13.50	106.02
2039	41.79	2.70	44.49	23.00	6.80	29.79	64.78	9.50	74.28
2040	7.58	0.96	8.54	14.24	5.74	19.98	21.82	6.70	28.51
2041	7.93	0.61	8.54	14.94	5.03	19.97	22.87	5.65	28.51
2042	8.34	0.21	8.54	15.68	4.30	19.97	24.01	4.51	28.52
2043	0.00	0.00	0.00	16.45	3.53	19.98	16.45	3.53	19.98
2044	0.00	0.00	0.00	17.26	2.72	19.98	17.26	2.72	19.98
2045	0.00	0.00	0.00	14.04	1.86	15.90	14.04	1.86	15.90
2046	0.00	0.00	0.00	14.76	1.14	15.90	14.76	1.14	15.90
2047	0.00	0.00	0.00	15.52	0.39	15.90	15.52	0.39	15.90
Total	**$1,723.93**	**$721.91**	**$2,445.84**	**$1,852.40**	**$988.61**	**$2,841.02**	**$3,576.33**	**$1,710.52**	**$5,286.86**

(1) Does not include letter of credit fees. Figures may not sum due to rounding.
(2) Includes both Tax-Supported Debt and Self-Supporting Debt. See "– General." Does not include PICA Bonds.
(3) Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate.
(4) Includes PAID, PMA, PPA, and PRA bonds, which are secured by agreements with the City to appropriate and pay amounts sufficient to pay principal, interest, or redemption price when due on such bonds, with capital appreciation bonds including only actual amounts payable. The original issuance amount of such capital appreciation bonds is included under the "Principal" column in the Fiscal Year such bonds mature and the full accretion amount at maturity less the original issuance amount is included in the "Interest" column in the Fiscal Year such bonds mature.
(5) Includes (i) sublease payments of approximately $15.2 million annually for the police headquarters renovation; and (ii) an assumption that the City issues approximately $200 million in bonds in 2026 to acquire the project at an assumed interest rate of 5% over the next 20 years.
(6) Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate, plus any fixed spread. Net of capitalized interest on PAID City Service Agreement Revenue Refunding Bonds, Series 2012 (Federally Taxable).

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Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations, as shown in Table 41. The City budgets all other long-term debt-related obligations as a single budget item with the exception of PPA.

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 2019 was $32.4 million. The budgeted amount for Fiscal Year 2020 is $33.8 million. The current estimate for Fiscal Year 2020 is $36.1 million. The budgeted amount for Fiscal Year 2021 is $44.1 million.

PICA Bonds

PICA has issued 11 series of bonds at the request of the City (the "PICA Bonds"). PICA no longer has authority under the PICA Act to issue bonds for new money purposes, but may refund bonds previously issued. The proceeds of the PICA Bonds were used to: (i) make grants to the City to fund its General Fund deficits, to fund all or a portion of the costs of certain City capital projects, to provide other financial assistance to the City to enhance operational productivity, and to defease certain of the City's general obligation bonds; (ii) refund other PICA Bonds; and (iii) pay costs of issuance.

On December 3, 2019, PICA issued $31,085,000 of its Series 2019 Special Tax Refunding Bonds (the "2019 PICA Bonds") to provide funds, together with other available funds, to defease certain of its PICA Bonds. On March 17, 2020, PICA issued $24,990,000 Series 2020 Special Tax Refunding Bonds (the "2020 PICA Bonds") to provide funds, together with other available funds, to defease certain of its PICA Bonds. Following the issuance of the 2019 PICA Bonds and 2020 PICA Bonds and the related defeasances, PICA has, as of June 30, 2020, $56,075,000 in PICA Bonds outstanding with a final maturity date of June 15, 2023.

The PICA Act authorizes the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the execution of the PICA Agreement, as so authorized by the PICA Act, the City reduced the wage, earnings, and net profits taxes on City residents by 1.5% and enacted a new tax of 1.5% on wages, earnings, and net profits of City residents (the "PICA Tax"), which continues in effect. The PICA Tax secures the PICA Bonds. Pursuant to the PICA Act, at such time when no PICA Bonds are outstanding, the PICA Tax will expire. At any time, the City is authorized to increase for its own use its various taxes, including its wage, earnings, and net profits taxes on City residents and could do so upon the expiration of the PICA Tax. Certain taxes, such as sales, liquor, and hotel taxes, among others, cannot be increased by the City without Commonwealth approval.

The PICA Tax is collected by the City's Department of Revenue, as agent of the State Treasurer, and deposited in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA Tax Fund") of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Non-Mayoral-Appointed or Nominated Agencies* – PICA."

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

The PICA Act establishes a "Bond Payment Account" for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. The State Treasurer is required to pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account. The proceeds of the PICA Tax in excess of amounts required for: (i) debt service; (ii) replenishment of any debt service reserve fund for bonds issued by PICA; and (iii) certain PICA operating expenses, are required to be deposited in a trust fund established exclusively to benefit the City and designated the "City Account." Amounts in the City Account are required to be remitted to the City not less often than monthly, unless PICA certifies the City's non-compliance with the then-current five-year financial plan.

The total amount of PICA Tax remitted by the State Treasurer to PICA (which is net of the costs of the State Treasurer in collecting the PICA Tax), PICA annual debt service and investment expenses, and net PICA tax revenue remitted to the City for Fiscal Years 2017-2019, the budgeted amounts and current estimates for Fiscal Year 2020, and the budgeted amounts for Fiscal Year 2021 are set forth below.

Table 43
Summary of PICA Tax Remitted by the State Treasurer to PICA and Net Taxes Remitted by PICA to the City (Amounts in Millions of USD)[(1)]

Fiscal Year	PICA Tax[(2)]	PICA Annual Debt Service and Expenses[(2)]	Net taxes remitted to the City[(3)]
2017 (Actual)	$469.2	$59.7	$409.5
2018 (Actual)	$497.0	$42.8	$454.2
2019 (Actual)	$528.7	$35.2	$493.6
2020 (Adopted Budget)	$546.1	$46.8	$499.3
2020 (Current Estimate)[(4)]	$544.5	$46.8	$497.7
2021 (Adopted Budget)	$507.8	$37.2	$470.6

(1) Figures may not sum due to rounding.
(2) Source: The City's Quarterly City Manager's Reports or the budget for the applicable Fiscal Year.
(3) Source: For Fiscal Years 2017-2019, the City's CAFRs for such Fiscal Years. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the FY 2020 Fourth Quarter QCMR, as applicable. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget.
(4) Does not reflect the bond issuances and related defeasances described in the second paragraph under the caption "– PICA Bonds" above.

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OTHER FINANCING RELATED MATTERS

Swap Information

The City is a party to various swaps related to its outstanding General Fund-Supported Debt as detailed in the table below.

Table 44
Summary of Swap Information
for General Fund-Supported Debt (as of June 30, 2020)

City Entity	City GO	City Lease PAID	City Lease PAID
Related Bond Series	2009B[1]	2007B-2 (Stadium)[3]	2007B-2 (Stadium)[4]
Initial Notional Amount	$313,505,000	$217,275,000	$72,400,000
Current Notional Amount	$100,000,000	$54,303,091	$18,096,909
Termination Date	8/1/2031	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	3.9713%	3.9713%
Dealer	Royal Bank of Canada	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value[2]	($30,551,542)	($10,614,808)	($3,537,168)
Additional Termination Events	For Dealer: Rating change below BBB- or Baa3 For City: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)

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

(2) Fair values are as of June 30, 2020, and are shown from the City's perspective and include accrued interest.

(3) On July 15, 2014, PAID terminated a portion of the swap in the amount of $41,555,000 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of $4,171,000 to JPMorgan. On September 11, 2019, PAID terminated a portion of the swap in the amount of $33,455,654 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 fixed rate bonds. PAID made a termination payment of $6,051,000 to JPMorgan.

(4) On July 15, 2014, PAID terminated a portion of the swap in the amount of $13,840,000 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of $1,391,800 to Merrill Lynch. On September 11, 2019, PAID terminated a portion of the swap in the amount of $11,149,346 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 fixed rate bonds. PAID made a termination payment of $1,998,000 to Merrill Lynch.

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 2019 CAFR. In addition, PICA has entered into swaps, which are detailed in the Fiscal Year 2019 CAFR.

Swap Policy

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

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

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

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

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

Letter of Credit Agreements

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

Table 45
Summary of Letter of Credit Agreements for General Fund-Supported Debt as of June 30, 2020

Variable Rate Bond Series	Amount Outstanding	Bond Maturity Date	Provider	Expiration Date	Rating Thresholds (1)
General Obligation Multi-Modal Refunding Bonds, Series 2009B	$100,000,000	August 1, 2031	Barclays Bank PLC	May 24, 2023	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, 2024	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.

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Recent and Upcoming Financings

Recent Financings. The following is a list of financings that the City has entered into since the beginning of Fiscal Year 2020.

- In August 2020, the City issued $296,555,000 in Water and Wastewater Revenue and Revenue Refunding Bonds.
- In January 2020, the City issued $118,030,000 in General Obligation Refunding Bonds.
- In September 2019, PAID issued $147,615,000 in Lease Revenue Refunding Bonds for the benefit of the City.
- In August 2019, the City issued $293,360,000 in General Obligation Bonds.
- In August 2019, the City issued $250,660,000 in Water and Wastewater Revenue Bonds.

Upcoming Financings. The following is a list of financings that the City expects to enter into in Fiscal Year 2021.

- In the summer of 2020, the City expects to issue approximately $250 million in Gas Works Revenue and Revenue Refunding Bonds.
- In the fall of 2020, the City expects to issue approximately $365 million in Airport Revenue Refunding Bonds.
- In October 2020, the City expects to issue approximately $128 million in Water and Wastewater Revenue Refunding Bonds pursuant to a Forward Delivery Bond Purchase Agreement signed in February 2019.
- In the spring of 2021, the City expects to issue approximately $400 million in Airport Revenue Bonds.
- In the spring of 2021, the City expects to issue approximately $250 million in General Obligation Refunding Bonds.
- In the spring of 2021, PMA expects to issue approximately $60 million in City Service Agreement Refunding Bonds for the benefit of the City.

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CITY CAPITAL PROGRAM

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

Certain Historical Capital Expenditures

Table 46 shows the City's historical expenditures for Fiscal Years 2015-2019 for certain capital purposes, including expenditures for projects related to transit, streets and sanitation, municipal buildings, recreation, parks, museums, and stadia, and economic and community development. The source of funds used for such expenditures are primarily general obligation bond proceeds, but also include federal, state, private, and other government funds and operating revenue. Figures in the table below are generated after the Fiscal Year closes and may not sum due to rounding.

Table 46
Historical Expenditures for Certain Capital Purposes
Fiscal Years 2015-2019

Purpose Category	2015	2016	2017	2018	2019
Transit	$ 1,283,307	$ 3,223,431	$ 378,229	$ 7,284,978	$7,511,909
Streets & Sanitation	63,612,248	76,350,266	43,772,678	27,626,173	51,724,238
Municipal Buildings	53,419,449	50,653,561	45,002,188	75,096,668	76,886,156
Recreation, Parks, Museums & Stadia	29,875,633	35,963,360	37,323,288	61,839,958	42,098,687
Economic & Community Development	12,714,468	16,176,644	4,570,196	18,288,380	17,060,541
TOTAL	**$160,905,105**	**$182,367,262**	**$131,046,579**	**$190,136,157**	**$195,281,531**

Table 47 shows the City's historical expenditures for Fiscal Years 2015-2019 for certain capital purposes from general obligation bond proceeds only and the percentage of the total costs covered by such proceeds in such Fiscal Years. Figures in the table below are generated after the Fiscal Year closes and may not sum due to rounding.

Table 47
Historical Expenditures for Certain Capital Purposes
(General Obligation Bond Proceeds Only)
Fiscal Years 2015-2019

Purpose Category	2015	2016	2017	2018	2019
Transit	$ 1,274,467	$ 3,223,431	$ 414,434	$ 7,227,880	$7,509,010
Streets & Sanitation	24,887,488	23,963,058	21,952,654	19,601,019	27,508,365
Municipal Buildings	47,163,418	40,036,844	43,400,701	70,850,458	70,306,949
Recreation, Parks, Museums & Stadia	25,494,778	25,364,901	29,135,962	54,534,870	35,427,491
Economic & Community Development	12,714,468	12,474,164	4,570,196	18,288,380	17,060,541
TOTAL	**$111,534,619**	**$105,062,398**	**$99,473,947**	**$170,502,607**	**$157,812,356**
Percentage of Total Costs	**69%**	**58%**	**76%**	**90%**	**81%**

Fiscal Year 2021-2026 Adopted Capital Program

The Fiscal Year 2021-2026 Adopted Capital Program contemplates a total budget of $11.29 billion (an increase from the $10.92 billion as budgeted in the Fiscal Year 2020-2025 Adopted Capital Program). In the Fiscal Year 2021-2026 Adopted Capital Program, approximately $3.32 billion is expected to be provided from federal, Commonwealth, and other sources and approximately $7.97 billion through City funding. For Fiscal Year 2021, the City has budgeted $3.39 billion for capital projects (an increase from $3.08 billion in Fiscal Year 2020). The following table shows the amounts budgeted each year from various sources of funds for capital projects in the Fiscal Year 2021-2026 Adopted Capital Program.

Table 48
Fiscal Year 2021-2026 Adopted Capital Program
(Amounts in Thousands of USD)

Funding Source	2021	2022	2023	2024	2025	2026	2021-2026
City Funds--Tax Supported							
Carried-Forward Loans	$394,162	-	-	-	-	-	$394,162
Operating Revenue	129,902	$12,200	$12,200	$12,200	$1,700	$700	168,902
New Loans	128,260	199,734	199,944	199,432	190,033	191,058	1,108,461
Prefinanced Loans	4,958	-	-	-	-	-	4,958
PICA Prefinanced Loans	4,279	-	-	-	-	-	4,279
Tax Supported Subtotal	**$661,561**	**$211,934**	**$212,144**	**$211,632**	**$191,733**	**$191,758**	**$1,680,762**
City Funds--Self Sustaining							
Self-Sustaining Carried Forward Loans	$475,968	-	-	-	-	-	$475,968
Self-Sustaining Operating Revenue	228,810	$74,019	$73,907	$72,206	$67,873	$78,887	595,702
Self-Sustaining New Loans	818,600	798,334	969,168	750,958	859,811	941,170	5,138,041
Self-Sustaining Subtotal	**$1,523,378**	**$872,353**	**$1,043,075**	**$823,164**	**$927,684**	**$1,020,057**	**$6,209,711**
Other City Funds							
Revolving Funds	$17,000	$15,000	$13,000	$13,000	$13,000	$5,000	$76,000
Other Than City Funds							
Carried-Forward Other Government	$28,614	-	-	-	-	-	$28,614
Other Government Off Budget	2,257	$2,120	$1,621	$1,681	$1,664	$1,639	10,982
Other Governments/Agencies	3,100	2,100	100	100	100	100	5,600
Carried-Forward State	211,974	-	-	-	-	-	211,974
State Off Budget	205,112	234,393	201,119	210,933	201,948	194,362	1,247,867
State	61,900	51,937	46,029	50,681	47,833	47,881	306,261
Carried-Forward Private	118,108	-	-	-	-	-	118,108
Private	35,220	31,382	28,291	27,442	27,654	27,707	177,696
Carried-Forward Federal	366,520	-	-	-	-	-	366,520
Federal Off-Budget	35,284	77,752	21,212	16,000	8,800	9,600	168,648
Federal	124,950	135,354	99,188	108,707	106,963	106,542	681,704
Other Than City Funds Subtotal	**$1,193,039**	**$535,038**	**$397,560**	**$415,544**	**$394,962**	**387,831**	**$3,323,974**
TOTAL	**$3,394,978**	**$1,634,325**	**$1,665,779**	**$1,463,340**	**$1,527,379**	**$1,604,646**	**$11,290,447**

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 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 (Pa. 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.

General Fund

The following table presents the City's aggregate losses from settlements and judgments paid out of the General Fund for Fiscal Years 2017-2019, and the budgeted amounts for Fiscal Years 2020-2021.

Table 49
Aggregate Losses – General and Special Litigation Claims (General Fund)
Fiscal Years 2017-2019 (Actual) and 2020-2021 (Budget)
(Amounts in Millions of USD)

	Actual 2017	Actual 2018	Actual 2019	Budget 2020	Budget 2021
Aggregate Losses	$38.3	$44.6	$45.3	$49.2	$49.2

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

The current estimate of settlements and judgments from the General Fund for Fiscal Year 2020 is $47.7 million. Such estimate is based on internal calculations using (i) the "Possible Costs" listed in its Quarterly Litigation Reports, (ii) the 3-year average cost for closed cases, and (iii) current year-to-date spending reports. Current year spending includes payments made for settled cases pursuant to payment plans over multiple years. Such payments are generally made at the start of a Fiscal Year, which can result in the current estimate being skewed higher during the early part of such Fiscal Year. By the end of Fiscal Year 2020, the City expects that the actual amount of settlements and judgments paid from the General Fund will be at or near the budgeted amount of $49.2 million.

Based on the Twenty-Ninth Five-Year Plan, the City expects settlements and judgments from the General Fund for Fiscal Years 2021-2025 to range from $49.2 million in Fiscal Year 2021 to $50.3 million in Fiscal Year 2025.

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.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the General Fund. These proceedings involve: (i) environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; (ii) contract disputes and other commercial litigation; (iii) union arbitrations and other employment-related litigation; (iv) potential and certified class action suits; and (v) civil rights litigation. The ultimate outcome and fiscal impact, if any, on the General Fund of the claims and proceedings described in this paragraph are not currently predictable. See Note IV.8. to the Fiscal Year 2019 CAFR, "Contingencies – Primary Government – Claims and Litigation" in APPENDIX B hereto.

In addition, see "REVENUES OF THE CITY – Real Property Taxes" for a discussion of litigation relating to the reassessment of commercial property in tax year 2018.

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 2017-2019, and the budgeted amounts for Fiscal Years 2020-2021. The current estimate for Fiscal Year 2020 is $3.9 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

Table 50
Aggregate Losses – General and Special Litigation Claims (Water Fund)
Fiscal Years 2017-2019 (Actual) and 2020-2021 (Budget)
(Amounts in Millions of USD)

	Actual 2017	Actual 2018	Actual 2019	Budget 2020	Budget 2021
Aggregate Losses	$7.0	$6.3	$3.3	$7.5	$7.5

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

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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 2017-2019, and the budgeted amounts for Fiscal Years 2020-2021. The current estimate for Fiscal Year 2020 is $1.2 million. The Aviation Fund is the first source of payment for any of the claims against the Division of Aviation.

Table 51
Aggregate Losses – General and Special Litigation Claims (Aviation Fund)
Fiscal Years 2017-2019 (Actual) and 2020-2021 (Budget)
(Amounts in Millions of USD)

	Actual 2017	Actual 2018	Actual 2019	Budget 2020	Budget 2021
Aggregate Losses	$1.6	$1.1	$1.7	$2.5	$2.5

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

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 2015 through 2019. PGW revenues are the first source of payment for any of the claims against PGW. PGW currently estimates approximately $2.9 million and $3.9 million in settlements and judgments for PGW Fiscal Years 2020 and 2021, respectively.

Table 52
Claims and Settlement Activity (PGW)
PGW Fiscal Years 2015-2019
(Amounts in Thousands of USD)

Fiscal Year (ending August 31)	Beginning of Year Reserve	Current Year Claims and Adjustments	Claims Settled	End of Year Reserve	Current Liability Amount
2015	$9,944	$3,610	($2,042)	$11,512	$5,011
2016	$11,512	$2,022	($3,041)	$10,493	$5,307
2017	$10,493	$6,681	($2,797)	$14,377	$4,627
2018	$14,377	$2,910	($3,223)	$14,064	$6,100
2019	$14,064	($1,582)	($2,922)	$9,560	$3,925

Sources: For fiscal years ended August 31, 2015 through August 31, 2018, PGW's audited financial statements. For fiscal year ended August 31, 2019, PGW records.

APPENDIX B

CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019

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City of Philadelphia

PENNSYLVANIA

Founded 1682

Aerial View of City Hall & Dilworth Plaza

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

SEAL OF THE CITY OF PHILADELPHIA

City of Philadelphia
PENNSYLVANIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

James F. Kenney
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Josefine Arevalo
Chief Accounting Officer

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SEAL OF THE CITY OF PHILADELPHIA

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City of Philadelphia
OFFICE OF THE DIRECTOR OF FINANCE
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Philadelphia, Pennsylvania 19102-1693

ROB DUBOW
Director of Finance

February 25, 2020

To the Honorable Mayor, Members of City Council, and the People of the City of Philadelphia:

We are pleased to present the City of Philadelphia's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This report must be published by February 25th of every year to fulfill the continuing disclosure requirements related to the City's outstanding bonds and as outlined in SEC Rule 15c2-12.

The City's management assumes full responsibility for the completeness and accuracy of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements.

The City Controller has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2019. The City Controller is an independently elected public official and is required by City Home Rule Charter (City Charter) section 6-401 to appoint a certified public accountant as the deputy in charge of auditing and complete an annual audit of all City accounts. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682, incorporated in 1789, 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 City 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.

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. Under Article XII of the City Charter, the School District of Philadelphia operates as a separate and independent home rule school district. On December 21, 2001, the Pennsylvania Secretary of Education declared that the School District of Philadelphia was a "distressed" school district within the meaning of Section 691(c) of the Pennsylvania Public School Code, initiating the implementation of the School Reform Commission and effectively ending local control for

Philadelphians. The School Reform Commission assumed governance of the School District for the period of distress. On November 16, 2017, the School Reform Commission adopted a resolution stating that it was no longer distressed and recommending that the Secretary rescind the declaration of distress and return the District to local control effective June 30, 2018. The Secretary was required to make a dissolution determination at least 180 days prior to the end of the current school year, i.e. by December 31, 2017, which he did on December 27, 2017, for the School Reform Commission to dissolve on June 30, 2018. On April 4, 2018, the Mayor appointed nine members to serve on the Board of Education and they assumed their duties on July 1, 2018. As of that date, the Board of Education governs the School District.

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

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. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

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 and prisons. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport which handles approximately 32.2 million passengers annually as well as cargo and Northeast Philadelphia Airport which handles private aircraft and some cargo.

This report includes the financial statements of the primary government, as well as its component units. Component units are legally separate organizations in which the primary government is financially accountable for that legally separate organization. In addition, when a component unit functions as an integral part of the primary government, its financial data is blended with the primary government, and treated just as though it were funds of the primary government. Otherwise, the component unit is presented discretely (separately) from the primary government.

Blended component units included in this report are:

- Philadelphia Municipal Authority
- Pennsylvania Intergovernmental Cooperation Authority

Discretely presented component units included in this report are:

- Philadelphia Gas Works
- Philadelphia Redevelopment Authority
- Philadelphia Parking Authority
- School District of Philadelphia
- Community College of Philadelphia
- Community Behavioral Health, Inc.
- Philadelphia Housing Authority
- Philadelphia Authority for Industrial Development

The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

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 ECONOMIC CONDITION

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

Local Economy

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. As a hub for education and medicine, the City is home to a number of institutions of higher education, medical and research facilities, and hospitals. The City also has a strong business and personal services economy with strengths in insurance, law, finance, and leisure and hospitality. Tourism is driven by the City's attractive historic district and array of cultural assets, including museums, theatres and entertainment venues, vast park system, and dynamic restaurant scene. The cost of living in the City is relatively moderate compared to other major metropolitan areas. In addition, the City offers the business community a large and diverse labor pool.

After decades of population loss, the City has experienced about a decade of consistent population growth and new investment in its neighborhoods, spurred in part by the relative affordability of housing options and the City's array of cultural amenities. Over the past decade, both personal income and per capita income have increased by 63.4% and 59.6%, respectively. The annual average unemployment rate has returned to pre-recession levels.

Despite this progress, significant challenges still remain. At 24.5%, the City's poverty rate is the highest of the 10 largest cities in the country, and personal income levels also remain relatively low in comparison to the region. These factors create an ongoing challenge to fund public services from a weaker tax base. While the City has benefited from recent population growth, the number of parent-aged adults (age 35-54) and school age children (age 5-19 years) has declined over the past five years, which is a trend that has negative implications for the tax base.

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (3)	Unemployment Rate
2018	1,584,138	88,311,658	55,747	5.5%
2017	1,580,863	88,081,991	55,718	6.2%
2016	1,567,872	80,973,410	51,645	6.8%
2015	1,567,442	77,903,831	49,701	6.9%
2014	1,560,297	66,495,223	42,617	8.0%
2013	1,553,165	65,473,002	42,155	10.0%
2012	1,547,607	64,151,742	41,452	10.5%
2011	1,538,567	62,632,520	40,708	10.8%
2010	1,526,006	56,970,074	37,333	10.8%
2009	1,547,297	54,061,223	34,939	9.6%

(1) US Census Bureau

(2) US Department of Commerce, Bureau of Economic Analysis

(3) US Department of Labor, Bureau of Labor Statistics

The City now has “A” category ratings for its General Obligation debt from all three major rating agencies: A2 (Moody’s), A (Standard & Poor’s), and A- (Fitch). December 2013 was the first time that the City has been rated in the “A” category by all three rating agencies. On March 23, 2018, S&P lowered its rating on Philadelphia’s General Obligation Bonds to A from A+, but on November 21, 2019 S&P changed its outlook from stable to positive. In making this change, S&P wrote “the positive outlook reflects an improved financial position, supported in part by strong revenue growth, and coupled with continued focus on pension funding, school district support, general fund reserve balance growth, and supporting its rainy day fund.” In addition, on November 27, 2019 Moody’s maintained its outlook on the City’s general obligation and tax supported debt as stable, stating that “the outlook is stable given the city's materially improved financial position at fiscal year 2018 end and projections that show relative financial stability over the next five years. The stable outlook also reflects continued positive trends in the city's economy, contributing to its improved financial health.”

The following table shows the City’s 10-year rating history as of June 30th.

City of Philadelphia’s General Obligation Bond Ratings

Fiscal Year End	Moody’s	Standard & Poor’s	Fitch
2019	A2	A	A-
2018	A2	A	A-
2017	A2	A+	A-
2016	A2	A+	A-
2015	A2	A+	A-
2014	A2	A+	A-
2013	A2	A-	A-
2012	A2	BBB+	A-
2011	A2	BBB	A-
2010	A1	BBB	A-

The consistent efforts of Philadelphia’s economic development agencies and others have spurred significant economic changes throughout the City. Development in the Navy Yard has, over time, transitioned a former naval property and active military base to a growing hub for business. The City’s hotel room inventory has increased to help meet demand, and investments in commercial corridors across the City have helped existing businesses renovate, encouraged new businesses to move in, and reduced vacancy rates in those neighborhood commercial areas.

As of July 2019, Philadelphia had 29 major projects recently completed or under construction concurrently, representing over $7.4 billion in combined public and private investment. In summer 2014, Comcast Corporation broke ground on a 59-story, $1.2 billion office tower adjacent to its headquarters building in Center City. The Comcast Tower topped out on November 27, 2017; and the first personnel began moving into the building in late July 2018. Residential and mixed-use developments represent $2.9 billion in investment across 18 projects and throughout various neighborhoods of the City. Commercial developments represent over $1.9 billion invested across 5 projects, the majority of which are concentrated in Center City and the Navy Yard. Public use, higher education and health care institutions represent over $2.2 billion in investment across 5 projects, the majority of which are concentrated in the University City area.

Long-Term Financial Planning

Despite these recent economic improvements, the City must budget carefully for the years ahead. Careful planning is needed to ensure the City’s continued fiscal health and prepare for potential challenges, such as another economic downturn.

One of the most important measures of the City’s financial health is its fund balance. Having a healthy fund balance gives the City financial flexibility, makes it better able to meet its cash flow needs, mitigate current and future financial risks and ensure predictability of future services. The City’s fund balance has historically been well below the over 17% recommended by the Government Finance Officers Association and below the City's target of 6% to 8% of General Fund revenues.

In fiscal year 2019, the General Fund ended with a fund balance of $438.7 million, a $69.9 million increase from fiscal 2018. At 9.1% of revenues, the fund balance slightly exceeded the City's target and was the highest fund balance in the City's history, reflecting a growing economy and careful financial management. The General Fund is projected to end fiscal 2020 with a fund balance of $352.0 million, which is 6.9% of the City's projected obligations. This is within the City's target of 6% to 8%, but below the GFOA's recommend level of 17%.

The table below illustrates the City's General Fund year-end balance for the past 5 years, and the projected Fiscal Year 2020 year-end balance as noted in the City's Quarterly City Managers Report (period ending December 31, 2019).

General Fund
Year End Fund Balance (Legal Basis)

Fiscal Year End	Fund Balance	Projected/ Actual
2020	351,967	Projected
2019	438,680	Actual
2018	368,783	Actual
2017	189,243	Actual
2016	148,315	Actual
2015	151,531	Actual

Relevant Financial Policies

PICA Act and Requirements: PICA was created in 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the PICA Act) to provide financial assistance for the City of Philadelphia. Under this act and for as long as any PICA bonds are outstanding, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports. The five-year financial plan includes projected revenues and expenditures of the principal operating funds of the City, beginning with the current fiscal year. 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 quarterly reports must be submitted to PICA so that PICA may determine whether the City is in compliance with the then-current five-year plan.

Fund Balance Target: Recognizing the importance of maintaining adequate fund balances, the City developed a target fund balance of approximately 6% to 8%. The Government Finance Officers Association recommends general-purpose governments maintain unrestricted budgetary fund balance in the general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.

Continued Wage and Business Tax Reductions: The City's largest portion of tax revenue comes from the City's Wage and Earnings Tax. This tax is collected from all employees who work within the City limits but live elsewhere, as well as all residents regardless of work location. The Business Income and Receipts Tax (BIRT) is the third largest source of General Fund revenue and is based on both gross receipts (sales) and net income (profits). The Administration is committed to ensuring job and business growth in the City and to continuing gradual reductions in the City's wage and business tax rates to make Philadelphia more competitive. The FY2020-2024 Five Year Plan includes a continuation of wage and net income cuts resumed in fiscal year 2014 after being suspended during the Great Recession.

Reassessments: The Real Property Tax is levied on the taxable assessed value of all property in the City and is the second largest source of tax revenue in the City. Philadelphia is unlike other cities and counties that rely more heavily on the property tax portion of their budget. Philadelphia's property tax is split between the City and the School District of Philadelphia. In fiscal year 2014, the City completed the Actual Value Initiative (AVI), which involved a comprehensive reassessment of all properties in the City – 579,000 parcels – to correct outdated and partial assessments. The intent of AVI is to ensure that properties are examined annually to ensure that values reflect the market.

For tax year 2020, the OPA reassessed and revalued all properties using the ratio trend valuation method (or “trending”) while it also implements recommendations from an expert consultant on ways to further improve the quality of assessments.

Improving the Health of the Pension Fund: The City will not attain fiscal stability until it has solidified the financial condition of the pension fund. To address this challenge, the Kenney Administration, working with municipal employees, the Pension Board, and City Council, launched a three-pronged approach to improve the health of the Pension Fund from 44.8% to 80% in about 13 years.

The first part of the Mayor’s pension reform program is a commitment to increasing the City’s annual contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City’s annual contribution to the pension fund, totaling more than $752.6 million in FY19 (the all funds total is $907.5 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying minimum municipal obligation (MMO), the amount required under state law, the City will meet its MMO independent of these revenues, so that sales tax dollars directed to the Fund will be over and above the MMO. Over the FY20-FY24 Five Year Plan, the sales tax revenues are projected to be worth about $323 million.

Second, as mentioned above, the City achieved pension reform with all City employees. Through a combination of collective bargaining, interest arbitration, and legislation, all City employees are contributing to pension reform. Current police and fire fighters are making additional contributions to the pension fund at varying increased rates based on date of hire. District Council 33 and 47 employees as well as employees not represented by a union are also making additional contributions based on a progressive tier structure where those with higher annual salaries pay a higher percentage rate. Newly hired members of these groups are mandatory members of a stacked hybrid plan where the defined benefit portion is capped at $65,000. Like the sales tax, these additional contributions are contributed above the City’s required contribution to help improve the funding status of the plan more quickly. These additional assets, combined with the reduction in liabilities from the stacked hybrid plan, help improve the health of the pension fund over time.

Third, the Board of Pensions has made significant changes to its investment strategy to reduce costs while improving earnings. The Board is making greater use of indexing, which lowered management fees by almost $15 million a year, and has almost entirely divested from hedge funds, as the returns did not justify the fees. Reductions in earnings assumptions allow pension funds to moderate the risk of the investments, which can also reduce the likelihood of losses. In addition, the Pension Board has gradually lowered the assumed rate of return to 7.55% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the minimum municipal obligation (MMO), the actuarial amount required to be paid to the pension fund under state law, has increased in recent years. Moreover, the City currently follows the Revenue Recognition Policy (RRP) to finance the unfunded actuarial liability. Under the RRP, the City provides contributions to the pension fund in excess of the amount required by the MMO.

Managing Heath Benefit Costs: Health benefit program costs are one of the largest items in the City’s budget. In order to address the challenges these costs present, the City has made cost-saving changes in the City-administered health benefit programs for exempt and non-represented employees, and sought changes to its labor contracts in the area of health benefits. These changes include moving to self-insurance, increasing co-pays, and implementing wellness and disease management programs.

Major Initiatives

Philadelphia Beverage Tax and Funded Programs: In June 2016, City Council passed and the Mayor signed the Philadelphia Beverage Tax (PBT). The Beverage Tax taxes the distribution of sweetened drinks at 1.5 cents per ounce and became effective January 1, 2017. The Beverage Tax provides funding for pre-kindergarten, community schools, recreation centers and libraries. In FY2017, the City collected approximately $39.5 million in revenues from the Beverage Tax during the six-month period for which the tax was effective.

In September 2016, a lawsuit challenging the Philadelphia Beverage Tax was filed by the American Beverage Association and other co-plaintiffs in the Philadelphia Court of Common Pleas – Trial Division – Civil. The Court of Common Pleas dismissed the complaint in its entirety and that dismissal was upheld by the Commonwealth Court of Pennsylvania, which is one of the Commonwealth's intermediate appellate courts, and the Pennsylvania Supreme Court. The FY2020 Adopted Budget and FY2020-2024 Five Year Plan project that the PBT will generate $75.9 million in FY2020.

For the FY2020-2024 Five Year Plan, the City's contribution to the School District of Philadelphia includes a funding package of $1.285 billion over five years, providing the District with increased financial stability and helping to ensure that the District continues to build on progress achieved during recent years. The return of the School District of Philadelphia to local control allows the city and district to deepen shared partnerships and to maximize local resources. These include the work of the Community Schools initiatives, improving behavioral health supports for our students, expanding outdoor play spaces, among others.

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, 2018. This was the thirty-ninth consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Office of the Director of Finance as well as various City departments and component units. Each has my sincere appreciation for their valuable contributions.

Sincerely,

ROB DUBOW
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Philadelphia

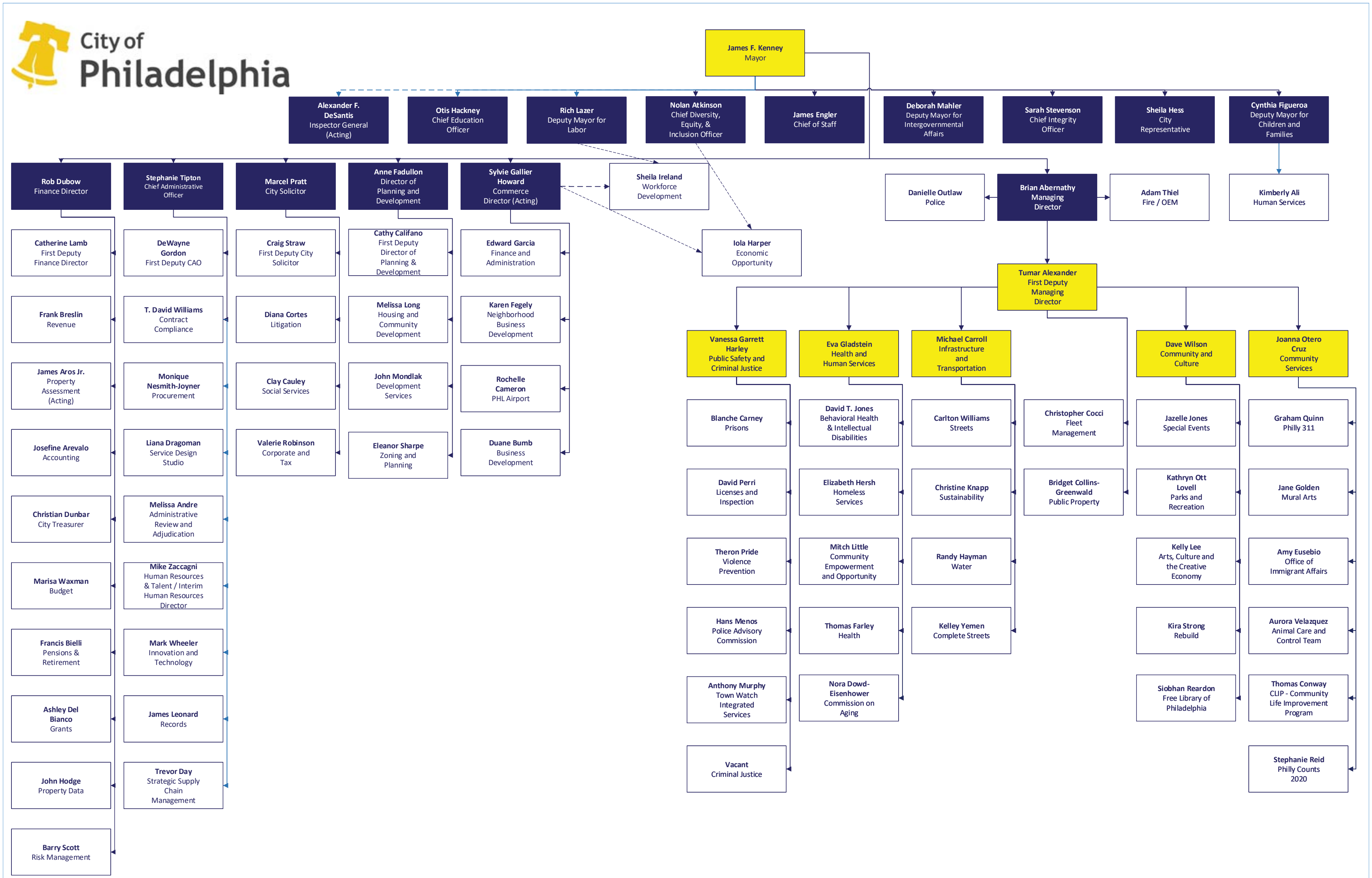
Pennsylvania

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO



Last updated: Feb 4, 2020

Elected Officials

Mayor	**James F. Kenney**
City Council	
President, 5th District	**Darrell L. Clarke**
1st District	**Mark Squilla**
2nd District	**Kenyatta Johnson**
3rd District	**Jamie Gauthier**
4th District	**Curtis Jones, Jr.**
6th District	**Bobby Henon**
7th District	**Maria D. Quinones-Sanchez**
8th District	**Cindy Bass**
9th District	**Cherelle L. Parker**
10th District	**Brian J. O'Neill**
At-Large	**Kendra Brooks**
At-Large	**Derek S. Green**
At-Large	**Katherine Gilmore Richardson**
At-Large	**David Oh**
At-Large	**Helen Gym**
At-Large	**Isaiah Thomas**
At-Large	**Allan Domb**
District Attorney	**Lawrence S. Krasner**
City Controller	**Rebecca Rhynhart**
City Commissioners	
Chairwoman	**Lisa M. Deeley**
Commissioner	**Al Schmidt**
Commissioner	**Omar Sabir**
Register of Wills	**Tracey L. Gordon**
Sheriff	**Rochelle Bilal**
First Judicial District of Pennsylvania	
President Judge, Court of Common Pleas	**Idee Fox**
President Judge, Municipal Court	**Patrick F. Dugan**

Appointed Cabinet Members

Managing Director	Brian Abernathy
Finance Director	Rob Dubow
Chief Administrative Officer	Stephanie Tipton
City Solicitor	Marcel S. Pratt
Director of Planning & Development	Anne Fadullon
Commerce Director	Harold Epps
Chief of Staff	James Engler
Deputy Mayor for Intergovernmental Affairs	Deborah Mahler
Deputy Mayor for Labor Relations	Richard Lazer
Deputy Mayor for Children and Families	Cynthia Figueroa
Chief Integrity Officer	Sarah Stevenson
Chief Education Officer	Otis Hackney
Chief Diversity & Inclusion Officer	Nolan Atkinson
City Representative	Sheila Hess
Acting Inspector General	Alexander F. DeSantis


SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

CITY OF PHILADELPHIA

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REBECCA RHYNHART
City Controller

CHRISTY BRADY
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, 2019, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. With the exception of the School District of Philadelphia, we did not audit the financial statements of the blended component units and the discretely presented component units listed in Note I.1, as well as the Municipal Pension Fund, the Gas Works Retirement Reserve Fund, and the Parks and Recreation Departmental and Permanent Funds, which represent the indicated percent of total assets, net position/fund balances, and revenues as presented in the table below. Those statements were audited by other auditors whose reports 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.

	Percent Audited by Other Auditors		
	Total Assets	Total Net Position/Fund Balances	Total Revenues
Governmental Activities	4%	2%	8%
Business-Type Activities	0%	0%	0%
Aggregate Discretely Presented Component Units	63%	29%	43%
Major Funds	0%	0%	0%
Aggregate Remaining Fund Information	91%	95%	71%

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, 2019, 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 17 through 33, and the required supplementary information other than management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit for the year ended June 30, 2019 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, 2019, 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 audit of the basic financial statements for the year ended June 30, 2019, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the Other Supplementary Information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2019.

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, 2018 (not presented herein), and have issued our report thereon dated February 24, 2019, 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 2018 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2018 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 2018 financial statements. The 2018 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 2018 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 2018 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, 2018.

Other Information

The other information, which includes the Introductory Section and Statistical Section as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Christy Brady

CHRISTY BRADY, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 25, 2020

SEAL OF THE CITY OF PHILADELPHIA

City of Philadelphia
PENNSYLVANIA

Management's Discussion & Analysis

The City's management prepared this narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2019. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the City's financial statements immediately following this discussion and analysis.

Financial Highlights

At the end of the current fiscal year, the liabilities and deferred inflows of the City of Philadelphia exceeded its assets and deferred outflows by $5,029.0 million. Its unrestricted net position showed a deficit of $8,908.5 million. The major underlying causes of this deficit are the net pension liability ($5,955.4 M), the net OPEB liability ($1,825.1 M), and the outstanding pension obligation bonds ($1,072.1 M). This deficiency will have to be funded from resources generated in future years.

The City's total June 30, 2019 year-end net position increased by $500.9 million from the prior year June 30, 2018 net position. The governmental activities of the City experienced an increase of $361.0 million, while the business type activities had a increase of $139.9 million.

For the current fiscal year, the City's governmental funds reported a combined ending fund balance of $992.1 million, an increase of $179.5 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of $201.6 million, an increase in the deficit of $99.4 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 $448.1 million, of which, $125.8 was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* for the general fund decreased ($69.2) 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 $438.7 million, as compared to a $368.8 million surplus last year. The increase of $69.9 million was due to an increase in revenues that resulted in an operating surplus of $47.9 million and 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:

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

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

The *statement of net 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 the City's financial position.

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:

1. ***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.

2. ***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 wastewater systems, airport and industrial land bank are all included as business-type activities.

   These two activities comprise the primary government of Philadelphia.

3. ***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, Philadelphia Housing Authority, 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.

1. ***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.

2. ***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 wastewater 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.

3. ***Fiduciary funds.*** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. They are not reflected in the government-wide financial statements because the assets are not available to support the City's operations.

The following chart summarizes the various components of the City's government-wide and fund financial statements, including the portion of the City government they cover, and the type of information they contain.

Summary of the City of Philadelphia's Government-wide and Fund Financial Statements

			Fund Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire city government (except fiduciary funds) and city's component units	Activities of the city that are not proprietary or fiduciary in nature, such as fire, police, refuse collection	Activities the city operates similar to private businesses. Airports, water/waste water system & the land bank.	Activities for which the city is trustee for someone else's assets, such as the employees' pension plan
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis/ measurement focus	Accrual accounting Economic resources	Modified accrual accounting Current financial resources	Accrual accounting Economic resources	Accrual accounting Economic resources
Type of asset, liability and deferred inflow/outflow of resources	All assets, liabilities, deferred inflow/outflow of resources, financial and capital, short and long term	Only assets expected to be used up and liabilities and deferred inflows of resources that come due during the current year or soon thereafter; no capital assets are included	All assets, liabilities, deferred inflow/outflow of resources, financial and capital, short and long term	All assets and liabilities, both short and long term; there are currently no capital assets, although there could be in the future
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Only revenues for which cash is received during the year or soon after the end of the year; only expenditures when goods or services are received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents additional information in three separate sections: *required supplementary information, supplementary information and statistical information.*

- ***Required supplementary information.*** Certain information regarding pension plan funding progress for the City and its component units, as well as budgeted and actual revenues, expenditures and encumbrances for the City's major governmental funds is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.
- ***Supplementary information.*** Combining statements for non-major governmental and fiduciary funds, as well as additional budgetary schedules for the City's governmental and proprietary funds are presented in this section. This supplementary information can be found immediately following the required supplementary information.
- ***Statistical information.*** Long-term trend tables of financial, economic, demographic and operating data are presented in the statistical section. This information is located immediately after the supplementary information.

Government-wide Financial Analysis

Net position. As noted earlier, net positions are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities & deferred inflows exceeded its assets & deferred outflows by $5,029.0 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, $2,176.2 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.

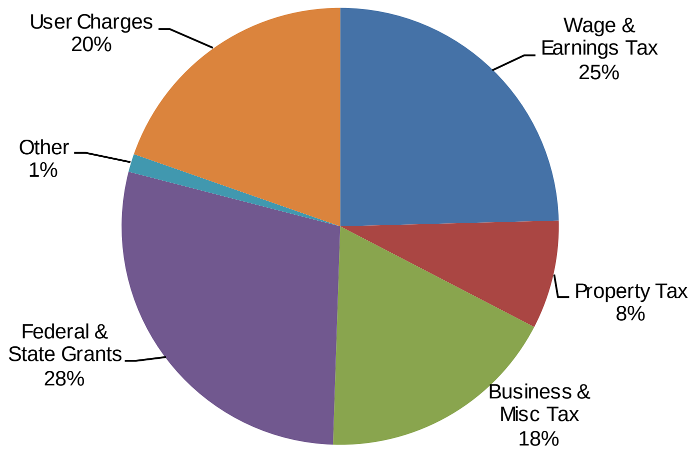
A portion of the City's net position, $1,703.3 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of $8,908.5 million. The governmental activities reported negative *unrestricted net position* of $8,516.9 million. The business type activities reported an unrestricted net position deficit of $391.6 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)

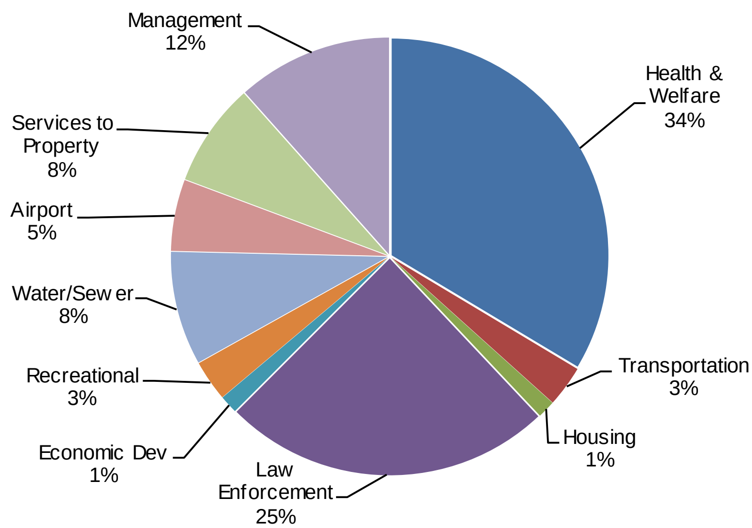
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2019	2018	Change	2019	2018	Change	2019	2018	Change
Current and other assets	3,027.1	2,816.8	7.47%	2,141.0	2,033.8	5.27%	5,168.1	4,850.6	6.55%
Capital assets	2,650.4	2,607.5	1.65%	4,787.8	4,598.9	4.11%	7,438.2	7,206.4	3.22%
Total assets	**5,677.5**	**5,424.3**	4.67%	**6,928.8**	**6,632.7**	4.46%	**12,606.3**	**12,056.9**	4.56%
Deferred Outflows	487.0	533.0	-8.63%	90.7	107.7	-15.78%	577.7	640.7	-9.83%
Long-term liabilities	4,523.9	4,676.9	-3.27%	3,880.7	3,768.3	2.98%	8,404.6	8,445.2	-0.48%
Other liabilities	8,351.6	8,449.8	-1.16%	1,234.0	1,218.3	1.29%	9,585.6	9,668.1	-0.85%
Total liabilities	**12,875.5**	**13,126.7**	-1.91%	**5,114.7**	**4,986.6**	2.57%	**17,990.2**	**18,113.3**	-0.68%
Deferred Inflows	199.5	102.1	95.40%	23.5	12.1	94.21%	223.0	114.2	95.27%
Net Position:									
Net Investment in capital assets	738.6	645.2	14.48%	1,437.6	1,402.0	2.54%	2,176.2	2,047.2	6.30%
Restricted	867.8	793.2	9.40%	835.5	762.6	9.56%	1,703.3	1,555.8	9.48%
Unrestricted	(8,516.9)	(8,709.9)	2.22%	(391.6)	(423.0)	7.42%	(8,908.5)	(9,132.9)	-2.46%
Total Net Position	**(6,910.5)**	**(7,271.5)**	4.96%	**1,881.5**	**1,741.6**	8.03%	**(5,029.0)**	**(5,529.9)**	-9.06%

Changes in net position. The City's total revenues this year, $8,602.8 million, exceeded the total costs of $8,091.6 million by $511.2 million. Approximately 51% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 28%, with the remaining 21% 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 66% are related to the health, welfare and safety of the general public (See Exhibit II for further breakdown).



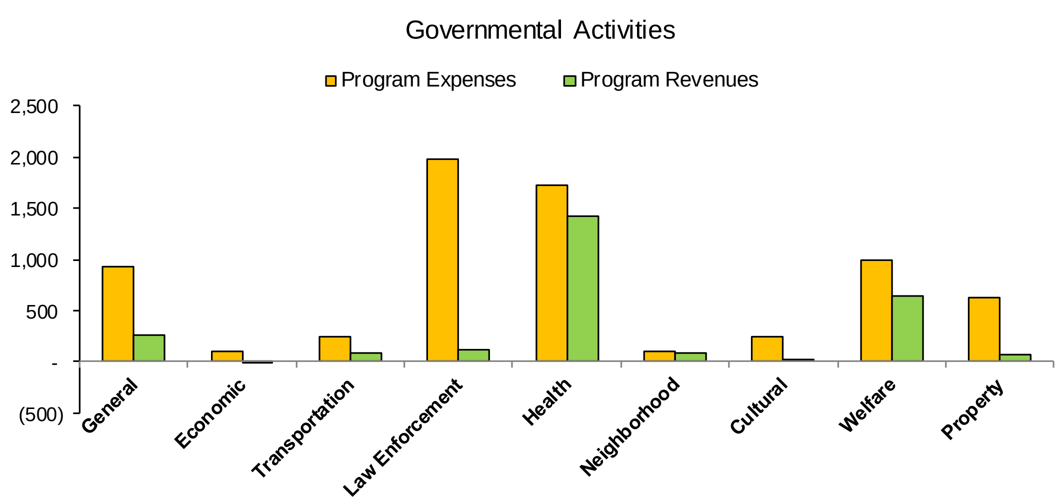
Total revenues increased by $306.9 million, and total expenses increased by $186.0 million over last year. This resulted in the Change in Net Position, before prior period adjustments, being $120.9 million more than in the previous year. Net positions increased or decreased in the following activities, as noted below:

Increases (Decreases) in Revenues		Increases (Decreases) in Expenses	
Charges for Services	$62.4	Economic Development	($4.0)
Operating Grants & Contributions	(47.5)	Transportation	13.9
Capital Grants & Contributions	(13.1)	Judicial & Law Enforcement	(28.9)
Wage & Earnings Taxes	86.9	Conservation of Health	(11.1)
Property Taxes	42.9	Housing & Neighborhoods	12.3
Other Taxes	136.2	Cultural & Recreational	17.3
Unrestricted Grants	(2.7)	General Welfare	76.3
Unrestricted Interest	41.7	Services to Taxpayer Property	52.3
Total Revenues	$306.9	General Management	59.4
		Interest on Long Term Debt	(7.4)
		Water and Waste Water	54.7
		Airport	(12.2)
		Industrial Land Bank	1.8
		Special Item - Impairment Loss	(38.4)
		Total Expenses	$186.0



Governmental Activities

The governmental activities of the City resulted in a $361.1 million increase in net position before prior period adjustments. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



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

(millions of USD)	Program Costs			Program Revenues			Net Cost		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
General Welfare	$ 997.3	$ 921.0	8.3%	$ 638.0	$ 663.2	-3.8%	$ 359.3	$ 257.8	39.4%
Judiciary & Law Enforcement	1,984.4	2,013.2	-1.4%	113.8	117.8	-3.4%	1,870.6	1,895.4	-1.3%
Public Health	1,720.4	1,731.5	-0.6%	1,428.5	1,505.7	-5.1%	291.9	225.8	29.3%
General Governmental	936.7	884.8	5.9%	262.6	228.1	15.1%	674.1	656.7	2.6%
Services to Property	622.9	570.6	9.2%	62.4	22.5	177.3%	560.5	548.1	2.3%
Housing, Economic & Cultural	711.0	671.6	5.9%	186.5	182.4	2.2%	524.5	489.2	7.2%
	$ 6,972.7	**$ 6,792.7**	2.6%	**$ 2,691.8**	**$ 2,719.7**	-1.0%	**$ 4,280.9**	**$ 4,073.0**	5.1%

The cost of all governmental activities this year was $6,972.7 million; the amount that taxpayers paid for these programs through tax payments was $4,346.7 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,235.7 million while those who benefited from the programs paid $456.0 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 $295.4 million. The difference of $361.1 million represents an increase in net position.

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:

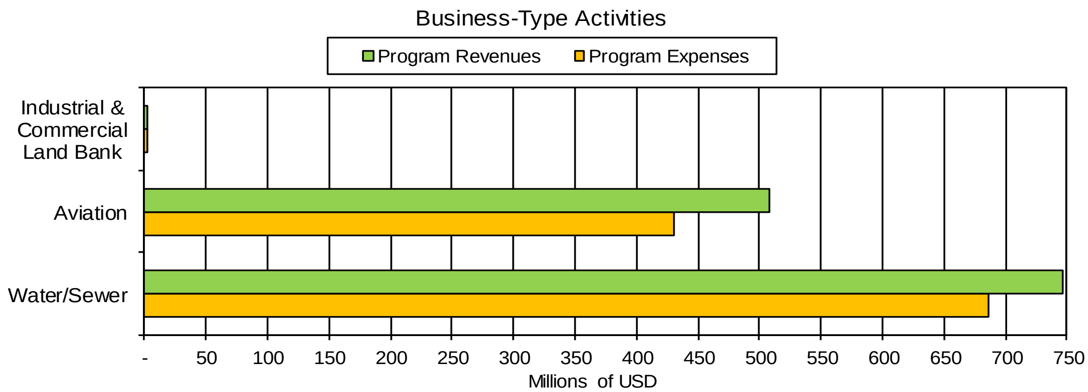
City of Philadelphia-Net Position

(millions of USD)	Governmental Activities 2019	Governmental Activities 2018	Business-type Activities 2019	Business-type Activities 2018	Total 2019	Total 2018	% Change
Revenues:							
Program revenues:							
Charges for services	$ 456.0	$ 429.7	$ 1,233.7	$ 1,197.6	$ 1,689.7	$ 1,627.3	3.8%
Operating grants and contributions	2,215.2	2,262.8	0.7	0.6	2,215.9	2,263.4	-2.1%
Capital grants and contributions	20.5	27.3	22.7	29.0	43.2	56.3	-23.3%
General revenues:							
Wage and earnings taxes	2,114.7	2,027.8	-	-	2,114.7	2,027.8	4.3%
Property taxes	691.9	649.0	-	-	691.9	649.0	6.6%
Other taxes	1,540.1	1,403.9	-	-	1,540.1	1,403.9	9.7%
Unrestricted grants and contributions	190.8	191.6	1.5	3.3	192.3	194.9	-1.4%
Unrestricted Interest and Misc.	64.7	49.6	50.3	23.7	115.0	73.3	56.9%
Total revenues	**7,293.9**	**7,041.7**	**1,308.9**	**1,254.2**	**8,602.8**	**8,295.9**	3.7%
Expenses:							
Economic development	109.7	113.7	-	-	109.7	113.7	-3.5%
Transportation	248.4	234.5	-	-	248.4	234.5	5.9%
Judiciary & law enforcement	1,984.4	2,013.3	-	-	1,984.4	2,013.3	-1.4%
Conservation of health	1,720.4	1,731.5	-	-	1,720.4	1,731.5	-0.6%
Housing & neighborhood development	106.6	94.3	-	-	106.6	94.3	13.0%
Cultural & recreational	246.3	229.0	-	-	246.3	229.0	7.6%
Improvement of the general welfare	997.3	921.0	-	-	997.3	921.0	8.3%
Services to taxpayer property	622.9	570.6	-	-	622.9	570.6	9.2%
General management	788.5	729.1	-	-	788.5	729.1	8.1%
Interest on long term debt	148.3	155.7	-	-	148.3	155.7	-4.8%
Water & waste water	-	-	685.8	631.1	685.8	631.1	8.7%
Airport	-	-	430.7	442.9	430.7	442.9	-2.8%
Industrial land bank	-	-	2.3	0.5	2.3	0.5	0.0%
Total expenses	**6,972.8**	**6,792.7**	**1,118.8**	**1,074.5**	**8,091.6**	**7,867.2**	2.9%
Increase (dec.) in net position before transfers & special items	321.1	249.0	190.1	179.7	511.2	428.7	
Transfers & Special Items	39.9	(5.1)	(39.9)	(33.3)	-	(38.4)	
Increase (dec) in Net Position	**361.0**	**243.9**	**150.2**	**146.4**	**511.2**	**390.3**	
Net Position - Beginning	(7,271.5)	(6,206.9)	1,741.6	1,771.1	(5,529.9)	(4,435.8)	24.7%
Adjustment (1)	-	(1,308.5)	(10.3)	(175.9)	(10.3)	(1,484.4)	
Net Position - End	**$ (6,910.4)**	**$ (7,271.5)**	**$ 1,881.5**	**$ 1,741.6**	**$ (5,029.0)**	**$ (5,529.9)**	-9.2%

(1) See CAFR Footnote #13 for ~~detailed information on the City~~'s Prior Period Adjustments

Business-type Activities

Business-type activities resulted in a $150.2 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for water/wastewater of $44.9 million and an increase to aviation of $105.3 million, and an increase for industrial & commercial development operations of $46.0 thousands.



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.

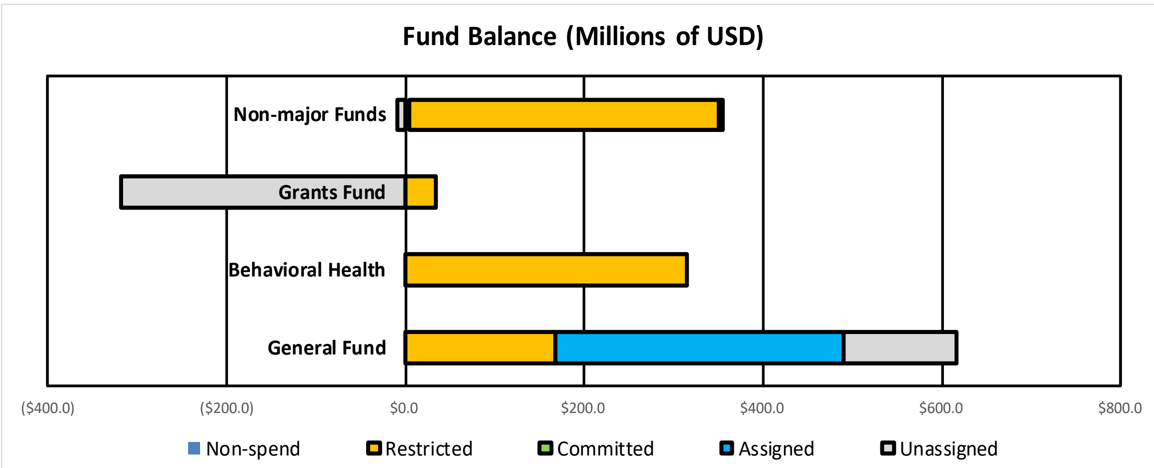
At the end of the fiscal year the City's governmental funds reported a *combined fund balance* of $992.1 million, an increase of $179.5 million over last year. Of the total fund balance, $3.5 million represents *non-spendable fund balance*.

In addition, $862.9 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following purposes:

Neighborhood Revitalization	$	0.2
Economic Development		15.2
Public Safety Emergency Phone System		34.1
Streets & Highways		59.2
Housing and Neighborhood Development		65.7
Health Services		20.6
Behavioral Health		314.3
Parks & Recreation		1.4
Libraries & Museums		2.5
Intergovernmental Financing		24.3
Stadium Financing		5.0
Cultural & Commercial Corridor Project		1.1
Pension Obligation Bonds		10.8
Debt Service Reserve		54.7
Capital Projects		88.1
Affordable Housing Project		27.3
Art Museum Project		6.3
Rebuild		82.9
Home Repair Program		39.2
Trust Purposes		10.0
Total Restricted Fund Balance	$	862.9

The fund balance is further broken down as *committed fund balance* for Prisons of $3.4 million and Parks and Recreation of $1.4 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of $201.6 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 $322.3 million and *unassigned fund balance* of $125.8 million at the end of the fiscal year.



Overall, the total fund balance of the General Fund increased by $214.9 million during the current fiscal year, compared to an increase of $210.9 million in the prior fiscal year. Some of the key factors contributing to this change are:

Revenues:

- Total current year revenues ($4,275.3) increased between fiscal years, with a $221.0 million (5.5%) increase from the prior fiscal year ($4,054.3) million.
- This increase was primarily due to $202.9 million increase in tax revenue.
- All other revenues remained relatively flat compared to the prior fiscal year.

Expenditures and Other Financing Sources (Uses):

- Total current year Expenditures and Other Financing Sources (Uses) ($4,060.5 million) increased between fiscal years, with a $217.1 million (5.6%) increase from prior fiscal year ($3,843.4 million).
- This increase was primarily due to a $24.8 million (16.2%) increase in expenditures related to Transportation (Streets & Highways and Mass Transit) and a $83.0 million (23.9%) increase in expenditures related to General Welfare (Social Services, Education, Licenses & Inspections and Demolitions), as well as a $72.2 million (18.4%) increase in expenditures related to Fire.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $314.3 million, the entire amount is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by $34.9 million.

The Grants Revenue fund has a total fund balance deficit of $283.4 million which is comprised of a positive restricted fund balance of $34.1 million for emergency telephone system programs and a positive restricted fund balance of $0.2 million for Neighborhood Revitalization Programs and a deficit unassigned fund balance of $317.7 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 ($26.2) million during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net position* of the proprietary funds increased by $139.8 million during the current fiscal year. This increase is attributable to the water/ wastewater system which had an increases of $35.4 million, airport operations which experienced an increase of $105.3 million, and industrial & commercial land bank operations which experienced a decrease of ($0.8) million.

The proprietary funds reported an *unrestricted net position* deficit of $391.6 million. The table below indicates the unrestricted net position for the water and wastewater operations, the airport, and the industrial and commercial land bank operations for the current and previous fiscal years.

	Unrestricted Net Position (deficit)		
	2019	2018	Change
Water and Waste Water	($373.0)	($379.8)	$6.8
Aviation	($84.5)	($109.9)	$25.4
Land Bank	$65.9	$66.7	($0.8)
	($391.6)	($423.0)	$31.4

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)
2019	$ 438.7	$ 69.9
2018	368.8	179.6
2017	189.2	40.9
2016	148.3	(3.2)
2015	151.5	(50.6)

The general fund's budgetary fund balance surplus of $438.7 million differs from the general fund's fund financial statement unassigned fund balance of $125.8 by $312.9 million, which represents the unearned portion of the business income & receipts tax of $192.0 million and the Philadelphia Beverage Tax – Unobligated amount of $120.9 million. Business income & receipts tax (BIRT prepays) is received prior to being earned but has no effect on budgeted cash receipts.

The charts below illustrate:

A. The reconciliation of Total Fund Balance - Budget Basis versus GAAP (Modified Accrual)
B. The components of Fund Balance for GAAP (Modified Accrual) basis
C. The reconciliation of Unassigned Fund Balance - Budget Basis versus GAAP (Modified Accrual)

(Millions of USD)

A. Budget to GAAP Basis Reconcilation	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Budget Basis Fund Balance	$ 438.7	$ 368.8	$ 189.2	$ 148.3	$ 151.5
1. Less: BIRT six (6) months pre-pays	(192.0)	(173.8)	(165.6)	(169.5)	(178.5)
2. Add: Encumbrances &	201.4	127.0	128.4	99.2	108.9
3. Add: Reserves	167.7	78.9	38.1	54.5	73.6
Modified Accrual Basis Fund Balance	$ 615.8	$ 400.9	$ 190.1	$ 132.5	$ 155.5

B. Modified Accrual Basis Fund Balance	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Restricted	$ 167.7	$ 78.9	$ 38.1	$ 54.5	$ 73.6
Assigned					
Encumbrances	201.4	127.0	128.4	99.2	108.9
* Phila. Beverage Tax - Unobligated	120.9	-	-	-	-
Reclassification of Unassigned	-	-	-	(21.2)	(27.0)
Assigned	322.3	127.0	128.4	78.0	81.9
Unassigned	125.8	195.0	23.6	-	-
Modified Accrual Basis Fund Balance	$ 615.8	$ 400.9	$ 190.1	$ 132.5	$ 155.5

C. Budget to GAAP Basis Reconcilation	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Budget Basis Fund Balance	$ 438.7	$ 368.8	$ 189.2	$ 148.3	$ 151.5
1. Less: BIRT six (6) months pre-pays	(192.0)	(173.8)	(165.6)	(169.5)	(178.5)
2. Less: Reclass to Assigned Fund Balance	-	-	-	21.2	27.0
3. Less: Phila Beverage Tax - Unobligated	(120.9)	-	-	-	-
Unassigned Fund Balance	$ 125.8	$ 195.0	$ 23.6	$ -	$ -

* In FY 2019, the Philadelphia Beverage Tax (PBT) unobligated amount was reclassified from unassigned fund balance to assigned fund balance. The change in classification was made to be in accordance with GASB guidelines which define assigned fund balance as amounts that are constrained by a government's intent to be used for a specific purpose. The change in treatment means that amounts from prior years are not directly comparable to the FY19 amount.

Differences between the original budget and the final amended budget resulted primarily from a slight increase in revenue estimates and increases to appropriations. Total appropriations increased by $218.6 million; from an original budget of $4,725.5 million to a final amended budget of $4,944.1 million. The largest increases were required to support the following activities:

- $22.9 million for Police operations
- $19.6 million for Street maintenance and repair
- $32.1 million for Fire operations
- $20.2 million for Commerce operations

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to $7.4 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. The table below shows a breakdown of the City's Capital Improvements over the past five fiscal years.

(millions of USD)

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Airport Terminal & Airfield Improvements	$ 107.9	$ 209.2	$ 183.9	$ 161.1	$ 196.2
Water & Wastewater Improvements	314.9	231.2	239.3	176.0	175.0
Streets, Highways & Bridges Improvements	51.7	27.6	43.8	77.9	63.6
Transit System Improvements	7.3	7.3	0.8	10.6	1.3
Parks, Playgrounds, Museums & Recreational Facilities	42.6	63.6	38.1	37.9	33.6
Libraries Improvements	1.1	8.8	2.3	1.6	3.3
Police & Fire Facilities	16.7	10.9	6.7	7.7	18.9
City Hall & Municipal Buildings Improvements	7.2	12.8	2.0	2.7	5.9
Computers, Servers, Software & IT Infrastructure	18.3	16.6	15.5	11.4	19.4
Economic Development	17.4	18.3	4.5	11.2	12.7
Other and Non-Enterprise Vehicles	38.2	28.9	14.7	32.3	10.7
	$ 623.3	$ 635.2	$ 551.6	$ 530.4	$ 540.6

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation *(millions of USD)*

	Governmental activities			Business-type activities			Total		
	2019	2018	Inc/(Dec)	2019	2018	Inc/(Dec)	2019	2018	Inc/(Dec)
Land	$ 900	$ 872	$ 28	$ 236	$ 227	$ 10	$ 1,136	$ 1,099	$ 38
Fine Arts	1	1	-	-	-	-	1	1	-
Property Available for Sale	10	11	(1)	-	-		10	11	(1)
Buildings	882	915	(33)	1,601	1,527	75	2,483	2,442	42
Improvements other than buildings	103	96	7	172	164	8	275	260	15
Machinery & equipment	179	146	33	47	40	7	226	186	40
Infrastructure	478	478	-	1,667	1,603	64	2,145	2,081	64
Construction in progress	13	10	3	1,056	1,031	25	1,069	1,041	28
Transit	46	50	(4)	-	-	-	46	50	(4)
Intangible Assets	38	29	9	8	7	1	46	36	10
Total	**$ 2,650**	**$ 2,608**	**$ 42**	**$ 4,788**	**$ 4,599**	**$ 189**	**$ 7,438**	**$ 7,207**	**$ 231**

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 $8.4 billion in long-term debt outstanding. Of this amount, $5.8 billion represents bonds outstanding (comprised of $1.9 billion of debt backed by the full faith and credit of the City, and $3.8 billion of debt secured solely by specific revenue sources) while $2.7 billion represents other long-term obligations.

The following schedule shows a summary of all long-term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding

(millions of USD)

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds Outstanding:						
General obligation bonds	1,927.2	2,078.4	-	-	1,927.2	2,078.4
Revenue bonds	-	-	3,826.9	3,715.0	3,826.9	3,715.0
Total Bonds Outstanding	**1,927.2**	**2,078.4**	**3,826.9**	**3,715.0**	**5,754.1**	**5,793.4**
Other Long Term Obligations:						
Service agreements	1,797.6	1,790.0	-	-	1,797.6	1,790.0
Employee related obligations	479.7	477.5	51.8	49.7	531.5	527.2
Indemnities	75.2	81.7	6.6	6.9	81.8	88.6
Leases	244.2	249.3	-	-	244.2	249.3
Total Other Long Term Obligations	**2,596.7**	**2,598.5**	**58.4**	**56.6**	**2,655.1**	**2,655.1**
Total Long Term Debt Outstanding	**4,523.9**	**4,676.9**	**3,885.3**	**3,771.6**	**8,409.2**	**8,448.5**

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 temporary loan funds to smooth out unevenness in the City's cash flow created by the receipt of two major sources of tax revenue – the property tax and the business income and receipts tax – in the second half of the year. The City did not borrow Tax and Revenue Anticipation Notes in fiscal year 2019; In accordance with statute there are no temporary loans outstanding at year end

- In November 2018, the City issued $276.9 million of Water and Wastewater Revenue Bonds, Series 2018A. The 2018A bonds were issued for the purpose of providing funds to finance capital improvements to the City's Water and Wastewater Systems.

- In May 2019, the City issued $188.7 million of General Obligation Refunding Bonds Series 2019A. The proceeds of the sale were used to refund the Series 2009A Bonds.

- In February 2019, the City issued $68.3 million of Water and Wastewater Revenue Refunding Bonds Series 2019A Bonds to refund the outstanding Series 2011B, 2012 and 2010C Bonds in the amount of $64.5 million and to pay the costs of issuing the Series 2019A Bonds.

- In July 2010, the City of Philadelphia - Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B); bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2019, PENNVEST draw-downs totaled $1.5 million.

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 13.50% of the average assessed valuations of properties over the past ten years. As of June 30, 2019, the legal debt limit was $9,534.0 million. There is $2,130.8 million of outstanding tax supported debt leaving a legal debt margin of $7,403.2 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 are key factors to consider when reviewing the City of Philadelphia's budget for the 2020 fiscal year:

- *Fund Balance:* In fiscal year 2019, the General Fund ended with a fund balance of $438.6 million.
- *Budgeted Revenue Projections for FY2020:* Wage and Earnings Tax revenue is budgeted to grow 5.65%, Sales Tax revenue is budgeted to grow by 3.49%, Real Estate Tax revenue is budgeted to grow by 2.61% Residential and 2.43% Commercial, and Real Estate Transfer Tax revenue is budgeted to grow by 3.00%, while the Business Income and Receipts Tax revenue is budgeted to grow by 2.98%.
- *Wage and Business Tax Cuts.* The current Five Year Plan (FY 2020 to 2024) also includes a continuation of wage and business tax cuts resumed in FY 2014 after being suspended during the Great Recession. The residential rate was 4.3010% in FY2006, is currently 3.8712% in FY2020 and is projected to continue to drop to 3.8327% by FY2024 in the FY2020-FY2024 Five Year Plan. Regarding the Business Income and Receipts Tax, the FY2020 rate for gross receipts is 0.1415% and the net income rate is 6.20%. Under current legislation, by 2023, the net income rate will fall to 6.00%.
- *Return to Local Control.* As of July 1, 2018, the School District of Philadelphia is governed by a Board of Education, with all its members of appointed by the Mayor. In the FY 2020 Adopted Budget, the City's direct contribution to the School District from the General Fund is $222.5 million, which is $41.6 million higher than the unaudited actual amount for Fiscal Year 2019 ($180.9 million).
- *Philadelphia Beverage Tax.* In 2016, the Philadelphia Beverage Tax (PBT) was enacted to fund free, quality pre-Kindergarten (pre-K) education for children; implement community schools in high-needs neighborhoods; and launch Rebuild, a capital improvement program for the City's parks, recreation centers, and libraries. In September 2016, a lawsuit challenging the Philadelphia Beverage Tax was filed by the American Beverage Association and other co-plaintiffs in the Philadelphia Court of Common Pleas – Trial Division – Civil. The lawsuit was dismissed by the Common Pleas Court and that decision was upheld by both the Commonwealth Court of Pennsylvania, which is one of the Commonwealth's intermediate appellate courts, and the Pennsylvania Supreme Court. The FY2020 Adopted Budget and FY2020-2024 Five Year Plan project that the PBT will generate $76.08 million in FY2020.
- *Contract Negotiations.* Approximately 82% of City employees are represented by one of the City's municipal unions.

  The City is committed to working with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health. All of the City's unions are currently covered by bargaining agreements through June 30, 2020.

In FY17, District Council 33 (DC33) negotiated a new, four-year contract. In FY18, the Fraternal Order of Police (FOP) and International Association of Firefighters (IAFF) received three-year arbitration awards and District Council 47 (DC47) ratified a three-year contract with the City. Each of these agreements included significant reforms to improve the health of the City's pension fund, which keeps the City on track to achieve its goal of having the City Pension Fund 80% funded by 2029. When these agreements expire at the end of FY20, the City will work with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health.

The table below presents employee wage increases from FY17 to FY20 for each bargaining unit. The shaded cells indicate the most recent contract terms.

Fiscal Year	FOP Lodge 5	Sheriff's Office & Register of Wills (FOP Lodge 5)	IAFF Local 22	AFSCME DC33[1]	Correctional Officers (DC33 Local 159)	AFSCME DC47 (Local 2187)	AFSCME DC47 (Local 2186)	Local 810 Court Employees (DC47)
FY17	3.25%	3.25% (2)	3.25%	3.0% + $500 lump sum	3.25% ($500 lump sum)	3.0%	3.0%	3.0%
FY18	3.25%	3.0%	3.25%	3.0%	3.0%	3.0%	3.0%	3.0%
FY19	3.50%	3.25%	3.50%	2.5%	3.25%	2.5%	2.5%	2.5%
FY20	3.75%	3.25%	3.75%	3.0%	3.25%	3.0%	3.0%	3.0%

Uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses. Uniformed employees are not permitted to strike under state law. Non-uniformed employees bargain under Act 195 of 1970, which allows for the right to strike over collective bargaining impasses. Certain employees, including employees of the Sheriff's Office and the Register of Wills, Correctional Officers (represented by DC33), and employees of the First Judicial District (represented by DC47), are not permitted to strike but may proceed to interest arbitration under Act 195.

- *Pension Fund Challenges.* In FY2020, pension costs are budgeted to represent 14.9% of General Fund expenditures. The significant share of costs attributed to pensions, combined with the Pension Fund's current funding status – it is now 46.8% funded – make it clear that the City will not attain fiscal stability until it has solidified the financial condition of the pension fund.

  In FY20, General Fund pension costs are projected to total $746.6 million compared to $716.7 million in FY19. In FY19, the City made an additional payment to the pension fund in the amount of $39.6 million, above the amount required by the City's Revenue Recognition Policy, which is already above the state-required amount to help improve the health of the fund.

  Pension Reforms. To address the pension challenge, the Kenney Administration, working with municipal employees, the Pension Board, and City Council, launched a three-pronged approach to improve the health of the Pension Fund from 44.8% to 80% in about 13 years.

  The first part of the Mayor's pension reform program is a commitment to increasing the City's annual contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City's annual contribution to the pension fund, totaling more than $752 million in FY19 (the all funds total is $907.5 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying the minimum municipal obligation (MMO), the amount required under state law, the City will meet its MMO independent of these revenues, so that sales tax dollars directed to the Fund will be over and above the MMO. Over the FY20-FY24 Five Year Plan, the sales tax revenues are projected to be worth about $323 million.

Second, as mentioned above, the City achieved pension reform with all City employees. Through a combination of collective bargaining, interest arbitration for union represented employees, and legislation for nonunion employees, all City employees are contributing to pension reform. Police and fire fighters are making additional contributions to the pension fund at varying increased rates based on date of hire. District Council 33 and 47 employees as well as employees not represented by a union are also making additional contributions based on a progressive tier structure where those with higher annual salaries pay a higher percentage rate. Newly hired members of these groups are mandatory members of a stacked hybrid plan where the defined benefit portion is capped at $65,000. Like the sales tax, these additional contributions are contributed above the City's required contribution to help improve the funding status of the plan more quickly. These additional assets, combined with the reduction in liabilities from the stacked hybrid plan, help improve the health of the pension fund.

Third, the Board of Pensions has made significant changes to its investment strategy to reduce costs while improving earnings. The Board is making greater use of indexing, which lowered management fees by almost $15 million a year, and has almost entirely divested from hedge funds, as the returns did not justify the fees. In addition, the Pension Board has gradually lowered the assumed rate of return to 7.55% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the minimum municipal obligation (MMO), the actuarial amount required to be paid to the pension fund under state law, has increased in recent years. Reductions in earnings assumptions allow pension funds to moderate the risk of the investments, which can also reduce the likelihood of losses.

- *Employee Healthcare Costs:* The City will continue to work with its union partners to help address the rising costs of health insurance and promote wellness. The municipal unions each provide benefits for members through union administered Health and Welfare Funds, and the City has minority representation on those boards. Non-union employees are provided benefits through the City Administered Benefits Program (CAP). In FY10, the City moved from a fully-insured model to a self-insurance arrangement. The City also increased employee copays and instituted a disease management and wellness program with financial incentives for completing wellness activities.

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

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia **Exhibit I**
Statement of Net Position
June 30, 2019

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	52,512	30	52,542	538,252
Equity in Pooled Cash and Investments	-	-	-	389,599
Equity in Treasurer's Account	1,491,371	365,349	1,856,720	-
Investments	67,261	-	67,261	227,702
Due from Component Units	47,414	-	47,414	-
Due from Primary Government	-	-	-	132,569
Internal Balances	4,709	(4,709)	-	-
Amounts Held by Fiscal Agent	167,714	-	167,714	-
Notes Receivable - Net	-	-	-	52,067
Accounts Receivable - Net	466,093	176,949	643,042	382,223
Interest and Dividends Receivable	1,216	-	1,216	31,019
Due from Other Governments - Net	641,038	14,320	655,358	213,570
Inventories	13,675	62,127	75,802	187,962
Other Assets	74,135	183	74,318	84,500
Restricted Assets:				
Cash and Cash Equivalents	-	1,121,118	1,121,118	307,713
Other Assets	-	405,675	405,675	286,010
Capital Assets:				
Land and Other Non-Depreciated Assets	923,020	1,291,794	2,214,814	639,914
Other Capital Assets (Net of Depreciation)	1,727,418	3,496,043	5,223,461	4,146,841
Total Capital Assets, Net	2,650,438	4,787,837	7,438,275	4,786,755
Total Assets	5,677,576	6,928,879	12,606,455	7,619,941
Deferred Outflows of Resources	486,957	90,735	577,692	1,058,636
Liabilities				
Notes Payable	68,545	140,262	208,807	974
Vouchers Payable	76,633	12,346	88,979	81,849
Accounts Payable	241,934	116,864	358,798	227,131
Salaries and Wages Payable	93,006	7,231	100,237	149,115
Accrued Expenses	44,036	54,154	98,190	201,357
Due to Fiduciary Funds	92,487	-	92,487	-
Due to Primary Government	-	-	-	51,713
Due to Component Units	74,115	423	74,538	-
Funds Held in Escrow	15,444	1,667	17,111	12,367
Due to Other Governments	3,294	-	3,294	50,013
Unearned Revenue	408,165	49,507	457,672	151,554
Overpayment of Taxes	242,408	-	242,408	21,304
Other Current Liabilities	-	3,766	3,766	119,736
Derivative Instrument Liability	54,133	4,679	58,812	-
Long-term Liabilities:				
Due within one year				
Bonds Payable & Other Long-term Liabilities	327,882	169,657	497,539	384,183
Due in more than one year				
Bonds Payable & Other Long-term Liabilities	4,196,103	3,711,014	7,907,117	4,687,948
Net OPEB Liability	1,623,591	201,461	1,825,052	712,768
Net Pension Liability	5,313,768	641,607	5,955,375	4,189,704
Total Liabilities	12,875,544	5,114,638	17,990,182	11,041,716
Deferred Inflows of Resources	199,468	23,466	222,934	335,863
Net Position				
Net Investment in Capital Assets	738,633	1,437,586	2,176,219	788,547
Restricted For:				
Capital Projects	74,486	252,964	327,450	5,307
Debt Service	54,212	402,095	456,307	319,503
Pension Oblig Bond Refunding Reserve	10,759	-	10,759	9,500
Behavioral Health	314,311	-	314,311	-
Neighborhood Revitalization	238	-	238	-
Philadelphia Art Museum Project	6,301	-	6,301	-
Affordable Housing Project	27,293	-	27,293	-
Cultural & Commercial Corridor Project	1,240	-	1,240	-
Rebuild Project	82,882	-	82,882	-
Home Repair Program	39,238	-	39,238	-
Grant Programs	149,865	-	149,865	27,275
Rate Stabilization	-	180,449	180,449	-
Libraries & Parks:				
Expendable	3,250	-	3,250	-
Non-Expendable	3,527	-	3,527	-
Educational Programs	-	-	-	18,079
Other	100,172	-	100,172	6,179
Unrestricted(Deficit)	(8,516,886)	(391,584)	(8,908,470)	(3,873,392)
Total Net Position	(6,910,479)	1,881,510	(5,028,969)	(2,699,002)

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

City of Philadelphia **Exhibit II**
Statement of Activities
For the Fiscal Year Ended June 30, 2019

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	109,729	2	-	(2,971)	(112,698)		(112,698)	
Transportation:								
Streets & Highways	159,110	9,980	51,066	14,834	(83,230)		(83,230)	
Mass Transit	89,300	2,709	259	-	(86,332)		(86,332)	
Judiciary and Law Enforcement:								
Police	1,277,307	7,204	6,260	-	(1,263,843)		(1,263,843)	
Prisons	349,249	1,701	-	-	(347,548)		(347,548)	
Courts	357,826	55,649	42,942	-	(259,235)		(259,235)	
Conservation of Health:								
Emergency Medical Services	69,986	16,800	3,270	-	(49,916)		(49,916)	
Health Services	1,650,394	46,387	1,356,149	5,886	(241,972)		(241,972)	
Housing and Neighborhood Development	106,641	23,171	60,686	-	(22,784)		(22,784)	
Cultural and Recreational:								
Recreation	131,359	4,865	9,530	2,130	(114,834)		(114,834)	
Parks	5,551	972	-	33	(4,546)		(4,546)	
Libraries and Museums	109,353	1,456	7,714	52	(100,131)		(100,131)	
Improvements to General Welfare:								
Social Services	727,376	6,154	559,058	-	(162,164)		(162,164)	
Education	213,280	-	-	-	(213,280)		(213,280)	
Inspections and Demolitions	56,670	72,779	-	-	16,109		16,109	
Service to Property:								
Sanitation	153,712	14,046	1,369	-	(138,297)		(138,297)	
Fire	469,195	40,809	6,168	-	(422,218)		(422,218)	
General Management and Support	788,455	151,041	110,743	547	(526,124)		(526,124)	
Interest on Long Term Debt	148,279	243	-	-	(148,036)		(148,036)	
Total Governmental Activities	6,972,772	455,968	2,215,214	20,511	(4,281,079)		(4,281,079)	
Business Type Activities:								
Water and Sewer	685,778	745,374	698	481	-	60,775	60,775	
Aviation	430,731	486,184	-	22,239	-	77,692	77,692	
Industrial and Commercial Development	2,305	2,175	-	-	-	(130)	(130)	
Total Business Type Activities	1,118,814	1,233,733	698	22,720	-	138,337	138,337	
Total Primary Government	8,091,586	1,689,701	2,215,912	43,231	(4,281,079)	138,337	(4,142,742)	
Component Units:								
Gas Operations	599,653	671,992	23,523	-				95,862
Housing	472,859	54,250	423,408	22,427				27,226
Parking	260,594	280,525	-	-				19,931
Education	3,793,204	41,145	1,170,997	8,129				(2,572,933)
Health	977,283	-	978,061	-				778
Economic Development	207,208	1,091	104,843	100,357				(917)
Total Component Units	6,310,801	1,049,003	2,700,832	130,913				(2,430,053)
General Revenues:								
Taxes:								
Property Taxes					691,921	-	691,921	841,773
Wage & Earnings Taxes					2,114,667	-	2,114,667	-
Business Taxes					556,061	-	556,061	-
Other Taxes					984,050	-	984,050	496,014
Grants & Contributions Not Restricted to Specific Programs					190,780	1,463	192,243	1,362,948
Unrestricted Interest & Investment Earnings					64,721	47,812	112,533	20,395
Miscellaneous					-	2,529	2,529	6,162
Transfers					39,917	(39,917)	-	-
Total General Revenues, Special Items and Transfers					4,642,117	11,887	4,654,004	2,727,292
Change in Net Position					361,038	150,224	511,262	297,239
Net Position - July 1, 2018					(7,271,517)	1,741,635	(5,529,882)	(3,069,200)
Adjustment					-	(10,349)	(10,349)	72,959
Net Position Adjusted - July 1, 2018					(7,271,517)	1,731,286	(5,540,231)	(2,996,241)
Net Position - June 30, 2019					(6,910,479)	1,881,510	(5,028,969)	(2,699,002)

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

City of Philadelphia **Exhibit III**

Balance Sheet

Governmental Funds

June 30, 2019

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	11,614	-	97	40,800	52,511
Equity in Treasurer's Account	941,701	221,026	28,147	300,497	1,491,371
Investments	-	-	-	67,261	67,261
Due from Other Funds	11,751	-	-	4,747	16,498
Due from Component Units	47,414	-	-	-	47,414
Amounts Held by Fiscal Agent	167,714	-	-	-	167,714
Taxes Receivable	527,294	-	-	24,660	551,954
Accounts Receivable	467,158	-	620	2,524	470,302
Due from Other Governmental Units	5,494	171,088	400,687	63,769	641,038
Allowance for Doubtful Accounts	(548,708)	-	.	(9,798)	(558,506)
Interest and Dividends Receivable	583	553	-	80	1,216
Other Assets	-	-	-	125	125
Total Assets	1,632,015	392,667	429,551	494,665	2,948,898
Liabilities					
Vouchers Payable	41,293	848	24,530	9,962	76,633
Accounts Payable	76,877	11,633	107,642	45,662	241,814
Salaries and Wages Payable	86,434	-	6,255	317	93,006
Payroll Taxes Payable	-	-	-	119	119
Due to Other Funds	92,449	-	-	11,805	104,254
Due to Component Units	4,694	65,875	791	2,755	74,115
Funds Held in Escrow	10,902	-	-	4,542	15,444
Due to Other Governmental Units	3,294	-	-	-	3,294
Unearned Revenue	197,698	-	198,849	11,618	408,165
Overpayment of Taxes	242,408	-	-	-	242,408
Total Liabilities	756,049	78,356	338,067	86,780	1,259,252
Deferred Inflows of Resources	260,128	-	374,890	62,544	697,562
Fund Balances					
Nonspendable	-	-	-	3,527	3,527
Restricted	167,714	314,311	34,316	346,597	862,938
Committed	-	-	-	4,865	4,865
Assigned	322,334	-	-	-	322,334
Unassigned	125,790	-	(317,722)	(9,648)	(201,580)
Total Fund Balances	615,838	314,311	(283,406)	345,341	992,084
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,632,015	392,667	429,551	494,665	

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	2,650,439
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	694,301
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,523,985)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	432,824
e. Other	(22,576)
f. Net Pension & OPEB Liabilities are not reported in the funds	(6,937,359)
g. Deferred Inflows (with the excpetion of Unavailable Revenue) are not reported in the funds	(196,207)
Net Position of Governmental Activities	(6,910,479)

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, 2019

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	3,596,585	-	-	748,598	4,345,183
Locally Generated Non-Tax Revenue	351,443	9,271	57,710	29,533	447,957
Revenue from Other Governments	311,146	1,012,165	961,409	124,522	2,409,242
Other Revenues	16,154	-	-	380	16,534
Total Revenues	4,275,328	1,021,436	1,019,119	903,033	7,218,916
Expenditures					
Current Operating:					
Economic Development	30,161	-	-	71,946	102,107
Transportation:					
Streets & Highways	93,172	-	2,077	44,538	139,787
Mass Transit	84,608	-	304	-	84,912
Judiciary and Law Enforcement:					
Police	1,250,514	-	6,364	-	1,256,878
Prisons	335,546	-	-	1,339	336,885
Courts	311,510	-	38,681	-	350,191
Conservation of Health:					
Emergency Medical Services	66,604	-	3,378	-	69,982
Health Services	192,782	986,521	330,387	136,666	1,646,356
Housing and Neighborhood Development	25,012	-	21,331	60,316	106,659
Cultural and Recreational:					
Recreation	108,499	-	9,450	-	117,949
Parks	-	-	-	2,719	2,719
Libraries and Museums	93,006	-	7,117	178	100,301
Improvements to General Welfare:					
Social Services	161,320	-	565,398	-	726,718
Education	213,280	-	-	-	213,280
Inspections and Demolitions	56,302	-	-	-	56,302
Service to Property:					
Sanitation	148,931	-	1,417	-	150,348
Fire	465,130	-	6,675	-	471,805
General Management and Support	732,764	-	16,792	60,513	810,069
Capital Outlay	-	-	-	208,034	208,034
Debt Service:					
Principal	5,086	-	-	134,610	139,696
Interest	21,143	-	-	93,026	114,169
Bond Issuance Cost	1,978	-	-	1,426	3,404
Total Expenditures	4,397,348	986,521	1,009,371	815,311	7,208,551
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,020)	34,915	9,748	87,722	10,365
Other Financing Sources (Uses)					
Issuance of Debt	119,460	-	-	-	119,460
Issuance of Refunding Debt	-	-	-	188,660	188,660
Bond Issuance Premium	8,245	-	-	25,309	33,554
Payment to Refunded Bonds Escrow Agent	-	-	-	(212,499)	(212,499)
Transfers In	529,075	-	-	396,475	925,550
Transfers Out	(319,892)	-	(35,994)	(529,747)	(885,633)
Total Other Financing Sources (Uses)	336,888	-	(35,994)	(131,802)	169,092
Net Change in Fund Balance	214,868	34,915	(26,246)	(44,080)	179,457
Fund Balance - July 1, 2018	400,970	279,396	(257,160)	389,421	812,627
Adjustment	-	-	-	-	-
Fund Balance Adjusted - July 1, 2018	400,970	279,396	(257,160)	389,421	812,627
Fund Balance - June 30, 2019	615,838	314,311	(283,406)	345,341	992,084

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds...	179,457
Amounts reported for governmental activities in the statement of activities are different because:	
a. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (226,528) exceeded depreciation (177,756) in the current period...	48,772
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..	70,898
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 (491,300) exceeded proceeds (341,675)..	149,625
d. The increase in the Net Pension Liability and Net OPEB Liability reported in the statement of activities does not require the use of current financial resources and therefore is not reported as and expenditure in governmental funds..	(55,641)
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......	(28,269)
f. Impairment loss related to capital assets is reported in the statement of activities. However, the cost of assets is reported in the governmental funds when incurred (vs. depreciated over estimated useful lif of assets).	(3,804)
Change in Net Position of governmental activities..	361,038

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, 2019

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
Assets	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	112,784	242,480	10,085	365,349
Due from Other Governments	-	996	13,324	14,320
Accounts Receivable	167,854	22,300	-	190,154
Allowance for Doubtful Accounts	(12,378)	(827)	-	(13,205)
Inventories	15,787	3,866	42,474	62,127
Other Assets	183	-	-	183
Total Current Assets	284,260	268,815	65,883	618,958
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	545,013	576,105	-	1,121,118
Sinking Funds and Reserves	201,367	171,343	-	372,710
Grants for Capital Purposes	-	14,993	-	14,993
Receivables	2,716	15,256	-	17,972
Total Restricted Assets	749,096	777,697	-	1,526,793
Capital Assets:				
Land	5,919	230,350	-	236,269
Infrastructure	2,677,405	1,098,329	-	3,775,734
Construction in Progress	666,130	389,395	-	1,055,525
Buildings and Equipment	1,753,974	2,481,050	-	4,235,024
Less: Accumulated Depreciation	(2,448,128)	(2,066,587)	-	(4,514,715)
Total Capital Assets, Net	2,655,300	2,132,537	-	4,787,837
Total Non-Current Assets	3,404,396	2,910,234	-	6,314,630
Total Assets	3,688,656	3,179,049	65,883	6,933,588
Deferred Outflows of Resources	69,542	21,193	-	90,735
Liabilities				
Current Liabilities:				
Vouchers Payable	7,090	5,256	-	12,346
Accounts Payable	12,619	17,433	-	30,052
Salaries and Wages Payable	3,547	3,684	-	7,231
Construction Contracts Payable	58,190	28,622	-	86,812
Due to Other Funds	4,709	-	-	4,709
Due to Component Units	292	131	-	423
Accrued Expenses	34,653	19,501	-	54,154
Funds Held in Escrow	1,667	-	-	1,667
Unearned Revenue	10,738	38,769	-	49,507
Commercial Paper Notes	-	140,262	-	140,262
Bonds Payable-Current	105,372	64,285	-	169,657
Other Current Liabilities	1,446	2,320	-	3,766
Total Current Liabilities	240,323	320,263	-	560,586
Derivative Instrument Liability	-	4,679	-	4,679
Net OPEB Liability	137,036	64,425	-	201,461
Net Pension Liability	430,540	211,067	-	641,607
Non-Current Liabilities:				
Bonds Payable	2,070,390	1,584,521	-	3,654,911
Other Non-Current Liabilities	41,938	14,165	-	56,103
Total Non-Current Liabilities	2,112,328	1,598,686	-	3,711,014
Total Liabilities	2,920,227	2,199,120	-	5,119,347
Deferred Inflows of Resources	15,887	7,579	-	23,466
Net Position				
Net Investment in Capital Assets	649,536	788,050	-	1,437,586
Restricted For:				
Capital Projects	163,690	89,274	-	252,964
Debt Service	201,367	200,728	-	402,095
Rate Stabilization	180,449	-	-	180,449
Unrestricted	(372,958)	(84,509)	65,883	(391,584)
Total Net Position	822,084	993,543	65,883	1,881,510

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, 2019

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	732,373	118,290	-	850,663
Rentals and Concessions	-	264,946	-	264,946
Operating Grants	698	-	-	698
Miscellaneous Operating Revenues	13,001	7,836	2,175	23,012
Total Operating Revenues	746,072	391,072	2,175	1,139,319
Operating Expenses:				
Personal Services	142,914	81,053	-	223,967
Purchase of Services	128,587	113,187	-	241,774
Materials and Supplies	38,709	8,202	-	46,911
Employee Benefits	141,799	64,804	-	206,603
Indemnities and Taxes	3,602	5,773	-	9,375
Depreciation	124,315	100,679	-	224,994
Cost of Goods Sold	-	-	2,305	2,305
Total Operating Expenses	579,926	373,698	2,305	955,929
Operating Income (Loss)	166,146	17,374	(130)	183,390
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	-	1,463	-	1,463
Passenger and Customer Facility Charges	-	95,112	-	95,112
Interest Income	24,054	23,582	176	47,812
Debt Service - Interest	(74,742)	(57,033)	-	(131,775)
Other Revenue (Expenses)	(31,110)	2,529	-	(28,581)
Total Non-Operating Revenues (Expenses)	(81,798)	65,653	176	(15,969)
Income (Loss) Before Contributions & Transfers	84,348	83,027	46	167,421
Transfers In/(Out)	(39,917)	-	-	(39,917)
Capital Contributions	481	22,239	-	22,720
Change in Net Position	44,912	105,266	46	150,224
Net Position - July 1, 2018	786,641	888,277	66,717	1,741,635
Adjustment	(9,469)	-	(880)	(10,349)
Net Position Adjusted - July 1, 2018	777,172	888,277	65,837	1,731,286
Net Position - June 30, 2019	822,084	993,543	65,883	1,881,510

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, 2019

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	736,722	408,684	-	1,145,406
Payments to Suppliers	(169,084)	(117,488)	-	(286,572)
Payments to Employees	(276,673)	(143,785)	-	(420,458)
Internal Activity-Payments to Other Funds	-	(7,363)	-	(7,363)
Claims Paid	(3,816)	-	-	(3,816)
Other Receipts (Payments)	-	1,242	-	1,242
Net Cash Provided (Used)	287,149	141,290	-	428,439
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	2,198	1,061	-	3,259
Operating Subsidies and Transfers from/(to) Other Funds	(37,378)	-	-	(37,378)
Net Cash Provided (Used)	(35,180)	1,061	-	(34,119)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	301,500	628,386	-	929,886
Capital Grants & Contributions Received	-	21,910	-	21,910
Acquisition and Construction of Capital Assets	(309,552)	(109,719)	-	(419,271)
Interest Paid on Debt Instruments	(88,073)	(81,669)	-	(169,742)
Principal Paid on Debt Instruments	(102,554)	(690,066)	-	(792,620)
Passenger Facility Charges	-	94,517	-	94,517
Other Receipts (Payments)	663	-	-	663
Net Cash Provided (Used)	(198,016)	(136,641)	-	(334,657)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	14,755	-	14,755
Interest and Dividends on Investments	16,836	22,925	176	39,937
Net Cash Provided (Used)	16,836	37,680	176	54,692
Net Increase (Decrease) in Cash and Cash Equivalents	70,789	43,390	176	114,355
Cash and Cash Equivalents, July 1 (including $484.0 mil for Water & Sewer and $577.0 mil for Aviation reported in restricted accounts)	587,038	775,195	9,909	1,372,142
Cash and Cash Equivalents, June 30 (including $545.0 mil for Water & Sewer and $576.0 mil for Aviation reported in restricted accounts)	657,827	818,585	10,085	1,486,497
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	166,146	17,374	(130)	183,390
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	124,315	100,679	-	224,994
Bad Debts, Net of Recoveries	-	-	-	-
Changes in Assets and Liabilities:				
Receivables, Net	(8,896)	6,513	(2,815)	(5,198)
Unearned Revenue	(454)	12,342	-	11,888
Inventories	(284)	(383)	2,945	2,278
Accounts and Other Payables	(66)	4,765	-	4,699
Accrued Expenses	6,388	-	-	6,388
Net Cash Provided by Operating Activities	287,149	141,290	-	428,439
Schedule of non-cash capital activities:				
Contributions of capital assets	-	-	-	-

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, 2019

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	16,832	126,384
Equity in Treasurer's Account	6,110,361	113,063
Investments	-	2,439
Securities Lending Collective Investment Pool	381,431	-
Allowance for Unrealized Loss	77	-
Accounts Receivable	4,090	-
Due from Brokers for Securities Sold	175,144	-
Interest and Dividends Receivable	1,653	-
Due from Other Governmental Units	7,816	-
Due from Other Funds	91,750	699
Total Assets	6,789,154	242,585
Liabilities		
Vouchers Payable	47	964
Accounts Payable	261	-
Salaries and Wages Payable	149	-
Payroll Taxes Payable	-	23,654
Funds Held in Escrow	-	217,967
Due on Return of Securities Loaned	381,431	-
Due to Brokers for Securities Purchased	162,078	-
Accrued Expenses	3,327	-
Other Liabilities	238	-
Total Liabilities	547,531	242,585
Net Position Restricted for Pensions	6,241,623	-

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, 2019

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	826,375
Employees' Contributions	100,429
Total Contributions	926,804
Investment Income:	
Interest and Dividends	146,434
Net Gain in Fair Value of Investments	198,205
(Less) Investments Expenses	(8,635)
Securities Lending Revenue	2,166
Securities Lending Unrealized Gain	-
(Less) Securities Lending Expenses	(324)
Net Investment Gain	337,846
Miscellaneous Operating Revenues	149
Total Additions	1,264,799
Deductions	
Personal Services	3,765
Purchase of Services	2,344
Materials and Supplies	131
Employee Benefits	4,846
Pension Benefits	886,360
Refunds of Members' Contributions	10,001
Administrative Expenses Paid	191
Other Operating Expenses	69
Total Deductions	907,707
Change in Net Position	357,092
Net Position - July 1, 2018	5,884,531
Net Position - June 30, 2019	6,241,623

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

City of Philadelphia

Statement of Net Position

Component Units

June 30, 2019

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Housing Authority*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Authority for Industrial Development*	Total
Assets									
Cash on Deposit and on Hand	124,145	189,371	64,719	59,457	4	23,553	18,115	58,888	538,252
Equity in Pooled Cash and Investments	-	-	-	-	389,599	-	-	-	389,599
Investments	-	-	15,139	21,270	143,569	47,724	-	-	227,702
Due from Primary Government	-	-	6,904	-	-	-	125,665	-	132,569
Notes Receivable	-	27,397	24,670	-	-	-	-	-	52,067
Taxes Receivable		-	-	-	159,336	-	-	-	159,336
Accounts Receivable-Net	85,989	23,766	898	69,376	33,054	5,403	298	4,103	222,887
Interest and Dividends Receivable	-	334	25,267	85	5,261	72	-	-	31,019
Due from Other Governments	-	56,765	-	-	149,909	1,791	-	5,105	213,570
Inventories	51,691	837	134,221	-	1,213	-	-	-	187,962
Other Assets	61,557	6,192	4,844	172	11,083	-	652	-	84,500
Restricted Assets:									
Cash and Cash Equivalents	68,634	51,782	13,718	128,882	25,877	-	-	18,820	307,713
Other Assets	109,220	3,044	8,237	-	134,381	19,557	-	11,571	286,010
Capital Assets:									
Land and Other Non-Depreciated Assets	93,421	183,175	170	36,942	282,307	32,896	-	11,003	639,914
Other Capital Assets (Net of Depreciation)	1,358,049	887,937	394	152,906	1,519,301	126,230	9,928	92,096	4,146,841
Total Capital Assets	1,451,470	1,071,112	564	189,848	1,801,608	159,126	9,928	103,099	4,786,755
Total Assets	1,952,706	1,430,600	299,181	469,090	2,854,894	257,226	154,658	201,586	7,619,941
Deferred Outflows of Resources	152,704	19,073	4,272	48,676	827,282	6,629	-	-	1,058,636
Liabilities									
Notes Payable	-	-	974	-	-	-	-	-	974
Vouchers Payable	67,530	-	-	-	-	14,319	-	-	81,849
Accounts Payable	-	16,537	12,151	30,032	157,120	-	7,278	4,013	227,131
Salaries and Wages Payable	4,078	3,300	567	-	137,458	3,712		-	149,115
Accrued Expenses	83,367	15,505	12,887	395	-	1,400	87,803	-	201,357
Funds Held in Escrow	-	2,179	8,524	-	-	351	-	1,313	12,367
Due to Other Governments	-	426	-	18,443	4,308	4,222	-	22,614	50,013
Due to Primary Government	-	-		44,256	-	-	-	7,457	51,713
Unearned Revenue	9,024	902	40,167	-	31,940	2,793	4,464	62,264	151,554
Overpayment of Taxes	-	-	-	-	21,304	-		-	21,304
Other Current Liabilities	-	14,845	-	-	54,561	-	50,330	-	119,736
Non-Current Liabilities:									
Due within one year	52,870	38,107	3,794	15,031	266,668	7,713	-	-	384,183
Due in more than one year	1,009,550	124,097	49,934	123,359	3,270,448	70,976	-	39,584	4,687,948
Net OPEB Liability	336,079	1,684	3,611	10,560	176,565	180,264	4,005	-	712,768
Net Pension Liability	247,246	94,394	17,208	132,025	3,698,831	-	-	-	4,189,704
Total Liabilities	1,809,744	311,976	149,817	374,101	7,819,203	285,750	153,880	137,245	11,041,716
Deferred Inflows of Resources	88,104	-	425	38,505	145,304	63,525	-	-	335,863
Net Position									
Net Investment in Capital Assets	494,460	647,749	224	104,522	(616,768)	103,869	-	54,491	788,547
Restricted For:									
Capital Projects	-	-	-	-	-	5,307	-	-	5,307
Debt Service	109,220	-	11,805	3,866	194,612	-	-	-	319,503
Behavioral Health	-	-	-	-	9,500	-	-	-	9,500
Educational Programs	-	-	-	-	6,471	11,608	-		18,079
Grant Programs	-	-	-	-	-	-	-	27,275	27,275
Other	-	6,124	-	-	55	-	-	-	6,179
Unrestricted	(396,118)	483,824	141,182	(3,228)	(3,876,201)	(206,204)	778	(17,425)	(3,873,392)
Total Net Position	207,562	1,137,697	153,211	105,160	(4,282,331)	(85,420)	778	64,341	(2,699,002)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2019. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2018. The Philadelphia Parking Authority and Philadelphi Housing Authority are presented as of the close of their fiscal year, March 31, 2019.

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, 2019

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 Housing Authority*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corp.	Philadelphia Authority for Industrial Development*	Total
Gas Operations														
Gas Works	599,653	671,992	23,523	-	95,862									95,862
Housing														
Housing Authority	434,945	51,691	392,595	22,427		31,768								31,768
Redevelopment Authority	37,914	2,559	30,813	-			(4,542)							(4,542)
	472,859	54,250	423,408	22,427										
Parking														
Parking Authority	260,594	280,525	-	-				19,931						19,931
Education														
School District	3,641,092	6,793	1,114,924	8,129					(2,511,246)					(2,511,246)
Community College	152,112	34,352	56,073	-						(61,687)				(61,687)
Total	3,793,204	41,145	1,170,997	8,129										
Health														
Community Behavioral Health	977,283	-	978,061	-							778			778
Economic Development														
Authority for Ind. Development	207,208	1,091	104,843	100,357									(917)	(917)
Total	207,208	1,091	104,843	100,357										
Total Component Units	6,310,801	1,049,003	2,700,832	130,913										(2,430,053)
General Revenues:														
Property Taxes					-	-	-	-	841,773	-	-	-	-	841,773
Other Taxes					-	-	-	-	496,014	-	-	-	-	496,014
Grants & Contributions Not Restricted to Specific Programs					-	6,867	-	-	1,286,915	69,166	-	-	-	1,362,948
Unrestricted Interest & Investment Earnings					-	642	141	9,866	6,848	2,253	-	-	645	20,395
Miscellaneous					-	4,141	-	-	-	2,021	-	-	-	6,162
Total General Revenue ,Special items and Transfers					-	11,650	141	9,866	2,631,550	73,440	-	-	645	2,727,292
Change in Net Position					95,862	43,418	(4,401)	29,797	120,304	11,753	778	-	(272)	297,239
Net Position - July 1, 2018					111,700	1,094,279	157,612	15,132	(4,415,363)	(97,173)	-	-	64,613	(3,069,200)
Adjustment					-	-	-	60,231	12,728	-	-	-	-	72,959
Net Position Adjusted - July 1, 2018					111,700	1,094,279	157,612	75,363	(4,402,635)	(97,173)	-	-	64,613	(2,996,241)
Net Position - June 30, 2019					207,562	1,137,697	153,211	105,160	(4,282,331)	(85,420)	778	-	64,341	(2,699,002)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2019. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2018. The Philadelphia Parking Authority and the Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2019.

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

Notes to the Financial Statements
FYE 06/30/2019

Table of Contents

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, No. 61, and No. 80. Certain other organizations also met 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.

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.

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. PHA is governed by a nine-member board with all members appointed by the City. In addition, the Mayor of Philadelphia has the ability to remove a majority of PHA's board without cause during any calendar year. Since the City appoints a voting majority of PHA's board and can impose its will, due to the Mayor's ability to remove a majority of the board at will; PHA meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Philadelphia Redevelopment Authority (PRA) – 1234 Market St., Philadelphia, PA 19107
PRA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval. PRA's reported amounts include the financial activity of the Head House Retail Associates, L.P., which is PRA's discretely presented component unit whose fiscal year ended December 31, 2018.

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.

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. As of July 1, 2018, the SDP is governed by a nine-member board appointed by the Mayor and approved by City Council. Since the Mayor appoints the governing board and there exist a financial benefit/burden relationship between the SDP and the City; the SDP meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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 and receives substantial subsidies from the City. CCP's reported amounts include the financial activity of the Community College of Philadelphia Foundation, which is a discretely presented component unit of CCP. Since the City appoints the governing board and there exists a financial benefit/burden relationship between the CCP and the City; the CCP meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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 decrease 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.

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 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.

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

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

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

The City reports the following major governmental funds:

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

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

The City reports on the following fiduciary funds:

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

The City reports the following major proprietary funds:

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

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

B. COMPONENT UNITS

The component units of the City prepare their financial statements in a manner similar to that of proprietary funds, with the exception of the following:

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.

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 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 acquisition price at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

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

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In FY13 GASB Statement No. 65 was implemented resulting in bond issuance costs being recognized as an expense and reported in the period incurred.

In *governmental fund* financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory workers' compensation and unemployment benefits to its employees. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, the city-administered health plan, the International Association of Fire Fighters and District Council 47.

9. RECEIVABLES AND PAYABLES

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

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2019 and 2018. Credit balance receivables have been included in unearned revenue in the statement of net position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

All trade and property receivables in the governmental-wide financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 30.99% 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. The City of Philadelphia and the School District of Philadelphia both impose a tax on all real estate in the City. Current real estate rates are $1.3998 on each $100 assessment; $0.6317 for the City and $0.7681 for the School District of Philadelphia. 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

In accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the City reports deferred outflows of resources in the Statement of Financial Position in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities.

Deferred Outflows of resources represents consumption of net position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time. Deferred Inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time.

On the full accrual basis of accounting, the components of the deferred outflows of resources and deferred inflows of resources are as follows:

- Derivative instruments are reported for the changes in fair value.
- Deferred Refunding results from the difference in the refunding of debt and its reacquisition price.
- Deferred pension transactions are recognized as an expense or revenue in a future period.
- Deferred outflows of resources and deferred inflows of resources related to the City's OPEB.

Six component units, including (**PGW),** (**PRA**), (**PPA**), (**SDP**), (**CCP**), and **(PHA)** have items that qualify in some of the categories, which are deferred refunding, deferred pension, and deferred OPEB categories. These items have been reported as deferred outflows or deferred inflows on the City's and the component unit's Statement of Net Position.

(Amounts in Thousands of USD)

Deferred Outflows of Resources	Governmental Activities	Business Type Activities	Component Units
Derivative Instrument	55,207	4,679	10,332
Deferred Charge of Refunding	87,722	45,549	135,152
Deferred Pension Expense	212,675	24,371	795,103
Deferred Outflow OPEB	131,354	16,136	118,048
Total	486,957	90,735	1,058,636

(Amounts in Thousands of USD)

Deferred Inflows of Resources	Governmental Activities	Business Type Activities	Component Units
Deferred Gain of Refunding	-	132	3,605
Deferred Pension Revenue	11,418	816	190,978
Unavailable Government Revenue	3,261	-	-
Deferred Inflow OPEB	184,789	22,517	141,280
Total	199,468	23,466	335,863

On the modified accrual statements, there were no deferred outflows and the City has three items that are reported in the Governmental Balance Sheet as deferred inflows: Unavailable Tax revenue, Unavailable Agency revenue and Unavailable Governmental revenue.

(Amounts in Thousands of USD)

Deferred Inflows of Resources	General Fund	Grants Revenue Fund	Other Governmental Funds
Unavailable Tax Revenue	126,464	-	1,202
Unavailable Agency Revenue	99,484	-	-
Unavailable Government Revenue	34,180	374,890	61,342
Total	260,128	374,890	62,544

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 ($5.7 million) and Business Income and Receipts Tax (BIRT) ($192.0 million).

14. NEW ACCOUNTING STANDARDS

In November 2016, **GASB issued Statement No. 83**, **Certain Asset Retirement Obligations**. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The adoption of this statement did not result in any significant changes to the City's financial statements.

In January 2017, **GASB issued Statement No. 84**, **Fiduciary Activities**. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has not completed the process of evaluating the impact of adopting this Statement.

In June 2017, **GASB issued Statement No. 87, Leases.** The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not completed the process of evaluating the impact of adopting this Statement.

In March 2018, **GASB issued Statement No. 88**, **Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.** The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City's adoption of Statement No. 88 resulted in additional disclosures related to direct borrowings, direct placements, and lines of credits.

In June 2018, **GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period.** The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not completed the process of evaluating the impact of adopting this Statement.

In August 2018**, GASB issued Statement No. 90, Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61).** The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has not completed the process of evaluating the impact of adopting this Statement.

In May 2019, **GASB issued Statement No. 91**, **Conduit Debt Obligations**. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The City has not completed the process of evaluating the impact of adopting this Statement.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

A. City

City 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 bank balance for City deposits was $600.5 million.

City Investments
The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund, Philadelphia Gas Works Retirement Reserve (PGW Pension Fund), and the Fairmount Park and Free Library Trust Funds. Those funds have separate investment policies designed to meet the long-term goals of the fund.

As of June 30, 2019, the total investments of the City, as well as both Pension Trust Funds and the Fairmount Park and Free Library Trust Funds, consisted of:

(Amount in Thousands)

Classification	City (1)	City Trust Funds	PGW Pension Fund	Municipal Pension Fund	Grand Total
State of PA - Invest Program	$ 914	$ -	$ -	$ -	$ 914
Short-Term Investment Pools	545,676	717	15,525	197,317	759,235
Commercial Paper	531,419	-	-	-	531,419
U.S. Government Securities	1,352,611	59	45,227	224,764	1,622,661
U.S. Government Agency Securities	652,925	165	29,290	22,252	704,632
Municipal/Other Debt	11,322	686	2,469	12,995	27,472
Foreign Debt	-	-	-	5,859	5,859
Corporate Bonds	289,285	220	80,787	345,432	715,724
CDO's	-	-	-	483	483
Government Bonds	-	-	-	114,354	114,354
Asset Backed Securities	-	-	5,895	23,677	29,572
Mortgage Backed Securities	-	13	3,200	101,150	104,363
Other Bonds and Investments	-	2,378	-	-	2,378
Corporate Equities	-	3,566	372,080	3,264,251	3,639,897
Limited Partnerships	-	-	-	79,321	79,321
Hedge Funds	-	-	-	29,102	29,102
Real Estate	-	-	-	638,690	638,690
Private Equity	-	-	-	495,502	495,502
Grand Total	$ 3,384,152	$ 7,804	$ 554,473	$ 5,555,149	$ 9,501,578

(1) The City's investments do not include blended component units (PMA & PICA).

The City's investments include all operating, capital, debt service and debt service reserve accounts of the City's General Fund, Water Department and Aviation Division. All City investments must be in compliance with applicable provisions of the City Code and City bond resolutions, as well as the City's Investment Policy. The City's Investment Policy is meant to supplement the applicable provisions of the City Code and City bond resolutions and is reviewed and adopted by the City's Investment Committee. The City's Investment Committee consists of the Director of Finance, the City Treasurer, a representative from the Water Department, Aviation Division, and the Philadelphia Gas Works.

City Investments - Credit Risk
The City's policy to limit credit risks is to limit the types of allowable investment, as well as the maximum percent of the portfolio for each type of investment.

The City's investment in US Government securities (39.97%) or US Government Agency obligations (19.29%) are allowable investments up to 100% of the portfolio. The US Government Agency obligations must be rated AAA by Standard & Poor's Corp. (S&P) or Aaa by Moody's Investor Services. All US Government Securities meet the criteria.

The City's investment in commercial paper (15.70%) is limited to 25% of the portfolio and must be rated A1 by S&P or P1 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 or Aa2 by Moody's. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (8.55%) is limited to 25% of the portfolio and had a S&P rating of AAA to AA or Moody's rating of Aa2 or better. All corporate investments meet the criteria.

Short Term Investment Pools are rated AAA by S&P and Aaa by Moody's Investor Services. The Short-Term Investment Pools' amortized cost-based net asset value per share/unit is the same as the value of the pool shares. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools).

The City limits its foreign currency risk by investing in certificates of deposit and banker's acceptances issued or endorsed by non-domestic banks that are denominated in US dollars, providing that the banking institution has assets of not less than $100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the City did not have any investments of that nature.

To minimize custodial credit risk, the City's policy is to select custodian banks that are members of the Federal Reserve System to hold its investments. Delivery of the applicable investment documents to the City's custodian is required for all investments.

City Investments - Interest Rate Risk

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

(Amounts in thousands of USD)

Classifications	Less than 6 months	7 to 12 months	13 to 18 months	19 to 24 months	Total
Commercial Paper	498,133	33,286	-	-	531,419
U.S. Government Security	917,013	227,407	201,510	6,681	1,352,611
U.S. Government Agency Securities	308,656	193,719	53,703	96,847	652,925
Municipal Debt	5,712	256	5,354	-	11,322
Corporate Bonds	77,217	93,748	62,353	55,967	289,285
Grand Total	1,806,731	548,416	322,920	159,495	2,837,562

City Investments – Fair Value Measurement

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability
- Level 3: Unobservable inputs for assets or liabilities

The City has the following recurring fair value measurements as of June 30, 2019:

- Commercial paper securities of $531.4 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)
- U.S. Treasury securities of $1,352.6 million are valued using quoted prices from active markets (Level 1)
- U.S Agency securities of $652.9 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)
- Municipal Debt/Other securities of $11.3 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)
- Corporate bond securities of $289.3 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2)

The City's money market and short-term investment pools of $546.6 million are valued at the published amortized cost-based net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

The Fairmount Park Trust Fund has the following recurring fair value measurements as of June 30, 2019:

- Equity Stock securities of $0.8 million are valued using quoted prices from active markets (Level 1)
- ETF and Mutual funds of $4.2 million are valued using quoted prices from active markets (Level 1)
- U.S Treasury securities of $0.1 million, U.S. Agency securities of $0.2 million, Corporate bond securities of $0.2 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)

The Free Library Trust Fund's mutual funds of $2.4 million are valued at the published net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

Municipal Pension Fund

See Footnote IV. 1. PENSION PLANS A. (1) e. Cash Deposits, Investments and Securities Lending

Philadelphia Gas Works Retirement Reserve (PGWRR)

See Footnote IV. 1. PENSION PLANS A. (2) c. Summary of Significant Accounting Policies

B. Blended Component Units

1) PICA

Deposits:
The Authority's funds may be deposited in any bank that is insured by the Federal Deposit Insurance Corporation. To the extent that such deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodians) obligations of the United States, the Commonwealth, or any other political subdivision of the Commonwealth to eliminate the risk of uninsured funds. Under Act 72 of 1971 Session of the Pennsylvania General Assembly (Act 72), as amended, the depositories may meet this requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

At June 30, 2019, PICA's deposits consist of the following:

Cash	$ 1,079,712
Certificates of Deposit	3,675,000
Total	$ 4,754,712

PICA's deposits include bank certificates of deposit that have a remaining maturity, at the time of purchase, of one year or less. US Treasury and Agency obligations with a remaining maturity of one year or less are classified as short-term investments.

Custodial Credit Risk – Custodial Credit Risk is the risk that in the event of a bank failure, PICA's deposits may not be returned to it. PICA has no policy, other than noted above, that further limits its custodial risk. As of June 30, 2019, PICA's book balance was $4,754,712 and the bank balance was $4,774,614. Of the bank balance, $3,925,000 was covered by federal depository insurance and $849,614 was collateralized under Act 72.

Interest Rate Risk – PICA does not have a formal investment policy, other than as noted above, that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value of Investments - Investments and derivatives are recorded at fair value as of June 30, 2019. GASB Statement No. 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

The following table summarizes PICA's investments within the fair value hierarchy at June 30, 2019:

	Fair Value Measurements Using			
Investment Type	Level 1	Level 2	Level 3	Totals
Money Market Funds	27,706,880	-	-	27,706,880
US Treasury & Agency Obligations	15,606,406	-	-	15,606,406
Municipal Bonds/short-term notes	-	6,315,061	-	6,315,061
Commercial Paper	-	24,035,527	-	24,035,527
Total	43,313,286	30,350,588	-	73,663,874

Investment Derivative Instruments:

As of June 30, 2019, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

			Fair Value as of June 30, 2019:		
Government Activities	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount**
2003 Basis Cap	Investment Income	2,845	Investment	322,889	36,790,000
1999 Basis Cap	Investment Income	6,980	Investment	888,415	72,960,000

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 in June 15, 2003, the counterparty pays PICA a fixed rate each month of .40% per year times the notional amount times the day count fraction and PICA will pay the counterparty a variable rate based on the greater of (a) the average of Securities Industry and Financial Markets Association (SIFMA) for the month divided by one-month London Interbank Offered Rate (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 pays PICA a fixed rate each month of .46% per year times the notional amount times the day count fraction and PICA 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 1999 interest rate swap noted above. If the ratio of SIFMA/LIBOR rises sharply, the anticipated benefit may not be realized.

Fair Value - As of June 30, 2019, the 2003 basis cap had a positive fair value of $322,889. This means that PICA would receive this amount to terminate the 2003 basis cap. As of June 30, 2019, the 1999 basis cap had a positive fair value of $888,415. This means that PICA would receive this amount to terminate the 1999 basis cap. The fair values of these swaps were measured using the zero-coupon discount method and are categorized within Level 2 of the fair value hierarchy.
Termination Risk - The basis caps include an additional termination event based on credit ratings. The basis caps may be terminated by PICA if the counterparty's ratings fall below A- or A3 and collateral is not posted within 15 days.

2) PHILADELPHIA MUNICIPAL AUTHORITY

INVESTMENTS AND DEPOSITS

The Philadelphia Municipal 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.

The investments of the Equipment Acquisition Fund were made in accordance with City investment policies and include money market funds, government securities, corporate bonds and debt obligations.

A summary of the investments at June 30, 2019 is as follows:

					Maturity
		Fair Value		*(In Thousands)* Cost	Date
Money Market Funds*	$	13,621,283	$	13,621	N/A
Total	$	13,621,283	$	13,621	

** Restricted for debt service or capital expenditures. N/A – Not applicable.*

PMA, through its trustees, invested the unexpended cash from the 2017 Juvenile Justice Center Bond Issue, the 2014 Philadelphia Municipal Authority Bond Issues, and the 2013 Energy Conservation and Direct Subsidy Bond Issues in money market funds during the year.

PMA does not have a formally adopted investment policy related to credit risk, but it generally follows the practices of the City. As of June 30, 2019, PMA had no investments in U.S. government securities. Investments in money market funds were not rated.

Custodial Credit Risk
Custodial credit risk is the risk that in the event of a bank or counterparty failure, PMA's deposits or investments may not be returned to it. PMA does not have a formal policy for custodial credit risk. However, it generally follows the practices of the City.

PMA's depository cash accounts consisted of $142,146 on deposit with two local banks as of June 30, 2019. Amounts are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in PMA's name. As of June 30, 2019, PMA did not have uninsured deposits on hand.

Interest Rate Risk
Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying or hedging. PMA does not have a formal policy for interest rate risk. However, it generally follows the practices of the City.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

PMA's investments qualify as Level 1 investments.

C. Discretely Presented Component Units

1. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2019, PAID's 2007A (Stadium) 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, 2019		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Revenue	1,872	Investment	1,075	193,520

Objective: PAID entered into a basis swap that became effective on July 1, 2004, that provided 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 received ten equal payments of $1.2 million from MLCS starting on July 1, 2004. Payments under this swap are a lease rental obligation of the City.

A portion of the original transaction in the amount of $105 million was amended such that the variable payments received by PAID were computed as 62.89% of five-year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amendment effective date was October 1, 2006, with variable payments to be made (as described above) through October 1, 2020. On December 1, 2009, PAID terminated that portion of the swap that was subject to the amendment and received a termination payment of $3,049,000.

As of June 30, 2019, the notional amount on the portion of the swap that was not amended was $193.52 million.

Fair Value: As of June 30, 2019, the swap had a positive fair value of $1.075 million. This means that PAID would have to receive this amount to terminate the swap. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risks: As of June 30, 2019, PAID *is* exposed to credit risk because the swap has a positive fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by PAID if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes PAID to basis risk, the risk that the relationship between one-month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one-month LIBOR plus 20 bps, the anticipated savings of the swap will be reduced and may not materialize.

2. School District of Philadelphia Basis Swaps

Objective, Terms, Fair Value and Accounting of Derivative Instruments:

The School District, on November 21, 2006, entered into two qualified interest rate management agreement basis swaps initially related to its 2003B School Lease Revenue Bonds. Subsequently, on December 28, 2006, the District refunded these 2003B bonds under School Lease Revenue Bonds 2006B. Further, on November 16, 2016 a portion of the 2006B bonds were refunded under the 2016A School Lease Revenue Bonds. Thus, the derivatives are following the debt.
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 Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments". Fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps. Fair values reflect the effect of non-performance risk, which includes The School District's credit risk.

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, 2019 along with the counterparties and their credit ratings.

Associated Bonds	Initial Notational	Current Notational	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Ratings
Series 2006B & 2016A School Lease Revenue Bonds	$150,000,000	$150,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USI	$ 1,441,747	Wells Fargo Bank N.A.	Aa2/A+/AA
Series 2006B & 2016A School Lease Revenue Bonds	$350,000,000	$350,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USI	$ 3,364,076	JPMorgan Chase Bank, N.A.	Aa3/A+/AA
							$ 4,805,823		

Basis risk/Interest rate risk.

The School District anticipated that, on average and over time, the BMA-based variable rate paid on the Basis Swaps will approximately equal (and therefore offset) the LIBOR-based variable rate received on the Basis Swaps, therefore leaving the School District as a net receiver with (i) net positive receipts from the fixed percentage spread and (ii) the up-front payment. The effect of the Basis Swaps is to compensate the School District for its assumption of tax risk in exchange for an expected interest expense reduction (i.e. the expected positive cash flows under the Basis Swaps). 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, 2019, the net benefit to the School District has been $18,012,355.

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 mark-to-market 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, 2019, the School District has no credit risk exposure on the remaining two basis swap contracts because the swaps under each netting agreement with each counterparty have negative mark-to-market values. This means the counterparties are exposed to the School District in the amount of the derivatives' mark-to-market values, a total positive mark-to-market value of $4,894,973 as of June 30, 2019. However, should interest rates change and the fair values of the swaps become positive, the School District would be exposed to credit risk.

The basis swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Termination risk:
Only the School District may terminate the two existing 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 swap's fair value.

2. SECURITIES LENDING

A. GOVERNMENTAL FUNDS:

The City Treasurer is prohibited from lending or selling city-owned securities with an agreement to buy them back after a stated period of time (City of Philadelphia - Investment Policy Section VI. Investment Restrictions)

B. PENSION TRUST FUNDS

1. City Plan (Municipal Pension Fund):
   - The Board of Directors of the Municipal Pension Fund has authorized management of the Fund to participate in securities lending transactions.
   - See Footnote IV. 1. PENSION PLANS A. (1) e. Cash Deposits, Investments and Securities Lending
2. Philadelphia Gas Works (PGW) Plan
   - The Board of Directors of the Sinking Fund Commission on behalf of Philadelphia Gas Works Retirement Reserve Fund ("PGWRR") has authorized the management of these funds to participate in securities lending transactions.
   - As of June 1, 2014, the Plan no longer participates in a securities lending program. In December 2011, Wells Fargo, the custodian of the Plan, with the written consent of the Plan, assigned the securities lending program to Citibank. The agreement between the parties gave both parties the right to terminate the arrangement with at least 15 days' notice. On May 9, 2014, Citibank gave written communication to the Plan that they wished to terminate the arrangement effective June 1, 2014.

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

The General Fund consists of cash and investment balances related to the net proceeds of PAID's Sports Stadium Financing Lease 2007 Series B Revenue Bonds, PAID's City Service Agreement Refunding Revenue Series Bond 2012, PAID's City Agreement - Cultural & Commercial Corridor Program - Revenue Refunding Series Bond 2016A, PAID's City Agreement – Philadelphia Central Library Project - Revenue Refunding Series Bond 2016B, PAID's City Service Agreement – Affordable Housing Preservation 2017 Series Bonds, PAID's City Service Agreement – Museum of Art Series 2018A Revenue Bonds, PAID's City Service Agreement – One Parkway Series 2018B Revenue Refunding Bonds, PAID's City Service Agreement – Rebuild Project – Revenue Bonds Series 2018, PRA's City Service Agreement Revenue Bonds Series 2018.

Grants Revenue Fund - There are no amounts reported for fiscal year 2019 for the Grants Revenue Fund.

B. PROPRIETARY FUNDS

There are no amounts reported for fiscal year 2019 - Proprietary Funds.

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)

	Interfund Receivables Due to:				
Interfund Payables Due From:	**General**	**Non major Special Revenue**	**Pension Fund**	**Other Funds**	**Total**
General	$ -	$ -	$ 91,750	$ 699	$ 92,449
Grants Revenue Fund	-	-	-	-	-
Water & Sew er Fund	-	4,709	-	-	4,709
Non major Special Revenue Funds	11,752	38	-	-	11,805
Total	$ 11,752	$ 4,747	$ 91,750	$ 699	$ 108,963

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)

	Receivables Due to:							
Payables Due From:	**General**	**Aviation**	**CBH**	**PRA**	**PAID**	**PGW**	**Timing Difference**	**Total**
General Fund	$ -	$ -	$ -	$ -	$ 4,409	$ 285	$ -	$ 4,694
Behavioral Health	-	-	65,875	-	-	-	-	65,875
Grants Revenue	-	-	-	791	-	-	-	791
Community Dev.	-	-	-	99	-	-	-	99
Capital Improvement	-	-	-	269	2,387	-	-	2,656
Aviation Fund	-	-	-	-	-	131	-	131
Water Fund	-	-	-	-	266	26	-	292
PPA	10,441	35,297	-	-	-	-	(1,482)	44,256
PAID	36,973	-	-	-	-	-	(29,516)	7,457
Timing Difference	-	(35,297)	59,790	5,744	(7,062)	(442)	-	22,733
Total	$ 47,414	$ -	$ 125,665	$ 6,903	$ -	$ -	$ (30,998)	$ 148,984

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity of the primary government for the year ended June 30, 2019 was as follows:

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	872.0	31.0	(3.0)	900.0
Fine Arts	1.0	-	-	1.0
Property Available for Sale	11.0	-	(1.0)	10.0
Construction In Process	10.0	5.0	(2.0)	13.0
Total capital assets not being depreciated	894.0	36.0	(6.0)	924.0
Capital assets being depreciated:				
Buildings	2,511.0	47.0	-	2,558.0
Other Improvements	370.0	17.0	-	387.0
Equipment	550.0	71.0	(33.0)	588.0
Infrastructure	1,739.0	43.0	-	1,782.0
Intangibles	38.0	14.0	-	52.0
Transit	292.0	-	-	292.0
Total capital assets being depreciated	5,500.0	192.0	(33.0)	5,659.0
Less accumulated depreciation for:				
Buildings	(1,596.0)	(80.0)	-	(1,676.0)
Other Improvements	(274.0)	(10.0)	-	(284.0)
Equipment	(404.0)	(36.0)	31.0	(409.0)
Infrastructure	(1,261.0)	(43.0)	-	(1,304.0)
Intangibles	(9.0)	(5.0)	-	(14.0)
Transit	(242.0)	(4.0)	-	(246.0)
Total accumulated depreciation	(3,786.0)	(178.0)	31.0	(3,933.0)
Total capital assets being depreciated, net	1,714.0	14.0	(2.0)	1,726.0
Governmental activities capital assets, net	2,608.0	50.0	(8.0)	2,650.0

Capital Asset activity of the primary government, business-type activities for the year ended June 30, 2019 was as follows:

(Amounts In Millions of USD)

Business-Type Activities - Enterprise Funds	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	226.5	9.7		236.3
Construction In Process (1)	997.9	428.1	(370.5)	1,055.5
Total capital assets not being depreciated	1,224.4	437.8	(370.5)	1,291.8
Capital assets being depreciated:				
Buildings (2)	3,504.0	181.6	(36.4)	3,649.1
Other Improvements	375.9	27.0	-	402.9
Equipment	164.0	43.6	(24.6)	183.0
Intangible Assets	19.8	2.0	-	21.8
Infrastructure (3)	3,650.3	150.6	(46.8)	3,754.0
Total capital assets being depreciated	7,713.9	404.7	(107.9)	8,010.8
Less accumulated depreciation for:				
Buildings (4)	(1,979.6)	(94.5)	26.3	(2,047.7)
Other Improvements	(211.8)	(18.9)	-	(230.7)
Equipment	(123.6)	(13.7)	1.3	(136.0)
Intangible Assets	(12.7)	(1.3)	-	(13.9)
Infrastructure (5)	(2,021.4)	(96.7)	31.6	(2,086.4)
Total accumulated depreciation	(4,349.0)	(225.0)	59.3	(4,514.7)
Total capital assets being depreciated, net	3,364.9	179.7	(48.6)	3,496.0
Business-type activities capital assets, net	4,589.3	617.5	(419.1)	4,787.8

(1) The beginning balance for CIP was decreased by $32.9 million due to projects that were completed in FY18 and prior but not transferred to fixed assets until FY19.
(2) The beginning balance for Buildings was increased 2.9 million due to projects that were completed in FY18 and prior but not transferred to fixed assets until FY19.
(3) The beginning balance for Infrastructure was increased 29.7 million due to projects that were completed in FY18 and prior but not transferred to fixed assets until FY19.
(4) The beginning balance for Accumulated Depreciation - Buildings was increased $5.2 million due to changes in estimated useful lives and calculation adjustments.
(5) The beginning balance for Accumulated Depreciation Infrastructure was increased $4.0 million due to changes in estimated useful lives and calculation adjustments.

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

	(Amounts in Millions of USD)
Governmental Activities:	
Economic Development	2
Transportation:	
Streets & Highways	48
Mass Transit	4
Judiciary and Law Enforcement:	
Police	13
Prisons	6
Courts	1
Conservation of Health:	
Health Services	4
Cultural and Recreational:	
Recreation	14
Parks	13
Libraries and Museums	7
Improvements to General Welfare:	
Social Services	2
Service to Property:	
Fire	9
General Management & Support	55
Total Governmental Activities	178

Depreciation expense was charged to the primary government, business-type activities as follows:

	(Amounts in Millions of USD)
Business-Type Activities:	
Water and Sewer	124
Aviation	101
Total Business Type Activities	225

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, 2019:

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land (1)	127.8	-	-	1.4	129.2
Construction In Process	81.0	109.2	(0.1)	(37.0)	153.1
Total capital assets not being depreciated	208.8	109.2	(0.1)	(35.6)	282.3
Capital assets being depreciated:					
Buildings (2)	1,758.1	2.9	(0.2)	5.7	1,766.5
Other Improvements	1,296.8	52.3	-	29.9	1,379.0
Intangible Assets	69.8	1.8	-	-	71.6
Personal Property & Equipment (3)	199.5	14.7	(19.5)	-	194.7
Total capital assets - Depreciated	3,324.2	71.7	(19.7)	35.6	3,411.8
Less accumulated depreciation for:					
Buildings (4)	(732.3)	(30.6)	0.2	-	(762.7)
Other Improvements	(889.4)	(42.6)	-	-	(932.0)
Intangible Property	(52.0)	(3.7)	-	-	(55.7)
Personal Property & Equipment	(149.3)	(14.7)	18.6	-	(145.4)
Total accumulated depreciation	(1,823.0)	(91.6)	18.8	-	(1,895.8)
Total capital assets being depreciated, net	1,501.2	(19.9)	(0.9)	35.6	1,516.0
Governmental Activity - Capital Assets, Net	1,710.0	89.3	(1.0)	-	1,798.3

(1) The beginning balance for Land was increased $1.0 million to properly reflect the correct value of the land.
(2) The beginning balance for Buildings was decreased $1.0 million to properly reflect the correct value of the buildings.
(3) The beginning balance for Personal Property was decreased $0.1 million to correct an asset value incorrectly recorded.
(4) The beginning accumulated depreciation balance for Buildings was decreased $0.5 million to adjust for the decreased asset value of Buildings

(Amounts In Millions of USD)

Business-type Activities:	Beginning Balance	Adjustment	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Land	91.1	-	-	(0.1)	91.0
Fine Arts	0.8	-	-	-	0.8
Construction In Process	214.9	-	232.5	(181.6)	265.8
Total capital assets not being depreciated	306.8	-	232.5	(181.7)	357.6
Capital assets being depreciated:					
Buildings	2,433.9	-	21.0	47.6	2,502.6
Other Improvements (1)	362.4	10.7	10.7	0.3	384.0
Equipment (2)	584.0	0.1	10.5	(4.9)	589.7
Infrastructure	1,947.7	-	101.2	(5.6)	2,043.3
Total capital assets being depreciated	5,328.0	10.8	143.5	37.4	5,519.6
Less accumulated depreciation for:					
Buildings	(1,406.9)	-	(61.6)	26.4	(1,442.1)
Other Improvements (3)	(210.5)	(1.2)	(13.2)	-	(225.0)
Equipment (4)	(252.2)	(0.1)	(20.3)	0.7	(271.9)
Infrastructure	(903.9)	-	(42.4)	(3.7)	(950.0)
Total accumulated depreciation	(2,773.6)	(1.3)	(137.4)	23.4	(2,888.9)
Total capital assets being depreciated, net	2,554.4	9.5	6.0	60.8	2,630.7
Capital assets, net	2,861.2	9.5	238.6	(120.9)	2,988.3

(1) PPA's beginning balance for Other Improvements was adjusted by $10.7 million to reflect an asset that had not previously been reported.
(2) The SDP's beginning balance for Food Service was adjusted to reflect a $0.1 million correction to the value of donations.
(3) PPA's beginning balance for Accumulated Depreciation - Other Improvements was adjusted by ($1.2) million to reflect an asset that had not previously been reported.
(4) The SDP's beginning accumulated depreciation balance for Food Service was increases $0.1 million to reflect the increased asset value for Machinery and Equipment.

6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which closed on January 1, 2013, in the amount of $350 million to provide funding for capital projects currently approved by the airlines. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia International Airport's CP Program will enable projects to be financed on an as-needed basis; lower the Airport's cost of borrowing, as amounts drawn can be closely matched to capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper. There were $140.3 million notes outstanding at June 30, 2019.

As of June 30, 2019, the Aviation fund had an outstanding letter of credit of $140.3 million and an unused letter of credit equal to $83.8 million related to the CP program.

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 2019, $12.8 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.

As of June 30, 2019, HUD had disbursed $211.6 million in loans to PIDC and the amount of outstanding HUD Section 108 Notes Payable was $68.55 million. 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. The total amount of loans made from HUD to PIDC and amount of HUD loans that are left to be repaid differ from the amounts disclosed in the PIDC 12/31/18 audit report, as PIDC' s audit reports are done on a calendar year basis and the HUD Contingent Liability Report is done on a fiscal year basis.

Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2019 are as follows:

HUD Section 108 Notes Payable, 5 Years and Thereafter

Year ending June 30,		
2020		3,666,000
2021		3,766,300
2022		4,170,000
2023		4,379,000
2024		4,608,000
Thereafter		47,955,700
Total	$	68,545,000

PGW, Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may sell short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may not exceed $150.0 million outstanding to support working capital requirements. PGW may also issue additional short-term notes in an aggregate principal amount, which may not exceed $120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. As of December 1, 2017, all notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. Prior to that, all notes were supported by two irrevocable letters of credit and a security interest in PGW's revenues. The Note Purchase and Credit Agreement supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at $120.0 million in FY 2019 and FY 2018, respectively. The commitment amount is $120.0 million under the current credit agreements. The expiration date of the credit agreements is December 31, 2021. There were no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) or Gas Works Revenue Notes outstanding at August 31, 2019 and 2018, respectively.

PPA, On January 29, 2015, The Authority borrowed $6,000,000 for the Philadelphia Airport Parking Garage Project in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures April 1, 2020, as a result of a two-year extension. The balance of the note payable at March 31, 2019 and 2018, is $4,793,700, respectively.

On March 30, 2016, The Authority borrowed $15,000,000 for the Philadelphia Airport Parking Garage in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures April 1, 2020, as a result of a two-year extension. The balance of the note payable at March 31, 2019 and 2018, is $13,488,093, respectively.

The aggregate annual principal and sinking fund payments of debt at March 31, 2019, are as follows:

Fiscal Year	Revenue Bonds		Notes Payable		
Ending March 31,	Principal	Interest	Principal	Interest	Total
2020	$ 15,030,515	5,042,824		$ 561,251	$ 20,634,590
2021	15,635,515	4,295,597	$ 18,281,793		38,212,905
2022	13,915,515	3,578,098			17,493,613
2023	14,575,515	2,879,179			17,454,694
2024	15,265,515	2,138,218			17,403,733
2025 - 2029	27,182,573	5,013,760			32,196,333
2030	13,079,227	289,992			13,369,219
	$ 114,684,375	$ 23,237,668	$ 18,281,793	$ 561,251	$ 156,765,087

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, 2019, the statutory limit for the City is $9.5 billion, the General Obligation Debt, net of deductions authorized by law, is $2.1 billion; leaving a legal debt borrowing capacity of $7.4 billion. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims are typically paid by the General Fund. The following schedule reflects the changes in long-term liabilities for the fiscal year:

Long Term Debt Governmental Changes - Primary Government *(Amounts In Millions of USD)*

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Bonds Payable - General Obligation Bonds					
Term Bonds	28.6	-	-	28.6	-
Refunding Bonds	950.2	188.7	(191.4)	947.4	59.6
Serial Bonds	630.9	-	(98.9)	532.1	24.9
Add: Bond Premium	106.9	25.3	(16.1)	116.1	-
Less: Unamortized Discount	(0.5)	-	0.5	(0.0)	-
Total Bonds Payable - General Obligation Bonds	1,716.1	214.0	(305.9)	1,624.2	84.5
Bonds Payable - Blended Component Units					
Term Bonds - PMA	166.8	-	(13.9)	153.0	4.9
Term Bonds - PICA	168.5	-	(38.8)	129.7	40.5
Add: Bond Premium	27.0	-	(6.7)	20.3	-
Total Bonds Payable - Blended Component Units	362.3	-	(59.3)	303.1	45.4
Total Bonds Payable	2,078.4	214.0	(365.1)	1,927.2	129.9
Obligations Under Lease & Service Agreements					
Pension Service Agreement	852.3	25.0	(104.9)	772.3	104.9
Neighborhood Transformation	166.5	40.0	(9.8)	196.8	11.6
One Parkway	27.6	-	(2.7)	24.8	2.6
Sports Stadium	131.5	-	(14.5)	117.0	7.7
Notes from Direct Placement & Direct Borrowing	117.3	-		117.3	7.7
Library	5.0	-	(0.6)	4.3	0.7
Cultural Corridor Bonds	85.0	-	(4.4)	80.7	4.5
City Service Agreement	299.8	-		299.8	-
Affordable Housing Preservation Project	52.9	-	(1.8)	51.2	1.8
Philadelphia Museum of Art	10.3	-	(0.4)	9.9	0.3
PAID Rebuild Project Series 2018	0.0	79.5		79.5	2.8
Add: Bond Premium	41.9	8.2	(6.0)	44.1	-
Total Obligations Under Lease & Service Agreement	1,790.0	152.7	(145.1)	1,797.6	144.7
Other Long-term Liabilities					
Legal Claims	58.1	39.0	(45.3)	51.8	-
Worker's Compensation Claims	234.7	61.5	(63.6)	232.6	-
Medical Claims	23.6	96.7	(96.9)	23.4	23.4
Termination Compensation Payable	242.8	27.4	(23.1)	247.1	24.7
Leases	249.3	-	(5.1)	244.2	5.3
Total Other Long-term Liabilities	808.5	224.6	(234.0)	799.1	53.4
Total Bonds Payable, Obligations Under Lease & Svc Agreements, and OLTL	4,676.9	591.2	(744.2)	4,523.9	327.9
Net Pension and OPEB Liability					
Net Pension Liability	5,377.7	40.3	(104.2)	5,313.8	-
OPEB Liability (1)	1,657.1	70.3	(103.8)	1,623.6	-
Total Net Pension and OPEB Liability	7,034.8	110.6	(208.0)	6,937.4	-
Governmental Activity Long-term Liabilities	11,711.7	701.8	(952.2)	11,461.3	327.9

(1) Beginning balance of OPEB Liability increased $1 million to recognize PICA OPEB liability from prior year.

In addition, both blended component units have debt that is classified on their respective balance sheets as General Obligation debt payable. The following schedule summarizes the General Obligation Bonds outstanding for the City, the **PMA** and **PICA**:

(Amounts in Millions of USD)

	Interest Rates					Principal	Due Dates			
Governmental Funds:										
City	3.829	%	to	5.250	%	1,508.1	Fiscal	2020	to	2042
PMA	2.625	%	to	5.087	%	153.0	Fiscal	2020	to	2044
PICA	4.000	%	to	5.000	%	129.7	Fiscal	2020	to	2023
						1,790.8				

- In May 2019, the City issued $188.7 million of General Obligation Refunding Bonds Series 2019A. The total proceeds were $214.0 million (including a premium of $25.3 million). The proceeds of the sale were used to refund the Series 2009A Bonds. The interest rates of the Bonds that were refunded ranged from 4.500% to 5.500%. The interest rates of the newly issued Bonds are 5.000%. The transaction resulted in a total savings to the City of $31.6 million over the next 13 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was $28.1 million.
- The City's outstanding notes from direct placement and direct borrowings related to governmental activities of $117.3 million contain a provision that in the event of default, the purchaser may declare the outstanding amount immediately due and payable.
- The City's GO bonds series 2007A, 2009A, 2009B, 2011, 2012A, 2013A, 2014A, 2015A, 2015B, 2017, 2017A, 2019A have certain provisions where should a Bondholder fail to receive payment of principal and interest when due and payable, a suit may be brought against the City to seek a judgement for the unpaid amount. A judgement creditor may cause the court to issue a writ commanding the City Treasurer to cause the judgement to be paid out of any unappropriated monies of the City, and if there be no such monies, out of the first monies that shall be received for the use of the City. The City's Home Rule Charter requires that, if any obligations of the City are not paid or provided for within the fiscal year in which such obligations are payable, the annual operating budget ordinance for the following fiscal year shall provide for discharging the resulting deficit.
- Philadelphia Municipal Authority (PMA) 2012A, 2012B, 2014A, 2014B, 2017 bonds have certain provisions where, upon occurrence of Event of Default, Bondholders may declare the outstanding amount immediately due and payable; however, Bondholders do not have the right to accelerate lease payments by the City under the respective Prime Leases/Service Agreements

  The City has General Obligation Bonds authorized and un-issued at year-end of $672.2 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
2020	84.5	69.1	4.9	7.1	40.5	6.5
2021	77.1	67.8	5.1	6.9	32.9	4.4
2022	80.7	63.9	5.4	6.7	34.4	2.8
2023	85.7	59.7	5.6	6.4	21.9	1.1
2024	89.9	55.4	5.9	6.1	-	-
2025-2029	458.5	207.8	28.9	25.9	-	-
2030-2034	422.9	97.8	35.1	19.3	-	-
2035-2039	185.0	24.8	44.1	10.3	-	-
2040-2044	23.8	1.8	18.0	2.4	-	-
Totals	1,508.1	648.1	153.0	91.1	129.7	14.8

The debt service through maturity for Lease and Service Agreements is as follows:

(Amounts in Millions of USD)

Lease & Service Agreements

Fiscal Year	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	99.6	35.1	11.6	9.5	2.6	1.2	7.7	4.0	7.7	3.8
2021	62.3	37.5	12.2	9.0	2.7	1.1	8.0	3.1	8.0	2.2
2022	62.5	42.3	12.8	8.4	2.9	1.0	8.3	2.9	8.4	2.0
2023	23.4	36.4	13.4	7.8	3.0	0.8	8.7	2.7	8.7	1.8
2024	25.7	39.3	12.8	7.1	3.2	0.7	9.1	2.3	9.1	1.7
2025-2029	498.8	136.1	76.8	25.4	10.4	1.1	51.4	7.3	51.6	5.2
2030-2034	-	-	43.8	6.9	-	-	23.8	0.7	23.8	0.4
2035-2039	-	-	13.4	1.5	-	-	-	-	-	-
Totals	772.3	326.7	196.8	75.6	24.8	5.9	117.0	23.0	117.3	17.1

Fiscal Year	Central Library Principal	Central Library Interest	Cultural Corridors Principal	Cultural Corridors Interest	City Svc Agreement Principal	City Svc Agreement Interest
2020	0.7	0.1	4.5	3.9	-	11.8
2021	0.7	0.1	4.7	3.7	23.2	11.8
2022	0.7	0.1	5.0	3.4	19.0	10.9
2023	0.7	0.1	5.2	3.2	64.7	10.2
2024	0.7	0.1	5.5	2.9	62.1	7.6
2025-2029	0.8	-	32.2	10.1	130.8	7.8
2030-2034	-	-	23.6	1.8	-	-
Totals	4.3	0.5	80.7	29.0	299.8	60.1

Fiscal Year	Affordable Housing Principal	Affordable Housing Interest	Museum of Art Principal	Museum of Art Interest	Rebuild Project Principal	Rebuild Project Interest
2020	1.8	2.5	0.3	0.5	2.8	4.0
2021	1.9	2.4	0.3	0.5	3.0	3.8
2022	2.0	2.3	0.4	0.5	3.1	3.7
2023	2.1	2.2	0.4	0.4	3.3	3.5
2024	2.2	2.1	0.4	0.4	3.4	3.4
2025-2029	10.0	8.9	2.3	1.8	15.6	14.0
2030-2034	15.6	5.9	2.9	1.2	24.2	9.8
2035-2039	15.6	1.6	2.9	0.4	24.1	3.1
Totals	51.2	27.9	9.9	5.7	79.5	45.3

(2) Business Type Debt Payable

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

Long Term Debt Business Changes - Business Type *(Amounts In Millions of USD)*

Business-Type Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	-	-	-	-	-
Revenue Bonds	3,296.7	346.8	(225.7)	3,417.8	169.7
Notes from Direct Placement & Direct Borrowing	125.0	-	(2.2)	122.8	2.3
Add: Bond Premium	293.3	-	(7.0)	286.3	-
Total Bonds Payable	3,715.0	346.8	(234.9)	3,826.9	172.0
Other Long Term Liabilities					
Indemnity Claims (1)	7.5	4.8	(5.7)	6.6	-
Worker's Compensation Claims	29.0	6.0	(6.2)	28.8	-
Termination Compensation Payable	20.7	5.7	(3.4)	23.0	2.3
Arbitrage	-	-	-	-	-
Total Other Long Term Liabilities	57.2	16.5	(15.3)	58.4	2.3
Total Bonds Payable & Other Long Term Liabilities	3,772.2	363.3	(250.2)	3,885.3	174.3
Net Pension and OPEB Liability					
Net Pension Liability	649.4	3.6	(11.4)	641.6	-
Net OPEB Liability	205.5	3.0	(7.1)	201.5	-
Total Net Pension and OPEB Liability	854.9	6.6	(18.5)	843.1	-
Business-Type Activity Long-term Liabilities	4,627.1	369.9	(268.7)	4,728.3	174.3

(1) Beginning balance adjusted to reflect the 2017 Legal Letter changes received February 14, 2018.

The City has Business Type Debt - General Obligation Bonds authorized and un-issued at fiscal year-end of $352.6 million. This includes $211.6 million for the Enterprise Funds and $92 million for **PGW;** and $49.0 related to the City’s Primary Government – G.O. Bonds.

Several of the City's Enterprise Funds have issued debt payable from the revenues of their entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts in Millions of USD)

	Interest Rates						Principal	Due Dates			
Water Fund	1.155	%	to	5.250	%		2,004.2	Fiscal	2020	to	2054
Aviation Fund	2.797	%	to	5.250	%		1,536.4	Fiscal	2020	to	2048
Total Revenue Debt Payable							3,540.6				

- In November 2018, the City issued $276.9 million of Water and Wastewater Revenue Bonds, Series 2018A. The total proceeds were $301.8 million (which includes a premium of $24.9 million). The 2018A bonds were issued at an interest rate of 5%. The 2018A bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (A) capital improvements to the City’s Water and Wastewater Systems, and (B) the costs of issuance relating to the issuance of the 2018A bonds.
- In February 2019, the City issued $68.3 million of Water and Wastewater Revenue Refunding Bonds Series 2019A Bonds to refund the outstanding Series 2011B, 2012 and 2010C Bonds in the amount of $64.5 million and to pay the costs of issuing the Series 2019A Bonds. The total proceeds of the 2019A Bonds were $68.3 million (and the bonds were issued with no premium). The interest rates of the bonds that were refunded ranged from 4.400% to 5.000%. The interest rates of the newly issued bonds range from 2.826% to 4.289%. The transaction resulted in a total savings to the City of $3.9 million over the next 22 years, the economic gain was $2.9 million.

- In April 2017, the City issued $125.0 million of Airport Revenue Bonds Series 2017 (Direct Purchase Federally Taxable Loan) to fund capital improvements for the Philadelphia Airport. As of June 30, 2019, the City has outstanding bonded debt that qualify as direct placements and direct borrowing related to business-type activities of $122.8 million for the Series 2017 bonds. The City's debt from direct placements and direct borrowing related to business-type activities contain certain provisions where (i) Purchaser has the right to cause the Bonds to be subject to optional tender in full on April 26, 2022 and each five-year anniversary thereof (ii) If there is a payment default and such payment default continues for a period of thirty (30) days, upon the request of at least 25% of the outstanding 2017 Bondholders a trustee can be appointed and after thirty (30) days prior written notice to the City, the unpaid principal of all 2017 Bonds may be declared due and payable with interest at the rates stated in the bonds until final payment, and, if all defaults shall be made good then to annul such declaration and its consequences.
- Aviation's 2005C, 2010A, 2010D, 2011A, 2011B, 2015A, 2017A, 2017B, as well as Water's 1997B, 2010A, 2010C, 2011A, 2011B, 2012, 2013A, 2014A, 2015A, 2015B, 2016, 2017A, 2017B, 2018A, 2019A, 2019B bonds have certain provisions where if there is a payment default and such payment default continues for a period of thirty (30) days, upon the request of at least 25% of the outstanding Bondholders of such series which are in default, a trustee can be appointed and after thirty (30) days prior written notice to the City, the unpaid principal of all Bonds of such series in default may be declared due and payable with interest at the rates stated in the bonds until final payment, and, if all defaults shall be made good then to annul such declaration and its consequences.
- 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 2019, PENNVEST draw-downs totaled $1.5 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 is due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

Date	Series	Maximum Loan Amount	Amount Received Through 6/30/19	Current Balance Outstanding 6/30/19	Purpose
Oct 2009	2009B	42,886,030	31,216,779	18,229,377	Water Plant Improvements
Oct 2009	2009C	57,268,193	49,157,776	31,537,115	Water Main Replacements
Mar 2010	2009D	84,759,263	75,744,096	49,233,978	Sew er Projects
Jul 2010	2010B	30,000,000	30,000,000	22,385,626	Green Infrastructure Project
	Totals	214,913,486	186,118,651	121,386,096	

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

(Amounts in Millions of USD)

Fiscal Year	Water Fund		Aviation Fund		Notes from Direct Placement	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2020	105.4	92.1	64.3	68.2	2.3	3.4
2021	87.9	87.7	68.7	65.1	2.4	3.3
2022	81.7	83.7	76.1	61.7	118.1	2.9
2023	79.2	80.1	79.9	58.0	-	-
2024	53.1	76.7	83.7	54.3	-	-
2025-2029	289.2	348.4	366.8	213.3	-	-
2030-2034	292.9	283.5	206.8	143.0	-	-
2035-2039	303.4	218.0	207.9	91.3	-	-
2040-2044	364.4	134.6	129.3	48.4	-	-
2045-2049	197.8	58.3	130.1	13.4	-	-
2050-2054	149.2	17.8	-	-	-	-
Totals	2,004.2	1,480.9	1,413.6	816.7	122.8	9.6

(3) Defeased Debt

As of the current fiscal year-end, the City 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	355.7
Enterprise Funds:	
Water Fund Revenue Bonds	148.7
	504.4

(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 did not issue Tax Revenue Anticipation Notes for fiscal year 2019. In accordance with statute, there are no temporary loans outstanding at year-end.

(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, 2019, the City had no arbitrage liability.

(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, 2019, 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, 2019		
Governmental Activities	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	6,504	Debt	(21,748)	100,000
	Deferred Outflow	2,459	Debt	(12,790)	87,759
	Deferred Outflow	2,747	Debt	(12,103)	87,961
	Deferred Outflow	1,070	Debt	(4,513)	29,246
	Deferred Outflow	913	Debt	(4,053)	29,314
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	869	Debt	(4,580)	87,100
	Deferred Outflow	(3)	Debt	-	165

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2019, along with the credit rating of the associated counterparty.

City Entity:	City GO	Airport
Related Bond Series	2009B (1)	2005C Refunding
Initial Notional Amount	$313,505,000	$189,500,000
Current Notional Amount	$100,000,000	$87,100,000
Termination Date	8/1/2031	6/15/2025
Product	Fixed Payer Swap	Fixed Payer Swap (2)
Rate Paid by Dealer	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	Multiple Fixed Rates
Dealer	Royal Bank of Canada	JP Morgan Chase Bank, N.A.
Dealer Rating	Aa2/AA-	Aa2/A+
Fair Value (3)	($21,747,949)	($4,579,993)

1. *On 7/28/2009, the City terminated a portion of the swap in the amount of $213,505,000 in conjunction with the refunding of its Series 2007B bond with the Series 2009A fixed rate bonds. The City made a termination payment of $15,450,000 to RBC*

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

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

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, 2019, 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, 2019, the swap had a negative fair value of $21.748 million. This means that the City would have to pay this amount to terminate the swap. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2019, 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, 2019, the rates were:

Term	Rates	
Interest Rate Swap		
Fixed payment to RBC under swap	Fixed	3.82900%
Variable rate payment from RBC under swap	SIFMA	-1.90000%
Net interest rate swap payments		1.92900%
Variable rate bond coupon payments	Weekly reset	1.95000%
Synthetic interest rate on bonds		3.87900%

Swap payments and associated debt:

As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2020	$0	$1,950,000	$1,929,000	$3,879,000
2021	0	1,950,000	1,929,000	3,879,000
2022	0	1,950,000	1,929,000	3,879,000
2023	0	1,950,000	1,929,000	3,879,000
2024	0	1,950,000	1,929,000	3,879,000
2025-2029	46,875,000	9,154,568	9,055,980	18,210,547
2030-2032	53,125,000	2,099,273	2,076,665	4,175,937
Total:	$100,000,000	$21,003,840	$20,777,645	$41,781,485

City Entity:	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID
Related Bond Series	2007A (Stadium)	2007B (Stadium)	2007B (Stadium)	2014A (Stadium)	2014A (Stadium)
Initial Notional Amount	$298,485,000	$217,275,000	$72,400,000	$87,961,255	$29,313,745
Current Notional Amount	$193,520,000	$87,758,745	$29,246,255	$87,961,255	$29,313,745
Termination Date	10/1/2030	10/1/2030	10/1/2030	10/1/2030	10/1/2030
Product	Basis Swap (1)	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap (2)	Fixed Payer Swap (3)
Rate Paid by Dealer	67% 1-mo LIBOR + 0.20%	SIFMA	SIFMA	70% 1-mo LIBOR	70% 1-mo LIBOR
Rate Paid by City Entity	SIFMA	3.9713%	3.9713%	3.6200%	3.6320%
Dealer	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Dealer Rating	A2/A- (Bank of America Corp.)	Aa2/A+	A2/A- (Bank of America Corp.)	Aa2/A+	A2/A- (Bank of America Corp.)
Fair Value (4)	$1,074,660	($12,790,058)	($4,512,815)	($12,103,172)	($4,053,367)

(1) PAID received annual fixed payments of $1,216,500 from 7/1/2004 through 7/1/2013. The constant maturity swap that was an amendment to this was terminated on 12/1/2009. The City received a payment of $3,049,000.

(2) On 5/13/2014, PAID converted a portion of the 2007B SIFMA Swap with JPMorgan to a LIBOR-based swap whereby PAID pays a fixed rate of 3.62% and receives a floating rate of 70% of 1-month LIBOR.

(3) On 5/13/2014, PAID converted a portion of the 2007B SIFMA Swap with MLCS to a LIBOR-based swap whereby PAID pays a fixed rate of 3.632% and receives a floating rate of 70% of 1-month LIBOR.

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

b. Philadelphia Authority for Industrial Development (PAID) 2007B and 2014A Swaps

Objective: In October 2007, PAID entered into two swaps to synthetically refund PAID's outstanding Series 2001B bonds. The swap structure was used 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 2014A bonds 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 were converted from SIFMA to the same LIBOR-based index as the 2014A bonds. One of the LIBOR-based swaps, with a notional amount of $87.96 million, was documented under a separate trade confirmation with JP Morgan Chase Bank. The other LIBOR-based swap, with a notional amount of $29.31 million, was documented under a separate trade confirmation with Merrill Lynch Capital Services, Inc. Under the LIBOR-based swaps, PAID pays a fixed rate of 3.62% and 3.632% (to JPMorgan and Merrill Lynch, respectively), and receives 70% of 1-month LIBOR. The payments are based on an amortizing notional schedule.

In July 2014, PAID refunded the 2007B-4 bonds, and terminated the allocable portions of the SIFMA-based swaps. PAID terminated $41.56 million of notional of the JP Morgan SIFMA-based swap and $13.84 million of notional of the Merrill Lynch SIFMA-based swap, representing the 2015-2018 maturities of each, and paid a total termination payment of $5.56 million. Costs to finance this termination payment were more than offset by refunding savings generated on the bonds, so the City will receive positive cashflow savings from the transaction in every fiscal year that the bonds are outstanding.

As of June 30, 2019, the swaps together had a notional amount of $234.28 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, 2019, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of $12.79 million, the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of $4.512 million, the LIBOR-based swap with JP Morgan Chase Bank had a negative fair value of $12.103 million and the LIBOR-based swap with Merrill Lynch Capital Services had a negative fair value of $4.053 million. This means that PAID would have to pay these amounts to terminate the swaps. The fair values reflect the effect of non-performance risk, which includes credit risk. The fair values of the swaps were measured using the income approach and are categorized within Level 2 of the fair value hierarchy.

Risks: As of June 30, 2019, PAID was 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, PAID would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk on the SIFMA-based swaps 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, 2019, the rates for the JPMorgan SIFMA-based swap were:

Term	Rates	
Interest Rate Swap		
Fixed payment to JP Morgan	Fixed	3.97130%
Variable rate payment from JP Morgan	SIFMA	-1.90000%
Net interest rate swap payments		2.07130%
Variable rate bond coupon payments	Weighted Average Weekly resets	1.90000%
Synthetic interest rate on bonds		3.97130%

As of June 30, 2019, the rates for the Merrill Lynch SIFMA-based swap were:

Term	Rates	
Interest Rate Swap		
Fixed payment to MLCS	Fixed	3.97130%
Variable rate payment from MLCS	SIFMA	-1.90000%
Net interest rate swap payments		2.07130%
Variable rate bond coupon payments	Weighted Average Weekly Resets	1.90000%
Synthetic interest rate on bonds		3.97130%

As of June 30, 2019, the rates for the JP Morgan LIBOR-based swap were:

Term	Rates	
Interest Rate Swap		
Fixed payment to JP Morgan	Fixed	3.62000%
Variable rate payment from JP Morgan	70% of 1-month LIBOR	-1.67860%
Net interest rate swap payments		1.94140%
Variable rate bond coupon payments	70% of 1-month LIBOR + fixed spread	1.67860% *
Synthetic interest rate on bonds		3.62000%

*Excludes fixed spread, which is similar to the City's expected Letter of Credit costs on a comparable variable rate bond

As of June 30, 2019, the rates for the Merrill Lynch LIBOR-based swap were:

Term	Rates	
Interest Rate Swap		
Fixed payment to MLCS	Fixed	3.63200%
Variable rate payment from MLCS	70% of 1-month LIBOR	-1.67860%
Net interest rate swap payments		1.95340%
Variable rate bond coupon payments	70% of 1-month LIBOR + fixed spread	1.67860% *
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, 2019, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above 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
2020	$15,355,000	$4,191,673	$4,703,819	$8,895,492
2021	16,015,000	3,916,954	4,395,529	8,312,483
2022	16,695,000	3,630,425	4,073,988	7,704,413
2023	17,405,000	3,331,729	3,738,793	7,070,522
2024	18,150,000	3,020,329	3,389,343	6,409,672
2025-2029	103,035,000	9,944,851	11,159,829	21,104,680
2030-2031	47,625,000	1,287,072	1,444,312	2,731,384
Total:	$234,280,000	$29,323,033	$32,905,614	$62,228,647

c. Philadelphia Airport Swap

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Department (the Philadelphia Airport) with an up-front payment of $6.5 million. As a synthetic refunding of its 1995 Bonds, this payment approximated the present-value savings as of April 2002, of refunding on June 15, 2005, based upon interest rates in effect at the time. The swaption gave JP Morgan Chase Bank the option to enter into an interest rate swap with the Airport whereby JP Morgan would receive fixed amounts and pay variable amounts.

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005, and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The payments are based on an amortizing notional schedule (with an initial notional amount of $189.5 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into. The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2019, the swap had a notional amount of $87.1 million and the associated variable-rate bonds had a $87.1 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2019, the swap had a negative fair value of $4.58 million. This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2019, 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, 2019, the rates were:

Terms	Rates	
Interest Rate Swap		
Fixed payment to JP Morgan	Fixed-declining	3.59720%
Variable rate payment from JP Morgan	SIFMA	-1.90000%
Net interest rate swap payments		1.69720%
Variable rate bond coupon payments	Weekly resets	1.90500%
Synthetic interest rate on bonds		3.60220%

Swap payments and associated debt:

As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above 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
2020	$13,000,000	$1,659,255	$1,160,166	$2,819,421
2021	13,700,000	1,411,605	753,366	2,164,971
2022	14,300,000	1,150,620	460,226	1,610,846
2023	14,900,000	878,205	181,056	1,059,261
2024	15,400,000	594,360	18,110	612,470
2025	15,800,000	300,990	-38,910	262,080
Total:	$87,100,000	$5,995,035	$2,534,014	$8,529,049

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued $1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of $1.4 billion is reflected in the City's financial statements in Other Long-Term Obligations. The net proceeds of the bond sale of $1.3 Billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments. The fiscal year 2019 Pension Funding Bonds liability of $772.3 million is reflected in the City's financial statements as another Long-Term Obligation.

(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 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. In April 2015, PRA issued the Series 2015A, $73.2 million and the Series 2015B, $38.3 million - Revenue Refunding Bonds. The 2015A and 2015B Bonds were issued for the purpose of Refunding the 2005B and 2005C bonds and to pay for the cost of issuance of the 2015A & 2015B Bonds. The fiscal year 2019 NTI Service Agreement liability of $196.8 million is reflected in the City's financial statements as another Long-Term Obligation.

(9) Sports Stadium Financing Agreement

In FY 2002, **PAID** issued $346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of **PAID**. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. In October 2007 PAID issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2019, the Sports Stadium Financing Agreement liability of $117.0 million and the Notes From Direct Placement & Direct Borrowing liability of $117.3 million, totaling a liability of $234.3 million, is reflected in the City's financial statements as Other Long-Term Liabilities.

(10) Philadelphia Free Library

In August of 2005, **PAID** issued $10,780,000 of Lease Revenue Bonds for the Philadelphia Free Library Project. These bonds were issued to provide financing for a portion of the construction costs related to the expansion and renovation of the Central library of the Free Library of Philadelphia. The bonds are non-recourse obligations of **PAID**, payable solely from rental payments made by the City to **PAID**, which will be sufficient to pay the principal and interest due. The cumulative principal repayment on the Lease Revenue Bonds as of December 31, 2016 and 2015 was $4,125,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Philadelphia Central Library Project, Series 2016B. In fiscal 2019 the liability of $4.3 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(11) 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 were 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. The Series A Bonds began principal repayment in 2010. The Series B Bonds were paid off during 2009. As of December 31 2016 and 2015, the cumulative principal balance repaid for the Series A Bonds was $22,230,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Cultural and Commercial Corridors Program, Series 2016A. In fiscal 2019 the liability of $80.6 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(12) 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 2019, the liability of $299.8 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(13) City Service Agreement – Affordable Housing Series 2017
In August 2017, **PAID** issued $52.9 million of City Service Agreement Revenue Bonds Series 2017. The total proceeds of the 2017 Bonds were $60.8 million (which includes a premium of $7.9 million). The 2017 Bonds were issued to finance certain costs of the City's affordable housing preservation programs and to pay the costs of issuing the 2017 Bonds. The interest rates for the 2017 Bonds range from 3.0% to 5.0%. In fiscal year 2019, the $51.1 million liability for the Affordable Housing Preservation Series 2017 Bonds is reflected in the City's financial statement as another Long-Term Obligation.

(14) City Service Agreement – Philadelphia Museum of Art - 2018A & One Benjamin Franklin Parkway 2018B
In April 2018, **PAID** issued $37.9 million of City Service Agreement Revenue Bonds Series 2018A and Series 2018B. The total proceeds of the 2018A Bonds were $11.6 million (which includes a premium of $1.3 million). The Philadelphia Museum of Art - Series 2018A Bonds were issued to finance certain costs of the Energy Project of the Philadelphia Museum of Art. The interest rates for the 2018A Bonds is 5.0%. The total proceeds of the One Benjamin Franklin Parkway – Series 2018B Bonds were $30.5 million (which includes a premium of $2.9 million). The 2018B Bonds were issued to refund all $29.6 million of the Series 2007C Bonds and to pay the costs of issuing the 2018B Bonds. The interest rates for the 2018B Bonds is 5.0%. The interest rates of the refunded bonds range from 4.1% to 5.3%. The transaction resulted in a total savings to the City of $2.3 million over the next 9 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was $2.1 million. In fiscal year 2019, the liability of $9.9 million for the Philadelphia Museum of Art - Series 2018A Bonds and the $24.8 million liability for the One Benjamin Franklin Parkway – Series 2018B Bonds, is reflected in the City's financial statement as another Long-Term Obligation.

(15) City Service Agreement – PRA - Home Repair Program – Series 2018
In October 2018, PRA issued $40.0 million of City Service Agreement Revenue Bonds Series 2018. The total proceeds were $40.0 million (and the Bonds were issued with no premium). The proceeds of the sale were used to finance the Authority's Home Repair Program and to pay the costs of issuing the 2018 Bonds. The interest rates of the newly issued Bonds range from 3.171% to 4.552%.

(16) City Service Agreement – City's Parks and Recreation and the Free Library System of Philadelphia
In November 2018, **PAID** issued $79.5 million in City Service Agreement Revenue Bonds, Series 2018. The total proceeds were $87.7 million (which includes a premium of $8.2 million). The 2018 bonds were issued at an interest rate of 5%. The 2018 bonds were issued for the purpose of providing funds to (A) finance certain costs of improvements to, and construction, demolition, renovation, and equipping of, certain City parks, libraries, playgrounds, recreation centers and other related facilities (Rebuild Project), and (B) pay the costs of issuing the 2018 bonds. In fiscal year 2019, the liability of $79.5 million for the City's Parks and Recreation and the Free Library System of Philadelphia – City Service Agreement Revenue Bonds, Series 2018, is reflected in the City's financial statement as another Long-Term Obligation.

(17) PAID series 2007B-2, 2007B-3, 2016A, 2016B, 2017, 2018A, 2018B, 2018, 2019, and **PRA** series 2012, 2015A, 2015B, 2018 bonds have provisions where, upon occurrence of Event of Default, Bondholders may declare the outstanding amount immediately due and payable; however, Bondholders do not have the right to accelerate lease payments by the City under the respective Prime Leases/Service Agreements.

(18) Net Pension Liability
Net Pension Liabilities at June 30, 2014 was $404.7 million and $49.7 million for the Governmental and Business Type Activities, respectively. As a result of a change in accounting principle (implementation of GASB 68) the beginning FY 2015 Net Position was adjusted by $4.7 billion and $579.7 million for Governmental and Business Type Activities respectively. During FY 2019, the Governmental Activities' Net Pension Liabilities (NPL) decreased by $64.6 million, resulting in a Net Pension Liability of $5.3 Billion. During FY 2019, the Business Type Activities' NPL decreased by $7.8 million, resulting in a Net Pension Liability of $641.6 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 $2,957.3 million in principal, with interest rates from 1.25% to 6.765% and have due dates from 2022 to 2043. The following schedule reflects the changes in long-term liabilities for the **SDP**:

Long Term Obligations (1)
(Dollars in Millions)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	$ 3,105.4	$ -	$ (148.1)	$ 2,957.3	$ 137.0
Bond Premium	247.2	-	(20.7)	226.5	20.7
Bond Discount	(1.9)	-	0.5	(1.4)	(0.5)
Total Bonded Debt	3,350.7	-	(168.3)	3,182.4	157.2
Termination Compensation Payable	189.0	4.9	(10.6)	183.3	15.1
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	107.0	34.6	(34.7)	106.9	31.7
Incurred But Not Reported (IBNR) Payable (2)	14.0	3.2	-	17.2	17.2
OPEB Life Insurance Liability	16.4	0.6	(1.1)	15.9	-
PSERS OPEB Liability	145.1	21.6	(8.5)	158.2	-
PSERS Pension Liability	3,518.7	447.1	(322.1)	3,643.7	-
Governmental Activity - Long-Term Liabilities	$ 7,386.2	$ 512.0	$ (545.3)	$ 7,352.9	$ 266.5
Business-Type Activities:					
Termination Compensation Payable	$ 2.0	$ 0.1	$ (0.1)	$ 2.0	$ 0.2
PSERS OPEB Liability	2.3	0.3	(0.1)	2.5	-
PSERS Pension Liability	53.3	6.8	(4.9)	55.2	-
Business-Type Activities - Long-Term Liabilities	$ 57.6	$ 7.2	$ (5.1)	$ 59.7	$ 0.2

The **SDP** Debt service to maturity on general obligation bonds at June 30, 2019 is summarized as follows: (Excludes debt issued through the State Public School Building Authority).

(Dollars In thousands)

Year Ending June 30	Interest Rates	Principal	Interest (1)	Total
2020	1.523 - 5.995	$ 115,435	$ 99,610	$ 215,045
2021	1.523 - 5.995	120,600	93,839	214,439
2022	1.523 - 5.995	122,710	87,776	210,486
2023	1.523 - 5.995	155,830	81,732	237,562
2024	1.523 - 5.995	100,730	76,376	177,106
2025 -2029	3.738 - 6.675	472,530	308,196	780,726
2030 - 2034	4.500 - 6.765	476,035	177,066	653,101
2035 - 2039	4.500 - 6.765	207,500	89,795	297,295
2040 -2044	4.000 - 6.765	238,300	35,768	274,068
Total		$ 2,009,670	$ 1,050,158	$ 3,059,828

(2) Business Type Debt Payable

Several of the City's Proprietary Type Component Units have issued debt payable from the revenues of their particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Thousands of USD)

Entity	Interest Rates	Principal	Due Dates
PGW	2.00% to 5.25%	964,480	Fiscal 2020 to 2048
PPA	3.00% to 5.25%	114,684	Fiscal 2019 to 2030
CCP	3.00% to 6.25%	77,298	Fiscal 2020 to 2039
PHA	3.00% to 5.50%	56,600	Fiscal 2019 to 2047
	Total Revenue Debt Payable	1,213,062	

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

(Amounts in Millions of USD)

	Philadelphia Gas Works †		Philadelphia Parking Authority		Community College of Philadelphia		Philadelphia Housing Authority ‡	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal *	Interest
2020	52.87	41.92	15.03	5.04	7.24	3.72	9.35	2.69
2021	53.77	39.39	15.64	4.30	7.56	3.39	9.79	2.24
2022	54.82	36.75	13.92	3.58	7.60	3.02	10.23	1.81
2023	56.69	33.96	14.58	2.88	7.98	2.64	3.66	1.34
2024	58.20	31.57	15.27	2.14	6.24	2.24	0.76	1.20
2025-2029	255.44	127.54	27.18	5.01	26.64	6.48	3.51	5.50
2030-2034	158.50	83.87	13.08	0.29	6.77	2.35	4.33	4.68
2035-2039	153.21	47.93	-	-	7.28	0.69	5.20	3.82
2040-2044	74.00	22.24	-	-	-	-	6.54	2.48
2045-2048	47.01	4.78	-	-	-	-	6.54	0.67
2048 - 2072								
Totals	964.48	469.96	114.68	23.24	77.30	24.52	59.90	26.44

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2019

‡ - PHA amounts are presented as of March 31, 2019

* Includes only PHA debt service amounts, it does not include any amouts related to PHA discretely presented component units.

* PHA Principal amounts for years 2020 through 2023 do not include the Capital Lease Obligation of $3.3 million.

(3) Defeased Debt

At year end, defeased bonds are outstanding from the following Component Units of the City as shown below:

(Amounts In Millions)

Philadelphia Gas Works †	$	67.1
School District of Philadelphia		0.7
Total	$	67.8

† Gas Works amounts are presented as of August 31, 2019

PGW assets pledged, primarily noncallable U.S. Government securities, had a market value of $69.2 million at August 31, 2019, bearing interest on face value from 1.25% to 5.88%. In FY 2019, the Fiscal Agent with respect to the Gas Works Revenue Bonds (Escrow Agent with respect to the Escrow Deposit Agreement), paid the maturing principal of the Defeased Bonds in the amount of $5.4 million in a manner consistent with the Notices of Defeasance for the 12th Series B Gas Works Revenue Bonds.

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.

SDP, as in prior years, the School District defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As such, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. This includes the following:

(a) As of June 30, 2019, there were no bonds outstanding considered to be defeased and no liability has been removed from long-term liabilities.

(b) In addition, as of June 30, 2019, the Defeasance Accounts from the Sale of SDP Property had $735,000 of bonds outstanding considered to be defeased and the liability was removed from long-term liabilities.

(4) Arbitrage

SDP, 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, 2019, the arbitrage rebate calculation indicates a liability totaling $54,833.

This arbitrage liability of $54,833 relates to GOB Series 2010E, 2010F and 2010G. The actual amount due as of the next required "Installment Rebate Payment Date" is subject to change due to bond and investment activity, if any, occurring after June 30, 2019. Pursuant to the Regulations, the next required "Installment Rebate Payment" must be paid no later than 60 days after June 30, 2020. The School District will continue to perform an annual rebate calculation until all funds have been expended.

The School District has reserved as of June 30, 2019, $54,833 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

Objective – In January 2006, the City entered into a fixed rate payor, floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The variable rate/swap structure was used as a means to increase the City's savings, when compared with fixed-rate refunding bonds at the time of issuance. The swaps are hedging interest rate risk.

Terms – The swap was originally executed with the counterparty on January 26, 2006 and had an original termination date of August 1, 2031, which was amended to August 1, 2028 in 2011. Under the swap, the City pays a fixed rate of 3.6745% and received a variable rate computed as the lesser of (i) the actual bond rate and (ii) the SIFMA Municipal Swap Index until September 1, 2011 on which date the variable interest rate received switched to 70.0% of one-month LIBOR until maturity.

As of August 31, 2019, the swaps had a notional amount of $122.8 million and the associated variable rate debt had a $122.8 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of $27.4 million and the associated variable rate bonds had a $27.4 million principal amount.
- The Series C swap had a notional amount of $27.2 million and the associated variable rate bonds had a $27.2 million principal amount.
- The Series D swap had a notional amount of $40.8 million and the associated variable rate bonds had a $40.8 million principal amount.
- The Series E swap had a notional amount of $27.4 million and the associated variable rate bonds had a $27.4 million principal amount.

The final maturity date for all swaps is on August 1, 2028.

Fair value – As of August 31, 2019, the swaps had a combined negative fair value of approximately $23.1 million. The fair values of the interest rate swaps were estimated using the zero-coupon method and are classified as Level 2 within the fair value hierarchy. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Risks – As of August 31, 2019, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard ISDA master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A- (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the City'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.

There are no collateral posting requirements associated with the swap agreements.

The impact of the interest rate swaps on the financial statements for the year ended August 31, 2019 and 2018 is as follows (thousands of U.S. dollars):

	Interest Rate Swap Liability	Deferred ouflows of resources
August 31, 2018 Balance	14,796	594
Change in fair value through August 31, 2019	8,318	8,318
Amortization of terminated hedge	-	1,420
August 31, 2019 Balance	23,114	10,332

	Interest Rate Swap Liability	Deferred ouflows of resources
August 31, 2017 Balance	23,533	7,911
Change in fair value through August 31, 2018	(8,737)	(8,737)
Amortization of terminated hedge	-	1,420
August 31, 2018 Balance	14,796	594

Because the original hedging relationship was terminated when the Sixth Series Bonds were refunded by the Eighth Series Bonds in 2009, there is a difference between the interest rate swap liability and the related deferred outflows of resources. The difference is being amortized on a straight-line basis into expense over the life of the hedge. The interest rate swap liability is included in other non-current liabilities on the balance sheet. There are no collateral posting requirements associated with the swap agreements.

b. School District of Philadelphia Swap Agreements

The School District in Fiscal Year 2010 adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". GASBS No. 53 provided guidance for evaluating the effectiveness of derivative instruments at the end of each reporting period.

The District in Fiscal Year 2017, adopted the provisions GASBS No. 72 "Fair Value Measurement and Application." GASBS No. 72 addresses the accounting and financial reporting issues related to fair value measurements. GASBS No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk.

The fair value balances, as defined by GASBS No. 72, and notional amounts of derivative instruments outstanding at June 30, 2019, classified by type, and the change in fair value per GASBS No. 72 of such derivative instruments for the year then ended as reported in the 2019 financial statements are as follows (amounts in thousands: debit (credit)):

(Amounts in Thousands of USD)

	Changes in Fair Value		Fair Value as of June 30, 2019		
	Classification	Amount	Classification	Amount	Notional Amount
Government Activities:					
Investment Derivatives:		$ -		$ -	$ -
Pays-Variable Interest Rates Swaps	Investment Revenue	$ 6,848	Investment	$ 4,806	$ 500,000
		$ 6,848		$ 4,806	

As of June 30, 2019, 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.

Fair Value of Investments:
In February 2015, the GASB issued Statement No. 72 "Fair Value Measurement and Application", addressing the accounting and financial reporting issues related to fair value measurements. GASBS No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2015. The School District adopted GASB Statement No. 72 beginning Fiscal Year ended 2016.

The District's investments are valued at fair value using the following hierarchy:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other that quoted market prices; and
- Level 3: Unobservable inputs

The lowest available level of valuation available is used for all investments.

Fixed income securities are valued based on the values for similar assets in an active market. Equity securities are valued based on published values for identical assets in an active market.

The income approach is used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. Where applicable under the income approach, the option pricing model technique, such as the Black-Derman-Toy model, or other appropriate option pricing model is used. This valuation technique is applied consistently across all the swaps.

Given the observability of inputs that are significant to the entire measurement, the fair values of the School District investments are categorized as follows:

	Level 1	Level 2	Level 3
Morgan Stanley Institutional Liquidity Fund Treasury	$ 168,909,214	$ -	$ -
US Treasury Bills	156,628,564	-	-
US Treasury Bond/Note	69,007,030	-	-
Commercial Paper	44,311,327	-	-
Federal Home Loan Mortgage Corporation (FHLMC) -Global Notes		929,661	
Federal Agriculture Mortgage Corporation (FAMC)	-	9,907,317	-
SIFMA Swap	-	4,805,823	-
Total	$ 438,856,135	$ 15,642,801	$ -

Level 1 - fair value investment classifications are for “securities portfolios” and US Treasury Bills with observable, quoted prices for identical assets or liabilities in active markets.

Level 2 - fair value investment classifications for FHLMC and FAMC are based on the values for similar assets in an active market. Fair value investment classifications for SIFMA Swap are based on LIBOR swap rate that is observable at commonly quoted intervals for substantially the full term of the swap financial, and nonfinancial factors. In addition, Level 2 - fair value investment classifications for SIFMA Swap are based upon market-corroborated inputs such as interest rates and yield curves that are observable at common quoted intervals and valued by a pricing service that uses matrix pricing; and price or yield of a similar investment.

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	4,053	69,172	3,028
Additional	-	193,513	132
Sublease	11,975	-	1,961
Total Rental Income	16,028	262,685	5,121

Future minimum rentals receivable under non-cancelable operating leases are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government: Governmental Funds	Primary Government: Proprietary Funds	Component Units
2020	11,365	33,612	3,515
2021	11,517	32,357	3,215
2022	11,703	30,894	2,241
2023	9,760	18,249	3,956
2024	9,503	6,094	435
2025-2029	40,559	27,268	1,522
2030-2035	17,426	22,875	643
2036-2041	17,426	17,724	449
2042-2047	17,426	17,705	269
Total	146,685	206,778	16,245

B. CITY AS LESSEE

1) OPERATING LEASES

The City's operating leases consist principally of leases for office space, data processing equipment, duplicating equipment and various other items of property and equipment to fulfill temporary needs. Rental expense for all operating leases for the year was as follows:

(Amounts In Thousands of USD)

	Primary Government: Governmental Funds	Primary Government: Proprietary Funds	Component Units
Minimum Rentals	175,702	47,797	17,418
Additional Rentals	-	-	83
Sublease	-	-	1,961
Total Rental Expense	175,702	47,797	19,462

At year end, the future minimum rental commitments for operating leases having an initial or remaining non-cancelable lease term in excess of one year are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government: Governmental Funds	Primary Government: Proprietary Funds	Component Units
2020	33,562	557	13,527
2021	30,601	393	12,210
2022	29,554	393	15,353
2023	24,819	393	9,781
2024	23,564	393	8,962
2025-2029	75,671	1,964	34,684
2029-2033	15,327	1,964	19,157
2034-2038	-	1,964	15,516
2039-2043	-	1,964	-
Total	233,098	9,986	129,190

2) CAPITAL LEASES

Primary Government:
On December 28, 2017, the City entered into a lease agreement with the Philadelphia Authority for Industrial Development, a component unit of the City, for use of certain properties located at 400 North Broad Street. The properties will primarily be utilized by the City's police department. Under the terms of the lease agreement, the City will make quarterly rent payments in the amount of $3.8 million through December 1, 2026 (Initial Term). If the City does not exercise its purchase option, the lease will automatically enter into the "Renewal Term", during which the quarterly rent payments will increase to $7.1 million through the duration of the lease, ending September 1, 2036. Rent payments under the lease agreement bear an effective interest rate of 4.029% through December 1, 2026 and an effective interest rate of 6.924% for the remaining term of the lease agreement.

Under the lease the City has a purchase option beginning on the fifth anniversary (December 31, 2025) of the delivery date (December 31, 2020) and continuing through the date that is one hundred eight days prior to the scheduled expiration date (December 28, 2026), to purchase the leased property at purchase price equal to the "Purchase FMV", as defined in the lease agreement.

As a result of this lease agreement, the City recorded an initial capital asset (lease hold asset) in the amount of $252.5 million. At June 30, 2019, the net book value of assets acquired under this lease agreement was $233.6 million ($252.5 million gross value, net of $18.9 million accumulated depreciation). For the year ended June 30, 2019, the City recorded $12.6 million in depreciation expense related to assets acquired under the lease.

Future minimum lease payments under this agreement are as follows:

(In Thousands)

June 30,	Prncipal	Interest
2020	5.3	9.9
2021	5.5	9.7
2022	5.7	9.5
2023	6.0	9.2
2024	6.2	9.0
2025 - 2029	55.6	53.2
2030 - 2034	101.4	40.3
2035 - 2037	58.5	5.2
Total	$ 244.2	$ 146.0

Component Unit:

Capital leases consist of leased real estate and equipment from various component units. Future minimum rental commitments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	473,448	63,306	536,754
2021	468,149	38,278	506,427
2022	378,632	14,031	392,663
2023	71,483	1,121	72,604
Totals	1,391,712	116,736	1,508,448

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 vests to the employee. **PGW** contributed $0.4 million in both FY2019 and FY2018. PGW's contributions are accounted for as part of administrative and general expenses.

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 Permanent Funds ($3.5 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 $167.7 million at June 30, 2019. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health ($314.3 million); Grants Revenue ($34.3 million); County Liquid Fuels ($11.1 million); Special Gasoline Tax ($48.1 million); Hotel Room Rental Tax ($15.2 million); Car Rental Tax ($5.0 million); Housing Trust ($65.7 million); Acute Care Hospital Assessment ($20.6 million); Departmental ($10.4 million); Municipal Authority Administrative ($0.3 million); PICA Administrative ($24.3 million). The Debt Service Fund had a Restricted Fund Balance of ($54.7 million) and the entire fund balance of the Capital Improvement ($88.1 million) funds was restricted. The Permanent Fund had a restricted fund balance of $3.4 million at June 30, 2019.

- 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: Riverview Residents $.03 million, Philadelphia Prisons $3.4 million, and Departmental $1.4 million.

- Assigned Fund Balance ─ Includes amounts that are constrained by a 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 $322.3 million at June 30, 2019, which represents $201.4 million of encumbrance balances and $120.9 million of the unobligated Philadelphia Beverage Tax revenue at the end of the reporting period.

- Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed or restricted or non-spendable. The General Fund had a $125.8 million unassigned fund balance at June 30, 2019. Within the Special Revenue Funds, the Grants Revenue Fund had a negative unassigned fund balance of ($317.7 million) and the Community Development Fund had a negative unassigned fund balance of ($9.3 million) at June 30, 2019.

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. The table below presents a more detailed breakdown of the City's fund balances at June 30, 2019:

Amounts in Thousands

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund (Principal)	-	-	-	3,527	3,527
Subtotal Nonspendable	**-**	**-**	**-**	**3,527**	**3,527**
Restricted for:					
Neighborhood Revitalization	-	-	238	-	238
Economic Development	-	-	-	15,172	15,172
Public Safety Emergency Phone System	-	-	34,078	-	34,078
Streets & Highw ays	-	-	-	59,208	59,208
Housing and Neighborhood Dev	-	-	-	65,694	65,694
Health Services	-	-	-	20,604	20,604
Behavioral Health	-	314,311	-	-	314,311
Parks & Recreation	-	-	-	1,366	1,366
Libraries & Museums	-	-	-	2,485	2,485
Intergovernmental Financing	-	-	-	24,281	24,281
Stadium Financing	-	-	-	5,034	5,034
Cultural & Commercial Corridor Project	1,240	-	-	-	1,240
Pension Obligation Bonds	10,759	-	-	-	10,759
Debt Service Reserve	-	-	-	54,719	54,719
Capital Projects	-	-	-	88,060	88,060
Affordable Housing Project	27,294	-	-	-	27,294
Art Museum Project	6,301	-	-	-	6,301
Rebuild	82,882	-	-	-	82,882
Home Repair Program	39,238	-	-	-	39,238
Trust Purposes	-	-	-	9,974	9,974
Subtotal Restricted	**167,714**	**314,311**	**34,316**	**346,597**	**862,938**
Committed, Reported in:					
Social Services	-	-	-	30	30
Prisons	-	-	-	3,414	3,414
Parks & Recreation	-	-	-	1,421	1,421
Subtotal Committed	**-**	**-**	**-**	**4,865**	**4,865**
Assigned to:					
General Management & Support	77,643				77,643
Social Services	26,726				26,726
Economic Development	20,798				20,798
Libraries & Museums	14,129				14,129
Prisons	10,918				10,918
Health Services	12,773				12,773
Other	38,448	-	-	-	38,448
Phila. Beverage Tax - Unobligated	120,899				120,899
Subtotal Assigned	**322,334**	**-**	**-**	**-**	**322,334**
Unassigned Fund Balances:	125,790	-	(317,722)	(9,648)	(201,580)
Subtotal Unassigned	**125,790**	**-**	**(317,722)**	**(9,648)**	**(201,580)**
Total Fund Balances	**615,838**	**314,311**	**(283,406)**	**345,341**	**992,084**

11. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds. These transactions are recorded as 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 collection of a portion of the wage tax paid by City residents and the transfer of funds that are not needed for debt service and administrative costs to the general fund. Additionally, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

(Amounts in Thousands of USD)

	Transfers To:				
	Govermental	Non Major Governmental			
		Special	Debt	Capital	
Transfers From:	General	Revenue	Service	Improvement	Total
General Fund	$ -	$ 41,045	$ 177,005	$ 101,843	$ 319,893
Grants Revenue Fund	31,429	1,171	3,394	-	35,994
Non major Special Rev. Fds	493,551	-	35,576	500	529,627
Permanent Funds	-	119	-	-	119
Water Fund	4,095	35,822	-	-	39,917
Total	$ 529,075	$ 78,157	$ 215,975	$ 102,343	$ 925,550

12. TAX ABATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures,* the City is required to disclose certain information about tax abatements as defined in the Statement. For the purposes of GASB Statement No. 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual, or entity, in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to the economic development or otherwise benefits the City or the citizens of the City. The City has entered into such agreements. The quantitative threshold set by the City for disclosing its tax abatement programs is currently $500,000 or more. A description of each of the City's tax abatement programs where the City has promised to forgo taxes are as follows:

TAX CREDIT AGREEMENTS ENTERED INTO BY THE CITY OF PHILADELPHIA

Community Development Corporation (CDC) Tax Credit:
The Program rewards local businesses that contribute to economic development efforts as sponsors in distressed parts of the city. A sponsor will receive a tax credit of $100,000 per year against its Business Income and Receipts Tax liability for each year the sponsor contributes $100,000 in cash to a qualifying organization.
The Philadelphia Code under Chapter § 19-2604 (6) defines the implementation of the Community Development Corporation (CDC) Tax Credit. Section 501 of the Business Income and Receipts Tax regulations provides a full description of the CDC Tax Credit, including definitions of qualifying CDCs.

The CDC tax credit is available to a maximum of 42 businesses in any given tax year. Applications are reviewed and accepted on a first-come, first-served basis. The sponsor must contribute $100,000 in cash to a qualifying organization under the terms and conditions of the Business Income and Receipts Tax regulations and the contribution agreement. Contributions exceeding $100,000 will not be entitled to any additional tax credit and no tax credit will be available if contributions are less than $100,000. Sponsors must make the full contribution by December 31st of each year. A sponsor must take the credit on the tax year for which the contribution is made. Any tax credit not used in the period the contribution was made may not be carried forward or carried backward. Tax credits are non-transferable and may be used only by the sponsor.

A business as a sponsor that pledges and contributes $100,000 annually to a currently non-participating qualifying organization for 10 consecutive years; obtains a tax credit of $100,000 or actual BIRT tax liability per year, whichever is lower.

Under the CDC tax credit program there are currently no provisions for recapturing the past abated tax monies.

Gross dollar amount, on an accrual basis, by which the City's tax revenues were reduced as a result of the CDC Tax Credit program for fiscal year 2019 totaled, **$3,111,690.00**

Job Creation Tax Credit:
The Job Creation Tax Credit rewards businesses that increase the number of jobs available in the City of Philadelphia.
The Philadelphia Code under Chapter § 19-2604 (7) defines the implementation of the Job Creation Tax Credit. A full description of the Job Creation Tax Credit can be found under Section 502 of the BIRT regulations.

A business can attain this credit if it creates 25 new jobs or increases its number of employees by at least 20% within five years of the designated start date. Program participants must commit to maintaining business operations in the City of Philadelphia for five years.

The credit amount for jobs created is 2% of annual wages paid for each new job or $5,000 per new job created, whichever is higher, subject to the maximum amount specified in the commitment agreement.

There are no provisions for recapture of this tax credit.

Program participants must commit to maintaining business operations in the City of Philadelphia for five years.

Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of the Job Creation Tax Credit program for fiscal year 2019 totaled, **$233,454.00**

For the above Tax Credit Agreements entered into by the City of Philadelphia;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

REAL ESTATE TAX ABATEMENT AGREEMENTS ENTERED INTO BY THE CITY OF PHILADELPHIA

- Development Abatement for New or Improved Residential Properties (State Act 175)
- Rehab Construction for Residential Properties (Ordinance 961)
- Rehab & New Construction for Commercial & Industrial Properties (Ordinance 1130)
- New Construction for Residential Properties (Ordinance 1456-A)

Specific taxes being abated are Real Estate taxes.

The purpose of these programs is to encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home- and business-owners to the City of Philadelphia, and reduce development costs for commercial and residential projects.

To be eligible to receive these tax abatements; owners / developers rehabbing or building residential properties, and/or owners/developers rehabbing or building property to be sold or leased for commercial, industrial or business purposes that make improvements, under City issued permits, that affect the assessed value of the property.

For the State Act 175, Real Estate Taxes are abated for the first 30 months or until property is leased or sold, whichever occurs first.

For the Ordinance 961, Ordinance 1130, & Ordinance 1456-A; Real Estate Taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner.

The amount of tax abatement is determined, such as dollar amount or percentage of taxes owed, based on the change in value due to the improvements.

There are no provisions to recapture abated taxes.

Gross dollar amounts, on an accrual basis, by which the City's tax revenues were reduced as a result of the Real Estate tax abatement programs for fiscal year 2019 were:

- **State ACT 175, $1,360,061.**
- **Ord. 961, $6,969,556.**
- **Ord. 1130, $37,246,990.**
- **Ord. 1456-A, $25,354,885.**

For the above Real Estate Tax Agreements entered into by the City of Philadelphia;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Keystone Opportunity Zone (KOZ)

For properties in the areas designated by the Pennsylvania Department of Community and Economic Development. A KOZ property is a legislatively designated parcel where little to no development has taken place. Philadelphia offers tax abatements to businesses that invest in these areas.
The specific taxes being abated are Business Income and Receipt Tax, Net Profit Tax, & Real Estate Tax.

The Philadelphia Code, Chapter § 19-3200 defines the implementation of the Keystone Opportunity Zone, Economic Development District, and Strategic Development Area Tax Credit.

To qualify for Keystone Opportunity Zone Tax Credits, a business must:

- Own or lease property in one of the designated zones; and actively conduct a trade, business, or profession in that same designated zone.
- The qualified business must receive initial certification from the Pennsylvania Department of Community and Economic Development (DCED).

Waived or reduced taxes will apply when filing the tax forms/returns listed below:
- Tax credits are applied to recipients
- State Corporate Net Income Tax
- Capital Stock & Foreign Franchise Tax
- Personal Income Tax (Partners or Sole Proprietors)
- Sales & Use Tax
- Mutual Thrift Institutions Tax
- Insurance Premiums Tax and/or to their respective
- City Business Income & Receipt Tax
- Net Profit Tax
- Real Estate Tax filings

Abatement / credit amounts are based on the recipients' tax return filings and real estate tax valuations.

If any qualified business located within the zone has received an exemption, abatement or credit under this Chapter and subsequently relocates outside of the zone before agreement period ends; that business will refund to the City or School District, the exemptions, abatements or credits attributed in accordance to the Philadelphia Codes.

Commitments made by recipients include;

- Must be up to date on all City and State taxes and in compliance with City and State laws and regulations.
- Must file KOZ application annually.
- If presently a PA business and relocated to a KOZ, they must,
  - increase employment by 20% in the first year
  - or invest the equivalent of 10% of the previous year's gross revenues in capital improvements to the KOZ Property.
  - or enter into a lease agreement for property within a KOZ for a term at least equivalent to the duration of the KOZ property and with an aggregate payment under the lease at least equivalent to 5% of the gross revenues of that business in the immediately preceding calendar or fiscal year.

Gross dollar amounts, on accrual basis, by which the City's tax revenues were reduced as a result of the KOZ Real Estate tax abatement programs for fiscal year 2019 were:

Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	$ 7,595,836
Net Profit Tax (KOZ Credit)	7,117,317
Business Income & Receipt Tax (KOZ Credit)	51,323,833
Total	$ 66,036,986

For the above Tax Abatement Agreements entered into by Other Governments;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

The following summarizes the fiscal year 2019 tax abatement agreements, and their respective dollar totals, entered into by the City of Philadelphia and Other Governments.

Tax Credit Agreements entered into by the City of Philadelphia		
Community Development Corporation Tax Credit	$	3,111,690
Job Creation Tax Credit		233,454
Total	$	3,345,144
Real Estate Tax Abatement Agreements entered into by the City of Philadelphia		
DEVELOPMENT STATE ACT 205/175	$	1,360,061
ORD 961 UNCAPPED		6,969,556
ORD 1130 AS AMENDED 10 YRS		37,246,990
ORD 1456-A/983 AS AMENDED - 10 YEARS RESIDENTIAL		25,354,885
Total	$	70,931,491
Tax Abatement Agreements entered into by Other Governments		
Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	$	7,595,836
Net Profit Tax (KOZ Credit)		7,117,317
Business Income & Receipt Tax (KOZ Credit)		51,323,833
Total	$	66,036,986
As of June 30, 2019, the grand total of forgone revenues as a result of all the tax abatement programs was:	$	140,313,621

Tax Increment Financing (TIF)

The Commonwealth of Pennsylvania has approved the Tax Increment Financing Act that authorizes the taxing bodies of the City of Philadelphia (the City and School District) to create geographic areas ("TIF Districts"), where certain increases in tax revenue may be used to finance improvements in the TIF Districts. The TIF loan is usually funded by a private lender, i.e. bank, and is paid by the incremental taxes from Real Estate, Use and Occupancy, City Sales and Business Privilege.

Philadelphia Industrial Development Corporation (PIDC), acting on behalf of Philadelphia Authority for Industrial Development (PAID), can propose any area of the City to City Council and the School District for approval as a TIF District under the terms of the Act. Any new improvements can be funded by the TIF loan.

TIF's are a financing tool that enable the City to establish a district in a blighted area, within which increases in taxes resulting from development of the district can be applied to project costs in the district or to project-related debt service.

The total gross dollar amount, on an accrual basis, by which the City's fiscal year 2019 tax revenues were redirected as result of the TIF program was **$4,823,496**.

13. 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)	
Bonds Payable	$	1,927.2
Service Agreements	$	1,797.6
Indemnity Claims	$	75.2
Employee Related Obligations	$	479.7
Leases	$	244.2
Total Adjustment:	$	4,523.9

14. PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

A. PRIMARY GOVERNMENT

The **Water Fund's** Net Position decreased by $9.5 million as a result of:

- A net effect of ($.9) million for projects that were completed in fiscal year 2018 and prior but not transferred to fixed assets until fiscal year 2019.
- The net effect of ($8.6) million for adjustments to depreciation expense due to changes in estimated useful lives and calculation adjustments.
- The effect of the adjustments is reflected as a decrease to the Water Fund's Net Position as of July 1, 2018 in the June 30, 2019 Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds, Exhibit VII.

The **Industrial & Commercial Development Fund's** Net Position decreased by $0.9 million as a result of adjustments to the FY18 Landbank's Inventory ending balance.

- The effect of the adjustments is reflected as a decrease to the Industrial & Commercial Development Fund's Net Position as of July 1, 2018 in the June 30, 2019 Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds, Exhibit VII.

B. COMPONENT UNIT

1. The **SDP** Governmental Funds:

Prior Period Adjustment:

Payroll Liabilities: During the fiscal year ended June 30, 2019, the District determined that certain payroll deductions and liabilities were over-accrued on the Payroll Liability Agency Fund as of June 30, 2018 and the amount the District reported as liabilities was too high. Therefore, an adjustment to beginning fund balance has been recorded to the General Fund to adjust the liabilities to the correct amount. The net effect of this adjustment increased fund balance by $9,243,483. This adjustment was also recorded to the Governmental Activities on the government-wide statements, increasing the beginning net position by $9,243,483.

Prepaid Expenses: During the fiscal year ended June 30, 2019, the District determined that some of the purchases made for consumable student workbooks are for use in fiscal years 2020 to 2022 and should have been recorded as prepaid expenses. Therefore, an adjustment to beginning net position has been recorded to the Governmental Activities on the government-wide statements, the net effect of which increased the net position by $3,177,322. The District uses the purchases method of accounting for prepaid expenditures on its Fund Statements; therefore, there is no adjustment to beginning fund balance.

Capital Assets: District-wide net position beginning balances were increased by $306,792. This adjustment involved: (1) an increase in Land in the amount of $958,018 to properly record the value previously recorded in the Building account, (2) a decrease in Buildings in the amount of $958,018 to reduce the account balance to remove the value associated with Land, (3) a reduction to the Personal Property value in the amount of $81,935 to correct an asset value that was incorrectly recorded, (4) a reduction to Building Accumulated Depreciation in the amount of $364,047 to remove depreciation incorrectly associated with the Building account, (5) a reduction to Personal Property Accumulated Depreciation in the amount of $4,097 to remove depreciation associated with the decreased Personal Property asset value, (6) an increase to Food Service Machinery & Equipment in the amount of $26,000 to record the full value of unrecorded donations, and (7) an increase to Food Service Machinery & Equipment Accumulated Depreciation in the amount of $5,417 to record depreciation for previously unrecorded donations.

2. Philadelphia Parking Authority:

During the year ended March 31, 2018, management determined it was necessary to restate its beginning net position amounts as a result of receivable, fixed assets, liabilities and bond premium/discount balance adjustments. In concert with the City of Philadelphia, the Authority determined that recognition of accounts receivable balances for unpaid tickets was appropriate for the On-Street ticketing division and Red-Light Camera Enforcement Program. Management also determined that there were certain assets on the records that had been disposed of previously, but not removed from the financial records and other assets whose balances were incorrectly calculated. Additionally, there was an asset that had not previously been recognized and reported that is now included in the Authority's report. Management also determined that certain bond premium/discount balances were not amortized consistent with generally accepted accounting principles or were not carried at the correct balance. Certain liabilities were not accurately reported in the prior period due to the non-cash impact on pension expense by the implementation of GASB 68.

The financial impact of the prior period restatements described above can be viewed on the following schedule.

	Amount
Net position, as previously reported, at March 31, 2017	$ 14,039,777
Prior Period Adjustments	
Adjustment to property and equipment	11,295,600
Adjustment to bond premiums and discounts	1,049,635
Adjustment to reconcile liabilities	(6,131,944)
Adjustment to recognize receivables	72,125,919
Total prior period adjustment	78,339,210
Net position, as restated, at March 31, 2017	$ 92,378,987

During the year ending March 31, 2019, the Authority implemented GASB No. 75. Implementation of GASB 75 requires the Authority to recognize the net liability and deferred inflows and outflows of resources resulting from a valuation of its other post-employment benefits plan. Additional disclosures related to other post-employment benefits for the Authority's plan are in Note 11. Certain liabilities were restated due to changes in calculations.

The financial impact of the prior period restatement can be viewed on the following schedule.

	Amount
Net position, as previously reported, at March 31, 2018	$ 88,336,143
Prior Period Adjustments	
Adjustment for adoption of GASB Statement No. 75	(12,984,109)
Adjustment to reconcile liabilities	11,499
Total prior period adjustment	(12,972,610)
Net position, as restated, at March 31, 2018	$ 75,363,533

3. Philadelphia Housing Authority (PHA)

On August 31, 2018, PHA acquired the Tax Credit Investor's, John Hancock Realty Advisors, Inc., limited partnership interests in Suffolk Manor Apartments, L.P. and Cambridge Plaza L.P. of 99.99% for $1 each, assuming responsibility for the annual Tax Credit Investor's transaction costs of $5,000 each and any other costs of transferring the partnership interests. PHA became the sole member of the newly created entities of SMLP 1416 Clearview LLC, assignee limited partner in Suffolk Manor Apartments, L.P., and CPLPI 1100 Poplar LLC, assignee limited partner in Cambridge Plaza L.P. Prior to PHA becoming the sole member of the newly created entities, Suffolk Manor Apartments, L.P. and Cambridge Plaza L.P. were reported as discretely presented component units. With the acquisition of the 99.99% limited partnership interests, Suffolk Manor Apartments, L.P. and Cambridge Plaza L.P. are now considered blended component units of PHA.

PHA recognized the following change in beginning net position:

PHA	Total
Net Position - March 31, 2018 (previously reported)	$ 1,036,658,536
Adjustment	(1,765,450)
Net Position Adjusted - March 31,2018 (restated)	$ 1,034,893,086

15. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports $1,749.4 million of restricted net position, of which $165.9 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)

	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	327,450	
Debt Service	456,307	
Pension Oblig Bond Refunding Reserve	10,759	
Behavioral Health	314,311	
Neighborhood Revitalization	238	
Philadelphia Art Museum Project	6,301	
Affordable Housing Project	27,293	
Cultural & Commercial Corridor Project	1,240	
Rebuild Project	82,882	65,694
Home Repair Program	39,238	
Grant Programs	149,865	
Rate Stabilization	180,449	
Libraries & Parks:	-	
Expendable	3,250	
Non-Expendable	3,527	
Educational Programs	-	100,172
Other	146,310	
Total	1,749,420	165,866

16. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of $283.4 million. The deficit was primarily caused by 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 $9.3 million.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. The two plans maintained by the City are the City Plan and the Philadelphia Gas Works (PGW) Plan. In addition to the City, the three other quasi-governmental agencies that participate in the City Plan are the Philadelphia Parking Authority (PPA), the Philadelphia Municipal Authority (PMA), and the Philadelphia Housing Development Corporation (PHDC).

Effective with Fiscal Year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement revises existing standards for measuring and reporting pension liabilities for pension plans. GASB Statement No. 68 defines a single employer as the primary government and its component units. All three quasi-governmental agencies that participate in the City Plan were determined to be component units of the City. Therefore, the City Plan meets the definition of a single employer plan.

The note disclosures and Required Supplementary Information required by GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB No. 25*, are presented in the separately issued audited financial statements of the City Plan and PGW Plan. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

A. PRIMARY GOVERNMENT

(1) City Plan

a. PENSION FUND DESCRIPTION

Plan Administration. The Philadelphia Board of Pensions (the Pension Board) administers the City of Philadelphia Municipal Pension Fund (the Fund), a single-employer defined benefit pension plan with a small but increasing defined contribution component, which provides pensions for all officers and employees of the City of Philadelphia (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.

The Board consists of nine voting members - four elected by the active members within the civil service, and the City's Controller, Solicitor, Managing Director, Personnel Director, and Director of Finance, who serves as the Chair.

Plan Membership.
At July 1, 2018, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives	28,845
Terminated Vested	1,074
Disabled	3,890
Retirees	22,275
Beneficiaries	8,547
DROP	1,944
Total City Members	66,575
Annual Salaries	$ 1,805,400,096
Average Salary per Active Member	$ 62,590
Annual Retirement Allowances	$ 761,946,574
Average Retirement Allowance	$ 21,951

Contributions.
Per Title 22 of the Philadelphia Code, members contribute to the Fund at various rates based on bargaining unit, uniform/non-uniform/elected/exempt status, and entry date into the Fund. Beginning July 1, 2017, members contributed at one of the following rates:

Employee Contribution Rates
For the Period of July 1, 2018 to June 30, 2019

	Municipal (1)	Elected (2)	Police	Fire
Plan 67	7.00%	N/A	6.00%	6.00%
Plan 67 - 50% of Aggregate Normal Cost (3)	6.32%	N/A	N/A	N/A
Plan 87	3.08%	9.62%	6.84%	6.84%
Plan 87 - 50% of Aggregate Normal Cost (4)	3.47%	N/A	N/A	N/A
Plan 87 - Accelerated Vesting (5)	3.60%	11.72%	N/A	N/A
Plan 87 Prime (6)	4.08%	10.62%	7.84%	7.84%
Plan 87 Prime - Accelerated Vesting	4.60%	12.72%	N/A	N/A
Plan 10	2.21%	N/A	5.50%	5.50%
Plan 10 - Accelerated Vesting	2.51%	N/A	N/A	N/A
Plan 16 (7)	3.87%	N/A	N/A	N/A

1- For the Municipal Plan 67 members who participate in the Social Security System, employee contributions are 4.75% of compensation up to the social security wage base and 6% above it.
2- The employee contribution rate is based upon the normal cost of $474,193 under Plan 87 Elected, normal cost or $256,466 under Plan 87 Municipal and the annual payroll of $3,418,294.
3- Effective November 2014 guards represented by DC 33 contributions at 50% of the aggregate Normal Cost of all members in Plan J.
4- This represents 50% of aggregate Normal Cost for all members in Plan Y.
5- Member rates for Municipal Plan 87 (Y5) members eligible to vest in 5 years and Elected Officials (L8) eligible to be vested in 8 years instead of 10.
6- Plan 87 Prime refers to new hires who have the option to elect Plan 10 but have elected to stay in Plan 87.
7- Beginning January 1, 2019, all Municipal groups (except elected officials) will participate in Plan 16.

Employer contributions are made by the City throughout each fiscal year (which ends June 30) and by three (3) quasi-governmental agencies on a quarterly basis. These contributions, determined by an annual actuarial valuation report (AVR), when combined with plan member contributions, are expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Within the AVR, three contribution amounts are determined based upon three 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.

The third method currently followed by the City, the Revenue Recognition Policy (RRP), calls for additional revenue to be contributed each year to the fund in excess of the MMO. There are three sources of additional revenue that will be received by the Fund: 1) a portion of the sales tax according to the State Legislation, 2) additional tiered member contributions based on salary level for all municipal employees, and 3) additional member contributions from the current and future uniform members in Plan 87.

Under all 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 the same under the MMO and RRP, but different under the City's Funding Policy.

City's Funding Policy:
The initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019 with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability are amortized in level-dollar payments as follows:

- Actuarial gains and losses – 20 years beginning July 1, 2009. Prior gains and losses were amortized over 15 years.
- Assumptions changes – 15 years beginning July 1, 2010. Prior to July 1, 2010, assumption changes were amortized over 20 years.
- Plan changes for active members – 10 years.
- Plan changes for inactive members – 1 year.
- Plan changes mandated by the State – 20 years.

In fiscal year 2019, the City and other employers' contributions of $797.8 million was less than the actuarially determined employer contribution (ADEC) of $874.7 million. In the event that the City contributes less than the funding policy, an experience loss will be created which will be amortized in accordance with funding policy over a closed 20-year period.

The Schedule of Employer Contributions (based on the City's Funding Policy) is included as Required Supplemental Information and provides a 10-year presentation of the employer contributions.

Minimum Municipal Obligation (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 the fiscal year 2019, the City and other employers' contributions of $797.8 million exceeded the Minimum Municipal Obligation of $668.3 million.
The Schedule of Employer Contributions (based on the MMO Funding Policy) is included as Required Supplemental Information and provides a 10-year presentation of the employer contributions.

Revenue Recognition Policy (RRP)
Revenue Recognition Policy is similar to the MMO except that the assets used to determine the unfunded liability do not include portion of sales tax revenue, tiered member contributions from the municipal employees, and additional uniform members' contributions. These sources of income are contributed over and above the City's contribution of the MMO and will be in addition to the MMO. Therefore, under this funding method the additional revenue amounts are separately tracked and accumulated in a notional account which is then subtracted from the assets before calculating the contribution amounts due under the Minimum Municipal Obligation (MMO) methodology. The fund accumulates these amounts in a notional account and deducts them from the Actuarial Asset Value before the MMO is determined. These amounts are accumulated at the Actuarial Asset Value return rates to preserve the new funding methodology objective.

In the fiscal year 2019, the City and other employers' contributions of $797.8 million exceeded the contribution under Revenue Recognition Policy of $680.8 million.

The Schedule of Employer Contributions (based on the RRP Funding Policy) is included as Required Supplementary Information and provides a 10-year presentation of the employer contributions.

b. BENEFITS

The Fund provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and minimum retirement ages that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

Non-uniform employees may retire at either age 55 with up to 80% of average final compensation (AFC) or age 60 with up to either 100% or 25% of AFC, depending on entry date into the Fund. 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 Fund. 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(ies) 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, 2018, the date of the most recent actuarial valuation, there was $1,160,247 in the PAF and the Board voted to make PAF distributions of $822 during the fiscal year ended June 30, 2019.

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, 2019 is $156.8 million.

c. INVESTMENTS

The Pension Board's Investment Policy Statement provides, in part:

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

The Fund seeks an annual total rate of return of not less than 7.55% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.55%) over a market cycle. The investment return assumption was reduced by the Board from 7.60% to 7.55%. The Fund's investment program will pursue its aforestated total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund.

All investments are made only upon recommendation of the Fund's Investment Committee and approval by a majority of the Pension Board. In order to document and communicate the objectives, restrictions, and guidelines for the Fund's investment staff and investments, a continuously updated Investment Policy Statement is maintained. The Investment Policy Statement is updated (and re-affirmed) each year at the January Board meeting.

The following was the Board's approved asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation
Broad Fixed Income	10.0%
Global Fixed Income	2.0%
Emerging Market Debt	2.0%
U.S. Large - Cap Core	22.0%
U.S. Mid-Cap Core	3.0%
U.S. Small - Cap Core	5.0%
ACWI ex-U.S	15.0%
Non-U.S Small Cap	6.0%
Emerging Markets	4.0%
Public REITs	1.0%
Real Estate Core	11.0%
Real Estate – Mezzanine	1.0%
Real Estate – Opportunistic	1.0%
Infrastructure	5.0%
Private Equity	10.0%
Private Debt	2.0%
Total	100.0%

Money-Weighted Rate of Return: For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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.

Method Used to Value Investments

The Fund's investments are reported at fair value. Fair value is the amount that the Fund can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges or securities pricing services. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on similar sales.

For private market investments which include private equity, private debt, venture capital, hedge funds and equity real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information. Some of the investment values provided in the report are estimates due to a lag in reporting for private market investments.

Futures contracts, foreign exchange contracts, and options are marked-to-market daily with changes in market value recognized as part of net appreciation/depreciation in the fair value of investments. Initial margin requirements for such financial instruments are provided by investment securities pledged as collateral or by cash.

Investment expenses consist of investment manager fees and investment consultant fees related to the traditional investments only, and not those fees related to the alternative investments. Unsettled investment sales are reported as Accrued Interest and Other Receivable, and unsettled investment purchases are included in Accrued Expenses and Other Liabilities.

Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

Income Taxes
The Fund qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is exempt from income taxation as allowed by Section 501(a) of the IRC.

Related Parties
The City's Department of Finance provides cash receipt and cash disbursement services to the Fund. The City's Solicitor's office provides legal services to the Fund. Other administrative services are also provided by the City.

Use of Estimates in Preparing Financial Statements
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties
The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Contributions are calculated based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these statements and assumptions in the near-term would be material to the financial statements.

Administrative Expenses
Administrative expenses of the Fund are paid for by the Fund.

e. CASH DEPOSITS, INVESTMENTS AND SECURITIES LENDING

Legal Provisions
The Fund is authorized to invest in "prudent investments," including obligations of the U.S. Treasury, agencies and instrumentalities of the United States, investment grade corporate bonds, common stock, real estate, private market, etc. City ordinances contain provisions which preclude the Fund from investing in organizations that conduct business in certain countries and also impose limitations on the amounts invested in certain types of securities.

Custodial Credit Risk
Custodial credit risk for Deposits is the risk that in the event of a bank failure, the Fund’s deposits may not be returned to them. The Fund’s cash deposits are held in two banks as of June 30, 2019. Amounts are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution’s trust department or agent in the Fund’s name. The Fund classifies Money Market funds held by custodian institution, JPMorgan, N.A., as cash equivalents. The Fund also classifies Treasury Bills as cash equivalent if the date of maturity is three months or less from the acquisition date. Custodial credit risk for Investments is the risk that 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.

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 segmented time distribution, which shows the total fair value of investments maturing during a given period.

The table below details the exposure to interest rate changes based upon maturity dates of the fixed income securities at June 30, 2019:

2019 (in Thousands)	Total Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 23,677	$ 1,774	$ 7,187	$ 4,982	$ 9,734
CDO	483	483	-	-	-
CMO/REMIC	7,992	2,317	25	239	5,411
Commercial Mortgage Backed Securities	19,779	6,376	393	1,250	11,760
Corporate Bonds	345,432	123,575	73,751	102,850	45,256
Government Bonds	364,123	78,583	82,906	127,614	75,020
Mortgage Backed Securities	73,379	482	386	6,037	66,474
Municipal Bonds	12,995	-	454	6,088	6,453
Total Credit Risk of Debt Securities	$ 847,860	$ 213,590	$ 165,102	$ 249,060	$ 220,108

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, 2019, 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.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The fund is subject to credit risk on $847.9 million of directly owned fixed income. The Fund's directly owned rated debt investments as of June 30, 2019 were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale:

		Credit Rating									
2019 (in Thousands)	Total Fair Value	AAA	AA	A	BBB	BB	B	CCC	C	D	NR
Asset Backed Securities	$ 23,677	$ 6,335	$ 2,159	$ 2,447	$ 3,088	$ -	$ -	$ -	$ -	$ -	$ 9,648
CDO	483	483	-	-	-	-	-	-	-	-	-
CMO/REMIC	7,992	853	4,485	165	45	31	333	-	-	-	2,080
Commercial Mortgage Backed Securities	19,779	6,859	11,137	437	4	-	243	-	-	91	1,008
Corporate Bonds	345,432	1,034	4,242	105,606	104,442	52,587	50,363	13,925	147	269	12,817
Government Bonds	364,123	9,230	250,385	46,054	23,780	17,774	10,109	5,307	-	891	593
Mortgage Backed Securities	73,379	-	73,379	-	-	-	-	-	-	-	-
Municipal Bonds	12,995	-	7,999	3,278	852	866	-	-	-	-	-
Total Credit Risk of Debt Securities	$ 847,860	$ 24,794	$ 353,786	$ 157,987	$ 132,211	$ 71,258	$ 61,048	$ 19,232	$ 147	$ 1,251	$ 26,146

Foreign Currency Risk
The Fund's exposure to foreign currency risk derives from its position in foreign currency-denominated cash and investments in fixed income, equities, and derivatives. The foreign currency investment in equity securities is 41.4% of the total investment in equities.

The Fund's exposure to foreign currency risk at June 30, 2019 was as follows (expressed in thousands):

Currency	Cash	Fixed Income	Equities	Derivatives	Total
Euro (EUR)	$ 1,792	$ 552	$ 329,463	$ 35	$ 331,842
Japanese Yen (JPY)	677	31	257,817	7	258,532
Pound Sterling (GBP)	452	1,038	184,595	21	186,106
Canadian Dollar (CAD)	333	560	128,992	13	129,898
Hong Kong Dollar (HKD)	248	-	107,630	-	107,878
Australian Dollar (AUD)	187	7,176	78,382	(2)	85,743
Swiss Franc (CHF)	729	-	85,679	(2)	86,406
South Korean Won (KRW)	-	-	35,058	(5)	35,053
Mexican Peso (MXN)	32	21,678	6,133	(1)	27,842
South African Rand (ZAR)	-	8,335	13,094	(248)	21,181
Swedish Krona (SEK)	337	-	26,222	185	26,744
Brazilian Real (BRL)	4	9,703	16,917	6	26,630
Malaysian Ringgit (MYR)	-	8,920	5,846	-	14,766
Danish Krone (DKK)	268	-	16,347	-	16,615
Indonesian Rupiah (IDR)	12	7,828	6,017	6	13,863
Polish Zloty (PLN)	18	9,427	3,159	8	12,612
Singapore Dollar (SGD)	299	-	13,183	-	13,482
Norwegian Krone (NOK)	172	-	8,745	297	9,214
Thai Baht (THB)	2	-	7,428	-	7,430
New Turkish Lira (TRY)	6	-	1,233	-	1,239
Chilean Peso (CLP)	69	862	2,198	1	3,130
Philippine Peso (PHP)	-	-	4,210	-	4,210
All Others	2,769	11,806	13,451	135	28,161
	$ 8,406	$ 87,916	$ 1,351,799	$ 456	$ 1,448,577

Derivatives
The Fund may invest in derivatives as permitted by guidelines established by the Pension Board. Pursuant to such authority, the Fund may invest in foreign currency forward contracts, options, futures (S&P Fund) and swaps. No derivatives were purchased with borrowed funds.

Derivatives are generally used to provide market exposure in the equity portfolio and to hedge against foreign currency risk and changes in interest rates, improve yield and adjust the duration of the Fund's fixed income portfolio. These securities are subject to changes in value due to changes in interest rates or currency valuations. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the Fund, which is the risk that the counterparty might be unable to meet its obligations.

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 also can expose governments to significant risks and liabilities.

The 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 (CMOs); other forward contracts, and U.S. treasury strips. The contracts are used primarily to enhance performance and reduce the volatility of the portfolio. The Fund is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The 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 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 senior management, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Fund's involvement in the various types and uses of derivative financial instruments and do not measure the 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.

Derivative Instruments
The following table summarizes aggregate notional or contractual amounts for the Fund's derivative financial instruments at June 30, 2019 in addition to the fair value and change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type

Classification	Change in Fair Value		Fair Value at June 30, 2019		Notional
Investment Derivatives					
Forwards Currency Contracts	Net Appreciation (Depreciation) in Investments	$ 2,210,016	Investments	$ 414,656	$ 190,108,181
Futures	Net Appreciation (Depreciation) in Investments	559,088	Investments	400,772	231
Grand Totals		$ 2,769,104		$ 815,428	$ 190,108,412

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 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 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 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:
These derivative instruments provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. Under 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 during 2019. 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.

Futures contracts:
These derivative instruments 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 the 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 loss from Futures contracts was ($313,449).

Forward contracts:
The Fund is exposed to basis risk on its forward contracts because of a possible mismatch between the price of the asset being hedged and the price at which the forward contract is expected to settle. The realized loss from forward contracts was ($5,334,716).

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%. 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.

Fair Value Measurement
The Municipal Pension Fund has the following recurring fair value measurement as of June 30, 2019 (expressed in thousands):

		Fair Value Measurements Using		
	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Treasury Securities	$ 221,658	$ -	$ 221,658	$ -
Agency Bonds	22,252	-	22,252	-
Asset Backed Securities	23,677	-	23,677	-
Collateralized Debt Obligation	483	-	483	-
Corporate Bonds	345,432	-	345,432	-
Government Bonds	114,354	-	114,354	-
Mortgage Backed Securities	101,150	-	101,150	-
Municipal Bonds	12,995	-	12,995	-
Sovereign Debt	5,859	-	5,859	-
Mutual Funds	988	988	-	-
Equity	3,263,263	3,258,778	1,577	2,908
Total Investments by Fair Value Level	4,112,111	3,259,766	849,437	2,908
Investments Measured at the Net Asset Value (NAV)				
Credit Distressed Hedge Fund	$ 1,824			
Equity Long/Short Hedge funds	27,278			
Real Estate	638,690			
Private Equity	495,502			
Fixed Income Hedge Funds	79,321			
Total Investments Measured at the NAV	1,242,615			
Total Investments Measured at Fair Value	$ 5,354,726			
Investment Derivative Instruments				
Equity Index Futures (Assets)	$ 412	$ 412	$ -	
Currency Futures (Assets)	2	2	-	
Currency Futures (Liabilities)	(13)	(13)	-	
Forward Currency Contracts (Assets)	919	-	919	
Forward Currency Contracts (Liabilities)	(504)	-	(504)	
Total Investment Derivative instruments	$ 816	$ 401	$ 415	

Equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Equities in Level 3 are valued using discounted cash flow techniques.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Derivative instruments classified in Level 2 are valued using a market approach that considers benchmark for foreign exchange rates.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (expressed in thousands).

		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investment Measured at the Net Asset Value (NAV)				
Credit Distressed Hedge Fund	$ 1,824	$ -	Quarterly	90 days
Equity Long/Short Hedge funds	27,278	-	Quarterly	90 days' notice
Real Estate	638,690	7,303	N/A	N/A
Private Equity	495,502	278,529	N/A	N/A
Fixed Income Hedge Funds	79,321	-	Quarterly	90-120 days
Total Investments Measured at the NAV	$ 1,242,615			

1. Credit distressed hedge funds: The Funds seek to identify and exploit event driven opportunities both on the long and short side in the stressed and distressed corporate debt markets. Investments are generally driven by fundamental, value-oriented analysis, and specific credit events. The Funds maintain the flexibility to invest globally and across capital structures of stressed and distressed companies. Investments generally target secondary U.S. credit opportunities across all tranches of a company's debt capital structure. The Funds may also invest opportunistically in certain equities, long and short. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments can be redeemed with a 90 days' notice.

2. Equity long/short hedge funds: This Fund will typically hold 0-50 long positions and 10-15 short positions in U.S. common stocks. Management can shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The Fund mitigates market risk by utilizing short positions. In periods of extreme volatility, the Fund may hold a significant portion of its assets in cash. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investment can be redeemed with a 90 days' notice.

3. Real estate funds: This type includes funds that invest in U.S. and Non-U.S. commercial and residential real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management is required to approve of the buyer before the sale of the investments can be completed. It is expected that the underlying assets of the funds will be liquidated over the next seven to 10 years.

4. Private equity funds: The primary goal of these Funds is to generate returns for investors that exceed private equity industry benchmarks and are commensurate with asset class risk through the construction of a portfolio of opportunistic, highly performing private equity investments. Investments these funds may undertake include early-stage venture capital, later-stage growth financings, leveraged buyouts of medium and large-sized companies, mezzanine investments, PIPES and investments in companies that are being taken private. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over five to 10 years. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. Once a buyer has been identified, the investee fund's management is required to approve of the buyer before the sale of the investments can be completed.

5. Fixed income hedge funds: The primary goal of these Funds is to create alpha by sourcing proprietary opportunities, avoiding capital loss, buying securities below their intrinsic value and selling securities above their intrinsic value. Firms look for opportunities that are currently mispriced, based on fundamentals or potentially an event that may improve the price of the holding. Investments are generally driven by fundamental, value-oriented analysis, and specific credit events. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments can be redeemed with a 90-120 days' notice.

Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized J.P. Morgan Bank and Trust Company (J.P. Morgan) to act as the Fund's agent in lending the Fund's securities to approved borrowers. J.P. Morgan, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, J.P. Morgan lent, on behalf of the Fund, certain securities of the Fund held by J.P. Morgan Chase Bank, N.A. as custodian and received cash or other collateral including securities issued or guaranteed by the United States, U.K., and Eurozone governments. J.P. Morgan does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102% or 105% of the market value of the loaned securities.
Pursuant to the Securities Lending Authorization Agreement, J.P. Morgan had an obligation to indemnify the Fund in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2019, the weighted average maturity was 48 days and the final maturity was 351 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2019, the Fund had no credit risk exposure to borrowers because all borrowers were required to deliver collateral for each loan.

As of June 30, 2019, the fair value of securities on loan was $356.9 million. Associated collateral totaling $381.4 million was comprised of cash which was invested in a separately managed account based upon the investment guidelines established by the Pension Fund. As of June 30, 2019, the invested cash collateral was $381.4 million and is valued at amortized cost.

f. <u>INVESTMENT ADVISORS</u>

The Fund utilizes investment advisors to manage long-term debt, real estate, private market, and equity portfolios. To be eligible for consideration, investments must meet criteria set forth in governing laws and regulations.

g. <u>NET PENSION LIABILITY</u>

The components of the net pension liability as of June 30, 2019 were as follows:

Total Pension Liability	$ 11,774,268,695
Plan Fiduciary Net Position	5,688,383,351
Collective Net Pension Liability	$ 6,085,885,344

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 48.3%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2018 and was rolled forward to June 30, 2019. The June 30, 2018 actuarial valuation used the following actuarial assumptions, applied to all periods including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.55% compounded annually, net of expenses
Salary Increases:	Age based table

The investment return assumption was changed from 7.60% from the prior year valuation to 7.55% for the current year valuation.

To recognize the expense of the benefits payable under the Pension Adjustment Fund, the actuarial liabilities have been increased by 0.54%. This estimate is based on the statistical average expected value of the benefits.

Mortality Rates: For Municipal and Elected Officials, 127% and 119% for males and females, respectively, of the RP-2014 Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017. For Uniform, 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

The measurement date for the net pension liability (NPL) is June 30, 2019. Measurements are based on the fair value of assets as of June 30, 2019 and the total pension liability (TPL) as of the valuation date, July 1, 2018, updated to June 30, 2019. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. During the measurement year, the collective NPL decreased by approximately $83 million. The service cost and interest cost increased the collective NPL by approximately $1.04 billion while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately $1.19 billion.

There was a benefit change to increase the pay cap from $50,000 to $65,000 for DC 33 Municipal members participating in the Stacked Hybrid Plan 16 which increased the TPL by approximately $0.4 million. There was an actuarial experience loss during the year of approximately $11 million.

In addition, the Board adopted an assumption change to decrease the expected long-term return on assets from 7.60% to 7.55% which increased the TPL by approximately $53 million.

Long-term expected rate of return:
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table: (see pension plan's investment policy: http://www.phila.gov/pensions/PDF/ips.pdf)

Fixed Income	Long-Term Expected Real Rate of Return	Benchmark Index
Broad Fixed Income	2.80 %	Bloomberg Barclays U.S. Aggregate TR
Int. Government	2.20 %	Bloomberg Barclays U.S. Govt TR
High Yield	4.50 %	Bloomberg Barclays U.S. High Yield TR
Global Aggregate	1.70 %	Bloomberg Barclays U.S. Global Aggregate TR
Bank Loans	4.90 %	Credit Suisse Leveraged Loans
Emerging Market Debt	6.30 %	JP Morgan EMBI Global TR
Equities		
Broad U.S. Equity	7.30 %	Russell 3000
Global Equity	7.40 %	MSCI ACWI
Broad Non-U.S. Equity	7.60 %	MSCI EAFE
Emerging Market	8.60 %	MSCI Emerging Markets
Hedge Fund		
Hedge Funds	5.00 %	HFRI Fund of Funds Composite Index
Real Estate		
Real Estate – Core	7.60 %	NCREIF Fund Index
Public REITs	7.10 %	NAREIT
Opportunistic Real Estate	11.70 %	NCREIF Property Index
Real Asset		
MLPs	7.60 %	Alerian MLP Index
Global Infrastructure	7.50 %	Dow Jones Brookfield Global Infrastructure Index
Private Equity		
Private Equity	11.10 %	Cambridge Associates
Private Debt	10.00 %	Cambridge Associates
Cash		
TIPS	3.80 %	Bloomberg Barclays US TIPS TR
91 Day T-Bills	1.20 %	

The above table reflects the expected real rate of return for each major asset class. The expected inflation rate is projected at 2.0% for the same period.

Discount Rate: The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability: The following presents the net pension liability of the Fund, calculated using the discount rate of 7.55%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 6.55%	Discount Rate 7.55%	1% Increase 8.55%
Total Pension Liability	$ 12,984,587,892	$ 11,774,268,695	$ 10,743,736,185
Plan Fiduciary Net Position	5,688,383,351	5,688,383,351	5,688,383,351
Collective Net Pension Liability	$ 7,296,204,541	$ 6,085,885,344	$ 5,055,352,834
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.8%	48.3%	52.9%

h. GUARANTEE OF BENEFITS

Benefits under the Fund are guaranteed by statute. In the event that employee contributions do not equal required benefits, the City's General Fund must provide any shortfall.

i. PARTICIPATION IN THE PENSION FUND

The trustees for the Fund are also members of the Fund and as such, are subject to the provisions of the Fund as described in the notes to these financial statements.

j. REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

Changes in Collective Net Pension Liability: The following table shows the changes in total pension liability (TPL), the plan fiduciary net position (i.e., fair value of the System assets) (FNP), and the net pension liability (NPL) during the measurement period ending on June 30, 2019.

Change in Collective Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 6/30/2018	$ 11,510,667,823	$ 5,341,285,527	$ 6,169,382,296
Changes for the year:			
Service cost	183,755,848		$ 183,755,848
Interest	857,348,582		857,348,582
Changes of benefits	378,455		378,455
Differences between expected and actual experience	11,097,845		11,097,845
Changes of assumptions	53,488,769		53,488,769
Contributions - employer		797,805,518	(797,805,518)
Contributions - member		99,179,683	(99,179,683)
Net investment income		303,735,946	(303,735,946)
Benefit payments	(842,468,627)	(842,468,627)	0
Administrative expense		(11,154,696)	11,154,696
Net Changes	263,600,872	347,097,824	(83,496,952)
Balances at 6/30/2019	$ 11,774,268,695	$ 5,688,383,351	$ 6,085,885,344

Employer's Proportionate Shares: GASB 68 requires that the proportionate share for each employer be determined based upon the "employer's projected long-term contribution effort to the pension … as compared to the total long-term contribution effort to all employers". In addition to the City, three governmental agencies currently participate in the system, PHDC, PPA, and PMA. The method of allocation is based on the ratio of quasi-agency contributions in proportion to total contributions by plan.

Pension Amounts by Employer: The following schedule presents the pension amounts for each participating employer: Philadelphia Parking Authority (PPA), Philadelphia Municipal Authority (PMA), Philadelphia Housing Development Corporation (PHDC), and the City of Philadelphia (City).

Schedule of Pension Amounts by Employer

	For the year ended	PPA	PMA	PHDC	City	Total
Collective pension expenses		$ 16,393,565	$ 411,899	$ 1,482,835	$ 805,508,932	$ 823,797,231
Change in proportion		(6,798,067)	320,838	(1,134,625)	7,611,853	-
Contribution difference		6,372,084	67,422	488,547	(6,928,052)	-
Employer pension expense		15,967,582	800,159	836,757	806,192,733	823,797,231
Net pension liability	6/30/18	132,024,781	2,467,753	11,721,826	6,023,167,936	6,169,382,296
Net pension liability	6/30/19	121,109,118	3,042,943	10,954,594	5,950,778,689	6,085,885,344
Change in net pension liablility		(10,915,663)	575,190	(767,232)	(72,389,247)	(83,496,952)
Deferred outflows	6/30/18	27,191,684	511,556	2,071,464	352,592,300	382,367,004
Deferred outflows	6/30/19	14,583,914	712,752	1,237,713	235,767,146	252,301,525
Change in deferred outflows		(12,607,770)	201,196	(833,751)	(116,825,154)	(130,065,479)
Deferred inflows	6/30/18	(38,017,115)	(171,458)	(4,180,348)	(22,243,931)	(64,612,852)
Deferred inflows	6/30/19	(29,582,073)	(93,147)	(2,918,062)	(11,442,756)	(44,036,038)
Change in deferred inflows		8,435,042	78,311	1,262,286	10,801,175	20,576,814
Employer contributions		22,710,517	504,477	2,032,524	772,558,000	797,805,518
Employer pension expense		15,967,582	800,159	836,757	806,192,733	823,797,231

Reconciliation of Net Pension Liability

The following table reconciles the Collective Net Pension Liability to the amount reported in the Primary Government Net Pension Liability in Exhibit I.

Reconciliation of Collective Net Pension Liability to the Primary Government Net Pension Liability

(Amounts in thousands of USD)

Municipal Pension Fund	Proportionate Share of NPL	Discretely Presented Component Units	City and Blended Component Units
City	5,950,779	-	5,950,779
PPA	121,109	121,109	-
PMA	3,043	-	3,043
PHDC (1)	10,955	10,955	-
Collective Net Pension Liability	6,085,885	132,064	5,953,822
State Pension Fund			
PICA			1,553
City's Primary Government Net Pension Liability (Exhibit I)			5,955,375

(1) PHDC does not appear in the Component Unit Financial Statements (Exhibit XI Statement of Net Position and Exhibit XII Statement of Activities) due to immaterially.

Deferred Outflows by Employer

The following table summarizes the deferred outflows allocated to each employer for experience, assumptions changes, investment returns and contribution differences.

Schedule of Employer's Deferred Outflows

	PPA	PMA	PHDC	CITY	Total
Proportionate Shares	1.99%	0.05%	0.18%	97.78%	100%
Experience	$ 981,399	$ 24,658	$ 88,770	$ 48,221,693	$ 49,316,520
Assumption changes	2,162,374	54,331	195,592	106,249,723	108,662,020
Investment return	1,000,710	25,143	90,517	49,170,578	50,286,948
Proportion change	-	468,130	-	32,125,152	32,593,282
Contribution difference	10,439,431	140,490	862,834	-	11,442,755
	$ 14,583,914	$ 712,752	$ 1,237,713	$ 235,767,146	$ 252,301,525

Deferred Inflows by Employer

The following table summarizes the deferred inflows allocated to each employer for experience, assumptions changes, investment returns and contribution differences.

Schedule of Employer's Deferred Intflows

	PPA	PMA	PHDC	CITY	Total
Proportionate Shares	1.99%	0.05%	0.180%	97.78%	100%
Experience	$ -	$ -	$ -	$ -	$ -
Assumption changes	-	-	-	-	-
Investment return	-	-	-	-	-
Proportion change	(29,582,073)	(93,147)	(2,918,062)	-	(32,593,282)
Contribution difference	-	-	-	(11,442,756)	(11,442,756)
	$ (29,582,073)	$ (93,147)	$ (2,918,062)	$ (11,442,756)	$ (44,036,038)

Recognition of Deferred Outflows and Inflows by Employer

The following table shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

Schedule of Employer's Recognition of Deferred Outflows and Intflows

For Year ending	PPA	PMA	PHDC	CITY	Total
2020	$ (9,642,669)	$ 167,382	$ (1,215,146)	$ 157,346,952	$ 146,656,519
2021	(5,654,225)	148,894	(567,059)	13,609,122	7,536,732
2022	17,131	148,343	38,966	20,186,609	20,391,049
2023	281,605	154,988	62,888	33,181,707	33,681,188
2024	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	$ (14,998,158)	$ 619,607	$ (1,680,351)	$ 224,324,390	$ 208,265,488

(2) Philadelphia Gas Works (PGW) Plan

a. PLAN DESCRIPTION

The City of Philadelphia (the "City"), maintains two pension systems providing benefits for its employees and several of its component units: The City's pension system includes the Municipal Pension (the "Fund"); and the Gas Works Plan (the "Plan"). Each pension system is a separate Public Employee Retirement System ("PERS") with a separate oversight body and is financially independent of the others. In each case, the City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system.

There are no component units of the Plan. In determining its oversight responsibility, the Plan considers financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters.

The Plan consists of Philadelphia Gas Works ("PGW" or the "Company"), a component unit of the City and is included in the City's Comprehensive Annual Financial Report as a trust and agency fund.

The Plan is a single employer defined benefit PERS. The Plan provides pension benefits for all eligible employees of Philadelphia Gas Works, and other eligible class employees of Philadelphia Facilities Management Corporation (PFMC) and Philadelphia Gas Commission (PGC).

The Plan is administered by the Sinking Fund Commission of the City of Philadelphia (the "Commission"). The Commission is responsible for the administration of the Plan. Certain administrative aspects of the Plan are delegated to PGW. The Commission acts in a fiduciary matter with regards to the assets of the Plan. The Commission was established by the City Charter and consists of the Director of Finance, the City Controller and an experienced banker or investment banker appointed by the Mayor. Alternates for these members are allowed by written authorization of the Mayor.

As of the latest available actuarial valuation (June 30, 2019), the Plan's membership consisted of:

Active participants	$ 1,195
Retired participants	2,178
Vested terminated participants	317
Total Plan participants	3,690
Total payroll	$ 98,453,547
Average pay	$ 82,388

The Plan is currently open to all employees of PGW.

b. BENEFITS PROVIDED

Normal Retirement Benefits: The Plan provides retirement benefits as well as death and disability benefits. Retirement benefits are vested 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 percent of the first $6,600 of Final Average Earnings plus 1.75 percent of the excess of Final Average Earnings over $6,600, times years of credited service, with a maximum of 60 percent of the highest annual earnings during the last 10 years of credited service, applicable to all participants; or,

- 2 percent of total earnings received during the period of credited service plus 22.5 percent of the first $1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final Average Earnings are the employees' average pay, over the highest five years of the last ten years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

Contributions: In December 2011 the City of Philadelphia City Council approved Bill No. 110830 "An Ordinance" effecting PGW workers hired on or after May 21, 2011. The ordinance states, in part, that employees commencing employment on or after May 21, 2011 shall become a participant in the Plan only upon completion of an irrevocable written election to participate in the Plan. Such election must be made within thirty days after their employment commencement date, or if later, thirty days after the effective date of the ordinance. All such employees who elect to participate in the Plan are deemed contributing participants.

Contributing participants (Non-covered employees) in the Plan are required to make annual contributions totaling 6 percent of their compensation. Such contributions are made by means of periodic payroll deductions determined by the Company. Contributing participants are 100 percent vested in their employee contributions. All participants in the Plan, including contributing participants, have no vested interest in their accrued benefit from the Plan sponsor until they have 5 years of credited service, at which time they become 100 percent vested in their accrued benefit. Contributions from contributing participants for the Plan year ending June 30, 2019 totaled $1,248,941.

In addition, newly hired employees who commence employment on or after May 21, 2011 who opt out of the Plan will enter into the newly formed Philadelphia Gas Works Employees' Defined Contribution Plan, a tax qualified defined contribution plan pursuant to Section 401(a) of the Internal Revenue Code of 1986 as amended. The defined-contribution plan provides for an employer contribution equal to 5.5 percent of applicable wages. Assets of this plan are not a part of the City of Philadelphia Gas Works Retirement Reserve Fund and are not reported on in these financial statements.

Funding Policy: The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contributions rates are determined using the Projected Unit Credit actuarial funding method. The most recent annual actuarial valuation is as of June 30, 2018 and the contribution rate as of percentage of payroll was 29.25 percent.

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Benefits under the Plan are guaranteed by statute. In the event employer contributions are not sufficient to pay required benefits, the City's General fund must provide any shortfall.

c. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
Plan financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. The pension benefits are paid monthly and recorded as paid. As a result, there are no pension benefits payable at June 30, 2019.

Method Used to Value Investments
The Plan reports investments at their fair value in the statement of fiduciary net position. Unrealized gains and losses are included in the statement of changes in fiduciary net position. Securities traded on national or international exchanges are recorded at the last reported sales price at current exchange rates.
Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Net realized gains on sales amounted to $17,309,709 for the year ended June 30, 2019. Net unrealized gains for the year ended June 30, 2019 totaled $4,308,228.
Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Due From and To Brokers
Due from brokers represents the value of investments sold by brokers prior to year-end, for which the settlement date of the sale occurred subsequent to year end. Similarly, due to brokers represents the value of investments purchased by brokers prior to year-end, for which the settlement date of the purchase occurred subsequent to year end.

Fair Value of Financial Instruments
The carrying values of financial instruments including interest and dividends receivable, due from brokers, accounts payable, and amounts due to PGW and brokers approximate their fair market value due to the relative short maturity of these instruments.

Investment Advisors
The Fund utilizes numerous investment advisors to manage debt and equity portfolios. The Sinking Fund Commission must approve all investment advisors.

Income Taxes
The Plan is not subject to Federal, state or local income taxes.

Trend Information
Historical trend information related to the Plan is presented in the Supplemental Information section. The information is presented to enable the reader to assess the progress made by the Plan in accumulating sufficient assets to pay pension benefits as they become due.

Related Parties
The Sinking Fund Commission is the trustee of the Plan. The City of Philadelphia Department of Finance provides bookkeeping services for the Plan. Philadelphia Gas Works makes monthly benefit payments to retirees on behalf of the Plan and incurs administrative expenses on behalf of the Plan. Benefits payments made by PGW and administrative costs incurred by PGW on behalf of the Plan amounted to $53,892,944 and $191,645, respectively for the year ended June 30, 2019.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at June 30, 2019, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates. Significant estimates include the valuation of investments without quoted prices in an active market for identical assets and the actuarial estimates for Plan future benefit obligations.

Risks and Uncertainties
The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions, in the near term, would be material to the financial statements.

Deposits and Investments
The Plan is authorized to maintain a diversified portfolio in the following types of investments: U.S. Treasury or agency obligations, corporate debt and equity securities, and foreign debt and equity securities. City ordinances and sinking fund policies contain provisions which preclude the Plan from investing in organizations that conduct business in certain countries and industries and impose limitations on the amounts invested in certain types of securities.

Investments: The Commission maintains a Statement of Investment Guidelines ("Policy") consistent with the needs of the Plan. The latest Policy was approved by the Commission at its meeting on December 2, 2016. The Policy serves as the chief communication tool of the Commission with vendors and investment managers. The Policy defines the need for the Policy, the investment goals of the Plan, the asset allocation, the investment guidelines, including prohibited investments, as well as the objectives for each manager and benchmarks for each type of investment. Additionally, it defines the necessary communication and responsibilities of each party, including the Commission, the investment managers, the custodian and any consultants. The Policy can only be revised or changed by a vote by the Commission.

For a more complete description of the Policy, see the online version at: http://www.phila.gov/Treasurer/Documents/PGWPP.pdf.

The Pension Plan utilizes both equity and fixed-income investments consistent with the Policy as described above. As of June 30, 2019, the Plan had investments of approximately $538 million, comprised of $372 million in equities and $166 million in fixed-income investments. The ratio of equities to fixed income is 69 percent to 31 percent which is in line with the Policy guidelines of 60-70 percent equities and 30-40 percent fixed income.

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of investment expense was 6.73 percent.

The Commission employs third-party vendors to manage the assets of the Plan as well as perform other needed services. As of June 30, 2019, the Commission employed the following investment managers and vendors:

Manager	**Mandate**	**Balance (Millions)**
Equity Managers		
RhumbLine Asset Management	Domestic Large Cap Index	$ 134.2
RhumbLine Asset Management	International Markets	36.4
PineBridge Investments	Domestic Large Cap Index	58.1
Northern Trust Company	Domestic Large Cap Index	25.9
Eagle Asset Management	Domestic Small Cap Growth	26.5
Acadian Asset Management	International Markets	36.0
Earnest Partners, LLC	International Markets	34.6
Vaughan Nelson	Domestic Small Cap Value	20.3
		372.0
Bond Managers		
Weaver Barksdale	Core	39.0
Logan Circle Partners	Core Plus	35.6
Logan Circle Partners	Investment Grade	14.0
Garcia Hamilton	Intermediate	31.8
Lazard Asset Management	Intermediate Plus	31.7
Sky Harbor Capital Management	High Yield	13.6
		165.7
Total		$ 537.7

At its quarterly meetings, the Commission, with the assistance of PFM Asset Management LLC monitors the performance of the investment managers over various periods of time and will change a manager when the Commission deems it necessary. Each of the managers and other vendors (except for those marked 'fund') are contracted for a period of one year, with one-year extensions at the discretion of the Commission.

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. The Plan's fixed income investments are as follows:

	Total Fair Value	Below 1 Year	1 to 5 Years	5 to 10 Years	10 Years and Over
U.S. govt. treasuries	$ 45,227,256	$ 1,844,246	$ 17,205,091	$ 21,954,808	$ 4,223,111
U.S. govt. agencies	29,289,695	1,856,680	20,505,921	4,104,024	2,823,070
Municipal bonds	2,468,695	1,320,592	240,237	620,724	287,142
Corporate bonds	80,786,801	20,889,082	31,648,426	16,864,423	11,384,870
Asset backed securities	9,094,992	1,563,002	3,939,210	2,688,143	904,637
	$ 166,867,439	$ 27,473,602	$ 73,538,885	$ 46,232,122	$ 19,622,830

Custodial Credit Risk
In the event of counter-party failure, the Plan 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 Plan. The Plan requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Plan. Certain investments may be held by the managers in the Plan's name.

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, 2019 were rated by S&P, a nationally recognized statistical rating agency and are presented below using S&P's rating scale:

S&P Credit Rating	U.S. Government Securities	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Asset-Backed Securities	Total
AAA	$ -	$ -	$ -	$ 147,355	$ 6,140,136	$ 6,287,491
AA+	45,227,256	26,896,672	-	870,374	393,597	73,387,899
AA	-	-	-	-	573,931	573,931
AA-	-	-	1,216,147	1,451,147	347,214	3,014,508
A+	-	-	-	4,188,093	126,933	4,315,026
A	-	-	-	7,084,267	313,013	7,397,280
A-	-	-	424,482	17,623,303	394,663	18,442,448
BBB+	-	-	300,687	15,629,755	69,473	15,999,915
BBB	-	-	-	8,899,954	292,261	9,192,215
BBB-	-	-	527,379	6,998,443	-	7,525,822
BB+	-	-	-	2,907,510	29,866	2,937,376
BB	-	-	-	1,649,130	-	1,649,130
BB-	-	-	-	2,649,983	-	2,649,983
B+	-	-	-	1,993,368	-	1,993,368
B	-	-	-	2,007,971	-	2,007,971
B-	-	-	-	4,067,867	140,410	4,208,277
CCC+	-	-	-	1,202,705	-	1,202,705
CCC	-	-	-	1,309,676	14,865	1,324,541
CCC-	-	-	-	105,900	-	105,900
CC	-	-	-	-	-	-
D	-	-	-	-	28,685	28,685
NR/NA	-	2,393,023	-	-	229,945	2,622,968
	$ 45,227,256	$ 29,289,695	$ 2,468,695	$ 80,786,801	$ 9,094,992	$ 166,867,439

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, 2019, no single investment, not guaranteed by the U.S. government exceeds 5 percent of the Plan's net fiduciary financial position.

d. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The accounting pronouncement on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. Such inputs include quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Corporate bonds	$ -	$ 80,786,801	$ -	$ 80,786,801
Common and preferred stock	346,140,905	25,897,459	1,606	372,039,970
U.S. government securities	44,028,237	29,289,697	-	73,317,934
Financial agreements	-	-	39,848	39,848
Asset backed securities	-	9,094,992	-	9,094,992
Municipal obligations	-	2,468,695	-	2,468,695
	$ 390,169,142	$ 147,537,644	$ 41,454	$ 537,748,240

e. ADVANCE FROM THE PHILADELPHIA GAS WORKS

Payments to beneficiaries are made by PGW through its payroll system. The amount due to PGW at June 30, 2019 of $104 represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of the Company's required contribution, and reimbursements received from the Plan. Such amount will be settled in the subsequent Plan year.

f. NET PENSION LIABILITY

The components of the net pension liability of the City of Philadelphia Gas Works Retirement Reserve Fund at June 30, 2019, were as follows (dollar amounts in thousands):

Total pension liability	$ 800,485
Plan fiduciary net position	(553,240)
Net pension liability	$ 247,245
Plan fiduciary net position as a percentage of the total pension liability	69.11%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions:

Salary increases	4.5 percent for the current year and for subsequent years
General inflation	2.0 percent
Investment rate of return including inflation	7.30 percent, net of pension plan investment expense,

Mortality rates were based on the RP-2014 Combined Mortality Table for Males and Females with adjustments for mortality improvements based on Scale MP-2018.

Change in Assumptions

The total pension liability reflects a decrease of approximately $1.8 million as a result of changes actuarial assumptions for the Plan year ended June 30, 2019. The mortality table was changed from RP-2014 mortality table generationally projected with Scale MP-2017 to the RP-2014 mortality table generationally projected with Scale MP-2018 to better reflect actual and future mortality experience.

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed the contributions from Plan members will be made at the current contribution rate and that contributions from PGW will be made based on the current, actuarially determined funding policy. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate remains the same as the prior valuation period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability. The net pension liability as of June 30, 2019 is calculated using the discount rate of 7.30%, as well as the Plan's net pension liability if it were calculated using a discount rate that is 1 % lower (6.30%) or 1% higher (8.30%) than the current rate (dollar amounts in thousands):

	1% Decrease 6.30%	Current Rate 7.30%	1% Increase 8.30%
Total pension liability	$ 891,597	$ 800,485	$ 724,431
Plan fiduciary net position	553,240	553,240	553,240
Net pension liability	$ 338,357	$ 247,245	$ 171,191

Subsequent Events
The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of December 5, 2019 which is the date the financial statements were available to be issued.

Based on this evaluation the Plan has determined no subsequent event has occurred which requires disclosure in the financial statements.

B. DISCRETELY PRESENTED COMPONENT UNITS

(1) Philadelphia Gas Works

a. Plan Description

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

b. Benefits Provided

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided

c. Employees Covered by Benefit Terms

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

d. Contributions

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided - Funding Policy and Employee Contributions

e. ADVANCE FROM THE PHILADELPHIA GAS WORKS

f. Net Pension Liability

PGW's net pension liability as of August 31, 2019 and 2018 was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and June 30, 2018, respectively.

The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

	2019	2018
Inflation	2.00 %	2.00 %
Salary increases	4.50	4.50
Investment rate of return	7.30	7.30

Mortality rates. Mortality rates for FY 2018 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2017. Mortality rates for FY 2019 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2018.

Long-term rate of return. The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for FY 2019 are summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity	35.0 %	55.0 %	45.0 %	8.8 %
International equity	10.0	30.0	20.0	8.8
Fixed income	25.0	45.0	35.0	5.2
Cash equivalents	—	10.0	—	—
			100.0 %	

Discount rate. The discount rate used to measure the total pension liability at June 30, 2019 and 2018 was 7.3%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Company contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee contributions. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
Balances at September 1, 2017	$ 783,471	521,526	261,945
Changes for the year:			
Service cost	6,103	—	6,103
Interest	55,718	—	55,718
Differences between expected and actual experience	15,706	—	15,706
Contributions – employer	—	29,143	(29,143)
Contributions – employee	—	1,078	(1,078)
Net investment income	—	44,310	(44,310)
Benefit payments, including refunds of employee contributions	(52,627)	(52,627)	—
Administrative expenses	—	(184)	184
Change in assumptions	(3,864)	—	(3,864)
Net changes	21,036	21,720	(684)
Balances at August 31, 2018	$ 804,507	543,246	261,261

Changes in Net Pension Liability

(Thousands of U.S. dollars)

		Increase (decrease)		
		Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (a)-(b)**
Balances at September 1, 2018	$	804,507	543,246	261,261
Changes for the year:				
Service cost		6,554	—	6,554
Interest		57,241	—	57,241
Differences between expected and actual experience		(12,089)	—	(12,089)
Contributions – employer		—	28,570	(28,570)
Contributions – employee		—	1,249	(1,249)
Net investment income		—	34,260	(34,260)
Benefit payments, including refunds of employee contributions		(53,893)	(53,893)	—
Administrative expenses		—	(192)	192
Change in assumptions		(1,834)	—	(1,834)
Net changes		(4,021)	9,994	(14,015)
Balances at August 31, 2019	$	800,486	553,240	247,246

Sensitivity of the net pension liability to changes in the discount rate:
The following table presents the net pension liability of the Company at June 30, 2019, calculated using the discount rate of 7.30%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.30%) or one-percentage point higher (8.30%) than the current rate:

		1% Decrease 6.30%	**Current discount rate 7.30%**	**1% Increase 8.30%**
			(Thousands of U.S. dollars)	
Net pension liability	$	338,357	247,246	171,192

The following table presents the net pension liability of the Company at June 30, 2018, calculated using the discount rate of 7.30%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.30%) or one-percentage point higher (8.30%) than the current rate:

		1% Decrease 6.30%	**Current discount rate 7.30%**	**1% Increase 8.30%**
			(Thousands of U.S. dollars)	
Net pension liability	$	354,026	261,261	183,912

Pension Plan fiduciary net position. Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report.

g. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended August 31, 2019 and 2018, the Company recognized pension expense of $30.3 million and $43.2 million, respectively. At August 31, 2019 and 2018, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (thousands of U.S. dollars):

	August 31, 2019		August 31, 2018	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 8,067	8,949	12,697	2,023
Changes of assumptions	—	5,039	6,119	6,726
Net difference between projected and actual earnings on pension plan investments	—	4,242	—	4,517
Contributions made after measurement date	6,354	—	6,127	—
Total	$ 14,421	18,230	24,943	13,266

The $6.4 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2019 will be recognized as a reduction of the net pension liability in the Company's FY 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (thousands of U.S. dollars):

Fiscal year:	
2020	$ (682)
2021	(6,799)
2022	(4,127)
2023	1,445

h. Fair Value Measurements

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – d. Disclosures About Fair Value of Financial Instruments.

(2) School District of Philadelphia

a. Plan Description

Public School Employees' Retirement System (the System) is a governmental cost-sharing multiple-employer defined benefit plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSRS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

b. Benefits provided:

The System provides retirement and disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes- (1) Membership Class T-E (Class T-E) and (2) Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Code (Code) of multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and T-F members) or who has at least five years of credited services (ten years for Class T-E and T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

c. Contributions

Members Contributions:
Active members who joined prior to July 22, 1983, contribute at 5.25 % (Membership Class T-C) or at 6.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25 % (Membership Class T-C) or 7.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50 % (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer's Contributions:
The School District of Philadelphia's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS pension plan from the School District were $341.5 million for the year ended June 30, 2019.
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Commonwealth Contributions:
The Commonwealth reimburses the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year 2019 was 72.31 percent.

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

(a) At June 30, 2019, the District reported a liability of $3,698.9 million for its proportionate share of the net pension liability of which $3,643.7 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the System's total one-year reported covered payroll. At June 30, 2018, the District's proportion was 7.7051 percent, which was an increase of .4727 percent from its proportion measured as of June 30, 2017.

(b) For the year ended June 30, 2019, the District recognized net pension expense of $24,278.8 thousand of which $23,916.9 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of $361.9 thousand was under the Business-type Activity section of the Government-wide Statements.

(c) At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 29,775.0	$ (57,251.9)
Change in assumption	68,918.0	
Net difference between projected and actual investment earnings	18,128.0	-
Change in proportions	252,225.0	(73,436.8)
Difference between employer contributions and proportionate share of total contributions	-	(3,593.0)
Contributions subsequent to the measurement date	341,545.8	-
	$ 710,591.8	$ (134,281.7)

Deferred outflows of resources for contributions made subsequent to the measurement date was $341,545.8 thousand and will be recognized as a reduction of net pension liability/collective net pension liability in the subsequent fiscal period rather than in the current period.

The District recognized net deferred outflows of $234,764.3 thousand reported related to pensions in pension expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2019	$ 146,389.4	$ (53,458.0)	$ 92,931.4
2020	177,510.0	(64,171.8)	113,338.2
2021	67,025.5	(24,399.8)	42,625.7
2022	(21,878.9)	7,747.9	(14,131.0)
Total	$ 369,046.0	$ (134,281.7)	$ 234,764.3

Of the $234,764.3 thousand reported as net deferred outflows, $231,264.7 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at $3,397.0 thousand and $102.6 thousand, respectively.

Actuarial assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.25% includes inflation at 2.75%.
- Salary growth - Effective average of 5.00% comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- The actuarial assumptions used in the June 30, 2017 valuation were based on the results of ab actuarial experience study that was performed for the five year the period ending June 30, 2015.

Investments: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	100.00%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 9.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

e. *Sensitivity of the* District's *proportionate share of the net pension to changes in the discount rate*:

The following presents the net liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percenage point higher (8.25%) than the current rate:

(Amounts in Thousands)

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	$4,584,973	$3,698,831	$2,949,571

f. *Pension* plan *fiduciary net position:*

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

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 60% 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 that provides OPEB for all eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided: The City of Philadelphia subsidizes health care for five years from the time of coverage election 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's funding policy is to pay the net expected benefits for the current retirees. 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. The City's contributions are estimated to be about $96.9 million for fiscal year ending June 30, 2019.

Employees covered by benefit terms: At July 1, 2018, the following employees were covered by the benefit terms:

Medical Coverage:	
Inactive employees or beneficiaries currently receiving medical coverage	3,572
DROPS w ith medical coverage	1,944
Inactive employees entitled to, but not yet receiving medical coverage	444
Active employees	28,845
Total	34,805
Life Insurance Coverage	
Inactive employees or beneficiaries currently receiving life insurance coverag	27,798
Active employees	28,845
Total	56,643

Total OPEB Liability:
The City's total OPEB liability of $1,823,900,000 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs.
The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Measurement Date: June 30, 2017 and June 30, 2018; Reporting dates June 30, 2018 and June 30, 2019.

Discount rate: The discount rate as of June 30, 2018 is 3.87%, which is the 20-year bond buyer index rate as of June 28, 2018. The discount rate that was used for June 30, 2017 liability calculation is 3.58%, which is the 20-year bond buyer index rate as of June 29, 2017.

Salary Increase Rate:

Age	Municipal and Elected Officials	Uniformed
<20	20.00%	20.00%
20 - 24	18.00%	11.00%
25 - 29	10.00%	7.00%
30 - 34	7.00%	5.00%
35 - 39	5.75%	4.25%
40 - 44	5.00%	4.00%
45 - 49	4.60%	3.50%
50 - 54	4.35%	3.30%
55 - 59	4.10%	3.00%
60 - 64	3.85%	3.00%
65 +	3.50%	2.75%

Per Person Cost Trends:
The trend rates represent the annual rate of increase in employer claim payments, employer premiums (including those paid to union-sponsored plans), and retiree contributions.

To Year	Medical		Rx		Medical /Rx Combined	
Beginning July 1	Pre Medicare	Medicare Eligible	Pre Medicare	Medicare Eligible	Pre Medicare	Medicare Eligible
2019	8.00%	6.00%	9.00%	8.00%	8.20%	6.40%
2020	7.50%	5.75%	8.75%	7.75%	7.75%	6.15%
2021	7.00%	5.50%	8.50%	7.50%	7.30%	5.90%
2022	6.50%	5.25%	8.25%	7.25%	6.85%	5.65%
2023	6.28%	5.24%	7.74%	6.91%	6.57%	5.57%
2024	6.06%	5.23%	7.23%	6.56%	6.29%	5.49%
2025	5.84%	5.22%	6.72%	6.22%	6.02%	5.42%
2026	5.62%	5.21%	6.21%	5.87%	5.74%	5.34%
2027	5.40%	5.19%	5.69%	5.53%	5.46%	5.26%
2028	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2029	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2030	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2031	4.87%	4.87%	4.87%	4.87%	4.87%	4.87%
2032	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%
2033	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%
2034	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%
2035	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
2036	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%
2037	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%
2038	4.19%	4.19%	4.19%	4.19%	4.19%	4.19%
2039	4.06%	4.06%	4.06%	4.06%	4.06%	4.06%
2040 +	3.94%	3.94%	3.94%	3.94%	3.94%	3.94%

Dental and vision costs are assumed to increase at 3% per year.

Retirees Share of Benefit related costs:

Percent of Retirees Electing Coverage

Participation rate for medical coverage
- 85% of future retirees from Non-Represented groups are assumed to elect post-retirement medical covers.
- 100% of future retirees from represented groups (DC 33, DC 47, Fire, and Police) are assumed to elect post-retirement medical coverage.
- 100% of DROP participants are assumed to continue in DROP for the remainder of their DROP period (maximum four years) and then retire with a medical benefit.

Participation rate for life insurance
- 95% of current and future retired firefighters who participated in the pension plan are assumed to be covered by City-provided life insurance.
- 87% of all other current and future retired pension plan participants are assumed to be covered by City-provided life insurance.

Mortality Rates:
It is assumed deaths of active municipal and elected members, 110% and 115%, for males and females, respectively, follows RP-2014 Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

It is assumed deaths of active uniformed members follow 85% of the RP-2014 Blue Collar Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

For municipal and elected members, 127% and 119% for males and females, respectively, the rate of post-retirement and post-disability mortality follow RP-2014 Healthy Annuitant Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

For uniformed members, the rate of post-retirement and post-disability mortality follow 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

For municipal and elected members, the rate of post-disability mortality follows 95% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

For uniformed members, the rate of post-disability mortality follows 80% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

Change in the Total OPEB Liability:
The table below shows the changes in the Total OPEB Liability (TOL), the plan fiduciary net position (i.e., the fair value of Plan assets) (FNP), and the Net OPEB Liability (NOL) during the measurement period ending on June 30, 2018.

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2017	$ 1,861,600,000	$ 0	$ 1,861,600,000
Changes for the year:			
Service cost	81,800,000		81,800,000
Interest	67,900,000		67,900,000
Changes of benefits	0		0
Differences between expected/actual	56,800,000		56,800,000
Changes of assumptions	(147,800,000)		(147,800,000)
Contributions - employer		96,400,000	(96,400,000)
Contributions - non employer		0	0
Contributions - member		0	0
Net investment income		0	0
Benefit payments	(96,400,000)	(96,400,000)	0
Administrative expense		0	0
Net changes	(37,700,000)	0	(37,700,000)
Balances at 6/30/2018	$ 1,823,900,000	$ 0	$ 1,823,900,000

During the measurement year, the NOL decreased by approximately $37.7 million. The service cost and interest cost increased the NOL by approximately $149.7 million while contributions decreased the NOL by approximately $96.4 million. The employer contribution of $96.4 million is based on a blend of actual contributions and estimated contributions based on the prior report. Because a portion of the contribution is estimated, this was reviewed by the City for reasonability.

There was a loss of $56.8 million due to experience. This is due to the change in population between the June 30, 2016 valuation and the June 30, 2018 valuation.

There were assumption changes, such as the change in the 20-year bond buyer index rate, the chance in the medical claims and trend assumptions, and the change in the demographic assumptions, that resulted in a gain in liability by $147.8 million.

There were no benefit changes during the measurement period.

Sensitivity of the total OPEB liability to changes in the discount rate:
The Following represents the total OPEB liability (TOL) of the City, as well as what the City's total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate.

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the NOL to the discount rate.

Sensitivity of Net OPEB Liability to Changes in Discount Rate	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	$ 1,972,700,000	$ 1,823,900,000	$ 1,688,600,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	$ 1,972,700,000	$ 1,823,900,000	$ 1,688,600,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%

A one percent decrease in the discount rate increases the TOL and NOL by approximately 8%. A one percent increase in the discount rate decreases the TOL and NOL by approximately 7%.

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.
The Following represents the total OPEB liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Changes in healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the NOL to the healthcare trends.

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	$ 1,659,800,000	$ 1,823,900,000	$ 2,016,100,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	$ 1,659,800,000	$ 1,823,900,000	$ 2,016,100,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%

A one percent decrease in the healthcare trends decreases the TOL and NOL by approximately 9%. A one percent increase in the healthcare trend rate increases the TOL and NOL by approximately 11%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, the City recognized OPEB expense of $124,500,000. The table below shows the development of OPEB expense.

Calculation of OPEB Expense		
Fiscal Year Ending **Measurement Year Ending**	**June 30, 2019** **June 30, 2018**	**June 30, 2018** **June 30, 2017**
Change in Net OPEB Liability	$ (37,700,000)	$ (75,000,000)
Change in Deferred Outflows	(50,500,000)	0
Change in Deferred Inflows	116,300,000	90,500,000
Non Employer Contributions	-	
Employer Contributions	96,400,000	114,800,000
OPEB Expense	**$ 124,500,000**	**$ 130,300,000**
OPEB Expense as % of Payroll	**6.90%**	**7.47%**
Operating Expenses		
Service cost	$ 81,800,000	$ 89,300,000
Employee contributions	-	-
Administrative expenses	-	-
Total	$ 81,800,000	$ 89,300,000
Financing Expenses		
Interest cost	$ 67,900,000	$ 56,100,000
Expected return on assets	-	-
Total	$ 67,900,000	$ 56,100,000
Changes		
Benefit changes	$ 0	$ 0
Recognition of assumption changes	(31,500,000)	(15,100,000)
Recognition of liability gains and losses	6,300,000	0
Recognition of investment gains and losses	-	0
Total	$ (25,200,000)	$ (15,100,000)
OPEB Expense	**$ 124,500,000**	**$ 130,300,000**

At June 30, 2019, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

Schedule of Deferred Inflows and Outflows of Resources as of June 30, 2019 Projected Fiscal Year End June 30, 2018 Measurement Date	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 50,500,000	$ 0
Changes in assumptions	0	206,800,000
Net difference between projected and actual earnings on OPEB plan investments	0	0
Contributions subsequent to the measurement date	96,900,000	0
Total	**$ 147,400,000**	**$ 206,800,000**

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	(25,200,000)
2021	(25,200,000)
2022	(25,200,000)
2023	(25,200,000)
2024	(25,100,000)
Thereafter	$ (30,400,000)

The subsequent contributions after the measurement date are reflected as a deferred outflow, but this is not subject to a deferred recognition period in the OPEB expense. Instead, this will be fully recognized in the OPEB expense for the Fiscal Year ending June 30, 2020.

Required Supplementary Information: The schedule below shows the changes in NOL and related ratios required by GASB.

Schedule of Changes in Net OPEB Liability and Related Ratios		
Measurement Year Ending	**6/30/2018**	**6/30/2017**
Total OPEB Liability		
Service cost (BOY)	$ 81,800,000	$ 89,300,000
Interest (includes interest on service cost)	67,900,000	56,100,000
Changes of benefit terms	0	0
Differences between expected and actual experience	56,800,000	0
Changes of assumptions	(147,800,000)	(105,600,000)
Benefit payments, including refunds of member contributions	(96,400,000)	(114,800,000)
Net change in total OPEB liability	**$ (37,700,000)**	**$ (75,000,000)**
Total OPEB liability - beginning	**1,861,600,000**	**1,936,600,000**
Total OPEB liability - ending	**$ 1,823,900,000**	**$ 1,861,600,000**
Plan fiduciary net position		
Contributions - employer	$ 96,400,000	$ 114,800,000
Contributions - non-employer	-	-
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(96,400,000)	(114,800,000)
Administrative expense	-	-
Net change in plan fiduciary net position	$ -	$ -
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	$ -	$ -
Net OPEB liability - ending	**$ 1,823,900,000**	**$ 1,861,600,000**
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered payroll	$ 1,805,400,000	$ 1,744,700,000
Net OPEB liability as a percentage of covered payroll	101.02%	106.70%

The Plan is not currently being pre-funded and so there is no actuarially determined contribution shown below. The actuarially determined contribution is a target or recommended contribution to the OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contributions for the reporting period was adopted. The Actuarial Required Contribution (ARC) determined under GASB 45 is not a recommended contribution under Actuarial Standards of Practice, and thus is not shown below. If the Plan decides to pre-fund the liabilities, we will provide an appropriate actuarially determined contribution.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

The Governmental Accounting Standards Board (GASB) released new accounting standards for public postemployment benefits other than pension (OPEB). The new standards have substantially revised the accounting requirements previously mandated under GASB Statements (GASBS) No. 43 and 45. The most notable change is the elimination of the Annual Required Contribution (ARC) with the Net OPEB liability (Total OPEB liability for unfunded plans), to be recognized on the balance sheets of participating employers. GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning June 15, 2017.

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 10 years as an active employee and retired at age 60 with 30 years of service or aged 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 providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits.

An unaudited copy of the single-employer life insurance benefit plan can be obtained by writing to School District of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The numbers of eligible participants enrolled to receive such benefits as of June 30, 2018, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of Employees
Active	14,124
Retirees	10,352
Total	24,476

Total OPEB Life Insurance liability:

At June 30, 2019, the District reported a liability of $15.9 million for the total OPEB Life Insurance liability, all of which was under the Governmental Activity section of the Government-wide Statements. For the June 30, 2019 reporting date (which is the plan's and/or employer's fiscal year ending date), the "Valuation Date is June 30, 2018." This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2018. This is the date as of which the total OPEB Life Insurance liability was determined.

Our actuary determined the total OPEB Life Insurance liability for the fiscal year ending June 30, 2019 by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date, if applicable. Covered payroll equals the annualized base pay for active members as of the valuation date.

Actuarial Methods and Assumptions:

Discount Rate: 3.87% per annum as of June 30, 2018 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Yield, selected by the District)

Salary Increases: 3.00 % per year (based on input from District)

Mortality: RPH-2006 Mortality Tables with white-collar adjustments, projected on a generational basis with Scale MP-2017, with employee rates before retirement and healthy annuitant rates after retirement. As a generational table, it reflects mortality improvements both before and after the measurement date. This industry standard table published by the Society of Actuaries (SOA) was selected based on the population covered and the recent SOA exposure draft on public plan mortality experience.

Termination: Withdrawal rates vary by age and years of service. Illustrative rates are shown below:

If less than 5 Years of Service		If 5 or more Years of Service	
Years of Service	Rate	Age	Rate
< 1	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, 2017 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	18.57%	18.59%
60	14.42%	17.05%

Sample Superannuation Retirement Rates

Age	Male	Female
55	26.59%	10.02%
60	30.87%	35.77%
65	21.39%	22.23%
74	100.00%	100.00%

Disability: None assumed.

Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death.

Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of June 30, 2018 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.

Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.

Special Data Adjustments: PSERS membership class was determined based on the provided date of hire with the District. Service was determined as the elapsed time from the provided date of hire with the District until the date of determination.

Actuarial Cost Method:
In accordance with GASBS No. 75, the Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

Changes since Prior Valuation:
The Actuary used the Entry Age Normal cost method for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay. The changes listed below reflect differences from the June 30, 2016 actuarial valuation to the actuarial valuation as of June 30, 2018.

The discount rate was change as of June 30, 2017 from 3.58% to a municipal bond index of 3.87% as of June 30, 2018.

The mortality, retirement, and disability assumptions were revised.

The Actuary updated the actuarial cost method from the level dollar version of the Entry Age Normal cost method to the level percent of pay version of the Entry Age Normal cost method for determining service costs and the actuarial accrued liability.

Total OPEB Life Insurance Liability

Most Recent Measurement Date	Total OPEB Life Insurance Liability	Active Covered Payroll	Total OPEB Life Insurance Liability as a percentage of covered payroll
6/30/2018	$ 15,917,810	$ 792,975,829	2.00735%

Other Postemployment Benefits (OPEB) Life Insurance Benefits Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Changes in the Total OPEB Life Insurance Liability:

	Increase(Decrease) Total OPEB Life Insurance Liability
Total OPEB Life Insurance Benefit Liability as of July 1, 2018	$ 16,377,232
Changes for the year (2018-2019):	
Service Cost	86,098
Interest on total OPEB Life Insurance Liability	580,316
Effect of liability gains or losses	(36,124)
Effect of Assumption changes or inputs	(578,474)
Benefit Payments	(511,238)
Total OPEB Life Insurance Benefit Liability as of June 30, 2019	$ 15,917,810

Sensitivity of the District's Total OPEB Life Insurance Liability to changes in the discount rate:

The following presents the total liability, calculated using the discount rate of 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	2017-2018 Measurement Period (Dollars in Thousands)		
	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
District's total OPEB Life Insurance Liability	18,077	15,918	14,173

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	(Dollar in Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 461.4	$
Effect of liability gains or losses		(28.0)
Effect of assumptions changes or inputs		(1,300.9)
	$ 461.4	$ (1,328.9)

Deferred outflows of resources for contributions made subsequent to the measurement date was $0.5 million and will be recognized as a reduction of total OPEB liability in the next fiscal period rather than in the current period.

OPEB Expense and Deferred Inflows of Resources Related to OPEB Life Insurance:

- For the year ended June 30, 2019, the District recognized net OPEB expense of $159.9 thousand of which all under the Governmental Activity section of the Government-wide Statements.

- All of the ($1,328.9) thousand reported as deferred inflows was under the Governmental-Activities column of the Government-wide statements. Amounts currently reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended June 30:	(Dollars in Thousands) Deferred Inflows of Resources
2019	$ (506.6)
2020	(506.6)
2021	(247.6)
2022	(68.1)
2023	-
Thereafter	-
Total	$ (1,328.9)

PSERS Other Postemployment Benefits:
Other Postemployment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

- At June 30, 2019, the District reported a liability of $160.7 million for its proportionate share of the net OPEB liability of which $158.2 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 7.7051 percent, which was an increase of 0.4727 percent from its proportion measured as of June 30, 2018.

- For the year ended June 30, 2019, the District recognized net OPEB expense of $1,118.8 thousand of which $1,101.4 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of $17.4 thousand was under the Business-type Activity section of the Government-wide Statements.

- At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Dollars in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 992.0	$ -
Change in assumption	2,540.0	(6,088.0)
Net difference between projected and actual investment earnings	271.0	-
Change in proportions	13,526.0	
Difference between employer contributions and proportionate share of total contributions	6.8	
Contributions subsequent to the measurement date	8,716.0	-
	$ 26,051.7	$ (6,088.0)

Deferred outflows of resources for contributions made subsequent to the measurement date was $8.7 million and will be recognized as a reduction of net OPEB liability in the next fiscal period rather than in the current period. The District recognized $11.2 million as deferred outflows of resources and deferred inflows of resources related to OPEB which will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2019	$ 2,879.0	$ (1,011.0)	$ 1,868.0
2020	2,879.0	(1,011.0)	1,868.0
2021	2,879.0	(1,011.0)	1,868.0
2022	2,815.0	(988.0)	1,827.0
2023	2,759.0	(969.0)	1,790.0
Thereafter	3,124.7	(1,098.0)	2,026.7
Total	$ 17,335.7	$ (6,088.0)	$ 11,247.7

Of the $11,247.7 thousands reported as net deferred outflows, $11,073.0 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at $170.8 thousand and $3.9 thousand respectively.

Actuarial assumptions: The total OPEB liability as of June 30, 2018 was determined by rolling forward the System's total OPEB liability as of June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return from 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, which comprised of inflation of 2.75% and 2.25% for real wage growth, and for merit or seniority increases.
- Premium Assistance reimbursement is capped at $1,200 per year.

- Assumed Healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with the age set back 7 years for males and 3 years for females disabled annuitants. (A unisex table based on the RP-2000 Combined healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments: Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Healthcare Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	5.9%	0.3%
US Core-Fixed Income	92.8%	1.2%
Non-US Developed fixed	1.3%	0.4%
	100.00%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount rate: The discount rate used to measure the total OPEB liability was 2.98%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to change in healthcare cost trend rates:

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. As of June 2017, 93,380 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2018 as it relates to the District's proportionate share, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

(Dollars in Thousands)

	1% Decrease	Current Healthcare Cost Trend	1% Increase
System net OPEB liability	160,616	160,647	160,673

Sensitivity of the District's proportionate share of the net pension to changes in the discount rate:

The following presents the net liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage point higher (3.98%) than the current rate:

(Dollars in Thousands)

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	182,697	160,647	142,345

OPEB plan fiduciary net position:

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

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 retirees and their beneficiaries and dependents in FY 2019 and FY 2018, respectively, in accordance with their retiree medical program.

The OPEB Plan comprises (1) the PGW OPEB Trust (the Trust), which is used to receive, hold, and disburse assets accumulated to pay for some of the postemployment benefits other than pensions provided by PGW to its eligible retired employees and other eligible beneficiaries and (2) OPEB expenses paid for directly by PGW out of its general resources rather than through the Trust. The Trust was established for the exclusive benefit of PGW's retired employees and other eligible beneficiaries designated under the plan. Management believes that the OPEB Plan is in compliance with all applicable laws.

Benefits Provided
Medical Benefits: For pre-65 retirees, a choice of medical plans is offered through Independence Blue Cross including Personal Choice, Blue Cross Blue Shield with Major Medical, or Keystone HMO's. Employees who retire after December 1, 2001 are provided the Keystone 5 Plan at PGW's expense and they can buy up to a more expensive plan. Employees who retire on or after September 1, 2007 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retire after August 31, 2011 are provided the Keystone 15 Plan at PGW's expense and can buy up to a more expensive plan. Management employees who retire after August 31, 2011 continue to receive the Keystone 10 as the base plan and can buy up to a more expensive plan.

Reinsurance provides specific stop-loss coverage of $0.3 million on pre-65 Medical and Prescription Drug claims.

Eligible pre-65 retirees who relocate outside of the Keystone coverage area may elect to participate in the PGW Retiree Health Reimbursement Arrangement (HRA). Under the HRA, the Keystone base plan premium-equivalent will be credited to a participant's HRA account and will be available to reimburse the participant for eligible medical insurance premiums.

Medicare eligible retirees are provided a fully insured Medicare Supplement Plan through Independence Blue Cross.

Opt-out benefits of $1,500 per year for single coverage and $3,000 per year for married coverage are available to eligible retirees. This benefit is not available to a married couple who both retired from PGW and who are eligible for Medicare benefits. Retirees can maintain prescription drug and dental coverage even if they opt out of medical coverage.

Prescription Drug Benefits: Employees who retired on or after April 15, 1976 and prior to December 1, 2001, are offered a Prescription Drug Plan that has been established specifically for retirees and is separate from the plan that is offered to active employees. The retiree Prescription plan consists of a $2 copay for generic drugs, a $2 copay for brand name drugs when no generic drugs are available, and a $15 copay for brand name drugs when generic drugs are available. There are no deductibles and no lifetime maximums. Employees who retired prior to April 15, 1976 or on or after December 1, 2001 but before September 1, 2007 have a $5 copay for generics and a $10 copay for brand drugs. Employees who retire on or after September 1, 2007 have a $5 copay for generics and a $15 copay for brand drugs.

Effective, January 1, 2012, PGW moved Medicare eligible retirees into an Employee Group Waiver Plan arrangement. Covered drugs and copays remain the same. Prescription drug benefits are self-funded for all retirees.

Dental Benefits: For employees who retired after April 15, 1978, a basic dental plan is offered at no cost to the retiree. For employees who retired after June 1, 1984, an enhanced dental plan is offered. For eligible retirees who enroll in the enhanced dental plan, the retiree must pay the difference between the basic and enhanced plans. The dental plans were fully insured through August 31, 2016. Effective September 1, 2016, the dental benefits are self-funded.

Death Benefits: Nonunion employees are offered voluntary life insurance equal to two times their salary at retirement. At age 65, the life insurance benefit decreases by 5.0% per year for 15 years until the benefit equals 25.0% of the original life insurance benefit at age 65. PGW pays the cost of the first $75,000 of coverage. Retirees in this category pay $0.35 per $1,000 per month for coverage in excess of $75,000.

Union employees are offered voluntary life insurance equal to one times their salary at retirement. At retirement, the life insurance benefit decreases by 10.0% per year for 5 years until the benefit equals 50.0% of the original life insurance benefit at retirement. Retirees in this category pay $0.35 per $1,000 of coverage per month, PGW pays the balance.

Upon the death of an active employee prior to satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive 2 years of health coverage paid by PGW. Upon the death of an active employee on or after satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive health coverage for life (or for 5 years if hired on or after May 21, 2011 if Union or hired on or after December 21, 2011 if Nonunion) paid by PGW.

Contributions: The OPEB Plan 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 the Keystone 5/Keystone 10/Keystone 15 plan at PGW's expense and can buy up to a more expensive plan. Retirees also contribute toward enhanced dental plan and life insurance coverage as described above. PGW pays 100.0% of the cost for the prescription drug plan after drug copays.

Participants Covered

At December 31, 2018, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

	Number
Retirees	1,494
Beneficiaries	415
Active employees – Union	1,131
Active employees – Management	524
Total number of participants	3,564

Contributions to the OPEB Plan are the amounts received (additions) from PGW as sponsor of the Plan. These contributions include both amounts paid by PGW out of general resources to fund benefits on a pay-as-you-go basis, and contributions related to rate surcharges approved by the PUC in May 2010 and continued in July 2015. For the OPEB Plan year ended December 31, 2018, PGW contributed $28.7 million on a pay-as-you-go basis, $16.0 million resulting from rate surcharges, and $2.5 million of its resources. For the OPEB Plan year ended December 31, 2017, PGW contributed $29.7million on a pay-as-you-go basis, $16.0 million resulting from rate surcharges, and $2.5 million of its resources.

Net OPEB Liability

The Company's net OPEB liability as of August 31, 2019 and 2018 was measured as of December 31, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 1, 2018 and September 1, 2017, respectively. The September 1, 2018 actuarial valuation was rolled forward to the December 31, 2018 measurement date and the September 1, 2017 actuarial valuation was rolled forward to the December 31, 2017 measurement date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future. 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.

The total OPEB liability was determined using the entry age normal actuarial method and the following actuarial assumptions used to value the postemployment medical liabilities can be categorized into the following three groups:

Benefit assumptions: the initial per capita cost rates for medical coverage, and the face amount of employer-paid life insurance.

Demographic assumptions: including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels.

Economic assumptions: the discount rate and health care cost trend rates.

Benefit Assumptions:

Per capita claims: Using actuarial standards, specifically ASOP6, the annual age specific per capita claims cost rates were projected at the following assumed trend rates for future years (whole U.S. dollars):

	Medical		
Age	**Existing retirees and dependents**	**Future retirees and dependents**	**Prescription drug**
<50	$ 6,622	6,602	2,804
50–54	8,050	8,025	3,099
55–59	10,070	10,040	3,877
60–64	12,130	12,094	4,670
65–69	2,219	2,108	3,446
70–74	2,535	2,408	3,936
75–79	2,826	2,684	4,387
80–84	3,058	2,905	4,748
85–90	3,182	3,022	4,941
90+	3,230	3,068	5,015

Life insurance: The claims cost for life insurance is based on the actuarial present value of projected life insurance claims increased by 15.0% to reflect the cost of the insurance funding vehicle.

Morbidity: The below healthcare cost for prescription drug coverage and pre-65 medical coverage reflects the following changes due to increased usage as a result of aging:

Age	Annual Increase
55-59	4.0%
60-64	3.5%
65-69	3.0%
70-74	2.5%
75-79	2.0%
80-84	1.0%
85+	0.5%

Demographic assumptions:
Mortality rates: Mortality is assumed to follow the sex-distinct RP-2014 Employee, Healthy Annuitant and Disabled Retiree Mortality Tables (head-count weighted) projected with scale MP-2018.

Retirement rates: Retirement rates applicable once an employee is eligible for retirement benefits vary by age and service with rates as follows:

Age	Service Less Than 30-Years	Service at Least 30-Years
55-60	10.0%	15.0%
61	10.0%	30.0%
62-64	25.0%	50.0%
65-69	50.0%	50.0%
70+	100.0%	100.0%

Withdrawal rates: Turnover rates applicable before an employee is eligible for retirement benefits vary by age and service with illustrative rates as follows:

Age	Years of Service					
	0	1	2	3	4	5
20	23.2%	17.4%	14.4%	11.6%	8.8%	5.8%
25	18.8%	14.0%	11.8%	9.4%	7.0%	4.6%
30	14.8%	11.0%	9.2%	7.4%	5.6%	3.6%
35	11.2%	8.4%	7.0%	5.6%	4.2%	2.8%
40	8.8%	6.6%	5.6%	4.4%	3.4%	2.2%
45	7.2%	5.4%	4.6%	3.6%	2.8%	2.8%
50	5.2%	3.8%	3.2%	2.6%	2.0%	1.2%
55	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Disability rates: Disability rates vary by age with illustrative rates as follows:

Age	Percent Expected to Become Disabled In the Next Year
30	0.06%
35	0.07%
40	0.11%
45	0.22%
50	0.46%
55	1.02%
60	1.62%

Economic assumptions:
Long-term rate of return: The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation for each major asset class as of December 31, 2018 is summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity large cap	27.5 %	37.5 %	32.5 %	7.0 %
Domestic equity small cap	10.0	15.0	12.5	6.8
Emerging market equity	5.0	10.0	7.5	10.4
International equity	15.0	20.0	17.5	7.9
Fixed income	20.0	40.0	30.0	4.1
Commodities/Real Assets	—	10.0	—	—
Cash equivalents	—	5.0	—	—
			100.0 %	

Healthcare cost trend:

Fiscal year beginning (September 1)	Healthcare cost trend rates Medical (pre-65)	Medical (post-65)	Prescription	Dental
2018	6.0 %	4.5 %	8.5 %	4.0 %
2019	5.5	4.5	8.0	4.0
2020	5.0	4.5	7.5	4.0
2021	4.5	4.5	7.0	4.0
2022	4.5	4.5	6.5	4.0
2023	4.5	4.5	6.0	4.0
2024	4.5	4.5	5.5	4.0
2025	4.5	4.5	5.0	4.0
2026	4.5	4.5	4.5	4.0

Discount rate: The discount rate used for determining the Total OPEB Liability is the long-term expected rate of return on plan investments of 7.30% as of December 31, 2018 and December 31, 2017, and 7.95% as of December 31, 2016 and 2015, which represents the long-term expected rate of return on Plan investments at the applicable measurement date.

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

	Increase (decrease) Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at September 1, 2017	$ 489,979	139,623	350,356
Changes for the year:			
Service cost	5,180	—	5,180
Interest	38,182	—	38,182
Differences between expected and actual experience	(5,345)	—	(5,345)
Assumption changes	61,382	—	61,382
Benefit payments	(29,747)	—	(29,747)
Contributions-employer	—	48,247	(48,247)
Project investment return on year	—	11,834	(11,834)
Plan asset gain/(loss)	—	10,835	(10,835)
Benefit payments	—	(29,747)	29,747
Administrative expenses and bank fees	—	(49)	49
Net changes	69,652	41,120	28,532
Balances at August 31, 2018	$ 559,631	180,743	378,888

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

		Increase (decrease)		
		Total OPEB liability (a)	**Plan fiduciary net position (b)**	**Net OPEB liability (a)-(b)**
Balances at September 1, 2018	$	559,631	180,743	378,888
Changes for the year:				
Service cost		6,268	—	6,268
Interest		40,262	—	40,262
Differences between expected			—	—
and actual experience		(64,606)	—	(64,606)
Assumption changes		7,707	—	7,707
Benefit Payments		(28,729)	—	(28,729)
Contributions-employer		—	47,229	(47,229)
Project investment return on year		—	13,868	(13,868)
Plan asset gain/(loss)		—	(28,622)	28,622
Benefit payments		—	(28,729)	28,729
Administrative expenses and bank fees		—	(35)	35
Net changes		(39,098)	3,711	(42,809)
Balances at August 31, 2019	$	520,533	184,454	336,079

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB liability of the Company, as well as what the Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

		1% Decrease 6.30%	**Current discount rate 7.30%**	**1% Increase 8.30%**
			(Thousands of U.S. dollars)	
Net OPEB liability	$	281,338	336,078	402,473

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB liability of the Company, as well as what the Total OPEB liability would be if it were calculated using healthcare cost trend rates are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease 6.30%	**Current healthcare cost trend rates 7.30%**	**1% Increase 8.30%**
			(Thousands of U.S. dollars)	
Net OPEB liability	$	280,394	336,078	404,279

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

For the years ended August 31, 2019 and 2018, the Company recognized OPEB expense of $28.4 million and $32.9 million, respectively. At August 31, 2019 and 2018, the Company reported deferred outflows of resources and deferred inflow of resources related to other postemployment benefits from the following sources (thousands of U.S. dollars):

	August 31, 2019		August 31, 2018	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ —	67,281	—	22,860
Changes of assumptions	42,995	2,593	49,106	3,889
Net difference between projected and actual earnings on OPEB plan investments	15,919	—	—	9,385
Contributions made after measurement date	32,262	—	31,942	—
Total	$ 91,176	69,874	81,048	36,134

The $32.3 million and $31.9 reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2018 and 2017, respectively, will be recognized as a reduction of the net OPEB liability in FY 2019 and FY 2018, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows (thousands of U.S. dollars):

Fiscal year:	
2020	$ (4,345)
2021	(4,345)
2022	3,385
2023	(5,655)

Fair Value Measurements

All investments of the OPEB Plan at both December 31, 2019 and 2018 are publicly traded mutual funds categorized in Level 1 of the fair value hierarchy.

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 2019 this transfer amounted to $494.0 million.

5. RELATED PARTY TRANSACTIONS

The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of $84.61 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled $99.86 million during the year to the following organizations:

- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund for Philadelphia Incorporated

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Workers' Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, its city-administered health plan, the International Association of Fire Fighters and District Council 47.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claim 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 $354.2 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, 2017 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims & Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2017	350.3	243.9	(229.1)	365.1
Fiscal 2018	365.1	199.3	(211.4)	353.0
Fiscal 2019	353.0	207.9	(217.0)	343.9

The City's Unemployment Compensation and Workers' Compensation coverage are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverage are funded by a pro rata charge to the various funds. Payments for the year were $3.5 million for Unemployment Compensation claims and $69.85 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $261.4 million discounted at 3.5%. On an undiscounted basis, these liabilities total $344.5 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 $239.7 million (discounted) and $318.2 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 School District 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 School District is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness), and employee medical benefits.

The School District maintains 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 $0.5 million except for losses incurred from windstorm, fire, flood and earthquake which have a deductible of $1.0 million and a limit of $250.0 million per occurrence with certain sub-limits as specified in the policy terms. Also, certain insurance coverages including Accident, Foreign Package Excess Workers' Compensation, Student Professional Liability and Employee Performance bonds are obtained.

The School District reported the long-term portion of its risk management obligations totaling $124.0 million in the district-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. 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, 2019, the amount of these liabilities totaled $124.0 million.

Additionally, **PGW** and **PPA** are self-insured for various risks.

At June 30, 2019, the amount of these liabilities totaled $137.5 million, which includes, $124.0 million for **SDP**, $9.6 million for **PGW**, and $3.9 million for **PPA**.

Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Amounts in Millions)

Fiscal Year	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
2019	$ 140.6	$ 219.6	$ (222.7)	$ 137.5
2018	$ 141.1	$ 220.8	$ (221.3)	$ 140.6

7. COMMITMENTS

A. PRIMARY GOVERNMENT

Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amounts of open encumbrances for both, the current and prior fiscal years, were as follows:

(Amounts in Thousands of USD)

Fund	Amounts
General Fund	255,739
Grants Revenue Fund	258,744
Community Behavioral Health Fund	75,875
Water Enterprise Fund	675,917
Aviation Enterprise Fund	162,800
Non-Major Governmental Funds	337,707
Total	1,766,782

B. COMPONENT UNITS

SDP
Capital Projects Fund Construction and Equipment Purchase Commitments:

The School District's outstanding contractual commitments at June 30, 2019 are summarized as follows:

New Construction and Land	$	12,796,580
Environmental Management		1,072,966
Alterations and Improvements		50,622,913
Major Renovations		33,282,322
Total	$	97,774,781

Operating Fund Services and Supplies Commitments
Outstanding contractual commitments in the School District's operating funds at June 30, 2019 are as follows:

	General Fund	Intermediate Unit Fund
Services and Supplies	$ 22,731,703	$ 2,014,654

Categorical Fund Commitments
Categorical Funds encumbrances totaled $11.6 million at June 30, 2019.

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 $320.5 million. Of this amount, $36.13 million is charged to the current operations of the Enterprise Funds. The remaining $284.44 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 a loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimate of the amount of loss from these lawsuits in which some amount of loss is reasonably possible is approximately $24.3 million from the General Fund, $2.5 million from the Water Fund, and $2.3 million from the Aviation Fund. This represents the best estimate of the entire current inventory of such litigation and pre-suits as of February 10, 2020.

Significant cases included in the current litigation against the City are as follows:

2018 Tax Reassessment Cases

- On September 14, 2017, the first plaintiffs, individual owners of 76 commercial properties, filed suit in the Court of Common Pleas of Philadelphia County, alleging the 2018 property tax reassessment performed by the City's Office of Property Assessment (the "OPA") violated the Uniformity Clause of the Pennsylvania Constitution, and the statutes controlling assessments in Pennsylvania and first-class counties, seeking the reduction of their 2018 tax bills to levels based on 2017 values. Plaintiffs allege, following a countywide property tax reassessment for tax year 2014 known as the Actual Value Initiative ("AVI"), the City made no subsequent reassessments until tax year 2018 when it reassessed only commercial, but not residential, properties. Plaintiffs claim, pursuant to a July 2017 Pennsylvania Supreme Court decision, Valley Forge Towers Apartments N, LP et al v. Upper Merion Area School District et al, such disparate treatment of different categories of real property violates the state constitution's Uniformity Clause, and thus is null and void. Plaintiffs sought declaratory relief, an injunction forbidding the collection of taxes based on the allegedly unconstitutional valuations, and an order directing the OPA to "recertify" Plaintiffs' properties at their 2017 values.

All of the cases, which in total encompass over 500 plaintiffs, were consolidated for management purposes. The School District of Philadelphia, which receives a portion of the City's real estate tax revenues and all of a separate Use and Occupancy Tax which is also based upon OPA assessment values, was added as a defendant to the lawsuits. The City filed preliminary objections contesting the legal sufficiency of the claims, as well as the failure of the plaintiffs to appeal their assessments to the Board of Revision of Taxes (the "BRT"), the administrative agency statutorily designated to hear assessment appeals, and to appeal any decision adverse to them through the Local Agency Law process. The Court overruled those preliminary objections but dismissed mandamus claims and claims against individual defendants. The City filed Answers with New Matter to each complaint.

The cases were tried in the Philadelphia Court of Common Pleas in early June 2019. On July 18, 2019, the Court issued a Decree and Findings of Fact and Conclusions of Law determining that the assessments at issue were unconstitutional and that the real estate property taxes for Tax Year 2018 for the properties at issue in the litigation shall be reset to the assessments for those properties for tax year 2017.

The real estate tax revenue associated with the increase of taxable assessed values for the properties in question currently exceeds $36 million, with approximately 55% allocated to the School District and 45% to the City, not including the separate Use and Occupancy tax revenue for the School District. The City filed post-trial motions challenging the Court's determination. On September 25, 2019, the Court issued its Opinion and Order effectuating the decision discussed above. The City has appealed. The City is now attempting to consolidate these cases in Commonwealth Court.

Liberty Resources v. City

- Two organizations and four disabled persons filed a class action complaint in Federal Court in late August 2019 alleging various violations of the Americans with Disabilities Act and other federal laws. The allegations include failures by the City to meet provisions of the laws related to the conditions of crosswalks and sidewalks in the City of Philadelphia. The plaintiffs are represented by a national legal advocacy organization, and experienced local counsel. If the case goes to trial, the City could potentially face an $8 million verdict.

Henderson Inverse Condemnation

- In early September 2016, a Petition for the Appointment of a Board of View pursuant to the Pennsylvania Eminent Domain Code 26 Pa. C. Section 502(c) was filed in Delaware County against the City by numerous Henderson related entities and trusts (the "Hendersons"). The Petition alleged that the City effected a de facto taking of the Hendersons properties (the "Property"), which Property is proximate to the Philadelphia International Airport and located in Tinicum Township, Delaware County. The City desires to acquire the Property for Airport purposes and had numerous discussions with representatives for the Sellers.

The City filed Preliminary Objections to the Petition and there was a hearing on the Petition and the Preliminary Objections scheduled for January 2018. Prior to the hearing, the City filed its own Declaration of Taking in September 2017 and made an offer of just compensation. The City and the Hendersons then settled the foregoing matters. The City obtained possession and paid the Hendersons estimated just compensation of $54.5 million. The Hendersons' de facto taking case was dismissed.

The Fair Market Value ("FMV") of the Property remains disputed and will be determined by a Board of View, which was appointed by the Court of Common Pleas in Delaware County on November 27, 2018. The hearing before the Board of View was held in part during the summer of 2019. The Hendersons have rested their case in chief. The City's case in chief will be completed at the end of October 2019 with the Henderson's rebuttal case to be heard thereafter. What the Board of View will determine to be FMV is unknown. Both the City and the Hendersons will have the opportunity to advocate for the value that they believe is the appropriate FMV. The City is represented by outside counsel.

Fraternal Order of Police, Lodge 5 (Deplorable Conditions) v. City of Philadelphia

- The FOP filed a grievance alleging that the City violated their union labor contract's human dignity clause based on the condition of all police facilities and sought extensive remedies. Following a lengthy arbitration, an interim award was issued on April 26, 2013. Pursuant to the terms of that award, the arbitrator found that the City had violated the contract but ordered only that the parties meet on a monthly basis to identify and prioritize issues, work out budgets, and work through the issues identified by the union.

In July of 2018, the FOP requested hearings before the arbitrator regarding the conditions of the police facilities, but no dates were set, and there has not been any activity on this matter since July of 2018.

Although the union has not specified its concerns, the City's attorneys believe that the union wishes the arbitrator to force the City to significantly renovate or replace existing facilities. The City's attorneys are unable in their professional judgment to evaluate the likely cost of an unfavorable outcome but estimate that if renovations such as the union has previously sought were necessary, it could cost the city more than $8 million. City attorneys believe the probability of such an award being issued to be highly unlikely and would contest any such award vigorously through available appellate options.

James Dennis v. City of Philadelphia

- Mr. Dennis has filed suit in federal court alleging that he was wrongfully incarcerated for 25 years due to the withholding and fabrication of evidence by the Philadelphia Police Department. Mr. Dennis received a new trial after his conviction, but in 2016 pled no contest to murder rather than going to trial again. The case is in discovery. Simultaneously, the individual defendants have appealed the District Court's decision on the motions to dismiss to the Third Circuit Court of Appeals. Mr. Dennis is represented by an experienced civil rights attorney.

Simmons v. City of Philadelphia, No. 19-1648

- Plaintiff alleges that he was wrongfully convicted and imprisoned for almost ten years because detectives fabricated evidence against him. Plaintiff has made a $15 million demand, and the case is in suspense pending a related criminal trial.

Frazier v. City of Philadelphia, No. 19-1692

- Plaintiff alleges that he was wrongfully convicted and imprisoned for seven years due to misconduct of a former Philadelphia police detective. The case is in suspense pending related criminal charge cases.

Lewis v. City of Philadelphia, No. 19-2847

- Plaintiff alleges that he was wrongfully convicted and imprisoned for 21 years because detectives withheld material evidence and fabricated evidence against him. Plaintiff recently filed his complaint. The case is in the early stages and damages are difficult to calculate but could exceed $8 million. Plaintiff has been the subject of several pieces in the Inquirer.

Johnny Berry v. City of Philadelphia, No. 19-3699

- Plaintiff alleges that he was wrongfully incarcerated for 24 years. His case is in its early stages, with discovery just beginning. Given the time of incarceration, a jury verdict could exceed $8 million.

Dontia Patterson v. City of Philadelphia

- Mr. Patterson is in pre-suit negotiations with the City after the District Attorney's Office agreed to release him from prison. He was arrested in 2007 and subsequently convicted of murder. His conviction has been vacated, and Mr. Patterson's lawyers are claiming that evidence was wrongfully withheld from them. Mr. Patterson is represented by counsel, and the case could result in a $8 million verdict at trial.

Dwayne Thorpe v. City of Philadelphia

- Mr. Thorpe alleges that he was wrongfully incarcerated for 11 years. The case has not yet entered discovery but is expected to do so within the next month. Given the time duration of his incarceration, a jury verdict could exceed $8 million.

Chester Hollman v. City of Philadelphia

- Plaintiff alleges that he was wrongfully incarcerated for 28 years. Represented by counsel, he has filed a notice of claim and a pre-suit has been opened. Given the time duration of his incarceration, a jury verdict could exceed $8 million.

2) Guaranteed Debt

During Fiscal Year 2014, the City implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 had no significant effect on the City's financial statements. The City has guaranteed certain debt payments of one component unit (PPA). Under a contract with PPA authorized by City Council Ordinance, the City agreed to annually pay such amounts as necessary to restore any deficiency in the debt service reserve fund for PPA's Parking System Revenue Bonds Series 1999A. During fiscal year 2019, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City was not required to cover the debt service this fiscal year due to contingent payments from a third party. As of March 31, 2019, the City of Philadelphia has provided approximately $13.4 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority 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 parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The current portion is $810,000 as of March 31, 2019. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of $10.16 million at March 31, 2019.

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 timely filing of the City's audit report, data collection form and reporting package, detailed below and the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the year ended June 30, 2019, which accounted for $555.7 million for all open programs as of November 30, 2019. Of this amount, $505.0 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2019. For Fiscal Years ending June 30, 2019 and prior, $8.6 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

In addition to the Single Audit contingencies noted above, Uniform Guidance §200.512 requires that the audit must be completed, and the data collection form and reporting package must be submitted within, the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. The City has regularly failed to meet this filing requirement. As a result of the City's continued failure to meet this filing requirement, there is a chance that future funding could be affected.

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 and Other Major Programs

In previous fiscal years the Act 148 and all of the Children and Youth Programs 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, 2018, the Grants Revenue Fund had a $197.14 million receivable for the Children and Youth Programs. In FY 2019 the Grants Revenue Fund had expenditures totaling $518.01 million and revenue totaling $496.84 million. At June 30, 2019, the Grants Revenue Fund had a $211.93 million receivable for the Children and Youth Programs. Due to the nature of the programs' billing polices, the city has 24 months after the current fiscal year-end date to submit a final reimbursement request. If receivables for program costs submitted for reimbursement are subsequently deemed ineligible, such non-reimbursable costs will be charged to the General Fund.

B. COMPONENT UNITS

1) Claims and Litigation

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

Special Education and Civil Rights Claims – There are estimated nine hundred fifty (786) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $4.7 million.

Of those, four hundred fifty (450) 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, four hundred fifty (450) unfavorable outcomes are deemed probable in the aggregate of $4.7 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 49.2 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 reasonably possible in the amount of $2.9 million in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of $3.1 million and $5.6 million, respectively, arising from personal injury and property damage claims and lawsuits.

Administrative Appeals in Pennsylvania Department of Education – The School District has received several state subsidy withholding requests filed with PDE, pursuant to Section 1725-A of the Charter School Law, by charter schools that enrolled Philadelphia resident students. These withholding requests concern the calculation of the per-pupil rates to be paid by the School District to charter schools. The issues relate to whether the charter school per-pupil rates should be calculated using a school district's allocated expenditures reflected in its initial budget, in its amended adopted budget, or in its final audited financial report for the prior fiscal year. These issues have been raised in a number of withholding requests submitted to PDE by charter schools seeking payments from many school districts in Pennsylvania.

First Phila. Prep. Charter School, et al. v. Pennsylvania Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 159 M.D. 2017. This case was brought in 2017 by seven Philadelphia charter schools against PDE, the School District, the Superintendent, the Governor, the Attorney General, and members of the General Assembly. At issue is the validity of PDE's interpretation of 24 P.S. § 1725-A(a)(2) and (3) stated in PDE's former PDE-363 Guidelines. In accordance with PDE's Guidelines, which applied statewide, the School district made payments to charter schools based on prior-year budgeted expenditures, but toward the end of the school year, the School District adjusted the rates after calculating them based upon actual expenditures. Those rates were then applied to the entire school year. Because this adjustment caused the rates to go down in the 2015-2016 school year, the charter schools argued that the Guidelines should be disregarded or voided because they were inconsistent with the Charter School Law, specifically, 24 P.S. § 1725-A(a)(2) and (3). On February 22, 2018, a Commonwealth Court panel overruled the preliminary objections presented by the School District and by PDE, and held that PDE's Guidelines were invalid. On March 19, 2018, PDE rescinded the Guidelines by posting a notice on its website. The School District is now making per-pupil payments to charter schools based on prior year budgeted expenditures, as required by the Commonwealth Court. The case has been remanded to the Court of Common Pleas for a determination as to whether the charter schools have been paid in the correct amounts. According to outside counsel, no further substantial payment needs to be made to these schools as a result of the invalidation of the Guidelines. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible but not for an amount that would meet the materiality threshold.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 289 M.D. 2017. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. In addition to the issue raised in the First Philadelphia case described above, the charter schools raised the issue of whether they were entitled to per-pupil payments at the proper rates for the 2015-2016 school year when they made their payment requests to PDE, and not to the School District, after October 1, 2016. In July 2016, the General Assembly had amended the language of Section 1725-A(a)(5) to include a provision stating that charter schools must provide to their chartering school districts by October 1st following the end of a school year "final documentation of payment to be made" to them. In April 2017, the charter schools asked PDE to withhold funds from the School District under authority of 24 P.S. § 1725-A(a)(5), but PDE refused to make withholdings because the schools failed to show that they complied with the statutory deadline of October 1, 2016. All parties filed motions for summary relief. On August 5, 2019, the Commonwealth Court denied the School District's motion and found that the only significance of the schools' missing the Octo-ber1st deadline was it relieved PDE of the obligation to make withholdings. The court held that, regardless of whether charter schools meet the October 1st deadline, the school District has a "duty to pay charter schools the statutory amount." The school District did not appeal the court's decision. The matters will proceed before PDE. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is probable in the amount of $1.8 million.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 167 M.D. 2019. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. Initially, the School District objected to withholdings for payments made to the charter schools for the 2016-2017 school year. The Commonwealth Court in the First Philadelphia case as described above subsequently invalidated PDE's 363 Guidelines. The School District later paid these charter schools at the proper rates – rates calculated using budgeted expenditures, as required under the First Philadelphia decision. Accordingly, the School District withdrew its objections to the withholding made by ODE. The charter schools still wanted to be heard, however, on their claims that PDE permits the School District, and all school districts, to deduct amounts from total expenditures that are not expressly permitted under the Charter School Law when calculating per-pupil rates. Therefore, the charter schools brought this separate action. The School District and PDE have filed preliminary objections and briefs in mid-September 2019, which the charter schools oppose. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in the amount of approximately $8.5 million for the pending withholding requests of which we are aware as described above.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 431 M.D. 2019. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. Initially, the School District objected to withholdings for payments made to the charter schools for the 2017-2018 school year. The charter schools brought this action to make the same challenge to the deductions permitted by PDE that is presented in the prior case (167 M.D.2019) The School District's response to the petition for review was filed in early October 2019. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in the amount of approximately $6.4 million for the pending withholding requests of which we are aware as described above.

Constitutional Challenge- Duffield House Assocs., et al. v. City of Phila., et al., Court of Common Pleas of Philadelphia County, September Term, 2017, Case No. 153. This consolidated proceeding by commercial property owners and tenants in the City alleges that the City's 2018 property tax reassessment violated the Pennsylvania Constitution's Uniformity Clause. In 2018, plaintiffs requested a preliminary injunction to compel usage of the 2017 assessment levels for all tax bills. Because that request implicated the School District's Business Use and Occupancy Tax, the School District intervened as a defendant. The Court denied the plaintiffs' requested preliminary injunction but stayed their individually filed appeals from the Board of Revision of Taxes pending the outcome of the dispute. The Court conducted a trial on the merits in June 2019.

On July 18, 2019, the Court issued an opinion, ruling against the City and in effect, adverse to the School District's interests. If that ruling stands, it would have an estimated $35.0 million impact on the School District. The City and School District moved for post-trial relief in July 2019, which the Court denied. The City and School District filed a notice of appeal of the Court's decision, which has been docketed with Commonwealth Court on November 4, 2019.

The parties are waiting to receive the briefing schedule from Commonwealth Court. During this appeal, the ruling of the Court of Common Pleas will be automatically stayed. Although it is impossible to determine with any cer-tainty, based on our evaluation of the claims and defenses, the likelihood of an unfavorable outcome for the School District is reasonably possible in the amount of approximately $35.0 million.

9 SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2019 through and including February 25, 2020. The following events are described below:

A. PRIMARY GOVERNMENT

1. In February 2019, the City Bond Committee approved the terms and provisions of its Water and Wastewater Revenue Refunding Bonds Series 2020 (Forward Delivery) to allow for the issuance in October 2020 of $127.7 million of the Series 2020 Bonds to refund all the outstanding Series 2011A Bonds in the amount of $135.0 million and to pay the costs of issuing the Series 2020 Bonds. The total proceeds of the Series 2020 Bonds will be $138.6 million (which includes a premium of $10.9 million). The interest rates of the bonds to be refunded will range from 4.500% to 5.000%. The interest rates of the newly issued bonds will be 5.000%. The transaction will result in a total savings to the City of $17.2 million over the next 21 years and will result in an economic gain of $10.1 million.
2. In August 2019, the City issued $293.4 million of General Obligation Bonds Series 2019B. The Series 2019B Bonds were issued at an interest rate of 5%. The purpose of the Series 2019B bonds is to (i) pay all or a portion of the costs of certain projects in the City's capital budgets and (ii) pay the costs relating to the issuance of the 2019B Bonds.
3. In August 2019, the City issued $250.7 million Water and Wastewater Revenue Bonds Series 2019B. The 2019B bonds were issued at an interest rate of 5%. The 2019B bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (i) capital improvements of the City's Water and Wastewater systems, (ii) a deposit to the Debt Reserve Account of the Sinking Fund, and (iii) the costs of issuance relating to the Bonds.
4. In September 2019, the Philadelphia Authority for Industrial Development issued $147.6 million of City Service Agreement Refunding Bonds Series 2019A. The 2019A Bonds were issued at an interest rate of 5%. The 2019 bonds were issued, together with certain other available moneys, to (i) refund all of the Authority's outstanding 2007B-3 Bonds and 2014A Bonds, (collectively, the Refunded Binds), (ii) pay certain cost of terminating the swap agreements (or applicable portion) related to the Refunded Bonds, and (iii) pay costs of issuing of the 2019 Bonds.

B. COMPONENT UNITS

1. **SDP** Subsequent Events

   a. Tax Anticipation Revenue Notes (TRAN)

      In July 2019, as part of the annual process to obtain short term financing (in anticipation of the receipt of taxes and revenues) through the issuance of tax and revenue anticipation notes (TRANS), the Board of Education, through a resolution, authorized the issuance and sale of TRAN Note Series of 2019-2020 which was issued as fixed and variable rate notes in the aggregate principal amount of $175.0 million with a maturity date of March 31, 2020.

      On July 9, 2019, the Board of Education authorized the issuance of $175,000,000 of Tax and Revenue Anticipation Notes, Series of 2019-2020, issued in the amounts of $87,500,000 Tax and Revenue Anticipation Notes, Series A 2019-2020 (the "Series A Notes") and $87,500,000 Tax and Revenue Anticipation Notes, Series B 2018-2019 (the "Series B Notes"), collectively (the "Notes"). Both series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2020. On July 11, 2019, the District directed an initial draw of $50.0 million under each of the Series A Notes and Series B Notes. The School District had the authority to draw down the remaining $75 million at any time before October 1, 2019 at either a fixed rate or floating rate, which would be set at the time of the draw.

      On October 17, 2019, the District's Board of Education adopted a resolution, which authorized the issuance of TRAN, Series C of 2019-2020 in a principal amount of $347.1 million. The proceeds from Series C of 2019-2020 will be used (i) to pay certain current operating budget expenses prior to the receipt of District's taxes and certain other revenues to be received during Fiscal Year 2020, (ii) currently refund the Series A Notes and Series B Notes of 2019-2020, and (iii) pay the cost of issuance of the Series C Notes.

      On October 22, 2019, the District (1) redeemed the principal amount of $100.0 million under TRAN Series A and B of 2019-2020, (2) paid interest of $584,137, and (3) a termination fee of $117,399. In addition, on October 22, 2019, the district also issued TRAN, Series C of 2019-2020 in a principal amount of $347.1

million, which matures on March 31, 2020. The Series C Notes will bear interest payable at maturity, at the rate of 4.00 % per annum, calculated on the basis of actual days elapsed in a 365/366 day year.

b. General Obligation Bonds, General Obligation Refunding Bonds, State Public School Building Authority Lease Revenue Refunding Bonds, and General Obligations Refunding Bonds Forward Delivery.

General Obligation Bonds: On October 17, 2019, the Board of Education authorized the issuance of General Obligation Bonds (GOB) Series A of 2019, Series B of 2019 and Series D of 2019. On November 20, 2019, the District closed on GOB Series A of 2019 issued in the aggregate amount of $406.8 million, GOB Series B of 2019 issued as “Green Bonds” in the aggregate amount of $24.8 million, and GOB Series D of 2019 issued in the aggregate amount of $25.0 million. All three series of bonds will fund the Capital Improvement Program.

General Obligation Refunding Bonds: On October 17, 2019, the Board of Education authorized the issuance of General Obligation Refunding Bonds (GOB) Series C of 2019. On November 20, 2019, the District closed GOB Series C of 2019 in the aggregate amount of $24.4 million for the purpose of refinancing a portion of General Obligation Bonds Series A of 2007 in the aggregate amount of $30.0 million.

State Public Building Authority Lease Rental Refunding Bonds: On October 17, 2019, the Board of Education authorized the issuance of Lease Rental Refunding Bonds, Series A of 2019 and Series B of 2019 in the aggregate amount of $167.5 million and $20.8 million, respectively, for the purpose of refinancing a portion of Lease Rental Series B of 2012 in the aggregate of $172.3 million. On November 20, 2019, the District closed the lease Rental Series A of 2019 and Series B of 2019 in the aggregate amount of $188.3 million.

General Obligation Refunding Bonds Forward Delivery: On October 17, 2019, the Board of Education authorized the issuance of General Obligation Refunding Bonds Series of 2020 (Forward Delivery) in the aggregate amount of $123.8 million for the purpose of refinancing a portion of General Obligation Bonds Series C of 2010, Series D of 2010, and Series E of 2010 for $25.7 million, $18.1 million, and $88.1 million, respectively. The Forward Delivery bonds are scheduled to close on June 5, 2020.

c. Termination of Certain Basis Swaps:

On October 17, 2019, the Board of Education authorized the terminations of the Wells Fargo Basis Swap and the JP Morgan Basis Swap provided that no termination shall occur unless such termination results in a net payment to the School District of not less than $1.0 million.

d. Joint Project between Drexel University and School District of Philadelphia:

On October 17, 2019, the School District of Philadelphia entered in to a Lease Agreement and Contribution Agreement authorized by the Board of Education on June 27, 2019. Pursuant to the Contribution Agreement, the School District paid Drexel University $5.0 million dollars as a contribution to the construction of the Powel / SLAMS school (“PSLAMS”). Under the Contribution Agreement, the parties agreed to enter into an Escrow Agreement with U.S. Bank acting as the Escrow Agent to hold the additional $2.0 million contribution from the School District to the construction of PSLAMS. The Escrow Agent shall release $1.0 million to Drexel University upon receipt of the architect’s certification that the building is 50% completed. The Escrow Agent shall release the final $1.0 million of the contribution upon the issuance of a Certification of Occupancy for the building.

On October 24, 2019, the School District paid $5.0 million directly to Drexel University and sent the $2.0 million to be held by the Escrow Agent. The School District is paying $12 annual rent for the 29 year 10 month term of the Lease. The School District is assuming maintenance and capital repair obligations under certain terms and conditions of the Lease. Drexel University is funding the rest of the $40.0 million to complete construction of the building through both private and public funding sources for the 187,000 sq. ft. school.

e. Rating Agency Action

In October 2019, Fitch upgraded the School District of Philadelphia’s issuer default rating to BB+ from BB- citing positive fiscal improvements achieved after meaningful, recurring revenue commitments enacted by the City of Philadelphia and the Commonwealth of Pennsylvania. The higher Fitch mark puts the District one notch below investment grade just before it was scheduled to sell $793.1 million of bonds in a negotiated transaction the week of Oct. 16, 2019.

f. Audits and Grantback by U.S. Department of Education:

U.S. Department of Education ("DOE")'s 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. The OIG issued various draft and final audit reports in 2009 and 2010. DOE issued two program determination letters (PDLs) related to the 2010 audit report seeking a recovery of funds. The School District responded to and/or took various appeals regarding the reports and PDLs, which were reviewed by the Office of Administrative Law Judges, the DOE Secretary, and the U.S. Court of Appeals for the Third Circuit, through 2017. The OIG audits and related recovery actions are fully resolved. After remitting payment of $7.2 million in February 2017, the School District applied for a grantback in May 2017, in accordance with 20 U.S.C. 1234h, requesting return of 75 percent of the remitted funds for the School District to use for specified federal program purposes. By Grant award Notification dated April 1, 2019, DOE approved the grantback application for $5.4 million. Due to a delay from the initial application to the award by DOE, the School District was asked to provide an amended application and budget related to the $5.4 million. DOE approved this amendment on August 13,. 2019. The School District anticipates these grantback funds to be available during Fiscal Year 2020.

2. PHA Subsequent Events:

PHA and Enterprise executed a lease agreement whereby Enterprise will lease additional 66 vehicles to PHA during the year ending March 31, 2020. PHA will pay Enterprise approximately $2.1 million for the vehicles.

On October 4, 2019, PHA acquired the partnership interest of the limited partner investor in Richard Allen Phase III, L.P., a discrete component unit of PHA. Pursuant to the terms of the Purchase and Sale agreement, the partnership interest was purchased by PHA's affiliate for an aggregate purchase price of approximately $1.1 million.

3. PRA Subsequent Event:

Effective January 1, 2019, PRA started consolidation efforts with the Philadelphia Housing Development Corporation (PHDC). At the time of the issuance of this audit report, the consolidation only affects the staff of the Authority who will eventually become PHDC staff. A memo of understanding is being drafted that will highlight the extent of the inter-agency agreement.

4. PHDC Subsequent Event:

During fiscal year 2019, PHDC and Local 1971 (District Council 33) agreed to a new labor agreement that will expire June 30, 2020. Effective January 1, 2019, PHDC started consolidation efforts with the PRA. At the time of the issuance of this audit report, the consolidation only affects the staff of PRA who will eventually become PHDC staff. A memo of understanding is being drafted that will highlight the extent of the inter-agency agreement. This would increase the number of PHDC employees from 91 to 123, an approximate 25% increase. Significant administrative cost savings are expected for the City and should be evident in the fiscal year 2021 financial report.

5. PAID Subsequent Event:

PAID evaluated its December 31, 2018 financial statements for subsequent events through September 30, 2019, the date the financial statements were available to be issued. PAID is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

6. PICA Subsequent Event:

In October 2019, the Pennsylvania Intergovernmental Cooperation Authority issued $31.1 million in Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 and $25.0 million in Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery). Both bonds were issued with an interest rate of 5%. The 2019 bonds were issued to (A) refund all of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2009 and (B) pay the costs of issuing the 2019 bonds. The 2020 bonds were issued to (A) refund the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2010 maturing after June 15, 2020 and (B) pay the costs of issuing the 2020 bonds.

City of Philadelphia
PENNSYLVANIA

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, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Tax Revenue	3,445,678	3,552,256	3,614,840	62,584
Locally Generated Non-Tax Revenue	291,684	325,585	349,062	23,477
Revenue from Other Governments	806,439	791,352	804,698	13,346
Revenue from Other Funds	73,108	72,916	51,677	(21,239)
Total Revenues	4,616,909	4,742,109	4,820,277	78,168
Expenditures and Encumbrances				
Personal Services	1,738,440	1,778,079	1,749,789	28,290
Pension Contributions	719,758	752,552	752,549	3
Other Employee Benefits	640,480	626,098	618,517	7,581
Sub-Total Employee Compensation	3,098,678	3,156,729	3,120,855	35,874
Purchase of Services	951,665	991,061	915,529	75,532
Materials and Supplies	72,911	71,845	70,314	1,531
Equipment	41,445	51,163	42,953	8,210
Contributions, Indemnities and Taxes	282,185	286,985	279,769	7,216
Debt Service	169,496	169,496	159,787	9,709
Payments to Other Funds	38,096	163,248	183,182	(19,934)
Advances, Subsidies, Miscellaneous	71,020	53,573	-	53,573
Total Expenditures and Encumbrances	4,725,496	4,944,100	4,772,389	171,711
Operating Surplus (Deficit) for the Year	(108,587)	(201,991)	47,888	249,879
Fund Balance Available for Appropriation, July 1, 2018	228,545	368,783	368,783	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,000	24,000	22,009	(1,991)
Other Adjustments	(4,500)	(2,300)	-	2,300
Adjusted Fund Balance, July 1, 2018	248,045	390,483	390,792	309
Fund Balance Available for Appropriation, June 30, 2019	139,458	188,492	438,680	250,188

* 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, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	2,000	2,800	9,271	6,471
Revenue from Other Governments	1,298,000	1,197,200	1,012,165	(185,035)
Total Revenues	1,300,000	1,200,000	1,021,436	(178,564)
Other Sources				
Increase in Unreimbursed Committments	-	-	2,134	2,134
Total Revenues and Other Sources	1,300,000	1,200,000	1,023,570	(176,430)
Expenditures and Encumbrances				
Personal Services	800	800	542	258
Purchase of Services	1,299,100	1,299,100	990,481	308,619
Payments to Other Funds	100	100	-	100
Total Expenditures and Encumbrances	1,300,000	1,300,000	991,023	308,977
Operating Surplus (Deficit) for the Year	-	(100,000)	32,547	132,547
Fund Balance Available for Appropriation, July 1, 2018	-	89,562	89,562	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	2,367	2,367
Other Adjustments	-	(68,076)	-	68,076
Adjusted Fund Balance, July 1, 2018	-	21,486	91,929	70,443
Fund Balance Available for Appropriation, June 30, 2019	-	(78,514)	124,476	202,990

* 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, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	110,461	102,680	57,710	(44,970)
Revenue from Other Governments	1,549,765	1,785,632	931,976	(853,656)
Total Revenues	1,660,226	1,888,312	989,686	(898,626)
Other Sources				
Increase in Unreimbursed Committments	-	-	41,413	41,413
Increase in Financed Reserves	-	-	(2,990)	(2,990)
Total Revenues and Other Sources	1,660,226	1,888,312	1,028,109	(860,203)
Expenditures and Encumbrances				
Personal Services	186,045	200,564	155,232	45,332
Pension Contributions	32,604	34,157	31,608	2,549
Other Employee Benefits	36,375	36,916	31,309	5,607
Sub-Total Employee Compensation	255,024	271,637	218,149	53,488
Purchase of Services	1,039,495	1,025,129	827,889	197,240
Materials and Supplies	37,310	36,126	11,969	24,157
Equipment	22,393	20,927	5,463	15,464
Contributions, Indemnities and Taxes	1	1,112	-	1,112
Payments to Other Funds	56,003	56,163	32,821	23,342
Advances, Subsidies, Miscellaneous	250,000	34	-	34
Total Expenditures and Encumbrances	1,660,226	1,411,128	1,096,291	314,837
Operating Surplus (Deficit) for the Year	-	477,184	(68,182)	(545,366)
Fund Balance Available for Appropriation, July 1, 2018	-	(287,099)	(288,485)	(1,386)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	55,654	55,654
Revenue Adjustments - Net	-	-	(16,709)	(16,709)
Prior Period Adjustments	-	287,099	-	(287,099)
Adjusted Fund Balance, July 1, 2018	-	-	(249,540)	(249,540)
Fund Balance Available for Appropriation, June 30, 2019	-	477,184	(317,722)	(794,906)

* Refer to the notes to required supplementary information.

City of Philadelphia - Schedule of Changes in Net OPEB Liability and Related Ratios *(Amounts of USD)*

	FYE 2018	FYE 2017
Total OPEB Liability		
Service Cost (BOY)	81,800,000	89,300,000
Interest (includes interest on service cost)	67,900,000	56,100,000
Changes of benefit terms	0	-
Differences between expected and actual experience	56,800,000	-
Changes of assumptions	(147,800,000)	(105,600,000)
Benefit payments, including refunds of member contributions	(96,400,000)	(114,800,000)
Net change in total OPEB liability	**(37,700,000)**	**(75,000,000)**
Total OPEB liability - beginning	1,861,600,000	1,936,600,000
Total OPEB liability - ending	**1,823,900,000**	**1,861,600,000**
Plan fiduciary net position		
Contributions - employer	96,400,000	114,800,000
Contributions - non-employer	-	-
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(96,400,000)	(114,800,000)
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	-	-
Net OPEB liability - ending	**1,823,900,000**	**1,861,600,000**
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered-employee payroll	1,805,400,000	1,864,800,000
Net OPEB liability as a percentage of covered-employee payroll	101.02%	99.83%

City of Philadelphia - Municipal Pension Plan - Schedule of Changes in Net Pension Liability *(Amounts of USD)*

	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015
Total Pension Liability					
Service Cost (MOY)	183,755,848	164,137,303	157,607,110	148,370,075	143,556,347
Interest (includes interest on service cost)	857,348,582	843,171,926	823,959,345	802,450,569	791,298,503
Changes of benefit terms	378,455	4,064,886	-	-	-
Differences between expected and actual experience	11,097,845	28,937,167	103,878,650	151,918,733	34,909,464
Changes of assumptions	53,488,769	106,021,273	51,441,475	85,147,737	48,146,352
Benefit payments, including refunds of member contributions	(842,468,627)	(828,266,043)	(821,495,227)	(889,343,124)	(881,464,964)
Net change in total pension liability	**263,600,872**	**318,066,512**	**315,391,353**	**298,543,990**	**136,445,702**
Total Pension liability - beginning	11,510,667,823	11,192,601,311	10,877,209,958	10,578,665,968	**10,442,220,266**
Total Pension liability - ending	**11,774,268,695**	**11,510,667,823**	**11,192,601,311**	**10,877,209,958**	**10,578,665,968**
Plan fiduciary net position					
Contributions - employer	797,805,518	781,984,326	706,236,698	660,246,511	577,195,412
Contributions - member	99,179,683	83,288,635	73,607,359	67,055,003	58,657,817
Net investment income	303,735,946	440,326,787	566,624,580	(145,681,480)	13,838,367
Benefit payments, including refunds of member contributions	(842,468,627)	(828,266,043)	(821,495,227)	(889,343,124)	(881,666,036)
Administrative expense	(11,154,696)	(10,123,004)	(8,873,657)	(8,553,837)	(10,478,541)
Net change in plan fiduciary net position	347,097,824	467,210,701	516,099,753	**(316,276,927)**	**(242,452,981)**
Plan fiduciary net position - beginning	5,341,285,527	4,874,074,826	4,357,975,073	4,674,252,416	**4,916,705,397**
Plan fiduciary net position - ending	**5,688,383,351**	**5,341,285,527**	**4,874,074,826**	**4,357,975,073**	**4,674,252,416**
Net pension liability - ending	**6,085,885,344**	**6,169,382,296**	**6,318,526,485**	**6,519,234,885**	**5,904,413,552**
Plan fiduciary net position as a percentage of the total pension liability	48.31%	46.40%	43.55%	40.07%	44.19%
Covered payroll	1,816,114,249	1,805,400,096	1,744,728,288	1,676,548,962	1,597,848,869
Net pension liability as a percentage of covered payroll	335.10%	341.72%	362.15%	388.85%	369.52%

City of Philadelphia Schedule of Collective Contributions (Based on Minimum Municipal Obligations)

Last 10 Fiscal Years
Amounts in Thousands

	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010
Actuarially determined Contribution	668,281	661,257	629,620	594,975	556,030	523,368	727,604	534,039	463,375	297,446
Contributions in Relation to the Actuarially Determined Contribution	797,806	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155	312,556
Contribution Deficiency/(Excess)	(129,525)	(120,727)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)	(15,110)
Covered Payroll	1,816,114	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151
Contributions as a Percentage of Covered Payroll	43.93%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%

City of Philadelphia Schedule of Collective Contributions (Based on Revenue Recognition Policy)

Last 10 Fiscal Years
Amounts in Thousands

	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010
Actuarially determined Contribution	680,808	662,139	629,620	594,975	556,030	523,368	727,604	534,039	463,375	297,446
Contributions in Relation to the Actuarially Determined Contribution	797,806	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155	312,556
Contribution Deficiency/(Excess)	(116,998)	(119,845)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)	(15,110)
Covered Payroll	1,816,114	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151
Contributions as a Percentage of Covered Payroll	43.93%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%

City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)

Last 10 Fiscal Years
Amounts in Thousands

	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010
Actuarially determined Contribution	874,706	871,802	881,356	846,283	798,043	823,885	738,010	722,491	715,544	581,123
Contributions in Relation to the Actuarially Determined Contribution	797,806	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155	312,556
Contribution Deficiency/(Excess)	76,900	89,818	175,119	186,036	220,847	270,706	(43,813)	166,801	245,389	268,567
Covered Payroll	1,816,114	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151
Contributions as a Percentage of Covered Payroll	43.93%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%

Notes to Schedule

Valuation Date	7/1/2017
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year.

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	Ten-year smoothed market
Amortization method	Gain/Losses are amortized over closed 20-year periods, assumption changes over 15years, benefit changes for actives over 10 years, benefit changes for inactive members over 1 year, and plan changes mandated by state over 20 years. Under the City's Funding policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019, with payments increasing 3.3% per year, the assumed payroll growth. Under the MMO Funding Policy, the July 1, 2009 unfunded actuarial liability (UAL) was "fresh started", to be amortized over 30 years, ending June 30, 2039. This is level dollar amortization of the UAL. Under the RRP Funding Policy, sales tax revenue and additional member contributions are dedicated to fund the unfunded liability instead of reducing the City's obligation such that this revenue is in addition to the MMO would be without these additional assets.
Discount rate	7.65%
Amortization growth rate	3.30%
Salary increases	Age based salary scale
Mortality	Sex distinct RP-2000 Combined Mortality with adjustments and improvements using Scale AA

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2019 can be found in the July 1, 2017 actuarial valuation.

Philadelphia Gas Works - Schedule of Changes in Net Pension Liability *(Amounts in thousands USD)*

	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Total Pension Liability				
Service Cost	6,554	6,103	5,823	5,400
Interest Cost	57,240	55,718	55,443	55,903
Changes in Benefit Terms	-	-	-	-
Differences between expected and actual experience	(12,089)	15,706	2,182	(8,841)
Changes in assumptions	(1,834)	(3,864)	(7,952)	26,748
Benefit Payments	(53,893)	(52,627)	(51,376)	(50,447)
Net Change in Total Pension Liability	**(4,022)**	**21,036**	**4,120**	**28,763**
Total Pension Liability (Beginning)	**804,507**	**783,471**	**779,351**	**750,588**
Total Pension Liability (Ending)	**800,485**	**804,507**	**783,471**	**779,351**
Plan Fiduciary Net Position				
Contributions-Employer	28,570	29,143	27,918	21,123
Contributions - Member	1,249	1,078	852	602
Net Investment Income	34,260	44,310	61,002	2,872
Benefit Payments	(53,893)	(52,627)	(51,376)	(50,446)
Administrative Expense	(192)	(184)	(129)	(1,611)
Other	-	-	-	-
Net Change in Fiduciary Net Position	**9,994**	**21,720**	**38,267**	**(27,460)**
Plan Fiduciary Net Position (Beginning)	**543,246**	**521,526**	**483,259**	**510,719**
Plan Fiduciary Net Position (Ending)	**553,240**	**543,246**	**521,526**	**483,259**
Net Pension Liability (Ending)	**247,245**	**261,261**	**261,945**	**296,092**
Total Pension Liability	800,485	804,507	783,471	779,351
Plan Fiduciary Net Position	553,240	543,246	521,526	483,259
Net Pension Liability (Ending)	**247,245**	**261,261**	**261,945**	**296,092**
Net Position as a percentage of Pension Liability	69.11%	67.53%	66.57%	62.01%
Covered Payroll	98,454	101,271	94,768	90,860
Net Pension Liability as a percentage of Payroll	251.13%	257.98%	276.41%	325.88%

Valuation Date: actuarial liabilities and assets are calculated as of the Fiscal Year end date.

Philadelphia Gas Works - Schedule of Actuarially Determined Contribution *(Amounts in thousands USD)*

	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Actuarially Determined Contribution	28,797	28,395	29,260	26,476
Contributions Made	28,570	29,143	27,918	21,123
Contribution Deficiency/(Excess)	227	(748)	1,342	5,353
Covered Payroll	98,454	101,271	94,768	90,860
Contributions as a percent of covered payroll	29.25%	28.04%	30.88%	29.14%

Notes to Required Supplementary Information:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Contributions based on greater of 20 year level dollar open amortization method and 30 year level dollar closed amortization method.
Asset Valuation Method	Assets smoothed over 5 year period
Salary Increases	4.5% for current and subsequent years
General Inflation	2.00%
Investment Rate of Return	7.30%
Cost of Living	N/A
Mortality rates	RP-2014 static mortality generationally projected with Scale MP-2018

Amounts in thousands of USD

I. BASIS OF BUDGETING

The budgetary comparison schedules presented differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

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

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
Revenues			
Budgetary Comparison Schedule	4,820,277	1,021,436	989,686
Transfers	(529,075)	-	-
Program Income	-	-	46,142
Adjustments applicable to Prior Years Activity	-	-	
Change in Amount Held by Fiscal Agent	2,381	-	-
Change in BPT Adjustment	(18,255)	-	-
Return of Loan	-	-	-
Other	-	-	(16,709)
Statement of Revenues, Expenditures & Changes in Fund Balance	4,275,328	1,021,436	1,019,119
Expenditures and Encumbrances			
Budgetary Comparison Schedule	4,772,389	991,023	1,096,291
Transfers	(319,891)	-	(35,994)
Bond Issuance Costs	1,977	-	-
Expenditures applicable to Prior Years Budgets	66,013	24,785	(14,963)
Program Income	-	-	46,142
Payments for Current Bond Refundings	-	-	-
Capital Outlay for New Police Headquarters	-	-	-
Change in Amount Held by Fiscal Agent	39,318	-	-
Current Year Encumbrances	(162,458)	(29,287)	(82,105)
Statement of Revenues, Expenditures & Changes in Fund Balance	4,397,348	986,521	1,009,371

City of Philadelphia
PENNSYLVANIA

Other Supplementary Information

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

ACUTE CARE HOSPITAL ASSESSMENT - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

RIVERVIEW RESIDENTS - Established to maintain a commissary and provide other benefits for the residents.

PHILADELPHIA PRISONS - Established to operate a workshop and to provide benefits for the prison inmates.

ARBITRATION APPEALS - Established to account for certain court fees and provide funds for the arbitration board.

DEPARTMENTAL - Established to account for various activities of the Free Library and Parks and Recreation.

MUNICIPAL AUTHORITY ADMINISTRATIVE - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE - Established to account for PICA revenues from taxes and deficit financing transactions.

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

CITY - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

MUNICIPAL AUTHORITY - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE - Established to account for the debt service activities related to the deficit financing provided by PICA.

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets .

CITY - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

MUNICIPAL AUTHORITY - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

PERMANENT FUNDS

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

LIBRARIES & PARKS - Established to account for trust of the Free Library and Parks and Recreation.

City of Philadelphia **Schedule I**
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019

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	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets													
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	7,858	142	24,431	32,431
Equity in Treasurer's Account	11,551	51,917	10,160	-	4,386	67,575	22,990	30	3,934	4,248	-	-	176,791
Investments	-	-	-	-	-	-	-	-	-	1,064	-	-	1,064
Due from Other Funds	-	-	-	-	-	-	-	-	-	38	4,709	-	4,747
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	8,322	-	647	-	10,479	-	-	-	-	5,212	24,660
Accounts Receivable	-	-	-	2,500	-	-	-	-	-	-	24	-	2,524
Due from Other Governmental Units	-	-	-	9,185	-	-	-	-	-	-	-	-	9,185
Allowance for Doubtful Accounts	-	-	(366)	-	(1)	-	(9,431)	-	-	-	-	-	(9,798)
Interest and Dividends Receivable	-	-	-	-	2	-	-	-	-	-	-	12	14
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	104	-	21	125
Total Assets	11,551	51,917	18,116	11,685	5,034	67,575	24,038	30	3,934	13,312	4,875	29,676	241,743
Liabilities													
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Vouchers Payable	154	789	-	533	-	216	2,172	-	73	185	-	-	4,122
Accounts Payable	336	2,981	2,790	4,401	-	1,665	74	-	-	131	5,188	64	17,630
Salaries and Wages Payable	-	-	-	177	-	-	140	-	-	-	-	-	317
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	119	119
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	6,540	-	-	-	-	-	15	-	5,212	11,767
Due to Primary Government	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	99	-	-	-	-	-	-	-	-	99
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	1,128	-	-	1,575
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue Bonc	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	490	3,770	2,790	11,750	-	1,881	2,386	-	520	1,459	5,188	5,395	35,629
Deferred Inflows of Resources	-	-	154	9,270	-	-	1,048	-	-	-	-	-	10,472
Fund Balances													
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	11,061	48,147	15,172	-	5,034	65,694	20,604	-	-	10,432	-	24,281	200,425
Committed	-	-	-	-	-	-	-	30	3,414	1,421	-	-	4,865
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(9,335)	-	-	-	-	-	-	(313)	-	(9,648)
Total Fund Balances	11,061	48,147	15,172	(9,335)	5,034	65,694	20,604	30	3,414	11,853	(313)	24,281	195,642
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	11,551	51,917	18,116	11,685	5,034	67,575	24,038	30	3,934	13,312	4,875	29,676	241,743

City of Philadelphia **Schedule I**
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2019

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total Non-Major
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Governmental Funds
Assets									
Cash on Deposit and on Hand	-	-	8,030	8,030	-	-	-	339	40,800
Equity in Treasurer's Account	628	-	-	628	123,078	-	123,078	-	300,497
Investments	-	48	45,957	46,005	-	13,573	13,573	6,619	67,261
Due from Other Funds	-	-	-	-	-	-	-	-	4,747
Due from Component Units	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	24,660
Accounts Receivable	-	-	-	-	-	-	-	-	2,524
Due from Other Governmental Units	-	-	-	-	54,584	-	54,584	-	63,769
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(9,798)
Interest and Dividends Receivable	1	-	55	56	10	-	10	-	80
Inventories	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	125
Total Assets	629	48	54,042	54,719	177,672	13,573	191,245	6,958	494,665
Liabilities									
Notes Payable	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	-	-	-	5,840	-	5,840	-	9,962
Accounts Payable	-	-	-	-	28,032		28,032	-	45,662
Salaries and Wages Payable	-	-	-	-	-	-	-	-	317
Payroll Taxes Payable	-	-	-	-	-	-	-	-	119
Accrued Expenses	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	38	11,805
Due to Primary Government	-	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	-	2,656	-	2,656	-	2,755
Funds Held in Escrow	-	-	-	-	2,967	-	2,967	-	4,542
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	11,618	-	11,618	-	11,618
General Obligation Bonds	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue B	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	51,113	-	51,113	38	86,780
Deferred Inflows of Resources	-	-	-	-	52,072	-	52,072	-	62,544
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	3,527	3,527
Restricted	629	48	54,042	54,719	74,487	13,573	88,060	3,393	346,597
Committed	-	-	-	-	-	-	-	-	4,865
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(9,648)
Total Fund Balances	629	48	54,042	54,719	74,487	13,573	88,060	6,920	345,341
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	629	48	54,042	54,719	177,672	13,573	191,245	6,958	494,665

City of Philadelphia **Schedule II**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2019

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	-	-	73,229	-	6,220	-	140,386	-	-	-	-	-	528,763	748,598
Locally Generated Non-Tax Revenue	62	626	-	2,459	46	14,383	-	-	2,130	289	4,774	48	833	25,650
Revenue from Other Governments	8,311	37,660	-	46,131	-	-	-	-	-	-	-	-	-	92,102
Other Revenues	-	-	-	-	-	-	-	-	-	-	212	-	132	344
Total Revenues	8,373	38,286	73,229	48,590	6,266	14,383	140,386	-	2,130	289	4,986	48	529,728	866,694
Expenditures														
Current Operating:														
Economic Development	-	-	71,946	-	-	-	-	-	-	-	-	-	-	71,946
Transportation:														
Streets & Highways	7,209	37,329	-	-	-	-	-	-	-	-	-	-	-	44,538
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	1,339	-	-	-	-	1,339
Conservation of Health:														
Health Services	-	-	-	-	-	-	136,666	-	-	-	-	-	-	136,666
Housing and Neighborhood														
Development	-	-	-	49,218	-	11,098	-	-	-	-	-	-	-	60,316
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	2,031	-	-	2,031
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	177	-	-	177
Improvements to General Welfare:														
Service to Property:														
General Management and Support	-	-	-	(14)	7,000	-	-	-	855	289	3,187	47,966	1,230	60,513
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	7,209	37,329	71,946	49,204	7,000	11,098	136,666	-	2,194	289	5,395	47,966	1,230	377,526
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,164	957	1,283	(614)	(734)	3,285	3,720	-	(64)	-	(409)	(47,918)	528,498	489,168
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Discountor or payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	29,131	-	-	-	-	1,269	47,757	-	78,157
Transfers Out	-	-	-	-	-	-	(500)	-	-	-	-		(529,128)	(529,628)
Total Other Financing Sources (Uses)	-	-	-	-	-	29,131	(500)	-	-	-	1,269	47,757	(529,128)	(451,471)
Net Change in Fund Balances	1,164	957	1,283	(614)	(734)	32,416	3,220	-	(64)	-	860	(161)	(630)	37,697
Fund Balance - July 1, 2018	9,897	47,190	13,889	(8,721)	5,768	33,278	17,384	30	3,478	-	10,993	(152)	24,911	157,945
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-		-
Fund Balance Adjusted - July 1, 2018	9,897	47,190	13,889	(8,721)	5,768	33,278	17,384	30	3,478	-	10,993	(152)	24,911	157,945
Fund Balance - June 30, 2019	11,061	48,147	15,172	(9,335)	5,034	65,694	20,604	30	3,414	-	11,853	(313)	24,281	195,642

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, 2019

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	-	-	-	-	-	-	-	-	748,598
Locally Generated Non-Tax Revenue	9	65	3,210	3,284	-	275	275	324	29,533
Revenue from Other Governments	-	-	-	-	32,420	-	32,420	-	124,522
Other Revenues	-	-	-	-	36	-	36	-	380
Total Revenues	9	65	3,210	3,284	32,456	275	32,731	324	903,033
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	71,946
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	44,538
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	1,339
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	136,666
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	60,316
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	688	2,719
Libraries and Museums	-	-	-	-	-	-	-	1	178
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	-	-	-	-	-	-	-	60,513
Capital Outlay	-	-	-	-	208,241	(207)	208,034	-	208,034
Debt Service:									
Principal	82,000	13,850	38,760	134,610	-	-	-	-	134,610
Interest	77,240	7,378	8,408	93,026	-	-	-	-	93,026
Bond Issuance Cost	1,470	(44)	-	1,426	-	-	-	-	1,426
Total Expenditures	160,710	21,184	47,168	229,062	208,241	(207)	208,034	689	815,311
Excess (Deficiency) of Revenues Over (Under) Expenditures	(160,701)	(21,119)	(43,958)	(225,778)	(175,785)	482	(175,303)	(365)	87,722
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	188,660	-	-	188,660	-	-	-	-	188,660
Bond Issuance Premium	25,309	-	-	25,309	-	-	-	-	25,309
Bond Issuance Discountor or payment	-	-	-	-	-	-	-	-	-
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	(212,499)	-	-	(212,499)	-	-	-	-	(212,499)
Transfers In	159,232	21,167	35,576	215,975	102,343	-	102,343	-	396,475
Transfers Out	-	-	-	-	-	-	-	(119)	(529,747)
Total Other Financing Sources (Uses)	160,702	21,167	35,576	217,445	102,343	-	102,343	(119)	(131,802)
Net Change in Fund Balances	1	48	(8,382)	(8,333)	(73,442)	482	(72,960)	(484)	(44,080)
Fund Balance - July 1, 2018	628	-	62,424	63,052	147,929	13,091	161,020	7,404	389,421
Adjustment	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2018	628	-	62,424	63,052	147,929	13,091	161,020	7,404	389,421
Fund Balance - June 30, 2019	629	48	54,042	54,719	74,487	13,573	88,060	6,920	345,341

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2019

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Cash on Deposit and on Hand	16,832	-	16,832
Equity in Treasurer's Account	537,748	5,572,613	6,110,361
Securities Lending Collective Investment Pool	-	381,431	381,431
Allowance for Unrealized Loss	-	77	77
Accounts Receivable	-	4,090	4,090
Due from Brokers for Securities Sold	10,364	164,780	175,144
Interest and Dividends Receivable	1,653	-	1,653
Due from Other Governmental Units	-	7,816	7,816
Due from Other Funds	-	91,750	91,750
Total Assets	566,597	6,222,557	6,789,154
Liabilities			
Vouchers Payable	-	47	47
Accounts Payable	209	52	261
Salaries and Wages Payable	-	149	149
Due on Return of Securities Loaned	-	381,431	381,431
Due to Brokers for Securities Purchased	13,148	148,930	162,078
Accrued Expenses	-	3,327	3,327
Other Liabilities	-	238	238
Total Liabilities	13,357	534,174	547,531
Net Position Restricted for Pensions	553,240	5,688,383	6,241,623

City of Philadelphia **Schedule IV**
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	28,570	797,805	826,375
Employees' Contributions	1,249	99,180	100,429
Total Contributions	29,819	896,985	926,804
Investment Income:			
Interest and Dividends	13,779	132,655	146,434
Net Gain in Fair Value of Investments	21,618	176,587	198,205
(Less) Investments Expenses	(1,142)	(7,493)	(8,635)
Securities Lending Revenue	-	2,166	2,166
(Less) Securities Lending Expenses	-	(324)	(324)
Net Investment Gain	34,255	303,591	337,846
Miscellaneous Operating Revenues	4	145	149
Total Additions	64,078	1,200,721	1,264,799
Deductions			
Personal Services	-	3,765	3,765
Purchase of Services	-	2,344	2,344
Materials and Supplies	-	131	131
Employee Benefits	-	4,846	4,846
Pension Benefits	53,893	832,467	886,360
Refunds of Members' Contributions	-	10,001	10,001
Administrative Expenses Paid	191	-	191
Other Operating Expenses		69	69
Total Deductions	54,084	853,623	907,707
Change in Net Position	9,994	347,098	357,092
Net Position - July 1, 2018	543,246	5,341,285	5,884,531
Net Position - June 30, 2019	553,240	5,688,383	6,241,623

City of Philadelphia **Schedule V**

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2019

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	126,384	126,384
Equity in Treasurer's Account	75,378	37,685	-	113,063
Investments	-	-	2,439	2,439
Due from Other Funds	-	-	699	699
Total Assets	75,378	37,685	129,522	242,585
Liabilities				
Vouchers Payable	963	1	-	964
Payroll Taxes Payable	-	23,654	-	23,654
Funds Held in Escrow	74,415	14,030	129,522	217,967
Total Liabilities	75,378	37,685	129,522	242,585
Net Position	-	-	-	-

City of Philadelphia

Schedule VI

Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Balance 7-1-2018	Additions	Deductions	Balance 6-30-2019
Escrow Fund				
Assets				
Equity in Treasurer's Account	55,478	589,890	569,990	75,378
Liabilities				
Funds Held in Escrow	55,421	1,088,512	1,069,518	74,415
Vouchers Payable	57	5,811	4,905	963
Total Liabilities	55,478	1,094,323	1,074,423	75,378
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	28,761	1,072,117	1,063,193	37,685
Liabilities				
Vouchers Payable	1	9	9	1
Payroll Taxes Payable	15,291	984,588	976,225	23,654
Funds Held in Escrow	13,469	100,949	100,388	14,030
Total Liabilities	28,761	1,085,546	1,076,622	37,685
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	128,138	410,714	412,468	126,384
Investments	2,388	51	-	2,439
Due from Other Funds	699	-	-	699
Total Assets	131,225	410,765	412,468	129,522
Liabilities				
Funds Held in Escrow	131,225	410,765	412,468	129,522
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	128,138	410,714	412,468	126,384
Equity in Treasurer's Account	84,239	1,662,007	1,633,183	113,063
Investments	2,388	51	-	2,439
Due from Other Funds	699	-	-	699
Total Assets	215,464	2,072,772	2,045,651	242,585
Liabilities				
Vouchers Payable	58	5,820	4,914	964
Payroll Taxes Payable	15,291	984,588	976,225	23,654
Funds Held in Escrow	200,115	1,600,226	1,582,374	217,967
Total Liabilities	215,464	2,590,634	2,563,513	242,585

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2019

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2019 Outstanding	Maturities	Interest Rates	FY 2020 Debt Service Requirements Interest	Principal
Governmental Activities							
General Obligation Bonds:							
Series 2007A (Refunding)	12/20/2007	188,910,000	9,865,000	8/2019	5.00	246,625	9,865,000
Series 2009A (Refunding)	8/13/2009	237,025,000	5,755,000	8/2019	4.25	122,294	5,755,000
Series 2009B (Refunding)	8/13/2009 [1]	100,000,000	100,000,000	8/2027 to 8/2031	variable	3,712,589	-
Series 2011	4/19/2011	139,150,000	8,600,000	8/2019 to 8/2021	5.00 to 6.50	357,425	2,730,000
Series 2011 (Refunding)	4/19/2011	114,570,000	19,210,000	8/2019 to 8/2020	3.00 to 5.25	663,825	9,385,000
Series 2012A (Refunding)	5/8/2012	21,295,000	19,925,000	9/2019 to 9/2021	5.00	749,125	9,885,000
Series 2013A	7/30/2013	201,360,000	135,320,000	7/2019 to 7/2033	4.13 to 5.25	6,702,150	7,690,000
Series 2014A (Refunding)	2/6/2014	154,275,000	146,170,000	7/2019 to 7/2038	5.00 to 5.25	7,356,588	4,320,000
Series 2015A (Refunding)	7/8/2015	138,795,000	121,265,000	8/2019 to 8/2031	5.00	5,869,750	7,740,000
Series 2015B	9/30/2015	191,585,000	173,440,000	8/2019 to 8/2035	4.00 to 5.00	8,219,950	6,650,000
Series 2017 (Refunding)	2/2/2017	262,865,000	255,825,000	8/2019 to 8/2041	4.00 to 5.00	12,226,725	12,625,000
Series 2017A	8/2/2017	250,845,000	243,290,000	8/2019 to 8/2037	5.00	11,967,875	7,865,000
Series 2017A (Refunding)	8/2/2017	80,770,000	80,770,000	8/2021 to 8/2036	5.00	4,038,500	-
Series 2019A (Refunding)	5/14/2019	188,660,000	188,660,000	8/2020 to 8/2031	5.00	6,734,114	-
Total New Money Bonds		782,940,000	560,650,000			27,247,400	24,935,000
Total Refunding Bonds		1,487,165,000	947,445,000			41,720,134	59,575,000
Total General Obligation Bonds		2,270,105,000	1,508,095,000			68,967,534	84,510,000
Business Type Activities							
Revenue Bonds							
Water and Sewer Revenue Bonds:							
Series 1997B	11/25/1997 [2]	100,000,000	45,400,000	8/2019 to 8/2027	variable	519,490	4,200,000
Series 2009B	10/14/2009	29,432,930	18,229,377	7/2019 to 6/2033	1.193	372,496	1,205,477
Series 2009C	10/14/2009	46,699,887	31,537,115	7/2019 to 6/2033	1.193	643,982	2,131,458
Series 2009D	3/31/2010	71,956,891	49,233,978	7/2019 to 6/2033	1.193	1,004,136	3,453,485
Series 2010B	6/17/2010	28,500,000	22,385,626	7/2019 to 6/2033	1.193	458,569	1,361,337
Series 2010C	8/5/2010	185,000,000	7,350,000	8/2019 to 8/2035	3.00 to 5.00	286,013	3,075,000
Series 2011A	11/16/2011	135,000,000	135,000,000	1/2033 to 1/2041	5.00	6,737,000	-
Series 2011B (Refunding)	11/16/2011	49,855,000	20,750,000	11/2019 to 11/2026	5.00	833,750	8,150,000
Series 2012 (Refunding)	11/1/2012	70,370,000	34,400,000	11/2028	5.00	1,720,000	-
Series 2013A	8/22/2013	170,000,000	159,725,000	1/2020 to 1/2043	4.00 to 5.125	7,992,200	30,845,000
Series 2014 (Refunding)	1/23/2014	93,170,000	74,500,000	7/2019 to 7/2027	3.00 to 5.00	3,470,250	6,800,000
Series 2014	1/23/2014	30,000,000	30,000,000	7/2041 to 7/2043	5.00	1,500,000	-
Series 2015A	4/16/2015	275,820,000	275,820,000	7/2036 to 7/2045	5.00	13,791,000	-
Series 2015B (Refunding)	4/16/2015	141,740,000	141,740,000	7/2019 to 7/2033	4.00 to 5.00	6,550,975	10,365,000
Series 2016 (Refunding)	11/3/2016	192,680,000	181,770,000	10/2019 to 10/2035	3.00 to 5.00	8,484,313	3,785,000
Series 2017A	4/13/2017	279,865,000	259,865,000	10/2019 to 10/2052	5.00 to 5.25	12,616,125	20,000,000

Amounts in USD

	Date of Issuance		Issued	Fiscal 2019 Outstanding	Maturities	Interest Rates	FY 2020 Debt Service Requirements Interest	FY 2020 Debt Service Requirements Principal
Series 2017B (Refunding)	8/10/2017		174,110,000	171,205,000	11/2020 to 10/2034	5.00	8,560,250	-
Series 2018A	11/28/2018		276,935,000	276,935,000	10/2019 to 10/2053	5.00	13,596,750	10,000,000
Series 2019A (Refunding)	2/27/2019		68,335,000	68,335,000	10/2020 to 10/2040	2.83 to 4.29	2,702,898	-
Total New Money Bonds			1,629,209,708	1,311,481,096			59,517,760	76,271,757
Total Refunding Bonds			790,260,000	692,700,000			32,322,435	29,100,000
Total Water Revenue Bonds			2,419,469,708	2,004,181,096			91,840,195	105,371,757
Aviation Revenue Bonds:								
Series 2005C (Refunding)	6/2/2005	1	189,500,000	87,100,000	6/2020 to 6/2025	variable	2,801,541	13,000,000
Series 2010A	11/15/2010		273,065,000	238,905,000	6/2020 to 6/2040	3.75 to 5.25	11,996,463	6,670,000
Series 2010D (Refunding)	11/15/2010		272,475,000	151,255,000	6/2020 to 6/2028	4.00 to 5.25	7,837,200	18,550,000
Series 2011A (Refunding)	12/14/2011		199,040,000	146,185,000	6/2020 to 6/2028	4.625 to 5.00	7,253,656	8,110,000
Series 2011B (Refunding)	12/14/2011		34,790,000	23,480,000	6/2020 to 6/2031	3.375 to 5.00	1,027,319	1,565,000
Series 2015A (Refunding)	9/3/2015		97,780,000	83,880,000	6/2020 to 6/2035	4.00 to 5.00	4,108,950	3,560,000
Series 2017	4/27/2017		125,000,000	122,770,000	7/2019 to 4/2022	2.797	3,374,394	2,320,000
Series 2017A (Refunding)	12/20/2017		138,630,000	135,960,000	7/2019 to 7/2047	3.00 to 5.00	6,278,919	3,805,000
Series 2017B (Refunding)	12/20/2017		553,900,000	546,855,000	7/2019 to 7/2047	5.00	27,117,125	9,025,000
Total New Money Bonds			398,065,000	361,675,000			15,370,857	8,990,000
Total Refunding Bonds			1,486,115,000	1,174,715,000			56,424,710	57,615,000
Total Aviation Revenue Bonds			1,884,180,000	1,536,390,000			71,795,567	66,605,000
Total Revenue Bonds			4,303,649,708	3,540,571,096			163,635,762	171,976,757
Total All Bonds			6,573,754,708	5,048,666,096			232,603,296	256,486,757

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, 2019

City of Philadelphia **Schedule VIII**

Budgetary Comparison Schedule

Water Operating Fund

For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	700,211	693,623	705,202	11,579
Revenue from Other Governments	1,000	1,000	698	(302)
Revenue from Other Funds	113,497	121,057	39,967	(81,090)
Total Revenues	814,708	815,680	745,867	(69,813)
Expenditures and Encumbrances				
Personal Services	143,902	146,108	137,277	8,831
Pension Contributions	77,985	78,877	78,876	1
Other Employee Benefits	60,156	60,212	54,893	5,319
Sub-Total Employee Compensation	282,043	285,197	271,046	14,151
Purchase of Services	206,610	201,429	186,892	14,537
Materials and Supplies	52,367	52,293	45,542	6,751
Equipment	10,520	10,595	7,366	3,229
Contributions, Indemnities and Taxes	9,176	9,176	3,816	5,360
Debt Service	212,992	212,992	190,909	22,083
Payments to Other Funds	71,000	71,000	70,717	283
Total Expenditures and Encumbrances	844,708	842,682	776,288	66,394
Operating Surplus (Deficit) for the Year	(30,000)	(27,002)	(30,421)	(3,419)
Fund Balance Available for Appropriation, July 1, 2018	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	30,000	30,000	30,421	421
Adjusted Fund Balance, July 1, 2018	30,000	30,000	30,421	421
Fund Balance Available for Appropriation, June 30, 2019	-	2,998	-	(2,998)

City of Philadelphia **Schedule IX**

Budgetary Comparison Schedule

Water Residual Fund

For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	50	50	282	232
Revenue from Other Funds	37,000	37,000	42,181	5,181
Total Revenues	37,050	37,050	42,463	5,413
Expenditures and Encumbrances				
Payments to Other Funds	37,000	42,181	42,181	-
Total Expenditures and Encumbrances	37,000	42,181	42,181	-
Operating Surplus (Deficit) for the Year	50	(5,131)	282	5,413
Fund Balance Available for Appropriation, July 1, 2018	15,294	15,294	15,383	89
Fund Balance Available for Appropriation, June 30, 2019	15,344	10,163	15,665	5,502

City of Philadelphia **Schedule X**
Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Revenue from Other Governments	8,570	8,533	8,372	(161)
Total Revenues	8,570	8,533	8,372	(161)
Expenditures and Encumbrances				
Personal Services	3,734	3,734	3,693	41
Purchase of Services	3,320	3,684	2,443	1,241
Materials and Supplies	200	1,836	1,631	205
Payments to Other Funds	19	19	18	1
Total Expenditures and Encumbrances	7,273	9,273	7,785	1,488
Operating Surplus (Deficit) for the Year	1,297	(740)	587	1,327
Fund Balance Available for Appropriation, July 1, 2018	7,380	9,433	9,433	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	25	25	-	(25)
Adjusted Fund Balance, July 1, 2018	7,405	9,458	9,433	(25)
Fund Balance Available for Appropriation, June 30, 2019	8,702	8,718	10,020	1,302

City of Philadelphia

Schedule XI

Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	-	-	626	626
Revenue from Other Governments	34,214	36,639	37,660	1,021
Total Revenues	34,214	36,639	38,286	1,647
Expenditures and Encumbrances				
Personal Services	6,795	7,320	7,320	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	7,795	8,320	8,320	-
Purchase of Services	16,729	15,239	14,621	618
Materials and Supplies	5,962	4,203	3,576	627
Equipment	6,424	13,548	8,826	4,722
Payments to Other Funds	30	30	29	1
Total Expenditures and Encumbrances	36,940	41,340	35,372	5,968
Operating Surplus (Deficit) for the Year	(2,726)	(4,701)	2,914	7,615
Fund Balance Available for Appropriation, July 1, 2018	33,731	37,105	37,105	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	500	500	1,593	1,093
Adjusted Fund Balance, July 1, 2018	34,231	37,605	38,698	1,093
Fund Balance Available for Appropriation, June 30, 2019	31,505	32,904	41,612	8,708

City of Philadelphia **Schedule XII**
Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	73,868	73,868	73,229	(639)
Total Revenues	73,868	73,868	73,229	(639)
Expenditures and Encumbrances				
Contributions, Indemnities and Taxes	73,868	73,868	73,868	-
Total Expenditures and Encumbrances	73,868	73,868	73,868	-
Operating Surplus (Deficit) for the Year	-	-	(639)	(639)
Fund Balance Available for Appropriation, July 1, 2018	7,565	7,390	7,390	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	1,469	1,469
Adjusted Fund Balance, July 1, 2018	7,565	7,390	8,859	1,469
Fund Balance Available for Appropriation, June 30, 2019	7,565	7,390	8,220	830

City of Philadelphia

Schedule XIII

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	459,565	459,560	455,643	(3,917)
Revenue from Other Governments	2,695	2,695	1,061	(1,634)
Revenue from Other Funds	1,320	1,420	1,409	(11)
Total Revenues	463,580	463,675	458,113	(5,562)
Expenditures and Encumbrances				
Personal Services	80,205	81,780	81,075	705
Pension Contributions	37,717	38,258	38,236	22
Other Employee Benefits	26,233	26,057	24,797	1,260
Sub-Total Employee Compensation	144,155	146,095	144,108	1,987
Purchase of Services	139,980	139,849	120,075	19,774
Materials and Supplies	9,635	9,634	7,843	1,791
Equipment	8,407	8,408	7,374	1,034
Contributions, Indemnities and Taxes	8,812	8,812	5,452	3,360
Debt Service	163,802	163,802	133,410	30,392
Payments to Other Funds	24,023	24,023	18,598	5,425
Total Expenditures and Encumbrances	498,814	500,623	436,860	63,763
Operating Surplus (Deficit) for the Year	(35,234)	(36,948)	21,253	58,201
Fund Balance Available for Appropriation, July 1, 2018	54,976	143,069	143,069	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	15,000	15,000	14,795	(205)
Adjusted Fund Balance, July 1, 2018	69,976	158,069	157,864	(205)
Fund Balance Available for Appropriation, June 30, 2019	34,742	121,121	179,117	57,996

City of Philadelphia **Schedule XIV**

Budgetary Comparison Schedule

Community Development Fund

For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	500	500	2,459	1,959
Revenue from Other Governments	95,481	75,481	38,869	(36,612)
Total Revenues	95,981	75,981	41,328	(34,653)
Other Sources				
Decrease in Financed Reserves	-	-	2,201	2,201
Total Revenues and Other Sources	95,981	75,981	43,529	(32,452)
Expenditures and Encumbrances				
Personal Services	3,559	6,839	4,274	2,565
Pension Contributions	2,261	2,557	2,185	372
Other Employee Benefits	1,892	1,778	1,270	508
Sub-Total Employee Compensation	7,712	11,174	7,729	3,445
Purchase of Services	64,985	61,038	40,657	20,381
Materials and Supplies	259	204	76	128
Equipment	25	55	35	20
Payments to Other Funds	25	25	21	4
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	93,006	92,496	48,518	43,978
Operating Surplus (Deficit) for the Year	2,975	(16,515)	(4,989)	11,526
Fund Balance Available for Appropriation, July 1, 2018	-	(8,386)	(8,721)	(335)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	4,375	4,375
Prior Period Adjustments	-	8,386	-	(8,386)
Adjusted Fund Balance, July 1, 2018	-	-	(4,346)	(4,346)
Fund Balance Available for Appropriation, June 30, 2019	2,975	(16,515)	(9,335)	7,180

City of Philadelphia **Schedule XV**
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Final Budget to Actual Positive (Negative)
Revenues				
Taxes	5,641	5,934	6,220	286
Locally Generated Non-Tax Revenue	10	25	46	21
Total Revenues	5,651	5,959	6,266	307
Expenditures and Encumbrances				
Purchase of Services	7,000	7,000	7,000	-
Total Expenditures and Encumbrances	7,000	7,000	7,000	-
Operating Surplus (Deficit) for the Year	(1,349)	(1,041)	(734)	307
Fund Balance Available for Appropriation, July 1, 2018	4,622	5,768	5,768	-
Fund Balance Available for Appropriation, June 30, 2019	3,273	4,727	5,034	307

City of Philadelphia **Schedule XVI**

Budgetary Comparison Schedule

Housing Trust Fund

For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	14,140	14,399	14,383	(16)
Revenue from Other Funds	-	19,131	29,131	10,000
Total Revenues	14,140	33,530	43,514	9,984
Expenditures and Encumbrances				
Personal Services	1,250	1,750	775	975
Purchase of Services	38,750	57,381	30,711	26,670
Total Expenditures and Encumbrances	40,000	59,131	31,486	27,645
Operating Surplus (Deficit) for the Year	(25,860)	(25,601)	12,028	37,629
Fund Balance Available for Appropriation, July 1, 2018	16,633	15,301	15,301	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	12,000	7,122	(4,878)
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	-	-	-	-
Other Adjustments	-	-	-	-
Adjusted Fund Balance, July 1, 2018	28,633	27,301	22,423	(4,878)
Fund Balance Available for Appropriation, June 30, 2019	2,773	1,700	34,451	32,751

City of Philadelphia

Schedule XVII

Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	776,196	775,459	36	(775,423)
Revenue from Other Governments	559,366	603,366	32,419	(570,947)
Revenue from Other Funds	45,436	77,336	82,409	5,073
Total Revenues	1,380,998	1,456,161	114,864	(1,341,297)
Other Sources (Uses)				
Decrease in Unreimbursed Committments	-	-	(43,902)	(43,902)
Total Revenues and Other Sources	1,380,998	1,456,161	70,962	(1,385,199)
Expenditures and Encumbrances				
Capital Outlay	1,380,998	1,456,161	224,961	1,231,200
Operating Surplus (Deficit) for the Year	-	-	(153,999)	(153,999)
Fund Balance Available for Appropriation, July 1, 2018	-	-	(40,860)	(40,860)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	3,640	3,640
Adjusted Fund Balance, July 1, 2018	-	-	(37,220)	(37,220)
Fund Balance Available for Appropriation, June 30, 2019	-	-	(191,219)	(191,219)

City of Philadelphia

Schedule XVIII

Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2019

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Tax Revenue	160,000	142,595	140,386	(2,209)
Total Revenues	160,000	142,595	140,386	(2,209)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(53)	(53)
Total Revenues and Other Sources	160,000	142,595	140,333	(2,262)
Expenditures and Encumbrances				
Personal Services	5,499	5,498	3,008	2,490
Pension Contributions	42	42	-	42
Other Employee Benefits	225	225	-	225
Sub-Total Employee Compensation	5,766	5,765	3,008	2,757
Purchase of Services	154,980	154,980	134,104	20,876
Materials and Supplies	1,354	1,354	6	1,348
Equipment	-	-	47	(47)
Payments to Other Funds	500	500	500	-
Total Expenditures and Encumbrances	162,600	162,599	137,665	24,934
Operating Surplus (Deficit) for the Year	(2,600)	(20,004)	2,668	22,672
Fund Balance Available for Appropriation, July 1, 2018	2,799	17,384	17,384	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	2,000	2,000	552	(1,448)
Adjusted Fund Balance, July 1, 2018	4,799	19,384	17,936	(1,448)
Fund Balance Available for Appropriation, June 30, 2019	2,199	(620)	20,604	21,224

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, 2019 (with comparative actual amounts for the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2019 Actual	Positive (Negative)	FY 2018 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	630,748	651,115	658,208	7,093	611,346	46,862
Prior Years	38,332	38,332	38,395	63	39,090	(695)
Total Real Property Tax	669,080	689,447	696,603	7,156	650,436	46,167
Wage and Earnings Taxes:						
Current	1,580,313	1,566,260	1,577,549	11,289	1,536,868	40,681
Prior Years	8,250	-	4,350	4,350	5,389	(1,039)
Total Wage and Earnings Taxes	1,588,563	1,566,260	1,581,899	15,639	1,542,257	39,642
Business Taxes:						
Business Income & Receipts Taxes:						
Current	390,192	468,293	506,653	38,360	428,861	77,792
Prior Years	35,000	35,000	34,220	(780)	17,210	17,010
Total Business Income & Receipts Taxes	425,192	503,293	540,873	37,580	446,071	94,802
Net Profits Tax:						
Current	28,670	31,869	29,455	(2,414)	27,608	1,847
Prior Years	2,500	4,700	6,353	1,653	4,689	1,664
Total Net Profits Tax	31,170	36,569	35,808	(761)	32,297	3,511
Total Business Taxes	456,362	539,862	576,681	36,819	478,368	98,313
Other Taxes:						
Sales Tax	216,524	215,156	224,199	9,043	198,405	25,794
Amusement Tax	22,213	27,895	26,406	(1,489)	22,970	3,436
Beverage Tax	78,038	76,647	76,855	208	77,421	(566)
Real Property Transfer Tax	310,498	334,686	328,446	(6,240)	331,517	(3,071)
Parking Lot Tax	100,673	98,141	99,312	1,171	96,473	2,839
Smokeless Tobacco	783	981	957	(24)	976	(19)
Miscellaneous Taxes	2,944	3,181	3,482	301	3,006	476
Total Other Taxes	731,673	756,687	759,657	2,970	730,768	28,889
Total Taxes	3,445,678	3,552,256	3,614,840	62,584	3,401,829	213,011
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	3,532	3,532	3,182	(350)	3,108	74
Licenses and Permits	62,496	70,948	71,993	1,045	64,382	7,611
Fines, Forfeits, Penalties, Confiscated Money and Property	18,299	19,045	18,814	(231)	15,344	3,470
Interest Income	2,769	10,147	18,573	8,426	12,471	6,102
Service Charges and Fees	149,343	158,739	169,834	11,095	154,955	14,879
Other	55,245	63,174	66,666	3,492	70,384	(3,718)
Total Locally Generated Non-Tax Revenue	291,684	325,585	349,062	23,477	320,644	28,418
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	43,079	32,765	21,961	(10,804)	30,380	(8,419)
Commonwealth of Pennsylvania:						
Grants and Other Payments	231,056	221,522	214,802	(6,720)	225,714	(10,912)
Other Governmental Units	532,304	537,065	567,935	30,870	522,059	45,876
Total Revenue from Other Governments	806,439	791,352	804,698	13,346	778,153	26,545
Revenue from Other Funds	73,108	72,916	51,677	(21,239)	55,436	(3,759)
Total Revenues	4,616,909	4,742,109	4,820,277	78,168	4,556,062	264,215

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, 2019 (with comparative actual amounts for the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2019 Actual	Positive (Negative)	FY 2018 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	17,226	17,810	16,537	1,273	16,959	(422)
Mayor's Office:						
Mayor's Office	5,316	5,523	5,460	63	4,098	1,362
Scholarships	200	206	157	49	171	(14)
Mural Arts Program	2,034	2,085	2,367	(282)	1,921	446
Labor Relations	1,747	2,014	1,770	244	1,446	324
Chief Administratvie Office	6,619	6,669	5,996	673	5,894	102
Community Schools & Pre-K	24,950	29,537	26,141	3,396	23,073	3,068
Community Services	90	90	88	2	2,147	(2,059)
Inspector General	1,636	1,680	1,514	166	1,487	27
Sustainability	949	963	956	7	908	48
Office of Information Technology	100,872	101,601	78,605	22,996	76,346	2,259
Office of Property Assessment	14,216	14,714	13,935	779	13,435	500
Law	15,835	16,066	15,463	603	14,801	662
Board of Ethics	1,075	1,099	926	173	974	(48)
City Planning Commission	-	-	-	-	-	-
Commission on Human Relations	2,202	2,297	2,127	170	2,080	47
Arts & Culture	4,173	4,336	4,310	26	4,133	177
Board of Revision of Taxes	1,047	1,071	978	93	953	25
Department of Planning & Development	12,812	12,974	12,482	492	8,216	4,266
Total General Government	212,999	220,735	189,812	30,923	179,042	10,770
Operation of Service Departments						
Housing	-	-	-	-	-	-
Managing Director	97,009	103,423	96,879	6,544	92,087	4,792
Police	709,493	732,395	727,905	4,490	712,745	15,160
Streets	141,981	161,609	159,471	2,138	152,551	6,920
Fire	277,613	309,672	309,672	-	268,563	41,109
Public Health	156,634	158,740	142,684	16,056	135,237	7,447
Office-Behavioral Health/Mental Retardation	14,202	17,561	17,115	446	14,684	2,431
Parks and Recreation	66,062	68,937	67,144	1,793	64,066	3,078
Atwater Kent Museum	250	250	250	-	307	(57)
Public Property	199,956	201,315	202,181	(866)	191,157	11,024
Department of Human Services	112,074	112,267	107,447	4,820	108,623	(1,176)
Philadelphia Prisons	249,372	250,978	237,043	13,935	258,968	(21,925)
Office of Supportive Housing	52,761	56,842	56,770	72	48,017	8,753
Office of Fleet Management	63,860	64,636	64,304	332	64,424	(120)
Licenses and Inspections	37,508	38,278	38,312	(34)	35,400	2,912
Board of L & I Review	173	173	140	33	153	(13)
Board of Building Standards	75	84	84	-	67	17
Zoning Board of Adjustment	-	-	-	-	-	-
Records	4,768	4,827	4,382	445	4,430	(48)
Philadelphia Historical Commission	-	-	-	-	-	-
Art Museum	2,550	2,550	2,550	-	2,551	(1)
Philadelphia Free Library	41,287	42,596	42,596	-	41,795	801
Total Operations of Service Departments	2,227,628	2,327,133	2,276,929	50,204	2,195,825	81,104
Financial Management						
Office of Director of Finance	71,368	74,061	38,298	35,763	43,766	(5,468)
Department of Revenue	30,708	31,580	31,623	(43)	29,308	2,315
Sinking Fund Commission	295,032	295,032	256,996	38,036	265,504	(8,508)
Procurement	4,939	5,014	5,026	(12)	4,790	236
City Treasurer	1,692	1,726	1,652	74	1,177	475
Audit of City Operations	8,893	9,210	9,051	159	8,762	289
Total Financial Management	412,632	416,623	342,646	73,977	353,307	(10,661)

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, 2019 (with comparative actual amounts for the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2019 Actual	Positive (Negative)	FY 2018 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,360,238	1,378,648	1,371,075	7,573	1,313,982	57,093
Community College of Philadelphia	30,409	30,409	30,409	-	30,409	-
Hero Award	25	25	-	25	2	(2)
Refunds	250	250	19	231	10	9
Indemnities	48,780	64	-	64	-	-
Office of Risk Management	3,278	3,308	3,230	78	3,094	136
Witness Fees	172	172	99	73	86	13
Payments to Capital	8,367	72,129	72,129	-	-	72,129
Payments to Housing Trust	-	29,131	29,131	-	-	29,131
Payments to Budget Stabilization	-	20,000	20,000	-	-	20,000
Contribution to School District	180,871	185,771	180,871	4,900	104,348	76,523
Total City-Wide Under Director of Finance	1,632,390	1,719,907	1,706,963	12,944	1,451,931	255,032
Promotion and Public Relations						
City Representative	1,158	1,223	1,034	189	1,117	(83)
Commerce	23,411	43,659	43,583	76	23,436	20,147
Total Promotion and Public Relations	24,569	44,882	44,617	265	24,553	20,064
Personnel						
Civic Service Commission	16,645	202	199	3	193	6
Personnel Director	6,344	6,559	5,695	864	5,627	68
Total Personnel	22,989	6,761	5,894	867	5,820	74
Administration of Justice						
Register of Wills	4,439	4,483	4,369	114	4,127	242
District Attorney	41,792	44,694	42,281	2,413	35,520	6,761
Sheriff	26,151	29,153	29,153	-	28,432	721
First Judicial District	108,189	111,870	112,102	(232)	113,018	(916)
Total Administration of Justice	180,571	190,200	187,905	2,295	181,097	6,808
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,367	1,367	1,136	231	1,154	(18)
Conduct of Elections						
City Commissioners	10,351	16,492	16,487	5	10,125	6,362
Total Obligations	4,725,496	4,944,100	4,772,389	171,711	4,402,854	369,535
Operating Surplus (Deficit) for the Year	(108,587)	(201,991)	47,888	249,879	153,208	(105,320)

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, 2019 (with comparative actual amounts for the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2019 Actual	Positive (Negative)	FY 2018 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	598,242	588,943	600,287	11,344	595,768	4,519
Sales and Charges - Prior Years	34,796	34,796	38,949	4,153	39,426	(477)
Fire Service Connections	3,474	3,474	3,598	124	3,169	429
Surcharges	4,101	4,101	4,699	598	5,628	(929)
Fines and Penalties	234	234	279	45	312	(33)
Miscellaneous Charges	2,009	2,009	2,113	104	2,103	10
Charges to Other Municipalities	37,445	38,498	39,515	1,017	37,428	2,087
Licenses and Permits	2,520	4,640	6,500	1,860	5,525	975
Interest Income	450	450	3,724	3,274	1,509	2,215
Fleet Management - Sale of Vehicles & Equipment	300	80	18	(62)	85	(67)
Contributions from Sinking Fund Reserve	12,000	12,000	-	(12,000)	19,000	(19,000)
Reimbursement of Expenditures	438	197	200	3	789	(589)
Repair Loan Program	3,300	3,300	4,365	1,065	4,040	325
Other	902	902	955	53	859	96
Total Locally Generated Non-Tax Revenue	700,211	693,624	705,202	11,578	715,641	(10,439)
Revenue from Other Governments						
State	1,000	1,000	698	(302)	569	129
Federal	-	-	-	-	-	-
Total Revenue from Other Governments	1,000	1,000	698	(302)	569	129
Revenue from Other Funds	113,497	121,057	39,967	(81,090)	58,490	(18,523)
Total Revenues	814,708	815,681	745,867	(69,814)	774,700	(28,833)
Obligations						
Mayor's Office of Information Services	31,967	32,204	23,718	8,486	22,069	1,649
Managing Director's Office	139	139	139	-	138	1
Public Property	4,266	4,266	4,266	-	4,257	9
Office of Fleet Management	8,826	8,847	7,434	1,413	7,414	20
Water Department	419,221	419,044	396,581	22,463	383,132	13,449
Office of the Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	75,970	78,857	78,857	-	76,957	1,900
Other Employee Benefits	62,170	60,232	54,912	5,320	56,887	(1,975)
Contributions, Indemnities and Taxes	8,500	5,194	-	5,194	-	-
Advances, Subsidies, Miscellaneous			-	-	-	-
Department of Revenue	16,665	16,852	15,816	1,036	15,469	347
Sinking Fund Commission	212,991	212,992	190,908	22,084	237,248	(46,340)
Procurement Department	93	93	90	3	84	6
Law	3,241	3,304	3,303	1	2,879	424
Mayor's Office of Sustainability	94	94	94	-	94	-
Water, Sewer and Stormwater Rate Board	565	565	170	395	485	(315)
Total Obligations	844,708	842,683	776,288	66,395	807,113	(30,825)
Operating Surplus (Deficit) for the Year	(30,000)	(27,002)	(30,421)	(3,419)	(32,413)	1,992

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, 2019 (with comparative actual amounts for the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts Original	Budgeted Amounts Final	FY 2019 Actual	Final Budget to Actual Positive (Negative)	FY 2018 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	55,032	55,032	62,350	7,318	51,848	10,502
Space Rentals	161,362	162,050	143,837	(18,213)	146,369	(2,532)
Landing Fees	97,531	97,531	91,839	(5,692)	77,218	14,621
Parking	42,000	42,000	37,426	(4,574)	66,211	(28,785)
Car Rentals	23,646	23,646	19,761	(3,885)	18,985	776
Payment in Aid - Terminal Building	-	-	-	-	-	-
Interest Earnings	1,000	1,000	3,334	2,334	2,197	1,137
Sale of Utilities	4,342	4,342	2,773	(1,569)	2,543	230
Passenger Facility Charge	33,075	33,075	31,189	(1,886)	31,201	(12)
Overseas Terminal Facility Charges	25	25	9	(16)	13	(4)
International Terminal Charge	36,615	36,615	40,941	4,326	35,115	5,826
Other	4,937	4,244	22,184	17,940	3,445	18,739
Total Locally Generated Non-Tax Revenue	459,565	459,560	455,643	(3,917)	435,145	20,498
Revenue from Other Governments						
State	-	-	-	-	-	-
Federal	2,695	2,695	1,061	(1,634)	2,220	(1,159)
Total Revenue from Other Governments	2,695	2,695	1,061	(1,634)	2,220	(1,159)
Revenue from Other Funds	1,320	1,420	1,409	(11)	1,442	(33)
Total Revenue	463,580	463,675	458,113	(5,562)	438,807	19,306
Obligations						
Mayor's Office of Information Services	2,163	2,173	1,368	805	1,122	246
Managing Director	-	-	-	-	-	-
Police	17,132	17,132	16,998	134	16,592	406
Fire	8,355	8,952	8,929	23	7,790	1,139
Public Property	26,900	26,900	19,808	7,092	19,640	168
Office of Fleet Management	8,396	8,401	7,218	1,183	6,151	1,067
Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	37,710	38,251	38,229	22	35,103	3,126
Other Employee Benefits	26,240	26,064	24,483	1,581	22,724	1,759
Purchase of Services	4,146	4,146	2,672	1,474	2,507	165
Contributions, Indemnities and Taxes	2,512	2,512	-	2,512	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Sinking Fund Commission	163,802	163,802	133,410	30,392	109,055	24,355
Procurement	-	-	-	-	-	-
Commerce	199,800	200,589	182,047	18,542	158,275	23,772
Law	1,564	1,607	1,604	3	1,474	130
Mayor's Office of Transportation	-	-	-	-	-	-
Mayor's Office of Sustainability	94	94	94	-	94	-
Total Obligations	498,814	500,623	436,860	63,763	380,527	56,333
Operating Surplus (Deficit) for the Year	(35,234)	(36,948)	21,253	58,201	58,280	(37,027)

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.

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the wage and earnings tax. Property tax information is also presented.

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

Demographic & Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These tables contain service and infrastructure information data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

City of Philadelphia

Table 1

Net Position by Component
For the Fiscal Years 2010 Through 2019

Amounts in millions of USD

(full accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	(59.3)	(47.5)	83.9	232.5	176.8	1,040.8	955.2	1,006.6	645.2	738.6
Restricted	705.1	789.5	621.8	586.8	630.3	576.5	625.1	553.8	793.2	867.9
Unrestricted	(2,421.9)	(2,495.5)	(2,478.2)	(2,588.9)	(2,771.8)	(7,880.6)	(7,904.4)	(7,767.3)	(8,709.9)	(8,516.9)
Total Governmental Activities Net Position	(1,776.1)	(1,753.5)	(1,772.5)	(1,769.6)	(1,964.7)	(6,263.3)	(6,324.1)	(6,206.9)	(7,271.5)	(6,910.4)
Business-Type Activities										
Net Investment in Capital Assets	831.8	845.1	887.8	982.5	1,007.4	1,088.1	1,323.7	1,330.5	1,402.0	1,437.6
Restricted	489.3	550.6	591.8	628.9	685.5	766.0	650.5	692.5	762.6	835.5
Unrestricted	257.3	234.3	257.9	173.4	200.7	(278.5)	(279.3)	(251.9)	(423.0)	(391.6)
Total Business-Type Activities Net Position	1,578.4	1,630.0	1,737.5	1,784.8	1,893.6	1,575.6	1,694.9	1,771.1	1,741.6	1,881.5
Primary Government										
Net Investment in Capital Assets	772.5	797.6	971.7	1,215.0	1,184.2	2,128.9	2,278.9	2,337.1	2,047.2	2,176.2
Restricted	1,194.4	1,340.1	1,213.6	1,215.7	1,315.8	1,342.5	1,275.6	1,246.3	1,555.8	1,703.4
Unrestricted	(2,164.6)	(2,261.2)	(2,220.3)	(2,415.5)	(2,571.1)	(8,159.1)	(8,183.7)	(8,019.2)	(9,132.9)	(8,908.5)
Total Primary Government Net Position	(197.7)	(123.5)	(35.0)	15.2	(71.1)	(4,687.7)	(4,629.2)	(4,435.8)	(5,529.9)	(5,028.9)

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2010 Through 2019

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
Economic Development	145.0	92.2	96.5	94.2	95.1	97.4	115.3	111.4	113.7	109.7
Transportation:										
Streets & Highways	129.4	136.3	115.6	112.9	143.9	122.4	136.8	122.8	148.1	159.1
Mass Transit	82.7	75.2	74.0	71.0	72.1	76.2	76.1	84.3	86.4	89.3
Judiciary and Law Enforcement:										
Police	990.5	1,048.1	1,094.2	1,087.9	1,262.7	1,098.7	1,232.4	1,198.8	1,282.0	1,277.3
Prisons	343.8	340.4	336.7	342.2	371.2	353.0	381.6	387.6	386.4	349.2
Courts	312.0	315.0	326.2	318.1	338.5	323.4	339.6	349.7	344.8	357.8
Conservation of Health:										
Emergency Medical Services	47.8	53.3	48.4	49.7	69.3	66.4	66.3	77.2	69.7	70.0
Health Services	1,446.7	1,524.6	1,500.1	1,464.9	1,519.1	1,420.5	1,579.1	1,613.6	1,661.9	1,650.4
Housing and Neighborhood Development	131.3	126.1	137.7	102.9	80.3	80.9	80.1	81.1	94.3	106.6
Cultural and Recreational										
Recreation	77.0	98.7	97.3	102.3	113.1	113.1	116.6	120.3	125.7	131.4
Parks	37.9	14.0	9.0	8.6	8.2	10.6	8.4	9.5	6.9	5.0
Libraries and Museums	79.0	75.7	80.8	76.1	84.5	84.3	88.8	90.4	96.4	109.4
Improvements to General Welfare:										
Social Services	718.8	718.4	675.5	625.3	657.5	687.8	688.7	733.8	732.0	727.4
Education	65.4	64.0	74.3	94.4	167.5	126.0	134.5	134.2	134.7	213.3
Inspections and Demolitions	23.4	30.1	26.5	38.0	43.3	41.7	65.3	45.4	54.3	56.7
Service to Property:										
Sanitation	142.7	143.0	153.2	136.7	153.1	151.1	157.0	161.1	160.0	153.7
Fire	266.0	285.9	292.2	296.8	386.6	350.8	370.7	373.4	410.6	469.2
General Management and Support	683.3	561.0	678.4	743.4	538.0	605.3	648.1	693.3	729.1	788.5
Interest on Long Term Debt	174.9	136.3	112.1	161.8	159.0	166.2	158.2	151.1	155.7	148.3
Total Governmental Activities Expenses	5,897.6	5,838.3	5,928.7	5,927.2	6,263.0	5,975.8	6,443.6	6,539.0	6,792.7	6,972.7
Business-Type Activities:										
Water and Sewer	502.5	520.2	490.8	513.4	543.5	550.2	569.0	601.8	631.1	685.8
Aviation	330.1	336.0	343.1	358.9	376.5	374.3	400.2	419.9	442.9	430.7
Industrial and Commercial Development	0.1	1.9	-	0.6	-	-	-	16.5	0.5	2.3
Total Business-Type Activities Expenses	832.7	858.1	833.9	872.9	920.0	924.5	969.2	1,038.2	1,074.5	1,118.8
Total Primary Government Expenses	6,730.3	6,696.4	6,762.6	6,800.1	7,183.0	6,900.3	7,412.8	7,577.2	7,867.2	8,091.6
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	0.1	-	1.1	2.6	0.1	0.1	0.1	-	-	-
Transportation:										
Streets & Highways	4.4	5.1	5.2	5.3	5.2	7.3	5.8	7.1	6.6	10.0
Mass Transit	0.5	0.6	1.3	1.9	1.9	2.1	2.2	2.2	2.5	2.7
Judiciary and Law Enforcement:										
Police	3.3	3.5	5.5	6.3	4.5	5.2	5.1	8.2	6.8	7.2
Prisons	0.5	0.5	0.9	0.7	0.4	0.4	0.3	0.3	0.5	1.7
Courts	53.4	45.6	60.6	59.9	50.3	51.6	50.3	53.6	56.5	55.6
Conservation of Health:										
Emergency Medical Services	36.8	34.7	27.5	33.3	36.3	36.2	45.7	65.0	51.9	16.8
Health Services	16.2	16.7	14.8	16.7	18.9	14.4	14.1	30.3	27.6	46.4
Housing and Neighborhood Development	20.8	23.1	28.6	23.5	16.7	20.1	18.1	27.2	21.0	23.2
Cultural and Recreational:										
Recreation	(0.1)	2.8	2.2	3.8	2.8	3.7	4.6	3.4	5.8	4.9
Parks	0.9	5.0	4.8	3.3	2.2	1.1	1.0	3.6	1.8	1.0
Libraries and Museums	0.9	1.8	1.2	1.0	2.0	1.1	1.2	1.4	1.9	1.5

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2010 Through 2019

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Improvements to General Welfare:										
Social Services	14.4	6.8	5.2	8.3	5.6	4.4	1.2	1.4	7.3	6.2
Education	-	-	-	0.1	-	-	-	-	-	-
Inspections and Demolitions	43.9	45.5	50.0	53.9	50.1	52.4	54.1	59.4	64.8	72.8
Service to Property:										
Sanitation	2.0	11.6	15.9	16.2	35.5	24.9	16.5	13.8	14.1	14.0
Fire	0.3	0.5	0.3	0.9	0.3	2.9	0.3	0.6	0.4	40.8
General Management and Support	127.9	136.6	139.7	134.2	177.7	150.2	158.3	159.5	160.1	151.0
Interest on Long Term Debt	-	9.2	0.3	-	0.2	0.2	0.2	-	-	0.2
Operating Grants and Contributions	2,050.4	2,223.5	2,102.1	1,986.4	1,967.3	2,011.2	2,090.9	2,199.5	2,262.9	2,215.2
Capital Grants and Contributions	46.9	32.1	43.2	48.9	35.3	60.1	61.8	22.2	27.3	20.5
Total Governmental Activities Program Revenues	2,423.5	2,605.2	2,510.4	2,407.2	2,413.3	2,449.6	2,531.8	2,658.7	2,719.8	2,691.7
Business-Type Activities:										
Charges for Services:										
Water and Sewer	552.4	558.5	598.3	608.7	638.6	675.9	670.0	714.7	726.4	745.3
Aviation	240.0	258.1	263.2	291.4	315.4	322.4	433.7	431.9	471.1	486.2
Industrial and Commercial Development	0.3	0.5	0.4	0.4	0.4	0.5	0.5	19.9	0.1	2.2
Operating Grants and Contributions	6.1	4.8	3.5	2.3	1.4	0.9	0.9	1.3	0.6	0.7
Capital Grants and Contributions	90.5	105.9	91.6	58.2	93.6	161.3	26.8	10.6	29.0	22.7
Total Business-Type Activities Program Revenues	889.3	927.8	957.0	961.0	1,049.4	1,161.0	1,131.9	1,178.4	1,227.2	1,257.1
Total Primary Government Revenues	3,312.8	3,533.0	3,467.4	3,368.2	3,462.7	3,610.6	3,663.7	3,837.1	3,947.0	3,948.8
Net (Expense)/Revenue										
Governmental Activities	(3,474.1)	(3,233.1)	(3,418.3)	(3,520.0)	(3,849.7)	(3,526.2)	(3,911.8)	(3,880.3)	(4,072.9)	(4,281.0)
Business-Type Activities	56.6	69.7	123.1	88.1	129.4	236.5	162.7	140.2	152.7	138.3
Total Primary Government Net Expense	(3,417.5)	(3,163.4)	(3,295.2)	(3,431.9)	(3,720.3)	(3,289.7)	(3,749.1)	(3,740.1)	(3,920.2)	(4,142.7)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	400.8	506.6	500.8	553.8	530.2	551.3	550.2	578.7	649.0	691.9
Wage & Earnings Taxes	1,448.5	1,504.6	1,551.7	1,598.7	1,639.8	1,737.2	1,816.8	1,920.7	2,027.8	2,114.7
Business Taxes	385.2	364.2	399.2	452.4	469.2	453.4	505.6	440.2	456.1	556.1
Other Taxes	578.3	645.8	663.6	706.0	735.8	666.7	733.5	817.6	947.7	984.1
Unrestricted Grants & Contributions	171.4	173.8	223.2	187.4	229.5	185.1	185.4	184.5	191.6	190.8
Interest & Investment Earnings	25.5	35.8	33.3	17.9	21.7	24.1	28.0	27.4	49.6	64.7
Special Items	-	-	-	-	-	-	-	-	(38.4)	-
Transfers	28.3	24.9	27.5	21.4	28.3	30.2	31.6	28.5	33.3	39.9
Total Governmental Activities	3,038.0	3,255.7	3,399.3	3,537.6	3,654.5	3,648.0	3,851.1	3,997.6	4,316.7	4,642.2
Business-Type Activities:										
Interest & Investment Earnings	7.7	6.9	9.0	12.7	5.3	4.1	8.3	11.4	23.6	47.8
Unrestricted Grants & Contributions	-	-	2.9	42.2	2.5	1.9	1.9	2.5	3.3	3.9
Transfers	(28.3)	(24.9)	(27.5)	(21.4)	(28.3)	(30.3)	(31.6)	(28.5)	(33.3)	(39.9)
Total Business-Type Activities	(20.6)	(18.0)	(15.6)	33.5	(20.5)	(24.3)	(21.4)	(14.6)	(6.2)	11.8
Total Primary Government	3,017.4	3,237.7	3,383.7	3,571.1	3,634.0	3,623.7	3,829.7	3,983.0	4,310.5	4,654.0
Change in Net Position										
Governmental Activities	(436.1)	22.6	(19.0)	17.6	(195.2)	121.8	(60.7)	117.3	243.8	361.0
Business-Type Activities	36.0	51.7	107.5	121.6	108.9	212.2	141.3	125.6	146.5	150.2
Total Primary Government	(400.1)	74.3	88.5	139.2	(86.3)	334.0	80.6	242.9	390.3	511.2

City of Philadelphia **Table 3**
Fund Balances
Governmental Funds
For the Fiscal Years 2010 Through 2019

Amounts in millions of USD

(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	2.3	2.3	2.3	2.3	2.0	2.0	1.7	1.7	-	-
Stadium Financing	0.6	0.3	0.5	2.1	3.8	4.3	0.6	0.6	-	-
Cultural & Commercial Corridor Project	30.8	19.2	15.3	12.2	11.6	10.6	7.4	2.7	1.5	1.2
Long Term Loan	-	-	-	79.7	68.2	56.7	44.8	33.1	21.8	10.8
Affordable Housing Project	-	-	-	-	-	-	-	-	44.3	27.3
Art Museum Project	-	-	-	-	-	-	-	-	11.4	6.3
Rebuild Project	-	-	-	-	-	-	-	-	-	82.9
Home Repair Program	-	-	-	-	-	-	-	-	-	39.2
Committed to:										
General Fund	87.9	-	-	-	-	-	-	-	-	-
Assigned to:	-	-	70.5	98.0	103.1	81.9	78.0	128.4	127.0	322.3
Unassigned:	(251.8)	(45.7)	-	90.0	23.0	-	-	23.7	195.0	125.8
Total General Fund:	(130.2)	(23.9)	88.6	284.4	211.7	155.5	132.5	190.1	401.0	615.8
All Other Governmental Funds										
Non-spendable:										
Permanent Fund (Principal)	-	2.6	2.6	2.8	3.2	3.5	3.1	3.4	3.5	3.5
Restricted for:										
Behavioral Health	171.0	250.1	230.7	233.7	188.6	199.6	220.1	262.3	279.4	314.3
Neighborhood Revitalization	73.1	61.3	51.6	34.2	30.6	29.6	0.0	0.1	0.2	0.2
Public Safety Emergency Phone System	40.4	36.9	29.6	24.5	27.5	35.2	40.8	31.5	31.2	34.1
Economic Development	-	6.6	10.3	7.2	6.8	11.8	12.3	13.7	13.9	15.2
Intergovernmental Financing	7.9	21.1	21.7	33.9	34.0	28.3	25.5	25.2	24.9	24.3
Intergovernmentally Financed Pgms		24.5	18.9	-	-	-	-	-	-	-
Streets & Highways	16.8	18.3	23.2	23.9	26.2	31.9	37.1	46.0	57.1	59.2
Housing & Neighborhood Development	-	10.5	10.5	15.0	16.6	18.5	20.8	30.6	33.3	65.7
Health Services	10.8	8.8	9.5	15.2	10.1	11.0	11.2	13.4	17.4	20.6
Debt Service	76.6	82.8	82.4	81.5	83.1	81.5	81.6	72.4	62.9	54.7
Capital Improvements	152.2	267.7	128.5	29.2	191.6	70.2	133.1	24.8	161.0	88.1
Trust Purposes	4.7	8.1	8.3	8.9	11.8	12.3	10.2	10.2	9.4	10.0
Parks & Recreation	-	0.3	0.4	0.4	0.4	0.6	0.8	0.9	1.2	1.4
Libraries & Museums	-	0.1	0.1	0.1	0.1	0.0	3.0	3.3	3.1	2.5
Stadium Financing	-	6.3	6.4	6.8	7.3	6.7	6.4	6.0	5.8	5.0
Committed to:										
Capital Improvements	37.9	-	-	-	-	-	-	-	-	-
Economic Development	6.5	-	-	-	-	-	-	-	-	-
Housing & Neighborhood Development	15.2	-	-	-	-	-	-	-	-	-
Debt Service	7.9	-	-	-	-	-	-	-	-	-
Trust Purposes	7.7	-	-	-	-	-	-	-	-	-
Intergovernmental Financing	36.2	-	-	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-
Prisons	-	3.6	4.2	4.4	3.5	3.2	2.9	3.4	3.5	3.4
Parks & Recreation	-	0.5	0.9	0.7	0.8	0.9	1.7	1.3	1.1	1.4
Assigned to:										
Behavioral Health	42.5	-	-	-	-	-	-	-	-	-
PICA Rebate Fund	7.5	-	-	-	-	-	-	-	-	-
PMA	0.2	-	-	-	-	-	-	-	-	-
Unassigned:										
Housing & Neighborhood Dev	(4.0)	(4.0)	(6.5)	(7.2)	(7.9)	(7.1)	(5.3)	(8.4)	(8.7)	(9.3)
Grants Revenue Fund	(39.0)	(34.3)	(175.1)	(217.1)	(273.3)	(213.0)	(322.5)	(294.3)	(288.5)	(317.7)
General Mgmt & Support	-	-	-	-	-	-	-	-	-	(0.3)
Total All Other Governmental Funds	672.1	771.7	458.1	298.1	360.7	324.7	282.7	245.9	411.6	376.2

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occured.

City of Philadelphia **Table 4**
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2010 Through 2019

Amounts in millions of USD

(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax Revenue	2,812.3	2,995.0	3,112.5	3,304.4	3,370.8	3,397.1	3,632.7	3,761.3	4,112.4	4,345.2
Locally Generated Non-Tax Revenue	302.7	370.6	336.5	348.6	387.1	376.6	367.3	400.5	417.1	448.0
Revenue from Other Governments	2,323.4	2,366.4	2,226.1	2,212.0	2,169.0	2,280.2	2,245.2	2,466.1	2,440.6	2,409.2
Other Revenues	33.1	25.8	27.5	27.9	20.2	16.9	19.6	18.6	20.7	16.5
Total Revenues	5,471.5	5,757.8	5,702.6	5,892.9	5,947.1	6,070.8	6,264.8	6,646.5	6,990.8	7,218.9
Expenditures										
Current Operating:										
Economic Development	135.1	82.6	88.9	85.9	83.7	82.5	101.1	100.5	104.2	102.0
Transportation:										
Streets & Highways	91.1	87.4	75.6	81.6	98.1	96.2	105.1	98.7	108.4	139.8
Mass Transit	65.2	67.1	67.7	66.5	67.5	71.7	76.1	79.9	82.0	84.9
Judiciary and Law Enforcement										
Police	882.7	955.9	1,020.0	1,089.4	1,164.9	1,104.6	1,162.5	1,169.7	1,237.6	1,256.9
Prisons	315.2	315.9	318.2	338.7	346.3	343.9	365.1	372.6	375.1	336.9
Courts	288.1	294.9	312.3	309.2	317.9	321.5	329.9	339.6	339.5	350.3
Conservation of Health:										
Emergency Medical Services	45.0	50.7	46.7	50.0	65.8	66.1	64.9	75.8	68.7	70.0
Health Services	1,436.5	1,514.8	1,492.7	1,464.6	1,510.3	1,419.8	1,573.1	1,608.3	1,656.5	1,646.4
Housing and Neighborhood										
Development	131.2	126.1	133.8	102.8	80.3	80.9	80.1	81.4	94.3	106.7
Cultural and Recreational										
Recreation	58.4	82.9	85.9	90.3	98.6	103.9	104.8	107.1	112.3	117.9
Parks	26.9	5.8	6.1	3.9	1.2	1.8	1.5	3.4	2.9	2.7
Libraries and Museums	68.8	68.7	71.9	72.0	74.9	79.1	81.4	84.4	91.9	100.3
Improvements to General Welfare:										
Social Services	699.7	701.8	674.3	624.3	655.3	687.8	687.1	731.7	730.6	726.7
Education	65.4	64.0	74.3	94.4	167.5	126.0	134.5	134.2	134.7	213.3
Inspections and Demolitions	27.3	34.8	32.2	45.8	40.8	41.5	64.0	44.5	53.1	56.3
Service to Property:										
Sanitation	130.6	133.9	146.2	137.2	144.8	146.9	152.4	154.3	153.5	150.3
Fire	237.6	258.1	267.8	295.9	344.2	346.4	355.0	353.5	399.4	471.8
General Management and Support	615.0	568.5	619.1	622.8	646.7	662.3	686.4	718.1	789.9	810.1
Capital Outlay	148.9	134.9	202.0	161.1	140.1	189.7	206.1	145.5	455.7	208.0
Debt Service:										
Principal	89.7	91.4	103.2	114.1	120.3	339.8	139.5	145.0	152.6	139.7
Interest	96.7	105.6	105.2	112.2	118.0	120.7	107.5	106.2	112.7	114.2
Bond Issuance Cost	23.5	2.2	1.6	4.4	5.0	7.2	3.3	3.2	3.9	3.4
Total Expenditures	5,678.6	5,748.0	5,945.7	5,967.1	6,292.2	6,440.3	6,581.4	6,657.6	7,259.5	7,208.6
Excess of Revenues Over (Under) Expenditures	(207.1)	9.8	(243.1)	(74.2)	(345.1)	(369.5)	(316.6)	(11.1)	(268.7)	10.3
Other Financing Sources (Uses)										
Issuance of Debt	207.0	139.1	12.6	299.8	293.8	30.0	191.6	-	314.1	119.5
Issuance of Refunding Debt	337.0	114.6	112.6	231.2	363.6	195.7	234.2	346.1	108.3	188.7
Bond Issuance Premium	24.3	5.0	16.6	0.8	31.4	21.3	53.9	40.7	60.2	33.5
Proceeds from Lease & Service Agreements	(1.0)	28.1	-	(252.7)	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	-	252.5	-
Payment to Refunded Bonds Escrow Agent	(504.0)	(117.6)	(127.3)	(190.5)	(382.2)	-	(259.6)	(383.5)	(123.1)	(212.5)
Transfers In	558.1	583.1	600.8	613.1	616.3	661.9	686.3	731.4	802.5	925.5
Transfers Out	(529.7)	(558.1)	(573.3)	(591.7)	(587.9)	(631.6)	(654.7)	(702.9)	(769.2)	(885.6)
Total Other Financing Sources (Uses)	91.7	194.2	42.0	110.0	335.0	277.3	251.7	31.8	645.3	169.1
Net Change in Fund Balances	(115.4)	204.0	(201.1)	35.8	(10.1)	(92.2)	(64.9)	20.7	376.6	179.4
Debt Service as a Percentage of Non-capital Expenditures	3.4%	3.5%	3.6%	3.9%	3.9%	7.4%	3.9%	3.9%	3.9%	3.6%

[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 **Table 5**

Comparative Schedule of Operations

Municipal Pension Fund

For the Fiscal Years 2010 through 2019

Amounts in millions of USD

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Additions:										
Contributions:										
Employee Contributions	51.6	52.7	50.0	49.6	53.7	58.7	67.1	73.6	83.3	99.1
Employer's:										
City of Philadelphia	297.4	455.8	539.8	763.7	533.4	556.1	629.4	678.8	756.1	772.6
Quasi-Governmental Agencies	15.1	14.2	16.2	18.1	19.8	21.1	30.8	27.4	25.9	25.2
Total Employer's Contributions	312.5	470.1	556.0	781.8	553.2	577.2	660.2	706.2	782.0	797.8
Total Contributions	364.1	522.8	606.0	831.4	606.9	635.9	727.3	779.8	865.3	896.9
Interest & Dividends	70.5	79.5	86.2	122.9	102.2	98.4	101.5	108.5	127.9	132.7
Net Gain (Decline) in Fair Value of Investments	381.2	618.5	(57.7)	213.9	585.4	(76.8)	(239.8)	462.9	318.2	176.6
(Less) Investment Expenses	0.0	0.0	(13.3)	(12.2)	(10.2)	(9.8)	(9.1)	(8.0)	(7.5)	(7.5)
Net Securities Lending Revenue	1.9	1.5	2.1	3.0	4.2	2.2	1.9	1.8	1.8	2.2
Securities Lending Unrealized Loss	0.0	0.0	(1.9)	118.0	0.0	0.0	0.0	0.0	0.0	0.0
(Less) Securities Lending Expenses	0.0	0.0	(0.9)	(0.3)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net Investment Income (Loss)	453.6	699.5	14.5	445.3	681.0	13.7	(145.8)	564.9	440.1	303.7
Miscellaneous Operating Revenue	0.7	1.4	0.0	0.5	0.5	0.1	0.1	1.8	0.2	0.1
Total Additions	818.4	1,223.7	620.5	1,277.2	1,288.4	649.7	581.6	1,346.5	1,305.6	1,200.7
Deductions:										
Pension Benefits	680.1	681.9	706.2	740.7	802.6	876.4	882.0	813.3	819.8	832.4
Refunds to Members	4.5	5.1	6.5	5.7	6.0	5.3	7.4	8.2	8.5	10.0
Administrative Costs	8.1	8.0	0.0	8.2	8.3	10.4	8.4	8.8	10.0	11.1
Other Operating Expenses	0.0	0.0	15.2	0.2	0.0	0.1	0.1	0.1	0.1	0.1
Total Deductions	692.7	695.0	727.9	754.8	816.9	892.1	897.9	830.4	838.4	853.6
Net Increase (Decrease)	125.7	528.7	(107.4)	522.4	471.5	(242.4)	(316.3)	516.1	467.2	347.1
Net Assets: Adjusted Opening	3,375.9	3,501.6	4,030.2	3,922.8	4,445.2	4,916.7	4,674.3	4,358.0	4,874.1	5,341.3
Closing	3,501.6	4,030.2	3,922.8	4,445.2	4,916.7	4,674.3	4,358.0	4,874.1	5,341.3	5,688.4
Ratios:										
Pension Benefits Paid as a Percent of										
Net Members Contributions	1443.95%	1432.56%	1623.45%	1687.24%	1682.60%	1640.28%	1477.39%	1243.58%	1095.99%	934.23%
Closing Net Assets	19.42%	16.92%	18.00%	16.66%	16.32%	18.75%	20.24%	16.69%	15.35%	14.63%
Coverage of Additions over Deductions	118.15%	176.07%	85.25%	169.21%	157.72%	72.83%	64.77%	162.15%	155.73%	140.66%
Investment Earnings as % of Pension Benefits	66.70%	102.58%	2.05%	60.12%	84.85%	1.56%	-16.53%	69.46%	53.68%	36.48%

City of Philadelphia

Table 6

Wage and Earnings Tax Taxable Income
For the Calendar Years 2009 Through 2018

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1]	Taxable Income	% of Total	Direct Rate [1]	Total Taxable Income	Total Direct Rate
2009	21,805.5	57.38%	3.92980%	16,197.3	42.62%	3.49985%	38,002.8	3.74655%
2010	22,170.8	57.02%	3.92880%	16,713.5	42.98%	3.49910%	38,884.3	3.74410%
2011	22,726.3	57.06%	3.92800%	17,102.2	42.94%	3.49850%	39,828.5	3.74357%
2012	23,461.6	57.26%	3.92800%	17,513.6	42.74%	3.49850%	40,975.2	3.74442%
2013	24,320.8	57.50%	3.92600%	17,974.3	42.50%	3.49675%	42,295.1	3.74358%
2014	25,602.1	57.70%	3.92200%	18,767.3	42.30%	3.49325%	44,369.4	3.74065%
2015	26,668.6	57.62%	3.91510%	19,611.3	42.38%	3.48715%	46,279.9	3.73375%
2016	28,609.5	58.69%	3.90530%	20,140.1	41.31%	3.47845%	48,749.6	3.72895%
2017	30,461.1	59.19%	3.89555%	21,005.2	40.81%	3.46975%	51,466.3	3.72177%
2018	32,160.1	59.87%	3.88580%	21,555.7	40.13%	3.46105%	53,715.8	3.71535%

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] From 2009 to 2010, the rate changed on January 1st & July 1st. Also, in 2013 to 2015, the rate changed on 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 2010 through 2019

Tax Classification	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Wage and Earnings Tax:										
[a] City Residents	3.9296% [b]	3.9280% [b]	3.9280% [b]	3.9280% [b]	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%
Non-City Residents	3.4997% [b]	3.4985% [b]	3.4985% [b]	3.4985% [b]	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%

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

Tax Classification	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
[d] **Real Property: (% on Assessed Valuation)**										
City	3.305%	4.123%	4.123%	4.462%	0.602%	0.602%	0.632%	0.632%	0.632%	0.632%
School District of Philadelphia	4.959%	4.959%	5.309%	5.309%	0.738%	0.738%	0.768%	0.768%	0.768%	0.768%
Total Real Property Tax	8.264%	9.082%	9.432%	9.771%	1.340%	1.340%	1.400%	1.400%	1.400%	1.400%
[e] Assessment Ratio	26.73%	28.05%	28.87%	28.68%	224.40%	213.95%	167.26%	167.14%	167.14%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.209%	2.548%	2.723%	2.802%	3.007%	2.867%	2.341%	2.340%	2.340%	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.

Tax Classification	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%	3.3%
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%	4.1%	4.1%	4.3%

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.

Tax Classification	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
[c] **Business Income and Receipts Taxes**										
(% on Gross Receipts)	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%
[f] (% on Net Income)	6.4500%	6.4500%	6.4500%	6.4500%	6.4300%	6.4100%	6.3900%	6.3500%	6.3000%	6.2500%

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

Tax Classification	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
[c] **Net Profits Tax:**										
[a] City Residents	3.9280%	3.9280%	3.9280%	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%	3.8712%
Non-City Residents	3.4985%	3.4985%	3.4985%	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%	3.4481%

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 2010 through 2019

Tax Classification	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales Tax										
City	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged									
Parking Lot Tax	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	22.5%	22.5%	22.5%	22.5%
	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	7.2%	8.2%	8.2%	8.2%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	8.2%	9.2%	9.2%	9.2%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
	Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other buildin located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.									
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration									

[a] Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

[b] Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 2011, from July 1 through December 31, 2010 the rates were 3.928 % and 3.4985%.

[c] Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

[d] Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

[e] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[f] 60% of the Net Income portion of the Business Income and Receipts Tax is allowed to be credited against the Net Profits Tax.

Principal Wage and Earnings Tax Remitters [1]
Current Calendar Year and Nine Years Ago

Amounts in millions of USD

Remittance Range	2018 # of Remitters (Employers)	2018 Total Amount Remitted	2018 Percentage of Total Remitted	2009 # of Remitters (Employers)	2009 Total Amount Remitted	2009 Percentage of Total Remitted
Greater then $10 million	19	$538.2	26.97%	13	$330.8	23.23%
Between $1 million & $10 million	207	495.1	24.81%	150	384.2	26.99%
Between $100,000 & $1 million	2,029	528.9	26.50%	1,471	380.0	26.69%
Between $10,000 & $100,000	11,000	327.8	16.43%	8,302	244.5	17.17%
Less then $10,000	44,040	105.7	5.29%	36,555	84.3	5.92%
Total	57,295	$1,995.7	100.00%	46,491	$1,423.8	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia

Table 9

Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2010 through 2019

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]	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)
2010	17,615	5,339		12,276		12,276	3.305%	26.73%	45,926	24.64%	49,821
2011	17,940	5,593		12,347		12,347	4.123%	28.05%	44,018	13.35%	92,487
2012	18,022	5,685		12,337		12,337	4.123%	28.87%	42,733	13.13%	93,960
2013	18,181	5,765		12,416		12,416	4.462%	28.68%	43,291	11.88%	104,512
2014	137,404	37,462	5,429	94,513	(2,590)	91,923	0.602%	224.40%	42,118	NA	NA
2015	136,341	37,223	6,411	92,707	(1,777)	90,930	0.602%	213.95%	43,331	NA	NA
2016	136,295	38,386	6,372	91,537	(1,369)	90,168	0.632%	167.26%	54,727	NA	NA
2017	136,682	38,552	6,389	91,741	105	91,846	0.632%	167.14%	54,889	NA	NA
2018	152,995	41,738	6,268	104,989	(811)	104,178	0.632%	167.14%	62,815	NA	NA
2019	164,672	42,767	6,349	115,556	(3,313)	112,243	0.632%	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

Taxpayer	2019 Assessment [1]	2019 Rank	2019 Percentage of Total Assessments	2010 Assessment [1]	2010 Rank	2010 Percentage of Total Assessments
Liberty Property Phila	347.7	1	0.30	-		-
EQC Nine Penn Center Prop.	341.1	2	0.30	54.1	3	0.44
NG 1500 Market St. LLC	339.7	3	0.29	48.0	4	0.39
Phila Liberty Pla E Lp	305.1	4	0.26	54.4	2	0.44
Park Towne Place Assoc.	302.6	5	0.26	-		-
Commerce Square Partners	258.0	6	0.22	33.3	8	0.27
Maguire/Thomas Partners	244.7	7	0.21	33.9	7	0.28
Philadelphia Market Street	244.2	8	0.21	28.8	10	0.23
Brandywine Operating	229.0	9	0.20	40.6	5	0.33
401 North Broad Fee Inter.	223.1	10	0.19	-		-
Franklin Mills Associates	-	-	-	57.6	1	0.47
PRU 1901 Market LLC	-	-	-	35.2	6	0.29
Phila Shipyard Development Corp	-			30.3	9	0.25
	2,835.2		2.45	416.2		3.39
Taxable Assessments (before Homestead) [2]	121,904.6		100.00	12,276.3		100.00
Less Homestead Exemption [2]	6,349.1			0.0		
Total Taxable Assessments	115,555.5			12,276.3		

[1] Source: Office of Property Assessment.

a) 2019 Assessment as of March 2018.

b) 2010 Assessment as of November 2009.

[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 2010 through 2019
General Fund

Table 11

Amounts in millions of USD

Calendar Year	Taxes Levied for the Year **1	Taxes Levied Based on Adjusted Assessment **2	Collected in the Calendar Year of Levy **3	Percentage Collected in the Calendar Year of Levy **5	Collected in Subsequent Years **4	Total Collected to Date: All Years	Percentage Collected to Date: All Years **5
2010	405.8	NA	353.7	87.2%	38.0	391.7	96.5%
2011	509.1	NA	440.9	86.6%	47.3	488.2	95.9%
2012	508.6	490.9	459.2	93.5%	25.8	485.0	98.8%
2013	554.0	537.3	505.6	94.1%	27.3	532.9	99.2%
2014	553.2	514.3	482.1	93.7%	29.1	511.2	99.4%
2015	547.4	516.7	489.1	94.7%	25.9	515.0	99.7%
2016	569.9	548.8	525.2	95.7%	19.5	544.7	99.3%
2017	580.5	564.7	542.9	96.1%	16.5	559.4	99.1%
2018	658.1	629.2	604.4	96.1%	8.7	613.2	97.5%
2019	709.4	690.8	636.5	NA	NA	636.5	NA

**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 2019, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections through the end of June 2019.

**4 Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount that remains unpaid at that time.

Note that all amounts in this table pertain to the General Fund only and do not include amounts levied and collected for the school district.
The collection percentages for the school district are the same as for the General Fund.

**5 For calendar years 2010 to 2011, "percentage collected in the calendar year of levy" and "percentage collected to date: all years" are based on "taxes levied for the year", since "taxes levied based on adjusted assessment" data is unavailable for these years. For calendar year 2019, data is unavailable for "percentage collected in the calendar year of levy" and "percentage collected to date: all years", since collections in the calendar year does not include the full 12 months; it includes collections through the end of June 2019.

City of Philadelphia

Table 12

Ratios of Outstanding Debt by Type
For the Fiscal Years 2010 through 2019

Amounts in millions of USD (except per capita)

	Governmental Activities										
Fiscal Year	General Obligation Bonds	Capital Leases	Pension Service Agreement	City Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	PAID School District	Affordable Housing Project
2010	2,085.1	31.1	1,428.3	-	254.8	44.9	319.6	8.5	129.9	-	-
2011	2,135.0	51.7	1,407.3	-	247.8	43.4	314.9	8.1	126.4	-	-
2012	2,041.1	40.6	1,379.3	-	240.3	41.9	310.0	7.7	122.8	-	-
2013	1,968.7	28.9	1,171.3	423.3	234.1	41.8	313.0	7.7	119.9	-	-
2014	2,139.7	16.9	1,121.4	299.8	225.5	39.6	300.6	7.2	116.0	27.3	-
2015	1,996.0	12.9	1,063.2	299.8	216.4	37.3	291.9	6.7	111.8	43.3	-
2016	2,073.6	8.8	997.5	299.8	205.8	34.9	277.2	6.7	108.5	29.1	-
2017	1,953.1	4.4	927.2	299.8	195.8	32.4	263.6	6.0	102.2	14.7	-
2018	2,078.4	249.3	852.3	299.8	185.3	30.4	248.9	5.3	96.3	-	60.2
2019	1,927.2	244.2	772.3	299.8	213.3	27.1	234.3	4.6	90.4	-	57.7

	Governmental Activities			Business-Type Activities				Ratios			
Fiscal Year	Museum of Arts	PAID Rebuild Project	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Population (1)	Per Capita
2010	-	-	4,302.2	2.2	1,574.9	1,213.9	2,791.0	7,093.2	13.12%	1,547,297	4,584
2011	-	-	4,334.6	1.0	1,738.2	1,450.8	3,190.0	7,524.6	13.21%	1,526,006	4,931
2012	-	-	4,183.7	-	1,819.9	1,383.1	3,203.0	7,386.7	11.79%	1,538,567	4,801
2013	-	-	4,308.7	-	1,830.4	1,355.4	3,185.8	7,494.5	11.68%	1,547,607	4,843
2014	-	-	4,294.0	-	1,935.3	1,291.7	3,227.0	7,521.0	11.49%	1,553,165	4,842
2015	-	-	4,079.3	-	2,110.8	1,225.3	3,336.1	7,415.4	11.15%	1,560,297	4,753
2016	-	-	4,041.9	-	1,967.1	1,160.9	3,128.0	7,169.9	9.20%	1,567,442	4,574
2017	-	-	3,799.2	-	2,152.5	1,218.5	3,371.0	7,170.2	8.86%	1,567,872	4,573
2018	11.5	-	4,117.7	-	1,993.2	1,625.4	3,618.6	7,736.3	8.78%	1,580,863	4,894
2019	11.0	87.2	3,969.1	-	2,175.8	1,651.1	3,826.9	7,796.0	8.83%	1,584,138	4,921

(1) See Table 17 for Personal Income and Population Amounts

City of Philadelphia

Table 13

Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2010 through 2019

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]
2010	2,085.1	12,276.3	26.73%	45,927.0	4.54%	1,366.38
2011	2,135.0	12,347.1	28.05%	44,018.2	4.85%	1,387.65
2012	2,041.1	12,337.0	28.87%	42,732.9	4.78%	1,318.87
2013	1,968.7	12,416.0	28.68%	43,291.5	4.55%	1,267.54
2014	2,139.7	94,513.0	224.40%	42,118.1	5.08%	1,371.34
2015	1,996.0	92,707.0	213.95%	43,331.2	4.61%	1,273.41
2016	2,073.6	91,536.5	167.26%	54,727.1	3.79%	1,322.56
2017	1,953.1	91,741.2	167.14%	54,888.8	3.56%	1,235.46
2018	2078.4	104,988.9	167.14%	62,814.9	3.31%	1,312.01
2019	1927.2	115,555.5	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

Direct and Overlapping Governmental Activities Debt
June 30, 2019

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	3,182.4	100.00%	3,182.4
[1] **City Direct Debt**			3,969.1
Total Direct and Overlapping Debt			7,151.5

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 2010 through 2019

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2019

Assessed Value		70,622.5
Debt Limit		9,534.0
[1] Debt Applicable to Limit:		
Tax Supported General Obligation Debt:		
Issued & Outstanding		1,507.6
Authorized but Unissued		623.2
	Total	2,130.8
Less: Amount set aside for repayment of general obligation debt		-
Total Net Debt Applicable to Limit		2,130.8
Legal Debt Margin		7,403.2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit (notes 2, 3, 4, and 5)	1,523.4	1,571.9	1,622.3	1,670.0	3,011.1	4,288.7	5,454.0	6,629.5	8,001.0	9,534.0
Total Net Debt Applicable to Limit	1,407.0	1,474.6	1,542.5	1,617.9	1,673.4	1,751.0	1,841.4	1,952.0	2,051.3	2,130.8
Legal Debt Margin	116.4	97.3	79.8	52.1	1,337.7	2,537.7	3,612.6	4,677.5	5,949.7	7,403.2
Total Net Debt Applicable to the Limit as a Percent of Total Debt	92.36%	93.81%	95.08%	96.88%	55.57%	40.83%	33.76%	29.44%	25.64%	22.35%

[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 2010-2013 assessed values were provided by OPA via The Department of Revenue..

[4] Calendar Year 2013/Tax Year 2014 assessed values were provided by OPA. The higher amount was due to the implementation of the AVI (Actual Value Initiative) in 2013.

[5] Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the proceeding 10 year average; prior to this change, the Tax Year assessed values was used.

Calendar Year [4] of assessment	Tax Year of [3,4] assessment	R.E. Assessments
2009	2010	13,102,186,291
2010	2011	13,522,847,116
2011	2012	13,602,484,741
2012	2013	13,755,670,566
2013	2014	107,209,023,547
2014	2015	106,062,882,977
2015	2016	98,268,051,621
2016	2017	99,343,238,214
2017	2018	114,493,581,457
2018	2019	126,865,207,235
	Ten Year average	70,622,517,377
	Limit per art. 9	13.50%
	Legal Debt Limit	9,534,039,846

City of Philadelphia **Table 16**

Pledged Revenue Coverage

For the Fiscal Years 2010 through 2019

Amounts in millions of USD

No.		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	566.7	589.7	613.3	638.4	680.4	-	-	-	-	-
1a	Total Revenue	-	-	-	-	-	676.8	678.9	720.6	750.1	741.6
2	Net Operating Expenses	334.0	357.7	375.1	399.3	410.8	422.3	433.0	480.3	506.2	522.4
2a	Commitments Cancelled (formally Beg. Fund Bal.)	-	-	-	-	-	(19.4)	(24.1)	(24.6)	(32.4)	(30.4)
3	Transfer To (From) Rate Stabilization Fund	(2.7)	10.9	8.5	(4.7)	22.9	21.4	(1.6)	(4.6)	(24.6)	(4.3)
4	Net Revenues	235.4	221.1	229.7	243.8	246.7	252.5	271.6	269.5	300.9	253.9
	Debt Service:										
5	Revenue Bonds Outstanding	195.7	184.3	191.4	201.0	201.7	205.3	219.3	206.1	218.4	190.9
6	Transfer to Escrow Account to Redeem Bonds	-	-	-	-	-	-	-	11.0	19.0	-
6a	Other Adjustments	-	-	-	-	-	-	(0.3)	(1.2)	(0.2)	-
7	Pennvest Loan	1.2	1.2	1.0	-	-	-	-	-	-	-
8	Total Debt Service	196.9	185.5	192.4	201.0	201.7	205.3	219.0	215.9	237.2	190.9
9	Net Revenue after Debt Service	38.5	35.6	37.3	42.8	45.0	47.2	52.6	53.6	63.7	63.0
10	Transfer to General Fund	2.3	-	1.1	0.6	-	-	-	-	-	-
11	Transfer to Capital Fund	17.3	18.1	18.9	19.4	20.2	20.7	21.5	22.3	34.8	24.9
12	Transfer to Residual Fund	18.9	17.5	17.3	22.8	24.8	26.5	31.1	31.3	28.9	38.1
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.21	1.22	1.23	1.24	1.31	1.38	1.33
	Coverage B (Line 4/(Line 5 + Line 11))	1.10	1.09	1.09	1.11	1.11	1.12	1.13	1.18	1.19	1.18
	Airport Revenue Bonds										
1	Fund Balance	55.1	77.6	65.9	69.3	66.5	66.3	71.2	87.9	107.8	126.8
2	Project Revenues	246.9	260.8	269.6	291.8	316.9	322.8	341.2	362.0	381.7	393.4
3	Passenger Facility Charges	33.1	32.4	31.6	31.2	31.2	31.2	31.2	33.7	31.2	31.2
4	Total Fund Balance and Revenue	335.1	370.8	367.1	392.3	414.6	420.3	443.6	483.6	520.7	551.4
5	Net Operating Expenses	102.9	98.1	99.0	110.7	117.3	126.0	132.1	136.5	151.0	161.2
6	Interdepartmental Charges	80.7	88.6	92.7	101.9	103.9	108.7	106.8	116.7	116.7	121.1
7	Total Expenses	183.6	186.7	191.7	212.6	221.2	234.7	238.9	253.2	267.7	282.3
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	232.2	272.7	268.1	281.6	297.3	294.3	311.5	347.1	369.7	390.2
9	All Bonds (Line 4-Line 7)	151.5	184.1	175.4	179.7	193.4	185.6	204.7	230.4	253.0	269.1
	Debt Service:										
10	Revenue Bonds	94.3	102.4	103.0	109.8	125.4	125.2	120.6	122.6	127.8	126.0
11	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
12	Total Debt Service	94.3	102.4	103.0	109.8	125.4	125.2	120.6	122.6	127.8	126.0
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.46	2.66	2.60	2.56	2.37	2.35	2.58	2.83	2.89	3.10
	Total Debt Service - Test "B" (Line 9/Line 12)	1.61	1.80	1.70	1.64	1.54	1.48	1.69	1.88	1.98	2.14

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.

Prior to FY 2015, Commitments Cancelled were included as part of Total Revenue and Beginning Fund Balance. Commitments Cancelled represent the liquidation of encumbrances. An encumbrance is an expense that is anticipated to be charged to the Water Fund. Beginning in FY 2015 these amounts were reclassified as contra-expenses and reported under Net Operating Expenses.

Prior to FY 2017, Water and Sewer Revenue Bonds Debt Service Coverage B was calculated as (Line4/(Line 8 + Line 11)).

City of Philadelphia

Table 17

Demographic and Economic Statistics

For the Calendar Years 2009 through 2018

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2009	1,547,297	54,061,223	34,939	9.6%
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%
2014	1,560,297	66,495,223	42,617	8.0%
2015	1,567,442	77,903,831	49,701	6.9%
2016	1,567,872	80,973,410	51,645	6.8%
2017	1,580,863	88,081,991	55,718	6.2%
2018	1,584,138	88,311,658	55,747	5.5%

[1] US Census Bureau

[2] US Department of Commerce, Bureau of Economic Analysis

[3] US Department of Labor, Bureau of Labor Statistics

City of Philadelphia

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2018	2009
ALBERT EINSTEIN MEDICAL	ALBERT EINSTEIN MEDICAL
CHILDRENS' HOSPITAL OF PH	CHILDRENS' HOSPITAL OF PH
CITY OF PHILA	CITY OF PHILA
COMCAST CABLEVISION OF WILLOW GROVE INC	HOSPITAL OF THE UNIVERSITY OF PENNSYLVAN
UNIVERSITY OF PENNA (hospital)	SCHOOL DIST OF PHILA
SCHOOL DIST OF PHILA	SEPTA
SEPTA	TEMPLE UNIVERSITY
TEMPLE UNIVERSITY	THOMAS JEFFERSON UNIVERSITY HOSPITALS
THOMAS JEFFERSON UNIVERSITY HOSPITALS	UNITED STATES POSTAL SERVICE
UNIVERSITY OF PENNA (college)	UNIVERSITY OF PENNSYLVANIA

City of Philadelphia

Full Time Employees by Function

For the Fiscal Years 2010 through 2019

Table 19

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Economic Development	25	27	28	31	29	33	43	39	47	69
Transportation:										
Streets & Highways	515	499	524	517	525	506	512	538	609	655
Mass Transit	7	9	13	15	15	12	12	1	1	1
Judiciary and Law Enforcement:										
Police	7,503	7,439	7,292	7,270	7,177	7,267	7,750	7,213	7,276	7,336
Prisons	2,268	2,173	2,150	2,245	2,257	2,286	2,280	2,257	2,208	2,084
Courts	3,215	3,225	3,249	3,260	3,234	3,255	3,276	3,367	3,317	3,364
Conservation of Health:										
Emergency Medical Services	329	341	338	375	494	576	534	592	416	467
Health Services	1,135	1,139	1,143	1,117	1,097	1,084	1,062	1,105	1,132	1,161
Housing and Neighborhood Development	96	94	83	75	72	74	66	67	73	71
Cultural and Recreational:										
Recreation	453	601	605	596	587	628	636	630	670	682
Parks	158	1	-	-						
Libraries and Museums	687	682	658	651	637	674	666	677	659	670
Improvements to General Welfare:										
Social Services	2,079	1,989	1,924	1,832	1,809	1,801	1,779	1,837	1,860	1,804
Inspections and Demolitions	223	214	230	286	288	319	323	336	378	421
Service to Property:										
Sanitation	1,157	1,185	1,154	1,152	1,158	1,155	1,159	1,153	1,094	1,179
Fire	1,820	1,838	1,700	1,705	1,643	1,719	1,871	1,896	2,036	2,187
General Management and Support	2,276	2,225	2,454	2,384	2,456	2,497	2,601	2,749	2,744	3,164
Total Governmental Activities	23,946	23,681	23,545	23,511	23,478	23,886	24,570	24,457	24,520	25,315
Business Type Activities:										
Water and Sewer	2,196	2,116	2,228	2,218	2,302	2,347	2,358	2,481	2,519	2,217
Aviation	1,001	1,010	1,021	1,057	1,040	1,021	1,032	1,035	1,056	1,071
Total Business-Type Activities	3,197	3,126	3,249	3,275	3,342	3,368	3,390	3,516	3,575	3,288
Fiduciary Activities:										
Pension Trust	66	65	61	53	50	55	56	56	60	56
Total Primary Government	27,209	26,872	26,855	26,839	26,870	27,309	28,016	28,029	28,155	28,659

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2010 through 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	69	36	37	51	34	40	43	56	77	95
Potholes Repaired	23,049	24,406	14,451	12,093	45,077	48,274	35,541	31,589	57,002	59,514
Judiciary and Law Enforcement:										
Police										
Arrests	64,465	73,310	70,971	71,109	71,650	71,661	55,693	46,268	45,531	42,444
Calls to 911	3,064,973	2,949,231	3,118,648	2,979,990	2,879,620	2,978,527	3,703,809	2,760,452	2,432,404	2,616,735
Prisons										
Average Inmate Population	8,806	7,935	8,240	8,987	8,759	8,254	7,685	6,925	6,158	4,815
Inmate Beds (city owned)	9,137	8,200	8,417	8,417	8,417	8,417	8,428	6,991	6,085	5,019
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	222,882	227,147	273,557	280,877	239,403	243,127	263,754	267,266	271,450	274,659
First Responder Runs	54,960	66,763	60,972	57,047	60,296	49,529	48,965	47,456	48,797	49,526
Health										
Patient Visits	350,695	339,032	348,472	341,305	309,911	290,000	72,479	336,445	335,937	350,948
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	1,388	2,714	1,978	2,442	873	1,634	2,501	2,579	2,120	1,351
Libraries										
Items borrowed	6,530,662	7,210,217	7,503,031	6,579,054	6,502,087	6,511,582	5,926,481	5,419,516	5,293,138	6,482,481
Visitors to all libraries	5,615,201	6,103,528	6,020,321	6,116,762	5,563,015	5,891,382	5,839,145	5,128,715	4,973,288	4,915,649
Visitors to library website	5,256,928	6,131,726	6,886,339	7,301,311	8,194,626	9,907,573	7,971,946	5,029,713	6,361,655	6,699,581
Improvements to General Welfare:										
Social Services										
Children Receiving Services	31,416	28,572	28,939	27,391	17,761	18,982	19,697	18,955	18,798	17,002
Children in Placement	8,792	7,122	7,839	8,509	8,548	7,809	8,463	8,782	8,731	8,230
Emergency Shelter Beds (average)	2,617	2,520	2,987	2,116	2,544	2,708	2,196	2,143	2,170	3,725
Transitional Housing Units (new placements)	487	510	558	539	509	509	517	415	284	728
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,412	2,254	2,299	2,179	2,132	2,139	2,270	2,311	2,310	2,475
Recyclables Collected (tons per day)	381	441	461	470	490	442	425	444	404	355
Fire										
Fires Handled	4,927	7,945	7,319	6,365	6,120	6,364	6,143	5,901	6,614	7,810
Fire Marshall Investigations	2,726	2,711	2,387	2,135	1,943	2,183	1,715	2,242	2,099	1,969
Business Type Activities:										
[2] **Water and Sewer**										
Millions of gallons of treated water	91,560	93,886	87,341	89,616	90,213	86,416	84,573	82,846	81,485	80,943
Percent of time Philadelphia's drinking water met or surpassed state & federal standards	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Miles of pipeline surveyed for leakage	1,133	995	1,137	962	775	637	682	1,022	742	747
Water main breaks repaired	664	962	563	755	918	907	703	655	977	754
Average time to repair a water main break upon crew arrival at site (hours)	7.8	7.7	7.7	5.8	6.2	5.7	6.8	6.7	6.5	6.7
Percent of hydrants available	99.58%	99.58%	99.70%	99.68%	99.68%	99.61%	99.60%	99.60%	99.57%	99.43%
Number of storm drains cleaned	72,802	71,771	84,395	100,251	94,653	103,056	98,105	107,784	103,535	103,053
[1] **Aviation**										
Passengers Handled (PIA)	30,469,899	31,225,470	30,612,150	30,358,905	30,539,430	30,601,985	31,336,138	29,641,556	30,553,378	32,244,112
Air Cargo Tons (PIA)	440,495	449,683	416,731	388,383	395,661	402,194	414,891	424,009	487,086	554,606
Aircraft Movements (PIA and NPA)	543,462	458,832	517,842	506,261	493,272	487,096	407,968	378,334	371,397	386,112

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

[2] In prior year Comprehensive Annual Financial Report (CAFR) , Philadelphia Water Department (PWD) reported the following metrics: new connections, the number of water main breaks, average and peak daily treated water delivered, average daily water sewage treatment

City of Philadelphia **Table 21**

Capital Assets Statistics by Function

For the Fiscal Years 2010 through 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Transportation:										
Streets & Highways										
[1] Total Miles of Streets	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,550	2,550
Streetlights	104,219	104,219	104,600	105,151	105,151	105,151	105,151	104,595	106,092	106,092
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	35	31	32	37	39	40	50	48	55	55
Prisons										
Major Correctional Facilities	6	6	6	6	6	6	6	6	5	4
Conservation of Health:										
Health Services										
Health Care Centers	9	9	9	9	9	9	8	8	8	8
Cultural and Recreational:										
Recreation										
[5] Recreation Centers	171	153	184	185	184	155	164	313	313	721
[2] Athletic Venues	914	1,148	1,102	1,101	1,107	1,108	1107	1030	1030	1129
[4] Neighborhood Parks and Squares	79	-	-	-	-	-	-	-	-	-
Parks										
Parks	63	150	177	177	177	209	209	211	211	405
Baseball/Softball Fields	79	407	404	404	403	403	404	412	404	414
Libraries										
Branch & Regional Libraries	54	54	54	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	63	63	68	68	68	69	63	69	67	73
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,236	3,164	3,172	3,174	3,176	3,176	3,187	3,184	3,185	3,183
Fire Hydrants	25,234	25,353	25,321	25,355	25,364	25,364	25,398	25,419	25,419	25,234
Treated Water Storage Capacity (x 1000 gallons)	1,065,400	1,065,400	1,065,400	1,065,400	1,065,400	1,065,000	1,065,000	1,065,000	950,000	950,000
Sanitary Sewers (miles)	751	758	759	762	762	762	763	765	766	767
Stormwater Conduits (miles)	721	731	734	738	737	737	740	747	744	752
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,065,400	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,059,000
[3] **Aviation**										
Passenger Gates (PIA)	120	126	126	126	126	126	126	126	126	126
Terminal Buildings (square footage) (PIA)	3,144,000	3,144,000	3,144,000	3,144,000	3,254,354	3,254,354	3,254,354	3,240,537	3,240,537	3,240,537
Runways (length in feet) (PIA & NPA)	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500

[1] Street System-83% city streets, 2% park streets, 15% state highways

[2] Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

[3] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.

[4] FPC and Recreation Dept were merged in FY2011, hence the category of Neighborhood Parks and Squares was eliminated.

[5] Includes playgrounds and spraygrounds

APPENDIX C

PROPOSED FORM OF APPROVING OPINION OF CO-BOND COUNSEL

September __, 2020

Re: $300,000,000 The City of Philadelphia, Pennsylvania
Tax and Revenue Anticipation Notes, Series A of 2020-2021

Ladies and Gentlemen:

We have served as Co-Bond Counsel in connection with the issuance by The City of Philadelphia, Pennsylvania (the "City") of $300,000,000 aggregate principal amount of its Tax and Revenue Anticipation Notes, Series A of 2020-2021 (the "Notes"). The Notes are issued pursuant to (i) the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6 of the General Assembly of the Commonwealth of Pennsylvania (the "Commonwealth"), approved June 5, 1991, as amended (the "Act"), and (ii) the Loan Authorization of the City duly adopted on September 1, 2020 (the "Loan Authorization") by not less than a majority of the Loan Committee, consisting of the Mayor, the City Controller and the City Solicitor. Certain matters relating to the Notes and the security therefor are set forth in the Trust Agreement dated the date hereof (the "Trust Agreement") between the City and U.S. Bank National Association, as trustee (the "Trustee"). The Notes are being issued pending receipt of current taxes and revenues for the account of the City's General Fund in the current fiscal year. Capitalized terms used but not defined herein have the meanings ascribed to such terms in the Trust Agreement.

As required by the Act and the Loan Authorization, the Notes are equally and ratably secured by a pledge of, security interest in, and a lien and charge on the taxes and revenues of the City specified in the Loan Authorization to be received for the account of the General Fund of the City from the date of issuance of the Notes until the earlier of (i) payment in full or provision for payment in full of the principal of and interest on the Notes, and (ii) June 30, 2021, as provided in the Loan Authorization. As further security for the Notes, the City has covenanted to irrevocably deposit in a trust fund established pursuant to the Loan Authorization with the Trustee (the "Note Fund"), to be held in trust by the Trustee for the benefit and security of the owners of the Notes, specified amounts at specified times, which deposits will be in the aggregate sufficient to pay the principal of and interest on the Notes when due.

The City has covenanted in the Loan Authorization that it will not directly or indirectly use or permit the use of any proceeds of the Notes or any other funds of the City, or take or omit to take any action that would cause the Notes to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the rules promulgated thereunder, and that it will comply with all requirements of Section 148 of the Code to the extent applicable to the Notes. The City has further covenanted that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the holders of the Notes of the interest on the Notes under Section 103 of the Code, and the regulations promulgated thereunder. An officer of the City has executed a certificate stating the reasonable expectations of the City on the date of issuance of the Notes as to future events that are material for purposes of Section 148 of the Code pertaining to arbitrage bonds. We have reviewed this certificate (the "Tax Certificate"), and in our opinion the Notes are not arbitrage bonds. The City is filing with the Internal Revenue Service a report of the issuance of the Notes as required by Section 149(e) of the Code as a condition of the exclusion from gross income of the interest on the Notes for federal income tax purposes. We have not undertaken to monitor compliance with respect to the aforesaid covenants or to advise any party as to changes in the law that may affect the exclusion of interest on the Notes from gross income for federal income tax purposes.

In our capacity as Co-Bond Counsel, we have examined such proceedings, documents, statutes and decisions, as we consider necessary as the basis for this opinion, including, *inter alia*, the applicable provisions of the Constitution of the Commonwealth (the "Pennsylvania Constitution"), the Act, original counterparts or certified copies of the Loan Authorization and the Trust Agreement, the opinion of the City Solicitor relating to the Notes dated this date, the Tax Certificate, the other documents listed in the closing index in respect of the Notes filed with the Trustee, and the fully executed and authenticated Notes.

In rendering this opinion, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon. We also have assumed that the Trust Agreement has been duly and validly authorized, executed and delivered by the Trustee. We also have relied upon the opinion of the City Solicitor of even date herewith as to the absence of any litigation or other challenge to any action taken by the City in connection with the authorization, issuance and sale of the Notes and other matters incident to, *inter alia*, the execution and the delivery by the City of the Notes and such other documentation as the City or officers thereof were required to execute and deliver in connection with the issuance of the Notes.

Based on the foregoing, it is our opinion that:

1. The Notes have been authorized, issued and sold by the City in compliance with the Act; the principal amount of the Notes does not exceed the limitation on amounts of tax and revenue anticipation notes imposed by the Act; the Notes do not constitute debt of the City subject to the limitations set forth in Article IX of the Pennsylvania Constitution; as required by the Act, the Notes have been secured by a pledge of, security interest in, and a lien and charge on the taxes and revenues of the City specified in the Loan Authorization to be received for the account of the General Fund of the City from the date of issuance of the Notes until the earlier of (i) payment or provision for payment in full of the principal of and interest on the Notes and (ii) June 30, 2021, and by the pledge of and security interest in the Note Fund granted to the Trustee for the benefit of the owners of the Notes; and the Notes are general obligations of the City, all as provided in the Act.

2. The Loan Authorization, the Trust Agreement and the Notes have been duly authorized, executed and delivered by the City and the Notes have been duly authenticated by the Trustee. The Loan Authorization, the Trust Agreement, and the Notes are valid and binding obligations of the City, enforceable in accordance with the terms and provisions thereof, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

3. Interest on the Notes 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 Notes, assuming the accuracy of the certifications of the City and continuing compliance by the City with the requirements of the Code. Interest on the Notes is not an item of tax preference for purposes of the federal alternative

minimum tax imposed on individuals. We express no opinion regarding other federal tax consequences of ownership or disposition of, or the accrual or receipt of interest on, the Notes.

In rendering this opinion, we have assumed compliance by the City with the covenants contained in the Loan Authorization and the Tax Certificate that are intended to comply with the requirements in the Code relating to actions to be taken by the City in respect of the Notes after the issuance thereof to the extent necessary to effect or maintain the federal exclusion from gross income of the interest on the Notes. Failure to comply with such covenants could cause the interest on the Notes to be includable in gross income retroactively to the date of issuance of the Notes.

4. The interest on the Notes is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax, under the laws of the Commonwealth as enacted and construed on the date of initial delivery of the Notes.

In providing this opinion, we advise you that it may be determined in the future that interest on the Notes, retroactive to the date of issuance thereof or prospectively, will not be excluded from the gross income of the owners of the Notes for federal income tax purposes if certain requirements of the Code are not met. The City has covenanted in the Loan Authorization and the Tax Certificate to comply with such requirements.

Purchasers of the Notes should consult their own tax advisors as to collateral state or federal income tax consequences. We express no opinion regarding state or federal tax consequences arising with respect to the Notes other than as expressly set forth in numbered paragraphs 3 and 4 hereof.

These opinions are rendered on the basis of the laws of the Commonwealth and, as to numbered paragraph 3 hereof only, federal law, in both instances as enacted and construed on the date hereof. We express no opinion as to, and we assume no responsibility for, any matter or information not set forth in the numbered paragraphs above including, without limitation, with respect to the accuracy, adequacy or completeness of, the Preliminary Official Statement or the Official Statement prepared in respect of the Notes, including, in both cases, the appendices thereto, and make no representation that we have independently verified any such matter or information.

Our opinions represent our legal judgment based upon our review of the law and the facts that we deem relevant to render each such opinion and are not a guarantee of a result.

This letter is furnished by us as Co-Bond Counsel to the City in connection with the issuance of the Notes. No attorney-client relationship has existed or exists between us and anyone other than the City in connection with the issuance of the Notes by virtue of this letter.

Very truly yours,

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of September 10, 2020, is entered into by and between The City of Philadelphia, Pennsylvania ("City") and Digital Assurance Certification, L.L.C., as dissemination agent ("Dissemination Agent"), in connection with the issuance and sale by the City of $300,000,000 aggregate principal amount of its Tax and Revenue Anticipation Notes, Series A of 2020-2021 (the "Notes"). The Notes are being issued pursuant to the Act and the Loan Authorization (collectively, the "Authorizing Acts"). Article IV of this Agreement contains definitions of certain capitalized terms used herein. All other capitalized terms used in this Agreement which are not otherwise defined herein shall have the meanings given to such terms in the Official Statement.

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) For the Fiscal Year ending June 30, 2020, the Disclosure Representative shall deliver to the Dissemination Agent no later than February 28, 2021, Annual Financial Information with respect to such Fiscal Year of the City. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with EMMA.

(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 Notes shall state whether the Notes 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 Notes shall include the CUSIP number of the Notes to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the City including the Notes, such Notice Event notice need only include the CUSIP number of the City.

(d) The Dissemination Agent shall promptly advise the City whenever, in the course of performing its duties as Dissemination Agent under this Agreement, the Dissemination Agent has actual 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, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, 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 (a) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (b) 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 Notes.

(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 Notes.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the same effect as set forth in clause (2) above, (4) the City shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the City (such as bond counsel or the Dissemination Agent), addressed to the City and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the Notes, and (5) the Disclosure Representative shall have delivered copies of such opinion(s) and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that performance by the City and the Dissemination Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to this Section 3.2 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 Notes, except that beneficial owners of Notes 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 Notes. 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 Notes pursuant to subsection (a) of this Section 3.3, beneficial owners shall be deemed to be holders of Notes for purposes of this subsection (b).

(c) Any failure by the City or the Dissemination Agent to perform in accordance with this Agreement shall not constitute a default under the Authorizing Acts, and the rights and remedies provided by the Authorizing Acts upon the occurrence of a default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the City's Comprehensive Annual Financial Report ("CAFR"), which contains the Audited Financial Statements, (ii) to the extent such information is not contained in the CAFR, the financial information or operating data with respect to the City, substantially similar to the types of information set forth in Tables 1-52 in APPENDIX A attached to the Official Statement (with the exception of Tables 19, 36, 37, and 48), and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. As set forth in clause (i) above, Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

Annual Financial Information shall be delivered at least annually pursuant to Section 1.2(a) hereof. In connection with Section 4.1(1), it is the City's intention to satisfy all or a portion of the obligations set forth therein by submitting to EMMA (A) its CAFR and (B) to the extent not otherwise updated in the CAFR, (1) an APPENDIX A that includes annual updates to the tables specified in clause (ii) above, or (2) if the City does not have such an APPENDIX A prepared, annual updates to the Tables specified in clause (ii) above. If at any time the City deletes, for purposes of a then-current APPENDIX A, certain financial information or operating data from APPENDIX A as attached to the Official Statement that is included in one of the tables specified above, such deleted information will be submitted separately from the updated APPENDIX A.

The descriptions contained in Section 4.1(1)(ii) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in each affected Annual Financial Information filing in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by Commonwealth law or the City Charter. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2 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 hereof shall include a reference to the specific federal or Commonwealth law or regulation describing such accounting principles, or other description thereof.

(3) "City Charter" means the Home Rule Charter authorized by the General Assembly in the First Class City Home Rule Act (Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City, as amended and supplemented.

(4) "Commonwealth" means the Commonwealth of Pennsylvania.

(5) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(6) "Disclosure Representative" means the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

(7) "Financial Obligation" means "financial obligation" as such term is defined in the Rule.

(8) "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.

(9) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, 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 Notes, 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 Notes, or other material events affecting the tax status of the Notes;

(vii) modifications to rights of Noteholders, if material;

(viii) calls of the Notes, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Notes, 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;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(11) "Official Statement" means the Official Statement dated September 1, 2020 of the City relating to the Notes.

(12) "Registered Owner" or "Registered Owners" means, for so long as the Notes shall be registered in the name of the Securities Depository or its nominee, and includes, for the purposes of this Agreement, the owners of book-entry credits in the Notes evidencing an interest in the Notes; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Notes 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" means The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto.

(16) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(17) "Underwriters" means the financial institutions named on the cover of the Official Statement.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct in the performance of its duties hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its authorized officers, all as of the day and year first above written.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

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

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By:______________________________
Name:
Title:

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

General

The information set forth herein concerning The Depository Trust Company, New York, New York ("DTC") and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the City, the 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 Notes under a book-entry system with no physical distribution of the Notes made to the public. The Notes 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 certificate will be issued for the Notes and 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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.

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

Payments of principal of, and interest on, the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the 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 City, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, and interest on, the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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 NOTES (A) PAYMENTS OF PRINCIPAL OF, OR INTEREST ON, THE NOTES, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE NOTES, OR (C) NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE CITY, THE TRUSTEE, OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF, OR INTEREST ON, THE NOTES; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED TO BE GIVEN TO HOLDERS OR OWNERS OF THE NOTES; OR (E) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE NOTES.

Discontinuation of Book-Entry Only System

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

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

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THE CITY OF PHILADELPHIA, PENNSYLVANIA • TAX AND REVENUE ANTICIPATION NOTES, SERIES A OF 2020-2021

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Printed by: ImageMaster, LLC
www.imagemaster.com